



ANNUAL REPORT & ACCOUNTS

For the year ended
30 June 2017

Janus Henderson
— INVESTORS —

Henderson UK & Europe Funds

Who are Janus Henderson Investors?

Janus Henderson Investors exists to help clients achieve their long-term financial goals.

Formed in 2017 from the merger between Janus Capital Group and Henderson Group, we are committed to adding value through active management. For us, active is more than our investment approach – it is the way we translate ideas into action, how we communicate our views and the partnerships we build in order to create the best outcomes for clients.

We are proud to offer a highly diversified range of products, harnessing the intellectual capital of some of the industry's most innovative and formative thinkers. Our expertise encompasses the major asset classes, we have investment teams situated around the world and we serve intermediary, institutional and individual investors globally. As at 30 June 2017, we had approximately US\$344.9bn (£265.5bn) in assets under management, more than 2,000 employees and offices in 27 cities worldwide. Headquartered in London, we are an independent asset manager that is dual-listed on the New York Stock Exchange and the Australian Securities Exchange.

At Janus Henderson, we believe in the sharing of expert insight for better investment and business decisions. We call this ethos *Knowledge. Shared. Knowledge. Shared* is reflected both in how our investment teams interact and in our commitment to empowering clients in their decision-making. In our view, knowledge is powerful when it is shared.

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Authorised Corporate Director's (ACD) report

We are pleased to present the Annual Report and Accounts for Henderson UK & Europe Funds (the "Company") for the year ended 30 June 2017.

Authorised status

The Company is an open ended investment company (OEIC) with variable capital under regulation 12 (Authorisation) of the OEIC regulations, and was authorised by the Financial Conduct Authority on 21 June 2000. It is a UCITS scheme structured as an umbrella company, comprising twelve sub-funds ("funds"), that was launched on 31 August 2000. Each fund is operated as a distinct fund with its own portfolio of investments. Each fund has its own clear investment objective. The investment objective for each fund and the policy for achieving that objective is given in the 'Investment objective' section of each fund's report. The investment activity of each fund is given in the 'Activity' section of each fund's report. Shareholders are not liable for the debts of the company.

Fund liabilities

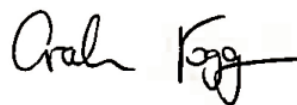
Each fund is treated as a separate entity, and is a segregated portfolio of assets and those assets can only be used to meet the liabilities of, or claims against, that fund.

Other information

Henderson Group plc and Janus Capital Group merged on 30 May 2017 to form Janus Henderson Group plc.

Director's statement

In accordance with the requirements of the Collective Investment Schemes Sourcebook, as issued and amended by the Financial Conduct Authority, I hereby certify the investment report and financial statements on behalf of the Directors of Henderson Investment Funds Limited.



G. Foggin
(Director)

26 September 2017

Authorised Corporate Director's (ACD) report

Service providers

	Name	Address	Regulator
Authorised Corporate Director	Henderson Investment Funds Limited Member of the Investment Association The ultimate holding company is Janus 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 Conduct Authority
Directors of the ACD	P Wagstaff G Kitchen C Chaloner H J de Sausmarez G Foggin		
Investment Manager	Henderson Global Investors Limited The ultimate holding company is Janus Henderson Group plc	201 Bishopsgate, London EC2M 3AE	Authorised and regulated by the Financial Conduct Authority
Shareholder Administrator	DST Financial Services Europe Limited	DST House St Nicholas Lane Basildon Essex SS15 5FS	Authorised and regulated by the Financial Conduct Authority
Depository	National Westminster Bank Plc The ultimate holding company is the Royal Bank of Scotland Group plc	135 Bishopsgate London EC2M 3UR	Authorised and regulated by the Prudential Regulation Authority and regulated by the Financial Conduct 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

Overview

Global equity markets rose over the year to 30 June (MSCI World Index +18.8% total return in US dollars). Politics were strongly in focus over the year, which began and ended within days of major votes in the UK – firstly, on whether to leave the European Union (EU), and latterly, on which party would be in charge during the negotiations with the EU that followed the decision to 'leave'. November saw Donald Trump elected as US president, with Continental Europe seeing a number of elections that produced market-friendly results.

UK

In the UK, the broad FTSE All-Share Index rose over the year (+18.1% total return in sterling terms). Domestic equities ultimately weathered the Brexit storm well and moved higher, helped initially by the swift appointment of Theresa May as prime minister after David Cameron's resignation. Given fears that the UK might slip into recession following the vote to leave the EU, the Bank of England (BoE) acted to ease the pressure on the economy, cutting its benchmark interest rate to 0.25%. In an effort to shore up parliamentary support ahead of Brexit (exiting the EU) negotiations, May called a snap general election – a gamble that failed to pay off, as the UK awoke to a hung parliament on 9 June. In economic news, the UK unemployment rate fell and inflation moved higher.

Europe

European equities advanced (FTSE World Europe ex UK Index +22.7% total return in euro terms) during a busy year that saw a number of elections. With euro-sceptic candidates polling strongly, investors were initially nervous about the eurozone's future. The votes generally returned favourable results for the single-currency bloc, however, and France's election of Emmanuel Macron sent the euro to a 2017 high against the US dollar. Broad economic data in the eurozone was a source for optimism, with gross domestic product (GDP) exceeding expectations to advance 0.6% in the first quarter and inflation rising. The European Central Bank (ECB) extended the length of its bond-buying programme (albeit at a lower rate of purchases per month).

US

US equity markets advanced over the year under review (S&P 500 Index +17.9% in total return dollar terms). November's presidential election resulted in a surprise win for Donald Trump, pushing US stocks higher for the remainder of the year. In December, the Federal Reserve (Fed) raised the target range for the federal funds rate by 25 basis points, as was widely expected. Optimism in equity markets became slightly more subdued as the period progressed, dampened by fading hopes for US fiscal stimulus (tax cuts and government spending) and a deceleration in economic data. GDP growth slowed from the fourth quarter of 2016 to the first quarter of 2017, and the dollar slid against the pound. The Fed followed through on guidance for more rate hikes in 2017: they lifted benchmark interest rates by 25 basis points in both March and June.

Japan

Japanese equities advanced by 32.2% in total return yen terms (Topix Index). The Bank of Japan (BoJ) made adjustments to its stimulus package, and a sharper focus on controlling Japan's bond yield curve was initiated in September. While growth for the January-March quarter missed expectations, the figure of 0.3% marked the fifth consecutive quarter of advancement. The final weeks of the year showed some regression, including a widening trade deficit, but nevertheless, the BoJ expressed a positive outlook considering recent domestic spending and economic advancement in other developed economies.

Asia

The Chinese economy demonstrated signs of stabilising over the year: annualised GDP growth reached 6.9% in the first quarter, and the IMF upgraded its projection for the country's 2017 growth to 6.6%. However, Moody's (credit rating agency) downgraded China's credit rating by one notch, citing an increasing reliance on debt-fuelled growth. India saw equities climb on optimism regarding Narendra Modi's government reforms, with the rupee moving steadily higher versus the US dollar from February. South Korea recorded largely positive data in a year that saw its president impeached and jailed. The MSCI AC Asia Pacific ex Japan Index returned 25.3% in US dollar total return terms over the year under review.

Emerging markets

Emerging markets had a positive run (MSCI Emerging Markets Index +24.2% in US dollar total return terms), buoyed by a steadier Chinese economy and uncertainty in the UK and Europe that sent investors searching for opportunities elsewhere. Regional central banks had an active year: Brazil and Russia eased, while Mexico increased rates multiple times. The Brazilian stock market, a big winner in 2016, pared back gains somewhat as the oil price floundered and President Michel Temer was formally charged with corruption.

Fixed income and commodities

Within fixed income, yields on core government bond markets (those of the US, UK and Germany) rose (yields move inversely to prices). Of these, bunds had the bumpiest ride, rising and falling in anticipation of various elections across Europe. Gilt yields also followed a political path, falling on the announcement of June's general election and around the event itself. Corporate bond markets were boosted in August, when it was announced that the BoE's enlarged stimulus package would include the purchase of £10bn of corporate debt. The JPM Global Government Bond Index fell 4.4% in dollar terms and the Barclays Global Aggregate Corporate Bond Index returned -1.9% in US dollars over the year.

Commodity markets ended the period down. The price of Brent Crude slipped by approximately US\$2 per barrel over the year, a slight fall that belied swings in the price caused by news of OPEC production cuts and fears over increased US oil production. Gold fell as investors grew more confident about the prospects for riskier investments amid generally positive economic data in the developed world.

Statement of Authorised Corporate Director's (ACD) responsibilities of Henderson UK & Europe Funds (the "Company")

for the year ended 30 June 2017

The Financial Conduct Authority's Collective Investment Schemes Sourcebook requires the ACD to prepare financial statements for each annual accounting year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland), of the funds and their income for the year. In preparing the financial statements the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the requirements of the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in May 2014;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which enable it to demonstrate that the Financial Statements, as prepared by Henderson Investment Funds Limited, comply with the above requirements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future.

The ACD is responsible for the management of the Company in accordance with its Instrument of Incorporation, Prospectus and the Regulations. The ACD is also responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of the Depositary's responsibilities and report of the Depositary to the shareholders of Henderson UK & Europe Funds (the "Company")

for the year ended 30 June 2017

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations), as amended, the Financial Services and Markets Act 2000, as amended (together "the Regulations"), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- The Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- The sale, issue, redemption and cancellation of shares carried out in accordance with the Regulations;
- The value of shares of the Company are calculated in accordance with the Regulations;
- Any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- The Company's income is applied in accordance with the Regulations; and
- The instructions of the Authorised Fund Manager ("the AFM") are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

National Westminster Bank Plc
London
26 September 2017

Independent Auditors' report to the shareholders of Henderson UK & Europe Funds (the "Company") for the year ended 30 June 2017

Report on the audit of the financial statements

Opinion

In our opinion, Henderson UK & Europe Fund's financial statements:

- give a true and fair view of the financial position of the Company and each of the sub-funds as at 30 June 2017 and of the net revenue/ (expenses) and, the net capital gains/(losses) on the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Henderson UK & Europe Funds (the "company") is an Open Ended Investment Company ('OEIC') with 12 sub-funds. The financial statements of the company comprise the financial statements of each of the sub-funds. We have audited the financial statements, included within the Annual Report & Accounts (the "Annual Report"), which comprise: the balance sheets as at 30 June 2017; the statement of total return and the statement of change in net assets attributable to shareholders for the year then ended; the distribution tables; and the notes to the financial statements, which include a description of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Authorised Corporate Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Corporate Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's or any of the sub-funds' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's and each of the sub-funds' ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Corporate Director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Authorised Corporate Director's Report

In our opinion, the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditors' report to the shareholders of Henderson UK & Europe Funds (the "Company") (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Corporate Director for the financial statements

As explained more fully in the Statement of Authorised Corporate Director's (ACD) responsibilities set out on page 5, the Authorised Corporate Director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Corporate Director is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Corporate Director is responsible for assessing the company's and each of the sub-funds ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Corporate Director either intends to wind up or terminate the company or individual sub-fund, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

Collective Investment Schemes sourcebook exception reporting

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
26 September 2017

1 Accounting policies

(a) Basis of accounting

The financial statements of Henderson UK & Europe Funds (the "Company") comprise the financial statements of each of the funds. They have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the Investment Management Association ('IMA') (the "SORP"), the Financial Reporting Standard 102 ("FRS102"), the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL") and the Company's Instrument of Incorporation. The financial statements have been prepared on a going concern basis.

(b) Basis of valuation of investments

The valuation of listed investments has been at fair value, which is generally deemed to be bid market price, excluding any accrued interest in the case of debt securities, at close of business on the last valuation day of the accounting year (30 June 2017) in accordance with the provisions of the scheme particulars.

Investments in collective investment schemes ("CIS") have been valued at bid prices. For those CIS funds that are not dual priced, single prices are used.

Certificates of deposit are valued by the Authorised Corporate Director ("ACD") using a yield curve approach. The yield curve provides a graphical illustration of the relationship between redemption yields and instrument's maturity dates, and from this an appropriate market yield can be derived for the instrument which can in turn be used to calculate its fair value.

Suspended, defaulted, delisted, unquoted or manually priced securities are valued by the ACD taking into account, where appropriate, latest dealing prices, valuations from reliable sources, financial performance and other relevant factors.

Derivative assets and liabilities are valued at the fair value price to close out the contract at the Balance sheet date, using available market prices or an assessment of fair value based on counterparty valuations and appropriate pricing models.

(c) Revenue recognition

Distributions from CIS and dividends receivable from quoted equity and non equity shares are credited to revenue, when the security is quoted ex-dividend. Dividends on unquoted stocks are credited to revenue when the dividend is announced.

Overseas dividends and distributions from overseas funds are disclosed gross of any foreign tax suffered, the tax element being separately disclosed in the tax note.

Interest on debt securities is recognised on an accruals basis, taking into account the effective yield on the investment. The effective yield is a calculation that amortises any discount or premium on the purchase of an investment over its remaining life based on estimated cash flows.

Accumulation of revenue relating to accumulation units or shares held in underlying funds is recognised as revenue and included in the amount available for distribution.

Income distributions from UK Real Estate Investment Trusts ("UK REITs") is 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 as schedule A revenue, while the non-PID element is treated as franked revenue.

Overseas Real Estate Investment Trust's income is disclosed gross of any foreign tax suffered, the tax element being separately disclosed in the tax note.

Bank interest and deposit interest are recognised on an accruals basis.

Interest on margin and revenue earned on derivatives are accounted for 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 received is deducted from the cost of the relevant shares.

Aggregated notes to the financial statements (continued)

1 Accounting policies (continued)

(c) Revenue recognition (continued)

Stock lending revenue is accounted for on an accruals basis, net of bank and agent fees.

Revenue derived from the gains/losses on hedged class forward currency contracts is allocated to both the capital and revenue of the share class based upon the prior day capital/revenue split.

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

Dividends received as shares (scrip/stock dividends), to the extent that the value of such dividends is equal to the cash dividends, are treated as revenue.

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

(d) Treatment of expenses (including ACD expenses)

All expenses (other than those detailed below and those relating to the purchase and sale of investments) are charged against revenue on an accruals basis.

Annual Management Charge ("AMC")

In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual fee out of the Company property, calculated as a percentage of the relevant value of the property of each class of each fund. The AMC is accrued on a daily basis by reference to the net asset value of each share class on that dealing day and the amount due for each month is payable on the last working day of the month.

The investment objectives of Henderson Preference and Bond Fund, Henderson Strategic Bond Fund and Henderson UK Equity Income & Growth Fund concentrate on the generation of income as a higher priority than capital growth. The ACD and Depositary have agreed that 100% of the AMC charge for these funds are to be taken to capital for the purpose of calculating the distribution, as permitted by the OEIC regulations and in accordance with the Prospectus. The distribution currently payable reflects this treatment together with any associated tax effect.

General Administration Charge

All fees with the exception of the annual management charge, Depositary, legal fees and safe custody fees have been replaced by a single ad valorem charge, the General Administration Charge ("GAC"). The ACD believes that this creates more efficiency around the charging process than more traditional methods. The GAC is calculated as a percentage of the scheme property and the amount each share class in each fund will pay will depend on the costs attributable to each share class based on whether the class is a 'retail' class or an 'Institutional' class. The GAC accrues on a daily basis and is payable to the ACD by each share class monthly.

For further details please refer to the Prospectus.

Allocation of revenue and expenses to multiple share classes

With the exception of the AMC, the GAC and revenue derived from the gains or losses on hedged class forward currency contracts, 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.

For further details please refer to the Prospectus.

(e) Exchange rates

Foreign currency transactions are translated into sterling at the exchange rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies at the end of the accounting year are translated into sterling at the exchange rates prevailing at close of business on the last valuation day of the accounting year.

Aggregated notes to the financial statements (continued)

1 Accounting policies (continued)

(f) Taxation

Provision is made for tax at the current rates on the excess of taxable revenue over allowable expenses, with relief for overseas taxation taken where appropriate.

Overseas dividends continue to be disclosed gross of any foreign tax suffered, the tax element being separately disclosed in the tax note.

Corporation tax is charged at 20% of the revenue liable to corporation tax less expenses.

Deferred tax is provided on all timing differences that have originated but not reversed at the balance sheet date other than those recorded as permanent differences. Deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

Deferred tax assets are only recognised to the extent it is regarded as more likely than not that there will be taxable profits against which the future reversal of underlying timing differences can be offset.

(g) Cash flow statement

The funds are not required to produce a cash flow statement as they meet the exemption criteria set out in FRS102.7.1A.

(h) Hedged share classes in Henderson UK Equity Income & Growth Fund

Class A EUR (hedged) accumulation and Class A USD (hedged) accumulation are hedged share classes. Hedged share classes allow the ACD to use currency hedging transactions to reduce the effect of fluctuations in the rate of exchange between the currency of shares in those classes and Sterling which is the base currency of the fund.

Any benefits or losses of the hedging transactions should accrue to shareholders in that hedged share class only. However, the hedge may not always be 100% effective. The ACD will review the relevant hedging positions on a regular basis and, if considered appropriate, make adjustments to correct the allocations across share classes.

The currency transactions will not cause the Euro and US dollar hedged class shares to be leveraged. The value of the share class to be hedged will be made up of both capital and income elements and the ACD intends to hedge between 95-105% of the value of each hedged Share class. Adjustments to any hedge to keep within this target range will only be made when the required adjustment is material. As such the Euro and US dollar hedged class shares will not be completely protected from all currency fluctuations.

(i) Treatment of derivatives

In pursuing its investment objectives, the funds may hold a number of financial instruments.

Derivative transactions are accounted for on a trade date basis. Where such transactions are used to protect or enhance revenue and the circumstances support it, the revenue and expenses derived there from are included in 'Revenue' in the Statement of total return on an accruals basis. Where such transactions are used to protect or enhance capital and the circumstances support it, the gains and losses derived there from are included in 'Net capital gains/(losses)' in the Statement of total return.

Forward foreign currency contracts

Open forward currency contracts are shown in the portfolio statement at fair value and the net gains/(losses) are reflected in Forward currency contracts in Net capital gains/(losses) on investments.

Futures contracts

The unrealised gain/(loss) on open future contracts is disclosed in the portfolio statement. The margins paid on these contracts are included in amounts held at derivative clearing houses and brokers. For futures, the net gains/(losses) are apportioned between the revenue account and derivative securities in net capital gains/(losses) on investments, reflecting the nature of the return. The basis of the apportionment is typically made by reference to the yield on the underlying security or index or other appropriate source.

Credit default swaps

Open credit default swaps ("CDS") are shown in the Portfolio Statement at fair value and the net capital gains/(losses) are reflected within Derivative contracts in net capital gains/(losses) on investments. Premiums receivable or payable on CDS are included in the revenue account on an accruals basis.

Aggregated notes to the financial statements (continued)

1 Accounting policies (continued)

(i) Treatment of derivatives (continued)

Credit default index swaps

Open credit default swaps index ("CDX") are shown in the Portfolio Statement at fair value and the net capital gains/(losses) are reflected within Derivative contracts in net capital gains/(losses) on investments. Premiums receivable or payable on CDX are included in the revenue account on an accruals basis.

Interest rate swaps

Open interest rate swaps ("IRS") are shown in the portfolio statement at fair value and the net capital gains/(losses) are reflected within Derivative contracts in net capital gains/(losses) on investments. Interest receivable or payable on IRS are included in the revenue account on an accruals basis.

Inflation index swaps

Open inflation index swaps ("IIS") are shown in the portfolio statement at fair value and the net gains/(losses) are reflected within Derivative contracts in net capital gains/(losses) on investments. Premiums receivable or payable on inflation index swaps is included in the revenue account on an accruals basis.

Options contracts

Options contracts are shown in the Portfolio statement at fair value and the net gains/(losses) are reflected within Derivative contracts in net capital gains/(losses) on investments. Premiums receivable or payable on options are included within derivative contracts in net capital gains/(losses) on investments.

(j) Dilution adjustment

The funds are priced on a single swinging price basis. The ACD has the discretion to charge a dilution adjustment when there is a large volume of deals and, in accordance with the FCA regulations, to pay this amount into the fund. In particular the ACD reserves the right to make such an adjustment in the following circumstances:

- On a fund experiencing large levels of net purchases (i.e. purchases less redemptions), relative to its size;
- On a fund experiencing large levels of net redemptions (i.e. redemptions less purchases), relative to its size;
- In any other case where the ACD is of the opinion that the interests of existing or continuing shareholders and potential investors require the imposition of a dilution adjustment.

2 Distribution policy

The distribution policy of the funds is to distribute/accumulate all available revenue, after the deduction of expenses properly chargeable against revenue, subject to any expense which may currently be transferred to capital. Henderson UK Smaller Companies Fund, Henderson European Smaller Companies Fund and Henderson UK Equity Income & Growth pay dividend distributions, all other funds pay interest distributions.

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

Marginal tax relief has been included when determining the amount available for distribution.

For the purpose of calculating the distribution, interest on debt securities is computed on an effective yield basis, the same basis on which it is reflected in the financial statements with the exception of Henderson Preference & Bond and Henderson Strategic Bond, unless the effective yield calculation is higher than that calculated on a coupon basis.

For the purposes of calculating the distribution on Henderson Index Linked Bond Fund, revenue is computed on an effective yield basis utilising the exemption set out in the Financial Conduct Authority's COLL 6.8.3 (for funds whose policy is to invest predominantly in index linked securities) to treat capital indexation as non-distributable.

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

Aggregated notes to the financial statements (continued)

2 Distribution policy (continued)

When the revenue from investments exceeds the expenses, a distribution will be made. Should expenses exceed revenue there will be no distribution and the shortfall will be transferred from capital at the year end.

The following funds make annual dividend distributions (30 June) to shareholders:

Henderson European Smaller Companies Fund

Henderson UK Smaller Companies Fund.

The following funds makes quarterly interest distributions (30 September, 31 December, 31 March and 30 June) to shareholders:

- Henderson All Stocks Credit Fund
- Henderson Buy & Maintain Credit Fund
- Henderson Index Linked Bond Fund
- Henderson Institutional Long Dated Credit Fund
- Henderson Institutional Long Dated Gilt Fund
- Henderson Institutional Short Duration Bond Fund
- Henderson Institutional UK Gilt Fund
- Henderson Preference & Bond Fund
- Henderson Strategic Bond Fund

The following fund makes quarterly dividend distributions (30 September, 31 December, 31 March and 30 June) to shareholders:

- Henderson UK Equity Income & Growth Fund

Until 5 April 2017, interest distributions on the following share classes were paid net of 20% income tax. From 6 April 2017 interest distributions on these share classes are paid gross of 20% income tax:

- Class A accumulation, Class A income, Class I accumulation and Class I income on Henderson All Stocks Credit Fund
- Class A income, Class I accumulation and Class I income on Henderson Index Linked Bond Fund
- Class A income, Class I accumulation and Class I income on Henderson Institutional Long Dated Credit Fund
- Class A accumulation, Class A income and Class I accumulation on Henderson Institutional Long Dated Gilt Fund
- Class A income, Class I accumulation and Class I income on Henderson Institutional UK Gilt Fund
- Class A income, Class I accumulation, Class I income and Class Z accumulation on Henderson Preference & Bond Fund
- Class A income, Class I accumulation, Class I income and Class Z accumulation on Henderson Strategic Bond Fund

All distributions unclaimed for a period of six years after having become due for payment shall be forfeited and shall revert to the funds.

Equalisation

Income equalisation currently applies to all funds except Henderson European Smaller Companies Fund and Henderson UK Smaller Companies Fund.

Equalisation applies only to shares purchased during the distributions 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 their investment objectives the funds hold a number of financial instruments. These financial instruments comprise securities and other investments, cash balances, debtors and creditors arising from the funds' operations. Derivative instruments may be used in all funds for the purposes of hedging and, in the bond funds (with the exception of the Henderson Buy & Maintain Credit fund) may also be used for meeting the investment objectives of the funds, including risk reduction and implementation of investment policies.

The risk management policy and process for the funds is designed to satisfy the regulatory requirements for UCITS funds; associated regulatory technical standards and guidelines; and local regulations. The framework for risk controls and limits for the funds are documented within the ACD's Risk Management Policy and Process document, which outlines for each main risk category the controls and risk measures in place, including stress tests for assessing sensitivity to the most relevant risks. This risk framework includes setting of limits and monitoring against those limits.

In the normal course of business, the funds' activities expose it to various types of risk which are associated with the financial instruments and markets in which they invest. These financial risks: market risk (comprising currency risk, interest rate risk and other market price risk), credit risk and liquidity risk and the approach to the management of these risks, are set out below and remain unchanged from the previous accounting year. For a detailed explanation of these and further risks involved in investing in the funds, reference should be made to the Prospectus; investors and prospective investors are recommended to discuss all potential risks with their own legal, tax and financial advisors.

The risk management systems to which the Janus Henderson Risk, Compliance and Operations teams have access for independent monitoring and risk measurement purposes include:

- Charles River system's Compliance module for investment restrictions monitoring;
- OneSumX (formerly ArcLogics) operational risk database;
- RiskMetrics, UBS Delta, Style Research, FinAnalytica and Barra Aegis for market risk measurement; and
- Bloomberg for market data and price checking.

These are supplemented by an in-house development, the Henderson Derivatives Risk and Compliance database.

(a) Market risk

Market risk is the risk of loss resulting from fluctuations in the market value of positions in the funds attributable to changes in market variables such as interest rates, foreign exchange rates or an issuer's credit worthiness.

The investments of the funds are subject to normal market fluctuations and other risks inherent in investing in securities in pursuance of the investment objective and policies as set out in the Prospectus.

Investments in emerging markets may be more volatile than investments in more developed markets. Some of these markets may have relatively unstable governments, economies based on only a few industries and securities markets that trade only a limited number of securities. Many emerging markets do not have well developed regulatory systems and disclosure standards may be less stringent than those of developed markets. Some of the more common risks associated with emerging markets investment include: fraudulent securities; lack of liquidity; currency fluctuations; settlement and custody risks; investment and remittance restrictions; and accounting requirements.

Funds investing in smaller companies invest in transferable securities which may be less liquid than the securities of larger companies, as a result of inadequate trading volume or restrictions on trading. Securities in smaller companies may possess greater potential for capital appreciation, but also involve risks, such as limited product lines, markets and financial or managerial resources and trading in such securities may be subject to more abrupt price movements than trading in the securities of larger companies.

The funds may use derivatives instruments for hedging purposes. This should not lead to an increase in risk to a fund. In adverse situations, however a fund's use of derivatives may become ineffective in hedging or efficient portfolio management and a fund may suffer significant loss as a result. Derivatives, when used to implement an investment policy, may increase the volatility of a fund's share price although it is not intended that their use will otherwise cause its existing risk profile to change.

Fund's investing in secured loans are subject to risks such as lack of liquidity and custody risks.

Aggregated notes to the financial statements (continued)

3 Risk (continued)

(a) Market risk (continued)

The global exposure of the funds is calculated by using either the commitment approach or Value-at-Risk approach by reference to their risk profile.

VaR is a mathematical statistical concept and is commonly used as a standard measure of risk in the financial sector. For each VaR fund the maximum potential loss that it could suffer in normal market conditions within a given time horizon and a certain degree of confidence is estimated. In these calculations all positions in the relevant investment portfolio are taken into consideration including those undertaken for efficient portfolio management purposes. VaR is calculated daily using a Monte Carlo simulation approach; as a control mechanism, Monte Carlo results are compared to the parametric model for validation purposes within the daily monitoring process.

The following parameters are applied as a minimum: a one-tailed 99% confidence interval, a holding period equivalent to one month (20 business days), effective observation period (history) of risk factors of at least 1 year (250 business days), quarterly data set updates and daily calculation.

For those funds using the VaR approach to calculate global exposure and for which it is not appropriate to determine a reference portfolio absolute monthly VaR is not to exceed a regulatory maximum limit of 20%. For funds which have a suitable reference portfolio, the regulatory limit is that the VaR of the total portfolio's positions shall not be greater than twice the VaR of the portfolio's reference portfolio.

The level of leverage arising from the use of derivative instruments is disclosed in the individual funds' accounts as a percentage of the relevant fund's total Net Asset Value. The calculation is based on the sum of notional exposures of financial derivative instruments in the investment portfolio including those held for risk reduction purposes. Please note this level of leverage is explicitly not an investment limit for the fund and will vary over time under differing market conditions to ensure that each fund meet its investment objective.

Please refer to the individual funds' accounts for details of global exposure, leverage and sensitivity analysis.

Currency risk

Currency risk is the risk that the value of the funds' investments will fluctuate as a result of changes in foreign currency exchange rates. A proportion of a fund's assets and income may be denominated in currencies other than sterling (the fund's functional currency and the one in which it reports its results). As a result, movements in exchange rates may affect the sterling value of those items so a fund's total return and balance sheet can be significantly affected by currency fluctuations. This risk is managed by the Investment Manager using hedging transactions in line with each fund's investment objective, powers and limits, though this will not eliminate the relevant fund's currency risk.

Please refer to the individual funds' accounts for details of currency risk exposure.

Hedged Share Classes

Hedged share classes exist in the Henderson UK Equity Income & Growth Fund. These hedged share classes allow the Investment Manager to use currency hedging transactions to seek to minimise the effect of exchange rate fluctuations between the base currency and the currency of the relevant share class.

Hedging transactions may be entered into whether the Euro or US dollar (as appropriate) is declining or increasing in value relative to Sterling and so where such hedging is undertaken it may substantially protect investors in the relevant class against a decrease in the value of Sterling relative to the US dollar or Euro but it may also preclude investors from benefiting from an increase in the value of Sterling.

The performance of a hedged share class may differ from other share classes of the fund because the return on unhedged share classes is based on both the performance of the fund's investments and the performance of the portfolio currency relative to sterling whereas the return on a hedged share class should only be based on the performance of the fund's investments. However, there is no guarantee that the hedging strategy applied in hedged share classes will entirely eliminate the adverse effects of changes in exchange rates between the base currency and the currency of the relevant share class.

Where undertaken, the effect of hedging is reflected in the net asset value and therefore, in the performance of the relevant hedged share class.

Aggregated notes to the financial statements (continued)

3 Risk (continued)

(a) Market risk (continued)

Hedged Share Classes (continued)

Any benefits or losses of the hedging transactions should accrue to shareholders in that hedged share class only. However, the hedge may not always be 100% effective. The Investment Manager will review the relevant hedging positions on a regular basis and, if considered appropriate, make adjustments to correct the allocations across share classes.

While the Investment Manager may attempt to hedge currency risks, there can be no guarantee that it will be successful in doing so and it may result in mismatches between the currency position of the relevant fund and the relevant hedged share class.

As there is no segregation of liabilities between share classes, there is a risk that under certain circumstances, currency hedging transactions in relation to a share class could result in liabilities which might affect the net asset value of other share classes of the same fund.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Some securities such as bonds are directly impacted by interest rate movements but others are indirectly affected.

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of the capital may fall, and vice versa. Inflation will also decrease the real value of capital. The value of a fixed interest security will fall in the event of the default or reduced credit rating of the issuer. Generally, the higher the rate of interest, the higher the perceived credit risk of the issuer. High yield bonds with lower credit rating (also known as sub-investment grade bonds) are potentially more risky (higher credit risk) than investment grade bonds, and may have an increased risk of default on repayment.

From time to time Henderson All Stocks Credit Fund, Henderson Buy & Maintain Credit Fund, Henderson Institutional Long Dated Credit Fund, Henderson Preference & Bond Fund and Henderson Strategic Bond Fund may hold sub-investment grade bonds. Such bonds have a lower credit rating than investment grade bonds and carry a higher degree of risk.

Please refer to the individual funds' accounts for details of interest rate risk exposure.

Other market 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 Authorised Corporate Director in pursuance of the investment objectives and policies as set out in the Prospectus.

(b) Credit and counterparty risk

Credit and counterparty risk is the risk of loss resulting from the fact that the counterparty to a transaction may default on its obligations prior to the settlement of the transaction's cashflow.

In order to manage credit risk the funds are subject to investment limits for issuers of securities as outlined in the Prospectus. Issuer credit ratings are evaluated periodically and an approved issuer list is maintained and monitored. In addition the funds may only buy and sell investments through brokers which have been approved by the ACD 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 Janus Henderson Credit Risk Committee along with set limits and new counterparty approval.

Please refer to the individual funds' accounts for details of credit and counterparty risk exposure.

The fund's assets that are held with banks are also exposed to credit risk. The banks used by the funds and ACD are subject to regular reviews. Only counterparties that have been approved by Janus Henderson's Credit Risk Committee are used for derivative transactions. The continuing credit worthiness of counterparties is monitored on a daily basis.

Adherence to investment guidelines and to investment and borrowing powers set out in the instrument of Incorporation, the Prospectus and in the Financial Conduct Authority Collective Investment Schemes Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

Aggregated notes to the financial statements (continued)

3 Risk (continued)

(c) Liquidity risk

Liquidity risk is the risk that a position in the funds' portfolios cannot be sold, liquidated or closed out at limited cost in an adequately short timeframe and that the ability of the funds to meet their settlement obligations is thereby compromised.

The funds are generally able to realise cash quickly to meet their liabilities. The main liquidity requirements of the funds include the redemption of any shares that a shareholder wishes to sell. Temporary higher liquidity levels may also arise during the carrying out of a change in asset allocation policy, or following a large issue of shares.

Funds investing in smaller companies invest in transferable securities which may be less liquid than the securities of larger companies, as a result of inadequate trading volume or restrictions on trading.

The ACD manages the funds' cash positions 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' portfolios in order to meet redemption requests. In addition the ACD monitors the market liquidity of all securities, seeking to ensure the funds maintain sufficient liquidity to meet known and potential redemption activity. The funds' cash balances are monitored daily by the ACD and administrator. When investments cannot be realised in time to meet any potential liability, the funds may borrow up to 10% of their property to ensure settlement.

Please refer to the individual funds' accounts for details of liquidity risk exposure.

4 Cross holdings

There are no cross-holdings within any of the funds of the Henderson UK & Europe Funds at the year end (2016: nil).

Henderson All Stocks Credit Fund

Authorised Corporate Director's (ACD) report

Investment Fund Manager

Philip Payne

Investment objective and policy

To provide a return by investing primarily in sterling denominated investment grade corporate bonds. The fund may invest in other transferable securities, money market instruments, derivatives and forward transactions, deposits and units in collective investment schemes.

Performance summary

	30 Jun 16 - 30 Jun 17	30 Jun 15 - 30 Jun 16	30 Jun 14 - 30 Jun 15	30 Jun 13 - 30 Jun 14	30 Jun 12 - 30 Jun 13
	%	%	%	%	%
Henderson All Stocks Credit Fund	5.7	6.4	4.6	5.5	4.3
iBoxx GBP Non-Gilts All Maturities TR Index	5.3	9.0	6.5	6.7	6.5

Source: Morningstar, bid to bid and net of fees, as at 12 noon valuation point, based on performance of Class A income. Benchmark values are as at close of business.

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 year ended 30 June 2017

Largest purchases	£000	Largest sales/maturities	£000
UK Treasury 4.25% 07/12/2046	29,854	UK Treasury 4.50% 07/12/2042	37,366
UK Treasury 4.50% 07/09/2034	25,316	UK Treasury 4.50% 07/09/2034	29,573
UK Treasury 4.25% 07/06/2032	18,820	UK Treasury 4.25% 07/06/2032	28,341
UK Treasury 4.50% 07/12/2042	15,629	UK Treasury 4.25% 07/12/2046	22,080
LVMH 1.00% 14/06/2022	11,430	UK Treasury 4.75% 07/12/2038	16,339
UK Treasury 0.50% 22/07/2022	11,156	UK Treasury 2.00% 07/09/2025	15,839
BAA Funding 6.75% 03/12/2026	11,020	UK Treasury 4.75% 07/03/2020	14,786
Morgan Stanley 2.625% 09/03/2027	10,458	UK Treasury 3.75% 07/09/2021	11,411
Anheuser-Busch InBev 2.85% 25/05/2037	10,417	UK Treasury 0.50% 22/07/2022	11,206
Severn Trent Water Utilities 2.75% 05/12/2031	10,279	UK Treasury 4.25% 07/12/2040	11,119
Total purchases	976,455	Total sales/maturities	1,010,766

Total sales include an in specie transfer of £51,447,428.

Investment review

Sterling corporate bonds posted good returns over the year that ended 30 June 2017. The return on the iBoxx Sterling Non-Gilt index was 5.3%, while credit spreads (the yield difference between corporate and similar maturity UK government bonds) for the same index declined by 51 basis points to end the year at 114 basis points.

The biggest market driver was the policy response of the Bank of England (BoE) following the referendum on the UK's membership of the European Union (EU), which entailed a 25 basis point cut in interest rates and £60bn of asset purchases, including £10bn of sterling corporate bonds under the Corporate Bond Purchase Scheme (CBPS). This initially benefited non-financial issuers, particularly utilities, which have accounted for close to a third of the corporate bonds purchased in the CBPS. But over the year, financials saw the best returns, particularly the insurance sector. The financials sector benefited from stronger global growth, a rise in government bond yields from the lows seen in the summer of 2016 (which also negatively impacted the total returns of corporate bonds) and increased optimism that the policies of President Trump in the US will drive stronger economic growth and reduce the regulatory burden (although early signs suggest these reforms may be harder to implement).

In the UK, the decision by the government to call a snap general election, and the subsequent minority Conservative government, increased the level of political uncertainty, especially in the wake of Article 50 being triggered (which began the process of leaving the EU). While corporate bond markets remained resilient in the final few months of the year, growth in the UK has slowed as uncertainty has risen. Over the year, monetary policy remained accommodative, particularly in the UK and eurozone, where new stimulus policies were implemented. Conversely, following a 12-month pause, the US raised interest rates three times (by a total of 75 basis points) and begun discussing balance sheet normalisation, or quantitative tightening.

The year under review ended with raised expectations for tighter monetary policy around the world as central banks' concerns regarding deflationary forces eased. This sent government bond yields sharply higher (prices fell) in late June 2017. Corporate issuance in the UK rose sharply over the last year to reach its highest level since 2009, reflecting the policy actions of the Bank of England and attractive funding conditions for issuers. Appetite for new issuance remained strong, benefiting from inflows into the asset class over the year and attractive valuations compared with the US and European corporate bond markets.

The largest sector contributor to the fund's performance over the last year was financials. The strongest individual contributor within the sector was HSBC, which benefited from the improved global economic outlook and the potential that many of its outstanding sterling bonds, which are issued from its operating company, could be repurchased early due to regulatory requirements that all bonds are to be issued out of the bank's holding company. The holding in Aviva also generated strong returns, benefiting from attractive valuations and strong and improving corporate fundamentals. Other key contributors to performance included holdings in Lloyds Bank, Bank of America, Zurich Insurance and RSA Insurance. The fund increased its exposure to financials over the year, with new positions established in Morgan Stanley, Barclays, Bupa and TP ICAP, while an existing holding in Lloyds Bank was increased due to its attractive valuation.

The most significant contributor to performance was the holding in Tesco, which, along with a position in WM Morrison, benefited from the outperformance of lower-rated issuers over the year, along with improved trading for UK supermarkets, positive earnings updates and improved sales. The position in Innogy (previously RWE), also performed well. The company benefited from a corporate restructuring that has distanced bondholders from nuclear liabilities, positive ratings action and a ruling by the German Federal Constitutional Court that utilities are entitled to compensation following the shutdown of nuclear plants in 2011. A holding in rival German utility E.ON also performed well and was subsequently reduced following strong performance. Elsewhere, the fund's holdings in UK utilities such as Western Power, Northern Gas Networks and National Grid all benefited from the BoE's asset purchase programme, while an existing position in French utility EDF was increased following its underperformance of the broader sector, positive news flow in relation to its nuclear activities and the appointment of a pro-business government following the election of Emmanuel Macron as the new president of France.

The position in US telecom Verizon was reduced and replaced by an increased holding in AT&T, as new issuance in relation to its acquisition of Time Warner provided an attractive entry point. The fund also increased an existing holding in Heathrow Airport after its bonds underperformed the broader sterling market following their exclusion from the BoE's CBPS, due to the structure of the issuing entity. The underlying business continues to perform very well and is attractively priced compared with other infrastructure-related issuers.

The large new issuance calendar provided plenty of new opportunities, and so the fund participated in a number of new deals. New positions were established in Vodafone, Anheuser-Busch InBev, McKesson and LVMH. These new positions were funded by reducing the fund's exposure to UK government bonds.

The environment for corporate bonds is becoming increasingly challenged, as the strong performance over recent months reduces the appeal of valuations and the recent shift in central bank rhetoric increases the probability of tighter monetary policy in the months ahead. Pockets of value still remain, and the mixed economic outlook combined with less accommodative monetary policy should increase the level of dispersion in credit markets, presenting new opportunities.

Comparative tables for the year ended 30 June 2017

	Class A accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	147.89	138.30	131.43
Return before operating charges*	9.63	12.02	9.34
Operating charges	(1.63)	(1.63)	(1.62)
Return after operating charges*	8.00	10.39	7.72
Distributions on accumulation shares	(3.66)	(4.01)	(4.28)
Retained distributions on accumulation shares^	3.30	3.21	3.43
Closing net asset value per share	155.53	147.89	138.30
* after direct transaction costs of:	-	-	-

Performance

Return after charges	5.41%	7.51%	5.87%
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Other information

Closing net asset value (£000s)	2,879	2,923	7,370
Closing number of shares	1,850,983	1,976,710	5,329,014
Operating charges	1.06%	1.16%	1.16%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence per share)	159.30	147.80	147.70
Lowest share price (pence per share)	148.90	137.80	131.90

^ Retained distributions prior to 6 April 2017 are net of 20% income tax.

	Class A income		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	129.86	124.22	121.79
Return before operating charges*	8.12	10.51	7.60
Operating charges	(1.42)	(2.01)	(2.04)
Return after operating charges*	6.70	8.50	5.56
Distributions on income shares	(2.87)	(2.86)	(3.13)
Closing net asset value per share	133.69	129.86	124.22
* after direct transaction costs of:	-	-	-

Performance

Return after charges	5.16%	6.84%	4.57%
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Other information

Closing net asset value (£000s)	5,884	6,783	15,967
Closing number of shares	4,400,881	5,223,526	12,853,590
Operating charges	1.06%	1.16%	1.16%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence per share)	139.90	130.40	134.20
Lowest share price (pence per share)	130.20	122.90	121.40

Comparative tables (continued)

	Class I accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	241.33	224.48	211.91
Return before operating charges*	15.79	19.68	15.45
Operating charges	(1.36)	(1.24)	(1.22)
Return after operating charges*	14.43	18.44	14.23
Distributions on accumulation shares	(7.29)	(7.97)	(8.34)
Retained distributions on accumulation shares^	6.54	6.38	6.68
Closing net asset value per share	255.01	241.33	224.48
* after direct transaction costs of:	-	-	-
Performance			
Return after charges	5.98%	8.21%	6.72%
Other information			
Closing net asset value (£000s)	14,934	11,752	11,742
Closing number of shares	5,856,229	4,869,869	5,230,854
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price (pence per share)	260.20	241.10	239.30
Lowest share price (pence per share)	243.60	223.70	213.00

^ Retained distributions prior to 6 April 2017 are net of 20% income tax.

	Class I income		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	131.09	125.34	122.83
Return before operating charges*	8.14	9.95	7.00
Operating charges	(0.73)	(0.68)	(0.69)
Return after operating charges*	7.41	9.27	6.31
Distributions on income shares	(3.52)	(3.52)	(3.80)
Closing net asset value per share	134.98	131.09	125.34
* after direct transaction costs of:	-	-	-
Performance			
Return after charges	5.65%	7.40%	5.14%
Other information			
Closing net asset value (£000s)	13,885	21,398	62,602
Closing number of shares	10,286,999	16,323,443	49,944,143
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price (pence per share)	141.30	131.80	135.50
Lowest share price (pence per share)	131.50	124.10	122.50

Comparative tables (continued)

	Class A income gross		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	130.20	124.50	121.81
Return before operating charges*	8.51	10.77	8.09
Operating charges	(1.43)	(1.46)	(1.47)
Return after operating charges*	7.08	9.31	6.62
Distributions on income shares	(3.21)	(3.61)	(3.93)
Closing net asset value per share	134.07	130.20	124.50
* after direct transaction costs of:	-	-	-

Performance

Return after charges	5.44%	7.48%	5.43%
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Other information

Closing net asset value (£000s)	64	80	107
Closing number of shares	47,922	61,307	86,072
Operating charges	1.06%	1.16%	1.16%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence per share)	140.40	130.90	134.60
Lowest share price (pence per share)	130.60	123.30	121.70

	Class I accumulation gross		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	269.33	248.76	234.56
Return before operating charges*	17.62	21.95	15.55
Operating charges	(1.52)	(1.38)	(1.35)
Return after operating charges*	16.10	20.57	14.20
Distributions on accumulation shares	(8.17)	(8.89)	(9.22)
Retained distributions on accumulation shares	8.17	8.89	9.22
Closing net asset value per share	285.43	269.33	248.76
* after direct transaction costs of:	-	-	-

Performance

Return after charges	5.98%	8.27%	6.05%
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Other information

Closing net asset value (£000s)	485,487	727,590	672,282
Closing number of shares	170,087,074	270,149,704	270,255,122
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence per share)	291.10	269.10	264.40
Lowest share price (pence per share)	272.40	247.90	234.30

Comparative tables (continued)

	Class I income gross		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	132.43	126.62	125.11
Return before operating charges*	8.65	10.98	7.01
Operating charges	(0.75)	(0.70)	(0.70)
Return after operating charges*	7.90	10.28	6.31
Distributions on income shares	(3.98)	(4.47)	(4.80)
Closing net asset value per share	136.35	132.43	126.62
* after direct transaction costs of:	-	-	-

Performance

Return after charges	5.97%	8.12%	5.04%
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Other information

Closing net asset value (£000s)	175,443	386	45
Closing number of shares	128,669,409	291,214	35,552
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence per share)	142.90	133.40	137.00
Lowest share price (pence per share)	132.90	125.50	123.80

	Class Z accumulation gross		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	220.44	202.59	189.21
Return before operating charges*	14.45	17.93	13.46
Operating charges	(0.09)	(0.08)	(0.08)
Return after operating charges*	14.36	17.85	13.38
Distributions on accumulation shares	(7.86)	(8.30)	(8.50)
Retained distributions on accumulation shares	7.86	8.30	8.50
Closing net asset value per share	234.80	220.44	202.59
* after direct transaction costs of:	-	-	-

Performance

Return after charges	6.51%	8.81%	7.07%
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Other information

Closing net asset value (£000s)	569,826	508,336	504,794
Closing number of shares	242,688,820	230,602,762	249,172,401
Operating charges	0.04%	0.04%	0.04%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence per share)	239.50	220.20	214.90
Lowest share price (pence per share)	223.30	201.90	189.90

Comparative tables (continued)

Class Z income gross

2015
(pence
per share)

Change in net assets per share

Opening net asset value per share	111.32
Return before operating charges*	9.22
Operating charges	(0.05)
Return after operating charges*	9.17
Distributions on income shares	(3.69)
Final cancellation price per share	(116.80) ¹
Closing net asset value per share	-
* after direct transaction costs of:	-

Performance

Return after charges	8.24%
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Other information

Closing net asset value (£000s)	-
Closing number of share	-
Operating charges	0.04%
Direct transaction costs	0.00%

Prices

Highest share price (pence per share)	122.40 ²
Lowest share price (pence per share)	110.50 ²

¹ Class Z income gross closed on 2 June 2015.

² to 2 June 2015

Performance values are at close of business and may differ from the performance summary.

Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

Share class launches and closures

There were no share classes launched or closed in the year.

Ongoing charge figure

The annualised ongoing charge figure (OCF) of the fund is 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 year, except for expenses that are explicitly excluded by regulation.

	2017 %	2016 %
Class A	1.06 ¹	1.16
Class I	0.54	0.54
Class Z	0.04	0.04

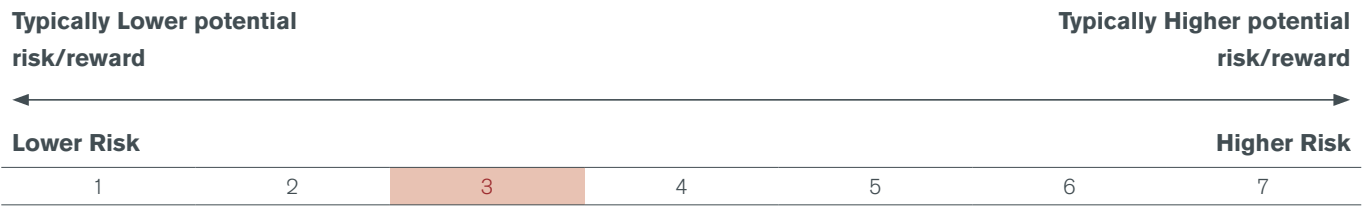
The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

¹ The annual management charge on Class A reduced from 1.00% to 0.75% on 1 February 2017.

Risk and reward profile

The fund currently has 8 types of share class in issue; A accumulation, A income, I accumulation, I income, A income gross, I accumulation gross, I income gross and Z accumulation gross.

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 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 share classes appear at 3 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events.

The full list of the fund's risks are contained in the 'Risk Factors' section in the fund's prospectus.

There have been no changes to the risk rating in the year.

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

Portfolio statement as at 30 June 2017

Holding	Investment	Market value £000	Percentage of total net assets %
	Bonds 95.77% (2016: 97.01%)		
	Australia 0.68% (2016: 1.88%)		
	Fixed Rate Bond 0.39% (2016: 1.76%)		
GBP 4,784,000	Scentre 2.375% 08/04/2022	4,975	0.39
	Variable Rate Bond 0.29% (2016: 0.12%)		
GBP 1,500,000	BHP Billiton Finance VAR 22/10/2077	1,723	0.14
GBP 1,775,000	QBE Insurance 6.115% 24/05/2042	1,983	0.15
		3,706	0.29
	Austria 0.03% (2016: 0.00%)		
	Fixed Rate Bond 0.03% (2016: 0.00%)		
EUR 400,000	Raiffeisen Bank International 6.00% 16/10/2023	409	0.03
	Belgium 1.26% (2016: 0.29%)		
	Fixed Rate Bond 0.00% (2016: 0.28%)		
	Variable Rate Bond 0.00% (2016: 0.01%)		
	Zero / Discount Rate Bond 1.26% (2016: 0.00%)		
GBP 6,248,000	Anheuser-Busch InBev 1.75% 07/03/2025	6,164	0.49
GBP 10,084,000	Anheuser-Busch InBev 2.85% 25/05/2037	9,868	0.77
		16,032	1.26
	Brazil 0.00% (2016: 0.03%)		
	Fixed Rate Bond 0.00% (2016: 0.03%)		
	Cayman Islands 0.16% (2016: 0.00%)		
	Fixed Rate Bond 0.16% (2016: 0.00%)		
EUR 2,297,000	UPCB Finance VII 3.625% 15/06/2029	1,987	0.16
	France 5.21% (2016: 5.47%)		
	Fixed Rate Bond 3.54% (2016: 3.73%)		
GBP 4,300,000	Électricité de France 5.125% 22/09/2050	5,577	0.44
GBP 8,100,000	Électricité de France 5.50% 17/10/2041	10,579	0.83
GBP 4,600,000	Électricité de France 6.00% 23/01/2114	6,496	0.51
GBP 2,150,000	Électricité de France 6.125% 02/06/2034	2,919	0.23
EUR 6,511,000	LVMH 0.75% 26/05/2024	5,716	0.45
GBP 10,960,000	LVMH 1.00% 14/06/2022	10,835	0.86
GBP 2,249,000	Orange 1.00% 12/05/2025	2,786	0.22
		44,908	3.54
	Variable Rate Bond 1.67% (2016: 1.74%)		
GBP 4,306,000	AXA 5.625% 16/01/2054	4,944	0.39
GBP 3,923,000	AXA 6.772% Perpetual	4,317	0.34
EUR 6,700,000	EDF 4.125% Perpetual	6,199	0.49
GBP 1,700,000	Électricité de France 5.875% Perpetual	1,731	0.14
GBP 2,800,000	Électricité de France 6.00% Perpetual	2,937	0.23
GBP 901,000	Orange 5.75% Perpetual	996	0.08
		21,124	1.67

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	Germany 6.74% (2016: 6.95%)		
	Fixed Rate Bond 5.95% (2016: 6.27%)		
GBP 5,416,000	BMW 1.00% 17/11/2021	5,367	0.42
GBP 7,294,000	Deutsche Telekom International Finance 6.50% 08/04/2022	8,979	0.71
GBP 1,650,000	E.ON International Finance 5.875% 30/10/2037	2,333	0.18
GBP 2,650,000	E.ON International Finance 6.00% 30/10/2019	2,946	0.23
USD 4,373,000	E.ON International Finance 6.65% 30/04/2038	4,218	0.33
GBP 950,000	E.ON International Finance 6.75% 27/01/2039	1,473	0.12
GBP 6,700,000	FMS Wertmanagement 0.875% 14/02/2022	6,696	0.53
GBP 6,400,000	innogy Finance 4.75% 31/01/2034	7,844	0.62
GBP 2,900,000	innogy Finance 5.5% 06/07/2022	3,421	0.27
GBP 3,550,000	innogy Finance 6.125% 06/07/2039	5,210	0.41
GBP 7,783,000	innogy Finance 6.25% 03/06/2030	10,677	0.84
GBP 3,979,000	KFW 5.75% 07/06/2032	6,036	0.48
EUR 2,090,000	Unitymedia Hessen 3.50% 15/01/2027	1,893	0.15
EUR 2,871,000	Unitymedia 3.75% 15/01/2027	2,571	0.20
GBP 5,836,000	Volkswagen Financial Services 1.50% 12/04/2021	5,837	0.46
		<u>75,501</u>	<u>5.95</u>
	Variable Rate Bond 0.79% (2016: 0.68%)		
GBP 2,600,000	Munich Reinsurance 6.625% 26/05/2042	3,108	0.25
GBP 6,500,000	RWE Finance 7.00% Perpetual	6,937	0.54
		<u>10,045</u>	<u>0.79</u>
	Greece 0.00% (2016: 0.01%)		
	Fixed Rate Bond 0.00% (2016: 0.01%)		
	Hong Kong 0.54% (2016: 0.69%)		
	Variable Rate Bond 0.54% (2016: 0.69%)		
GBP 6,750,000	HSBC Holdings 6.375% 18/10/2022	<u>6,842</u>	<u>0.54</u>
	Ireland 0.32% (2016: 0.06%)		
	Fixed Rate Bond 0.32% (2016: 0.05%)		
GBP 4,019,000	Ardagh Packaging Finance 4.75% 15/07/2027	<u>4,013</u>	<u>0.32</u>
	Variable Rate Bond 0.00% (2016: 0.01%)		
	Italy 1.47% (2016: 1.12%)		
	Fixed Rate Bond 1.40% (2016: 0.60%)		
GBP 5,071,000	Enel Finance International 5.625% 14/08/2024	6,197	0.49
GBP 3,177,000	Enel Finance International 5.75% 14/09/2040	4,337	0.34
EUR 4,067,000	Leonardo 1.50% 07/06/2024	3,523	0.28
USD 4,156,000	Meccanica Holdings 6.25% 15/01/2040	3,583	0.28
USD 155,000	Meccanica Holdings 7.375% 15/07/2039	143	0.01
		<u>17,783</u>	<u>1.40</u>
	Variable Rate Bond 0.07% (2016: 0.52%)		
GBP 770,000	Enel 6.625% 15/09/2076	<u>859</u>	<u>0.07</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	Jamaica 0.00% (2016: 0.02%)		
	Fixed Rate Bond 0.00% (2016: 0.02%)		
	Japan 0.00% (2016: 0.97%)		
	Fixed Rate Bond 0.00% (2016: 0.97%)		
	Luxembourg 0.60% (2016: 0.31%)		
	Fixed Rate Bond 0.60% (2016: 0.27%)		
GBP 6,697,100	European Investment Bank 4.25% 07/12/2021	7,660	0.60
	Stepped Rate Bond 0.00% (2016: 0.01%)		
	Variable Rate Bond 0.00% (2016: 0.03%)		
	Mexico 0.00% (2016: 0.71%)		
	Fixed Rate Bond 0.00% (2016: 0.47%)		
	Variable Rate Bond 0.00% (2016: 0.24%)		
	Netherlands 0.74% (2016: 1.33%)		
	Asset Backed 0.00% (2016: 0.01%)		
	Fixed Rate Bond 0.37% (2016: 0.64%)		
GBP 2,966,000	Rabobank Nederland 4.625% 23/05/2029	3,390	0.26
EUR 1,600,000	UPC 3.875% 15/06/2029	1,355	0.11
		4,745	0.37
	Variable Rate Bond 0.37% (2016: 0.68%)		
GBP 4,449,000	ING Bank FRN 29/05/2023	4,662	0.37
	Portugal 0.00% (2016: 0.26%)		
	Fixed Rate Bond 0.00% (2016: 0.26%)		
	South Africa 0.00% (2016: 0.04%)		
	Fixed Rate Bond 0.00% (2016: 0.04%)		
	Spain 0.30% (2016: 0.10%)		
	Fixed Rate Bond 0.30% (2016: 0.08%)		
GBP 2,900,000	Iberdrola Finanzas 7.375% 29/01/2024	3,859	0.30
	Variable Rate Bond 0.00% (2016: 0.02%)		
	Supranational 1.95% (2016: 2.55%)		
	Fixed Rate Bond 1.95% (2016: 2.55%)		
GBP 3,827,000	European Investment Bank 3.875% 08/06/2037	4,958	0.39
GBP 2,913,000	European Investment Bank 4.50% 07/03/2044	4,301	0.34
GBP 1,608,000	European Investment Bank 5.00% 15/04/2039	2,426	0.19
GBP 3,731,000	European Investment Bank 5.625% 07/06/2032	5,540	0.44

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Fixed Rate Bond (continued)			
GBP 2,871,000	European Investment Bank 6.00% 07/12/2028	4,148	0.33
GBP 2,190,000	International Bank for Reconstruction & Development 5.75% 07/06/2032	3,319	0.26
		<u>24,692</u>	<u>1.95</u>
Sweden 1.21% (2016: 0.02%)			
Fixed Rate Bond 1.21% (2016: 0.02%)			
EUR 6,028,000	Fastighets Balder 1.875% 14/03/2025	5,303	0.41
EUR 4,975,000	Intrum Justitia 2.75% 15/07/2022	4,389	0.35
EUR 3,732,000	Intrum Justitia 3.125% 15/07/2024	3,263	0.26
GBP 1,531,000	Vattenfall 6.875% 15/04/2039	2,448	0.19
		<u>15,403</u>	<u>1.21</u>
Switzerland 1.47% (2016: 1.70%)			
Fixed Rate Bond 1.05% (2016: 0.91%)			
GBP 4,975,000	Credit Suisse 2.75% 08/08/2025	5,072	0.40
GBP 2,584,000	LafargeHolcim Sterling Finance 3.00% 12/05/2032	2,547	0.20
GBP 5,387,000	UBS 6.625% 11/04/2018	5,626	0.45
		<u>13,245</u>	<u>1.05</u>
Variable Rate Bond 0.42% (2016: 0.79%)			
GBP 4,497,000	Zurich Finance UK 6.625% Perpetual	5,361	0.42
United Kingdom 56.32% (2016: 58.04%)			
Asset Backed 2.40% (2016: 2.99%)			
GBP 1,000,000	Arqiva Financing 4.882% 31/12/2032	1,134	0.09
GBP 641,157	Canary Wharf Finance 6.455% 22/10/2033	1,122	0.09
GBP 2,308,894	Delamare Finance 5.5457% 19/02/2029	2,493	0.20
GBP 862,353	Greene King Finance 4.0643% 15/03/2035	942	0.07
GBP 2,273,000	Greene King Finance 5.106% 15/03/2034	2,685	0.21
GBP 2,018,896	Juturna 5.0636% 10/08/2033	2,463	0.19
GBP 4,710,191	Longstone Finance 4.791% 19/04/2036	5,469	0.43
GBP 2,421,000	Metropolitan Funding 4.125% 05/04/2048	2,922	0.23
GBP 1,950,000	PenArian Housing Finance 3.212% 07/06/2052	1,945	0.15
GBP 856,000	Sunderland Finance 6.38% 31/03/2042	1,205	0.10
GBP 1,644,922	Telereal Securitisation 5.3887% 10/12/2033	1,966	0.15
GBP 56,236	Telereal Securitisation 5.9478% 10/12/2033	69	0.01
GBP 4,846,632	White City Property Finance 5.1202% 17/04/2035	6,009	0.48
		<u>30,424</u>	<u>2.40</u>
Fixed Rate Bond 47.34% (2016: 47.91%)			
GBP 7,953,000	AA Bond 2.875% 31/01/2022	8,094	0.64
GBP 7,487,000	AA Bond 4.248% 31/07/2020	7,962	0.63
GBP 3,480,000	AA Bond 6.269% 31/07/2025	4,264	0.34
GBP 3,923,000	Affordable Housing Finance 2.893% 11/08/2043	4,455	0.35
GBP 2,488,000	Anglian Water Services Finance 2.625% 15/06/2027	2,473	0.19
GBP 3,638,000	Anglian Water Services Finance 4.5% 22/02/2026	4,181	0.33
GBP 4,301,000	Arqiva Broadcast Finance 9.50% 31/03/2020	4,578	0.36
GBP 3,827,000	Arqiva Financing 4.04% 30/06/2020	4,058	0.32

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Fixed Rate Bond (continued)			
GBP 5,055,000	A2Dominion 3.50% 15/11/2028	5,111	0.40
GBP 1,242,000	BAA Funding 4.625% 31/10/2046	1,628	0.13
GBP 3,898,000	BAA Funding 6.00% 20/03/2020	4,365	0.34
GBP 8,754,000	BAA Funding 6.75% 03/12/2026	12,000	0.95
GBP 4,497,000	BAA Funding 7.125% 14/02/2024	5,779	0.46
GBP 2,610,000	Bank of Scotland 9.375% 15/05/2021	3,360	0.26
GBP 1,508,000	Barclays Bank 9.50% 07/08/2021	1,924	0.15
GBP 6,793,000	Barclays Bank 3.125% 17/01/2024	7,016	0.55
GBP 6,315,000	BAT International Finance 1.75% 05/07/2021	6,389	0.50
GBP 5,440,000	BAT International Finance 4.00% 04/09/2026	6,155	0.49
GBP 1,149,000	BAT International Finance 6.00% 24/11/2034	1,603	0.13
GBP 5,741,000	BAT International Finance 6.375% 12/12/2019	6,455	0.51
GBP 3,827,000	BG Energy Capital 5.00% 04/11/2036	5,108	0.40
GBP 4,155,000	Broadgate Financing 4.821% 05/07/2036	5,447	0.43
GBP 5,645,000	BUPA Finance 5.00% 08/12/2026	6,359	0.50
GBP 3,540,000	Centrica 4.25% 12/09/2044	4,183	0.33
GBP 3,381,000	Centrica 7.00% 19/09/2018	3,621	0.29
GBP 1,600,000	Channel Link Enterprises Finance FRN 30/06/2050	1,611	0.13
GBP 1,100,000	Channel Link Enterprises Finance 3.848% 30/06/2050	1,150	0.09
GBP 4,616,000	Coventry Building Society 5.875% 28/09/2022	5,573	0.44
GBP 5,766,000	CPUK Finance 2.666% 28/02/2020	5,933	0.47
GBP 2,584,000	CPUK Finance 4.25% 28/08/2022	2,599	0.20
GBP 600,000	CPUK Finance 4.875% 28/08/2025	608	0.05
GBP 2,297,000	CYBG FRN 22/06/2025	2,269	0.18
GBP 2,297,000	Dwr Cymru Financing 6.015% 31/03/2028	3,147	0.25
GBP 5,167,000	Eastern Power Networks 4.75% 30/09/2021	5,894	0.46
GBP 5,549,000	EE Finance 4.375% 28/03/2019	5,850	0.46
GBP 2,994,000	Eversholt Funding 5.831% 02/12/2020	3,423	0.27
GBP 3,058,000	Experian Finance 3.50% 15/10/2021	3,328	0.26
GBP 7,145,000	Experian Finance 4.75% 23/11/2018	7,512	0.59
GBP 4,483,000	FirstGroup 8.125% 19/09/2018	4,850	0.38
GBP 2,966,000	Friends Life Holdings 8.25% 21/04/2022	3,824	0.30
GBP 1,400,000	Gatwick Funding 5.75% 23/01/2037	1,980	0.16
GBP 2,297,000	GKN 3.375% 12/05/2032	2,292	0.18
GBP 4,265,000	GKN 5.375% 19/09/2022	4,938	0.39
GBP 5,358,000	GlaxoSmithKline Capital 4.25% 18/12/2045	6,889	0.54
GBP 1,436,000	GlaxoSmithKline Capital 5.25% 19/12/2033	1,973	0.16
GBP 1,889,000	GlaxoSmithKline Capital 6.375% 09/03/2039	2,999	0.24
USD 1,914,000	GlaxoSmithKline Capital 6.375% 15/05/2038	2,023	0.16
GBP 5,262,000	Global Switch Holdings 4.375% 13/12/2022	5,849	0.46
EUR 4,114,000	Global Switch 2.25% 31/05/2027	3,638	0.29
GBP 5,167,000	Heathrow Funding 2.75% Perpetual	4,947	0.39
GBP 2,631,000	Heathrow Funding 6.45% 10/12/2031	3,805	0.30
GBP 3,971,000	HSBC Bank 4.75% 24/03/2046	4,902	0.39
GBP 4,401,000	HSBC Bank 5.375% 22/08/2033	5,673	0.45
GBP 862,000	HSBC Bank 6.25% 30/01/2041	1,247	0.10
GBP 1,770,000	HSBC Holdings 6.00% 29/03/2040	2,339	0.18

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Fixed Rate Bond (continued)			
GBP 1,200,000	HSBC Holdings 6.75% 11/09/2028	1,574	0.12
GBP 2,400,000	HSBC Holdings 7.00% 07/04/2038	3,480	0.27
GBP 2,679,000	Imperial Tobacco Finance 4.875% 07/06/2032	3,238	0.26
GBP 2,136,000	Imperial Tobacco Finance 5.50% 28/09/2026	2,657	0.21
GBP 3,577,000	Imperial Tobacco Finance 6.25% 04/12/2018	3,830	0.30
GBP 3,005,000	Imperial Tobacco Finance 7.75% 24/06/2019	3,384	0.27
GBP 2,249,000	Imperial Tobacco Finance 9.00% 17/02/2022	2,970	0.23
GBP 3,000,000	Kennedy Wilson Europe Real Estate 3.95% 30/06/2022	3,068	0.24
GBP 2,300,000	Land Securities Capital Markets 1.974% 08/02/2024	2,335	0.18
GBP 7,044,000	LCR Finance 4.50% 07/12/2028	9,079	0.72
GBP 4,019,000	Legal & General 5.375% 27/10/2045	4,414	0.35
GBP 3,736,000	Lloyds Bank 4.875% 30/03/2027	4,705	0.37
GBP 2,760,000	Lloyds Bank 5.125% 07/03/2025	3,457	0.27
GBP 5,965,000	Lloyds Bank 6.00% 08/02/2029	8,413	0.66
GBP 5,836,000	Lloyds Bank 6.50% 17/09/2040	9,353	0.74
GBP 6,485,000	Lloyds Bank 7.625% 22/04/2025	8,735	0.69
GBP 1,889,000	Lloyds Bank 9.625% 06/04/2023	2,597	0.20
GBP 3,732,000	London & Quadrant Housing 3.75% Perpetual	4,503	0.36
GBP 3,650,000	Longstone Finance 4.896% 19/04/2036	4,114	0.32
GBP 4,487,000	Motability Operations 3.625% 10/03/2036	5,148	0.41
GBP 4,210,000	National Grid Gas Finance 1.125% 22/09/2021	4,186	0.33
GBP 6,028,000	National Grid Gas Finance 2.625% 22/09/2038	5,765	0.45
GBP 1,400,000	National Grid Gas Finance 2.75% 22/09/2046	1,340	0.11
GBP 3,560,000	National Westminster Bank 6.50% 07/09/2021	4,163	0.33
GBP 1,234,000	Nationwide Building Society 3.00% 06/05/2026	1,312	0.10
GBP 3,572,000	Nationwide Building Society 8.625% 29/03/2018	3,767	0.30
GBP 9,950,000	Network Rail Infrastructure Finance 4.375% 09/12/2030	12,983	1.02
GBP 4,114,000	Northumbrian Water Finance 1.625% 11/10/2026	3,951	0.31
GBP 2,679,000	Orbit Capital 3.50% 24/03/2045	2,878	0.23
GBP 1,900,000	Peabody Energy 4.625% 12/12/2053	2,682	0.21
GBP 8,994,000	PGH Capital 4.125% 20/07/2022	9,309	0.73
GBP 6,410,000	Places for People Treasury 2.875% 17/08/2026	6,210	0.49
GBP 5,454,000	Prudential 5.00% 20/07/2055	5,738	0.45
GBP 5,358,000	RAC Bond 4.565% 06/05/2023	5,808	0.46
GBP 4,487,000	RAC Bond 4.87% 06/05/2026	4,981	0.39
GBP 5,932,000	Royal Bank of Scotland 6.625% 17/09/2018	6,314	0.50
USD 2,193,000	Royal Bank of Scotland 7.648% Perpetual	2,081	0.16
GBP 10,293,000	Santander UK 1.875% 17/02/2020	10,500	0.83
GBP 1,200,000	Santander UK 3.625% 14/01/2026	1,273	0.10
GBP 4,261,000	Santander UK 5.125% 14/04/2021	4,908	0.39
GBP 4,377,000	Santander UK 5.75% 02/03/2026	5,771	0.45
GBP 4,593,000	Scottish Widows 5.50% 16/06/2023	5,142	0.41
GBP 800,000	Scottish Widows 7.00% 16/06/2043	1,012	0.08
GBP 3,445,000	Severn Trent Water Utilities 2.75% 05/12/2031	3,563	0.28
GBP 3,708,000	Society of Lloyd's 4.475% 30/10/2024	4,166	0.33
GBP 3,343,000	Southern Water Services 6.125% 31/03/2019	3,629	0.29
GBP 4,032,000	SP Manweb 4.875% 20/09/2027	4,976	0.39
GBP 1,800,000	Standard Chartered Bank 4.375% 18/01/2038	2,035	0.16
GBP 4,210,000	Standard Chartered Bank 5.12% 06/06/2034	4,540	0.36

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Fixed Rate Bond (continued)			
GBP 1,258,000	Tesco 5.50% 13/01/2033	1,371	0.11
GBP 6,937,000	Tesco 6.00% 14/12/2029	8,059	0.64
GBP 6,536,000	Tesco 6.125% 24/02/2022	7,476	0.59
GBP 4,497,000	Thames Water Utilities Cayman Finance 2.875% 03/05/2027	4,484	0.35
GBP 6,297,000	Thames Water Utilities Cayman Finance 4.00% 19/06/2025	7,240	0.57
GBP 900,000	Thames Water Utilities Cayman Finance 7.738% 09/04/2058	1,918	0.15
GBP 6,410,000	TP ICAP 5.25% 26/01/2024	6,853	0.54
GBP 2,392,000	Transport for London 3.625% 15/05/2045	2,937	0.23
GBP 3,613,000	Transport for London 3.875% 23/07/2042	4,574	0.36
GBP 700,000	Transport for London 4.00% 07/04/2064	1,033	0.08
GBP 3,062,000	Transport for London 4.00% 12/09/2033	3,805	0.30
GBP 5,171,051	UK Treasury 4.25% 07/12/2046	7,933	0.63
GBP 2,119,410	UK Treasury 4.50% 07/09/2034	2,992	0.24
GBP 10,102,558	UK Treasury 4.50% 07/12/2042	15,461	1.22
GBP 1,692,000	Unite USAF 3.374% 30/06/2023	1,828	0.14
GBP 4,784,000	University of Southampton 2.25% 11/04/2057	4,557	0.36
GBP 6,889,000	Vodafone 3.00% 12/08/2056	5,880	0.46
GBP 2,775,000	Vodafone 3.375% Perpetual	2,562	0.20
GBP 915,000	Wellcome Trust Finance 4.00% 09/05/2059	1,372	0.11
GBP 3,577,000	Wessex Water Services Finance 4.00% 24/09/2021	3,978	0.31
GBP 4,593,000	Western Power Distribution East Midlands 5.25% 17/01/2023	5,418	0.43
GBP 2,050,000	Western Power Distribution South Wales 5.75% 23/03/2040	3,010	0.24
GBP 1,250,000	Western Power Distribution South West 5.75% 23/03/2040	1,836	0.14
GBP 3,942,000	Western Power Distribution 3.625% 06/11/2023	4,257	0.34
GBP 3,766,000	Whitbread 3.375% 16/10/2025	3,990	0.31
GBP 4,784,000	WM Morrison Supermarkets 3.50% 27/07/2026	5,067	0.40
GBP 6,384,000	WM Morrison Supermarkets 4.75% 04/07/2029	7,375	0.58
GBP 5,932,000	Yorkshire Water Services 3.75% 22/03/2046	6,347	0.50
GBP 805,000	Yorkshire Water Services 6.375% 19/08/2039	1,283	0.10
		600,566	47.34
Stepped Rate Bond 0.11% (2016: 0.14%)			
GBP 1,149,000	Standard Life 6.75% Perpetual	1,344	0.11
Variable Rate Bond 6.47% (2016: 7.00%)			
GBP 1,380,000	Aviva FRN 04/06/2050	1,505	0.12
GBP 1,800,000	Aviva 4.375% Perpetual	1,837	0.14
GBP 4,550,000	Aviva 6.125% Perpetual	5,101	0.40
GBP 7,660,000	Aviva 6.125% 14/11/2036	8,977	0.71
GBP 3,253,000	Aviva 6.625% 03/06/2041	3,726	0.29
GBP 2,402,000	Aviva 6.875% 20/05/2058	3,171	0.25
GBP 8,140,000	Barclays Bank 6.75% 16/01/2023	8,354	0.66
GBP 1,502,000	BG Energy Capital 6.50% 30/11/2072	1,534	0.12
GBP 7,085,000	CYBG 5.00% 09/02/2026	7,171	0.57
GBP 5,246,000	HBOS Capital Funding 6.461% Perpetual	5,558	0.44
GBP 6,788,000	HSBC Bank 5.375% 04/11/2030	8,199	0.65
GBP 6,300,000	HSBC Bank 5.844% Perpetual	7,695	0.61
GBP 2,674,000	Land Securities Capital Markets 5.391% 31/03/2027	3,353	0.26
GBP 2,300,000	National Grid Finance 5.625% 18/06/2073	2,606	0.21

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Variable Rate Bond (continued)			
GBP 600,000	Prudential 5.70% 19/12/2063	681	0.05
GBP 2,148,000	RSA Insurance VAR 10/10/2045	2,404	0.19
GBP 3,585,000	Southern Water Services 4.50% 31/03/2038	3,939	0.31
GBP 5,602,000	Standard Life 5.50% 04/12/2042	6,204	0.49
		82,015	6.47
United States 16.77% (2016: 14.46%)			
Asset Backed 0.01% (2016: 0.01%)			
GBP 883,226	Lehman Brothers Holdings 7.875% 08/05/2018	82	0.01
Fixed Rate Bond 16.76% (2016: 14.45%)			
GBP 4,784,000	American Honda Finance 2.625% 14/10/2022	5,050	0.40
GBP 3,445,000	Amgen 4.00% 13/09/2029	3,892	0.31
GBP 4,688,000	Apple 3.60% 31/07/2042	5,415	0.43
GBP 5,358,000	AT&T 3.55% 14/09/2037	5,206	0.41
GBP 4,845,000	AT&T 4.25% 01/06/2043	5,161	0.41
GBP 4,880,000	AT&T 4.375% 14/09/2029	5,439	0.43
GBP 6,985,000	AT&T 4.875% 01/06/2044	8,122	0.64
GBP 6,506,000	Bank of America 2.30% 25/07/2025	6,543	0.52
GBP 4,985,000	Bank of America 5.50% 04/12/2019	5,493	0.43
GBP 6,450,000	Bank of America 6.125% 15/09/2021	7,637	0.60
GBP 8,250,000	Bank of America 7.00% 31/07/2028	11,589	0.91
GBP 1,435,000	Citigroup 5.15% 21/05/2026	1,755	0.14
GBP 4,376,000	Citigroup 6.80% 25/06/2038	6,949	0.55
GBP 1,531,000	Comcast 5.50% 23/11/2029	2,032	0.16
GBP 4,114,000	Digital Stout 4.75% 13/10/2023	4,574	0.36
GBP 2,700,000	Fidelity National Information Services 1.70% 30/06/2022	2,680	0.21
GBP 3,404,000	GE Capital UK Funding 5.875% 18/01/2033	4,920	0.39
GBP 4,008,000	General Electric Capital UK Funding 4.375% 31/07/2019	4,286	0.34
GBP 1,480,000	General Electric Capital 4.875% 18/09/2037	1,950	0.15
GBP 1,627,000	General Electric Capital 5.25% 07/12/2028	2,139	0.17
GBP 5,657,000	Goldman Sachs 4.25% 29/01/2026	6,356	0.50
GBP 4,103,000	Goldman Sachs 7.25% 10/04/2028	5,766	0.45
GBP 2,250,000	Johnson & Johnson 5.50% 06/11/2024	2,879	0.23
GBP 3,167,000	JPMorgan 1.875% 10/02/2020	3,241	0.26
GBP 6,219,000	McKesson 3.125% 17/02/2029	6,352	0.50
GBP 10,046,000	Morgan Stanley 2.625% 09/03/2027	10,028	0.79
GBP 5,167,000	Procter & Gamble 1.375% 03/05/2025	5,091	0.40
GBP 4,784,000	Time Warner Cable 5.25% 15/07/2042	5,713	0.45
GBP 8,802,000	Time Warner Cable 5.75% 02/06/2031	10,837	0.85
GBP 3,952,000	Toyota Motor Credit 1.00% 27/09/2022	3,884	0.31
GBP 1,500,000	Verizon Communications 3.125% 02/11/2035	1,443	0.11
GBP 4,497,000	Verizon Communications 4.75% 17/02/2034	5,253	0.41
GBP 5,850,000	Wal-Mart Stores 4.875% 19/01/2039	8,116	0.64
GBP 6,219,000	Wal-Mart Stores 5.625% 27/03/2034	8,931	0.70
GBP 6,000,000	Wal-Mart Stores 5.75% 19/12/2030	8,474	0.67
GBP 2,871,000	Wells Fargo 2.00% 28/07/2025	2,844	0.22
GBP 8,150,000	Wells Fargo 5.25% 01/08/2023	9,712	0.77

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Fixed Rate Bond (continued)			
GBP 6,985,000	W Id America Management 2.625% 30/03/2029	6,831	0.54
		212,583	16.76
Derivatives (0.05%) (2016: (0.32%))			
Futures 0.02% (2016: 0.04%)			
(118)	EUX Euro Bund September 2017	254	0.02
Swaps (0.08%) (2016: (0.11%))			
Credit Default Index Swaps (0.12%) (2016: (0.12%))			
16,400,000	CDX 5.00% 20/06/2022 CDSIndex.ITR Pay EUR	(1,655)	(0.12)
Credit Default Swaps 0.04% (2016: 0.01%)			
7,300,000	CDS 1.00% 20/06/2022 BAE Systems Pay EUR	(145)	(0.01)
4,250,000	CDS 1.00% 20/06/2022 Ladbrokes Pay EUR	495	0.04
7,800,000	CDS 1.00% 20/06/2022 Barclays Bank Receive EUR	45	-
1,750,000	CDS 1.00% 20/06/2022 Ladbrokes Pay EUR	204	0.02
5,370,000	CDS 1.00% 20/06/2022 Metro Pay EUR	22	-
2,430,000	CDS 1.00% 20/06/2022 Metro Pay EUR	10	-
7,800,000	CDS 1.00% 20/06/2022 Standard Chartered Pay EUR	(70)	(0.01)
		561	0.04
Forward Foreign Exchange Contracts 0.01% (2016: (0.25%))			
	Buy EUR 11,038 : Sell GBP 9,741 July 2017 ^	-	-
	Buy EUR 118,200 : Sell GBP 103,873 July 2017 ^	-	-
	Buy EUR 154,400 : Sell GBP 135,646 July 2017 ^	-	-
	Buy EUR 2,148,438 : Sell GBP 1,887,952 July 2017 ^	-	-
	Buy EUR 2,808,032 : Sell GBP 2,476,898 July 2017	(10)	-
	Buy EUR 6,893,831 : Sell GBP 6,070,119 July 2017	(14)	-
	Buy GBP 1,103,825 : Sell EUR 1,250,790 July 2017	5	-
	Buy GBP 1,366,699 : Sell USD 1,723,299 July 2017	41	-
	Buy GBP 20,668,338 : Sell USD 26,465,306 July 2017	310	0.03
	Buy GBP 39,869,017 : Sell EUR 45,516,196 July 2017	(118)	(0.01)
	Buy GBP 626,414 : Sell EUR 711,445 July 2017	1	-
	Buy GBP 716,702 : Sell EUR 812,716 July 2017	3	-
	Buy GBP 8,030,335 : Sell EUR 9,100,000 July 2017	36	-
	Buy GBP 97,458 : Sell EUR 110,800 July 2017 ^	-	-
	Buy USD 167,672 : Sell GBP 132,243 July 2017	(3)	-
	Buy USD 5,233,543 : Sell GBP 4,129,401 July 2017	(104)	(0.01)
	Buy USD 5,576,493 : Sell GBP 4,287,644 July 2017	2	-
		149	0.01
Investment assets including investment liabilities		1,214,134	95.72
Other net assets		54,268	4.28
Total net assets		1,268,402	100.00

Prior year comparative percentages have changed for some sectors due to reclassification within these sectors.

Geographical classifications are based on country of risk.

^ Due to rounding to nearest £1,000

Statement of total return for the year ended 30 June 2017

		2017		2016	
	Note	£000	£000	£000	£000
Income					
Net capital gains	2		37,653		57,006
Revenue	3	45,240		51,308	
Expenses	4	(4,474)		(4,500)	
Interest payable and similar charges	5	-		(1)	
Net revenue before taxation		40,766		46,807	
Taxation	6	-		-	
Net revenue after taxation			40,766		46,807
Total return before distributions			78,419		103,813
Distributions	7		(40,766)		(46,812)
Change in net assets attributable to shareholders from investment activities			37,653		57,001

Statement of change in net assets attributable to shareholders

for the year ended 30 June 2017

		2017		2016	
		£000	£000	£000	£000
Opening net assets attributable to shareholders			1,279,248		1,274,909
Amounts receivable on issue of shares		190,935		23,015	
Amounts payable on cancellation of shares		(220,685)		(119,901)	
Amounts payable on in specie transfer*		(58,517)		-	
			(88,267)		(96,886)
Dilution adjustment			792		154
Change in net assets attributable to shareholders from investment activities			37,653		57,001
Retained distribution on accumulation shares			38,971		44,066
Unclaimed distributions			5		4
Closing net assets attributable to shareholders			1,268,402		1,279,248

* In specie redemption

Balance sheet as at 30 June 2017

	Note	2017 £000	2016 £000
Assets:			
Investments		1,216,253	1,243,276
Current assets:			
Debtors	8	31,227	21,073
Cash and bank balances	9	52,163	37,032
Total assets		1,299,643	1,301,381
Liabilities:			
Investment liabilities		2,119	6,342
Creditors:			
Amounts held at derivative clearing houses and brokers		254	659
Bank overdrafts		9,673	7,724
Distributions payable		1,369	378
Other creditors	10	17,826	7,030
Total liabilities		31,241	22,133
Net assets attributable to shareholders		1,268,402	1,279,248

Notes to the financial statements for the year ended 30 June 2017

1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 of the aggregated notes to the financial statements.

2 Net capital gains

Net capital gains on investments during the year comprise:

	2017 £000	2016 £000
Derivative securities	483	(234)
Forward currency contracts	(4,021)	(8,094)
Non-derivative securities	41,809	65,081
Other currency (losses) / gains	(599)	272
Transaction costs	(19)	(19)
Net capital gains	37,653	57,006

3 Revenue

	2017 £000	2016 £000
Bank interest	34	108
Derivative revenue	(986)	36
Interest on debt securities	46,149	51,055
Interest on margin	-	1
Stock lending revenue	43	108
Total revenue	45,240	51,308

4 Expenses

	2017 £000	2016 £000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual management charge	3,956	3,945
GAC*	314	312
	4,270	4,257
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	106	152
Safe custody fees	98	91
	204	243
Total expenses	4,474	4,500

Irrecoverable VAT is included in the above expenses where relevant.

*The current audit fee, which is levied through the GAC, is £9,725 (2016: £9,167).

Notes to the financial statements (continued)

5 Interest payable and similar charges

	2017 £000	2016 £000
The interest payable and similar charges comprise:		
Interest payable	-	1
Total interest payable and similar charges	-	1

6 Taxation

(a) Analysis of charge in the year

There is no tax charge for the current year (2016: nil).

b) Factors affecting current tax charge for year

The tax assessed for each year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICS) of 20% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Net revenue before taxation	40,766	46,807
Corporation tax at 20% (2016: 20%)	8,153	9,361
Effects of:		
Revenue being paid as interest distributions	(8,153)	(9,361)
Tax charge for the year (note 6a)	-	-

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2016: nil).

(d) Factors that may affect future tax charges

There were no factors that may affect future tax charges at the current or prior year end.

Notes to the financial statements (continued)

7 Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	2017	2016
	£000	£000
Interim income	394	1,704
Interim accumulation	30,758	33,393
Final income	1,369	177
Final accumulation	8,213	10,673
Tax withheld on interest distributions	110	392
	<u>40,844</u>	<u>46,339</u>
Amounts deducted on cancellation of shares	990	564
Amounts received on issue of shares	(1,068)	(91)
Total distributions	<u>40,766</u>	<u>46,812</u>
Net revenue after taxation	40,766	46,807
Equalisation on conversions	-	5
Total distributions	<u>40,766</u>	<u>46,812</u>

Details of the distribution per share are set out in the distribution tables on pages 51 to 54.

8 Debtors

	2017	2016
	£000	£000
Accrued revenue	18,983	19,221
Amounts receivable for issue of shares	50	129
Currency transactions awaiting settlement	4,291	638
Lehman's compensation	236	236
Sales awaiting settlement	7,667	849
Total debtors	<u>31,227</u>	<u>21,073</u>

9 Cash and bank balances

	2017	2016
	£000	£000
Amounts held at derivative clearing houses and brokers	391	2,078
Cash and bank balances	49,982	34,954
Collateral accounts	1,790	-
Total cash and bank balances	<u>52,163</u>	<u>37,032</u>

Notes to the financial statements (continued)

10 Other creditors

	2017 £000	2016 £000
Accrued annual management charge	314	318
Accrued Depositary's fee	6	17
Accrued other expenses	36	34
Amounts payable for cancellation of shares	153	198
Derivative interest payable	27	42
Currency transactions awaiting settlement	4,293	641
Purchases awaiting settlement	12,997	5,780
Total other creditors	17,826	7,030

11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

12 Related party transactions

Henderson Investment Funds Limited as ACD to the fund is deemed to be a related party because it provides key management personnel services to the fund. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', the 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 36 and 37 and notes 4, 7, 8 and 10 on pages 38 to 41 including all issues and cancellations where the ACD acted as principal.

Transactions with the ACD are as follows:

- All issues and cancellations,
- Annual management charge
- GAC

There were no material shareholders at the year end (2016: nil).

13 Shareholders' funds

The fund currently has 3 share classes available; Class A (Retail with front-end charges), Class I (Institutional) and Class Z (Institutional). The annual management charge on each share class is as follows:

	2017 %	2016 %
Class A	0.75%	1.00%
Class I	0.50%	0.50%
Class Z*	0.00%	0.00%

* Charges for managing Z class shares are levied outside the fund and are agreed between the ACD and investors.

¹ The annual management charge on Class A reduced from 1.00% to 0.75% on 1 February 2017.

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative tables on pages 20 to 24. The distribution per share class is given in the distribution tables on pages 51 to 54. All share classes have the same rights on winding up.

Notes to the financial statements (continued)

13 Shareholders' funds (continued)

Share reconciliation as at 30 June 2017

	Class A accumulation	Class A income	Class I accumulation	Class I income
Opening number of shares	1,976,710	5,223,526	4,869,869	16,323,443
Creations during the year	226,241	96,259	1,878,030	310,770
Cancellations during the year	(342,897)	(846,641)	(895,293)	(6,417,255)
Shares converted during the year	(9,071)	(72,263)	3,623	70,041
Closing shares in issue	1,850,983	4,400,881	5,856,229	10,286,999

	Class A income gross	Class I accumulation gross	Class I income gross	Class Z accumulation gross
Opening number of shares	61,307	270,149,704	291,214	230,602,762
Creations during the year	36,983	32,842,733	26,512	40,413,875
Cancellations during the year	(50,368)	(71,130,773)	(92,624)	(28,327,817)
Shares converted during the year	-	(61,774,590)	128,444,307	-
Closing shares in issue	47,922	170,087,074	128,669,409	242,688,820

14 Financial derivatives

The fund may use financial derivatives for hedging and meeting the investment objectives including risk reduction and implementation of investment policies.

Eligible collateral types are approved by the Investment Manager and are agreed with the relevant counterparty.

The counterparty exposure has been calculated using the positive marked-to-market value of the derivative contract with that counterparty.

At 30 June 2017 there was no collateral held by the fund in respect of derivatives (2016: nil). There was cash of £1,790,000 pledged as collateral by the fund (2016: nil).

2017

At 30 June 2017 the underlying exposure for each category of derivatives was as follows:

Counterparty	Credit Default Swaps/Index £000	Forward foreign exchange contracts £000	Futures £000	Total by counterparty £000
BNP Paribas	-	398	-	398
Barclays Bank	204	-	-	204
Citigroup	517	-	-	517
JP Morgan	45	-	-	45
Merrill Lynch	10	-	-	10
UBS	-	-	254	254
	776	398	254	1,428

Notes to the financial statements (continued)

14 Financial derivatives (continued)

2016

At 30 June 2016 the underlying exposure for each category of derivatives was as follows:

Counterparty	Credit Default Swaps £000	Forward foreign exchange contracts £000	Futures £000	Total by counterparty £000
BNP Paribas	-	267	-	267
Barclays Bank	60	-	-	60
Citigroup	12	-	-	12
Credit Suisse	95	-	-	95
Goldman Sachs	72	-	-	72
Merrill Lynch	19	-	-	19
UBS	-	-	1,776	1,776
	258	267	1,776	2,301

15 Stock lending

The fund and the Investment Manager have entered into a stock lending programme with BNP Paribas acting as the stock lending agent for the purposes of efficient portfolio management and to generate additional income.

Stock lending revenue is disclosed under 'Revenue' in the Statement of total return.

Eligible collateral types for Stock Lending and borrowing transactions are approved by the Investment Manager and may consist of securities issued or guaranteed by a Member State of the OECD or by their local authorities or supranational institutions and organisations with regional, EU and world-wide scope, generally subject to a minimum long term credit rating of at least A- by one or more major rating agency or equities. Collateral should be highly liquid and traded on a regulated market. Collateral is subject to a haircut on a sliding scale based on the combination of the underlying instrument being lent versus the asset being received as collateral. The value of collateral required will range from 102.50% to 110.00% of the value of the stock on loan.

2017

Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
Barclays Bank	84	91	Corporate Bond
Barclays Bank	3,558	3,823	Government Bond
	3,642	3,914	
JP Morgan	3,544	3,734	Corporate Bond
JP Morgan	2,161	2,402	Equity
JP Morgan	8,574	8,838	Government Bond
	14,279	14,974	
Lloyds Bank	757	812	Government Bond
	18,678	19,700	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	51	8	43

Notes to the financial statements (continued)

15 Stock lending (continued)

2016

Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
Barclays Bank	544	561	Corporate Bond
Barclays Bank	13,032	13,442	Government Bond
	13,576	14,003	
Citigroup	2,120	2,341	Government Bond
Credit Suisse	14	16	Corporate Bond
Credit Suisse	2,903	3,084	Government Bond
	2,917	3,100	
Goldman Sachs	1,271	1,308	Government Bond
JP Morgan	6,108	6,266	Corporate Bond
JP Morgan	2,318	2,518	Government Bond
	8,426	8,784	
Lloyds Bank	4,591	4,750	Government Bond
Merrill Lynch	252	263	Government Bond
	33,153	34,549	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	127	19	108

Notes to the financial statements (continued)

16 Risk

Currency risk

The fund's net exposure to currency risk (including any instruments used to hedge foreign currencies) is considered insignificant. This is consistent with the exposure during the prior year.

Interest rate risk

The fund's exposure to interest rate risk is considered significant. The interest rate risk profile of the fund's financial assets and financial liabilities at the year end is set out in the following table:

	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
2017				
Euro	6,590	34,826	471	41,887
UK sterling	181,197	1,032,767	27,095	1,241,059
US dollar	-	12,049	4,648	16,697
Total	187,787	1,079,642	32,214	1,299,643

	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
2016				
Euro	6,204	23,559	239	30,002
UK sterling	164,803	1,061,827	6,725	1,233,355
US dollar	1,914	36,089	21	38,024
Total	172,921	1,121,475	6,985	1,301,381

	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Non-interest bearing assets £000	Total £000
2017				
Euro	254	1,869	52	2,175
UK sterling	9,673	-	14,993	24,666
US dollar	-	-	4,400	4,400
Total	9,927	1,869	19,445	31,241

	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Non-interest bearing assets £000	Total £000
2016				
Euro	-	1,650	85	1,735
UK sterling	8,425	5,784	4,963	19,172
US dollar	-	20	1,206	1,226
Total	8,425	7,454	6,254	22,133

Notes to the financial statements (continued)

16 Risk (continued)

Credit risk

2017

	Market value £000	Percentage of total net assets %
Investments		
Investment grade (AAA - BBB)	1,100,644	86.77
Below investment grade (BB and below)	91,540	7.22
Unrated	22,641	1.78
Total debt securities	1,214,825	95.77
Derivatives	(691)	(0.05)
Investment assets including investment liabilities	1,214,134	95.72
Other net assets	54,268	4.28
Total net assets	1,268,402	100.00

	Market value £000	Percentage of total net assets %
Investment assets		
Investment grade (AAA - BBB)	1,165,384	91.10
Below investment grade (BB and below)	68,664	5.37
Unrated	6,927	0.54
Total debt securities	1,240,975	97.01
Derivatives	(4,041)	(0.32)
Investment assets including investment liabilities	1,236,934	96.69
Other net assets	42,314	3.31
Total net assets	1,279,248	100.00

Sensitivity analysis

The actual VaR results, limits and utilisation of limits are summarised in the table below:

	Global Exposure Calculation basis	Actual VaR in year			VaR Limit	Utilisation of VaR limit		
		Minimum %	Maximum %	Average %		Minimum %	Maximum %	Average %
2017	Relative VaR*	98.70	110.86	103.24	200.00	49.35	55.43	51.62
2016	Relative VaR*	98.69	106.87	102.83	200.00	49.34	53.43	51.42

* Reference portfolio: iBoxx GBP Non-Gilts All Maturities TR Index

Leverage	Minimum %	Maximum %	Average %
2017	6.48	27.58	14.51
2016	5.73	22.37	10.69

Notes to the financial statements (continued)

16 Risk (continued)

Liquidity risk

The following table provides a maturity analysis of the fund's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	On demand	Within one year	Over one year but not more than five years	Over five years
	£000	£000	£000	£000
2017				
Amounts held at derivative clearing houses and brokers	254	-	-	-
Bank overdrafts	9,673	-	-	-
Derivatives financial liabilities	-	249	1,870	-
Distribution payable	-	1,369	-	-
Other creditors	-	17,826	-	-
Total	9,927	19,444	1,870	-

	On demand	Within one year	Over one year but not more than five years	Over five years
	£000	£000	£000	£000
2016				
Amounts held at derivatives clearing houses and brokers	659	-	-	-
Bank overdrafts	7,724	-	-	-
Derivative financial liabilities	-	4,671	1,671	-
Distribution payable	-	378	-	-
Other creditors	-	7,030	-	-
Total	8,383	12,079	1,671	-

17 Fair value disclosure

Fair value measurement

The fund has early adopted the March 2016 amendment to section 34 of FRS 102 (Fair Value Hierarchy disclosures that simplify the preparation of financial instrument disclosure), which is applicable to accounting periods beginning on or after 1 January 2017 with earlier application permitted.

The intention of a fair value measurement is to estimate the price at which an asset or a liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS 102 the fund classifies fair value measurement under the following levels:

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Notes to the financial statements (continued)

17 Fair value disclosure (continued)

Fair value measurement (continued)

Fair value hierarchy

Valuation technique	2017		2016	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1	55,673*	-	146,116*	1,288
Level 2	1,160,580	2,119	1,097,160	5,054
Level 3	-	-	-	-
	1,216,253	2,119	1,243,276	6,342

* Debt securities have been included in level 1, where their valuation is determined to be sufficiently close to a binding quoted price, amount to £55,418,957 as at 30 June 2017 (2016: £144,339,411).

Notes to the financial statements (continued)

18 Direct transaction costs

	Purchases		Sales	
	2017	2016	2017	2016
	£000	£000	£000	£000
Trades in the year				
Debt securities	976,455	520,437	959,319	541,184
Trades in the year before transaction costs	976,455	520,437	959,319	541,184
Transaction costs				
Commissions				
Debt securities	-	-	-	-
Total commissions	-	-	-	-
Taxes				
Debt securities	-	-	-	-
Total taxes	-	-	-	-
Other expenses				
Debt securities	-	-	-	-
Total other expenses	-	-	-	-
Total transaction costs	-	-	-	-
Total net trades in the year after transaction costs	976,455	520,437	959,319	541,184

	Purchases		Sales	
	2017	2016	2017	2016
	%	%	%	%
Total transaction cost expressed as a percentage of asset type cost				
Commissions				
Collective investment schemes	-	-	-	-
Debt securities	-	-	-	-
Equities	-	-	-	-
Taxes				
Collective investment schemes	-	-	-	-
Debt securities	-	-	-	-
Equities	-	-	-	-
Other expenses				
Collective investment schemes	-	-	-	-
Debt securities	-	-	-	-
Equities	-	-	-	-

	2017	2016
	%	%
Total transaction cost expressed as a percentage of net asset value		
Commissions	-	-
Taxes	-	-
Other expenses	-	-
Total costs	-	-

There were in specie transfers during the year of £51,447,428 (2016: nil). There were corporate actions during the year of £27,333,993 (2016: £31,787,232).

There were direct transaction costs associated with derivatives during the year of £9,302 (2016: £5,298) which is 0.00% of the average net asset value of the fund (2016: 0.00%).

Notes to the financial statements (continued)

18 Direct transaction costs (continued)

Direct transaction costs are fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the fund. These exclude any differences between quoted bid and offer prices or internal administrative or holding costs.

Transaction costs for bonds are not separately identifiable as with other financial instruments as the costs form part of the dealing spread and therefore are inherent within the purchase and sale prices of the trades.

The portfolio dealing spread as at 30 June 2017 was 0.64% (2016: 0.86%). The portfolio dealing spread is calculated at the fund's 12 noon valuation point.

19 Events after the Balance Sheet date

There were no material post Balance sheet events which require disclosure within these financial statements.

Distribution tables for the year ended 30 June 2017 (in pence per share)

Interim interest distribution (accounting date 30 September 2016, paid on 30 November 2016)

Group 1: shares purchased prior to 1 July 2016

Group 2: shares purchased on or after 1 July 2016

	Gross revenue	Income tax (20%)	Net revenue	Equalisation	Distribution paid 30/11/16*	Distribution paid 30/11/15*
Class A accumulation						
Group 1	0.9405	0.1881	0.7524	-	0.7524	0.8179
Group 2	0.6615	0.1323	0.5292	0.2232	0.7524	0.8179
Class A income						
Group 1	0.8259	0.1652	0.6607	-	0.6607	0.7347
Group 2	0.2113	0.0423	0.1690	0.4917	0.6607	0.7347
Class I accumulation						
Group 1	1.9360	0.3872	1.5488	-	1.5488	1.6145
Group 2	1.3114	0.2623	1.0491	0.4997	1.5488	1.6145
Class I income						
Group 1	1.0516	0.2103	0.8413	-	0.8413	0.9015
Group 2	0.2793	0.0559	0.2234	0.6179	0.8413	0.9015
Class A income gross						
Group 1	0.8394	-	0.8394	-	0.8394	0.9242
Group 2	0.4803	-	0.4803	0.3591	0.8394	0.9242
Class I accumulation gross						
Group 1	2.1756	-	2.1756	-	2.1756	2.2406
Group 2	-	-	-	2.1756	2.1756	2.2406
Class I income gross						
Group 1	1.0698	-	1.0698	-	1.0698	1.1405
Group 2	1.0698	-	1.0698	-	1.0698	1.1405
Class Z accumulation gross						
Group 1	2.0744	-	2.0744	-	2.0744	2.0847
Group 2	1.2839	-	1.2839	0.7905	2.0744	2.0847

* Distributions on Class A accumulation, Class A income, Class I accumulation and Class I income prior to 6 April 2017 are shown net of 20% income tax.

Distribution tables (continued)

Interim interest distribution (accounting date 31 December 2016, paid on 28 February 2017)

Group 1: shares purchased prior to 1 October 2016

Group 2: shares purchased on or after 1 October 2016

	Gross revenue	Income tax (20%)	Net revenue	Equalisation	Distribution paid 28/02/17*	Distribution paid 29/02/16*
Class A accumulation						
Group 1	0.8483	0.1697	0.6786	-	0.6786	0.8300
Group 2	0.6081	0.1216	0.4865	0.1921	0.6786	0.8300
Class A income						
Group 1	0.7413	0.1483	0.5930	-	0.5930	0.7411
Group 2	0.2458	0.0492	0.1966	0.3964	0.5930	0.7411
Class I accumulation						
Group 1	1.7773	0.3555	1.4218	-	1.4218	1.6422
Group 2	0.5271	0.1054	0.4217	1.0001	1.4218	1.6422
Class I income						
Group 1	0.9595	0.1919	0.7676	-	0.7676	0.9104
Group 2	0.3640	0.0728	0.2912	0.4764	0.7676	0.9104
Class A income gross						
Group 1	0.7435	-	0.7435	-	0.7435	0.9370
Group 2	0.7435	-	0.7435	-	0.7435	0.9370
Class I accumulation gross						
Group 1	1.9999	-	1.9999	-	1.9999	2.2824
Group 2	1.7255	-	1.7255	0.2744	1.9999	2.2824
Class I income gross						
Group 1	0.9759	-	0.9759	-	0.9759	1.1514
Group 2	0.5866	-	0.5866	0.3893	0.9759	1.1514
Class Z accumulation gross						
Group 1	1.9257	-	1.9257	-	1.9257	2.1215
Group 2	1.2598	-	1.2598	0.6659	1.9257	2.1215

* Distributions on Class A accumulation, Class A income, Class I accumulation and Class I income prior to 6 April 2017 are shown net of 20% income tax.

Distribution tables (continued)

Interim interest distribution (accounting date 31 March 2017, paid on 31 May 2017)

Group 1: shares purchased prior to 1 January 2017

Group 2: shares purchased on or after 1 January 2017

	Distribution per share	Equalisation	Total distribution per share 31/05/17	Total distribution per share 31/05/16*
Class A accumulation				
Group 1	0.9226	-	0.9226	0.7896
Group 2	0.2155	0.7071	0.9226	0.7896
Class A income				
Group 1	0.8027	-	0.8027	0.7009
Group 2	0.1100	0.6927	0.8027	0.7009
Class I accumulation				
Group 1	1.7898	-	1.7898	1.5763
Group 2	1.3239	0.4659	1.7898	1.5763
Class I income				
Group 1	0.9608	-	0.9608	0.8676
Group 2	0.3432	0.6176	0.9608	0.8676
Class A income gross				
Group 1	0.8059	-	0.8059	0.8864
Group 2	0.3273	0.4786	0.8059	0.8864
Class I accumulation gross				
Group 1	2.0042	-	2.0042	2.1947
Group 2	0.1002	1.9040	2.0042	2.1947
Class I income gross				
Group 1	0.9710	-	0.9710	1.0972
Group 2	0.1222	0.8488	0.9710	1.0972
Class Z accumulation gross				
Group 1	1.9282	-	1.9282	2.0515
Group 2	0.6770	1.2512	1.9282	2.0515

* Distributions on Class A accumulation, Class A income, Class I accumulation and Class I income prior to 6 April 2017 are shown net of 20% income tax.

Distribution tables (continued)

Final interest distribution (accounting date 30 June 2017, paid on 31 August 2017)

Group 1: shares purchased prior to 1 April 2017

Group 2: shares purchased on or after 1 April 2017

	Distribution per share	Equalisation	Total distribution per share 31/08/17	Total distribution per share 28/08/16*
Class A accumulation				
Group 1	0.9455	-	0.9455	0.7710
Group 2	0.3868	0.5587	0.9455	0.7710
Class A income				
Group 1	0.8177	-	0.8177	0.6805
Group 2	0.3051	0.5126	0.8177	0.6805
Class I accumulation				
Group 1	1.7845	-	1.7845	1.5420
Group 2	0.6934	1.0911	1.7845	1.5420
Class I income				
Group 1	0.9512	-	0.9512	0.8429
Group 2	0.6505	0.3007	0.9512	0.8429
Class A income gross				
Group 1	0.8196	-	0.8196	0.8620
Group 2	0.3678	0.4518	0.8196	0.8620
Class I accumulation gross				
Group 1	1.9951	-	1.9951	2.1729
Group 2	1.8015	0.1936	1.9951	2.1729
Class I income gross				
Group 1	0.9597	-	0.9597	1.0771
Group 2	0.4790	0.4807	0.9597	1.0771
Class Z accumulation gross				
Group 1	1.9355	-	1.9355	2.0438
Group 2	1.1188	0.8167	1.9355	2.0438

* Distributions on Class A accumulation, Class A income, Class I accumulation and Class I income prior to 6 April 2017 are shown net of 20% income tax.

Henderson Buy & Maintain Credit Fund

Authorised Corporate Director's (ACD) report

Investment Fund Manager

James Briggs

Investment objective and policy

To provide income and growth by investing primarily in sterling denominated investment grade corporate bonds. The fund may invest in other transferable securities (including high yield bonds), gilts, money market instruments, deposits and collective investment schemes.

Performance summary

	30 Jun 16 - 30 Jun 17 %	30 Jun 15 - 30 Jun 16 %	30 Jun 14 - 30 Jun 15 %	16 Sep 13* - 30 Jun 14 %
Henderson Buy & Maintain Credit Fund	6.5	8.9	6.7	6.0

Source: BNP Paribas, gross of income, at close of business based on performance of Class Z income gross.

*Inception date

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.

Significant portfolio changes for the year ended 30 June 2017

Largest purchases	£000	Total sales/maturities	£000
A2Dominion 3.50% 15/11/2028	298	JPMorgan 4.25% 25/01/2017	290
Orange 1.00% 12/05/2025	253	FCE Bank 4.825% 15/02/2017	180
ATF Netherlands 1.50% 15/07/2024	243	Brown-Forman 2.60% 07/07/2028	156
Microsoft 3.45% 08/08/2036	227	Imperial Tobacco Finance 5.50% 22/11/2016	150
Deutsche Bahn Finance 1.375% 07/07/2025	225	RCI Banque 3.00% 09/05/2019	114
RAC Bond 4.87% 06/05/2026	220	Delamare Finance 5.5457% 19/02/2029	7
Severn Trent Water Utilities 2.75% 05/12/2031	200	Broadgate Financing 5.098% 05/04/2033	3
Barclays 3.125% 17/01/2024	199		
Vodafone 3.375% Perpetual	198		
National Grid Gas Finance 2.625% 22/09/2038	191		
Total purchases	2,962	Total sales/maturities	900

All sales have been included.

Investment review

Sterling corporate bonds saw good returns over the year ending 30 June 2017. The biggest market driver was the policy response from the Bank of England (BoE) following the referendum on the UK's membership of the European Union (EU), which included a 25-basis-point cut in interest rates and £60bn of asset purchases, including £10bn of sterling corporate bonds under the Corporate Bond Purchase Scheme (CBPS). The scheme initially benefited non-financial issuers, particularly utilities, which have accounted for close to a third of the corporate bonds purchased under the CBPS. But over the year, financials saw the best returns, particularly the insurance sector.

The financial sector benefited from stronger global growth and a rise in government bond yields from the lows seen in the summer of 2016, although this negatively impacted the total returns of corporate bonds. In the UK, the government's decision to call a snap general election and the subsequent minority conservative government increased the level of political uncertainty, especially in the wake of Article 50 (marking the official start of EU exit negotiations) being triggered. While corporate bond markets remained resilient in the final few months of the year, growth in the UK slowed as uncertainty rose.

Over the year, monetary policy remained accommodative, particularly in the UK and eurozone, where new stimulus policies were implemented. However, following a 12-month pause, the US raised interest rates three times (by a total of 75 basis points) and began discussing balance sheet normalisation. The year ended with raised expectations for tighter monetary policy around the world as central banks' concerns regarding deflationary forces eased. This sent government bond yields sharply higher (and so prices fell) in late June 2017.

Fund performance benefited from our holdings in financials, which was by far the largest contributor to returns, followed by utilities, which contributed just over half as much. The strongest contributor was Scottish Widows, followed closely by HSBC; the latter benefited from an improved global economic outlook. There is also the potential for many of HSBC's outstanding sterling bonds (which are issued from their operating company) to be repurchased early due to regulatory requirements. The holding in Aviva also generated strong returns, benefiting from attractive valuations and strong and improving corporate fundamentals. Other key contributors included holdings in Standard Chartered, Rabobank, Goldman Sachs, Citigroup, Prudential and BPCE.

Outside of financials, the position in French utility EDF performed well on positive news flow in relation to its nuclear activities and the election of a pro-business government in the form of new president Emmanuel Macron. The position in innogy (previously RWE), also performed well. The company benefited from corporate restructuring that has distanced bondholders from nuclear liabilities, positive ratings action and a ruling by the German Federal Constitutional Court that utilities are entitled to compensation following the shutdown of nuclear plants in 2011. A holding in rival German utility E.ON also performed well and has since been reduced following strong performance. Elsewhere in utilities, the fund's holdings in UK companies such as Western Power and National Grid benefited from the BoE's asset purchase programme.

Corporate issuance rose sharply over the last 12 months to reach its highest level in the UK since 2009, reflecting the policy actions of the BoE and attractive funding conditions for issuers. Appetite for new issuance has remained strong, benefiting from inflows into the asset class over the year and attractive valuations compared with the US and European corporate bond markets. As a result, the fund participated in 12 new issues over the course of the year, including deals from Vodafone, Microsoft, A2Dominion Housing Group and Severn Trent.

Two holdings were sold from the portfolio during the year. RCI Banque was sold in February, with Brown-Forman sold in June. The owner of Jack Daniels whiskey, along with a number of other alcohol-based drinks brands, recently engaged in a number of credit-negative activities, including a \$1bn share repurchase programme and a \$360m acquisition of BenRiach Distillery.

The environment for corporate bonds is becoming increasingly challenged as the strong performance over recent months reduces the appeal of valuations and the recent shift in central bank rhetoric increases the probability of tighter monetary policy in the months ahead. Pockets of value still remain, and the mixed economic outlook, combined with less accommodative monetary policy, should increase the level of dispersion in credit markets, presenting new opportunities.

Comparative tables for the year ended 30 June 2017

	Class Z income gross		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	110.99	105.72	102.80
Return before operating charges*	7.45	9.21	6.85
Operating charges	(0.05)	(0.04)	(0.05)
Return after operating charges*	7.40	9.17	6.80
Distributions on income shares	(3.92)	(3.90)	(3.88)
Closing net asset value per share	114.47	110.99	105.72
* after direct transaction costs of:	-	-	-
Performance			
Return after charges	6.67%	8.67%	6.61%
Other information			
Closing net asset value (£000s)	32,188	30,182	27,711
Closing number of shares	28,118,794	27,194,369	26,212,654
Operating charges	0.04%	0.04%	0.05%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price (pence)	120.60	111.90	114.10
Lowest share price (pence)	111.90	104.50	102.60

Performance is at close of business and may differ from the performance summary.

Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

Share class launches and closures

There were no share classes launched or closed in the year.

Ongoing charge figure

The annualised ongoing charge figure (OCF) of the fund is 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 year, except for expenses that are explicitly excluded by regulation.

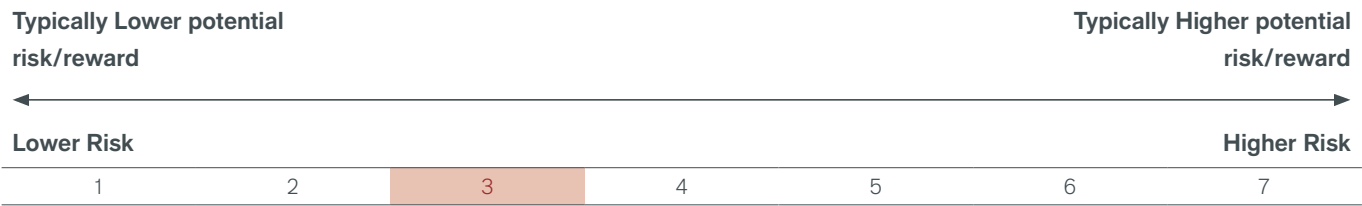
	2017 %	2016 %
Class Z	0.04	0.04

The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

Risk and reward profile

The fund currently has 1 share class in issue; Z income gross.

The risk and reward profile is as follows:



The Synthetic Risk and Reward Indicator (SRRI) is calculated based on historical volatility over a rolling 5¹ 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 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 share class appears at 3 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events.

There has been no change to the risk rating in the year.

The full list of the fund’s risks are contained in the ‘Risk Factors’ section in the fund’s prospectus.

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

¹Class Z income gross was launched 16 September 2013, as it does not have a 5 year history, a synthetic history has been created using the fund’s relevant sector average.

Portfolio statement as at 30 June 2017

Holding	Investment	Market value £000	Percentage of total net assets %
	Bonds 96.08% (2016: 95.83%)		
	Australia 4.17% (2016: 4.41%)		
	Fixed Rate Bond 4.17% (2016: 4.41%)		
GBP 200,000	APT Pipelines 4.25% 26/11/2024	223	0.69
GBP 330,000	BHP Billiton Finance 3.25% 25/09/2024	361	1.12
GBP 335,000	Commonwealth Bank of Australia 3.00% 04/09/2026	370	1.15
GBP 150,000	Goodman Australia 9.75% 16/07/2018	163	0.51
GBP 200,000	Scentre 3.875% 16/07/2026	226	0.70
		<u>1,343</u>	<u>4.17</u>
	Belgium 0.75% (2016: 0.79%)		
	Fixed Rate Bond 0.75% (2016: 0.79%)		
GBP 210,000	Anheuser-Busch InBev 4.00% 24/09/2025	<u>241</u>	<u>0.75</u>
	Denmark 1.39% (2016: 1.45%)		
	Fixed Rate Bond 1.39% (2016: 1.45%)		
GBP 195,000	Dong Energy 4.875% 12/01/2032	244	0.76
GBP 175,000	TDC 5.625% 23/02/2023	<u>202</u>	<u>0.63</u>
		<u>446</u>	<u>1.39</u>
	France 3.70% (2016: 3.23%)		
	Fixed Rate Bond 2.72% (2016: 2.34%)		
GBP 200,000	BPCE 5.25% 16/04/2029	232	0.72
GBP 300,000	LVMH 1.625% 20/12/2017	300	0.94
EUR 100,000	Numericable 5.625% 15/05/2024	95	0.29
GBP 200,000	Orange 1.00% 12/05/2025	<u>248</u>	<u>0.77</u>
		<u>875</u>	<u>2.72</u>
	Variable Rate Bond 0.98% (2016: 0.89%)		
GBP 300,000	Électricité de France 6.00% Perpetual	<u>315</u>	<u>0.98</u>
	Germany 7.81% (2016: 5.95%)		
	Fixed Rate Bond 7.81% (2016: 5.95%)		
GBP 200,000	Allianz Finance 4.50% 13/03/2043	265	0.82
EUR 300,000	ATF Netherlands 1.50% 15/07/2024	257	0.80
EUR 155,000	Deutsche Annington Finance 3.625% 08/10/2021	153	0.48
GBP 225,000	Deutsche Bahn Finance 1.375% 07/07/2025	222	0.69
GBP 145,000	Deutsche Telekom International Finance 8.75% 27/11/2028	236	0.73
GBP 240,000	E.ON International Finance 6.375% 07/06/2032	339	1.06
GBP 150,000	innogy Finance 6.125% 06/07/2039	220	0.68
GBP 260,000	Linde Finance 5.875% 24/04/2023	325	1.01
GBP 300,000	Siemens Financieringsmaatschappij 2.75% 10/09/2025	325	1.01
GBP 170,000	Volkswagen Financial Services 2.25% 12/04/2025	<u>170</u>	<u>0.53</u>
		<u>2,512</u>	<u>7.81</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	Italy 2.20% (2016: 2.36%)		
	Fixed Rate Bond 2.20% (2016: 2.36%)		
GBP 200,000	Atlantia 6.25% 09/06/2022	241	0.75
GBP 200,000	Enel Finance International 5.625% 14/08/2024	244	0.76
GBP 200,000	Intesa Sanpaolo 5.25% 28/01/2022	223	0.69
		<u>708</u>	<u>2.20</u>
	Japan 0.48% (2016: 0.52%)		
	Fixed Rate Bond 0.48% (2016: 0.52%)		
USD 200,000	Japan Tobacco 2.80% 13/04/2026	<u>153</u>	<u>0.48</u>
	Mexico 0.85% (2016: 0.89%)		
	Fixed Rate Bond 0.85% (2016: 0.89%)		
USD 350,000	America Movil 3.125% 16/07/2022	<u>275</u>	<u>0.85</u>
	Netherlands 1.10% (2016: 1.05%)		
	Fixed Rate Bond 1.10% (2016: 1.05%)		
GBP 310,000	Rabobank Nederland 4.625% 23/05/2029	<u>354</u>	<u>1.10</u>
	New Zealand 0.92% (2016: 1.00%)		
	Fixed Rate Bond 0.92% (2016: 1.00%)		
GBP 205,000	Fonterra Cooperative 9.375% 04/12/2023	<u>295</u>	<u>0.92</u>
	Norway 1.02% (2016: 1.09%)		
	Fixed Rate Bond 1.02% (2016: 1.09%)		
GBP 240,000	Statoil 6.125% 27/11/2028	<u>330</u>	<u>1.02</u>
	Sweden 0.55% (2016: 0.58%)		
	Fixed Rate Bond 0.55% (2016: 0.58%)		
GBP 165,000	Svenska Handelsbanken 3.00% 20/11/2020	<u>176</u>	<u>0.55</u>
	Switzerland 0.95% (2016: 0.60%)		
	Fixed Rate Bond 0.31% (2016: 0.00%)		
GBP 100,000	LafargeHolcim Sterling Finance 3.00% 12/05/2032	<u>99</u>	<u>0.31</u>
	Stepped Rate Bond 0.64% (2016: 0.60%)		
GBP 180,000	Glencore Finance 6.00% 03/04/2022	<u>207</u>	<u>0.64</u>
	United Kingdom 53.19% (2016: 52.78%)		
	Asset Backed 4.81% (2016: 5.06%)		
GBP 260,000	Anglian Water Services Financing 5.837% 30/07/2022	317	0.98
GBP 200,000	Arqiva Financing 4.882% 31/12/2032	227	0.70
GBP 192,000	Broadgate Financing 5.098% 05/04/2033	227	0.71
GBP 170,328	Delamare Finance 5.5457% 19/02/2029	184	0.57
GBP 160,000	Eversholt Funding 6.697% 22/02/2035	216	0.67
GBP 300,000	High Speed Rail Finance 4.375% 01/11/2038	376	1.18
		<u>1,547</u>	<u>4.81</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Fixed Rate Bond 45.40% (2016: 45.19%)			
GBP 250,000	AA Bond 4.248% 31/07/2020	266	0.83
GBP 200,000	AstraZeneca 5.75% 13/11/2031	279	0.87
GBP 300,000	A2Dominion 3.50% 15/11/2028	303	0.94
GBP 150,000	BAA Funding 4.625% 31/10/2046	197	0.61
GBP 200,000	Barclays 3.125% 17/01/2024	207	0.64
GBP 250,000	BAT International Finance 6.375% 12/12/2019	281	0.87
GBP 275,000	BG Energy Capital 5.125% 07/12/2017	280	0.87
USD 190,000	BP Capital Markets 3.506% 17/03/2025	150	0.47
GBP 190,000	British Telecom 8.625% 26/03/2020	228	0.71
GBP 200,000	BUPA Finance 3.375% 17/06/2021	214	0.67
GBP 305,000	Centrica 4.375% 13/03/2029	357	1.11
GBP 100,000	Compass 2.00% 03/07/2029	98	0.30
GBP 270,000	Coventry Building Society 6.00% 16/10/2019	299	0.93
GBP 165,000	CPUK Finance 7.239% 28/02/2024	213	0.66
GBP 200,000	CRH Finance 4.125% 02/12/2029	231	0.72
GBP 100,000	Experian Finance 3.50% 15/10/2021	109	0.34
GBP 175,000	Experian Finance 4.75% 23/11/2018	184	0.57
GBP 190,000	FirstGroup 5.25% 29/11/2022	220	0.68
GBP 165,000	Gatwick Funding 6.125% 02/03/2026	214	0.66
GBP 100,000	GKN 3.375% 12/05/2032	100	0.31
GBP 120,000	GKN 5.375% 19/09/2022	139	0.43
GBP 275,000	GlaxoSmithKline Capital 5.25% 19/12/2033	377	1.17
GBP 160,000	Global Switch Holdings 4.375% 13/12/2022	178	0.55
GBP 175,000	Go-Ahead 5.375% 29/09/2017	177	0.55
GBP 170,000	Great Rolling Stock 6.25% 27/07/2020	194	0.60
GBP 170,000	G4S 7.75% 13/05/2019	189	0.59
GBP 165,000	Hammerson 6.00% 23/02/2026	207	0.64
GBP 100,000	Heathrow Funding 6.45% 10/12/2031	145	0.45
GBP 250,000	HSBC Holdings 7.00% 07/04/2038	363	1.13
GBP 50,000	Imperial Tobacco Finance 7.75% 24/06/2019	56	0.17
GBP 310,000	Intu (SGS) Finance 3.875% 17/03/2023	335	1.04
GBP 100,000	Jaguar Land Rover Automotive 2.75% 24/01/2021	102	0.32
GBP 200,000	Kennedy Wilson Europe Real Estate 3.95% 30/06/2022	205	0.64
GBP 150,000	Lloyds Bank 6.50% 17/09/2040	240	0.75
GBP 175,000	London Power Networks 5.125% 31/03/2023	207	0.64
GBP 249,000	Manchester Airport Group Funding 4.75% 31/03/2034	314	0.98
GBP 200,000	Marks & Spencer 4.75% 12/06/2025	224	0.69
GBP 270,000	Motability Operations 5.375% 28/06/2022	324	1.01
GBP 200,000	National Grid Gas Finance 2.625% 22/09/2038	191	0.59
GBP 240,000	Next 3.625% 18/05/2028	244	0.76
GBP 190,000	Northern Gas Networks Finance 4.875% 30/06/2027	236	0.73
GBP 185,000	Northumbrian Water Finance 6.875% 06/02/2023	235	0.73
GBP 200,000	RAC Bond 4.87% 06/05/2026	222	0.69
GBP 325,000	Rolls Royce 3.375% 18/06/2026	353	1.10
GBP 200,000	Sanctuary Capital 6.697% 23/03/2039	322	1.00
GBP 295,000	Santander UK 4.125% 14/09/2017	297	0.92

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Fixed Rate Bond (continued)			
GBP 310,000	Scottish Widows 7.00% 16/06/2043	391	1.22
GBP 200,000	Severn Trent Water Utilities 2.75% 05/12/2031	207	0.64
GBP 200,000	Southern Gas Network 4.875% 21/12/2020	225	0.70
GBP 200,000	Southern Water Services Finance 6.64% 31/03/2026	272	0.85
GBP 200,000	SP Manweb 4.875% 20/09/2027	247	0.77
GBP 170,000	SSE 8.375% 20/11/2028	269	0.83
GBP 320,000	Standard Chartered Bank 4.375% 18/01/2038	362	1.12
GBP 170,000	Tesco 6.00% 14/12/2029	197	0.61
GBP 220,000	Thames Water Utilities Cayman Finance 4.00% 19/06/2025	253	0.79
GBP 155,000	United Utilities Electricity 8.875% 25/03/2026	237	0.74
GBP 200,000	Vodafone 3.375% Perpetual	185	0.57
GBP 170,000	Wales & West Utilities Finance 5.75% 29/09/2030	232	0.72
GBP 260,000	Wessex Water Services Finance 5.75% 14/10/2033	373	1.16
GBP 170,000	Western Power Distribution 5.875% 25/03/2027	223	0.69
GBP 100,000	Whitbread 3.375% 16/10/2025	106	0.33
GBP 140,000	William Hill 4.25% 05/06/2020	146	0.45
GBP 160,000	WPP Finance 6.375% 06/11/2020	187	0.58
		<hr/> 14,618	<hr/> 45.40
Stepped Rate Bond 0.43% (2016: 0.00%)			
GBP 120,000	Virgin Media Secured Finance 6.00% 15/01/2025	<hr/> 139	<hr/> 0.43
Variable Rate Bond 2.55% (2016: 2.53%)			
GBP 200,000	Aviva 6.125% 14/11/2036	235	0.73
GBP 170,000	National Express 6.625% 17/06/2020	195	0.61
GBP 160,000	Prudential 5.70% 19/12/2063	181	0.56
GBP 200,000	Telereal Securitisation FRN 10/12/2033	210	0.65
		<hr/> 821	<hr/> 2.55
United States 17.00% (2016: 19.13%)			
Fixed Rate Bond 17.00% (2016: 19.13%)			
GBP 200,000	American International 5.00% 26/04/2023	230	0.71
GBP 275,000	Amgen 5.50% 07/12/2026	346	1.07
GBP 310,000	Apple 3.60% 31/07/2042	358	1.11
GBP 300,000	AT&T 5.50% 15/03/2027	365	1.13
GBP 250,000	Bank of America 7.75% 30/04/2018	264	0.82
USD 114,000	Burlington North Santa Fe 4.15% 01/04/2045	92	0.29
GBP 220,000	Citigroup 7.375% 01/09/2039	372	1.16
GBP 170,000	Comcast 5.50% 23/11/2029	226	0.70
GBP 210,000	GE Capital UK Funding 8.00% 14/01/2039	390	1.22
GBP 200,000	Goldman Sachs 6.875% 18/01/2038	295	0.92
USD 190,000	HCA Holdings 6.50% 15/02/2020	160	0.50
USD 310,000	HP Enterprise 4.90% 15/10/2025	250	0.78
GBP 200,000	McDonalds 5.875% 23/04/2032	273	0.85
USD 300,000	Microsoft 3.45% 08/08/2036	231	0.72
GBP 200,000	Pfizer 6.50% 03/06/2038	323	1.00
GBP 106,000	Procter & Gamble 6.25% 31/01/2030	154	0.48
EUR 120,000	Prologis 3.375% 20/02/2024	120	0.37

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
United States (continued)			
Fixed Rate Bond (continued)			
GBP 150,000	Time Warner Cable 5.75% 02/06/2031	185	0.57
USD 223,000	Verizon Communications 5.012% 21/08/2054	169	0.52
GBP 270,000	Wal-Mart Stores 5.25% 28/09/2035	382	1.19
GBP 150,000	Welltower REIT 4.50% 01/12/2034	171	0.53
GBP 100,000	Welltower REIT 4.80% 20/11/2028	117	0.36
		<hr/> 5,473	<hr/> 17.00
Derivatives (0.04%) (2016: (0.15%))			
Futures (0.11%) (2016: 0.20%)			
(2)	CBT US Long Bond September 2017	(2)	(0.01)
(2)	CBT US Ultra Bond September 2017	(4)	(0.01)
(6)	CBT US 10 Year Note September 2017	2	0.01
(4)	CBT US 5 Year Note September 2017	1	-
(2)	EUX Euro Bund September 2017	5	0.02
17	ICE Long Gilt September 2017	(39)	(0.12)
		<hr/> (37)	<hr/> (0.11)
Forward Foreign Exchange Contracts 0.07% (2016: (0.35%))			
	Buy GBP 1,642,146 : Sell USD 2,102,729 July 2017	25	0.08
	Buy GBP 642,007 : Sell EUR 732,943 July 2017	(2)	(0.01)
	Buy GBP 7,600 : Sell USD 9,636 July 2017 [^]	-	-
		<hr/> 23	<hr/> 0.07
Investment assets including investment liabilities		<hr/> 30,913	<hr/> 96.04
	Other net assets	1,275	3.96
Total net assets		<hr/> 32,188	<hr/> 100.00

Geographical classification is based on country of risk.

[^] Due to rounding to nearest £1,000

Statement of total return for the year ended 30 June 2017

		2017		2016	
	Note	£000	£000	£000	£000
Income					
Net capital gains	2		944		1,428
Revenue	3	1,094		1,051	
Expenses	4	(13)		(12)	
Net revenue before taxation		1,081		1,039	
Taxation	5	-		-	
Net revenue after taxation			1,081		1,039
Total return before distributions			2,025		2,467
Distributions	6		(1,081)		(1,039)
Change in net assets attributable to shareholders from investment activities			944		1,428

Statement of change in net assets attributable to shareholders

for the year ended 30 June 2017

		2017		2016	
		£000	£000	£000	£000
Opening net assets attributable to shareholders			30,182		27,711
Amounts receivable on issue of shares		1,062		1,043	
			1,062		1,043
Change in net assets attributable to shareholders from investment activities			944		1,428
Closing net assets attributable to shareholders			32,188		30,182

Balance sheet as at 30 June 2017

	Note	2017 £000	2016 £000
Assets:			
Investments		30,960	29,039
Current assets:			
Debtors	7	494	491
Cash and bank balances	8	1,600	1,469
Total assets		33,054	30,999
Liabilities:			
Investment liabilities		47	160
Creditors:			
Amounts held at derivative clearing houses and brokers		8	21
Bank overdrafts		222	242
Distribution payable		264	244
Other creditors	9	325	150
Total liabilities		866	817
Net assets attributable to shareholders		32,188	30,182

Notes to the financial statements for the year ended 30 June 2017

1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 of the aggregated notes to the financial statements.

2 Net capital gains

Net capital gains on investments during the year comprise:

	2017 £000	2016 £000
Derivative securities	96	87
Forward currency contracts	(103)	(373)
Non-derivative securities	932	1,635
Other currency gains	20	80
Transaction costs	(1)	(1)
Net capital gains	944	1,428

3 Revenue

	2017 £000	2016 £000
Bank interest	1	2
Derivative revenue	(4)	-
Interest on debt securities	1,097	1,049
Total revenue	1,094	1,051

4 Expenses

	2017 £000	2016 £000
Payable to the ACD, associates of the ACD and agents of either of them:		
GAC*	7	7
	<u>7</u>	<u>7</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	3	3
Safe custody fees	3	2
	<u>6</u>	<u>5</u>
Total expenses	13	12

Irrecoverable VAT is included in the above expenses where relevant.

*The current audit fee, which is levied through the GAC, is £7,458 (2016: £7,030). However the GAC charge does not fully recompense the ACD for the expenses charged to the fund.

Notes to the financial statements (continued)

5 Taxation

(a) Analysis of charge in the year

There is no tax charge for the current year (2016: nil).

(b) Factors affecting current tax charge for year

The tax assessed for each year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICS) of 20% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Net revenue before taxation	1,081	1,039
Corporation tax at 20% (2016: 20%)	216	208
Effects of:		
Revenue being paid as interest distributions	(216)	(208)
Tax charge for the year (note 5a)	-	-

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2016: nil).

d) Factors that may affect future tax charges

There were no factors that may affect future tax charges at the current or prior year end.

6 Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	2017 £000	2016 £000
Interim income	822	801
Final income	264	244
	1,086	1,045
Amounts received on issue of shares	(5)	(6)
Total distributions	1,081	1,039

Details of the distribution per share are set out in the distribution tables on page 75.

7 Debtors

	2017 £000	2016 £000
Accrued revenue	494	491
Total debtors	494	491

Notes to the financial statements (continued)

8 Cash and bank balances

	2017 £000	2016 £000
Amounts held at derivative clearing houses and brokers	149	76
Cash and bank balances	1,451	1,393
Total cash and bank balances	1,600	1,469

9 Other creditors

	2017 £000	2016 £000
Accrued other expenses	1	1
Purchases awaiting settlement	324	149
Total other creditors	325	150

10 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

11 Related party transactions

Henderson Investment Funds Limited as ACD to the fund is deemed to be a related party because it provides key management personnel services to the fund. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', the 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 65 and 66 and notes 4 and 6 on pages 67 to 68 including all issues of shares where the ACD acted as principal.

Transactions with the ACD are as follows:

- All issues of shares,
- GAC

Harewood Nominees Limited, as a material shareholder, is a related party holding shares comprising 99.99% of the total net assets of the fund as at the year end (2016: 99.99%).

12 Shareholders' funds

The fund currently has 1 share class available; Class Z (Institutional). The annual management charge on this share class is as follows:

	2017	2016
Class Z*	0.00%	0.00%

* Charges for managing Z class shares are levied outside the fund and are agreed between the ACD and investors.

The net asset value of the share class, the net asset value per share and the number of shares in the share class are given in the comparative tables on page 57. The distribution of the share class is given in the distribution tables on page 75.

Share reconciliation as at 30 June 2017

	Class Z income gross
Opening number of shares	27,194,369
Issues during the year	924,425
Cancellations during the year	-
Closing shares in issue	28,118,794

Notes to the financial statements (continued)

13 Financial derivatives

The fund may use financial derivatives for hedging purposes only.

Eligible collateral types are approved by the Investment Manager and are agreed with the relevant counterparty.

The counterparty exposure has been calculated using the positive marked-to-market value of the derivative contract with that counterparty.

At 30 June 2017 there was no collateral pledged or collateral held in respect of derivatives for this fund (2016: nil).

2017

At 30 June 2017 the underlying exposure for each category of derivatives was as follows:

Counterparty	Forward foreign exchange contracts £000	Futures £000	Total by counterparty £000
BNP Paribas	25	-	25
UBS	-	8	8
	<u>25</u>	<u>8</u>	<u>33</u>

2016

At 30 June 2016 the underlying exposure for each category of derivatives was as follows:

Counterparty	Forward foreign exchange contracts £000	Futures £000	Total by counterparty £000
BNP Paribas	5	-	5
UBS	-	108	108
	<u>5</u>	<u>108</u>	<u>113</u>

14 Risk

Currency risk

The fund's net exposure to currency risk (including any instruments used to hedge foreign currencies) is considered insignificant. This is consistent with the exposure during the prior year.

Interest rate risk

The fund's exposure to interest rate risk is considered significant. The interest rate risk profile of the fund's financial assets and financial liabilities at the year end is set out in the following table:

	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
2017				
Euro	12	626	15	653
UK sterling	2,935	27,322	490	30,747
US dollar	153	1,479	22	1,654
Total	<u>3,100</u>	<u>29,427</u>	<u>527</u>	<u>33,054</u>

Notes to the financial statements (continued)

14 Risk (continued)

Interest rate risk (continued)

	Floating rate financial assets	Fixed rate financial assets	Non-interest bearing assets	Total
2016	£000	£000	£000	£000
Currency				
Euro	11	348	9	368
UK sterling	840	26,812	1,210	28,862
US dollar	468	1,259	42	1,769
Total	1,319	28,419	1,261	30,999

	Floating rate financial liabilities	Floating rate financial liabilities	Non-interest bearing assets	Total
2017	£000	£000	£000	£000
Euro	5	-	-	5
UK sterling	222	-	630	852
US dollar	3	-	6	9
Total	230	-	636	866

2016	£000	£000	£000	£000
Euro	-	-	5	5
UK sterling	263	-	507	770
US dollar	-	-	42	42
Total	263	-	554	817

Sensitivity analysis

The net floating rate assets held by the fund at the year end were £2,870,000 (2016: £1,065,000). The income from the net floating rate assets is driven by the interest rates applicable to these assets. If the average rate of the interest applicable to the net floating rate assets was 0.50% higher, the income from the net floating rate assets as at 30 June 2017 would increase by £14,350 (2016: £5,325). If the average rate of interest applicable to the net floating rate assets was 0.50% lower, the income from the net floating rate assets as at 30 June 2017 would decrease by £14,350 (2016: £5,325). The impact on the net asset value of the fund at the current and prior year end would be insignificant.

Credit ratings

2017	Market value	Percentage of net assets
Investments	£000	%
Investment grade (AAA - BBB)	29,457	91.52
Below investment grade (BB and below)	1,178	3.66
Unrated	292	0.90
Total debt securities	30,927	96.08
Derivatives	(14)	(0.04)
Investment assets including investment liabilities	30,913	96.04
Other net assets	1,275	3.96
Total net assets	32,188	100.00

Notes to the financial statements (continued)

14 Risk (continued)

Credit ratings (continued)

	Market value	Percentage of
	£000	net assets
		%
2016		
Investments		
Above investment grade (AAA - BBB)	27,953	92.61
Below investment grade (BB and below)	973	3.22
Total debt securities	28,926	95.83
Derivatives	(47)	(0.15)
Investment assets including investment liabilities	28,879	95.68
Other net assets	1,303	4.32
Total net assets	30,182	100.00

Other market price risk

An increase or decrease in market values will have a direct effect on the value of the investment assets in the portfolio and therefore a proportionate effect on the value of the fund.

Leverage

The fund has not employed significant leverage in the current or prior year.

Liquidity risk

The following table provides a maturity analysis of the fund's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	On demand	Within one year	Over one year but not more than five years	Over five years
	£000	£000	£000	£000
2017				
Amounts held at derivatives clearing houses and brokers	8	-	-	-
Bank overdrafts	222	-	-	-
Derivative financial liabilities	-	47	-	-
Distribution payable	-	264	-	-
Other creditors	-	325	-	-
Total	230	636	-	-

	On demand	Within one year	Over one year but not more than five years	Over five years
	£000	£000	£000	£000
2016				
Amounts held at derivatives clearing houses and brokers	21	-	-	-
Bank overdrafts	242	-	-	-
Derivative financial liabilities	-	160	-	-
Distribution payable	-	244	-	-
Other creditors	-	150	-	-
Total	263	554	-	-

Notes to the financial statements (continued)

15 Fair value disclosure

Fair value measurement

The fund has early adopted the March 2016 amendment to section 34 of FRS 102 (Fair Value Hierarchy disclosures that simplify the preparation of financial instrument disclosure), which is applicable to accounting periods beginning on or after 1 January 2017 with earlier application permitted.

The intention of a fair value measurement is to estimate the price at which an asset or a liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS 102 the fund classifies fair value measurement under the following levels:

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Fair value hierarchy

Valuation technique	2017		2016	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1	8	45	108	47
Level 2	30,952	2	28,931	113
Level 3	-	-	-	-
	30,960	47	29,039	160

16 Direct transaction costs

	Purchases		Sales/maturities	
	2017 £000	2016 £000	2017 £000	2016 £000
Trades in the year				
Debt securities	2,962	3,087	900	1,215
Trades in the year before transaction costs	2,962	3,087	900	1,215
Transaction costs				
Commissions				
Debt securities	-	-	-	-
Total commissions	-	-	-	-
Taxes				
Debt securities	-	-	-	-
Total taxes	-	-	-	-
Other expenses				
Debt securities	-	-	-	-
Total other expenses	-	-	-	-
Total transaction costs	-	-	-	-
Total net trades in the year after transaction costs	2,962	3,087	900	1,215

Notes to the financial statements (continued)

16 Direct transaction costs (continued)

	Purchases		Sales/maturities	
	2017	2016	2017	2016
	%	%	%	%
Total transaction cost expressed as a percentage of asset type cost				
Commissions				
Debt securities	-	-	-	-
Taxes				
Debt securities	-	-	-	-
Other expenses				
Debt securities	-	-	-	-
	2017	2016		
	%	%		
Total transaction cost expressed as a percentage of net asset value				
Commissions	-	-		
Taxes	-	-		
Other expenses	-	-		
Total costs	<u>-</u>	<u>-</u>		

There were no in specie transfers during the year (2016: nil). There were corporate actions during the year of £779,991 (2016: £896,729).

There were direct transaction costs associated with derivatives during the year of £280 (2016: nil) which is 0.00% of the average net asset value of the fund (2016: 0.00%).

Direct transaction costs are fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the fund. These exclude any differences between quoted bid and offer prices or internal administrative or holding costs.

Transaction costs for bonds are not separately identifiable as with other financial instruments as the costs form part of the dealing spread and therefore are inherent within the purchase and sale prices of the trades.

The portfolio dealing spread as at 30 June 2017 was 0.69% (2016: 0.96%). The portfolio dealing spread is calculated at the fund's 12 noon valuation point.

17 Events after the Balance sheet date

There were no material post Balance sheet events which require disclosure within these financial statements.

Distribution tables for the year ended 30 June 2017 (in pence per share)

Interim interest distribution (accounting date 30 September 2016, paid on 30 November 2016)

Group 1: shares purchased prior to 1 July 2016

Group 2: shares purchased on or after 1 July 2016

	Net revenue	Equalisation	Total distribution per share 30/11/16	Total distribution per share 30/11/15
Class Z income gross				
Group 1	1.0037	-	1.0037	1.0067
Group 2	0.3644	0.6393	1.0037	1.0067

Interim interest distribution (accounting date 31 December 2016, paid on 28 February 2017)

Group 1: shares purchased prior to 1 October 2015

Group 2: shares purchased on or after 1 October 2015

	Net revenue	Equalisation	Total distribution per share 28/02/17	Total distribution per share 29/02/16
Class Z income gross				
Group 1	1.0032	-	1.0032	1.0293
Group 2	0.3715	0.6317	1.0032	1.0293

Interim interest distribution (accounting date 31 March 2017, paid on 31 May 2017)

Group 1: shares purchased prior to 1 January 2017

Group 2: shares purchased on or after 1 January 2017

	Net revenue	Equalisation	Total distribution per share 31/05/17	Total distribution per share 29/02/16
Class Z income gross				
Group 1	0.9687	-	0.9687	0.9633
Group 2	0.4501	0.5186	0.9687	0.9633

Final interest distribution (accounting date 30 June 2017, paid on 31 August 2017)

Group 1: shares purchased prior to 1 April 2017

Group 2: shares purchased on or after 1 April 2017

	Distribution per share	Equalisation	Total distribution per share 31/08/17	Total distribution per share 31/08/16
Class Z income gross				
Group 1	0.9395	-	0.9395	0.8983
Group 2	0.4080	0.5315	0.9395	0.8983

Henderson European Smaller Companies Fund

Authorised Corporate Director's (ACD) report

Investment Fund Managers

Ollie Beckett and Rory Stokes

Investment objective and policy

To aim to provide capital growth by investing primarily in European Smaller Companies, excluding the United Kingdom.

Performance summary

	30 Jun 16 - 30 Jun 17 %	30 Jun 15 - 30 Jun 16 %	30 Jun 14 - 30 Jun 15 %	30 Jun 13 - 30 Jun 14 %	30 Jun 12 - 30 Jun 13 %
Henderson European Smaller Companies Fund	50.1	9.4	3.9	27.3	23.8
Euromoney Smaller Europe (ex UK) Index	35.8	14.2	(0.3)	26.8	32.6

Source: Morningstar, bid to bid and net of fees, as at 12 noon valuation point, based on performance of Class A accumulation.

Benchmark values are at close of business.

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.

Significant portfolio changes for the year ended 30 June 2017

Largest purchases	£000	Largest sales	£000
Barco	2,202	Total Produce	1,669
Helma Eigenheimbau	2,059	Prosegur	1,454
Vétoquinol	2,045	Nobina	1,422
Kaufman & Broad	2,038	Sopra Steria	1,406
Banca Farmafactoring	2,033	IFG	1,387
Saferoad	1,817	Nexity	1,184
FinecoBank	1,801	Esprinet	1,134
Koenig & Bauer	1,746	Agfa Gevaert	1,123
Accell	1,715	Grenkeleasing	1,122
Fluidra	1,692	Stern Groep	1,115
Total purchases	79,774	Total sales	47,400

Investment review

The fund returned 50.1% versus 35.8% for the benchmark index.

There was no shortage of political events to worry about in the year to 30 June 2017. The market had to contend with elections in the US, Austria, the Netherlands, France and the UK, as well as an Italian referendum on political reform. While these events were not completely ignored by investors, the robust returns over the year serve to highlight the greater importance of strong economic growth and corporate health. Regarding the European economy, the data was largely positive: the manufacturing purchasing managers' index reached a six-year high, unemployment continued to fall, industrial production increased, credit growth returned and consumer confidence moved to attractive levels. Given this improvement, it was not surprising to see gross domestic product (GDP) forecasts upgraded to approximately 2% for the eurozone in 2017. While this is not an eye-catching figure, it allows for a good operating environment for Europe's smaller companies, which look set to grow earnings at close to 20% in 2017.

The fund performed well, driven by good stock selection as well as our bias toward the value style. We have resisted the urge in recent years to shift the portfolio to the better performing 'quality growth' end of the market, where valuations have continued to rerate (undergone a reassessment by the market) far beyond what we would deem reasonable value. Instead, we have sought more attractively valued shares in the more cyclical end of the market.

Lenzing was our biggest contributor; the Austrian chemical producer supplies the global textile industry with fibres and is well positioned to capitalise on the projected long-term growth in demand for viscose and cellulose fibres. Other strong performers included Einhell Germany (craftsman tools manufacturer), Ahlstrom-Munksjö (fibre producer for decor papers as well as compostable food and beverage packaging), Bobst (printing presses) and Mensch und Maschine Software, which distributes and sells computer aided design software.

In terms of activity, we built a position in Silmaasema, one of the leading optician and eye surgery chains in Finland. Both opticians and eye surgery are growth areas that command good margins, which should produce good cash flow in the coming years. We also bought Banca Farmafactoring, an Italian bank that earns money by buying and collecting receivables owned to large pharmaceutical companies and others from the Italian health service and state. The company earns very high returns on capital and pays all the cash out as a substantial dividend. We also bought Barco following a period of transition in which management has focused on its most attractive niches. This predominantly means digital cinema, which looks to be at the start of a replacement/upgrade cycle.

We sold GFK after the latest profit warning led to both the chief executive officer and the chairman stepping down. We had been hopeful that a turnaround by management could be achieved, but we have now cut our losses and moved on. Elsewhere, we closed our position in Esprinet after a profit warning, as we had concerns that the substantial price pressure being seen in its core market of Italian electronics was no closer to abating. We also closed our position in Sopra Steria, taking good profits; the valuation had begun to look full, and we have developed concerns about the seemingly deteriorating earnings quality.

While we continue with our bias toward value stocks, it has been encouraging to see the market less dominated by a particular style in 2017. This serves as a reminder that our time is best spent finding mispriced securities where the market perception is wrong, rather than focusing too much on where the German 10-year bund yield goes next.

That being said, many clients have been asking us recently for our view on European smaller companies after a period of strong performance. We take the somewhat simplistic view that small caps are a leveraged play on global GDP growth (at approximately 2.2x historically), so if you believe that the global economy is continuing to grow, then small caps look attractive. From a regional standpoint, Europe is yet to have a meaningful earnings recovery; hence, we believe the superior levels of growth forecast for 2017 (versus the US and Asia) are much more achievable.

Comparative tables for the year ended 30 June 2017

	Class A accumulation		
	2017	2016	2015
	(pence per share)	(pence per share)	(pence per share)
Change in net assets per share			
Opening net asset value per share	1,450.34	1,305.99	1,264.48
Return before operating charges*	727.96	167.57	62.38
Operating charges	(30.57)	(23.22)	(20.87)
Return after operating charges*	697.39	144.35	41.51
Distributions on accumulation shares	(3.76)	(6.74)	-
Retained distributions on accumulation shares	3.76	6.74	-
Closing net asset value per share	2,147.73	1,450.34	1,305.99
* after direct transaction costs of:	2.35	1.72	1.45
Performance			
Return after charges	48.08%	11.05%	3.28%
Other information			
Closing net asset value (£000s)	64,078	42,971	55,124
Closing number of shares	2,983,528	2,962,853	4,220,879
Operating charges	1.71%	1.72%	1.72%
Direct transaction costs	0.13%	0.13%	0.12%
Prices			
Highest share price (pence)	2,207.00	1,466.00	1,391.00
Lowest share price (pence)	1,441.00	1,228.00	1,020.00

	Class I accumulation		
	2017	2016	2015
	(pence per share)	(pence per share)	(pence per share)
Change in net assets per share			
Opening net asset value per share	1,599.77	1,428.30	1,377.60
Return before operating charges*	806.96	184.49	62.49
Operating charges	(17.37)	(13.20)	(11.79)
Return after operating charges*	789.59	171.47	50.70
Distributions on accumulation shares	(17.26)	(23.32)	(15.61)
Retained distributions on accumulation shares	17.26	23.32	15.61
Closing net asset value per share	2,389.36	1,599.77	1,428.30
* after direct transaction costs of:	2.65	1.91	1.62
Performance			
Return after charges	49.36%	12.01%	3.68%
Other information			
Closing net asset value (£000s)	74,533	27,386	14,111
Closing number of shares	3,119,374	1,711,859	987,973
Operating charges	0.86%	0.87%	0.87%
Direct transaction costs	0.13%	0.13%	0.12%
Prices			
Highest share price (pence)	2,454.00	1,616.00	1,520.00
Lowest share price (pence)	1,590.00	1,350.00	1,109.00

Performance values are at close of business and may differ from the performance summary.

Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

Share class launches and closures

There were no share classes launched or closed in the year.

Ongoing charge figure

The annualised ongoing charge figure (OCF) of the fund is 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 year, except for expenses that are explicitly excluded by regulation.

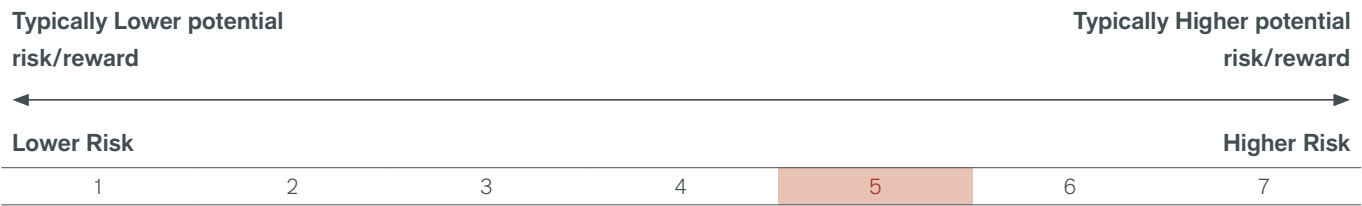
	2017 %	2016 %
Class A	1.71	1.72
Class I	0.86	0.87

The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

Risk and reward profile

The fund currently has 2 types of share class in issue; A accumulation and I 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 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 share classes appear at 5 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events.

The full list of the fund's risks are contained in the "Risk Factors" section of the fund's prospectus.

The risk rating has changed from 6 to 5 during the year for all share classes.

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

Portfolio statement as at 30 June 2017

Holding	Investment	Market value £000	Percentage of total net assets %
	Equities 96.55% (2016: 95.31%)		
	Austria 3.41% (2016: 3.52%)		
	Basic Materials 1.76% (2016: 1.59%)		
17,754	Lenzing	2,440	1.76
	Consumer Services 0.98% (2016: 1.01%)		
117,092	S&T	1,359	0.98
	Technology 0.67% (2016: 0.92%)		
18,626	AMS	931	0.67
	Belgium 5.47% (2016: 4.43%)		
	Consumer Goods 0.00% (2016: 0.60%)		
	Health Care 1.23% (2016: 0.00%)		
40,314	Ion Beam Applications	1,707	1.23
	Industrials 4.24% (2016: 3.83%)		
28,445	Barco	2,246	1.62
17,655	CFE	1,922	1.39
55,542	EVS Broadcast Equipment	1,702	1.23
		5,870	4.24
	Denmark 1.88% (2016: 0.67%)		
	Industrials 1.88% (2016: 0.67%)		
27,982	FLSmidth	1,357	0.98
20,368	NKT	1,251	0.90
		2,608	1.88
	Finland 4.70% (2016: 3.84%)		
	Consumer Goods 1.06% (2016: 0.00%)		
201,200	Silmaasema	1,463	1.06
	Consumer Services 1.29% (2016: 2.05%)		
256,377	Verkkokauppa.com	1,800	1.29
	Financials 0.76% (2016: 1.05%)		
54,932	Asiakastieto	1,049	0.76
	Industrials 0.95% (2016: 0.74%)		
114,820	Lehto	1,322	0.95
	Technology 0.64% (2016: 0.00%)		
135,729	Next Games	881	0.64

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	France 10.69% (2016: 11.41%)		
	Consumer Goods 2.98% (2016: 2.66%)		
79,706	Kaufman & Broad	2,734	1.96
4,731	Maisons France Confort	260	0.19
40,797	Plastic Omnium	1,144	0.83
		<u>4,138</u>	<u>2.98</u>
	Consumer Services 2.38% (2016: 1.93%)		
134,783	Europcar	1,515	1.09
87,227	SRP	1,780	1.29
		<u>3,295</u>	<u>2.38</u>
	Financials 0.00% (2016: 1.50%)		
	Health Care 1.45% (2016: 0.00%)		
44,676	Vétoquinol	2,005	1.45
	Industrials 2.56% (2016: 2.63%)		
218,000	Balyo Promesses	1,024	0.74
44,526	Gaztransport et Technigaz	1,361	0.98
14,485	STEF	1,161	0.84
		<u>3,546</u>	<u>2.56</u>
	Technology 1.32% (2016: 2.69%)		
48,511	Criteo ADS	1,831	1.32
	Germany 14.22% (2016: 14.53%)		
	Consumer Goods 3.17% (2016: 2.96%)		
42,352	Einhell Germany Preference Shares	2,332	1.69
54,131	Helma Eigenheimbau	2,058	1.48
		<u>4,390</u>	<u>3.17</u>
	Consumer Services 1.25% (2016: 3.71%)		
26,864	CEWE Stiftung	1,736	1.25
	Financials 1.02% (2016: 1.77%)		
46,511	Aareal Bank	1,414	1.02
	Industrials 6.22% (2016: 3.39%)		
83,590	Bauer	1,549	1.12
104,056	Francotyp-Postalia	535	0.39
37,113	Koenig & Bauer	1,924	1.39
41,794	Leoni	1,651	1.19
119,600	SGL Carbon	1,140	0.82
121,671	SUSS MircoTec	1,099	0.79
40,670	va-Q-tec	714	0.52
		<u>8,612</u>	<u>6.22</u>
	Oil & Gas 0.00% (2016: 0.52%)		

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	Technology 2.56% (2016: 2.18%)		
125,733	Mensch und Maschine Software	2,103	1.51
25,331	Nemetschek	1,449	1.05
		<u>3,552</u>	<u>2.56</u>
	Greece 0.83% (2016: 0.75%)		
	Basic Materials 0.83% (2016: 0.75%)		
158,211	Mytilineos Holdings	<u>1,147</u>	<u>0.83</u>
	Ireland 1.93% (2016: 5.95%)		
	Consumer Goods 1.05% (2016: 1.59%)		
262,743	Origin Enterprises	<u>1,458</u>	<u>1.05</u>
	Consumer Services 0.88% (2016: 2.04%)		
290,782	Dalata Hotel	<u>1,223</u>	<u>0.88</u>
	Financials 0.00% (2016: 2.32%)		
	Italy 13.03% (2016: 10.71%)		
	Consumer Goods 2.63% (2016: 1.83%)		
126,136	Orsero	1,476	1.07
294,208	OVS	1,607	1.15
98,759	Safilo	562	0.41
		<u>3,645</u>	<u>2.63</u>
	Consumer Services 3.81% (2016: 3.51%)		
1,143,543	Arnoldo Mondadori Editore	1,597	1.15
501,450	Banzai	1,643	1.19
265,433	Cairo Communications	889	0.64
54,317	Yoox	1,155	0.83
		<u>5,284</u>	<u>3.81</u>
	Financials 3.86% (2016: 1.67%)		
270,039	Anima Holdings	1,488	1.07
412,641	BPER Banca	1,580	1.14
376,531	FinecoBank	2,274	1.65
		<u>5,342</u>	<u>3.86</u>
	Health Care 0.69% (2016: 0.98%)		
20,387	LivaNova	<u>961</u>	<u>0.69</u>
	Industrials 0.00% (2016: 1.18%)		
	Oil & Gas 1.32% (2016: 0.66%)		
512,310	Maire Tecnimont	<u>1,828</u>	<u>1.32</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	Technology 0.00% (2016: 0.88%)		
	Telecommunications 0.72% (2016: 0.00%)		
875,659	Retelit	1,003	0.72
	Luxembourg 2.28% (2016: 3.04%)		
	Industrials 2.28% (2016: 2.37%)		
291,482	Ahlsell	1,533	1.11
50,474	Cerved Information Solutions	415	0.30
20,288	Stabilus	1,208	0.87
		3,156	2.28
	Oil & Gas 0.00% (2016: 0.67%)		
	Netherlands 9.09% (2016: 9.41%)		
	Consumer Goods 1.37% (2016: 0.00%)		
75,211	Accell	1,894	1.37
	Consumer Services 0.39% (2016: 1.34%)		
15,621	Shop Apotheke	537	0.39
	Financials 1.72% (2016: 2.13%)		
111,769	Van Lanschot	2,385	1.72
	Industrials 2.09% (2016: 1.36%)		
215,086	Heijmans	1,326	0.96
50,195	Kendrion	1,578	1.13
		2,904	2.09
	Oil & Gas 0.82% (2016: 0.81%)		
99,392	Fugro	1,133	0.82
	Technology 2.70% (2016: 3.77%)		
30,660	ASM International	1,371	0.99
20,638	BE Semiconductor Industries	847	0.61
141,160	ICT	1,530	1.10
		3,748	2.70
	Norway 4.86% (2016: 1.83%)		
	Financials 1.06% (2016: 0.00%)		
202,496	Sparebank 1	1,466	1.06
	Industrials 2.57% (2016: 0.00%)		
652,761	Saferoad	1,787	1.29
393,989	Wallenius Wilhelmsen Logistics	1,774	1.28
		3,561	2.57
	Oil & Gas 1.23% (2016: 1.83%)		
501,055	Spectrum	1,704	1.23

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	Portugal 0.95% (2016: 0.00%)		
	Basic Materials 0.95% (2016: 0.00%)		
395,842	Portucel Soporcel	1,314	0.95
	Spain 3.33% (2016: 5.26%)		
	Basic Materials 0.00% (2016: 0.97%)		
	Consumer Goods 0.00% (2016: 0.00%)		
	Financials 1.77% (2016: 2.23%)		
22,487	Corp Financiera Alba	1,041	0.75
43,637	Grupo Catalana Occidente	1,409	1.02
		2,450	1.77
	Industrials 1.56% (2016: 2.06%)		
386,272	Fluidra	2,169	1.56
	Sweden 9.31% (2016: 7.77%)		
	Basic Materials 1.77% (2016: 0.99%)		
157,395	Munksjö	2,457	1.77
	Consumer Goods 2.16% (2016: 1.21%)		
245,514	MIPS	1,787	1.29
84,029	Thule	1,211	0.87
		2,998	2.16
	Consumer Services 4.47% (2016: 2.16%)		
322,338	AcadeMedia	1,671	1.21
232,154	Dustin	1,483	1.07
425,938	Europris	1,401	1.01
188,652	Kindred	1,638	1.18
		6,193	4.47
	Industrials 0.91% (2016: 3.41%)		
98,789	Alimak	1,262	0.91
	Switzerland 8.97% (2016: 11.47%)		
	Basic Materials 0.70% (2016: 1.03%)		
1,046	Gurit Heberlein	964	0.70
	Financials 0.48% (2016: 0.84%)		
31,684	Swissquote Holding	667	0.48
	Health Care 0.21% (2016: 0.00%)		
2,559	Zur Rose	292	0.21

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	Industrials 7.58% (2016: 8.50%)		
76,815	Arbonia	1,081	0.78
14,572	Bobst	1,081	0.78
14,432	Comet	1,388	1.00
800	Forbo Holdings	1,010	0.73
2,218	Interroll	2,269	1.64
1,818,226	Meyer Burger Technology	1,739	1.25
192,549	OC Oerlikon	1,943	1.40
		<u>10,511</u>	<u>7.58</u>
	Technology 0.00% (2016: 1.10%)		
	United States 1.60% (2016: 0.72%)		
	Financials 1.60% (2016: 0.00%)		
505,874	Banca Farmafactoring	<u>2,220</u>	<u>1.60</u>
	Technology 0.00% (2016: 0.72%)		
	Derivatives 0.00% (2016: 0.00%)		
	Forward Foreign Exchange Contracts 0.00% (2016: 0.00%)		
	Buy EUR 223,156 : Sell GBP 196,406 July 2017	(1)	-
	Buy EUR 43,187 : Sell GBP 38,153 July 2017 [^]	-	-
	Buy GBP 60,677 : Sell EUR 69,035 July 2017 [^]	-	-
		<u>(1)</u>	<u>-</u>
	Investment assets including investment liabilities	133,824	96.55
	Other net assets	<u>4,787</u>	<u>3.45</u>
	Total net assets	138,611	100.00

Geographical classifications are based on country of risk.

[^] Due to rounding to nearest £1,000

Statement of total return for the year ended 30 June 2017

		2017		2016	
	Note	£000	£000	£000	£000
Income					
Net capital gains	2		34,574		6,719
Revenue	3	1,988		1,597	
Expenses	4	(1,201)		(1,002)	
Interest payable and similar charges	5	(10)		(1)	
Net revenue before taxation		777		594	
Taxation	6	(127)		5	
Net revenue after taxation			650		599
Total return before distributions			35,224		7,318
Distributions	7		(650)		(599)
Change in net assets attributable to shareholders from investment activities			34,574		6,719

Statement of change in net assets attributable to shareholders

for the year ended 30 June 2017

		2017		2016	
		£000	£000	£000	£000
Opening net assets attributable to shareholders			70,357		69,235
Amounts receivable on issue of shares		40,546		4,615	
Amounts payable on cancellation of shares		(7,516)		(10,811)	
			33,030		(6,196)
Change in net assets attributable to shareholders from investment activities			34,574		6,719
Retained distributions on accumulation shares			650		599
Closing net assets attributable to shareholders			138,611		70,357

Balance sheet as at 30 June 2017

	Note	2017 £000	2016 £000
Assets:			
Investments		133,825	67,058
Current assets:			
Debtors	8	915	1,369
Cash and bank balances	9	5,929	3,512
Total assets		140,669	71,939
Liabilities:			
Investment liabilities		1	1
Creditors:			
Bank overdrafts		542	466
Other creditors	10	1,515	1,115
Total liabilities		2,058	1,582
Net assets attributable to shareholders		138,611	70,357

Notes to the financial statements for the year ended 30 June 2017

1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 of the aggregated notes to the financial statements.

2 Net capital gains

Net capital gains on investments during the year comprise:

	2017 £000	2016 £000
Forward currency contracts	(3)	(25)
Non-derivative securities	34,394	6,386
Other currency gains	196	371
Transaction costs	(13)	(13)
Net capital gains	34,574	6,719

3 Revenue

	2017 £000	2016 £000
Bank interest	-	28
Overseas dividends	1,988	1,569
Total revenue	1,988	1,597

4 Expenses

	2017 £000	2016 £000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual management charge	1,062	881
GAC*	121	103
	<u>1,183</u>	<u>984</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	9	9
Safe custody fees	8	6
	<u>17</u>	<u>15</u>
Other expenses:		
Legal fees	1	3
	<u>1</u>	<u>3</u>
Total expenses	1,201	1,002

Irrecoverable VAT is included in the above expenses where relevant.

*The current audit fee, which is levied through the GAC, is £7,458 (2016: £7,030).

Notes to the financial statements (continued)

5 Interest payable and similar charges

The interest payable and similar charges comprise:

	2017 £000	2016 £000
Interest payable*	10	1
Total interest payable and similar charges	10	1

* Includes negative interest on credit balances held with custodian

6 Taxation

(a) Analysis of charge in the year

The tax charge comprises:

	2017 £000	2016 £000
Current tax		
Overseas withholding tax	127	(5)
Total tax (note 6b)	127	(5)

b) Factors affecting current tax charge for year

The tax assessed for each year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICS) of 20% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Net revenue before taxation	777	594
Corporation tax at 20% (2016: 20%)	155	119
Effects of:		
Irrecoverable overseas tax	127	(5)
Overseas dividends*	(384)	(298)
Tax effect of expensed double taxation relief	(2)	(2)
Unused management expenses	231	181
Tax charge for the year (note 6a)	127	(5)

* Certain overseas dividends are not subject to corporation tax from 1 July 2009 due to changes enacted in the Finance Act 2009. OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2016: nil).

(d) Factors that may affect future tax charges

At the year end, after claiming relief against revenue taxable on receipt, there is a potential deferred tax asset of £1,696,587 (2016: £1,465,657) in relation to surplus management expenses. It is unlikely that the fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

Notes to the financial statements (continued)

7 Distributions

	2017 £000	2016 £000
Final accumulation	650	599
Total distributions	650	599

Details of the distribution per share are set out in the distribution tables on page 97.

8 Debtors

	2017 £000	2016 £000
Accrued revenue	13	-
Amounts receivable for issue of shares	469	-
Currency transactions awaiting settlement	3	330
Overseas withholding tax reclaimable	237	205
Sales awaiting settlement	193	834
Total debtors	915	1,369

9 Cash and bank balances

	2017 £000	2016 £000
Cash and bank balances	5,929	3,512
Total cash and bank balances	5,929	3,512

10 Other creditors

	2017 £000	2016 £000
Accrued annual management charge	122	69
Accrued Depositary's fee	1	1
Accrued other expenses	18	9
Amounts payable for cancellation of shares	223	141
Currency transactions awaiting settlement	3	330
Purchases awaiting settlement	1,148	565
Total other creditors	1,515	1,115

Notes to the financial statements (continued)

11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

12 Related party transactions

Henderson Investment Funds Limited as ACD to the fund is deemed to be a related party because it provides key management personnel services to the fund. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', the 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 87 and 88 and notes 4, 7, 8 and 10 on pages 89 to 91 including all issues and cancellations where the ACD acted as principal.

Transactions with the ACD are as follows:

- All issues and cancellations,
- Annual management charge
- GAC

There were no material shareholders at the year end (2016: nil).

13 Shareholders' funds

The fund currently has 2 share classes available; Class A (Retail with front-end charges) and Class I (Institutional). The annual management charge on each share class is as follows:

	2017	2016
	%	%
Class A	1.50	1.50
Class I	0.75	0.75

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative tables on page 78. The distribution per share class is given in the distribution tables on page 97. All share classes have the same rights on winding up.

Share reconciliation as at 30 June 2017

	Class A accumulation	Class I accumulation
Opening number of shares	2,962,853	1,711,859
Creations during the year	338,350	1,512,208
Cancellations during the year	(281,843)	(137,075)
Shares converted during the year	(35,832)	32,382
Closing shares in issue	2,983,528	3,119,374

14 Financial derivatives

The fund may use financial derivatives for efficient portfolio management.

Eligible collateral types are approved by the Investment Manager and are agreed with the relevant counterparty.

The counterparty exposure has been calculated using the positive marked-to-market value of the derivative contract with that counterparty.

At 30 June 2017 there was no collateral pledged or collateral held in respect of derivatives for this fund (2016: nil).

2017

The fund had no exposure to derivatives as at 30 June 2017.

2016

The fund had no exposure to derivatives as at 30 June 2016.

Notes to the financial statements (continued)

15 Risk

Currency risk

The exposure to currency risk is determined to be significant. The following table details the net exposure of the principle foreign currencies the fund is exposed to including any instruments used to hedge foreign currencies.

	Investment assets including investment liabilities £000	Other net assets/ (liabilities) £000	Total net assets £000
2017			
Currency			
Danish krone	2,608	-	2,608
Euro	96,516	4,492	101,008
Norwegian krone	8,133	-	8,133
Swedish krona	10,583	25	10,608
Swiss franc	13,366	(1)	13,365
UK sterling	(174)	271	97
US dollar	2,792	-	2,792
Total	133,824	4,787	138,611

	Investment assets including investment liabilities £000	Other net assets/ (liabilities) £000	Total net assets £000
2016			
Currency			
Danish krone	470	-	470
Euro	49,894	3,309	53,203
Norwegian krone	1,929	-	1,929
Swedish krona	4,121	-	4,121
Swiss franc	8,720	-	8,720
UK sterling	116	(9)	107
US dollar	1,807	-	1,807
Total	67,057	3,300	70,357

Sensitivity analysis

The net foreign currency assets held by the fund at the year end were £138,514,000 (2016: £70,250,000). A 10% increase in the value of the fund's net foreign currency assets would have the effect of increasing the return and the net assets as at 30 June 2017 by £13,851,400 (2016: £7,025,000). A 10% decrease in the value of the fund's net foreign currency assets would have the effect of decreasing the return and the net assets as at 30 June 2017 by £13,851,400 (2016: £7,025,000).

Interest rate risk

The fund's exposure to interest rate risk is considered insignificant. This is consistent with the exposure during the prior year.

Notes to the financial statements (continued)

15 Risk (continued)

Other market price risk

An increase or decrease in market values will have a direct effect on the value of the investment assets in the portfolio and therefore a proportionate effect on the value of the fund.

Leverage

The fund has not employed significant leverage in the current or prior year.

Liquidity risk

The following table provides a maturity analysis of the fund's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	On demand	Within one year	Over one year but not more than five years	Over five years
	£000	£000	£000	£000
2017				
Bank overdrafts	542	-	-	-
Derivative financial liabilities	-	1	-	-
Other creditors	-	1,515	-	-
Total	542	1,516	-	-

	On demand	Within one year	Over one year but not more than five years	Over five years
	£000	£000	£000	£000
2016				
Bank overdrafts	466	-	-	-
Derivative financial liabilities	-	1	-	-
Other creditors	-	1,115	-	-
Total	466	1,116	-	-

Notes to the financial statements (continued)

16 Fair value disclosure

Fair value measurement

The fund has early adopted the March 2016 amendment to section 34 of FRS 102 (Fair Value Hierarchy disclosures that simplify the preparation of financial instrument disclosure), which is applicable to accounting periods beginning on or after 1 January 2017 with earlier application permitted.

The intention of a fair value measurement is to estimate the price at which an asset or a liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS 102 the fund classifies fair value measurement under the following levels:

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Fair value hierarchy

Valuation technique	2017		2016	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1	133,825	-	67,058	-
Level 2	-	1	-	1
Level 3	-	-	-	-
	133,825	1	67,058	1

Notes to the financial statements (continued)

17 Direct transaction costs

	Purchases		Sales	
	2017	2016	2017	2016
	£000	£000	£000	£000
Trades in the year				
Equities	79,699	36,802	47,444	45,114
Trades in the year before transaction costs	79,699	36,802	47,444	45,114
Transaction costs				
Commissions				
Equities	56	28	44	41
Total commissions	56	28	44	41
Taxes				
Equities	9	13	-	-
Total taxes	9	13	-	-
Other expenses				
Equities	10	5	-	-
Total other expenses	10	5	-	-
Total transaction costs	75	46	44	41
Total net trades in the year after transaction costs	79,774	36,848	47,400	45,073
	Purchases		Sales	
	2017	2016	2017	2016
	%	%	%	%
Total transaction costs expressed as a percentage of asset type cost				
Commissions				
Equities	0.07	0.08	0.09	0.09
Taxes				
Equities	0.01	0.04	-	-
Other expenses				
Equities	0.01	0.01	-	-
	2017	2016		
	%	%		
Total transaction cost expressed as a percentage of net asset value				
Commissions	0.11	0.10		
Taxes	0.01	0.02		
Other expenses	0.01	0.01		
Total costs	0.13	0.13		

There were no in specie transfers during the year (2016: nil). There were no corporate actions during the year (2016: nil). There were no direct transaction costs associated with derivatives during the year (2016: nil).

Direct transaction costs are fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the fund. These exclude any differences between quoted bid and offer prices or internal administrative or holding costs.

The portfolio dealing spread as at 30 June 2017 was 0.41% (2016: 0.52%). The portfolio dealing spread is calculated at the fund's 12 noon valuation point.

18 Events after the Balance sheet date

There were no material post Balance sheet events which require disclosure within these financial statements.

Distribution tables for the year ended 30 June 2017 (in pence per share)

Final dividend distribution (accounting date 30 June 2017, paid on 31 August 2017)

Group 1: shares purchased prior to 1 July 2016

Group 2: shares purchased on or after 1 July 2016

	Distribution per share	Total distribution per share 31/08/17	Total distribution per share 31/08/16
Class A accumulation			
Group 1	3.7614	3.7614	6.7406
Group 2	3.7614	3.7614	6.7406
Class I accumulation			
Group 1	17.2553	17.2553	23.3219
Group 2	17.2553	17.2553	23.3219

Henderson Index Linked Bond Fund Authorised Corporate Director's (ACD) report

Investment Fund Manager

Mitul Patel

Investment objective and policy

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

Performance summary

	30 Jun 16 - 30 Jun 17 %	30 Jun 15 - 30 Jun 16 %	30 Jun 14 - 30 Jun 15 %	30 Jun 13 - 30 Jun 14 %	30 Jun 12 - 30 Jun 13 %
Henderson Index Linked Bond Fund	7.6	14.6	12.9	1.6	3.2
FTSE Index Linked (Over 5 Years) Index	7.1	17.0	15.8	4.3	2.7

Source: Morningstar, bid to bid and net of fees, as at 12 noon valuation point, based on performance of Class A income.
Benchmark values are as at close of business.

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.

Significant portfolio changes for the year ended 30 June 2017

Largest purchases	£000	Largest sales	£000
UK Treasury 1.25% Index-Linked 22/11/2027	12,618	UK Treasury 0.125% Index-Linked 22/03/2068	14,448
UK Treasury 0.125% Index-Linked 22/11/2065	8,737	UK Treasury 1.875% Index-Linked 22/11/2022	14,286
UK Treasury 0.125% Index-Linked 22/03/2044	4,771	UK Treasury 1.25% Index-Linked 22/11/2027	12,361
UK Treasury 1.875% Index-Linked 22/11/2022	4,555	UK Treasury 0.125% Index-Linked 22/03/2044	11,757
UK Treasury 0.125% Index-Linked 22/03/2046	4,329	UK Treasury 0.75% Index-Linked 22/11/2047	11,135
UK Treasury 0.125% Index-Linked 22/03/2058	4,127	UK Treasury 1.25% Index-Linked 22/11/2032	9,943
UK Treasury 0.75% Index-Linked 22/11/2047	3,874	UK Treasury 0.125% Index-Linked 22/03/2046	8,930
UK Treasury 4.25% 07/12/2046	3,570	UK Treasury 0.625% Index-Linked 22/11/2042	8,409
UK Treasury 0.625% Index-Linked 22/11/2042	3,406	UK Treasury 1.25% Index-Linked 22/11/2055	8,336
UK Treasury 0.125% Index-Linked 22/03/2068	3,366	UK Treasury 0.375% Index-Linked 22/03/2062	7,596
Total purchases	79,990	Total sales	180,588

Total sales include an inspecie transfer of £52,948,522.

Investment review

Government bond markets performed poorly during the year. Central banks stepped away from their ultra-accommodative monetary policy stances as expectations over future growth and inflation prospects improved. The election of Donald Trump as president of the United States led to a further boost to growth and inflation forecasts, and rate hikes from the Federal Reserve (Fed) led to substantial pressure on the US Treasury market. In the UK, the economy proved to be more resilient than expected following the vote on whether or not to leave the European Union (EU), and the Bank of England's (BoE's) Monetary Policy Committee moved to a more neutral stance. The European Central Bank (ECB) announced in December its intention to reduce the size of its quantitative easing (QE) programme (central bank liquidity measures). Further improvement in the economy led to speculation about the eventual tapering of asset purchases by the ECB, which put upwards pressure on European government bond yields at the end of the year.

The gilt market initially performed well during the summer months, as the BoE cut rates and restarted its QE programme. As sterling weakened, inflation expectations rose and led to lower expectations of further easing in November, particularly in light of the initial resilience of the economy. This led to gilt yields rising sharply during the fourth quarter, although index-linked gilts significantly outperformed due to a sharp increase in inflation expectations.

The fund outperformed its benchmark over the year. We continued to look for relative value opportunities within the UK government bond market where possible, while also using derivatives to express views across developed rates and currency markets, as outlined below.

The fund profited by positioning for US Treasuries to outperform UK gilts on several occasions during the year, as the yield spread was trading around its historic wides.

Taking relative value opportunities in the US market also proved profitable. We entered the year positioned for the 20-year/30-year sector to outperform the 10-year/20-year sector of the US swaps curve. The trade performed exceptionally well after the US election and was closed for a profit. Following the US election, we positioned for five-year Treasury yields to rise relative to two-year yields in the US. As the market moved to price in a tighter monetary policy outlook, we closed the trade for a profit. As we entered 2017, we structurally positioned for the seven-year sector to outperform the two-year and 12-year sectors.

In Europe, we profited by positioning for intermediate swap rates to decline relative to long-dated swap rates. As the European recovery gained momentum and the prospects for ECB tightening seemed less distant, we closed the existing position and began to position for 10-year yields to decline relative to five-year yields.

Our inflation strategies proved profitable, as we twice positioned for a decline in long-dated real yields, as well as declines in 10-year European and UK inflation expectations.

Currency strategies detracted during the year. Although the fund profited by positioning for a weaker Japanese yen versus the US dollar, this was offset by small losses on several other positions, most notably positions which looked for a strengthening in the Swedish krona and sterling.

We believe that government bond markets are likely to remain volatile. Although political risks have diminished, a removal of monetary policy stimulus could prove disruptive, though muted levels of inflation may stop government bond yields from rising significantly.

Comparative tables for the year ended 30 June 2017

	Class A income		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	424.16	366.51	322.99
Return before operating charges*	30.26	60.94	47.60
Operating charges	(4.15)	(3.29)	(4.08)
Return after operating charges*	26.11	57.65	43.52
Distributions on income shares	-	-	-
Closing net asset value per share	450.27	424.16	366.51
* after direct transaction costs of:	-	0.01	0.01

Performance

Return after charges	6.16%	15.73%	13.47%
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Other information

Closing net asset value (£000s)	13,769	15,070	40,506
Closing number of shares	3,057,838	3,552,976	11,051,839
Operating charges	0.91%	0.91%	1.15%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	488.90	422.40	389.20
Lowest share price (pence)	418.20	358.00	320.90

	Class I accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	502.78	432.82	378.95
Return before operating charges*	36.30	72.45	56.15
Operating charges	(2.93)	(2.41)	(2.28)
Return after operating charges*	33.37	70.04	53.87
Distributions on accumulation shares	-	(0.39)	-
Retained distributions on accumulation shares^	-	0.31	-
Closing net asset value per share	536.15	502.78	432.82
* after direct transaction costs of:	-	0.01	0.02

Performance

Return after charges	6.64%	16.18%	14.22%
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Other information

Closing net asset value (£000s)	21,211	15,311	8,949
Closing number of shares	3,956,259	3,045,261	2,067,524
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	581.70	501.00	458.40
Lowest share price (pence)	496.10	422.90	376.50

^ Retained distribution prior to 6 April 2017 are net of 20% income tax.

Comparative tables (continued)

	Class I income		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	436.23	375.80	329.05
Return before operating charges*	31.48	62.79	48.74
Operating charges	(2.54)	(2.09)	(1.99)
Return after operating charges*	28.94	60.70	46.75
Distributions on income shares	-	(0.27)	-
Closing net asset value per share	465.17	436.23	375.80
* after direct transaction costs of:	-	0.01	0.01

Performance

Return after charges	6.63%	16.15%	14.21%
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Other information

Closing net asset value (£000s)	62,656	51,976	24,542
Closing number of shares	13,469,458	11,914,841	6,530,676
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	504.70	434.70	398.00
Lowest share price (pence)	430.40	367.20	326.90

	Class A income gross		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	429.01	370.26	326.04
Return before operating charges*	30.84	61.75	48.00
Operating charges	(3.75)	(3.00)	(3.78)
Return after operating charges*	27.09	58.75	44.22
Distributions on income shares	-	-	-
Closing net asset value per share	456.10	429.01	370.26
* after direct transaction costs of:	-	0.01	0.01

Performance

Return after charges	6.31%	15.87%	13.56%
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Other information

Closing net asset value (£000s)	3,401	1,381	1,499
Closing number of shares	745,709	321,916	404,759
Operating charges	0.81%	0.81%	1.06%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	495.10	427.40	393.00
Lowest share price (pence)	423.10	361.70	323.00

Comparative tables (continued)

	Class D accumulation gross		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	319.96	274.77	239.88
Return before operating charges*	23.05	46.00	35.66
Operating charges	(0.99)	(0.81)	(0.77)
Return after operating charges*	22.06	45.19	34.89
Distributions on accumulation shares	-	(0.57)	(0.15)
Retained distributions on accumulation shares	-	0.57	0.15
Closing net asset value per share	342.02	319.96	274.77
* after direct transaction costs of:	-	0.01	0.01

Performance

Return after charges	6.89%	16.45%	14.54%
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Other information

Closing net asset value (£000s)	31	309	1,035
Closing number of shares	8,950	96,495	376,762
Operating charges	0.29%	0.29%	0.29%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	370.90	318.80	290.70
Lowest share price (pence)	315.70	268.50	238.40

	Class I accumulation gross		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	514.03	442.52	387.46
Return before operating charges*	37.02	73.97	57.38
Operating charges	(2.98)	(2.46)	(2.32)
Return after operating charges*	34.04	71.51	55.06
Distributions on accumulation shares	-	(0.36)	-
Retained distributions on accumulation shares	-	0.36	-
Closing net asset value per share	548.07	514.03	442.52
* after direct transaction costs of:	-	0.01	0.02

Performance

Return after charges	6.62%	16.16%	14.21%
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Other information

Closing net asset value (£000s)	95,410	190,316	165,507
Closing number of shares	17,408,180	37,024,417	37,401,169
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	594.60	512.20	468.70
Lowest share price (pence)	507.20	432.40	384.90

Comparative tables (continued)

	Class I income gross		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	437.96	377.35	330.42
Return before operating charges*	31.56	63.02	48.91
Operating charges	(2.55)	(2.10)	(1.98)
Return after operating charges*	29.01	60.92	46.93
Distributions on income shares	-	(0.31)	-
Closing net asset value per share	466.97	437.96	377.35
* after direct transaction costs of:	-	0.01	0.01

Performance

Return after charges	6.62%	16.14%	14.20%
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Other information

Closing net asset value (£000s)	10,463	5,078	3,163
Closing number of shares	2,240,706	1,159,567	838,175
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	506.60	436.40	399.70
Lowest share price (pence)	432.10	368.70	328.20

	Class Z accumulation gross		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	292.00	250.15	217.94
Return before operating charges*	21.03	41.95	32.31
Operating charges	(0.13)	(0.10)	(0.10)
Return after operating charges*	20.90	41.85	32.21
Distributions on accumulation shares	-	(0.85)	(0.48)
Retained distributions on accumulation shares	-	0.85	0.48
Closing net asset value per share	312.90	292.00	250.15
* after direct transaction costs of:	-	0.01	0.01

Performance

Return after charges	7.16%	16.73%	14.78%
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Other information

Closing net asset value (£000s)	15,408	15,783	16,885
Closing number of shares	4,924,252	5,405,032	6,749,987
Operating charges	0.04%	0.04%	0.04%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	339.10	290.90	264.40
Lowest share price (pence)	288.20	244.50	216.50

Performance values are at close of business and may differ from the performance summary.

Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

Share class launches and closures

There were no share classes launched or closed in the year.

Ongoing charge figure

The annualised ongoing charge figure (OCF) of the fund is 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 year, except for expenses that are explicitly excluded by regulation.

	2017 %	2016 %
Class A	0.91	0.91
Class A gross	0.81	0.81
Class D	0.29	0.29
Class I	0.54	0.54
Class Z	0.04	0.04

The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

Risk and reward profile

The fund currently has 8 types of share class in issue; A income, I accumulation, I income, A income gross, D accumulation gross, I accumulation gross, I income gross and Z accumulation gross.

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 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 share classes appear at 5 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events.

The full list of the fund's risks are contained in the 'Risk Factors' section of the fund's prospectus.

There have been no changes to the risk rating in the year.

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

Portfolio statement as at 30 June 2017

Holding	Investment	Market value £000	Percentage of total net assets %
Bonds 98.34% (2016: 99.85%)			
Index Linked Bond 98.34% (2016: 99.85%)			
GBP 5,512,390	UK Treasury 0.125% Index-Linked 22/03/2024	7,124	3.20
GBP 3,916,589	UK Treasury 0.125% Index-Linked 22/03/2026	4,856	2.18
GBP 5,219,162	UK Treasury 0.125% Index-Linked 22/03/2029	7,360	3.31
GBP 5,901,520	UK Treasury 0.125% Index-Linked 22/03/2044	10,213	4.59
GBP 2,750,771	UK Treasury 0.125% Index-Linked 22/03/2046	4,600	2.07
GBP 4,108,073	UK Treasury 0.125% Index-Linked 22/03/2058	8,437	3.79
GBP 4,786,124	UK Treasury 0.125% Index-Linked 22/03/2068	12,112	5.45
GBP 2,398,573	UK Treasury 0.125% Index-Linked 22/11/2036	3,475	1.56
GBP 859,373	UK Treasury 0.125% Index-Linked 22/11/2056	1,657	0.75
GBP 3,693,590	UK Treasury 0.125% Index-Linked 22/11/2065	8,509	3.83
GBP 4,637,093	UK Treasury 0.25% Index-Linked 22/03/2052	9,423	4.24
GBP 4,746,332	UK Treasury 0.375% Index-Linked 22/03/2062	12,212	5.49
GBP 4,669,735	UK Treasury 0.50% Index-Linked 22/03/2050	11,041	4.97
GBP 5,414,501	UK Treasury 0.625% Index-Linked 22/03/2040	10,907	4.91
GBP 4,468,567	UK Treasury 0.625% Index-Linked 22/11/2042	9,633	4.33
GBP 5,456,294	UK Treasury 0.75% Index-Linked 22/03/2034	9,249	4.16
GBP 4,383,765	UK Treasury 0.75% Index-Linked 22/11/2047	10,749	4.83
GBP 4,898,183	UK Treasury 1.125% Index-Linked 22/11/2037	10,881	4.89
GBP 8,294,905	UK Treasury 1.25% Index-Linked 22/11/2027	15,567	7.00
GBP 4,023,976	UK Treasury 1.25% Index-Linked 22/11/2032	7,579	3.41
GBP 3,852,205	UK Treasury 1.25% Index-Linked 22/11/2055	13,275	5.97
GBP 2,747,864	UK Treasury 1.875% Index-Linked 22/11/2022	4,488	2.02
GBP 3,365,359	UK Treasury 2.00% Index-Linked 26/01/2035	8,935	4.02
GBP 2,615,475	UK Treasury 2.50% Index-Linked 17/07/2024	9,577	4.31
GBP 1,858,160	UK Treasury 4.125% Index-Linked 22/07/2030	6,801	3.06
		<hr/> 218,660	<hr/> 98.34
Derivatives 0.05% (2016: (0.06%))			
Futures 0.01% (2016: (0.01%))			
(36)	CBT US 10 Year Note September 2017	24	0.01
(10)	ICE Long Gilt September 2017	9	-
		<hr/> 33	<hr/> 0.01
Options 0.00% (2016: 0.04%)			
Swaps 0.02% (2016: (0.07%))			
Inflation Index Swaps 0.00% (2016: (0.01%))			
1,900,000	IIS 3.3875% June 2027 - Receive Fixed - GBP	(14)	-
900,000	IIS 3.4575% June 2047 - Receive Inflation - GBP	10	-
8,500,000	IIS 3.4825% June 2022 - Receive Fixed - GBP^	-	-
		<hr/> (4)	<hr/> -

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Interest Rate Swaps 0.02% (2016: (0.06%))			
13,600,000	IRS 0.339% EURIBOR 6 month - Receive Floating - EUR	23	0.01
13,800,000	IRS 0.346% EURIBOR 6 month - Receive Floating - EUR	12	0.01
12,400,000	IRS 0.41% EURIBOR 6 month - Receive Floating - EUR	(1)	-
23,000,000	IRS 0.675% LIBOR 6 month - Receive Fixed - GBP	(67)	(0.03)
9,300,000	IRS 0.87% LIBOR 6 month - Receive Floating - GBP	103	0.05
6,900,000	IRS 0.938% EURIBOR 6 month - Receive Fixed - EUR	(31)	(0.01)
7,000,000	IRS 0.9415% EURIBOR 6 month - Receive Fixed - EUR	(24)	(0.01)
6,300,000	IRS 1.02% EURIBOR 6 month - Receive Fixed - EUR	2	-
8,100,000	IRS 1.598% LIBOR 3 month - Receive Fixed - CAD	(59)	(0.03)
6,200,000	IRS 1.918% LIBOR 3 month - Receive Floating - USD	30	0.01
3,000,000	IRS 2.0225% EURIBOR 6 month - Receive Fixed - EUR	(16)	(0.01)
22,200,000	IRS 2.2180% LIBOR 3 month - Receive Fixed - USD	(3)	-
11,800,000	IRS 2.4180% LIBOR 3 month - Receive Floating - USD	29	0.01
14,200,000	IRS 2.557% LIBOR 3 month - Receive Fixed - USD	152	0.07
4,400,000	IRS 2.6825% LIBOR 3 month - Receive Floating - USD	27	0.01
7,600,000	IRS 2.736% LIBOR 3 month - Receive Floating - USD	(133)	(0.06)
		<u>44</u>	<u>0.02</u>
Forward Foreign Exchange Contracts 0.02% (2016: (0.02%))			
	Buy GBP 205,315 : Sell USD 262,901 July 2017	3	-
	Buy GBP 2,924,745 : Sell EUR 3,316,055 September 2017	9	-
	Buy GBP 35,615 : Sell EUR 40,660 July 2017^	-	-
	Buy GBP 45,401 : Sell USD 58,800 July 2017^	-	-
	Buy GBP 8,866 : Sell USD 11,200 July 2017^	-	-
	Buy PLN 5,250,000 : Sell USD 1,417,731 September 2017	(2)	-
	Buy SEK 29,760,554 : Sell GBP 2,697,173 September 2017	25	0.02
	Buy USD 26,976 : Sell GBP 21,276 July 2017	(1)	-
		<u>34</u>	<u>0.02</u>
Investment assets including investment liabilities		218,767	98.39
Other net assets		<u>3,582</u>	<u>1.61</u>
Total net assets		222,349	100.00

^ Due to rounding to nearest £1,000

Statement of total return for the year ended 30 June 2017

		2017		2016	
	Note	£000	£000	£000	£000
Income					
Net capital gains	2		17,639		39,608
Revenue	3	8,198		3,718	
Expenses	4	(1,456)		(1,426)	
Net revenue before taxation		6,742		2,292	
Taxation	5	-		-	
Net revenue after taxation			6,742		2,292
Total return before distributions			24,381		41,900
Distributions	6		(1)		(232)
Change in net assets attributable to shareholders from investment activities			24,380		41,668

Statement of change in net assets attributable to shareholders

for the year ended 30 June 2017

	2017		2016	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		295,224		262,086
Amounts receivable on issue of shares	53,905		24,796	
Amounts payable on cancellation of shares	(97,900)		(27,778)	
Amounts payable on in specie transfer*	(53,317)		(5,743)	
		(97,312)		(8,725)
Dilution adjustment		57		-
Change in net assets attributable to shareholders from investment activities		24,380		41,668
Retained distributions on accumulation shares		-		195
Closing net assets attributable to shareholders		222,349		295,224

*In-specie redemption

Balance sheet as at 30 June 2017

	Note	2017 £000	2016 £000
Assets:			
Investments		219,118	296,484
Current assets:			
Debtors	7	2,224	3,752
Cash and bank balances	8	4,763	2,955
Total assets		226,105	303,191
Liabilities:			
Investment liabilities		351	1,878
Creditors:			
Amounts held at derivative clearing houses and brokers		33	-
Bank overdrafts		1,779	1,723
Other creditors	9	1,593	4,366
Total liabilities		3,756	7,967
Net assets attributable to shareholders		222,349	295,224

Notes to the financial statements for the year ended 30 June 2017

1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 of the fund's aggregated notes to the financial statements.

2 Net capital gains

Net capital gains on investments during the year comprise:

	2017 £000	2016 £000
Derivative securities	145	(977)
Forward currency contracts	(276)	139
Non-derivative securities	17,750	40,449
Other currency gains	28	5
Transaction costs	(8)	(8)
Net capital gains	17,639	39,608

3 Revenue

	2017 £000	2016 £000
Bank interest	2	2
Derivative revenue	31	(18)
Interest on debt securities	8,165	3,719
Stock lending revenue	-	15
Total revenue	8,198	3,718

4 Expenses

	2017 £000	2016 £000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual management charge	1,338	1,296
GAC*	82	91
	1,420	1,387
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	29	32
Safe custody fees	7	7
	36	39
Total expenses	1,456	1,426

Irrecoverable VAT is included in the above expenses where relevant.

*The current audit fee, which is levied through the GAC, is £9,725 (2016: £9,167).

Notes to the financial statements (continued)

5 Taxation

(a) Analysis of charge in the year

There is no tax charge for the current year (2016: nil).

b) Factors affecting current tax charge for year

The tax assessed for each year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICS) of 20% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Net revenue before taxation	6,742	2,292
Corporation tax at 20% (2016: 20%)	1,348	458
Effects of:		
Relief for indexation movements on index-linked gilts	(1,685)	(715)
Unused management expenses	337	257
Tax charge for the year (note 5a)	-	-

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2016: nil).

(d) Factors that may affect future tax charges

At the year end, after claiming relief against revenue taxable on receipt, there is a potential deferred tax asset of £2,335,735 (2016: £1,999,004) in relation to surplus management expenses. It is unlikely that the fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

6 Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	2017 £000	2016 £000
Interim income	-	37
Interim accumulation	-	195
	-	232
Amounts deducted on cancellation of shares	1	4
Amounts received on issue of shares	-	(4)
Total distributions	1	232
Net revenue after taxation	6,742	2,292
Adjustment for capital indexation	(8,425)	(3,989)
Equalisation on conversions	-	15
Revenue shortfall	1,684	1,914
Total distributions	1	232

Details of the distribution per share are set out in the distribution tables on pages 121 to 124.

Notes to the financial statements (continued)

7 Debtors

	2017 £000	2016 £000
Accrued revenue	313	455
Amounts receivable for issue of shares	1,911	64
Sales awaiting settlement	-	3,233
Total debtors	2,224	3,752

8 Cash and bank balances

	2017 £000	2016 £000
Amounts held at derivative clearing houses and brokers	110	107
Cash and bank balances	4,653	2,848
Total cash and bank balances	4,763	2,955

9 Other creditors

	2017 £000	2016 £000
Accrued annual management charge	92	110
Accrued Depositary's fee	2	3
Accrued other expenses	7	8
Amounts payable for cancellation of shares	200	4,235
Derivative interest payable	1	10
Purchases awaiting settlement	1,291	-
Total other creditors	1,593	4,366

10 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

11 Related party transactions

Henderson Investment Funds Limited as ACD to the fund is deemed to be a related party because it provides key management personnel services to the fund. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', the 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 108 and 109 and notes 4, 6, 7 and 9 on pages 110 to 112 including all issues and cancellations where the ACD acted as principal.

Transactions with the ACD are as follows:

- All issues and cancellations,
- Annual management charge
- GAC

There were no material shareholders at the year end (2016: nil).

Notes to the financial statements (continued)

12 Shareholders' funds

The fund currently has 4 share classes available; Class A (Retail with front-end charges), Class I (Institutional) and Class D (Institutional) and Class Z (Institutional). The annual management charge on each share class is as follows:

	2017	2016
	%	%
Class A	0.75%	0.75%
Class D	0.25%	0.25%
Class I	0.50%	0.50%
Class Z*	0.00%	0.00%

* Charges for managing Z class shares are levied outside the fund and are agreed between the ACD and investors.

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative tables on pages 101 to 103. The distribution per share class is given in the distribution tables on pages 121 to 124. All share classes have the same rights on winding up.

Share reconciliation as at 30 June 2017

	Class A income	Class I accumulation	Class I income	Class A income gross
Opening number of shares	3,552,976	3,045,261	11,914,841	321,916
Issues during the year	225,729	1,689,905	4,876,523	492,367
Cancellations during the year	(682,152)	(774,363)	(3,364,680)	(68,574)
Shares converted during the year	(38,715)	(4,544)	42,774	-
Closing shares in issue	3,057,838	3,956,259	13,469,458	745,709
	Class D accumulation gross	Class I accumulation gross	Class I income gross	Class Z accumulation gross
Opening number of shares	96,495	37,024,417	1,159,567	5,405,032
Issues during the year	-	770,335	2,949,166	562,698
Cancellations during the year	(87,545)	(20,386,572)	(1,868,027)	(1,043,478)
Shares converted during the year	-	-	-	-
Closing shares in issue	8,950	17,408,180	2,240,706	4,924,252

Notes to the financial statements (continued)

13 Financial derivatives

The fund may use financial derivatives for hedging and meeting the investment objectives including risk reduction and implementation of investment policies.

Eligible collateral types are approved by the Investment Manager and are agreed with the relevant counterparty.

The counterparty exposure has been calculated using the positive marked-to-market value of the derivative contract with that counterparty.

At 30 June 2017 there was no collateral pledged or collateral held in respect of derivatives for this fund (2016: nil).

2017

At 30 June 2017 the underlying exposure for each category of derivatives was as follows:

Counterparty	Forward foreign exchange contracts £000	Futures £000	Inflation Index swaps £000
Barclays Bank	-	-	-
BNP Paribas	3	-	-
Citigroup	-	-	-
JP Morgan	25	-	10
Morgan Stanley	9	-	-
UBS	-	33	-
	37	33	10

Counterparty	Interest rate swaps £000	Total by counterparty £000
Barclays Bank	187	187
BNP Paribas	-	3
Citigroup	132	132
JP Morgan	59	94
Morgan Stanley	-	9
UBS	-	33
	378	458

Notes to the financial statements (continued)

13 Financial derivatives (continued)

2016

At 30 June 2016 the underlying exposure for each category of derivatives was as follows:

Counterparty	Forward foreign exchange contracts £000	Interest rate swaps £000	Options £000	Total by counterparty £000
BNP Paribas	44	-	-	44
Citigroup	-	51	-	51
JP Morgan	-	-	179	179
Morgan Stanley	-	1,431	-	1,431
	44	1,482	179	1,705

14 Stock lending

The fund and the Investment Manager have entered into a stock lending programme with BNP Paribas acting as the stock lending agent for the purposes of efficient portfolio management and to generate additional income.

Stock lending revenue is disclosed under 'Revenue' in the Statement of total return.

Eligible collateral types for Stock Lending and borrowing transactions are approved by the Investment Manager and may consist of securities issued or guaranteed by a Member State of the OECD or by their local authorities or supranational institutions and organisations with regional, EU and world-wide scope, generally subject to a minimum long term credit rating of at least A- by one or more major rating agency or equities. Collateral should be highly liquid and traded on a regulated market. Collateral is subject to a haircut on a sliding scale based on the combination of the underlying instrument being lent versus the asset being received as collateral. The value of collateral required will range from 102.50% to 110.00% of the value of the stock on loan.

2017

There was no stock on loan and no stock lending revenue receivable for the year ended 30 June 2017.

2016

There was no stock on loan as at 30 June 2016.

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	17	2	15

Notes to the financial statements (continued)

15 Risk

Currency risk

The fund's net exposure to currency risk (including any instruments used to hedge foreign currencies) is considered insignificant. This is consistent with the exposure during the prior year.

Interest rate risk

The fund's exposure to interest rate risk is considered significant. The interest rate risk profile of the fund's financial assets and financial liabilities at the year end is set out in the following table:

	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
2017				
Euro	37	-	-	37
Swedish krona	-	-	25	25
UK sterling	223,467	-	2,245	225,712
US dollar	307	-	24	331
Total	223,811	-	2,294	226,105

	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
2016				
Euro	51	-	51	102
New Zealand dollar	-	-	12	12
UK sterling	301,310	-	123	301,433
US dollar	1,492	-	152	1,644
Total	302,853	-	338	303,191

	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Non-interest bearing liabilities £000	Total £000
2017				
Canadian dollar	59	-	-	59
Euro	72	-	-	72
Polish zloty	-	-	2	2
UK sterling	1,869	-	1,593	3,462
US dollar	160	-	1	161
Total	2,160	-	1,596	3,756

	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Non-interest bearing liabilities £000	Total £000
2016				
Euro	64	-	-	64
UK sterling	1,853	-	4,272	6,125
US dollar	1,652	-	126	1,778
Total	3,569	-	4,398	7,967

Notes to the financial statements (continued)

15 Risk (continued)

Credit ratings

2017

	Market value £000	Percentage of total net assets %
Investments:		
Investment grade (AAA - BBB)	218,660	98.34
Total debt securities	218,660	98.34
Derivatives	107	0.05
Investment assets including investment liabilities	218,767	98.39
Other net assets	3,582	1.61
Total net assets	222,349	100.00

2016

	Market value £000	total net assets %
Investments:		
Investment grade (AAA - BBB)	294,779	99.85
Total debt securities	294,779	99.85
Derivatives	(173)	(0.06)
Investment assets including investment liabilities	294,606	99.79
Other net assets	618	0.21
Total net assets	295,224	100.00

Sensitivity analysis

The actual VaR results, limits and utilisation of limits are summarised in the table below:

VaR Results

		Actual VaR in year			VaR Limit	Utilisation of VaR limit		
		Minimum %	Maximum %	Average %		Minimum %	Maximum %	Average %
2017	Relative VaR*	94.76	102.29	99.81	200.00	47.38	51.15	49.91
2016	Relative VaR*	95.10	104.45	98.96	200.00	47.55	52.23	49.48

* Reference portfolio: FTSE Index Linked (Over 5 Years) Index

Leverage	Minimum %	Minimum	Average
2017	23.01	80.41	48.17
2016	24.06	219.88	119.58

Notes to the financial statements (continued)

15 Risk (continued)

Liquidity risk

The following table provides a maturity analysis of the fund's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	On demand	Within one year	Over one year but not more than five years	Over five years
	£000	£000	£000	£000
2017				
Amounts held at futures clearing house and brokers	33	-	-	-
Bank overdrafts	1,779	-	-	-
Derivative financial liabilities	-	3	67	281
Other creditors	-	1,593	-	-
Total	1,812	1,596	67	281

	On demand	Within one year	Over one year but not more than five years	Over five years
	£000	£000	£000	£000
2016				
Bank overdrafts	1,723	-	-	-
Derivative financial liabilities	-	171	-	1,707
Other creditors	-	4,366	-	-
Total	1,723	4,537	-	1,707

16 Fair value disclosure

Fair value measurement

The fund has early adopted the March 2016 amendment to section 34 of FRS 102 (Fair Value Hierarchy disclosures that simplify the preparation of financial instrument disclosure), which is applicable to accounting periods beginning on or after 1 January 2017 with earlier application permitted.

The intention of a fair value measurement is to estimate the price at which an asset or a liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS 102 the fund classifies fair value measurement under the following levels:

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Notes to the financial statements (continued)

16 Fair value disclosure (continued)

Fair value hierarchy

Valuation technique	2017		2016	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1	218,693*	-	294,779*	28
Level 2	425	351	1,705	1,850
Level 3	-	-	-	-
	219,118	351	296,484	1,878

*Debt securities have been included in level 1, where their valuation is determined to be sufficiently close to a binding quoted price, amount to £218,660,859 as at 30 June 2017 (2016: £294,779,117).

17 Direct transaction costs

	Purchases		Sales	
	2017 £000	2016 £000	2017 £000	2016 £000
Trades in the year				
Collective investment schemes	-	-	-	4
Debt securities	79,990	68,994	127,639	71,885
Trades in the year before transaction costs	79,990	68,994	127,639	71,889
Transaction costs				
Commissions				
Collective investment schemes	-	-	-	-
Debt securities	-	-	-	-
Total commissions	-	-	-	-
Taxes				
Collective investment schemes	-	-	-	-
Debt securities	-	-	-	-
Total taxes	-	-	-	-
Other expenses				
Collective investment schemes	-	-	-	-
Debt securities	-	-	-	-
Total other expenses	-	-	-	-
Total costs	-	-	-	-
Total net trades in the year after transaction costs	79,990	68,994	127,639	71,889

Notes to the financial statements (continued)

17 Direct transaction costs (continued)

	Purchases		Sales	
	2017	2016	2017	2016
	%	%	%	%
Total transaction cost expressed as a percentage of asset type cost				
Commissions				
Collective investment schemes	-	-	-	-
Debt securities	-	-	-	-
Taxes				
Collective investment schemes	-	-	-	-
Debt securities	-	-	-	-
Other expenses				
Collective investment schemes	-	-	-	-
Debt securities	-	-	-	-
	2017	2016		
	%	%		
Total transaction cost expressed as a percentage of net asset value				
Commissions	-	-		
Taxes	-	-		
Other expenses	-	-		
Total costs	-	-		

There was an specie transfer during the year of £52,948,522 (2016: £5,742,936). There were no corporate actions during the year (2016: nil).

There were direct transaction costs associated with derivatives in the year of £6,787 (2016: £5,281) which is 0.00% of the average net asset value of the fund (2016: 0.00%).

Direct transaction costs are fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the fund. These exclude any differences between quoted bid and offer prices or internal administrative or holding costs.

The costs of acquiring and disposing of units/shares in other collective investment schemes are included within the expense ratio which is an intrinsic part of the NAV price per share of the underlying fund.

Direct transaction costs related to bonds are not separately identifiable as with other financial instruments as the costs form part of the dealing spread and therefore are inherent within the purchase and sale prices of the trade.

The portfolio dealing spread as at 30 June 2017 is 0.20% (2016: 0.23%). The portfolio dealing spread is calculated at the fund's 12 noon valuation point.

18 Events after the Balance Sheet date

There were no material post Balance sheet events which require disclosure within these financial statements.

Distribution tables for the year ended 30 June 2017 (in pence per share)

Interim interest distribution (accounting date 30 September 2016, paid on 30 November 2016)

Group 1: shares purchased prior to 1 July 2016

Group 2: shares purchased on or after 1 July 2016

	Gross revenue	Income tax (20%)	Net revenue	Equalisation	Total Distribution per share 30/11/16	Total Distribution per share 30/11/15
Class A income						
Group 1	-	-	-	-	-	-
Group 2	-	-	-	-	-	-
Class I accumulation						
Group 1	-	-	-	-	-	-
Group 2	-	-	-	-	-	-
Class I income						
Group 1	-	-	-	-	-	-
Group 2	-	-	-	-	-	-
Class A income gross						
Group 1	-	-	-	-	-	-
Group 2	-	-	-	-	-	-
Class D accumulation gross						
Group 1	-	-	-	-	-	-
Group 2	-	-	-	-	-	-
Class I accumulation gross						
Group 1	-	-	-	-	-	-
Group 2	-	-	-	-	-	-
Class I income gross						
Group 1	-	-	-	-	-	-
Group 2	-	-	-	-	-	-
Class Z accumulation gross						
Group 1	-	-	-	-	-	0.0965
Group 2	-	-	-	-	-	0.0965

Distribution tables (continued)

Interim interest distribution (accounting date 31 December 2016, paid on 28 February 2017)

Group 1: shares purchased prior to 1 October 2016

Group 2: shares purchased on or after 1 October 2016

	Gross revenue	Income tax (20%)	Net revenue	Equalisation	Total Distribution per share 28/02/17	Total Distribution per share 29/02/16*
Class A income						
Group 1	-	-	-	-	-	-
Group 2	-	-	-	-	-	-
Class I accumulation						
Group 1	-	-	-	-	-	0.3109
Group 2	-	-	-	-	-	0.3109
Class I income						
Group 1	-	-	-	-	-	0.2699
Group 2	-	-	-	-	-	0.2699
Class A income gross						
Group 1	-	-	-	-	-	-
Group 2	-	-	-	-	-	-
Class D accumulation gross						
Group 1	-	-	-	-	-	0.5684
Group 2	-	-	-	-	-	0.5684
Class I accumulation gross						
Group 1	-	-	-	-	-	0.3626
Group 2	-	-	-	-	-	0.3626
Class I income gross						
Group 1	-	-	-	-	-	0.3092
Group 2	-	-	-	-	-	0.3092
Class Z accumulation gross						
Group 1	-	-	-	-	-	0.7580
Group 2	-	-	-	-	-	0.7580

* Retained distribution on Class I accumulation and Class I income prior to 6 April 2017 are net of 20% income tax.

Distribution tables (continued)

Interim interest distribution (accounting date 31 March 2017, paid on 31 May 2017)

Group 1: shares purchased prior to 1 January 2017

Group 2: shares purchased on or after 1 January 2017

	Distribution per share	Equalisation	Total Distribution per share 31/05/17	Total Distribution per share 31/05/16
Class A income				
Group 1	-	-	-	-
Group 2	-	-	-	-
Class I accumulation				
Group 1	-	-	-	-
Group 2	-	-	-	-
Class I income				
Group 1	-	-	-	-
Group 2	-	-	-	-
Class A income gross				
Group 1	-	-	-	-
Group 2	-	-	-	-
Class D accumulation gross				
Group 1	-	-	-	-
Group 2	-	-	-	-
Class I accumulation gross				
Group 1	-	-	-	-
Group 2	-	-	-	-
Class I income gross				
Group 1	-	-	-	-
Group 2	-	-	-	-
Class Z accumulation gross				
Group 1	-	-	-	-
Group 2	-	-	-	-

Distribution tables (continued)

Final interest distribution (accounting date 30 June 2017, paid on 31 August 2017)

Group 1: shares purchased prior to 1 April 2017

Group 2: shares purchased on or after 1 April 2017

	Distribution per share	Equalisation	Total Distribution per share 31/08/17	Total Distribution per share 31/08/16
Class A income				
Group 1	-	-	-	-
Group 2	-	-	-	-
Class I accumulation				
Group 1	-	-	-	-
Group 2	-	-	-	-
Class I income				
Group 1	-	-	-	-
Group 2	-	-	-	-
Class A income gross				
Group 1	-	-	-	-
Group 2	-	-	-	-
Class D accumulation gross				
Group 1	-	-	-	-
Group 2	-	-	-	-
Class I accumulation gross				
Group 1	-	-	-	-
Group 2	-	-	-	-
Class I income gross				
Group 1	-	-	-	-
Group 2	-	-	-	-
Class Z accumulation gross				
Group 1	-	-	-	-
Group 2	-	-	-	-

Henderson Institutional Long Dated Credit Fund

Authorised Corporate Director's (ACD) report

Investment Fund Manager

Philip Payne

Investment objective and policy

To provide a return by investing primarily in long dated sterling denominated investment grade corporate bonds. In line with the scheme's benchmark index the term corporate bond will include debt instruments issued by any entity other than a Government or local authority. The fund may also invest in other transferable securities, money market instruments, derivatives and forward transactions, deposits and units in collective investment schemes.

Performance summary

	30 Jun 16 - 30 Jun 17 %	30 Jun 15 - 30 Jun 16 %	30 Jun 14 - 30 Jun 15 %	30 Jun 13 - 30 Jun 14 %	30 Jun 12 - 30 Jun 13 %
Henderson Institutional Long Dated Credit Fund	7.6	12.4	6.9	7.4	2.8
iBoxx GBP Non-Gilt +15 Years Index	7.3	15.4	8.9	9.3	4.4

Source: Morningstar, bid to bid and net of fees as at 12 noon valuation point, based on performance of Class A income. Benchmark values are as at close of business.

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.

Significant portfolio changes for the year ended 30 June 2017

Largest purchases	£000	Largest sales/maturities	£000
UK Treasury 4.25% 07/06/2032	15,330	UK Treasury 4.25% 07/06/2032	15,230
UK Treasury 4.50% 07/12/2042	15,299	UK Treasury 4.50% 07/09/2034	14,132
UK Treasury 4.50% 07/09/2034	14,988	UK Treasury 4.75% 07/12/2038	13,483
UK Treasury 4.25% 07/12/2040	8,796	UK Treasury 4.25% 07/12/2040	11,752
UK Treasury 4.75% 07/12/2038	7,671	UK Treasury 4.50% 07/12/2042	11,022
Vodafone 3.00% 12/08/2056	6,299	UK Treasury 3.50% 22/01/2045	9,511
UK Treasury 4.25% 07/03/2036	6,282	UK Treasury 3.25% 22/01/2044	8,877
Anheuser-Busch InBev 2.85% 25/05/2037	6,196	European Investment Bank 5.625% 07/06/2032	6,246
UK Treasury 3.50% 22/01/2045	5,740	UK Treasury 4.25% 07/03/2036	6,126
National Grid Gas Finance 2.625% 22/09/2038	5,664	GlaxoSmithKline Capital 5.25% 10/04/2042	6,062
Total purchases	256,572	Total sales/maturities	290,521

Investment review

Sterling corporate bonds saw good returns over the year ending 30 June 2017. The return on the iBoxx Sterling 15+ Non-Gilt index was 7.25%, while credit spreads (the extra yield over an equivalent government security) for the same index declined by 43 basis points to end the year at 113 basis points. The biggest market driver was the Bank of England's (BoE's) response to the referendum on the UK's membership of the European Union (EU), which included a 25 basis point cut in interest rates and £60bn of asset purchases, including £10bn of sterling corporate bonds under the Corporate Bond Purchase Scheme (CBPS). This initially benefited non-financial issuers, particularly utilities, which have accounted for close to a third of the corporate bonds purchased in the CBPS. But over the year, financials saw the best returns, particularly the insurance sector. The financials sector benefited from stronger global growth; a rise in government bond yields from the lows seen in the summer of 2016 (prices move inversely to yields), which also negatively impacted the total returns of corporate bonds; and increased optimism that the policies of US president Donald Trump will drive stronger economic growth and reduce the regulatory burden (although early signs suggest these reforms may be harder than expected to implement).

In the UK, the government's decision to call a snap general election, and the subsequent minority Conservative government, increased the level of political uncertainty, especially in the wake of Article 50 being triggered (which marked the beginning of the UK's EU exit negotiations). While corporate bond markets remained resilient in the final few months of the year, growth in the UK has slowed as uncertainty has risen. Over the year, monetary policy remained accommodative, particularly in the UK and eurozone, where new stimulus policies have been implemented. But, following a 12-month pause, the US raised interest rates three times (by a total of 75 basis points) and began discussing balance sheet normalisation. The review year ended with raised expectations for tighter monetary policy around the world as central banks' concerns regarding deflationary forces eased. This sent government bond yields sharply higher in late June.

Corporate issuance rose sharply over the year, to its highest levels in the UK since 2009, reflecting the policy actions of the BoE and attractive funding conditions for issuers. Appetite for new issuance has remained strong, benefiting from inflows into the asset class over the year and the attractive valuations compared with US and European corporate bond markets.

The largest sector contributor to the fund's performance over the year came from financials. Within financials, the strongest contributor was Aviva, which benefited from attractive valuations and strong and improving corporate fundamentals. HSBC was also a large contributor to performance, benefiting from the improved global economic outlook and the potential for many of its outstanding sterling bonds, which are issued from its operating company, to be repurchased early due to regulatory requirements. Other key contributors to performance included holdings in Lloyds Bank, which were increased, and French Bank BPCE, a position that was exited.

The most significant contributor to performance was a holding in Tesco, which benefited from the outperformance of lower rated issuers over the year, along with improved trading for UK supermarkets, positive earnings updates and improved sales. Positions in Time Warner Cable and roadside assistance group RAC also contributed, as appetite for higher yielding issuers remained strong.

The position in German utility Innogy (previously RWE) also performed well. The company benefited from a corporate restructuring that has distanced bondholders from nuclear liabilities, positive ratings action and a ruling by the German Federal Constitutional Court that utilities are entitled to compensation, following the shutdown of nuclear plants in 2011. A holding in rival German utility E.ON also performed well and was subsequently reduced following strong performance. Elsewhere in utilities, the fund's holdings in UK utilities such as Western Power, Northern Gas Networks and National Grid all benefited from the BoE's asset purchase programme. A number of these positions were reduced due to their less attractive valuations, while National Grid repurchased some of its outstanding debt prior to the company selling off a majority stake in its gas networks business, now known as Cadent Finance, in which the fund established a new position. An existing position in French utility EDF was also increased following its underperformance of the broader sector, positive news flow in relation to its nuclear activities and the appointment of a pro-business government following the election of Emmanuel Macron as the new French president.

The position in US telecommunications company Verizon was reduced and replaced by an increased holding in AT&T, as new issuance in relation to its acquisition of Time Warner provided an attractive entry point. The fund also increased an existing holding in Heathrow Airport after its bonds underperformed the broader sterling market following their exclusion from the BoE's CBPS due to the structure of the issuing entity. The underlying business continues to perform very well and is attractively priced compared with other infrastructure-related issuers. The fund also established new positions in Vodafone and Anheuser-Busch InBev through new issues.

The environment for corporate bonds is becoming increasingly challenged as the strong performance over recent months reduces the appeal of valuations and the recent shift in central bank rhetoric increases the probability of tighter monetary policy in the months ahead. Pockets of value still remain, and the mixed economic outlook combined with less accommodative monetary policy should increase the level of dispersion in credit markets, presenting new opportunities.

Comparative tables for the year ended 30 June 2017

	Class A income		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	188.40	170.41	163.18
Return before operating charges*	15.04	24.26	13.66
Operating charges	(2.10)	(2.02)	(2.05)
Return after operating charges*	12.94	22.24	11.61
Distributions on income shares	(4.41)	(4.25)	(4.38)
Closing net asset value per share	196.93	188.40	170.41
* after direct transaction costs of:	-	-	-
Performance			
Return after charges	6.87%	13.05%	7.11%
Other information			
Closing net asset value (£000s)	6,295	4,462	8,709
Closing number of shares	3,196,884	2,368,342	5,110,254
Operating charges	1.05%	1.16%	1.16%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price (pence)	217.40	189.20	195.30
Lowest share price (pence)	187.70	168.40	163.10

	Class I accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	347.03	304.99	280.43
Return before operating charges*	28.55	46.04	28.52
Operating charges	(2.02)	(1.70)	(1.74)
Return after operating charges*	26.53	44.34	26.78
Distributions on accumulation shares	(10.99)	(11.49)	(11.10)
Retained distributions on accumulation shares^	9.88	9.19	8.88
Closing net asset value per share	372.45	347.03	304.99
* after direct transaction costs of:	-	-	-
Performance			
Return after charges	7.64%	14.54%	9.55%
Other information			
Closing net asset value (£000s)	1,980	1,053	984
Closing number of shares	531,722	303,305	322,646
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price (pence)	400.70	346.60	343.90
Lowest share price (pence)	348.00	302.40	282.50

^Retained distribution prior to 6 April 2017 are net of 20% income tax.

Comparative tables (continued)

	Class I income		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	193.22	174.75	166.62
Return before operating charges*	15.28	24.65	14.30
Operating charges	(1.11)	(0.97)	(0.99)
Return after operating charges*	14.17	23.68	13.31
Distributions on income shares	(5.45)	(5.21)	(5.18)
Closing net asset value per share	201.94	193.22	174.75
* after direct transaction costs of:	-	-	-

Performance

Return after charges	7.33%	13.55%	7.99%
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Other information

Closing net asset value (£000s)	44,517	21,977	6,967
Closing number of shares	22,044,059	11,374,032	3,986,861
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	223.10	194.20	199.80
Lowest share price (pence)	192.70	172.80	166.50

	Class A income gross		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	189.96	171.71	164.43
Return before operating charges*	15.72	25.71	14.88
Operating charges	(2.11)	(2.05)	(2.06)
Return after operating charges*	13.61	23.66	12.82
Distributions on income shares	(4.95)	(5.41)	(5.54)
Closing net asset value per share	198.62	189.96	171.71
* after direct transaction costs of:	-	-	-

Performance

Return after charges	7.16%	13.78%	7.80%
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Other information

Closing net asset value (£000s)	78	74	65
Closing number of shares	39,093	38,811	37,660
Operating charges	1.05%	1.16%	1.16%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	219.60	191.00	197.00
Lowest share price (pence)	189.50	169.80	164.30

Comparative tables (continued)

Class I accumulation gross

	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	384.52	335.12	309.04
Return before operating charges*	31.81	51.28	27.92
Operating charges	(2.22)	(1.88)	(1.84)
Return after operating charges*	29.59	49.40	26.08
Distributions on accumulation shares	(12.25)	(12.86)	(12.68)
Retained distributions on accumulation shares	12.25	12.86	12.68
Closing net asset value per share	414.11	384.52	335.12
* after direct transaction costs of:	-	-	-

Performance

Return after charges	7.70%	14.74%	8.44%
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Other information

Closing net asset value (£000s)	273,249	307,244	566,965
Closing number of shares	65,985,256	79,903,014	169,181,691
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	444.70	384.00	377.80
Lowest share price (pence)	386.70	332.30	309.00

Class I income gross

	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	188.96	170.79	165.11
Return before operating charges*	15.64	25.58	13.27
Operating charges	(1.08)	(0.95)	(0.98)
Return after operating charges*	14.56	24.63	12.29
Distributions on income shares	(5.95)	(6.46)	(6.61)
Closing net asset value per share	197.57	188.96	170.79
* after direct transaction costs of:	-	-	-

Performance

Return after charges	7.71%	14.42%	7.44%
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Other information

Closing net asset value (£000s)	146,282	158,260	177,925
Closing number of shares	74,039,951	83,751,398	104,180,014
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	218.50	190.30	196.00
Lowest share price (pence)	188.70	169.00	163.40

Comparative tables (continued)

Class Z accumulation gross

	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	214.84	186.30	171.01
Return before operating charges*	17.78	28.62	15.35
Operating charges	(0.07)	(0.08)	(0.06)
Return after operating charges*	17.71	28.54	15.29
Distributions on accumulation shares	(8.03)	(8.17)	(7.99)
Retained distributions on accumulation shares	8.03	8.17	7.99
Closing net asset value per share	232.55	214.84	186.30
* after direct transaction costs of:	-	-	-

Performance

Return after charges	8.24%	15.32%	8.94%
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Other information

Closing net asset value (£000s)	2	2	2
Closing number of shares	1,000	1,000	1,000
Operating charges	0.03%	0.04%	0.03%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	248.70	214.60	209.70
Lowest share price (pence)	216.60	184.80	171.00

Performance values are at close of business and may differ from the performance summary.

Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

Share class launches and closures

There were no share classes launched or closed in the year.

Ongoing charge figure

The annualised ongoing charge figure (OCF) of the fund is 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 year, except for expenses that are explicitly excluded by regulation.

	2017 %	2016 %
Class A	1.05 ¹	1.16
Class I	0.54	0.54
Class Z	0.03	0.04

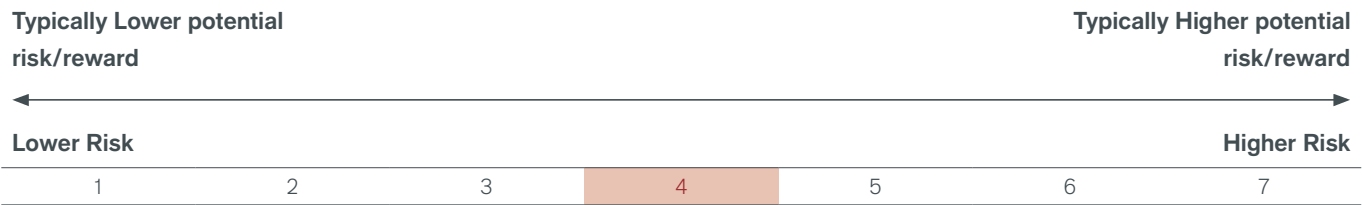
The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

¹ The annual management charge on Class A reduced from 1% to 0.75% on 1 February 2017.

Risk and reward profile

The fund currently has 7 types of share class in issue; A income, I accumulation, I income, A income gross, I accumulation gross, I income gross and Z accumulation gross.

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 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 share classes appear at 4 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events.

The full list of the fund's risks are contained in the 'Risk Factors' section in the fund's prospectus.

There have been no changes to the risk rating in the year.

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

Portfolio statement as at 30 June 2017

Holding	Investment	Market value £000	Percentage of total net assets %
	Bonds 99.19% (2016: 98.70%)		
	Australia 0.63% (2016: 0.72%)		
	Fixed Rate Bond 0.63% (2016: 0.72%)		
GBP 2,400,000	BHP Billiton Finance 4.30% 25/09/2042	2,956	0.63
	Belgium 1.30% (2016: 0.00%)		
	Zero / Discount Rate Bond 1.30% (2016: 0.00%)		
GBP 6,270,000	Anheuser-Busch InBev 2.85% 25/05/2037	6,136	1.30
	Cayman Islands 0.15% (2016: 0.00%)		
	Fixed Rate Bond 0.15% (2016: 0.00%)		
EUR 800,000	UPCB Finance VII 3.625% 15/06/2029	692	0.15
	Denmark 0.00% (2016: 0.64%)		
	Fixed Rate Bond 0.00% (2016: 0.64%)		
	France 9.18% (2016: 9.13%)		
	Fixed Rate Bond 8.50% (2016: 8.33%)		
GBP 4,950,000	Électricité de France 5.125% 22/09/2050	6,420	1.36
GBP 6,400,000	Électricité de France 5.50% 17/10/2041	8,357	1.77
GBP 800,000	Électricité de France 5.50% 27/03/2037	1,033	0.22
GBP 4,600,000	Électricité de France 6.00% 23/01/2114	6,496	1.37
GBP 3,000,000	Électricité de France 6.125% 02/06/2034	4,073	0.86
GBP 850,000	France Telecom 5.375% 22/11/2050	1,229	0.26
GBP 1,260,000	France Telecom 5.625% 23/01/2034	1,695	0.36
GBP 3,200,000	GDF Suez 5.00% 01/10/2060	5,094	1.08
GBP 1,047,000	Reseau Ferre de France 4.83% 25/03/2060	1,699	0.36
GBP 2,028,000	Reseau Ferre de France 5.00% 11/03/2052	3,159	0.67
GBP 646,000	Reseau Ferre de France 5.25% 31/01/2035	898	0.19
		40,153	8.50
	Variable Rate Bond 0.68% (2016: 0.80%)		
GBP 2,800,000	AXA 5.625% 16/01/2054	3,215	0.68
	Germany 5.91% (2016: 6.53%)		
	Fixed Rate Bond 5.91% (2016: 6.53%)		
GBP 2,250,000	E.ON International Finance 5.875% 30/10/2037	3,182	0.67
USD 1,684,000	E.ON International Finance 6.65% 30/04/2038	1,624	0.34
GBP 1,800,000	E.ON International Finance 6.75% 27/01/2039	2,791	0.59
GBP 3,500,000	innogy Finance 4.75% 31/01/2034	4,290	0.91
GBP 5,050,000	innogy Finance 6.125% 06/07/2039	7,411	1.58
GBP 2,567,000	KFW 5.00% 09/06/2036	3,846	0.81
GBP 800,000	KFW 5.75% 07/06/2032	1,214	0.26
GBP 1,100,000	Siemens Financieringsmaatschappij 3.75% 10/09/2042	1,335	0.28
USD 2,750,000	Siemens Financieringsmaatschappij 4.20% 16/03/2047	2,243	0.47
		27,936	5.91

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	Italy 2.25% (2016: 1.52%)		
	Fixed Rate Bond 2.25% (2016: 1.52%)		
GBP 5,055,000	Enel Finance International 5.75% 14/09/2040	6,900	1.46
GBP 1,600,000	Enel Finance International 5.75% 22/06/2037	2,153	0.46
USD 1,720,000	Meccanica Holdings 6.25% 15/01/2040	1,483	0.31
USD 100,000	Meccanica Holdings 7.375% 15/07/2039	92	0.02
		<u>10,628</u>	<u>2.25</u>
	Japan 0.00% (2016: 0.35%)		
	Fixed Rate Bond 0.00% (2016: 0.35%)		
	Mexico 0.54% (2016: 1.16%)		
	Fixed Rate Bond 0.54% (2016: 1.16%)		
GBP 2,425,000	United Mexican States 5.625% 19/03/2114	<u>2,568</u>	<u>0.54</u>
	Netherlands 0.38% (2016: 0.23%)		
	Fixed Rate Bond 0.38% (2016: 0.23%)		
GBP 750,000	Rabobank Nederland 5.375% 03/08/2060	1,284	0.27
EUR 600,000	UPC 3.875% 15/06/2029	508	0.11
		<u>1,792</u>	<u>0.38</u>
	Supranational 3.98% (2016: 5.29%)		
	Fixed Rate Bond 3.98% (2016: 5.29%)		
GBP 2,900,000	European Investment Bank 3.875% 08/06/2037	3,757	0.80
GBP 3,560,000	European Investment Bank 4.50% 07/03/2044	5,256	1.11
GBP 2,076,000	European Investment Bank 4.625% 12/10/2054	3,474	0.74
GBP 2,500,000	European Investment Bank 5.00% 15/04/2039	3,772	0.80
GBP 1,700,000	European Investment Bank 5.625% 07/06/2032	2,525	0.53
		<u>18,784</u>	<u>3.98</u>
	Sweden 1.18% (2016: 0.36%)		
	Fixed Rate Bond 1.18% (2016: 0.36%)		
GBP 3,500,000	Vattenfall 6.875% 15/04/2039	<u>5,596</u>	<u>1.18</u>
	Switzerland 0.19% (2016: 0.18%)		
	Fixed Rate Bond 0.19% (2016: 0.00%)		
GBP 900,000	LafargeHolcim Sterling Finance 3.00% 12/05/2032	<u>887</u>	<u>0.19</u>
	Variable Rate Bond 0.00% (2016: 0.18%)		
	United Kingdom 55.43% (2016: 56.76%)		
	Asset Backed 1.80% (2016: 3.56%)		
GBP 1,615,000	Canary Wharf 5.952% 22/10/2037	2,279	0.49
GBP 790,000	Metropolitan Funding 4.125% 05/04/2048	954	0.20
GBP 1,405,000	Paragon Treasury 3.625% 21/01/2047	1,533	0.32
GBP 1,400,000	PenArian Housing Finance 3.212% 07/06/2052	1,396	0.30
GBP 600,000	Saxon Weald Capital 5.375% 06/06/2042	793	0.17
GBP 1,088,000	Sunderland Finance 6.38% 31/03/2042	1,532	0.32
		<u>8,487</u>	<u>1.80</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	Fixed Rate Bond 49.64% (2016: 48.30%)		
GBP 1,192,000	Affinity Sutton Capital Markets 5.981% 17/09/2038	1,813	0.38
GBP 5,610,000	Affordable Housing Finance 2.893% 11/08/2043	6,371	1.36
GBP 2,200,000	Affordable Housing Finance 3.80% 20/05/2042	2,875	0.61
GBP 2,800,000	BAA Funding 4.625% 31/10/2046	3,671	0.78
GBP 1,500,000	BAA Funding 5.875% 13/05/2041	2,230	0.47
GBP 1,700,000	BAT International Finance 2.25% 09/09/2052	1,383	0.29
GBP 900,000	BAT International Finance 4.00% 23/11/2055	1,059	0.22
GBP 2,750,000	BAT International Finance 6.00% 24/11/2034	3,835	0.81
GBP 2,700,000	BG Energy Capital 5.00% 04/11/2036	3,604	0.76
GBP 1,535,000	Broadgate Financing 4.821% 05/07/2036	2,012	0.43
GBP 3,900,000	Centrica 4.25% 12/09/2044	4,609	0.98
GBP 1,000,000	Centrica 7.00% 19/09/2033	1,519	0.32
GBP 1,100,000	Channel Link Enterprises Finance 3.848% 30/06/2050	1,150	0.24
GBP 600,000	Dwr Cymru Financing 4.473% 31/03/2057	868	0.18
GBP 1,700,000	Eastern Power Networks 6.25% 12/11/2036	2,567	0.54
GBP 1,500,000	Gatwick Funding 4.625% 27/03/2034	1,844	0.39
GBP 1,300,000	Gatwick Funding 5.75% 23/01/2037	1,839	0.39
GBP 800,000	GKN 3.375% 12/05/2032	798	0.17
GBP 4,200,000	GlaxoSmithKline Capital 4.25% 18/12/2045	5,400	1.14
GBP 2,300,000	GlaxoSmithKline Capital 5.25% 10/04/2042	3,319	0.70
GBP 1,302,000	GlaxoSmithKline Capital 5.25% 19/12/2033	1,789	0.38
GBP 3,254,000	GlaxoSmithKline Capital 6.375% 09/03/2039	5,166	1.09
USD 1,300,000	GlaxoSmithKline Capital 6.375% 15/05/2038	1,374	0.29
GBP 852,161	Harbour Funding 5.28% 31/03/2044	1,106	0.23
GBP 3,450,000	Heathrow Funding 2.75% Perpetual	3,303	0.70
GBP 950,000	Heathrow Funding 6.45% 10/12/2031	1,374	0.29
GBP 3,700,000	HSBC Bank 4.75% 24/03/2046	4,568	0.97
GBP 1,840,000	HSBC Bank 5.375% 22/08/2033	2,372	0.50
GBP 2,650,000	HSBC Holdings 6.00% 29/03/2040	3,502	0.74
GBP 2,350,000	HSBC Holdings 7.00% 07/04/2038	3,408	0.72
GBP 2,000,000	Imperial Tobacco Finance 4.875% 07/06/2032	2,417	0.51
GBP 2,600,000	LCR Finance 4.50% 07/12/2038	3,658	0.77
GBP 1,725,000	LCR Finance 5.10% 07/03/2051	2,956	0.63
GBP 2,500,000	Legal & General 5.50% 27/06/2064	2,683	0.57
GBP 5,100,000	Lloyds Bank 6.50% 17/09/2040	8,174	1.74
GBP 1,580,000	London & Quadrant Housing 3.75% Perpetual	1,906	0.40
GBP 700,000	London & Quadrant Housing 4.625% 05/12/2033	895	0.19
GBP 2,200,000	London & Quadrant Housing 5.50% 27/01/2040	3,186	0.67
GBP 3,120,000	Longstone Finance 4.896% 19/04/2036	3,517	0.74
GBP 1,510,000	Manchester Airport Group Funding 4.75% 31/03/2034	1,907	0.40
GBP 2,600,000	Motability Operations 3.625% 10/03/2036	2,983	0.63
GBP 3,300,000	National Grid Gas Finance 2.625% 22/09/2038	3,156	0.67
GBP 3,200,000	National Grid Gas Finance 2.75% 22/09/2046	3,062	0.65
GBP 6,450,000	Network Rail Infrastructure Finance 4.75% 29/11/2035	9,143	1.95
GBP 1,050,000	Northern Gas Networks Finance 4.875% 15/11/2035 'B'	1,384	0.29
GBP 626,000	Northern Gas Networks Finance 5.625% 23/03/2040	918	0.19
GBP 1,050,000	Northumbrian Water Finance 5.125% 23/01/2042	1,474	0.31

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Fixed Rate Bond (continued)			
GBP 1,500,000	Notting Hill Housing Trust 3.75% 20/12/2032	1,716	0.36
GBP 2,490,000	Notting Hill Housing Trust 4.375% 20/02/2054	3,386	0.72
GBP 3,381,000	Orbit Capital 3.50% 24/03/2045	3,632	0.77
GBP 2,710,000	Peabody Energy 4.625% 12/12/2053	3,826	0.81
GBP 3,200,000	Prudential 5.00% 20/07/2055	3,367	0.71
GBP 2,100,000	RAC Bond 4.87% 06/05/2026	2,331	0.49
GBP 2,980,000	Sanctuary Capital 5.00% 26/04/2047	4,223	0.89
GBP 2,400,000	Scottish Widows 7.00% 16/06/2043	3,037	0.64
GBP 1,370,000	Southern Electric Power 4.625% 20/02/2037	1,748	0.37
GBP 1,067,000	Sovereign Housing Capital 4.768% 01/06/2043	1,431	0.30
GBP 3,000,000	Standard Chartered Bank 4.375% 18/01/2038	3,391	0.72
GBP 3,500,000	Standard Chartered Bank 5.12% 06/06/2034	3,774	0.80
GBP 1,400,000	Tesco 4.875% 24/03/2042	1,369	0.29
GBP 700,000	Tesco 5.20% 05/03/2057	684	0.14
GBP 1,028,000	Tesco 5.50% 13/01/2033	1,120	0.24
GBP 2,110,000	Tesco 6.00% 14/12/2029	2,451	0.52
GBP 300,000	Thames Water Utilities Cayman Finance 4.375% 03/07/2034	367	0.08
GBP 1,600,000	Thames Water Utilities Cayman Finance 4.625% 04/06/2046	2,140	0.45
GBP 1,300,000	Thames Water Utilities Cayman Finance 7.738% 09/04/2058	2,771	0.59
GBP 1,217,000	Thames Water Utilities Finance 5.125% 28/09/2037	1,654	0.35
GBP 2,410,000	THFC Funding No 2 6.35% 08/07/2039	3,683	0.78
GBP 2,000,000	Transport for London 3.625% 15/05/2045	2,455	0.52
GBP 2,800,000	Transport for London 3.875% 23/07/2042	3,545	0.75
GBP 1,100,000	Transport for London 4.00% 07/04/2064	1,623	0.34
GBP 2,000,000	Transport for London 4.00% 12/09/2033	2,485	0.53
GBP 865,000	UK Treasury 1.75% 22/07/2057	869	0.18
GBP 1,310,000	UK Treasury 4.50% 07/09/2034	1,850	0.39
GBP 3,750,000	UK Treasury 4.50% 07/12/2042	5,740	1.22
GBP 1,234,000	United Utilities Water 5.00% 28/02/2035	1,651	0.35
GBP 1,610,000	University of Cambridge 3.75% 17/10/2052	2,203	0.47
GBP 1,600,000	University of Liverpool 3.375% 25/06/2055	1,982	0.42
GBP 3,600,000	University of Southampton 2.25% 11/04/2057	3,429	0.73
GBP 6,400,000	Vodafone 3.00% 12/08/2056	5,462	1.16
GBP 2,200,000	Vodafone 3.375% Perpetual	2,031	0.43
GBP 1,100,000	Wellcome Trust Finance 4.00% 09/05/2059	1,650	0.35
GBP 1,500,000	Wellcome Trust Finance 4.625% 25/07/2036	2,062	0.44
GBP 1,600,000	Western Power Distribution South Wales 5.75% 23/03/2040	2,350	0.50
GBP 1,550,000	Western Power Distribution South West 5.75% 23/03/2040	2,276	0.48
GBP 880,000	WM Treasury 4.625% 03/12/2042	1,112	0.24
GBP 2,200,000	Yorkshire Water Services 6.375% 19/08/2039	3,505	0.74
		<hr/> 234,528	<hr/> 49.64
Index Linked Bond 0.00% (2016: 1.03%)			
Stepped Rate Bond 0.30% (2016: 0.28%)			
GBP 913,000	Western Power Distribution East Midlands 6.25% 10/12/2040	<hr/> 1,427	<hr/> 0.30
Variable Rate Bond 3.69% (2016: 3.59%)			
GBP 5,000,000	Aviva 6.875% 20/05/2058	6,601	1.39
GBP 1,113,000	HBOS Sterling Finance Jersey 7.881% Perpetual	1,547	0.33
GBP 3,044,000	HSBC Bank 5.844% Perpetual	3,718	0.79

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Variable Rate Bond (continued)			
GBP 2,300,000	Land Securities Capital Markets FRN 07/02/2036	3,091	0.65
GBP 2,200,000	Prudential 5.70% 19/12/2063	2,495	0.53
		<u>17,452</u>	<u>3.69</u>
United States 18.07% (2016: 15.83%)			
Fixed Rate Bond 18.07% (2016: 15.83%)			
GBP 3,300,000	Apple 3.60% 31/07/2042	3,812	0.81
GBP 4,100,000	AT&T 3.55% 14/09/2037	3,983	0.84
GBP 3,800,000	AT&T 4.25% 01/06/2043	4,048	0.86
GBP 5,600,000	AT&T 4.875% 01/06/2044	6,511	1.38
GBP 1,600,000	AT&T 5.20% 18/11/2033	1,925	0.41
GBP 2,700,000	AT&T 7.00% 30/04/2040	3,957	0.84
GBP 3,800,000	Citigroup 6.80% 25/06/2038	6,034	1.28
GBP 1,076,000	Citigroup 7.375% 01/09/2039	1,821	0.39
GBP 2,829,000	GE Capital UK Funding 5.875% 18/01/2033	4,089	0.87
GBP 2,300,000	GE Capital UK Funding 6.25% 05/05/2038	3,625	0.77
GBP 1,948,000	GE Capital UK Funding 8.00% 14/01/2039	3,629	0.77
GBP 1,811,000	General Electric Capital 4.875% 18/09/2037	2,386	0.50
GBP 500,000	General Electric Capital 5.375% 18/12/2040	737	0.16
GBP 793,000	Goldman Sachs 6.875% 18/01/2038	1,170	0.25
GBP 2,700,000	Pfizer 6.50% 03/06/2038	4,366	0.92
GBP 3,988,000	Time Warner Cable 5.25% 15/07/2042	4,763	1.01
GBP 2,296,000	Time Warner Cable 5.75% 02/06/2031	2,827	0.60
GBP 2,700,000	Verizon Communications 3.125% 02/11/2035	2,598	0.55
GBP 2,200,000	Verizon Communications 4.75% 17/02/2034	2,570	0.54
GBP 4,900,000	Wal-Mart Stores 4.875% 19/01/2039	6,798	1.43
GBP 2,100,000	Wal-Mart Stores 5.25% 28/09/2035	2,975	0.63
GBP 5,650,000	Wal-Mart Stores 5.625% 27/03/2034	8,113	1.71
GBP 2,300,000	Welltower REIT 4.50% 01/12/2034	2,615	0.55
		<u>85,352</u>	<u>18.07</u>
Derivatives 0.01% (2016: (0.07%))			
Futures (0.05%) (2016: 0.01%)			
(18)	CBT US Ultra Bond September 2017	(35)	(0.01)
90	ICE Long Gilt September 2017	(213)	(0.04)
		<u>(248)</u>	<u>(0.05)</u>
Swaps 0.04% (2016: (0.02%))			
Credit Default Index Swaps 0.00% (2016: (0.02%))			
Credit Default Swaps 0.04% (2016: 0.00%)			
3,275,000	CDS 1.00% 20/06/2022 BAE Systems Pay EUR	(65)	(0.01)
1,550,000	CDS 1.00% 20/06/2022 Ladbrokes Pay EUR	180	0.05
2,800,000	CDS 1.00% 20/06/2022 Barclays Bank Receive EUR	16	-
600,000	CDS 1.00% 20/06/2022 Ladbrokes Pay EUR	70	0.01
1,930,000	CDS 1.00% 20/06/2022 Metro Pay EUR	8	-
870,000	CDS 1.00% 20/06/2022 Metro Pay EUR	4	-
2,800,000	CDS 1.00% 20/06/2022 Standard Chartered Pay EUR	(25)	(0.01)
		<u>188</u>	<u>0.04</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Forward Foreign Exchange Contracts 0.02% (2016: (0.06%))			
	Buy EUR 2,371,379 : Sell GBP 2,083,862 July 2017	(1)	-
	Buy GBP 11,848,968 : Sell USD 15,172,315 July 2017	179	0.03
	Buy GBP 178,975 : Sell EUR 203,270 July 2017^	-	-
	Buy GBP 2,467,552 : Sell EUR 2,817,064 July 2017	(7)	-
	Buy GBP 268,283 : Sell EUR 304,224 July 2017	1	-
	Buy GBP 269,076 : Sell EUR 304,905 July 2017	1	-
	Buy GBP 520,721 : Sell EUR 590,050 July 2017	2	-
	Buy USD 3,124,425 : Sell GBP 2,465,252 July 2017	(62)	(0.01)
	Buy USD 50,900 : Sell GBP 39,128 July 2017^	-	-
		<u>113</u>	<u>0.02</u>
	Investment assets including investment liabilities	468,642	99.20
	Other net assets	<u>3,761</u>	<u>0.80</u>
	Total net assets	472,403	100.00

^ Due to rounding to nearest £1,000

Statement of total return for the year ended 30 June 2017

		2017		2016	
	Note	£000	£000	£000	£000
Income					
Net capital gains	2		23,576		55,024
Revenue	3	17,375		21,630	
Expenses	4	(2,699)		(2,813)	
Net revenue before taxation		14,676		18,817	
Taxation	5	-		-	
Net revenue after taxation			14,676		18,817
Total return before distributions			38,252		73,841
Distributions	6		(14,676)		(18,819)
Change in net assets attributable to shareholders from investment activities			23,576		55,022

Statement of change in net assets attributable to shareholders

for the year ended 30 June 2017

		2017		2016	
		£000	£000	£000	£000
Opening net assets attributable to shareholders			493,072		761,617
Amounts receivable on issue of shares		40,102		22,285	
Amounts payable on cancellation of shares		(93,621)		(358,575)	
			(53,519)		(336,290)
Dilution adjustment			460		1,647
Change in net assets attributable to shareholders from investment activities			23,576		55,022
Retained distributions on accumulation shares			8,814		11,076
Closing net assets attributable to shareholders			472,403		493,072

Balance sheet as at 30 June 2017

	Note	2017 £000	2016 £000
Assets:			
Investments		469,050	487,080
Current assets:			
Debtors	7	13,111	10,889
Cash and bank balances	8	8,649	6,256
Total assets		490,810	504,225
Liabilities:			
Investment liabilities		408	745
Creditors:			
Amounts held at derivative clearing houses and brokers		-	142
Bank overdrafts		3,004	2,444
Distributions payable		1,444	1,573
Other creditors	9	13,551	6,249
Total liabilities		18,407	11,153
Net assets attributable to shareholders		472,403	493,072

Notes to the financial statements for the year ended 30 June 2017

1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 of the aggregated notes to the financial statements.

2 Net capital gains

Net capital gains on investments during the year comprise:

	2017 £000	2016 £000
Derivative securities	145	82
Forward currency contracts	(106)	(567)
Non-derivative securities	23,667	55,477
Other currency (losses)/gains	(118)	44
Transaction costs	(12)	(12)
Net capital gains	23,576	55,024

3 Revenue

	2017 £000	2016 £000
Bank interest	4	9
Derivative revenue	(84)	(14)
Interest on debt securities	17,413	21,570
Interest on margin	-	1
Stock lending revenue	42	64
Total revenue	17,375	21,630

4 Expenses

	2017 £000	2016 £000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual management charge	2,493	2,591
GAC*	120	125
	2,613	2,716
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	49	60
Safe custody fees	37	37
	86	97
Total expenses	2,699	2,813

Irrecoverable VAT is included in the above expenses where relevant.

*The current audit fee, which is levied through the GAC, is £9,725 (2016: £9,167).

Notes to the financial statements (continued)

5 Taxation

(a) Analysis of charge in the year

There is no tax charge for the current year (2016: nil).

(b) Factors affecting current tax charge for the year

The tax assessed for each year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICS) of 20% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Net revenue before taxation	14,676	18,817
Corporation tax at 20% (2016: 20%)	2,935	3,763
Effects of:		
Revenue being paid as interest distributions	(2,935)	(3,763)
Tax charge for the year (note 6a)	-	-

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2016: nil).

(d) Factors that may affect future tax charges

There were no factors that may affect future tax charges at the Balance sheet date (2016: nil).

6 Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

	2017 £000	2016 £000
Interim income	4,023	4,576
Interim accumulation	6,805	8,527
Final income	1,444	1,490
Final accumulation	2,009	2,549
Tax withheld on interest distributions	100	132
	14,381	17,274
Amounts deducted on cancellation of shares	430	1,630
Amounts received on issue of shares	(135)	(85)
Total distributions	14,676	18,819
Net revenue after taxation	14,676	18,817
Equalisation on conversions	-	2
Total distributions	14,676	18,819

Details of the distribution per share are set out in the distribution tables on pages 152 to 155.

Notes to the financial statements (continued)

7 Debtors

	2017 £000	2016 £000
Accrued revenue	6,913	6,857
Amounts receivable for issue of shares	673	125
Currency transactions awaiting settlement	-	122
Sales awaiting settlement	5,525	3,785
Total debtors	13,111	10,889

8 Cash and bank balances

	2017 £000	2016 £000
Amounts held at derivative clearing houses and brokers	629	436
Cash and bank balances	8,020	5,820
Total cash and bank balances	8,649	6,256

9 Other creditors

	2017 £000	2016 £000
Accrued annual management charge	201	202
Accrued Depositary's fee	3	5
Accrued other expenses	14	13
Amounts payable for cancellation of shares	2,145	5,902
Derivative interest payable	3	4
Currency transactions awaiting settlement	-	123
Purchases awaiting settlement	11,185	-
Total other creditors	13,551	6,249

10 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

11 Related party transactions

Henderson Investment Funds Limited as ACD to the fund is deemed to be a related party because it provides key management personnel services to the fund. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', the 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 139 and 140 and notes 4, 6, 7 and 9 on pages 141 to 143 including all issues and cancellations where the ACD acted as principal.

Transactions with the ACD are as follows:

- All issues and cancellations,
- Annual management charge
- GAC

There were no material shareholders at the year end (2016: nil).

Notes to the financial statements (continued)

12 Shareholders' funds

The fund currently has 3 share classes available; Class A (Retail with front-end charges), Class I (Institutional) and Class Z (Institutional). The annual management charge on each share class is as follows:

	2017	2016
	%	%
Class A ¹	0.75%	1.00%
Class I	0.50%	0.50%
Class Z*	0.00%	0.00%

* Charges for managing Z class shares are levied outside the fund and are agreed between the ACD and investors.

¹ The annual management charge on Class A reduced from 1% to 0.75% on 1 February 2017.

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative tables on pages 127 to 130. The distribution per share class is given in the distribution tables on pages 152 to 155. All share classes have the same rights on winding up.

Share reconciliation as at 30 June 2017

	Class A income	Class I accumulation	Class I income	Class A income gross
Opening number of shares	2,368,342	303,305	11,374,032	38,811
Creations during the year	1,426,378	1,212,719	13,242,039	282
Cancellations during the year	(593,517)	(984,302)	(2,576,218)	-
Shares converted during the year	(4,319)	-	4,206	-
Closing shares in issue	3,196,884	531,722	22,044,059	39,093
	Class I accumulation gross	Class I income gross	Class Z accumulation gross	
Opening number of shares	79,903,014	83,751,398	1,000	
Creations during the year	1,271,211	156,912	-	
Cancellations during the year	(15,188,969)	(9,868,359)	-	
Shares converted during the year	-	-	-	
Closing shares in issue	65,985,256	74,039,951	1,000	

13 Financial derivatives

The fund may use financial derivatives for hedging and meeting the investment objectives including risk reduction and implementation of investment policies.

Eligible collateral types are approved by the Investment Manager and are agreed with the relevant counterparty.

The counterparty exposure has been calculated using the positive marked-to-market value of the derivative contract with that counterparty.

At 30 June 2017 there was no cash pledged as collateral (2016: nil) and no collateral held in respect of derivatives for this fund (2016: nil).

Notes to the financial statements (continued)

13 Financial derivatives (continued)

2017

At 30 June 2017 the underlying exposure for each category of derivatives held was as follows:

Counterparty	Credit Default Swaps £000	Forward foreign exchange contracts £000	Total by counterparty £000
Barclays Bank	70	-	70
BNP Paribas	-	183	183
Credit Suisse	189	-	189
JPM	16	-	16
Merrill Lynch	3	-	3
	278	183	461

2016

At 30 June 2016 the underlying exposure for each category of derivatives was as follows:

Counterparty	Forward foreign exchange contracts £000	Futures £000	Total by counterparty £000
BNP Paribas	12	-	12
UBS	-	389	389
	12	389	401

14 Stock lending

The fund and the Investment Manager have entered into a stock lending programme with BNP Paribas acting as the stock lending agent for the purposes of efficient portfolio management and to generate additional income.

Stock lending revenue is disclosed under 'Revenue' in the Statement of total return.

Eligible collateral types for Stock Lending and borrowing transactions are approved by the Investment Manager and may consist of securities issued or guaranteed by a Member State of the OECD or by their local authorities or supranational institutions and organisations with regional, EU and world-wide scope, generally subject to a minimum long term credit rating of at least A- by one or more major rating agency or equities. Collateral should be highly liquid and traded on a regulated market. Collateral is subject to a haircut on a sliding scale based on the combination of the underlying instrument being lent versus the asset being received as collateral. The value of collateral required will range from 102.50% to 110.00% of the value of the stock on loan.

2017

Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
Barclays Bank	74	80	Corporate Bond
Barclays Bank	3,119	3,351	Government Bond
	3,193	3,431	
JP Morgan	7,159	7,541	Corporate Bond
JP Morgan	1,905	2,117	Equity
JP Morgan	17,315	17,849	Government Bond
	26,379	27,507	Government Bond
	29,572	30,938	

Notes to the financial statements (continued)

14 Stock lending (continued)

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	49	7	42

2016

Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
Barclays Bank	116	120	Corporate Bond
Barclays Bank	2,778	2,866	Government Bond
	2,894	2,986	
Deutsche Bank	16	17	Corporate Bond
Deutsche Bank	1,540	1,579	Government Bond
	1,556	1,596	
Goldman Sachs	444	456	Government Bond
JP Morgan	5,183	5,316	Corporate Bond
Morgan Stanley	262	269	Government Bond
	10,339	10,623	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	75	11	64

15 Risk

Currency risk

The fund's net exposure to currency risk (including any instruments used to hedge foreign currencies) is considered insignificant. This is consistent with the exposure during the prior year.

Interest rate risk

The fund's exposure to interest rate risk is considered significant. The interest rate risk profile of the fund's financial assets and financial liabilities at the year end is set out in the following table:

	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
2017				
Euro	-	1,479	-	1,479
UK sterling	30,581	438,479	10,907	479,967
US dollar	161	6,816	2,387	9,364
Total	30,742	446,774	13,294	490,810

Notes to the financial statements (continued)

15 Risk (continued)

Interest rate risk (continued)

	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
2016				
Euro	122	-	1	123
UK sterling	14,101	481,968	1,989	498,058
US dollar	436	5,599	9	6,044
Total	14,659	487,567	1,999	504,225

	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Non-interest bearing liabilities £000	Total £000
2017				
Euro	-	90	4	94
UK sterling	3,004	-	15,212	18,216
US dollar	-	-	97	97
Total	3,004	90	15,313	18,407

	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Non-interest bearing liabilities £000	Total £000
2016				
Euro	-	164	-	164
UK sterling	2,586	-	8,127	10,713
US dollar	-	-	276	276
Total	2,586	164	8,403	11,153

Credit risk

Credit ratings

	Market value £000	Percentage of total net assets %
2017		
Investments:		
Investment grade (AAA - BBB)	433,218	91.70
Below investment grade (BB and below)	9,946	2.11
Unrated	25,425	5.38
Total debt securities	468,589	99.19
Derivatives	53	0.01
Investment assets including liabilities	468,642	99.20
Other net assets	3,761	0.80
Total net assets	472,403	100.00

Notes to the financial statements (continued)

15 Risk (continued)

	Market value	Percentage of total net assets
	£000	%
2016		
Investments:		
Above investment grade (AAA - BBB)	457,963	92.88
Below investment grade (BB and below)	7,184	1.46
Unrated	21,532	4.36
Total debt securities	486,679	98.70
Derivatives	(344)	(0.07)
Investment assets including liabilities	486,335	98.63
Other net assets	6,737	1.37
Total net assets	493,072	100.00

Sensitivity analysis

The actual VaR results, limits and utilisation of limits are summarised in the table below:

	Global Exposure Calculation Basis	Actual VaR in year			VaR Limit	Utilisation of VaR limit		
		Minimum	Maximum	Average		Minimum	Maximum	Average
		%	%	%	%	%	%	%
2017	Relative VaR*	97.51	104.56	100.24	200.00	48.76	52.28	50.12
2016	Relative VaR*	97.30	102.87	99.69	200.00	48.65	51.44	49.85

* Reference portfolio: iBoxx GBP Non-Gilt + 15 Years Index

	Minimum	Maximum	Average
	%	%	%
2017	3.58	18.46	8.39
2016	2.50	7.60	4.56

Liquidity risk

The following table provides a maturity analysis of the fund's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	On demand	Within one year	Over one year but not more than five years	Over five years
	£000	£000	£000	£000
2017				
Bank overdrafts	3,004	-	-	-
Derivative financial liabilities	-	318	90	-
Distribution payable	-	1,444	-	-
Other creditors	-	13,551	-	-
Total	3,004	15,313	90	-

Notes to the financial statements (continued)

15 Risk (continued)

Liquidity risk (continued)

	On demand	Within one year	Over one year but not more than five years	Over five years
	£000	£000	£000	£000
2016				
Amounts held at derivatives clearing houses and brokers	142	-	-	-
Bank overdrafts	2,444	-	-	-
Derivative financial liabilities	-	585	160	-
Distribution payable	-	1,573	-	-
Other creditors	-	6,249	-	-
Total	2,586	8,407	160	-

16 Fair value disclosure

Fair value measurement

The fund has early adopted the March 2016 amendment to section 34 of FRS 102 (Fair Value Hierarchy disclosures that simplify the preparation of financial instrument disclosure), which is applicable to accounting periods beginning on or after 1 January 2017 with earlier application permitted.

The intention of a fair value measurement is to estimate the price at which an asset or a liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS 102 the fund classifies fair value measurement under the following levels:

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Fair value hierarchy

	2017		2016	
Valuation technique	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1	27,241*	248	58,557*	276
Level 2	441,809	160	428,523	469
Level 3	-	-	-	-
	469,050	408	487,080	745

* Debt securities have been included in the level 1, where their valuation is determined to be sufficiently close to a binding quoted price, amount to £27,241,033 as at 30 June 2017 (2016: £58,168,249).

Notes to the financial statements (continued)

17 Direct transaction costs

	Purchases		Sales/maturities	
	2017	2016	2017	2016
	£000	£000	£000	£000
Trades in the year				
Bonds	256,572	154,052	290,521	462,726
Trades in the year before transaction costs	256,572	154,052	290,521	462,726
Transaction costs				
Commissions				
Bonds	-	-	-	-
Total commissions	-	-	-	-
Taxes				
Bonds	-	-	-	-
Total taxes	-	-	-	-
Other expenses				
Bonds	-	-	-	-
Total other expenses	-	-	-	-
Total costs	-	-	-	-
Total net trades in the year after transaction costs	256,572	154,052	290,521	462,726

	Purchases		Sales/maturities	
	2017	2016	2017	2016
	%	%	%	%
Total transaction cost expressed as a percentage of asset type cost				
Commissions				
Bonds	-	-	-	-
Taxes				
Bonds	-	-	-	-
Other expenses				
Bonds	-	-	-	-

	2017	2016
	%	%
Total transaction cost expressed as a percentage of net asset value		
Commissions	-	-
Taxes	-	-
Other expenses	-	-
Total costs	-	-

Notes to the financial statements (continued)

17 Direct transaction costs (continued)

There were no in specie transfers during the year (2016: nil). There were corporate actions during the year of £6,825,658 (2016: £16,022,982).

There were direct transaction costs associated with derivatives during the year of £1,863 (2016: £908) which is 0.00% of the average net asset value of the fund (2016: 0.00%).

Direct transaction costs are fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the fund. These exclude any differences between quoted bid and offer prices or internal administrative or holding costs.

Transaction costs for bonds are not separately identifiable as with other financial instruments as the costs form part of the dealing spread and therefore are inherent within the purchase and sale prices of the trades.

The portfolio dealing spread as at 30 June 2017 was 1.06% (2016: 1.46%). The portfolio dealing spread is calculated at the fund's 12 noon valuation point.

18 Events after the Balance sheet date

There were no material post Balance sheet events which require disclosure within these financial statements.

Distribution tables for the year ended 30 June 2017 (in pence per share)

Interim interest distribution (accounting date 30 September 2016, paid on 30 November 2016)

Group 1: shares purchased prior to 1 July 2016

Group 2: shares purchased on or after 1 July 2016

	Gross revenue	Income tax (20%)	Net revenue	Equalisation	Distribution paid 30/11/16*	Distribution paid 30/11/15*
Class A income						
Group 1	1.1886	0.2377	0.9509	-	0.9509	1.0921
Group 2	0.7291	0.1458	0.5833	0.3676	0.9509	1.0921
Class I accumulation						
Group 1	2.7859	0.5572	2.2287	-	2.2287	2.2958
Group 2	1.4715	0.2943	1.1772	1.0515	2.2287	2.2958
Class I income						
Group 1	1.5511	0.3102	1.2409	-	1.2409	1.3154
Group 2	0.7465	0.1493	0.5972	0.6437	1.2409	1.3154
Class A income gross						
Group 1	1.2107	-	1.2107	-	1.2107	1.3834
Group 2	0.5102	-	0.5102	0.7005	1.2107	1.3834
Class I accumulation gross						
Group 1	3.1103	-	3.1103	-	3.1103	3.2305
Group 2	1.9931	-	1.9931	1.1172	3.1103	3.2305
Class I income gross						
Group 1	1.5285	-	1.5285	-	1.5285	1.6463
Group 2	0.9750	-	0.9750	0.5535	1.5285	1.6463
Class Z accumulation gross						
Group 1	2.0530	-	2.0530	-	2.0530	2.0640
Group 2	2.0530	-	2.0530	-	2.0530	2.0640

* Distributions on Class A income, Class I accumulation and Class I income prior to 6 April 2017 are net of 20% income tax.

Distribution tables (continued)

Interim interest distribution (accounting date 31 December 2016, paid on 28 February 2017)

Group 1: shares purchased prior to 1 October 2016

Group 2: shares purchased on or after 1 October 2016

	Gross revenue	Income tax (20%)	Net revenue	Equalisation	Distribution paid 28/02/17*	Distribution paid 29/02/16*
Class A income						
Group 1	1.1980	0.2396	0.9584	-	0.9584	1.0988
Group 2	0.4128	0.0826	0.3302	0.6282	0.9584	1.0988
Class I accumulation						
Group 1	2.7845	0.5569	2.2276	-	2.2276	2.3520
Group 2	1.1919	0.2384	0.9535	1.2741	2.2276	2.3520
Class I income						
Group 1	1.5414	0.3083	1.2331	-	1.2331	1.3375
Group 2	0.7060	0.1412	0.5648	0.6683	1.2331	1.3375
Class A income gross						
Group 1	1.2221	-	1.2221	-	1.2221	1.3992
Group 2	0.5142	-	0.5142	0.7079	1.2221	1.3992
Class I accumulation gross						
Group 1	3.1153	-	3.1153	-	3.1153	3.2888
Group 2	1.8346	-	1.8346	1.2807	3.1153	3.2888
Class I income gross						
Group 1	1.5198	-	1.5198	-	1.5198	1.6600
Group 2	1.0049	-	1.0049	0.5149	1.5198	1.6600
Class Z accumulation gross						
Group 1	2.0535	-	2.0535	-	2.0535	2.0674
Group 2	2.0535	-	2.0535	-	2.0535	2.0674

* Distributions on Class A income, Class I accumulation and Class I income prior to 6 April 2017 are net of 20% income tax.

Distribution tables (continued)

Interim interest distribution (accounting date 31 March 2017, paid on 31 May 2017)

Group 1: shares purchased prior to 1 January 2017

Group 2: shares purchased on or after 1 January 2017

	Distribution per share	Equalisation	Total distribution per share 31/05/17	Total distribution per share 31/05/16*
Class A income				
Group 1	1.2295	-	1.2295	1.0375
Group 2	0.2707	0.9588	1.2295	1.0375
Class I accumulation				
Group 1	2.6988	-	2.6988	2.2670
Group 2	0.9270	1.7718	2.6988	2.2670
Class I income				
Group 1	1.4848	-	1.4848	1.2795
Group 2	0.6910	0.7938	1.4848	1.2795
Class A income gross				
Group 1	1.2397	-	1.2397	1.3213
Group 2	1.2397	-	1.2397	1.3213
Class I accumulation gross				
Group 1	2.9987	-	2.9987	3.1623
Group 2	2.3618	0.6369	2.9987	3.1623
Class I income gross				
Group 1	1.4517	-	1.4517	1.5809
Group 2	0.3139	1.1378	1.4517	1.5809
Class Z accumulation gross				
Group 1	1.9650	-	1.9650	2.0500
Group 2	1.9650	-	1.9650	2.0500

* Distributions on Class A income, Class I accumulation and Class I income prior to 6 April 2017 are net of 20% income tax.

Distribution tables (continued)

Final interest distribution (accounting date 30 June 2017, paid on 31 August 2017)

Group 1: shares purchased prior to 1 April 2017

Group 2: shares purchased on or after 1 April 2017

	Distribution per share	Equalisation	Total Distribution per share 31/08/17	Total Distribution per share 31/08/16*
Class A income				
Group 1	1.2663	-	1.2663	1.0233
Group 2	0.6120	0.6543	1.2663	1.0233
Class I accumulation				
Group 1	2.7227	-	2.7227	2.2794
Group 2	1.5701	1.1526	2.7227	2.2794
Class I income				
Group 1	1.4870	-	1.4870	1.2774
Group 2	0.6181	0.8689	1.4870	1.2774
Class A income gross				
Group 1	1.2750	-	1.2750	1.3061
Group 2	1.2750	-	1.2750	1.3061
Class I accumulation gross				
Group 1	3.0230	-	3.0230	3.1813
Group 2	0.7221	2.3009	3.0230	3.1813
Class I income gross				
Group 1	1.4528	-	1.4528	1.5763
Group 2	0.6329	0.8199	1.4528	1.5763
Class Z accumulation gross				
Group 1	1.9626	-	1.9626	1.9839
Group 2	1.9626	-	1.9626	1.9839

* Distributions on Class A income, Class I accumulation and Class I income prior to 6 April 2017 are net of 20% income tax.

Henderson Institutional Long Dated Gilt Fund

Authorised Corporate Director's (ACD) report

Investment Fund Manager

Mitul Patel

Investment objective and policy

To aim to provide a return by investing primarily in long dated 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.

Performance summary

	30 Jun 16 - 30 Jun 17 %	30 Jun 15 - 30 Jun 16 %	30 Jun 14 - 30 Jun 15 %	30 Jun 13 - 30 Jun 14 %	30 Jun 12 - 30 Jun 13 %
Henderson Institutional Long Dated Gilt Fund	(1.4)	20.7	13.2	3.3	(5.3)
FTSE Actuaries Over 15 Years Gilt Index	(1.8)	24.1	16.3	5.3	(4.6)

Source: Morningstar, bid to bid and net of fees, as at 12 noon valuation point, based on performance of Class A income. Benchmark values are as at close of business.

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.

Significant portfolio changes for the year ended 30 June 2017

Largest purchases	£000	Largest sales/maturities	£000
UK Treasury 4.25% 07/12/2055	4,862	UK Treasury 3.50% 22/01/2045	6,302
UK Treasury 4.50% 07/09/2034	3,871	UK Treasury 4.25% 07/06/2032	6,106
UK Treasury 3.50% 22/01/2045	3,072	UK Treasury 4.50% 07/09/2034	5,729
UK Treasury 4.50% 07/12/2042	2,335	UK Treasury 3.50% 22/07/2068	4,130
UK Treasury 3.25% 22/01/2044	2,120	UK Treasury 4.50% 07/12/2042	3,842
UK Treasury 4.75% 07/12/2038	2,022	UK Treasury 3.25% 22/01/2044	3,476
UK Treasury 4.25% 07/12/2046	1,738	UK Treasury 4.75% 07/12/2038	3,422
UK Treasury 3.50% 22/07/2068	1,674	UK Treasury 4.25% 07/12/2055	3,301
UK Treasury 1.50% 22/07/2047	1,492	UK Treasury 4.25% 07/12/2046	3,125
UK Treasury 4.25% 07/03/2036	1,434	UK Treasury 4.25% 07/03/2036	3,084
Total purchases	34,307	Total sales/maturities	57,161

Total sales include an in specie transfer of £20,032,897.

Investment review

Government bond markets performed poorly during the year. Central banks stepped away from their ultra-accommodative monetary policy stances as expectations over future growth and inflation prospects improved. The election of Donald Trump as president of the United States led to a further boost to growth and inflation forecasts, and rate hikes from the Federal Reserve (Fed) led to substantial pressure on the US Treasury market. In the UK, the economy proved to be more resilient than expected following the vote on whether or not to leave the European Union (EU), and the Bank of England's (BoE's) Monetary Policy Committee moved to a more neutral stance. The European Central Bank (ECB) announced in December its intention to reduce the size of its quantitative easing (QE) programme (central bank liquidity measures). Further improvement in the economy led to speculation about the eventual tapering of asset purchases by the ECB, which put upwards pressure on European government bond yields at the end of the year.

The gilt market initially performed well during the summer months, as the BoE cut rates and restarted its QE programme. As sterling weakened, inflation expectations rose and led to lower expectations of further easing in November, particularly in light of the initial resilience of the economy. This led to gilt yields rising sharply during the fourth quarter, although index-linked gilts significantly outperformed due to a sharp increase in inflation expectations.

The fund outperformed its benchmark over the year. We continued to look for relative value opportunities within the UK government bond market where possible, while also using derivatives to express views across developed rates and currency markets, as outlined below.

The fund profited by positioning for US Treasuries to outperform UK gilts on several occasions during the year, as the yield spread was trading around its historic wides.

Taking relative value opportunities in the US market also proved profitable. We entered the year positioned for the 20-year/30-year sector to outperform the 10-year/20-year sector of the US swaps curve. The trade performed exceptionally well after the US election and was closed for a profit. Following the US election, we positioned for five-year Treasury yields to rise relative to two-year yields in the US. As the market moved to price in a tighter monetary policy outlook, we closed the trade for a profit. As we entered 2017, we structurally positioned for the seven-year sector to outperform the two-year and 12-year sectors.

In Europe, we profited by positioning for intermediate swap rates to decline relative to long-dated swap rates. As the European recovery gained momentum and the prospects for ECB tightening seemed less distant, we closed the existing position and began to position for 10-year yields to decline relative to five-year yields.

Our inflation strategies proved profitable, as we twice positioned for a decline in long-dated real yields, as well as declines in 10-year European and UK inflation expectations.

Currency strategies detracted during the year. Although the fund profited by positioning for a weaker Japanese yen versus the US dollar, this was offset by small losses on several other positions, most notably positions which looked for a strengthening in the Swedish krona and sterling.

We believe that government bond markets are likely to remain volatile. Although political risks have diminished, a removal of monetary policy stimulus could prove disruptive, though muted levels of inflation may stop government bond yields from rising significantly.

Comparative tables for the year ended 30 June 2017

	Class A accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	220.09	180.03	157.87
Return before operating charges*	(3.73)	42.45	24.88
Operating charges	(2.02)	(1.74)	(2.11)
Return after operating charges*	(5.75)	40.71	22.77
Distributions on accumulation shares	(2.55)	(3.27)	(3.03)
Retained distributions on accumulation shares^	2.31	2.62	2.42
Closing net asset value per share	214.10	220.09	180.03
* after direct transaction costs of:	-	-	0.01
Performance			
Return after charges	(2.61%)	22.61%	14.42%
Other information			
Closing net asset value (£000s)	845	940	901
Closing number of shares	394,635	427,233	500,401
Operating charges	0.92%	0.92%	1.17%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price (pence)	241.30	218.00	201.40
Lowest share price (pence)	203.70	175.70	157.70

^Retained distributions prior to 6 April 2017 are net of 20% income tax.

	Class A income		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	203.04	168.33	150.35
Return before operating charges*	(3.62)	38.77	22.24
Operating charges	(1.86)	(1.62)	(1.98)
Return after operating charges*	(5.48)	37.15	20.26
Distributions on income shares	(2.12)	(2.44)	(2.28)
Closing net asset value per share	195.44	203.04	168.33
* after direct transaction costs of:	-	-	0.01
Performance			
Return after charges	(2.70%)	22.07%	13.48%
Other information			
Closing net asset value (£000s)	10,682	16,299	12,275
Closing number of shares	5,465,468	8,027,616	7,292,036
Operating charges	0.92%	0.92%	1.17%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price (pence)	222.60	201.70	189.50
Lowest share price (pence)	187.60	164.20	149.50

Comparative tables (continued)

	Class I accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	324.13	264.37	231.80
Return before operating charges*	(5.54)	62.48	35.27
Operating charges	(1.78)	(1.56)	(1.45)
Return after operating charges*	(7.32)	60.92	33.82
Distributions on accumulation shares	(4.96)	(5.79)	(6.25)
Retained distributions on accumulation shares^	4.47	4.63	5.00
Closing net asset value per share	316.32	324.13	264.37
* after direct transaction costs of:	-	-	0.01
Performance			
Return after charges	(2.26%)	23.04%	14.59%
Other information			
Closing net asset value (£000s)	14,494	6,858	8,092
Closing number of shares	4,582,010	2,115,830	3,060,875
Operating charges	0.55%	0.55%	0.55%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price (pence)	355.50	321.10	295.00
Lowest share price (pence)	300.50	258.00	230.50

^ Retained distributions prior to 6 April 2017 are net of 20% income tax.

	Class I accumulation gross		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	350.39	284.50	248.15
Return before operating charges*	(5.90)	67.56	37.90
Operating charges	(1.97)	(1.67)	(1.55)
Return after operating charges*	(7.87)	65.89	36.35
Distributions on accumulation shares	(5.35)	(6.30)	(5.67)
Retained distributions on accumulation shares	5.35	6.30	5.67
Closing net asset value per share	342.52	350.39	284.50
* after direct transaction costs of:	-	-	0.01
Performance			
Return after charges	(2.25%)	23.16%	14.65%
Other information			
Closing net asset value (£000s)	6,533	35,291	22,992
Closing number of shares	1,907,427	10,071,678	8,081,512
Operating charges	0.55%	0.55%	0.55%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price (pence)	384.60	347.20	317.10
Lowest share price (pence)	325.30	277.70	246.80

Comparative tables (continued)

Class Z accumulation gross

	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	232.76	188.05	163.20
Return before operating charges*	(4.00)	44.81	24.94
Operating charges	(0.12)	(0.10)	(0.09)
Return after operating charges*	(4.12)	44.71	24.85
Distributions on accumulation shares	(4.74)	(5.18)	(5.23)
Retained distributions on accumulation shares	4.74	5.18	5.23
Closing net asset value per share	228.64	232.76	188.05
* after direct transaction costs of:	-	-	0.01

Performance

Return after charges	(1.77%)	23.78%	15.23%
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Other information

Closing net asset value (£000s)	12,355	9,937	10,161
Closing number of shares	5,403,725	4,269,359	5,403,443
Operating charges	0.05%	0.05%	0.05%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	255.70	230.60	209.20
Lowest share price (pence)	216.60	183.60	162.30

Performance values are at close of business and may differ from the performance summary.

Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

Share class launches and closures

There were no share classes launched or closed in the year.

Ongoing charge figure

The annualised ongoing charge figure (OCF) of the fund is 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 year, except for expenses that are explicitly excluded by regulation.

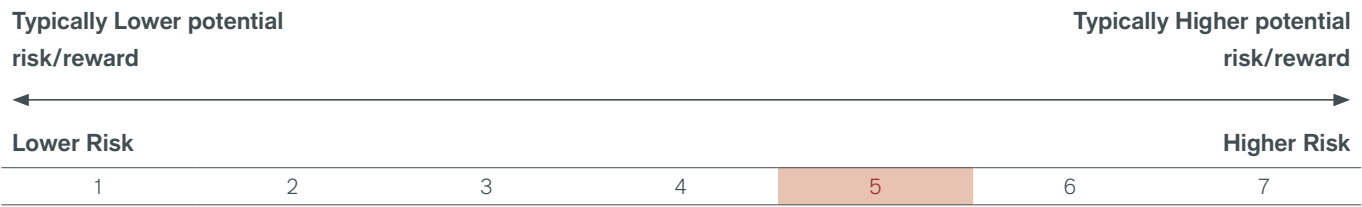
	2017 %	2016 %
Class A	0.92	0.92
Class I	0.55	0.55
Class Z	0.05	0.05

The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

Risk and reward profile

The fund currently has 5 types of share class in issue; A income, A accumulation, I accumulation, I accumulation gross and Z accumulation gross.

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 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 share classes appear at 5 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events.

The full list of the fund's risks are contained in the 'Risk Factors' section in the fund's prospectus.

There have been no changes to the risk rating in the year.

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

Portfolio statement as at 30 June 2017

Holding	Investment	Market value £000	Percentage of total net assets %
Bonds 99.05% (2016: 99.29%)			
United Kingdom 99.05% (2016: 99.29%)			
Fixed Rate Bond 99.05% (2016: 99.29%)			
GBP 1,142,890	UK Treasury 1.50% 22/07/2047	1,048	2.33
GBP 566,543	UK Treasury 1.75% 07/09/2037	555	1.24
GBP 733,380	UK Treasury 1.75% 22/07/2057	737	1.64
GBP 1,199,241	UK Treasury 2.50% 22/07/2065	1,518	3.38
GBP 2,128,048	UK Treasury 3.25% 22/01/2044	2,720	6.06
GBP 2,173,806	UK Treasury 3.50% 22/01/2045	2,919	6.50
GBP 1,519,332	UK Treasury 3.50% 22/07/2068	2,461	5.48
GBP 1,845,224	UK Treasury 3.75% 22/07/2052	2,787	6.21
GBP 1,804,520	UK Treasury 4.00% 22/01/2060	3,052	6.80
GBP 2,297,498	UK Treasury 4.25% 07/03/2036	3,197	7.12
GBP 1,785,613	UK Treasury 4.25% 07/09/2039	2,558	5.70
GBP 1,918,593	UK Treasury 4.25% 07/12/2040	2,784	6.20
GBP 1,787,013	UK Treasury 4.25% 07/12/2046	2,741	6.10
GBP 1,526,448	UK Treasury 4.25% 07/12/2049	2,428	5.41
GBP 2,024,913	UK Treasury 4.25% 07/12/2055	3,446	7.66
GBP 2,369,639	UK Treasury 4.50% 07/09/2034	3,347	7.45
GBP 2,110,339	UK Treasury 4.50% 07/12/2042	3,229	7.19
GBP 1,945,564	UK Treasury 4.75% 07/12/2038	2,954	6.58
		<hr/> 44,481	<hr/> 99.05
Derivatives 0.03% (2016: (0.04%))			
Futures 0.01% (2016: 0.01%)			
(7)	CBT US 10 Year Note September 2017	<hr/> 5	<hr/> 0.01
Options 0.00% (2016: 0.04%)			
Swaps 0.01% (2016: (0.07%))			
Inflation Index Swaps 0.00% (2016: (0.01%))			
390,000	IIS 3.3875% June 2027 - Receive Fixed - GBP	(3)	-
180,000	IIS 3.4575% June 2047 - Receive Inflation - GBP	2	-
1,670,000	IIS 3.4825% June 2022 - Receive Fixed - GBP^	-	-
		<hr/> (1)	<hr/> -
Interest Rate Swaps 0.01% (2016: (0.06%))			
2,610,000	IRS 0.339% EURIBOR 6 month - Receive Floating - EUR	4	0.01
2,650,000	IRS 0.346% EURIBOR 6 month - Receive Floating - EUR	2	0.01
2,550,000	IRS 0.41% EURIBOR 6 month - Receive Floating - EUR^	-	-
4,700,000	IRS 0.675% LIBOR 6 month - Receive Fixed - GBP	(13)	(0.03)
1,910,000	IRS 0.87% LIBOR 6 month - Receive Floating - GBP	22	0.05
1,330,000	IRS 0.938% EURIBOR 6 month - Receive Fixed - EUR	(6)	(0.01)
1,350,000	IRS 0.9415% EURIBOR 6 month - Receive Fixed - EUR	(5)	(0.01)
1,300,000	IRS 1.02% EURIBOR 6 month - Receive Fixed - EUR^	-	-
1,630,000	IRS 1.598% EURIBOR 3 month - Receive Fixed - EUR	(12)	(0.03)
1,250,000	IRS 1.918% LIBOR 3 month - Receive Floating - USD	6	0.01

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Swaps (continued)			
Interest Rate Swaps (continued)			
590,000	IRS 2.0225% EURIBOR 6 month - Receive Fixed - EUR	(3)	(0.01)
3,350,000	IRS 2.2180% LIBOR 3 month - Receive Fixed - USD	(1)	-
1,780,000	IRS 2.4180% LIBOR 3 month - Receive Floating - USD	4	0.01
2,100,000	IRS 2.557% LIBOR 3 month - Receive Fixed - USD	23	0.04
860,000	IRS 2.6825% LIBOR 3 month - Receive Floating - USD	5	0.01
1,120,000	IRS 2.736% LIBOR 3 month - Receive Floating - USD	(19)	(0.04)
		<u>7</u>	<u>0.01</u>
Forward Foreign Exchange Contracts 0.01% (2016: (0.02%))			
	Buy EUR 8,121 : Sell GBP 7,175 July 2017^	-	-
	Buy GBP 1,821 : Sell USD 2,300 July 2017^	-	-
	Buy GBP 383,951 : Sell EUR 435,257 September 2017	1	-
	Buy GBP 7,412 : Sell EUR 8,462 July 2017^	-	-
	Buy GBP 8,880 : Sell USD 11,500 July 2017^	-	-
	Buy SEK 4,415,689 : Sell GBP 400,355 September 2017	3	0.01
	Buy USD 14,733 : Sell GBP 11,502 July 2017^	-	-
	Buy USD 5,802 : Sell GBP 4,576 July 2017^	-	-
		<u>4</u>	<u>0.01</u>
Investment assets including investment liabilities		44,496	99.08
Other net assets		413	0.92
Total net assets		44,909	100.00

^ Due to rounding to nearest £1,000

Statement of total return for the year ended 30 June 2017

		2017		2016	
	Note	£000	£000	£000	£000
Income					
Net capital (losses) / gains	2		(1,248)		12,040
Revenue	3	1,086		1,602	
Expenses	4	(276)		(338)	
Net revenue before taxation		810		1,264	
Taxation	5	-		-	
Net revenue after taxation			810		1,264
Total return before distributions			(438)		13,304
Distributions	6		(810)		(1,264)
Change in net assets attributable to shareholders from investment activities			(1,248)		12,040

Statement of change in net assets attributable to shareholders

for the year ended 30 June 2017

	2017		2016	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		69,325		54,421
Amounts receivable on issue of shares	24,278		27,086	
Amounts payable on in specie transfer*	(20,264)		-	
Amounts payable on cancellation of shares	(27,724)		(25,201)	
		(23,710)		1,885
Dilution adjustment		6		1
Change in net assets attributable to shareholders from investment activities		(1,248)		12,040
Retained distribution on accumulation shares		536		978
Closing net assets attributable to shareholders		44,909		69,325

*In specie redemption

Balance sheet as at 30 June 2017

	Note	2017 £000	2016 £000
Assets:			
Investments		44,558	69,241
Current assets:			
Debtors	7	535	874
Cash and bank balances	8	227	291
Total assets		45,320	70,406
Liabilities:			
Investment liabilities		62	432
Creditors:			
Amounts held at derivative clearing houses and brokers		5	-
Bank overdrafts		95	95
Distributions payable		33	82
Other creditors	9	216	472
Total liabilities		411	1,081
Net assets attributable to shareholders		44,909	69,325

Notes to the financial statements for the year ended 30 June 2017

1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 of the aggregated notes to the financial statements.

2 Net capital (losses) / gains

Net capital (losses) / gains on investments during the year comprise:

	2017 £000	2016 £000
Derivative securities	38	(158)
Forward currency contracts	(48)	25
Non-derivative securities	(1,233)	12,182
Other currency gains	4	-
Transaction costs	(9)	(9)
Net capital (losses) / gains	(1,248)	12,040

3 Revenue

	2017 £000	2016 £000
Bank interest	-	1
Derivative revenue	6	(4)
Interest on debt securities	1,072	1,596
Stock lending revenue	8	9
Total revenue	1,086	1,602

4 Expenses

	2017 £000	2016 £000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual management charge	240	296
GAC*	29	33
	<u>269</u>	<u>329</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	6	7
Safe custody fees	1	2
	<u>7</u>	<u>9</u>
Total expenses	276	338

Irrecoverable VAT is included in the above expenses where relevant.

*The current audit fee, which is levied through the GAC, is £9,725 (2016: £9,167).

Notes to the financial statements (continued)

5 Taxation

a) Analysis of charge in the year

There is no tax charge for the current year (2016: nil).

b) Factors affecting tax charge for year

The tax assessed for the year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICS) of 20% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Net revenue before taxation	810	1,264
Corporation tax at 20% (2016: 20%)	162	253
Effects of:		
Revenue being paid as interest distributions	(162)	(253)
Tax charge for the year (note 5a)	-	-

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2016: nil).

d) Factors that may affect future tax charges

There were no factors that may affect future tax charges at the current or prior year end.

6 Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	2017 £000	2016 £000
Interim income	102	177
Interim accumulation	383	750
Final income	33	45
Final accumulation	153	228
Tax withheld on interest distributions	35	76
	706	1,276
Amounts deducted on cancellation of shares	147	55
Amounts received on issue of shares	(43)	(67)
Total distributions	810	1,264

Details of the distribution per share are set out in the distribution tables on pages 178 to 179.

Notes to the financial statements (continued)

7 Debtors

	2017 £000	2016 £000
Accrued revenue	300	440
Amounts receivable for issue of shares	235	423
Sales awaiting settlement	-	11
Total debtors	535	874

8 Cash and bank balances

	2017 £000	2016 £000
Amounts held at derivative clearing houses and brokers	14	29
Cash and bank balances	213	262
Total cash and bank balances	227	291

9 Other creditors

	2017 £000	2016 £000
Accrued annual management charge	16	27
Accrued Depositary's fee	-	1
Accrued other expenses	3	3
Amounts payable for cancellation of shares	43	212
Derivative interest payable	-	3
Purchases awaiting settlement	154	226
Total other creditors	216	472

10 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

11 Related party transactions

Henderson Investment Funds Limited as ACD to the fund is deemed to be a related party because it provides key management personnel services to the fund. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', the 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 165 and 166 and notes 4, 6, 7 and 9 on pages 167 to 169 including all issues and cancellations where the ACD acted as principal.

Transactions with the ACD are as follows:

- All issues and cancellations,
- Annual management charge
- GAC

There were no material shareholders at the year end (2016: nil).

Notes to the financial statements (continued)

12 Shareholders' funds

The fund currently has 3 share classes available; Class A (Retail with front-end charges), Class I (Institutional) and Class Z (Institutional). The annual management charge on each share class is as follows:

	2017	2016
Class A	0.75%	0.75%
Class I	0.50%	0.50%
Class Z*	0.00%	0.00%

* Charges for managing Z class shares are levied outside the fund and are agreed between the ACD and investors.

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative tables on pages 158 to 160. The distribution per share class is given in the distribution tables on pages 178 to 179. All share classes have the same rights on winding up.

Share reconciliation as at 30 June 2017

	Class A accumulation	Class A income	Class I accumulation	Class I accumulation gross
Opening number of shares	427,233	8,027,616	2,115,830	10,071,678
Issues during the year	337,019	1,991,742	4,038,920	679,437
Cancellations during the year	(369,617)	(4,553,868)	(1,572,754)	(8,843,688)
Shares converted during the year	-	(22)	14	-
Closing shares in issue	394,635	5,465,468	4,582,010	1,907,427

	Class Z accumulation gross
Opening number of shares	4,269,359
Issues during the year	1,636,914
Cancellations during the year	(502,548)
Shares converted during the year	-
Closing shares in issue	5,403,725

13 Financial derivatives

The fund may use financial derivatives for hedging and meeting the investment objectives including risk reduction and implementation of investment policies.

Eligible collateral types are approved by the Investment Manager and are agreed with the relevant counterparty.

The counterparty exposure has been calculated using the positive marked-to-market value of the derivative contract with that counterparty.

At 30 June 2017 there was no collateral pledged or collateral held in respect of derivatives for this fund (2016: nil).

Notes to the financial statements (continued)

13 Financial derivatives (continued)

2017

At 30 June 2017 the underlying exposure for each category of derivatives held was as follows:

Counterparty	Futures £000	Forward foreign exchange contracts £000	Inflation index swaps £000
Barclays Bank	-	-	-
Citigroup	-	-	2
JP Morgan	-	1	-
UBS	5	3	-
	5	4	2

Counterparty	Interest rate swaps £000	Total by counterparty £000
Barclays Bank	29	29
Citigroup	27	29
JP Morgan	10	11
UBS	-	8
	66	77

At 30 June 2016 the underlying exposure for each category of derivatives was as follows:

Counterparty	Interest rate swaps £000	Forward foreign exchange contracts £000	Futures £000
BNP Paribas	-	12	-
Citigroup	12	-	-
JP Morgan	-	-	-
Morgan Stanley	321	-	-
UBS Warburg	-	-	12
	333	12	12

Counterparty	Options £000	Total by counterparty £000
BNP Paribas	-	12
Citigroup	-	12
JP Morgan	44	44
Morgan Stanley	-	321
UBS Warburg	-	12
	44	401

Notes to the financial statements (continued)

14 Stock lending

The fund and the Investment Manager have entered into a stock lending programme with BNP Paribas acting as the stock lending agent for the purposes of efficient portfolio management and to generate additional income.

Stock lending revenue is disclosed under 'Revenue' in the Statement of total return.

Eligible collateral types for Stock Lending and borrowing transactions are approved by the Investment Manager and may consist of securities issued or guaranteed by a Member State of the OECD or by their local authorities or supranational institutions and organisations with regional, EU and world-wide scope, generally subject to a minimum long term credit rating of at least A- by one or more major rating agency or equities. Collateral should be highly liquid and traded on a regulated market. Collateral is subject to a haircut on a sliding scale based on the combination of the underlying instrument being lent versus the asset being received as collateral. The value of collateral required will range from 102.50% to 110.00% of the value of the stock on loan.

2017

Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
Deutsche Bank	3,519	3,609	Government Bond
Total	3,519	3,609	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	9	1	8

2016

Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
Deutsche Bank	58	60	Corporate Bond
Deutsche Bank	5,471	5,608	Government Bond
Total	5,529	5,668	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	11	2	9

15 Risk

Currency risk

The fund's net exposure to currency risk (including any instruments used to hedge foreign currencies) is considered insignificant. This is consistent with the exposure during the prior year.

Notes to the financial statements (continued)

15 Risk (continued)

Interest rate risk

The fund's exposure to interest rate risk is considered significant. The interest rate risk profile of the fund's financial assets and financial liabilities at the year end is set out in the following table:

	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
2017				
Euro	7	-	-	7
Swedish krona	-	-	3	3
UK sterling	236	44,481	536	45,253
US dollar	52	-	5	57
Total	295	44,481	544	45,320

	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
2016				
Euro	12	-	11	23
Mexican peso	-	-	1	1
New Zealand dollar	-	-	3	3
UK sterling	182	69,362	463	70,007
US dollar	359	-	13	372
Total	553	69,362	491	70,406

	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Non-interest bearing liabilities £000	Total £000
2017				
Canadian dollar	12	-	-	12
Euro	14	-	-	14
UK sterling	111	-	249	360
US dollar	25	-	-	25
Total	162	-	249	411

	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Non-interest bearing liabilities £000	Total £000
2016				
Euro	13	-	17	30
UK sterling	594	-	335	929
US dollar	115	-	7	122
Total	722	-	359	1,081

Notes to the financial statements (continued)

15 Risk (continued)

Credit risk

	Market value £000	Percentage of total net assets %
2017		
Investments		
Investment grade (AAA - BBB)	44,481	99.05
Total debt securities	44,481	99.05
Derivatives	15	0.03
Investment assets including investment liabilities	44,496	99.08
Other net assets	413	0.92
Total net assets	44,909	100.00

	Market value £000	Percentage of total net assets %
2016		
Investments		
Investment grade (AAA - BBB)	68,839	99.29
Total debt securities	68,839	99.29
Collective investment schemes	1	-
Derivatives	(31)	(0.04)
Investment assets including investment liabilities	68,809	99.25
Other net assets	516	0.75
Total net assets	69,325	100.00

Sensitivity analysis

The actual VaR results, limits and utilisation of limits are summarised in the table below:

VaR Results

	Global Exposure Calculation Basis	Actual VaR in year			VaR Limit	Utilisation of VaR limit		
		Minimum %	Maximum %	Average %		Minimum %	Maximum %	Average %
2017	Relative VaR*	94.95	102.65	99.39	200.00	47.48	51.33	49.70
2016	Relative VaR*	93.81	103.43	98.43	200.00	46.90	51.72	49.22

* Reference portfolio: iBoxx GBP Non-Gilts + 15 Years Index

Leverage

	Minimum %	Maximum %	Average %
2017	24.04	89.82	48.25
2016	25.15	201.25	111.11

Notes to the financial statements (continued)

15 Risk (continued)

Liquidity risk

The following table provides a maturity analysis of the fund's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	On demand	Within one year	Over one year but not more than five years	Over five years
	£000	£000	£000	£000
2017				
Amounts held at derivatives clearing houses and brokers	5	-	-	-
Bank overdrafts	95	-	-	-
Derivative financial liabilities	-	-	13	49
Distribution payable	-	33	-	-
Other creditors	-	216	-	-
Total	100	249	13	49

	On demand	Within one year	Over one year but not more than five years	Over five years
	£000	£000	£000	£000
2016				
Bank overdrafts	95	-	-	-
Derivative financial liabilities	-	46	-	386
Distribution payable	-	82	-	-
Other creditors	-	472	-	-
Total	95	600	-	386

16 Fair value disclosure

Fair value measurement

The fund has early adopted the March 2016 amendment to section 34 of FRS 102 (Fair Value Hierarchy disclosures that simplify the preparation of financial instrument disclosure), which is applicable to accounting periods beginning on or after 1 January 2017 with earlier application permitted.

The intention of a fair value measurement is to estimate the price at which an asset or a liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS 102 the fund classifies fair value measurement under the following levels:

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Notes to the financial statements (continued)

16 Fair value disclosure (continued)

Fair value hierarchy

Valuation technique	2017		2016	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1	44,486 *	-	68,851 *	7
Level 2	72	62	390	425
Level 3	-	-	-	-
	44,558	62	69,241	432

* Debt securities included in the highest fair value hierarchy level, where their valuation is determined to be sufficiently close to a binding quoted price, amount to £44,481,341 as at 30 June 2017 (2016: £68,838,674).

17 Direct transaction costs

	Purchases		Sales/maturities	
	2017 £000	2016 £000	2017 £000	2016 £000
Trades in the year				
Debt securities	34,307	38,396	37,128	35,374
Trades in the year before transaction costs	34,307	38,396	37,128	35,374
Transaction costs				
Commissions				
Debt securities	-	-	-	-
Total commissions	-	-	-	-
Taxes				
Debt securities	-	-	-	-
Total taxes	-	-	-	-
Other expenses				
Debt securities	-	-	-	-
Total other expenses	-	-	-	-
Total transaction costs	-	-	-	-
Total net trades in the year after transaction costs	34,307	38,396	37,128	35,374

Notes to the financial statements (continued)

17 Direct transaction costs (continued)

	Purchases		Sales/maturities	
	2017	2016	2017	2016
	%	%	%	%
Total transaction costs expressed as a percentage of asset type cost				
Commissions				
Debt securities	-	-	-	-
Taxes				
Debt securities	-	-	-	-
Other expenses				
Debt securities	-	-	-	-
	2017	2016		
	%	%		
Total transaction costs expressed as a percentage of net asset value				
Commissions	-	-		
Taxes	-	-		
Other expenses	-	-		
Total costs	-	-		

There were in specie transfers during the year of £20,032,897 (2016: nil). There were no corporate actions during the year (2016: nil).

There were direct transaction costs associated with derivatives during the year of £1,288 (2016: £1,300) which is 0.00% of the average net asset value of the fund (2016: 0.00%).

Direct transaction costs are fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the fund. These exclude any differences between quoted bid and offer prices or internal administrative or holding costs.

Transaction costs for bonds are not separately identifiable as with other financial instruments as the costs form part of the dealing spread and therefore are inherent within the purchase and sale prices of the trades.

The portfolio dealing spread as at 30 June 2017 was 0.12% (2016: 0.13%). The portfolio dealing spread is calculated at the fund's 12 noon valuation point.

18 Events after the Balance sheet date

There were no material post Balance sheet events which require disclosure within these financial statements.

Distribution tables for the year ended 30 June 2017 (in pence per share)

Interim interest distribution (accounting date 30 September 2016, paid on 30 November 2016)

Group 1: shares purchased prior to 1 July 2016

Group 2: shares purchased on or after 1 July 2016

	Gross revenue	Income tax (20%)	Net revenue	Equalisation	Distribution paid 30/11/16*	Distribution paid 30/11/15*
Class A accumulation						
Group 1	0.5663	0.1133	0.4530	-	0.4530	0.6934
Group 2	0.3674	0.0735	0.2939	0.1591	0.4530	0.6934
Class A income						
Group 1	0.5225	0.1045	0.4180	-	0.4180	0.6484
Group 2	0.1071	0.0214	0.0857	0.3323	0.4180	0.6484
Class I accumulation						
Group 1	1.1523	0.2305	0.9218	-	0.9218	1.2175
Group 2	0.6328	0.1266	0.5062	0.4156	0.9218	1.2175
Class I accumulation gross						
Group 1	1.2375	-	1.2375	-	1.2375	1.6441
Group 2	0.4009	-	0.4009	0.8366	1.2375	1.6441
Class Z accumulation gross						
Group 1	1.1344	-	1.1344	-	1.1344	1.3304
Group 2	0.2368	-	0.2368	0.8976	1.1344	1.3304

* Distributions on Class A accumulation, Class A income and Class I accumulation prior to 6 April 2017 are net of 20% income tax

Interim interest distribution (accounting date 31 December 2016, paid on 28 February 2017)

Group 1: shares purchased prior to 1 October 2016

Group 2: shares purchased on or after 1 October 2016

	Gross revenue	Income tax (20%)	Net revenue	Equalisation	Distribution paid 28/02/17*	Distribution paid 29/02/16*
Class A accumulation						
Group 1	0.6633	0.1327	0.5306	-	0.5306	0.6862
Group 2	0.0458	0.0092	0.0366	0.4940	0.5306	0.6862
Class A income						
Group 1	0.6106	0.1221	0.4885	-	0.4885	0.6392
Group 2	0.1196	0.0239	0.0957	0.3928	0.4885	0.6392
Class I accumulation						
Group 1	1.2595	0.2519	1.0076	-	1.0076	1.2097
Group 2	0.3824	0.0765	0.3059	0.7017	1.0076	1.2097
Class I accumulation gross						
Group 1	1.3472	-	1.3472	-	1.3472	1.6341
Group 2	-	-	-	1.3472	1.3472	1.6341
Class Z accumulation gross						
Group 1	1.1765	-	1.1765	-	1.1765	1.3263
Group 2	0.8595	-	0.8595	0.3170	1.1765	1.3263

* Distributions on Class A accumulation, Class A income and Class I accumulation prior to 6 April 2017 are net of 20% income tax

Distribution tables (continued)

Interim interest distribution (accounting date 31 March 2017, paid on 31 May 2017)

Group 1: shares purchased prior to 1 January 2016

Group 2: shares purchased on or after 1 January 2016

	Distribution per share	Equalisation	Total distribution per share 31/05/17	Total distribution per share 31/05/16*
Class A accumulation				
Group 1	0.6609	-	0.6609	0.6330
Group 2	0.1409	0.5200	0.6609	0.6330
Class A income				
Group 1	0.6071	-	0.6071	0.5875
Group 2	0.1108	0.4963	0.6071	0.5875
Class I accumulation				
Group 1	1.2648	-	1.2648	1.1348
Group 2	0.4069	0.8579	1.2648	1.1348
Class I accumulation gross				
Group 1	1.3900	-	1.3900	1.5372
Group 2	0.3075	1.0825	1.3900	1.5372
Class Z accumulation gross				
Group 1	1.2162	-	1.2162	1.2725
Group 2	1.2162	-	1.2162	1.2725

* Distributions on Class A accumulation, Class A income and Class I accumulation prior to 6 April 2017 are net of 20% income tax

Final interest distribution (accounting date 30 June 2017, paid on 31 August 2017)

Group 1: shares purchased prior to 1 April 2017

Group 2: shares purchased on or after 1 April 2017

	Distribution per share	Equalisation	Total distribution per share 31/08/17	Total distribution per share 31/08/16*
Class A accumulation				
Group 1	0.6643	-	0.6643	0.6063
Group 2	0.4280	0.2363	0.6643	0.6063
Class A income				
Group 1	0.6083	-	0.6083	0.5609
Group 2	0.2675	0.3408	0.6083	0.5609
Class I accumulation				
Group 1	1.2795	-	1.2795	1.0721
Group 2	0.5540	0.7255	1.2795	1.0721
Class I accumulation gross				
Group 1	1.3776	-	1.3776	1.4894
Group 2	0.6563	0.7213	1.3776	1.4894
Class Z accumulation gross				
Group 1	1.2115	-	1.2115	1.2483
Group 2	1.1327	0.0788	1.2115	1.2483

* Distributions on Class A accumulation, Class A income and Class I accumulation prior to 6 April 2017 are net of 20% income tax

Henderson Institutional Short Duration Bond Fund

Authorised Corporate Director's (ACD) report

Investment Fund Manager

Edward Panek

Investment objective and policy

The fund aims to generate capital and income returns through investment in a diversified portfolio of short duration fixed income and variable rate securities. The fund may invest in Cash, Certificates of Deposit (CDs), Time Deposits, Commercial Paper, Floating Rate Notes, Fixed Rate Corporate Bonds, Covered Bonds, Asset Backed Securities (ABS including residential mortgage backed securities (RMBS)), government issued or guaranteed securities and securities issued by supranational or public international bodies. The fund may also invest in derivatives for the hedging of credit, currency and interest rate risk.

Performance summary

	30 Jun 16- 30 Jun 17	Since launch 24 Nov 15- 30 Jun 16 %
Henderson Institutional Short Duration Bond Fund*	1.0	0.6
3-month £ LIBOR	0.4	0.4

Source: Janus Henderson Investors, close of business, gross figures, based on performance of Class Z accumulation gross.

* The fund launched on 24 November 2015.

Benchmark values are at close business.

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.

Significant portfolio changes for the year ended 30 June 2017

Largest purchases	£000	Largest sales/maturities	£000
Japan (Government of) 0.00% 20/04/2017	31,972	Japan (Government of) 0.00% 10/08/2016	60,852
Japan (Government of) 0.00% 11/01/2017	31,925	Japan (Government of) 0.00% 20/04/2017	32,231
Czech (Republic of) 0.00% 22/01/2018	27,287	Japan (Government of) 0.00% 11/01/2017	32,003
Gracechurch Card FRN 15/07/2021	25,070	Master Credit Card Trust FRN 23/09/2019 2016-1A A	29,910
Commonwealth Bank of Australia FRN 15/12/2017	24,998	Permanent Master Issuer 4.805% 15/07/2042 3A	29,238
Bavarian Sky FRN 31/10/2023 GER5 A	23,059	Abbey National Treasury Services 0.70% 19/12/2016	25,000
Matsuba FRN 27/08/2021 2016-1 A	22,275	Royal Bank of Canada FRN 15/04/2019	17,130
Rabobank Nederland 0.36% 08/02/2018	21,000	Bank of America 0.62% 28/02/2017	16,000
Rabobank Nederland 4.75% 15/01/2018	20,692	Bank of America 0.635% 29/07/2016	16,000
Den Danske Bank Aktieselskab 0.38% 12/12/2017	20,000	Anheuser-Busch Inbev 6.50% 23/06/2017	15,750
Total purchases	1,405,066	Total sales / maturities	1,601,104

Investment review

The year started on a positive note as credit markets shrugged off the short-lived sharp sell-off in markets after the shock result of the UK referendum on European Union membership in late June 2016. Risk appetite returned as oil rebounded (after bottoming at \$26 per barrel) on expectations of supply cuts and as central banks announced further monetary policy easing.

The European Central Bank (ECB) announced a raft of measures, including cutting the deposit rate to -0.4%, boosting its bond-buying programme to include corporate debt and a new series of targeted longer-term refinancing operations. Meanwhile, the Bank of Japan announced 'yield curve control', a commitment to target a yield of around 0% for the 10-year government bond, alongside negative short term interest rates. The Bank of England cut interest rates, reinstated its asset purchase programme and pledged additional inexpensive liquidity for banks. This in turn helped drive a rally in sterling bond markets.

The populists continued to take centre stage, with Donald Trump's stunning upset victory in the US presidential election grabbing the headlines. The expected volatility (sharper fluctuations in prices) in financial markets never materialised, with the US dollar appreciation being the most significant move in the immediate aftermath.

The second half of the year under review saw a change in the direction of central bank policy, as the US Federal Reserve raised interest rates in December 2016 and again in March and June while the ECB slowed the pace of its asset purchases, albeit extending the duration of the programme.

Corporate and securitised credit markets strongly outperformed government equivalents during the year, shrugging off the episodes of volatility surrounding political events and rising in price as populist candidates underperformed expectations in the Netherlands and France (both market-friendly events). Default rates remained low, with lower rated and higher yielding corporate bonds and loans among the best performers.

Fund Performance and Activity

Performance was predominantly driven by coupon income (regular interest paid on a bond). Although price volatility is limited in the portfolio holdings due to the high credit quality and shorter maturity of the bonds, the fund enjoyed some capital appreciation as central bank intervention drove bond prices higher.

Positive contributions came from the three principal asset classes – money market instruments, corporate bonds and asset-backed securities (ABS). There were no material detractors from performance during the year.

At the end of the year in question, the fund held nearly 30% of holdings in assets denominated in currencies other than sterling, investing in securities denominated in euros, US dollars and Czech krona. These investments were hedged back to sterling using forward foreign exchange contracts.

Over £300m of assets were redeemed from the fund during November and December 2016. We used these outflows to implement some asset allocation shifts, increasing our positioning in the ABS market, which offered the best risk-adjusted returns when compared with other permissible assets in the fund. These switches improved the prospective returns of the portfolio, without a material increase in credit risk.

We also reduced our holdings in US dollar denominated securities, as the cost of currency hedging grew more punitive for sterling-based investors and euro and sterling assets offered more compelling relative value opportunities. At the end of the year in question, we had only 3% of the portfolio invested in US dollar denominated securities, with Citibank being the largest such holding.

The opportunity to enhance returns by buying assets denominated in Japanese yen and hedging the investment back to sterling faded during the year, and we let our yen positions expire (around 4% of assets).

Derivative activity

During the year, the fund made use of currency forwards and interest rate swaps. These instruments were used to hedge both currency and interest rate risk.

Outlook

We will maintain discipline in our focus on shorter duration, higher-rated bonds. Despite the positive performance of our investments in recent months, the world is still an uncertain place. Increased political volatility and unrest has the potential to spill over into financial markets at some point. The potential withdrawal of central bank liquidity in the market is also a cause for concern, but we believe the short dated and highly rated nature of the fund's investments should reduce the impact of any wider volatility in credit markets.

We expect coupon income to continue driving the returns of the fund.

Comparative tables for the year ended 30 June 2017

	Class Z accumulation gross	
	2017	2016
	(pence per share)	(pence per share)
Change in net assets per share		
Opening net asset value per share	100.60	100.06 ¹
Return before operating charges*	1.01	0.58
Operating charges	(0.04)	(0.04)
Return after operating charges*	0.97	0.54
Distributions on accumulation shares	(0.61)	-
Retained distributions on accumulation shares	0.61	-
Closing net asset value per share	101.57	100.60
* after direct transaction costs of:	-	0.51
Performance		
Return after charges	0.96%	0.54%
Other information		
Closing net asset value (£000s)	1,442,096	1,601,182
Closing number of shares	1,419,821,418	1,591,633,842
Operating charges	0.04%	0.04%
Direct transaction costs	0.00%	0.00%
Prices		
Highest share price (pence)	101.62	100.70
Lowest share price (pence)	100.63	100.06

¹ Class Z accumulation gross launched on 24 November 2015. This is the initial launch price.

Performance values are at close of business and may differ from the performance summary.

Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

Share class launches and closures

There were no share classes launched or closed in the year.

Ongoing charge figure

The annualised ongoing charge figure (OCF) of the fund is 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 year, except for expenses that are explicitly excluded by regulation.

	2017 %	2016 %
Class Z	0.04	0.04*

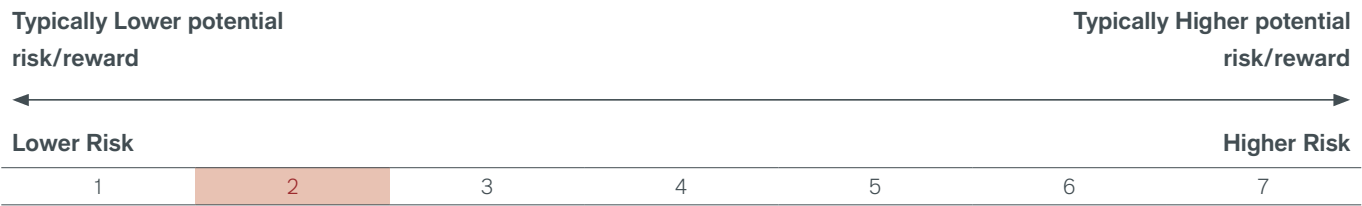
The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

* The fund launched on 24 November 2015.

Risk and reward profile

The fund currently has one type of share class in issue; Z accumulation gross.

The risk and reward profile is as follows:



The Synthetic Risk and Reward Indicator (SRRI) is calculated based on historical volatility over a rolling 5 year period¹, 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 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 share class appears at 2 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events.

There has been no change to the risk rating in the year.

The full list of the fund's risks are contained in the "Risk Factors" section of the fund's prospectus.

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

¹Class Z accumulation gross was launched 24 November 2015, as it does not have a 5 year history, a synthetic history has been created using the fund's relevant sector average.

Portfolio statement as at 30 June 2017

Holding	Investment	Market value £000	Percentage of total net assets %
	Bonds 66.75% (2016: 60.71%)		
	Australia 4.72% (2016: 1.01%)		
	Fixed Rate Bond 0.21% (2016: 0.19%)		
GBP 3,000,000	National Australia Bank 3.625% 08/11/2017	3,031	0.21
	Floating Rate Note 4.51% (2016: 0.82%)		
GBP 25,000,000	Commonwealth Bank of Australia FRN 15/12/2017	24,999	1.74
GBP 10,000,000	National Australia Bank FRN 19/07/2017	10,000	0.69
GBP 10,000,000	Westpac Banking FRN 05/04/2018	9,999	0.69
GBP 20,000,000	Westpac Banking FRN 18/08/2017	19,999	1.39
		64,997	4.51
	Belgium 0.00% (2016: 1.03%)		
	Fixed Rate Bond 0.00% (2016: 1.03%)		
	Canada 1.11% (2016: 0.98%)		
	Floating Rate Note 1.11% (2016: 0.98%)		
GBP 16,000,000	Bank of Nova Scotia FRN 15/09/2017	15,998	1.11
	Czech Republic 1.40% (2016: 0.00%)		
	Fixed Rate Bond 1.40% (2016: 0.00%)		
CZK 600,000,000	Czech (Republic of) 0.00% 22/01/2018	20,238	1.40
	Denmark 0.83% (2016: 0.00%)		
	Floating Rate Note 0.83% (2016: 0.00%)		
GBP 12,000,000	Danske Bank FRN 04/10/2018	12,034	0.83
	France 5.99% (2016: 4.14%)		
	Asset Backed 3.80% (2016: 2.23%)		
EUR 25,000,000	FCT Ginkgo FRN 18/05/2043 15-SF1 A	22,027	1.53
EUR 15,290,189	FCT Ginkgo FRN 23/10/2041 2014-SF1 A	13,450	0.93
EUR 14,000,000	Master Credit Cards Pass France FRN 25/05/2028 2016-1A	12,317	0.85
EUR 8,000,000	Master Credit Cards Pass France FRN 25/06/2029 2017-1A	7,063	0.49
		54,857	3.80
	Fixed Rate Bond 2.19% (2016: 1.69%)		
GBP 11,500,000	Banque Federative du Credit Mutuel 0.875% 08/06/2020	11,415	0.79
EUR 13,000,000	LVMH 4.00% 06/04/2018	11,772	0.82
GBP 8,238,000	Total Capital 4.250% 08/12/2017	8,366	0.58
		31,553	2.19
	Floating Rate Note 0.00% (2016: 0.22%)		
	Germany 11.15% (2016: 8.61%)		
	Asset Backed 7.99% (2016: 6.20%)		
EUR 15,165,404	Bavarian Sky FRN 20/10/2023 GER4 A	13,342	0.93
EUR 4,176,041	Bavarian Sky FRN 20/12/2022	3,669	0.25
EUR 19,246,186	Bavarian Sky FRN 31/10/2023 GER5 A	16,946	1.18
EUR 27,332,085	Bumper FRN 23/03/2026 7 A	24,087	1.68

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Germany 11.15% (continued)			
EUR 9,723,538	Cars Alliance FRN 18/05/2027 2016-G1V A	8,568	0.59
EUR 4,081,135	E-Carat FRN 18/10/2024 2016-1 A	3,598	0.25
EUR 13,416,372	Globaldrive Auto Receivables FRN 20/01/2024 2016-A A	11,813	0.82
EUR 13,981,738	Red & Black Auto Germany FRN 15/09/2025	12,347	0.86
EUR 7,122,818	Silver Arrow FRN 15/10/2023 6 A	6,263	0.43
EUR 16,400,000	Silver Arrow FRN 15/07/2025	14,467	1.00
		<hr/> 115,100	<hr/> 7.99
Fixed Rate Bond 2.43% (2016: 2.41%)			
EUR 1,500,000	Allianz Finance II 1.375% 13/03/2018	1,331	0.09
EUR 7,000,000	BASF 1.50% 01/10/2018	6,268	0.43
GBP 2,500,000	BMW Finance 1.75% 20/11/2017	2,510	0.17
GBP 3,000,000	BMW Finance 3.375% 14/12/2018	3,103	0.22
GBP 6,700,000	BMW Finance 5.00% 02/10/2017	6,771	0.47
GBP 7,000,000	Daimler 1.00% 20/12/2019	6,986	0.48
GBP 8,000,000	Daimler 2.375% 16/07/2018	8,113	0.57
		<hr/> 35,082	<hr/> 2.43
Floating Rate Note 0.73% (2016: 0.00%)			
GBP 10,500,000	BMW International Investment FRN 15/02/2019	<hr/> 10,500	<hr/> 0.73
Japan 0.54% (2016: 4.39%)			
Floating Rate Note 0.54% (2016: 0.47%)			
USD 10,000,000	Sumitomo Mitsui Banking FRN 18/01/2019	<hr/> 7,762	<hr/> 0.54
Netherlands 7.66% (2016: 5.88%)			
Asset Backed 4.44% (2016: 4.75%)			
EUR 29,100,000	Dolphin Master Issuer FRN 28/09/2009 2013-2 A	25,761	1.78
EUR 25,000,000	Matsuba FRN 27/08/2021 2016-1 A	22,066	1.53
EUR 18,447,360	Storm FRN 22/04/2054 2016-1 A1	16,225	1.13
		<hr/> 64,052	<hr/> 4.44
Fixed Rate Bond 1.44% (2016: 0.19%)			
EUR 23,000,000	Rabobank Nederland 4.75% 15/01/2018	<hr/> 20,737	<hr/> 1.44
Floating Rate Note 1.78% (2016: 0.94%)			
GBP 17,000,000	ABN Amro Bank FRN 30/11/2018	17,048	1.18
USD 11,100,000	ING Bank FRN 22/03/2019	8,656	0.60
		<hr/> 25,704	<hr/> 1.78
Norway 0.07% (2016: 0.24%)			
Asset Backed 0.07% (2016: 0.24%)			
EUR 1,128,501	Bil kreditt FRN 25/03/2028	<hr/> 992	<hr/> 0.07

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	Sweden 1.87% (2016: 0.84%)		
	Fixed Rate Bond 0.93% (2016: 0.00%)		
EUR 15,000,000	Svenska Handelsbanken 2.25% 14/06/2018	13,475	0.93
	Floating Rate Note 0.94% (2016: 0.84%)		
GBP 8,500,000	Swedbank FRN 04/07/2017	8,501	0.59
GBP 5,000,000	Swedbank Hypotek FRN 29/10/2018	5,019	0.35
		13,520	0.94
	United Kingdom 26.42% (2016: 21.71%)		
	Asset Backed 20.15% (2016: 17.47%)		
GBP 22,972,000	Arkle Master Issuer 3.986% 17/08/2017	23,063	1.60
GBP 10,493,328	Duncan Funding FRN 17/04/2063 2016-1X A1B	10,566	0.73
GBP 21,476,045	Duncan Funding FRN 17/12/2062 2015-1 A1	21,662	1.50
GBP 13,123,488	E-Carat FRN 18/03/2024	13,134	0.91
GBP 4,311,610	E-Carat FRN 18/04/2023 5A	4,314	0.30
GBP 10,839,317	E-Carat FRN 18/06/2024 6A	10,899	0.76
GBP 9,342,009	E-Carat FRN 18/11/2024	9,359	0.65
GBP 3,593,505	E-Carat 4 A FRN 18/09/2022 4A	3,596	0.25
GBP 1,753,539	Fosse Master Issuer FRN 18/10/2054 2012-1X 3A2	1,754	0.12
GBP 17,989,536	Fosse Master Issuer FRN 18/10/2054 2015-1X A3	17,992	1.25
GBP 6,250,000	Funding II FRN 15/06/2022 2017-1	6,256	0.43
GBP 4,861,191	Gosforth Funding FRN 15/02/2058 2016-1X A1B	4,878	0.34
GBP 3,778,592	Gosforth Funding FRN 16/06/2057 2015-1 A1	3,781	0.26
GBP 4,748,341	Gosforth Funding FRN 24/07/2058 2016-2X A1	4,778	0.33
GBP 25,000,000	Gracechurch Card FRN 15/07/2021	25,125	1.74
GBP 4,974,741	Holmes Master Issuer FRN 15/10/2054 2012-3X A1	4,989	0.35
GBP 11,140,000	Holmes Master Issuer 4.009% 15/10/2054	11,245	0.78
GBP 11,750,000	Lanark Master Issuer FRN 22/12/2069 2017-1X	11,751	0.81
GBP 18,600,000	Laser ABS FRN 25/09/2030 2017-1	18,681	1.30
GBP 15,245,000	Orbita Funding FRN 14/07/2023 2016 0.00%1 A	15,327	1.06
GBP 26,200,000	Penarth Master Issuer FRN 18/10/2019 2014-2X A1	26,207	1.82
GBP 2,500,000	Permanent Master Issuer FRN 15/07/2042 2015-1X A2	2,510	0.17
GBP 12,300,000	Permanent Master Issuer FRN 15/07/2058 2016-1 1A1	12,339	0.86
GBP 1,950,000	Silverstone Master Issuer FRN 21/01/2055 2012-1X 2A2	1,954	0.14
GBP 10,200,000	Silverstone Master Issuer FRN 21/01/2070 2016 16-1X 1A2	10,253	0.71
GBP 12,049,130	Turbo Finance FRN 20/02/2023 6A	12,102	0.84
GBP 2,051,252	Turbo Finance FRN 20/08/2021 5A	2,053	0.14
		290,568	20.15
	Fixed Rate Bond 5.23% (2016: 4.01%)		
GBP 11,894,000	ASIF III Jersey 5.00% 18/12/2018	12,570	0.87
GBP 6,220,000	BG Energy Capital 5.125% 07/12/2017	6,335	0.44
GBP 6,091,000	BP Capital Market 4.325% 10/12/2018	6,384	0.44
GBP 4,500,000	Centrica 7.00% 19/09/2018	4,819	0.33
GBP 15,700,000	Coventry Building Society 1.00% 05/05/2020	15,644	1.09
GBP 4,500,000	Experian Finance 4.75% 23/11/2018	4,731	0.33
GBP 10,000,000	Nationwide Building Society 5.625% 09/09/2019	10,996	0.76

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Fixed Rate Bond (continued)			
GBP 4,964,000	Prudential 1.375% 19/01/2018	4,978	0.35
GBP 8,860,000	Prudential 1.75% 27/11/2018	8,956	0.62
		<u>75,413</u>	<u>5.23</u>
Floating Rate Note 1.04% (2016: 0.23%)			
GBP 11,000,000	Royal Bank of Scotland FRN 15/05/2020	11,029	0.77
USD 5,000,000	Santander UK FRN 01/03/2019	3,919	0.27
		<u>14,948</u>	<u>1.04</u>
United States 4.99% (2016: 11.88%)			
Asset Backed 0.36% (2016: 3.90%)			
USD 6,720,983	Social Professional Loan Program FRN 25/07/2039 2016-E A1	5,190	0.36
Fixed Rate Bond 3.42% (2016: 4.46%)			
EUR 8,500,000	Berkshire Hathaway 0.50% 13/03/2020	7,529	0.52
USD 9,000,000	Citibank 2.10% 12/06/2020	6,931	0.48
GBP 13,530,000	GE Capital UK Funding 4.125% 28/09/2017	13,640	0.94
GBP 2,680,000	GE Capital UK Funding 6.75% 06/08/2018	2,847	0.20
EUR 7,000,000	Metropolitan Life Global Funding I 2.375% 30/09/2019	6,456	0.45
GBP 9,000,000	PACCAR Financial Europe 1.513% 29/05/2018	9,052	0.63
EUR 3,250,000	Pfizer 0.00% 06/03/2020	2,845	0.20
		<u>49,300</u>	<u>3.42</u>
Floating Rate Note 1.21% (2016: 3.52%)			
USD 9,000,000	Citibank FRN 12/06/2020	6,946	0.48
EUR 12,000,000	Coca-Cola FRN 08/03/2019	10,568	0.73
		<u>17,514</u>	<u>1.21</u>
Certificates of Deposit 26.40% (2016: 36.12%)			
Australia 0.00% (2016: 1.94%)			
Canada 0.00% (2016: 4.00%)			
Denmark 1.73% (2016: 2.87%)			
GBP 20,000,000	Den Danske Bank Aktieselskab 0.38% 12/12/2017	20,001	1.38
GBP 5,000,000	Den Danske Bank Aktieselskab 0.50% 08/08/2017	5,002	0.35
		<u>25,003</u>	<u>1.73</u>
Finland 0.00% (2016: 1.56%)			
France 5.06% (2016: 2.97%)			
GBP 14,000,000	Crédit Industriel et Commercial 0.48% 22/03/2018	13,998	0.97
GBP 15,000,000	Crédit Industriel et Commercial 0.83% 19/07/2017	15,005	1.05
GBP 14,000,000	Société Générale 0.48% 26/03/2018	13,998	0.97
GBP 10,000,000	Société Générale 0.50% 31/10/2017	10,007	0.69
GBP 10,000,000	Société Générale 0.59% 31/10/2017	10,010	0.69
GBP 10,000,000	Société Générale 0.60% 31/07/2017	10,003	0.69
		<u>73,021</u>	<u>5.06</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Germany 2.08% (2016: 0.94%)			
GBP 15,000,000	Landesbank Hessen Thuringen 0.50% 10/07/2017	15,001	1.04
GBP 15,000,000	Landesbank Hessen Thuringen 0.63% 17/08/2017	15,009	1.04
		<u>30,010</u>	<u>2.08</u>
Japan 1.04% (2016: 0.62%)			
GBP 15,000,000	Mitsubishi UFJ Trust & Banking 0.47% 01/09/2017	15,007	1.04
Netherlands 2.15% (2016: 2.12%)			
GBP 10,000,000	ABN Amro Bank 0.445% 07/07/2017	10,001	0.69
GBP 21,000,000	Rabobank Nederland 0.36% 08/02/2018	20,988	1.46
		<u>30,989</u>	<u>2.15</u>
Singapore 1.04% (2016: 1.80%)			
GBP 10,000,000	United Overseas Bank 0.40% 03/07/2017	10,001	0.69
GBP 5,000,000	United Overseas Bank 0.40% 10/07/2017	5,000	0.35
		<u>15,001</u>	<u>1.04</u>
Sweden 0.00% (2016: 1.25%)			
Switzerland 2.78% (2016: 3.41%)			
GBP 10,000,000	UBS 0.55% 13/12/2017	10,008	0.70
GBP 10,000,000	UBS 0.70% 13/07/2017	10,002	0.69
GBP 10,000,000	UBS 0.70% 31/07/2017	10,004	0.69
GBP 10,000,000	UBS 0.71% 06/09/2017	10,009	0.70
		<u>40,023</u>	<u>2.78</u>
United Arab Emirates 3.05% (2016: 1.69%)			
GBP 14,000,000	National Bank of Abu Dhabi 0.43% 28/12/2017	14,002	0.97
GBP 10,000,000	National Bank of Abu Dhabi 0.49% 03/10/2017	10,006	0.69
GBP 15,000,000	National Bank of Abu Dhabi 0.60% 07/08/2017	15,007	1.04
GBP 5,000,000	National Bank of Abu Dhabi 0.61% 11/08/2017	5,002	0.35
		<u>44,017</u>	<u>3.05</u>
United Kingdom 6.78% (2016: 8.11%)			
GBP 5,000,000	Abbey National Treasury Services 0.66% 06/03/2018	5,006	0.35
GBP 10,000,000	Barclays Bank 0.50% 01/08/2017	10,017	0.69
GBP 10,000,000	Barclays Bank 0.58% 17/11/2017	10,010	0.69
GBP 13,000,000	Barclays Bank 0.74% 29/09/2017	13,016	0.90
GBP 4,600,000	Barclays Bank 0.90% 04/12/2017	4,611	0.32
GBP 15,000,000	Nationwide Building Society 0.41% 07/12/2017	15,003	1.05
GBP 10,000,000	Nationwide Building Society 0.49% 15/08/2017	10,004	0.69
GBP 15,000,000	Standard Chartered Bank 0.50% 09/08/2017	15,004	1.05
GBP 15,000,000	Standard Chartered Bank 0.50% 10/07/2017	15,001	1.04
		<u>97,672</u>	<u>6.78</u>
United States 0.69% (2016: 2.84%)			
GBP 10,000,000	Bank of America 0.50% 18/08/2017	10,004	0.69

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	Treasury Bill 1.12% (2016: 3.92%)		
	Czech Republic 1.12% (2016: 0.00%)		
CZK 480,000,000	Czech (Republic of) 0.00% 18/08/2017	16,165	1.12
	Derivatives (0.08%) (2016: (2.31%))		
	Swaps 0.01% (2016: (0.07%))		
	Interest Rate Swaps 0.01% (2016: (0.07%))		
18,900,000	IRS 0.216% EURIBOR 3 month - Receive Floating - EUR	32	-
21,000,000	IRS 0.295% EURIBOR 3 month - Receive Floating - EUR	10	-
32,800,000	IRS 0.303% EURIBOR 3 month - Receive Floating - EUR^	-	-
8,500,000	IRS 0.3185% EURIBOR 3 month - Receive Floating - EUR	(1)	-
7,300,000	IRS 0.35% LIBOR 3 month - Receive Floating - GBP	1	-
7,800,000	IRS 0.47% LIBOR 3 month - Receive Floating - GBP	(4)	-
42,200,000	IRS 0.48% LIBOR 3 month - Receive Floating - GBP	181	0.01
11,500,000	IRS 0.50% LIBOR 3 month - Receive Floating - GBP	69	-
10,300,000	IRS 0.5940% LIBOR 3 month - Receive Floating - GBP	(4)	-
6,900,000	IRS 0.6075% LIBOR 3 month - Receive Floating - GBP	(5)	-
8,400,000	IRS 0.6312% LIBOR 3 month - Receive Floating - GBP	(9)	-
5,200,000	IRS 0.6425% LIBOR 3 month - Receive Floating - GBP	(7)	-
12,200,000	IRS 0.6462% LIBOR 3 month - Receive Floating - GBP	(10)	-
11,800,000	IRS 0.6620% LIBOR 3 month - Receive Floating - GBP	(5)	-
17,300,000	IRS 0.7310% LIBOR 3 month - Receive Floating - GBP	(31)	-
25,300,000	IRS 0.7475% LIBOR 6 month - Receive Floating - GBP	(48)	-
10,300,000	IRS 0.9140% LIBOR 3 month - Receive Floating - GBP	(32)	-
15,100,000	IRS 0.9350% LIBOR 3 month - Receive Floating - GBP	(58)	-
9,000,000	IRS 1.658% LIBOR 3 month - Receive Floating - USD	13	-
		92	0.01
	Forward Foreign Exchange Contracts (0.09%) (2016: (2.24%))		
	Buy CZK 260,000,000 : Sell GBP 8,332,532 January 2018	487	0.03
	Buy EUR 1,299,714 : Sell GBP 1,147,306 December 2017	(1)	-
	Buy EUR 1,368,068 : Sell GBP 1,152,113 October 2017	52	-
	Buy EUR 141,428 : Sell GBP 123,143 July 2017	1	-
	Buy EUR 1,415 : Sell GBP 1,231 November 2017^	-	-
	Buy EUR 148,183 : Sell GBP 128,186 September 2017	2	-
	Buy EUR 1,539,007 : Sell GBP 1,335,007 July 2017	17	-
	Buy EUR 1,593 : Sell GBP 1,375 November 2017^	-	-
	Buy EUR 168,938 : Sell GBP 142,782 October 2017	6	-
	Buy EUR 16,906,753 : Sell GBP 14,664,128 November 2017	235	0.02
	Buy EUR 1,703,991 : Sell GBP 1,502,888 December 2017^	-	-
	Buy EUR 177,385 : Sell GBP 151,546 July 2017	4	-
	Buy EUR 183,227 : Sell GBP 159,181 November 2017	2	-
	Buy EUR 20,689 : Sell GBP 18,170 August 2017^	-	-
	Buy EUR 210,753 : Sell GBP 185,026 November 2017	1	-
	Buy EUR 2,195,990 : Sell GBP 1,910,014 November 2017	25	-
	Buy EUR 236,618 : Sell GBP 203,010 July 2017	5	-
	Buy EUR 251,879 : Sell GBP 213,320 October 2017	8	-
	Buy EUR 2,682,154 : Sell GBP 2,290,106 October 2017	71	-

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Forward Foreign Exchange Contracts <small>(continued)</small>			
	Buy EUR 2,703,598 : Sell GBP 2,348,960 September 2017	30	-
	Buy EUR 2,870,450 : Sell GBP 2,440,304 August 2017	83	0.01
	Buy EUR 3,055,704 : Sell GBP 2,704,263 December 2017	(10)	-
	Buy EUR 3,095,421 : Sell GBP 2,672,343 July 2017	47	-
	Buy EUR 3,172,218 : Sell GBP 2,713,382 July 2017	74	0.01
	Buy EUR 3,247,549 : Sell GBP 2,758,965 October 2017	100	0.01
	Buy EUR 336,625 : Sell GBP 295,234 November 2017	1	-
	Buy EUR 3,510,712 : Sell GBP 3,063,737 November 2017	30	-
	Buy EUR 38,862 : Sell GBP 34,261 December 2017^	-	-
	Buy EUR 39,073 : Sell GBP 33,719 September 2017	1	-
	Buy EUR 403,719 : Sell GBP 351,123 September 2017	4	-
	Buy EUR 409,401 : Sell GBP 352,373 August 2017	8	-
	Buy EUR 419,721 : Sell GBP 365,039 September 2017	4	-
	Buy EUR 426,353 : Sell GBP 368,519 July 2017	6	-
	Buy EUR 431,799 : Sell GBP 366,075 August 2017	14	-
	Buy EUR 437,244 : Sell GBP 372,060 October 2017	13	-
	Buy EUR 462,794 : Sell GBP 408,932 December 2017	(1)	-
	Buy EUR 5,169 : Sell GBP 4,429 July 2017^	-	-
	Buy EUR 519,864 : Sell GBP 445,131 September 2017	12	-
	Buy EUR 595,523 : Sell GBP 518,370 July 2017	5	-
	Buy EUR 6,067 : Sell GBP 5,275 September 2017^	-	-
	Buy EUR 6,665 : Sell GBP 5,697 August 2017^	-	-
	Buy EUR 6,827 : Sell GBP 5,776 October 2017^	-	-
	Buy EUR 698,648 : Sell GBP 593,661 August 2017	21	-
	Buy EUR 949,646 : Sell GBP 829,702 September 2017	6	-
	Buy EUR 969,436 : Sell GBP 829,136 August 2017	23	-
	Buy EUR 987,587 : Sell GBP 874,546 December 2017	(4)	-
	Buy GBP 10,362,413 : Sell EUR 12,042,500 August 2017	(225)	(0.02)
	Buy GBP 1,177,963 : Sell EUR 1,377,776 August 2017	(33)	-
	Buy GBP 13,397,566 : Sell EUR 15,854,016 October 2017	(561)	(0.04)
	Buy GBP 13,430 : Sell EUR 15,639 August 2017^	-	-
	Buy GBP 1,343,621 : Sell EUR 1,544,387 July 2017	(13)	-
	Buy GBP 13,811,751 : Sell USD 17,996,130 November 2017	22	-
	Buy GBP 14,576,089 : Sell EUR 16,472,160 December 2017	51	-
	Buy GBP 15,012,667 : Sell CZK 480,000,000 August 2017	(1,152)	(0.08)
	Buy GBP 24,317,742 : Sell EUR 27,859,128 September 2017	(193)	(0.01)
	Buy GBP 27,576,919 : Sell CZK 860,000,000 January 2018	(1,596)	(0.11)
	Buy GBP 34,045 : Sell EUR 38,998 August 2017^	-	-
	Buy GBP 38,500,643 : Sell EUR 45,187,904 October 2017	(1,285)	(0.09)
	Buy GBP 413,288 : Sell USD 516,219 August 2017	17	-
	Buy GBP 45,972 : Sell EUR 52,424 November 2017^	-	-
	Buy GBP 49,961,367 : Sell USD 62,834,591 August 2017	1,678	0.12
	Buy GBP 50,196,656 : Sell USD 61,489,062 July 2017	2,898	0.21
	Buy GBP 6,075,329 : Sell EUR 7,030,200 July 2017	(101)	(0.01)
	Buy GBP 67,730,014 : Sell USD 84,306,830 September 2017	3,005	0.22
	Buy GBP 70,447,798 : Sell EUR 80,358,277 July 2017	(150)	(0.01)
	Buy GBP 7,063,881 : Sell EUR 8,035,680 December 2017	(22)	-
	Buy GBP 73,776,136 : Sell EUR 86,961,647 November 2017	(2,861)	(0.20)

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Forward Foreign Exchange Contracts <small>(continued)</small>			
	Buy GBP 7,615,447 : Sell EUR 8,619,455 December 2017	15	-
	Buy GBP 77,578,549 : Sell EUR 88,268,347 December 2017	(254)	(0.02)
	Buy GBP 8,743,157 : Sell EUR 10,044,233 July 2017	(81)	(0.01)
	Buy GBP 9,502,958 : Sell EUR 10,755,813 December 2017	19	-
	Buy USD 11,074 : Sell GBP 8,557 October 2017^	-	-
	Buy USD 11,233 : Sell GBP 8,674 November 2017^	-	-
	Buy USD 11,932 : Sell GBP 9,776 August 2017	(1)	-
	Buy USD 13,555,574 : Sell GBP 10,737,927 October 2017	(340)	(0.02)
	Buy USD 14,133,950 : Sell GBP 10,877,983 November 2017	(48)	-
	Buy USD 206,547 : Sell GBP 158,138 December 2017^	-	-
	Buy USD 23,396 : Sell GBP 18,629 July 2017	(1)	-
	Buy USD 260,476 : Sell GBP 213,076 August 2017	(13)	-
	Buy USD 273,227 : Sell GBP 209,309 November 2017^	-	-
	Buy USD 280,824 : Sell GBP 223,817 September 2017	(8)	-
	Buy USD 296,866 : Sell GBP 230,972 November 2017	(3)	-
	Buy USD 30,484 : Sell GBP 24,826 August 2017	(1)	-
	Buy USD 33,238 : Sell GBP 25,832 November 2017^	-	-
	Buy USD 334,894 : Sell GBP 266,448 July 2017	(9)	-
	Buy USD 3,595 : Sell GBP 2,872 August 2017^	-	-
	Buy USD 46,600 : Sell GBP 37,068 July 2017	(1)	-
	Buy USD 49,093 : Sell GBP 37,753 October 2017^	-	-
	Buy USD 55,566 : Sell GBP 43,999 September 2017	(1)	-
	Buy USD 58,952,946 : Sell GBP 45,547,862 November 2017	(374)	(0.03)
	Buy USD 59,003 : Sell GBP 47,012 September 2017	(2)	-
	Buy USD 64,852 : Sell GBP 50,638 December 2017	(1)	-
	Buy USD 87,677,702 : Sell GBP 68,156,929 December 2017	(1,015)	(0.07)
		<u>(1,258)</u>	<u>(0.09)</u>
	Investment assets including investment liabilities	1,358,311	94.19
	Other net assets	83,785	5.81
	Total net assets	1,442,096	100.00

Prior year comparative percentages have changed for some sectors due to reclassification within these sectors.

^ Due to rounding to nearest £1,000

Statement of total return for the year ended 30 June 2017

		2017	24/11/15 to 30/06/16
	Note	£000	£000
Income			
Net capital gains / (losses)	2	4,985	(365)
Revenue	3	10,126	5,637
Expenses	4	(569)	(257)
Interest payable and similar charges	5	(3)	-
Net revenue before taxation		9,554	5,380
Taxation	6	-	-
Net revenue after taxation		9,554	5,380
Total return before distributions		14,539	5,015
Distributions	7	(9,553)	(5,380)
Change in net assets attributable to shareholders from investment activities		4,986	(365)

Statement of change in net assets attributable to shareholders

for the year ended 30 June 2017

	2017	24/11/15 to 30/06/16
	£000	£000
Opening net assets attributable to shareholders	1,601,182	.*
Amounts receivable on issue of shares	208,776	1,595,929
Amounts payable on the cancellation of shares	(382,147)	(1,913)
	(173,371)	1,594,016
Dilution adjustment	174	816
Change in net assets attributable to shareholders from investment activities	4,986	(365)
	9,125	6,715
Retained distribution on accumulation shares		
Closing net assets attributable to shareholders	1,442,096	1,601,182

*The fund launched on 24 November 2015.

Balance sheet as at 30 June 2017

	Note	2017 £000	2016 £000
Assets:			
Investments		1,368,886	1,555,244
Current assets:			
Debtors	8	5,170	25,936
Cash and bank balances	9	92,782	72,771
Total assets		1,466,838	1,653,951
Liabilities:			
Investment liabilities		10,575	41,730
Creditors:			
Bank overdrafts		2,291	1,779
Other creditors	10	11,876	9,260
Total liabilities		24,742	52,769
Net assets attributable to shareholders		1,442,096	1,601,182

Notes to the financial statements for the year ended 30 June 2017

1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 of the aggregated notes to the financial statements.

2 Net capital gains/(losses)

Net capital gains/(losses) on investments during the year comprise:

	2017 £000	24/11/15 to 30/06/16 £000
Derivative securities	1,050	(1,059)
Forward currency contracts	(23,144)	(43,638)
Non-derivative securities	28,473	45,714
Other currency losses	(1,392)	(1,379)
Transaction costs	(2)	(3)
Net capital gains/(losses)	4,985	(365)

3 Revenue

	2017 £000	24/11/15 to 30/06/16 £000
Bank interest	82	101
Derivative revenue	(567)	(129)
Interest on debt securities	10,611	5,665
Total revenue	10,126	5,637

4 Expenses

	2017 £000	24/11/15 to 30/06/16 £000
Payable to the ACD, associates of the ACD and agents of either of them:		
GAC*	348	146
	348	146
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	134	75
Safe custody fees	87	36
	221	111
Total expenses	569	257

Irrecoverable VAT is included in the above expenses where relevant.

*The current audit fee, which is levied through the GAC, is £9,725 (2016: £9,167).

5 Interest payable and similar charges

The interest payable and similar charges comprise:

	2017 £000	24/11/15 to 30/06/16 £000
Interest payable	3	-
Total interest payable and similar charges	3	-

Notes to the financial statements (continued)

6 Taxation

a) Analysis of charge in the year

There is no tax charge for the current year (2016: nil).

b) Factors affecting tax charge for year

The tax assessed for each year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICS) of 20% (2016: 20%). The differences are explained below:

	2017 £000	24/11/15 to 30/06/16 £000
Net revenue before taxation	9,553	5,380
Corporation tax at 20% (2016: 20%)	1,911	1,076
Effects of:		
Revenue being paid as interest distributions	(1,911)	(1,076)
Tax charge for the year (note 6a)	-	-

(c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2016: nil).

d) Factors that may affect future tax charges

There were no factors that may affect future tax charges at the current or prior year end.

7 Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

	2017 £000	24/11/15 to 30/06/16 £000
Interim accumulation	7,511	3,584
Final accumulation	1,614	3,131
	9,125	6,715
Amounts deducted on cancellation of shares	681	2
Amounts received on issue of shares	(253)	(1,337)
Total distributions	9,553	5,380
Net revenue after taxation	9,554	5,380
Undistributed revenue carried forward	(1)	-
Total distributions	9,553	5,380

Details of the distribution per share are set out in the distribution tables on page 205.

8 Debtors

	2017 £000	24/11/15 to 30/06/16 £000
Accrued revenue	5,170	5,936
Amounts receivable for issue of shares	-	20,000
Total debtors	5,170	25,936

Notes to the financial statements (continued)

9 Cash and bank balances

	2017 £000	2016 £000
Cash and bank balances	91,722	72,771
Collateral accounts	1,060	-
Total cash and bank balances	92,782	72,771

10 Other creditors

	2017 £000	2016 £000
Accrued Depositary's fee	5	13
Accrued other expenses	34	32
Derivative interest payable	76	29
Purchases awaiting settlement	11,761	9,186
Total other creditors	11,876	9,260

11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

12 Related party transactions

Henderson Investment Funds Limited as ACD to the fund is deemed to be a related party because it provides key management personnel services to the fund. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', the 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 193 and 194 and notes 4, 7, 8 and 10 on pages 195 to 197 including all issues and cancellations where the ACD acted as principal.

Transactions with the ACD are as follows:

- All issues and cancellations,
- Annual management charge
- GAC

HSBC Global Custody Nominee (UK) Limited, as a material shareholder, is a related party holding shares comprising 77.79% of the total net assets of the fund as at the year end (2016 87.28%).

13 Shareholders' funds

The fund currently has one share class available; Class Z (Institutional). The annual management charge on the share class is as follows:

	2017 %	2016 %
Class Z *	0.00%	0.00%

* Charges for managing Z class shares are levied outside the fund and are agreed between the ACD and investors.

The net asset value of the share class, the net asset value per share and the number of shares in the share class are given in the comparative tables on page 182. The distribution per share class is given in the distribution tables on page 205.

Notes to the financial statements (continued)

13 Shareholders' funds (continued)

Share reconciliation as at 30 June 2017

	Class Z accumulation
Opening number of shares	1,591,633,842
Issues during the year	206,634,861
Cancellations during the year	(378,447,285)
Closing shares in issue	1,419,821,418

14 Financial derivatives

The fund may use financial derivatives for hedging and meeting the investment objectives including risk reduction and implementation of investment policies.

Eligible collateral types are approved by the Investment Manager and are agreed with the relevant counterparty.

The counterparty exposure has been calculated using the positive marked-to-market value of the derivative contract with that counterparty.

At 30 June 2017 there was no collateral held by the fund in respect of derivatives (2016: nil). There was cash of £1,060,000 pledged as collateral by the fund (2016: nil).

2017

At 30 June 2017 the underlying exposure for each category of derivatives held was as follows:

Counterparty	Forward foreign exchange contracts £000	Interest rate swaps £000	Total by counterparty £000
BNP Paribas	8,616	45	8,661
JP Morgan	487	191	678
Morgan Stanley	-	70	70
	9,103	306	9,409

2016

At 30 June 2016 the underlying exposure for the derivatives held was as follows:

Counterparty	Forward foreign exchange contracts £000
BNP Paribas	4,818
	4,818

Notes to the financial statements (continued)

15 Risk

Currency risk

The fund's net exposure to currency risk (including any instruments used to hedge foreign currencies) is considered insignificant. This is consistent with the exposure during the prior year.

Interest rate risk

The fund's exposure to interest rate risk is considered significant. The interest rate risk profile of the fund's financial assets and financial liabilities at the year end is set out in the following table:

	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
2017				
Czech Republic koruna	-	36,403	487	36,890
Euro	245,610	70,414	1,666	317,690
UK sterling	528,719	531,991	12,025	1,072,735
US dollar	32,496	6,931	96	39,523
Total	806,825	645,739	14,274	1,466,838
	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
2016				
Canadian dollar	-	-	1,721	1,721
Euro	215,178	-	3,031	218,209
Japanese yen	-	62,683	-	62,683
UK sterling	370,173	787,983	20,000	1,178,156
US dollar	160,944	32,172	66	193,182
Total	746,295	882,838	24,818	1,653,951
	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Non-interest bearing liabilities £000	Total £000
2017				
Euro	1	-	92	93
UK sterling	2,505	-	20,326	22,831
US dollar	-	-	1,818	1,818
Total	2,506	-	22,236	24,742
	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Non-interest bearing liabilities £000	Total £000
2016				
UK sterling	10,226	109	42,327	52,662
US dollar	107	-	-	107
Total	10,333	109	42,327	52,769

Notes to the financial statements (continued)

15 Risk (continued)

Credit ratings

	Market value	Percentage of net assets
	£000	%
2017		
Investments:		
Investment grade (AAA - BBB)*	1,277,046	88.55
Unrated	82,431	5.72
Total debt securities	1,359,477	94.27
Derivatives	(1,166)	(0.08)
Investment assets including investment liabilities	1,358,311	94.19
Other net assets	83,785	5.81
Total net assets	1,442,096	100.00
	Market value	Percentage of net assets
	£000	%
2016		
Investments:		
Above investment grade (AAA - BBB)*	1,434,936	89.62
Unrated	115,490	7.21
Total debt securities	1,550,426	96.83
Derivatives	(36,912)	(2.31)
Investment assets including investment liabilities	1,513,514	94.52
Other net assets	87,668	5.48
Total net assets	1,601,182	100.00

* Certificate of deposits included within above investment grade have been rated based on the rating of the issuer.

Sensitivity analysis

The actual VaR results, limits and utilisation of limits are summarised in the table below:

	Global Exposure Calculation Basis	Actual VaR in period			VaR Limit	Utilisation of VaR limit		
		Minimum	Maximum	Average		Minimum	Maximum	Average
		%	%	%	%	%	%	%
2017	Absolute VaR	0.48	2.32	1.59	20.00	2.41	11.62	7.94
2016	Absolute VaR	0.33	1.49	0.73	20.00	1.63	7.46	3.66
Leverage		Minimum	Maximum	Average				
		%	%	%				
2017		52.99	105.91	76.64				
2016		0.00	59.80	45.25				

Notes to the financial statements (continued)

15 Risk (continued)

Liquidity risk

The following table provides a maturity analysis of the fund's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
2017				
Bank overdrafts	2,291	-	-	-
Derivative financial liabilities	-	10,527	48	-
Other creditors	-	11,876	-	-
Total	2,291	22,403	48	-

	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
2016				
Bank overdrafts	1,779	-	-	-
Derivative financial liabilities	-	40,641	1,089	-
Other creditors	-	9,260	-	-
Total	1,779	49,901	1,089	-

16 Fair value disclosure

Fair value measurement

The fund has early adopted the March 2016 amendment to section 34 of FRS 102 (Fair Value Hierarchy disclosures that simplify the preparation of financial instrument disclosure), which is applicable to accounting periods beginning on or after 1 January 2017 with earlier application permitted.

The intention of a fair value measurement is to estimate the price at which an asset or a liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS 102 the fund classifies fair value measurement under the following levels:

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Notes to the financial statements (continued)

16 Fair value disclosure (continued)

Fair value hierarchy

Valuation technique	2017		2016	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1	-*	-	62,684*	-
Level 2	1,368,886	10,575	1,492,560	41,730
Level 3	-	-	-	-
	1,368,886	10,575	1,555,244	41,730

* There are no debt securities included in the highest fair value hierarchy level, where their valuation is determined to be sufficiently close to a binding quoted price as at 30 June 2017 (2016: £62,683,654).

(continued)

17 Direct transaction costs

	Purchases		Sales / maturities	
	2017	2016	2017	2016
Trades in the year	£000	£000	£000	£000
Certificates of deposit	395,595	923,640	-	345,551
Debt securities	1,009,471	1,047,706	1,601,104	118,374
Trades in the year before transaction costs	1,405,066	1,971,346	1,601,104	463,925
Transaction costs				
Commissions				
Certificates of deposit	-	-	-	-
Debt securities	-	-	-	-
Total commissions	-	-	-	-
Taxes				
Certificates of deposit	-	-	-	-
Debt securities	-	-	-	-
Total taxes	-	-	-	-
Other expenses				
Certificates of deposit	-	-	-	-
Debt securities	-	-	-	-
Total other expenses	-	-	-	-
Total transaction costs	-	-	-	-
Total net trades in the year after transaction costs	1,405,066	1,971,346	1,601,104	463,925

	Purchases		Sales /maturities	
	2017	2016	2017	2016
	%	%	%	%
Total transaction cost expressed as a percentage of asset type cost				
Commissions				
Certificates of deposit	-	-	-	-
Debt securities	-	-	-	-
Taxes				
Certificates of deposit	-	-	-	-
Debt securities	-	-	-	-
Other expenses				
Certificates of deposit	-	-	-	-
Debt securities	-	-	-	-
	2017	2016		
	%	%		
Total transaction cost expressed as a percentage of net asset value				
Commissions	-	-		
Taxes	-	-		
Other expenses	-	-		
Total costs	-	-		

There were no in specie during the year (2016: nil). There were no corporate actions during the year (2016: nil).

There were no direct transaction costs associated with derivatives during the year (2016: nil).

Direct transaction costs are fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the fund. These exclude any differences between quoted bid and offer prices or internal administrative or holding costs.

Transaction costs for bonds are not separately identifiable as with other financial instruments as the costs form part of the dealing spread and therefore are inherent within the purchase and sale prices of the trades.

The portfolio dealing spread as at 30 June 2017 was 0.09% (2016: 0.13%). The portfolio dealing spread is calculated at the fund's 12 noon valuation point.

Notes to the financial statements (continued)

18 Events after the Balance Sheet date

There were no material post Balance sheet events which require disclosure within these financial statements.

Distribution tables for the year ended 30 June 2017 (in pence per share)

Interim interest distribution (accounting date 30 September 2016, paid on 30 November 2016)

Group 1: shares purchased prior to 1 July 2016

Group 2: shares purchased on or after 1 July 2016

	Distribution per share	Equalisation	Total Distribution per share 30/11/16	Total Distribution per share 30/11/15*
Class Z accumulation gross				
Group 1	0.2510	-	0.2510	n/a
Group 2	0.1517	0.0993	0.2510	n/a

*The fund launched on 24 November 2015

Interim interest distribution (accounting date 31 December 2016, paid on 28 February 2017)

Group 1: shares purchased prior to 1 October 2016

Group 2: shares purchased on or after 1 October 2016

	Distribution per share	Equalisation	Total Distribution per share 28/02/17	Total Distribution per share 29/02/16
Class Z accumulation gross				
Group 1	0.1087	-	0.1087	-
Group 2	-	0.1087	0.1087	0.0929

Interim interest distribution (accounting date 31 March 2017, paid on 31 May 2017)

Group 1: shares purchased prior to 1 January 2017

Group 2: shares purchased on or after 1 January 2017

	Distribution per share	Equalisation	Total Distribution per share 31/05/17	Total Distribution per share 31/05/16
Class Z accumulation gross				
Group 1	0.1392	-	0.1392	0.2210
Group 2	-	0.1392	0.1392	0.2210

Final interest distribution (accounting date 30 June 2017, paid on 31 August 2017)

Group 1: shares purchased prior to 1 April 2017

Group 2: shares purchased on or after 1 April 2017

	Distribution per share	Equalisation	Total Distribution per share 31/08/17	Total Distribution per share 31/08/16
Class Z accumulation gross				
Group 1	0.1137	-	0.1137	0.1967
Group 2	-	0.1137	0.1137	0.1967

Henderson Institutional UK Gilt Fund Authorised Corporate Director's (ACD) report

Investment 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.

Performance summary

	30 Jun 16 - 30 Jun 17 %	30 Jun 15 - 30 Jun 16 %	30 Jun 14 - 30 Jun 15 %	30 Jun 13 - 30 Jun 14 %	30 Jun 12 - 30 Jun 13 %
Henderson Institutional UK Gilt Fund	(1.0)	11.0	6.2	0.5	(3.2)
FSTE Actuaries All Stock Gilt Index	(0.9)	13.5	8.9	2.3	(2.4)

Source: Morningstar, bid to bid, and net of fees, as at 12 noon valuation point, based on performance of Class A income.
Benchmark values are as at close of business.

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.

Significant portfolio changes for the year ended 30 June 2017

Largest purchases	£000	Largest sales/maturities	£000
UK Treasury 1.50% 22/07/2026	29,372	UK Treasury 4.75% 07/12/2030	15,361
UK Treasury 4.75% 07/12/2030	15,668	UK Treasury 4.25% 07/06/2032	14,049
UK Treasury 1.50% 22/01/2021	14,262	UK Treasury 1.50% 22/07/2026	13,525
UK Treasury 4.50% 07/09/2034	14,193	UK Treasury 1.50% 22/01/2021	12,775
UK Treasury 4.25% 07/12/2055	13,142	UK Treasury 3.50% 22/01/2045	12,628
UK Treasury 2.00% 22/07/2020	7,637	UK Treasury 2.50% Index-Linked 26/07/2016	10,252
UK Treasury 0.50% 22/07/2022	7,036	UK Treasury 3.50% 22/07/2068	9,389
UK Treasury 1.75% 22/07/2019	6,582	UK Treasury 2.00% 07/09/2025	8,371
UK Treasury 3.75% 22/07/2052	6,518	UK Treasury 2.00% 22/07/2020	6,907
UK Treasury 3.50% 22/01/2045	5,563	UK Treasury 1.00% 07/09/2017	6,566
Total purchases	183,738	Total sales/maturities	155,102

Investment review

Government bond markets performed poorly during the year. Central banks stepped away from their ultra-accommodative monetary policy stances as expectations over future growth and inflation prospects improved. The election of Donald Trump as president of the United States led to a further boost to growth and inflation forecasts, and rate hikes from the Federal Reserve (Fed) led to substantial pressure on the US Treasury market. In the UK, the economy proved to be more resilient than expected following the vote on whether or not to leave the European Union (EU), and the Bank of England's (BoE's) Monetary Policy Committee moved to a more neutral stance. The European Central Bank (ECB) announced in December its intention to reduce the size of its quantitative easing (QE) programme (central bank liquidity measures). Further improvement in the economy led to speculation about the eventual tapering of asset purchases by the ECB, which put upwards pressure on European government bond yields at the end of the year.

The gilt market initially performed well during the summer months, as the BoE cut rates and restarted its QE programme. As sterling weakened, inflation expectations rose and led to lower expectations of further easing in November, particularly in light of the initial resilience of the economy. This led to gilt yields rising sharply during the fourth quarter, although index-linked gilts significantly outperformed due to a sharp increase in inflation expectations.

The fund underperformed its benchmark over the year. We continued to look for relative value opportunities within the UK government bond market where possible, while also using derivatives to express views across developed rates and currency markets, as outlined below.

The fund profited by positioning for US Treasuries to outperform UK gilts on several occasions during the year, as the yield spread was trading around its historic wides.

Taking relative value opportunities in the US market also proved profitable. We entered the year positioned for the 20-year/30-year sector to outperform the 10-year/20-year sector of the US swaps curve. The trade performed exceptionally well after the US election and was closed for a profit. Following the US election, we positioned for five-year Treasury yields to rise relative to two-year yields in the US. As the market moved to price in a tighter monetary policy outlook, we closed the trade for a profit. As we entered 2017, we structurally positioned for the seven-year sector to outperform the two-year and 12-year sectors.

In Europe, we profited by positioning for intermediate swap rates to decline relative to long-dated swap rates. As the European recovery gained momentum and the prospects for ECB tightening seemed less distant, we closed the existing position and began to position for 10-year yields to decline relative to five-year yields.

Our inflation strategies proved profitable, as we twice positioned for a decline in long-dated real yields, as well as declines in 10-year European and UK inflation expectations.

Currency strategies detracted during the year. Although the fund profited by positioning for a weaker Japanese yen versus the US dollar, this was offset by small losses on several other positions, most notably positions which looked for a strengthening in the Swedish krona and sterling.

We believe that government bond markets are likely to remain volatile. Although political risks have diminished, a removal of monetary policy stimulus could prove disruptive, though muted levels of inflation may stop government bond yields from rising significantly.

Comparative tables for the year ended 30 June 2017

	Class A income		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	212.62	191.94	181.88
Return before operating charges*	(1.81)	24.35	13.91
Operating charges	(1.92)	(1.79)	(2.20)
Return after operating charges*	(3.73)	22.56	11.71
Distributions on income shares	(1.44)	(1.88)	(1.65)
Closing net asset value per share	207.45	212.62	191.94
* after direct transaction costs of:	-	-	0.01

Performance

Return after charges	(1.75%)	11.75%	6.44%
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Other information

Closing net asset value (£000s)	948	1,381	2,564
Closing number of shares	456,962	649,431	1,335,866
Operating charges	0.91%	0.91%	1.15%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	222.80	211.90	204.30
Lowest share price (pence)	203.00	189.60	181.20

	Class I accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	332.63	296.47	276.76
Return before operating charges*	(2.63)	38.78	22.44
Operating charges	(1.79)	(1.66)	(1.71)
Return after operating charges*	(4.42)	37.12	20.73
Distributions on accumulation shares	(3.76)	(4.80)	(5.02)
Retained distributions on accumulation shares^	3.37	3.84	4.00
Closing net asset value per share	327.82	332.63	296.47
* after direct transaction costs of:	-	0.01	0.01

Performance

Return after charges	(1.33%)	12.52%	7.49%
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Other information

Closing net asset value (£000s)	5,548	7,088	4,769
Closing number of shares	1,692,406	2,131,013	1,608,721
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	348.70	330.80	313.60
Lowest share price (pence)	318.40	292.90	276.20

^ Retained distribution prior to 6 April 2017 are net of 20% income tax.

Comparative tables (continued)

	Class I income		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	210.93	190.33	180.89
Return before operating charges*	(1.89)	24.12	13.06
Operating charges	(1.13)	(1.06)	(1.03)
Return after operating charges*	(3.02)	23.06	12.03
Distributions on income shares	(2.13)	(2.46)	(2.59)
Closing net asset value per share	205.78	210.93	190.33
* after direct transaction costs of:	-	-	0.01

Performance

Return after charges	(1.43%)	12.12%	6.65%
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Other information

Closing net asset value (£000s)	2,881	3,316	1,824
Closing number of shares	1,400,192	1,571,973	958,310
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	221.10	210.40	202.70
Lowest share price (pence)	201.40	188.00	179.70

	Class D accumulation gross		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	150.36	133.26	123.84
Return before operating charges*	(1.18)	17.50	9.80
Operating charges	(0.44)	(0.40)	(0.38)
Return after operating charges*	(1.62)	17.10	9.42
Distributions on accumulation shares	(2.08)	(2.51)	(2.57)
Retained distributions on accumulation shares	2.08	2.51	2.57
Closing net asset value per share	148.74	150.36	133.26
* after direct transaction costs of:	-	-	-

Performance

Return after charges	(1.08%)	12.83%	7.61%
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Other information

Closing net asset value (£000s)	9,995	9,466	8,541
Closing number of shares	6,719,765	6,295,197	6,409,288
Operating charges	0.29%	0.29%	0.29%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	157.80	149.60	140.60
Lowest share price (pence)	144.30	131.70	123.40

Comparative tables (continued)

	Class I accumulation gross		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	358.77	318.76	296.95
Return before operating charges*	(2.82)	41.79	23.52
Operating charges	(1.93)	(1.78)	(1.71)
Return after operating charges*	(4.75)	40.01	21.81
Distributions on accumulation shares	(4.06)	(5.17)	(5.37)
Retained distributions on accumulation shares	4.06	5.17	5.37
Closing net asset value per share	354.02	358.77	318.76
* after direct transaction costs of:	-	0.01	0.01
Performance			
Return after charges	(1.32%)	12.55%	7.34%
Other information			
Closing net asset value (£000s)	25,501	26,204	31,637
Closing number of shares	7,203,015	7,303,922	9,924,857
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price (pence)	376.40	356.80	336.70
Lowest share price (pence)	344.00	315.00	295.90

	Class Z accumulation gross		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	216.65	191.53	177.54
Return before operating charges*	(1.71)	25.20	14.07
Operating charges	(0.09)	(0.08)	(0.08)
Return after operating charges*	(1.80)	25.12	13.99
Distributions on accumulation shares	(3.54)	(4.11)	(4.17)
Retained distributions on accumulation shares	3.54	4.11	4.17
Closing net asset value per share	214.85	216.65	191.53
* after direct transaction costs of:	-	-	0.01
Performance			
Return after charges	(0.83%)	13.12%	7.88%
Other information			
Closing net asset value (£000s)	274,408	250,549	225,861
Closing number of shares	127,719,944	115,648,951	117,927,329
Operating charges	0.04%	0.04%	0.04%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price (pence)	227.50	215.50	201.90
Lowest share price (pence)	208.20	189.30	176.90

Performance values are at close of business and may differ from the performance summary.

Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

Share class launches and closures

There were no share classes launched or closed in the year.

Ongoing charge figure

The annualised ongoing charge figure (OCF) of the fund is 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 year, except for expenses that are explicitly excluded by regulation.

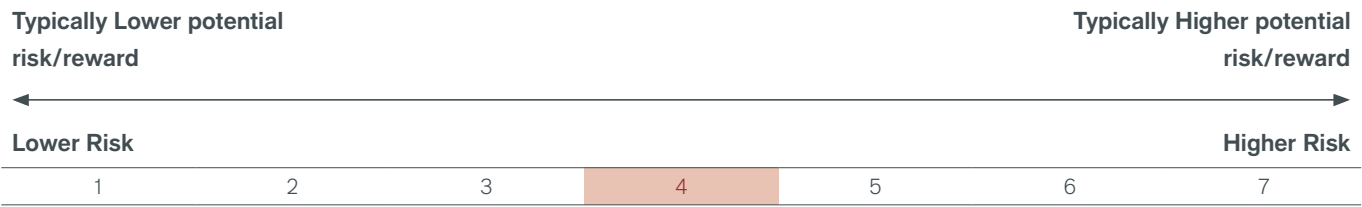
	2017 %	2016 %
Class A	0.91	0.91
Class D	0.29	0.29
Class I	0.54	0.54
Class Z	0.04	0.04

The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

Risk and reward profile

The fund currently has 6 types of share class in issue; A income, I income, I accumulation, I accumulation gross, Z accumulation gross and D accumulation gross.

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 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 share classes appear at 4 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events.

The full list of the fund's risks are contained in the "Risk Factors" section of the fund's prospectus.

There have been no changes to the risk rating in the year.

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

Portfolio statement as at 30 June 2017

Holding	Investment	Market value £000	Percentage of total net assets %
Bonds 97.24% (2016: 98.21%)			
United Kingdom 97.24% (2016: 98.21%)			
Fixed Rate Bond 97.24% (2016: 94.76%)			
GBP 7,068,510	UK Treasury 0.50% 22/07/2022	7,003	2.19
GBP 7,248,000	UK Treasury 1.25% 22/07/2018	7,320	2.29
GBP 2,117,636	UK Treasury 1.25% 22/07/2027	2,102	0.66
GBP 16,718,106	UK Treasury 1.50% 22/07/2026	17,175	5.38
GBP 2,965,844	UK Treasury 1.50% 22/07/2047	2,721	0.85
GBP 7,507,073	UK Treasury 1.50% 22/01/2021	7,780	2.44
GBP 6,798,274	UK Treasury 1.75% 07/09/2022	7,174	2.25
GBP 2,019,244	UK Treasury 1.75% 07/09/2037	1,980	0.62
GBP 8,837,755	UK Treasury 1.75% 22/07/2019	9,093	2.85
GBP 2,147,090	UK Treasury 1.75% 22/07/2057	2,158	0.68
GBP 7,151,018	UK Treasury 2.00% 22/07/2020	7,494	2.35
GBP 5,809,401	UK Treasury 2.25% 07/09/2023	6,311	1.98
GBP 3,440,395	UK Treasury 2.50% 22/07/2065	4,355	1.36
GBP 5,923,611	UK Treasury 2.75% 07/09/2024	6,674	2.09
GBP 5,807,490	UK Treasury 3.25% 22/01/2044	7,424	2.33
GBP 6,085,960	UK Treasury 3.50% 22/01/2045	8,173	2.56
GBP 4,280,151	UK Treasury 3.50% 22/07/2068	6,932	2.17
GBP 7,187,014	UK Treasury 3.75% 07/09/2019	7,723	2.42
GBP 5,734,051	UK Treasury 3.75% 07/09/2020	6,344	1.99
GBP 6,994,653	UK Treasury 3.75% 07/09/2021	7,940	2.49
GBP 5,180,336	UK Treasury 3.75% 22/07/2052	7,823	2.45
GBP 8,202,165	UK Treasury 4.00% 07/03/2022	9,509	2.98
GBP 5,153,817	UK Treasury 4.00% 22/01/2060	8,717	2.73
GBP 6,331,023	UK Treasury 4.25% 07/03/2036	8,811	2.76
GBP 5,104,118	UK Treasury 4.25% 07/09/2039	7,313	2.29
GBP 2,570,758	UK Treasury 4.25% 07/12/2027	3,322	1.04
GBP 5,635,979	UK Treasury 4.25% 07/12/2040	8,177	2.56
GBP 5,168,971	UK Treasury 4.25% 07/12/2046	7,930	2.48
GBP 4,477,038	UK Treasury 4.25% 07/12/2049	7,123	2.23
GBP 5,828,576	UK Treasury 4.25% 07/12/2055	9,916	3.11
GBP 8,166,041	UK Treasury 4.50% 07/03/2019	8,737	2.74
GBP 13,633,416	UK Treasury 4.50% 07/09/2034	19,249	6.02
GBP 5,946,608	UK Treasury 4.50% 07/12/2042	9,100	2.85
GBP 6,792,538	UK Treasury 4.75% 07/03/2020	7,591	2.38
GBP 7,564,684	UK Treasury 4.75% 07/12/2030	10,547	3.30
GBP 5,570,991	UK Treasury 4.75% 07/12/2038	8,457	2.65
GBP 10,158,790	UK Treasury 5.00% 07/03/2018	10,483	3.28
GBP 7,972,504	UK Treasury 5.00% 07/03/2025	10,355	3.24
GBP 4,337,446	UK Treasury 6.00% 07/12/2028	6,479	2.03
GBP 5,342,000	UK Treasury 8.00% 07/06/2021	6,918	2.17
		310,433	97.24

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	Index Linked Bond 0.00% (2016: 3.45%)		
	Collective Investment Schemes 0.08% (2016: 0.09%)		
270,156	Deutsche Global Liquidity Managed Platinum Sterling Fund	270	0.08
	Derivatives 0.04% (2016: (0.05%))		
	Futures 0.01% (2016: (0.01%))		
(52)	CBT US 10 Year Note September 2017	36	0.01
(15)	ICE Long Gilt September 2017	13	-
		49	0.01
	Options 0.00% (2016: 0.04%)		
	Swaps 0.02% (2016: (0.07%))		
	Inflation Index Swaps 0.00% (2016: 0.00%)		
2,700,000	IIS 3.3875% June 2027 - Receive Fixed - GBP	(19)	-
1,300,000	IIS 3.4575% June 2047 - Receive Inflation - GBP	15	-
11,800,000	IIS 3.4825% June 2022 - Receive Fixed - GBP	(1)	-
		(5)	-
	Interest Rate Swaps 0.02% (2016: (0.07%))		
18,800,000	IRS 0.339% EURIBOR 6 month - Receive Floating - EUR	31	0.01
18,600,000	IRS 0.346% EURIBOR 6 Month - Receive Floating - EUR	17	0.01
18,100,000	IRS 0.41% EURIBOR 6 month - Receive Floating - EUR	(2)	-
32,900,000	IRS 0.675% LIBOR 6 month - Receive Fixed - GBP	(95)	(0.03)
13,300,000	IRS 0.87% LIBOR 6 month - Receive Floating - GBP	147	0.05
9,600,000	IRS 0.938% EURIBOR 6 month - Receive Fixed - EUR	(43)	(0.01)
9,500,000	IRS 0.9415% EURIBOR 6 month - Receive Fixed - EUR	(32)	(0.01)
9,200,000	IRS 1.02% EURIBOR 6 month - Receive Fixed - EUR	3	-
11,400,000	IRS 1.598% EURIBOR 3 month - Receive Fixed - EUR	(83)	(0.03)
8,800,000	IRS 1.918% LIBOR 3 month - Receive Floating - USD	43	0.01
4,100,000	IRS 2.0225% EURIBOR 6 month - Receive Fixed - EUR	(22)	(0.01)
24,900,000	IRS 2.2180% LIBOR 3 month - Receive Fixed - USD	(4)	-
13,300,000	IRS 2.4180% LIBOR 3 month - Receive Floating - USD	33	0.01
18,300,000	IRS 2.557% LIBOR 3 month - Receive Fixed - USD	194	0.06
6,100,000	IRS 2.6825% LIBOR 3 month - Receive Floating - USD	37	0.01
9,800,000	IRS 2.736% LIBOR 3 month - Receive Floating - USD	(171)	(0.05)
		53	0.02
	Forward Foreign Exchange Contracts 0.01% (2016: (0.01%))		
	Buy EUR 515,381 : Sell GBP 451,199 July 2017	2	-
	Buy GBP 12,428 : Sell USD 15,700 July 2017^	-	-
	Buy GBP 3,259,890 : Sell EUR 3,695,208 September 2017	10	-
	Buy GBP 51,938 : Sell USD 66,505 July 2017	1	-
	Buy GBP 65,554 : Sell USD 84,900 July 2017^	-	-
	Buy SEK 35,521,806 : Sell GBP 3,220,153 September 2017	28	0.01
	Buy USD 38,349 : Sell GBP 30,246 July 2017	(1)	-
		40	0.01
	Investment assets including investment liabilities	310,840	97.36
	Other net assets	8,441	2.64
	Total net assets	319,281	100.00

^ Due to rounding to nearest £1,000

Statement of total return for the year ended 30 June 2017

		2017		2016	
	Note	£000	£000	£000	£000
Income					
Net capital (losses)/gains	2		(7,468)		29,048
Revenue	3	5,254		5,774	
Expenses	4	(349)		(319)	
Interest payable and similar charges	5	-		(1)	
Net revenue before taxation		4,905		5,454	
Taxation	6	-		-	
Net revenue after taxation			4,905		5,454
Total return before distributions			2,563		34,502
Distributions	7		(4,905)		(5,453)
Change in net assets attributable to shareholders from investment activities			(7,468)		29,049

Statement of change in net assets attributable to shareholders

for the year ended 30 June 2017

		2017		2016	
		£000	£000	£000	£000
Opening net assets attributable to shareholders			298,004		275,196
Amounts receivable on issue of shares		104,183		54,207	
Amounts payable on cancellation of shares		(80,394)		(65,811)	
			23,789		(11,604)
Dilution adjustment			30		9
Change in net assets attributable to shareholders from investment activities			(7,468)		29,049
Retained distribution on accumulation shares			4,926		5,354
Closing net assets attributable to shareholders			319,281		298,004

Balance sheet as at 30 June 2017

	Note	2017 £000	2016 £000
Assets:			
Investments		311,313	294,664
Current assets:			
Debtors	8	2,698	2,224
Cash and bank balances	9	7,389	5401
Total assets		321,400	302,289
Liabilities:			
Investment liabilities		473	1,868
Creditors:			
Amounts held at derivative clearing houses and brokers		48	-
Bank overdrafts		1,101	733
Distributions payable		10	27
Other creditors	10	487	1,657
Total liabilities		2,119	4,285
Net assets attributable to shareholders		319,281	298,004

Notes to the financial statements for the year ended 30 June 2017

1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 of the aggregated notes to the financial statements.

2 Net capital (losses)/gains

Net capital (losses)/gains on investments during the year comprise:

	2017 £000	2016 £000
Derivative securities	218	(1,041)
Forward currency contracts	(298)	206
Non-derivative securities	(7,404)	29,891
Other currency gains	26	2
Transaction costs	(10)	(10)
Net capital (losses)/gains	(7,468)	29,048

3 Revenue

	2017 £000	2016 £000
Bank interest	7	6
Derivative revenue	37	(12)
Interest on debt securities	5,167	5,745
Stock lending revenue	43	35
Total revenue	5,254	5,774

4 Expenses

	2017 £000	2016 £000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual management charge	233	213
GAC*	74	65
	<u>307</u>	<u>278</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	33	33
Safe custody fees	9	8
	<u>42</u>	<u>41</u>
Total expenses	349	319

Irrecoverable VAT is included in the above expenses where relevant.

*The current audit fee, which is levied through the GAC, is £9,725 (2016: £9,167).

Notes to the financial statements (continued)

5 Interest payable and similar charges

The interest payable and similar charges comprise:

	2017 £000	2016 £000
Interest payable	-	1
Total interest payable and similar charges	-	1

6 Taxation

a) Analysis of charge in the year

There is no tax charge for the year (2016: nil).

b) Factors affecting current tax charge for year

The tax assessed for each year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICS) of 20% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Net revenue before taxation	4,905	5,454
Corporation tax at 20% (2016: 20%)	981	1,091
Effects of:		
Indexation tax adjustments	(1)	(37)
Revenue being paid as interest distributions	(980)	(1,054)
Tax charge for the year (note 6a)	-	-

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2016: nil).

(d) Factors that may affect future tax charges

There were no factors that may affect future tax charges at the current or prior year end.

Notes to the financial statements (continued)

7 Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	2017 £000	2016 £000
Interim income	35	41
Interim accumulation	3,723	4,025
Final income	10	12
Final accumulation	1,203	1,329
Tax withheld on interest distributions	15	29
	<u>4,986</u>	<u>5,436</u>
Amounts deducted on cancellation of shares	233	198
Amounts received on issue of shares	(314)	(181)
Total distributions	<u>4,905</u>	<u>5,453</u>
Net revenue after taxation	4,905	5,454
Equalisation on conversions	-	(1)
Total distributions	<u>4,905</u>	<u>5,453</u>

Details of the distribution per share are set out in the distribution tables on pages 229 to 232

8 Debtors

	2017 £000	2016 £000
Accrued revenue	2,350	2,135
Amounts receivable for issue of shares	348	22
Sales awaiting settlement	-	67
Total debtors	<u>2,698</u>	<u>2,224</u>

9 Cash and bank balances

	2017 £000	2016 £000
Amounts held at derivative clearing houses and brokers	161	112
Cash and bank balances	7,228	5,289
Total cash and bank balances	<u>7,389</u>	<u>5,401</u>

Notes to the financial statements (continued)

10 Other creditors

	2017 £000	2016 £000
Accrued annual management charge	18	17
Accrued Depositary's fee	3	3
Accrued other expenses	7	7
Amounts payable for cancellation of shares	298	1,620
Derivative interest payable	2	10
Purchases awaiting settlement	159	-
Total other creditors	487	1,657

11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

12 Related party transactions

Henderson Investment Funds Limited as ACD to the fund is deemed to be a related party because it provides key management personnel services to the fund. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', the 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 215 and 216 and notes 4, 7, 8 and 10 on pages 217 to 220 including all issues and cancellations where the ACD acted as principal.

Transactions with the ACD are as follows:

- All issues and cancellations,
- Annual management charge
- GAC

There were no material shareholders at the year end (2016: nil).

13 Shareholders' funds

The fund currently has 4 share classes available; Class A (Retail with front-end charges), Class D (Institutional), Class I (Institutional) and Class Z (Institutional). The annual management charge on each share class is as follows:

	2017 %	2016 %
Class A	0.75%	0.75%
Class D	0.25%	0.25%
Class I	0.50%	0.50%
Class Z*	0.00%	0.00%

* Charges for managing Z class shares are levied outside the fund and are agreed between the ACD and investors.

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative tables on pages 208 to 210. The distribution per share class is given in the distribution tables on pages 229 to 232. All share classes have the same rights on winding up.

Notes to the financial statements (continued)

13 Shareholders' funds (continued)

Share reconciliation as at 30 June 2017

	Class A income	Class I accumulation	Class I income
Opening number of shares	649,431	2,131,013	1,571,973
Issues during the year	26,136	506,212	1,350,684
Cancellations during the year	(218,605)	(942,876)	(1,525,529)
Shares converted during the year	-	(1,943)	3,064
Closing shares in issue	456,962	1,692,406	1,400,192

	Class D accumulation gross	Class I accumulation gross	Class Z accumulation gross
Opening number of shares	6,295,197	7,303,922	115,648,951
Issues during the year	520,468	3,891,396	39,661,958
Cancellations during the year	(356,255)	(3,992,303)	(27,410,566)
Shares converted during the year	260,355	-	(180,399)
Closing shares in issue	6,719,765	7,203,015	127,719,944

14 Financial derivatives

The fund may use financial derivatives for hedging and meeting the investment objectives including risk reduction and implementation of investment policies.

Eligible collateral types are approved by the Investment Manager and are agreed with the relevant counterparty.

The counterparty exposure has been calculated using the positive marked-to-market value of the derivative contract with that counterparty.

At 30 June 2017 there was no collateral pledged or collateral held in respect of derivatives for this fund (2016: nil).

2017

At 30 June 2017 the underlying exposure for each category of derivatives was as follows:

Counterparty	Forward foreign exchange contracts £000	Futures £000	Inflation index swaps £000
Barclays Bank	-	-	-
BNP Paribas	3	-	-
Citigroup	-	-	-
JP Morgan	28	-	15
UBS	10	49	-
	41	49	15

Notes to the financial statements (continued)

14 Financial derivatives (continued)

2017 (continued)

Counterparty	Interest rate swaps £000	Total by counterparty £000
Barclays Bank	243	243
BNP Paribas	-	3
Citigroup	186	186
JP Morgan	76	119
UBS	-	59
	505	610

2016

At 30 June 2016 the underlying exposure for each category of derivatives is as follows:

Counterparty	Interest rate swaps £000	Options £000	Forward foreign exchange contracts £000	Total by counterparty £000
Barclays Bank	-	22	-	22
BNP Paribas	-	-	50	50
Citigroup	48	-	-	48
JP Morgan	-	158	-	158
Morgan Stanley	1,427	-	-	1,427
	1,475	180	50	1,705

15 Stock lending

The fund and the Investment Manager have entered into a stock lending programme with BNP Paribas acting as the stock lending agent for the purposes of efficient portfolio management and to generate additional income.

Stock lending revenue is disclosed under 'Revenue' in the Statement of total return.

Eligible collateral types for Stock Lending and borrowing transactions are approved by the Investment Manager and may consist of securities issued or guaranteed by a Member State of the OECD or by their local authorities or supranational institutions and organisations with regional, EU and world-wide scope, generally subject to a minimum long term credit rating of at least A- by one or more major rating agency or equities. Collateral should be highly liquid and traded on a regulated market. Collateral is subject to a haircut on a sliding scale based on the combination of the underlying instrument being lent versus the asset being received as collateral. The value of collateral required will range from 102.50% to 110.00% of the value of the stock on loan.

Notes to the financial statements (continued)

15 Stock lending (continued)

2017

Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
Barclays Bank	490	526	Corporate Bond
Barclays Bank	20,610	22,146	Government Bond
	<u>21,100</u>	<u>22,672</u>	
Deutsche Bank	10,739	11,014	Government Bond
JP Morgan	8,395	8,605	Government Bond
Lloyds Bank	1,721	1,764	Government Bond
	<u>41,955</u>	<u>44,055</u>	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	51	8	43

2016

Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
Barclays Bank	194	200	Corporate Bond
Barclays Bank	4,641	4,787	Government Bond
	<u>4,835</u>	<u>4,987</u>	
Deutsche Bank	140	144	Corporate Bond
Deutsche Bank	13,189	13,520	Government Bond
	<u>13,329</u>	<u>13,664</u>	
JP Morgan	28,477	29,216	Government Bond
Lloyds Bank	7,358	7,542	Government Bond
Morgan Stanley	6,208	6,368	Government Bond
	<u>60,207</u>	<u>61,777</u>	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	41	6	35

Notes to the financial statements (continued)

16 Risk

Currency risk

The fund's net exposure to currency risk (including any instruments used to hedge foreign currencies) is considered insignificant. This is consistent with the exposure during the prior year.

Interest rate risk

The fund's exposure to interest rate risk is considered significant. The interest rate risk profile of the fund's financial assets and financial liabilities at the year end is set out in the following table:

	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
2017				
Euro	51	-	2	53
Swedish krona	-	-	28	28
UK sterling	7,450	310,433	2,993	320,876
US dollar	408	-	35	443
Total	7,909	310,433	3,058	321,400
2016	£000	£000	£000	£000
Euro	48	-	49	97
New Zealand dollar	-	-	12	12
UK sterling	4,556	295,539	482	300,577
US dollar	1,550	-	53	1,603
Total	6,154	295,539	596	302,289
	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Non-interest bearing liabilities £000	Total £000
2017				
Canadian dollar	83	-	-	83
Euro	100	-	-	100
UK sterling	1,229	-	497	1,726
US dollar	209	-	1	210
Total	1,621	-	498	2,119
2016	£000	£000	£000	£000
Euro	61	-	-	61
UK sterling	-	6	2,438	2,444
US dollar	1,638	10	132	1,780
Total	1,699	16	2,570	4,285

Notes to the financial statements (continued)

16 Risk (continued)

Credit ratings

	Market value	Percentage of total net assets
2017	£000	%
Investments:		
Investment grade (AAA - BBB)	310,433	97.24
Total debt securities	310,433	97.24
Collective investment schemes	270	0.08
Derivatives	137	0.04
Investment assets including liabilities	310,840	97.36
Other net assets	8,441	2.64
Total net assets	319,281	100.00

	Market value	Percentage of total net assets
2016	£000	%
Investments:		
Investment grade (AAA - BBB)	292,690	98.21
Total debt securities	292,690	98.21
Collective investment schemes	269	0.09
Derivatives	(163)	(0.05)
Investment assets including liabilities	292,796	98.25
Other net assets	5,208	1.75
Total net assets	298,004	100.00

Sensitivity analysis

The actual VaR results, limits and utilisation of limits are summarised in the table below:

VaR Results

	Global Exposure Calculation Basis	Actual VaR in year			VaR Limit	Utilisation of VaR limit		
		Minimum	Maximum	Average		Minimum	Maximum	Average
		%	%	%	%	%	%	%
2017	Relative VaR*	91.29	102.83	99.27	200.00	45.65	51.42	49.64
2016	Relative VaR*	89.98	105.44	97.20	200.00	44.99	52.72	48.60

* Reference portfolio: FTSE Actuaries All Stocks Gilt Index

Leverage	Minimum	Maximum	Average
	%	%	%
2017	24.14	74.42	45.53
2016	19.46	218.82	117.57

Notes to the financial statements (continued)

16 Risk (continued)

Liquidity risk

The following table provides a maturity analysis of the fund's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	On demand	Within one year	Over one year but not more than five years	Over five years
	£000	£000	£000	£000
2017				
Amounts held at derivatives clearing houses and brokers	48	-	-	-
Bank overdrafts	1,101	-	-	-
Derivative financial liabilities	-	1	-	472
Distribution payable	-	10	-	-
Other creditors	-	487	-	-
Total	1,149	498	-	472

	On demand	Within one year	Over one year but not more than five years	Over five years
	£000	£000	£000	£000
2016				
Bank overdrafts	733	-	-	-
Derivative financial liabilities	-	170	-	1,698
Distribution payable	-	27	-	-
Other creditors	-	1,657	-	-
Total	733	1,854	-	1,698

17 Fair value disclosure

Fair value measurement

The fund has early adopted the March 2016 amendment to section 34 of FRS 102 (Fair Value Hierarchy disclosures that simplify the preparation of financial instrument disclosure), which is applicable to accounting periods beginning on or after 1 January 2017 with earlier application permitted.

The intention of a fair value measurement is to estimate the price at which an asset or a liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS 102 the fund classifies fair value measurement under the following levels:

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Notes to the financial statements (continued)

17 Fair value disclosure (continued)

Fair value hierarchy

Valuation technique	2017		2016	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1	310,481	-	292,690	30
Level 2	832	473	1,974	1,838
Level 3	-	-	-	-
	311,313	473	294,664	1,868

* Debt securities have been included in level 1, where their valuation is determined to be sufficiently close to a binding quoted price, amount to £310,432,824 as at 30 June 2017 (2016: £292,689,584).

18 Direct transaction costs

	Purchases		Sales/maturities	
	2017 £000	2016 £000	2017 £000	2016 £000
Trades in the year				
Debt securities	183,738	163,300	155,102	166,474
Trades in the year before transaction costs	183,738	163,300	155,102	166,474
Transaction costs				
Commissions				
Debt securities	-	-	-	-
Total commissions	-	-	-	-
Taxes				
Debt securities	-	-	-	-
Total taxes	-	-	-	-
Other expenses				
Debt securities	-	-	-	-
Total other expenses	-	-	-	-
Total transaction costs	-	-	-	-
Total net trades in the year after transaction costs	183,738	163,300	155,102	166,474

Notes to the financial statements (continued)

18 Direct transaction costs (continued)

	Purchases		Sales/maturities	
	2017	2016	2017	2016
	%	%	%	%
Total transaction cost expressed as a percentage of asset type cost				
Commissions				
Debt securities	-	-	-	-
Taxes				
Debt securities	-	-	-	-
Other expenses				
Debt securities	-	-	-	-
	2017	2016		
	%	%		
Total transaction cost expressed as a percentage of net asset value				
Commissions	-	-		
Taxes	-	-		
Other expenses	-	-		
Total costs	-	-		

There were no in specie transfers identified during the year (2016: nil). There were no corporate actions identified during the year (2016: nil).

There were direct transaction costs associated with derivatives during the year of £7,524 (2016: £5,631) which is 0.00% of the average net asset value of the fund (2016: 0.00%).

Direct transaction costs are fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the fund. These exclude any differences between quoted bid and offer prices or internal administrative or holding costs.

Transaction costs for bonds are not separately identifiable as with other financial instruments as the costs form part of the dealing spread and therefore are inherent within the purchase and sale prices of the trades.

The portfolio dealing spread as at 30 June 2017 was 0.08% (2016: 0.08%). The portfolio dealing spread is calculated at the fund's 12 noon valuation point.

19 Events after the Balance Sheet date

There were no material post Balance sheet events which require disclosure within these financial statements.

Distribution tables for the year ended 30 June 2017 (in pence per share)

Interim interest distribution (accounting date 30 September 2016, paid on 30 November 2016)

Group 1: shares purchased prior to 1 July 2016

Group 2: shares purchased on or after 1 July 2016

	Gross revenue	Income tax (20%)	Net revenue	Equalisation	Total Distribution per share 30/11/16*	Total Distribution per share 30/11/15*
Class A income						
Group 1	0.4200	0.0840	0.3360	-	0.3360	0.5614
Group 2	-	-	-	0.3360	0.3360	0.5614
Class I accumulation						
Group 1	0.9800	0.1960	0.7840	-	0.7840	1.0923
Group 2	0.2779	0.0556	0.2223	0.5617	0.7840	1.0923
Class I income						
Group 1	0.6215	0.1243	0.4972	-	0.4972	0.7013
Group 2	0.1996	0.0399	0.1597	0.3375	0.4972	0.7013
Class D accumulation gross						
Group 1	0.5399	-	0.5399	-	0.5399	0.6994
Group 2	0.1523	-	0.1523	0.3876	0.5399	0.6994
Class I accumulation gross						
Group 1	1.0565	-	1.0565	-	1.0565	1.4687
Group 2	0.1076	-	0.1076	0.9489	1.0565	1.4687
Class Z accumulation gross						
Group 1	0.9179	-	0.9179	-	0.9179	1.1276
Group 2	0.5199	-	0.5199	0.3980	0.9179	1.1276

* Distributions on Class A income, Class I accumulation and Class I income prior to 6 April 2017 are net of 20% income tax.

Distribution tables (continued)

Interim interest distribution (accounting date 31 December 2016, paid on 28 February 2017)

Group 1: shares purchased prior to 1 October 2016

Group 2: shares purchased on or after 1 October 2016

	Gross revenue	Income tax (20%)	Net revenue	Equalisation	Total Distribution per share 28/02/17*	Total Distribution per share 29/02/16*
Class A income						
Group 1	0.4253	0.0851	0.3402	-	0.3402	0.4238
Group 2	0.2245	0.0449	0.1796	0.1606	0.3402	0.4238
Class I accumulation						
Group 1	0.9769	0.1954	0.7815	-	0.7815	0.8921
Group 2	0.1800	0.0360	0.1440	0.6375	0.7815	0.8921
Class I income						
Group 1	0.6180	0.1236	0.4944	-	0.4944	0.5706
Group 2	0.2820	0.0564	0.2256	0.2688	0.4944	0.5706
Class D accumulation gross						
Group 1	0.5356	-	0.5356	-	0.5356	0.5871
Group 2	0.0489	-	0.0489	0.4867	0.5356	0.5871
Class I accumulation gross						
Group 1	1.0562	-	1.0562	-	1.0562	1.1979
Group 2	0.6203	-	0.6203	0.4359	1.0562	1.1979
Class Z accumulation gross						
Group 1	0.9066	-	0.9066	-	0.9066	0.9673
Group 2	-	-	-	0.9066	0.9066	0.9673

* Distributions on Class A income, Class I accumulation and Class I income prior to 6 April 2017 are net of 20% income tax.

Distribution tables (continued)

Interim interest distribution (accounting date 31 March 2017, paid on 31 May 2017)

Group 1: shares purchased prior to 1 January 2017

Group 2: shares purchased on or after 1 January 2017

	Distribution per share	Equalisation	Total Distribution per share 31/05/17*	Total Distribution per share 29/05/16*
Class A income				
Group 1	0.3926	-	0.3926	0.4415
Group 2	-	0.3926	0.3926	0.4415
Class I accumulation				
Group 1	0.9119	-	0.9119	0.9200
Group 2	-	0.9119	0.9119	0.9200
Class I income				
Group 1	0.5756	-	0.5756	0.5868
Group 2	0.2385	0.3371	0.5756	0.5868
Class D accumulation gross				
Group 1	0.5062	-	0.5062	0.6056
Group 2	0.0904	0.4158	0.5062	0.6056
Class I accumulation gross				
Group 1	0.9898	-	0.9898	1.2378
Group 2	0.7623	0.2275	0.9898	1.2378
Class Z accumulation gross				
Group 1	0.8618	-	0.8618	0.9972
Group 2	0.0290	0.8328	0.8618	0.9972

* Distributions on Class A income, Class I accumulation and Class I income prior to 6 April 2017 are net of 20% income tax.

Distribution tables (continued)

Final interest distribution (accounting date 30 June 2017, paid on 31 August 2017)

Group 1: shares purchased prior to 1 April 2017

Group 2: shares purchased on or after 1 April 2017

	Distribution per share	Equalisation	Total Distribution per share 31/08/17	Total Distribution per share 31/08/16*
Class A income				
Group 1	0.3713	-	0.3713	0.4503
Group 2	0.1985	0.1728	0.3713	0.4503
Class I accumulation				
Group 1	0.8909	-	0.8909	0.9385
Group 2	0.1605	0.7304	0.8909	0.9385
Class I income				
Group 1	0.5607	-	0.5607	0.5968
Group 2	0.1337	0.4270	0.5607	0.5968
Class D accumulation gross				
Group 1	0.4948	-	0.4948	0.6186
Group 2	0.0658	0.4290	0.4948	0.6186
Class I accumulation gross				
Group 1	0.9529	-	0.9529	1.2658
Group 2	0.5607	0.3922	0.9529	1.2658
Class Z accumulation gross				
Group 1	0.8506	-	0.8506	1.0184
Group 2	0.3341	0.5165	0.8506	1.0184

* Distributions on Class A income, Class I accumulation and Class I income prior to 6 April 2017 are net of 20% income tax.

Henderson Preference & Bond Fund

Authorised Corporate Director's (ACD) report

Investment Fund Managers

Jenna Barnard and John Pattullo

Investment objective and policy

To provide a return by investing primarily in sterling denominated preference shares, Government securities, corporate bonds, Eurobonds and other bonds. Where the fund invests in currencies other than sterling, the fund will always be hedged at least 80% to sterling in aggregate. The fund may invest in other transferable securities, money market instruments, derivatives and forward transactions, deposits and units in collective investment schemes.

Performance summary

	30 Jun 16 - 30 Jun 17 %	30 Jun 15 - 30 Jun 16 %	30 Jun 14 - 30 Jun 15 %	30 Jun 13 - 30 Jun 14 %	30 Jun 12 - 30 Jun 13 %
Henderson Preference & Bond Fund	8.2	2.6	2.1	10.7	7.8

Source: Morningstar, bid to bid and net of fees, as at 12 noon valuation point, based on performance of Class A income. The fund is not run against a specific benchmark.

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.

Significant portfolio changes for the year ended 30 June 2017

Largest purchases	£000	Largest sales/maturities	£000
UK Treasury 1.25% 22/07/2018	61,015	UK Treasury 1.25% 22/07/2018	40,555
UK Treasury 2.00% 22/07/2020	21,324	UK Treasury 2.00% 22/07/2020	26,758
UK Treasury 1.00% 07/09/2017	20,145	UK Treasury 1.00% 07/09/2017	20,113
Zurich Finance UK 6.625% Perpetual	12,038	AT&T 4.75% 15/05/2046	12,412
Vodafone 3.375% Perpetual	11,133	Diamond 1 & 2 Finance 8.10% 15/07/2036	11,784
Apple 3.35% 09/02/2027	10,678	Dresdner Funding Trust 8.151% 30/06/2031	11,220
BUPA Finance 6.125% Perpetual	8,820	Sky 3.75% 16/09/2024	10,995
Reynolds American 6.15% 15/09/2043	8,391	BNP Paribas FRN Perpetual	10,495
AT&T 5.25% 01/03/2037	8,328	Verizon Communications 6.55% 15/09/2043	10,175
Orange 5.75% Perpetual	8,218	ING Bank 4.125% 21/11/2023	9,549
Total purchases	575,263	Total sales/maturities	621,008

Investment review

The first half of the year was a remarkably strong one for a range of bond markets, especially UK government and investment grade corporate bonds. The sterling market proved a standout performer. It became clear that the UK's vote to leave the European Union (known as Brexit) was a significant catalyst for bond markets, albeit at the expense of a weaker currency. As bond markets digested the impact of the Brexit decision, the implications played positively into a number of themes that we had positioned within the fund. In August, the Bank of England (BoE) implemented their policy response to Brexit, cutting the base rate to 0.25%, with a further cut promised if required. The quantitative easing scheme (central bank liquidity measures) was expanded by £60bn, and a £10bn scheme was initiated to purchase UK industrial investment grade corporate bonds. In addition, a new Term Funding Scheme was established to offset the interest rate cut that compressed bank margins.

Overall, this comprehensive package was a surprise to the market, and gilts and corporate bonds rallied aggressively. This compounded the already aggressive buying of European government and corporate bonds by the European Central Bank's own programme. High yield bonds were also strong performers as the search for yield became more desperate. Financial bonds, which lagged before the Brexit decision, caught an international bid, helped by the devaluation of sterling.

The theme of central banks exaggerating the bond drought while suppressing volatility (sharper fluctuations in prices) was remarkable given how far we are into this monetary experiment. However, in September 2016, markets debated the significance of a shift in policy framework from monetary stimulus to fiscal stimulus globally and the impact this might have on the shape of yield curves. The Bank of Japan's announcement that it moved policy to a yield target of 0% on 10-year Japanese government bonds was also significant, not only in terms of the policy shift, but also in that a source of significant uncertainty in bond markets for months managed to pass without stoking additional volatility.

The final three months of 2016 were dominated by the appointment of the new US president, Donald Trump. The market took this as a signal to enter a full risk-on mode, as, along with the strengthening economic data already being observed at the start of the fourth quarter, anticipation of fiscal expansion drove a rapid sell off of US government bond yields and a significant appreciation in the dollar. UK bonds sold off in a global bond rout, while 10-year gilt yields rose from a post-Brexit low of 0.5% to a high of 1.54% in mid-December (prices move inversely to yields).

Coming into 2017, the pervasive bearishness on bonds was profound. Using industry data on US Treasury futures, we observed throughout most of this year a record number of short positions, meaning investors were positioning for prices on US government bonds to fall. Either the data was going to improve to justify the expected sell off in bonds, or it would fade and bonds would rally. Our view, that the reflation trade would have a limited lifespan, was justified. We felt this was a global synchronised cyclical uplift driven by China reflation its economy in 2016 rather than anything the Trump administration initiated. The subjective soft economic data which the equity market focused on seem to fade, while the more reliable hard economic data was much more muted – and indeed the correct focus of the bond community. The global economic surprise indices turned down significantly, albeit from elevated levels. US employment data was soft, with a few siren signs of distress appearing in sub-prime auto loans and shopping mall mortgage-related bonds. Headline inflation faded but remained problematic in the UK. Sovereign bonds rallied in this risk-off environment as short sellers of Treasuries scrambled to cover their shorts, as it appeared the secular trends of low growth, inflation and volatility re-asserted themselves. This bond rally faded in the last week of the April as the market embraced the favourable first round outcome of the French election, and the markets continued to rally after the election result. Wage inflation was muted to the frustration of many bond bears and central bankers.

Towards year end, the main news came from actual and perceived shifts in policy stance from central banks, rather than any underlying economic data. This was initiated by Canada, where low and falling inflation was disregarded and the central bank signalled that it was ready to take back the 50 basis points in 'emergency' rate cuts from 2015. The BoE then surprised investors as a number of Monetary Policy Committee members voted for a hike and the previously dovish chief economist signalled a willingness to consider rate hikes later in the year. In addition, there was some confusion over the positions of both Mark Carney and Mario Draghi following speeches that were interpreted as a shift towards less accommodative monetary policy.

The combination of this rhetoric and exceptionally low volatility in bond markets created the beginnings of what we think may be another short, sharp move higher in government bond yields – the type of which has recently become known as a 'tantrum'. This may prove to be a modest move away from emergency monetary policies, but unless inflation picks up materially, we remain sympathetic to embracing duration (a measure of interest rate sensitivity) in a secular sense, accepting shorter term cyclical peaks and troughs.

The fund significantly outperformed the sector. We enjoyed the uplift in bond pricing in a domestic sense post-Brexit. Financial bonds, both high yield and investment grade, were stellar performers. Industrial high yield also performed well, while the smaller amount of holdings we had in industrial investment grade and loans were somewhat unexciting.

Authorised Corporate Director's report (continued)

However, the fourth quarter was a tougher one for all bond holders. The 'Trump reflation' trade certainly tested the resolve of the secular 'stagflationist' camp. Given the political crises we endured, we very successfully and opportunistically managed duration from both the short and long side by using interest rate futures. We have been very selective on the new credits we have added to the fund. We saw significant value in some jumbo bond deals which typically, given their size, have to come at a significant new issue premium. Example of such names include Vodafone and AT&T. We bought a number of selective new high yield positions, including Ardagh Group and Eircom. Notable sales included AXA, Reynolds, Deutsche Telecom and Walgreens. We found that the smaller deals hardly offered any new issue premium at all. We purposely declined many new high yield deals either due to too much leverage, a weak business model, poor valuation or a combination of all three factors.

The fundamental backdrop of low growth, low inflation and low default rates is not at risk, in our view. However, government bond markets have recently become prone to very sharp moves higher in yields, which, in our mind, provide buying opportunities given the underlying economic fundamentals. We feel it is likely that the move in yields, which began in June, could well develop into a shakeout in the bond market. However, this may present opportunities to lock in attractive long maturity. We remain solely focused on providing a reliable, realistic and sustainable quarterly income stream for our clients without undue capital risk.

Comparative tables for the year ended 30 June 2017

	Class A income		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	51.92	52.68	53.94
Return before operating charges*	4.92	2.13	1.90
Operating charges	(0.76)	(0.74)	(0.76)
Return after operating charges*	4.16	1.39	1.14
Distributions on income shares	(2.36)	(2.15)	(2.40)
Closing net asset value per share	53.72	51.92	52.68
* after direct transaction costs of:	-	-	-

Performance

Return after charges	8.01%	2.64%	2.11%
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Other information

Closing net asset value (£000s)	142,653	144,318	228,918
Closing number of shares	265,532,975	277,976,365	434,563,284
Operating charges	1.41%	1.41%	1.41%
Direct transaction costs	0.01%	0.00%	0.00%

Prices

Highest share price (pence)	54.79	53.55	55.15
Lowest share price (pence)	52.30	50.78	52.83

	Class I accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	130.42	126.12	121.36
Return before operating charges*	13.31	6.53	7.05
Operating charges	(0.95)	(0.90)	(0.88)
Return after operating charges*	12.36	5.63	6.17
Distributions on accumulation shares	(6.87)	(6.64)	(7.04)
Retained distributions on accumulation shares^	6.15	5.31	5.63
Closing net asset value per share	142.06	130.42	126.12
* after direct transaction costs of:	0.01	-	-

Performance

Return after charges	9.48%	4.46%	5.08%
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Other information

Closing net asset value (£000s)	55,619	55,099	47,189
Closing number of shares	39,153,094	42,247,026	37,414,739
Operating charges	0.69%	0.70%	0.70%
Direct transaction costs	0.01%	0.00%	0.00%

Prices

Highest share price (pence)	143.30	131.70	129.90
Lowest share price (pence)	131.40	124.60	121.80

^ Retained distributions prior to 6 April 2017 are net of 20% income tax.

Comparative tables (continued)

	Class I income		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	55.58	56.03	57.10
Return before operating charges*	5.30	2.26	1.90
Operating charges	(0.40)	(0.39)	(0.40)
Return after operating charges*	4.90	1.87	1.50
Distributions on income shares	(2.58)	(2.32)	(2.57)
Closing net asset value per share	57.90	55.58	56.03
* after direct transaction costs of:	-	-	-

Performance

Return after charges	8.82%	3.34%	2.63%
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Other information

Closing net asset value (£000s)	359,628	336,505	243,218
Closing number of shares	621,170,663	605,420,037	434,104,125
Operating charges	0.69%	0.70%	0.70%
Direct transaction costs	0.01%	0.00%	0.00%

Prices

Highest share price (pence)	59.05	56.99	58.56
Lowest share price (pence)	56.00	54.23	55.93

	Class Z accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	196.01	188.29	181.82
Return before operating charges*	20.04	9.80	8.65
Operating charges	(0.08)	(0.08)	(0.07)
Return after operating charges*	19.96	9.72	8.58
Distributions on accumulation shares	(10.47)	(10.04)	(10.57)
Retained distributions on accumulation shares^	9.37	8.04	8.46
Closing net asset value per share	214.87	196.01	188.29
* after direct transaction costs of:	0.01	-	-

Performance

Return after charges	10.18%	5.16%	4.72%
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Other information

Closing net asset value (£000s)	20,987	19,229	18,573
Closing number of shares	9,766,960	9,810,214	9,864,185
Operating charges	0.04%	0.04%	0.04%
Direct transaction costs	0.01%	0.00%	0.00%

Prices

Highest share price (pence)	216.70	197.90	193.60
Lowest share price (pence)	197.50	186.90	180.80

^ Retained distributions prior to 6 April 2017 are net of 20% income tax.

Comparative tables (continued)

	Class A income gross		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	52.56	53.33	54.60
Return before operating charges*	5.30	2.69	2.54
Operating charges	(0.77)	(0.75)	(0.77)
Return after operating charges*	4.53	1.94	1.77
Distributions on income shares	(2.70)	(2.71)	(3.04)
Closing net asset value per share	54.39	52.56	53.33
* after direct transaction costs of:	-	-	-

Performance

Return after charges	8.62%	3.64%	3.24%
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Other information

Closing net asset value (£000s)	1,993	2,368	9,965
Closing number of shares	3,665,145	4,506,128	18,686,388
Operating charges	1.41%	1.41%	1.41%
Direct transaction costs	0.01%	0.00%	0.00%

Prices

Highest share price (pence)	55.55	54.26	55.96
Lowest share price (pence)	52.95	51.46	53.51

	Class I income gross		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	56.38	56.84	57.81
Return before operating charges*	5.69	2.84	2.71
Operating charges	(0.40)	(0.40)	(0.41)
Return after operating charges*	5.29	2.44	2.30
Distributions on income shares	(2.94)	(2.90)	(3.27)
Closing net asset value per share	58.73	56.38	56.84
* after direct transaction costs of:	-	-	-

Performance

Return after charges	9.38%	4.29%	3.98%
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Other information

Closing net asset value (£000s)	168,064	143,682	120,073
Closing number of shares	286,159,637	254,826,432	211,264,586
Operating charges	0.69%	0.70%	0.70%
Direct transaction costs	0.01%	0.00%	0.00%

Prices

Highest share price (pence)	59.91	57.87	59.55
Lowest share price (pence)	56.81	55.08	56.77

Comparative tables (continued)

	Class Z accumulation gross		
	2017	2016	2015
	(pence per share)	(pence per share)	(pence per share)
Change in net assets per share			
Opening net asset value per share	229.51	218.10	208.20
Return before operating charges*	23.69	11.50	9.99
Operating charges	(0.10)	(0.09)	(0.09)
Return after operating charges*	23.59	11.41	9.90
Distributions on accumulation shares	(12.70)	(11.65)	(11.82)
Retained distributions on accumulation shares	12.70	11.65	11.82
Closing net asset value per share	253.10	229.51	218.10
* after direct transaction costs of:	0.02	-	-
Performance			
Return after charges	10.28%	5.23%	4.76%
Other information			
Closing net asset value (£000s)	213	2	2
Closing number of shares	84,375	1,000	1,000
Operating charges	0.04%	0.04%	0.04%
Direct transaction costs	0.01%	0.00%	0.00%
Prices			
Highest share price (pence)	255.10	231.60	223.80
Lowest share price (pence)	231.30	218.00	207.40

Performance values are at close of business and may differ from the performance summary.

Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

Share class launches and closures

There were no share classes launched or closed in the year.

Ongoing charge figure

The annualised ongoing charge figure (OCF) of the fund is 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 year, except for expenses that are explicitly excluded by regulation.

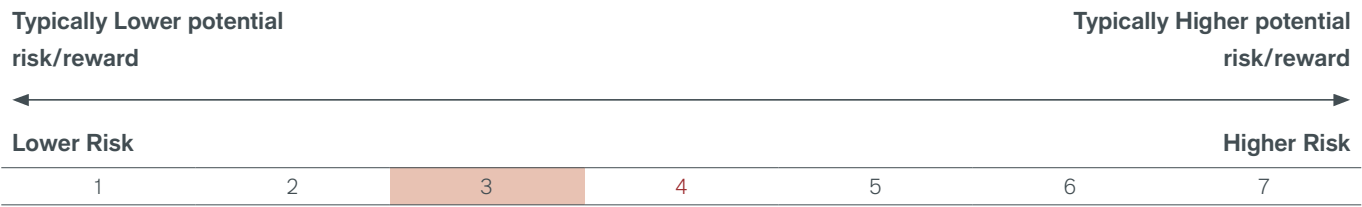
	2017 %	2016 %
Class A	1.41	1.41
Class I	0.69	0.70
Class Z	0.04	0.04

The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

Risk and reward profile

The fund currently has 7 types of share class in issue; A income, I accumulation, I income, Z accumulation, A income gross, I income gross and Z accumulation gross.

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 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 share classes appear at 3 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events.

The full list of the fund's risks are contained in the 'Risk Factors' section of the funds prospectus.

There have been no changes to the risk rating in the year.

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

Portfolio statement as at 30 June 2017

Holding	Investment	Market value £000	Percentage of total net assets %
	Equities 0.03% (2016: 0.00%)		
	United Kingdom 0.00% (2016: 0.00%)		
	Consumer Goods 0.00% (2016: 0.00%)		
310,000	Whitnash 6.5% Preference+	-	-
550,000	Whitnash 9.00% Preference+	-	-
		-	-
	United States 0.03% (2016: 0.00%)		
	Financials 0.03% (2016: 0.00%)		
11,108	CitiGroup 7.875% 30/10/2040 Preference Shares	222	0.03
	Bonds 92.18% (2016: 97.00%)		
	Belgium 0.00% (2016: 0.55%)		
	Fixed Rate Bond 0.00% (2016: 0.55%)		
	Canada 1.18% (2016: 0.17%)		
	Fixed Rate Bond 1.18% (2016: 0.17%)		
USD 6,205,000	Cott 5.375% 01/07/2022	4,950	0.66
USD 4,935,000	Cott 5.50% 01/04/2025	3,875	0.52
		8,825	1.18
	France 2.22% (2016: 8.31%)		
	Fixed Rate Bond 0.67% (2016: 0.51%)		
EUR 2,200,000	Burger King France 6.00% 01/05/2024	2,049	0.27
EUR 3,300,000	La Financiere Atalian 4.00% 15/05/2024	2,998	0.40
		5,047	0.67
	Secured Loans 0.89% (2016: 1.15%)		
EUR 4,843,660	Numericable FRN 14/01/2025~	4,272	0.57
EUR 1,668,022	Oberthur FRN 10/01/2024~	1,471	0.20
EUR 1,033,978	Oberthur FRN 10/01/2024 Term B1~	912	0.12
		6,655	0.89
	Variable Rate Bond 0.66% (2016: 6.65%)		
GBP 4,470,000	Orange 5.75% Perpetual	4,941	0.66
	Germany 2.49% (2016: 4.43%)		
	Asset Backed 0.00% (2016: 0.00%)		
	Fixed Rate Bond 2.13% (2016: 3.86%)		
EUR 1,870,000	Unitymedia Hessen 3.50% 15/01/2027	1,693	0.23
EUR 1,250,000	Unitymedia Hessen 4.00% 15/01/2025	1,157	0.15
EUR 13,500,000	Unitymedia 3.75% 15/01/2027	12,090	1.62
USD 1,250,000	Unitymedia 5.00% 15/01/2025	1,008	0.13
		15,948	2.13
	Secured Loans 0.36% (2016: 0.57%)		
EUR 3,026,647	Douglas FRN 13/08/2022~	2,678	0.36

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	Ireland 2.68% (2016: 3.11%)		
	Fixed Rate Bond 2.68% (2016: 2.54%)		
EUR 11,812,000	Ardagh Packaging Finance 6.75% 15/05/2024	11,574	1.55
USD 1,520,000	Ardagh Packaging Finance 4.625% 15/05/2023	1,199	0.16
GBP 2,400,000	Ardagh Packaging Finance 4.75% 15/07/2027	2,396	0.32
USD 1,885,000	Ardagh Packaging Finance 6.00% 15/02/2025	1,524	0.20
USD 930,000	Ardagh Packaging Finance 7.25% 15/05/2024	783	0.10
EUR 2,815,000	Eircom Finance 4.50% 31/05/2022	2,580	0.35
		<u>20,056</u>	<u>2.68</u>
	Secured Loans 0.00% (2016: 0.57%)		
	Italy 0.00% (2016: 1.43%)		
	Variable Rate Bond 0.00% (2016: 1.43%)		
	Luxembourg 1.77% (2016: 0.98%)		
	Fixed Rate Bond 0.60% (2016: 0.98%)		
EUR 4,700,000	Telenet Finance VI 4.875% 15/07/2027	<u>4,513</u>	<u>0.60</u>
	Secured Loans 1.17% (2016: 0.00%)		
EUR 3,018,234	Eircom FRN 08/03/2024~	2,666	0.36
USD 4,879,632	Formula One FRN 01/02/2024~	3,757	0.50
USD 1,687,251	Siemens Audiology FRN 17/01/2022 Term B7~	1,301	0.17
EUR 1,180,889	Siemens Audiology FRN 17/01/2022 Term B6~	<u>1,050</u>	<u>0.14</u>
		<u>8,774</u>	<u>1.17</u>
	Netherlands 0.58% (2016: 2.33%)		
	Fixed Rate Bond 0.58% (2016: 0.78%)		
GBP 3,375,000	Rabobank Nederland 6.91% Perpetual	<u>4,362</u>	<u>0.58</u>
	Floating Rate Note 0.00% (2016: 0.26%)		
	Variable Rate Bond 0.00% (2016: 1.29%)		
	New Zealand 0.68% (2016: 0.00%)		
	Fixed Rate Bond 0.68% (2016: 0.00%)		
USD 6,190,000	Reynolds 7.00% 15/07/2024	<u>5,112</u>	<u>0.68</u>
	Norway 0.00% (2016: 0.34%)		
	Fixed Rate Bond 0.00% (2016: 0.34%)		
	Spain 0.00% (2016: 1.23%)		
	Variable Rate Bond 0.00% (2016: 1.23%)		
	Sweden 0.73% (2016: 0.74%)		
	Fixed Rate Bond 0.73% (2016: 0.74%)		
EUR 5,821,000	Auris Luxembourg II 8.00% 15/01/2023	<u>5,473</u>	<u>0.73</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	Switzerland 4.30% (2016: 2.55%)		
	Fixed Rate Bond 0.00% (2016: 0.36%)		
	Secured Loans 0.00% (2016: 0.25%)		
	Variable Rate Bond 4.30% (2016: 1.94%)		
USD 3,700,000	Credit Suisse 6.25% Perpetual	3,026	0.40
GBP 3,400,000	ELM 6.3024% Perpetual	3,664	0.49
USD 16,000,000	UBS 6.875% Perpetual	13,119	1.76
GBP 10,400,000	Zurich Finance UK 6.625% Perpetual	12,398	1.65
		32,207	4.30
	United Kingdom 42.14% (2016: 41.09%)		
	Asset Backed 0.85% (2016: 0.82%)		
GBP 4,330,000	Canary Wharf Finance II FRN 22/10/2037	3,486	0.46
GBP 9,969,144	DECO Series FRN 27/01/2036#	-	-
GBP 2,638,971	Tesco Property Finance 5.744% 13/04/2040	2,907	0.39
		6,393	0.85
	Fixed Rate Bond 23.91% (2016: 23.70%)		
GBP 7,830,000	Arqiva Broadcast Finance 9.50% 31/03/2020	8,335	1.11
GBP 2,000,000	Arqiva Financing 4.04% 30/06/2020	2,121	0.28
GBP 6,300,000	BAA Funding 6.00% 20/03/2020	7,055	0.94
GBP 1,819,000	BAA Funding 7.125% 14/02/2024	2,337	0.31
GBP 2,300,000	Barclays VAR Perpetual	2,426	0.32
GBP 7,000,000	Cattles 6.875% Perpetual#	-	-
GBP 2,000,000	CPUK Finance 2.666% 28/02/2020	2,058	0.27
GBP 5,500,000	CPUK Finance 4.25% 28/08/2022	5,532	0.74
GBP 1,100,000	CPUK Finance 4.875% 28/08/2025	1,114	0.15
GBP 6,507,000	Daily Mail & General Trust 5.75% 07/12/2018	6,871	0.92
GBP 4,856,000	Friends Life Holdings 12.00% 21/05/2021	6,714	0.90
GBP 1,140,000	Friends Life Holdings 8.25% 21/04/2022	1,470	0.20
GBP 1,005,000	Galaxy Bidco 6.375% 15/11/2020	1,025	0.14
GBP 1,235,000	Galaxy Finco 7.875% 15/11/2021	1,266	0.17
GBP 4,000,000	Hammerson 6.875% 31/03/2020	4,601	0.61
GBP 3,000,000	Heathrow Finance 5.75% 03/03/2025	3,392	0.45
GBP 6,190,000	Imperial Tobacco Finance 4.875% 07/06/2032	7,481	1.00
GBP 2,700,000	Imperial Tobacco Finance 9.00% 17/02/2022	3,565	0.48
GBP 8,105,000	Iron Mountain 6.125% 15/09/2022	8,541	1.14
GBP 4,750,000	PGH Capital 4.125% 20/07/2022	4,916	0.66
GBP 11,700,000	PGH Capital 6.625% 18/12/2025	13,397	1.78
GBP 800,000	Prudential 6.125% 19/12/2031	1,024	0.14
GBP 3,200,000	RAC Bond 4.565% 06/05/2023	3,469	0.46
GBP 4,700,000	RAC Bond 4.87% 06/05/2026	5,217	0.70
USD 2,130,000	Royal Bank of Scotland 7.648% Perpetual	2,021	0.27

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Fixed Rate Bond (continued)			
GBP 6,000,000	Scottish Widows 5.50% 16/06/2023	6,718	0.90
GBP 2,260,000	Scottish Widows 7.00% 16/06/2043	2,860	0.38
GBP 2,500,000	Segro 5.625% 07/12/2020	2,859	0.38
GBP 4,800,000	Tesco 5.20% 05/03/2057	4,694	0.63
GBP 5,200,000	Tesco 5.50% 13/01/2033	5,667	0.76
GBP 4,500,000	Tesco 6.125% 24/02/2022	5,147	0.69
GBP 3,800,000	TP ICAP 5.25% 26/01/2024	4,063	0.54
GBP 20,000,000	UK Treasury 1.25% 22/07/2018	20,199	2.69
GBP 2,955,000	Virgin Media Finance 6.375% 15/10/2024	3,172	0.42
USD 1,800,000	Virgin Media Secured Finance 5.25% 15/01/2026	1,442	0.19
GBP 10,115,000	Virgin Media Secured Finance 6.25% 28/03/2029	10,953	1.46
GBP 3,000,000	Vodafone 3.375% Perpetual	2,770	0.37
GBP 3,000,000	WPP Finance 2013 2.875% 14/09/2046	2,668	0.36
		<hr/> 179,160	<hr/> 23.91
Secured Loans 0.82% (2016: 0.00%)			
EUR 1,750,000	Misys Europe FRN 13/06/2024~	1,556	0.21
GBP 2,700,000	Pret a Manger FRN 20/06/2022~	2,711	0.36
GBP 1,881,068	Pret a Manger FRN 20/06/2022 Term B2~	1,889	0.25
		<hr/> 6,156	<hr/> 0.82
Stepped Rate Bond 2.99% (2016: 2.48%)			
GBP 10,205,000	Co-Operative Bank 7.50% 08/07/2026	12,358	1.65
GBP 4,900,000	Royal Bank of Scotland 5.625% Perpetual	5,250	0.70
GBP 4,372,000	Standard Life 6.546% Perpetual	4,774	0.64
		<hr/> 22,382	<hr/> 2.99
Variable Rate Bond 13.57% (2016: 14.09%)			
GBP 9,000,000	Aviva 6.125% Perpetual	10,090	1.35
GBP 765,000	Bank of Scotland 7.281% Perpetual	955	0.13
USD 8,260,000	Barclays Bank 6.278% Perpetual	7,153	0.95
GBP 14,447,000	BUPA Finance 6.125% Perpetual	16,019	2.14
USD 1,000,000	HBOS Capital Funding 6.85% Perpetual	785	0.10
GBP 9,008,000	HBOS Sterling Finance Jersey 7.881% Perpetual	12,518	1.67
GBP 7,750,000	HSBC Bank 5.844% Perpetual	9,466	1.26
USD 7,365,000	Lloyds Banking 6.657% Perpetual	6,430	0.86
GBP 6,660,000	National Grid Finance 5.625% 18/06/2073	7,545	1.01
GBP 3,510,000	National Westminster Bank 7.125% Perpetual	3,911	0.52
GBP 95,700	Nationwide Building Society VAR Perpetual	14,314	1.91
USD 1,598,000	RBS Capital Trust II FRN Perpetual	1,404	0.19
GBP 3,000,000	RSA Insurance VAR 10/10/2045	3,357	0.45
GBP 3,000,000	Standard Life 5.50% 04/12/2042	3,322	0.44
GBP 4,387,000	Thames Water Utilities Cayman Finance 5.375% 21/07/2025	4,398	0.59
		<hr/> 101,667	<hr/> 13.57

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
United States 33.41% (2016: 29.74%)			
Asset Backed 0.02% (2016: 0.02%)			
GBP 1,257,928	Lehman Brothers Holdings 7.875% 08/05/2018	116	0.02
Fixed Rate Bond 29.99% (2016: 26.55%)			
USD 9,300,000	Altice US Finance I 5.50% 15/05/2026	7,518	1.00
USD 9,000,000	Altria 2.85% 09/08/2022	7,037	0.94
USD 2,840,000	Altria 5.375% 31/01/2044	2,636	0.35
USD 4,220,000	AMC Entertainment Holdings 5.875% 15/11/2026	3,391	0.45
GBP 2,600,000	AMC Entertainment 6.375% 15/11/2024	2,785	0.37
GBP 3,500,000	Apple 3.05% 31/07/2029	3,813	0.51
USD 13,300,000	Apple 3.35% 09/02/2027	10,469	1.41
USD 5,904,000	Aramark 4.75% 01/06/2026	4,716	0.63
USD 705,000	Aramark 5.00% 01/04/2025	573	0.08
USD 2,114,000	Aramark 5.125% 15/01/2024	1,711	0.23
GBP 3,200,000	AT&T 3.55% 14/09/2037	3,109	0.41
USD 10,200,000	AT&T 5.25% 01/03/2037	8,367	1.12
USD 1,342,000	Ball 4.00% 15/11/2023	1,056	0.14
USD 4,580,000	Ball 5.25% 01/07/2025	3,892	0.52
USD 5,000,000	Bank of America 6.30% Perpetual	4,316	0.58
USD 4,304,000	Berry Plastics 5.125% 15/07/2023	3,450	0.46
USD 2,290,000	Boyd Gaming 6.375% 01/04/2026	1,906	0.25
USD 810,000	Boyd Gaming 6.875% 15/05/2023	667	0.09
EUR 2,200,000	Catalent Pharma Solutions 4.75% 15/12/2024	2,064	0.28
USD 4,600,000	CCO Capital 5.875% 01/05/2027	3,785	0.51
USD 7,000,000	Charter Communications Operating Capital 5.375% 01/05/2047	5,701	0.76
USD 4,600,000	Charter Communications Operating Capital 6.484% 23/10/2045	4,250	0.57
USD 4,140,000	Citigroup 5.95% Perpetual	3,414	0.46
USD 4,995,000	Crown Americas Capital V 4.25% 30/09/2026	3,836	0.51
USD 3,120,000	Diamond 1 & 2 Finance 6.02% 15/06/2026	2,646	0.35
USD 4,500,000	Equinix 5.375% 01/04/2023	3,599	0.48
USD 1,920,000	First Data 5.00% 15/01/2024	1,520	0.20
USD 1,860,000	First Data 5.375% 15/08/2023	1,496	0.20
USD 2,290,000	First Data 5.75% 15/01/2024	1,831	0.24
USD 3,400,000	First Data 7.00% 01/12/2023	2,794	0.37
USD 1,671,000	HCA Holdings 5.00% 15/03/2024	1,362	0.18
USD 3,385,000	IGT 6.25% 15/02/2022	2,847	0.38
USD 6,498,000	IGT 6.50% 15/02/2025	5,490	0.73
USD 7,100,000	IMS Health 5.00% 15/10/2026	5,637	0.75
USD 7,680,000	Infor US 6.50% 15/05/2022	6,119	0.82
USD 1,425,000	Iron Mountain 5.375% 01/06/2026	1,152	0.15
USD 4,630,000	KFC/Pizza Hut/Taco Bell America 4.75% 01/06/2027	3,640	0.49
USD 8,915,000	Lamb Weston Holdings 4.875% 01/11/2026	7,112	0.95
USD 4,800,000	Microsoft 3.30% 06/02/2027	3,806	0.51
USD 8,500,000	Microsoft 4.45% 03/11/2045	7,281	0.97

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Fixed Rate Bond (continued)			
USD 3,885,000	NCR 5.00% 15/07/2022	3,051	0.41
EUR 4,300,000	Netflix 3.625% 15/05/2027	3,837	0.51
USD 4,560,000	Nielsen Finance 5.00% 15/04/2022	3,642	0.49
USD 9,000,000	Oracle 3.90% 15/05/2035	7,140	0.95
USD 7,045,000	Prime Security Services Borrower 9.25% 15/05/2023	5,894	0.79
USD 4,165,000	Regal Entertainment 5.75% 01/02/2025	3,303	0.44
USD 8,500,000	Reynolds American 6.15% 15/09/2043	8,172	1.09
USD 3,435,000	Sealed Air 4.875% 01/12/2022	2,816	0.38
USD 1,168,000	Sealed Air 5.125% 01/12/2024	964	0.13
USD 4,740,000	Sealed Air 5.25% 01/04/2023	3,914	0.52
USD 6,800,000	Servcorp International 5.375% 15/05/2024	5,529	0.74
USD 320,000	ServiceMaster 5.125% 15/11/2024	255	0.03
USD 4,855,000	Silgan Holdings 4.75% 15/03/2025	3,831	0.51
USD 9,250,000	SiriusXM Radio 5.375% 15/04/2025	7,361	0.98
EUR 1,600,000	Spectrum Brands 4.00% 01/10/2026	1,459	0.19
USD 4,700,000	Verizon Communications 4.125% 15/08/2046	3,220	0.43
USD 2,646,000	Verizon Communications 5.012% Perpetual	2,057	0.27
USD 7,000,000	Verizon Communications 5.012% Perpetual	5,442	0.73
		<u>224,681</u>	<u>29.99</u>
Secured Loans 1.63% (2016: 1.16%)			
GBP 3,081,000	Equinix FRN 06/01/2023~	3,107	0.41
EUR 3,910,200	Infor Lawson FRN 01/02/2022~	3,457	0.46
USD 7,260,000	Misys FRN 28/04/2025~	5,685	0.76
		<u>12,249</u>	<u>1.63</u>
Variable Rate Bond 1.77% (2016: 2.01%)			
USD 17,095,000	Wachovia Capital Trust III 5.56975% Perpetual	<u>13,233</u>	<u>1.77</u>
Derivatives 0.68% (2016: (2.60%))			
Futures 0.00% (2016: (0.01%))			
192	CBT US Long Bond September 2017	<u>(25)</u>	<u>-</u>
Swaps 0.00% (2016: 0.33%)			
Credit Default Index Swaps 0.00% (2016: 0.32%)			
Credit Default Swaps 0.00% (2016: 0.01%)			
680,000	CDS 5.00% 20/12/2017 ConvaTec Healthcare Receive EUR	14	-
390,779	CDS 5.00% 20/12/2017 ConvaTec Healthcare Receive EUR	8	-
		<u>22</u>	<u>-</u>
Forward Foreign Exchange Contracts 0.68% (2016: (2.92%))			
	Buy EUR 11,655 : Sell GBP 10,256 July 2017^	-	-
	Buy EUR 2,247,150 : Sell GBP 1,968,923 July 2017	5	-
	Buy EUR 2,672 : Sell GBP 2,362 July 2017^	-	-
	Buy EUR 310,642 : Sell GBP 273,237 July 2017^	-	-

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Forward Foreign Exchange Contracts <small>(continued)</small>			
	Buy EUR 337,720 : Sell GBP 297,367 July 2017	(1)	-
	Buy EUR 673,616 : Sell GBP 591,956 July 2017^	-	-
	Buy EUR 73,408 : Sell GBP 64,592 July 2017^	-	-
	Buy EUR 8,076 : Sell GBP 7,122 July 2017^	-	-
	Buy GBP 14,822,828 : Sell USD 18,930,879 July 2017	261	0.03
	Buy GBP 1,531,816 : Sell EUR 1,739,907 July 2017	3	-
	Buy GBP 15,639,512 : Sell USD 19,755,506 July 2017	443	0.06
	Buy GBP 242,747,806 : Sell USD 310,008,540 July 2017	4,285	0.58
	Buy GBP 3,466,025 : Sell USD 4,502,193 July 2017^	-	-
	Buy GBP 4,020,441 : Sell USD 5,225,728 July 2017	1	-
	Buy GBP 4,728,736 : Sell USD 5,993,439 July 2017	119	0.02
	Buy GBP 7,281,339 : Sell USD 9,229,835 July 2017	182	0.02
	Buy GBP 75,146,180 : Sell EUR 85,790,132 July 2017	(223)	(0.03)
	Buy USD 10,669 : Sell GBP 8,366 July 2017^	-	-
	Buy USD 124,204 : Sell GBP 95,552 July 2017^	-	-
	Buy USD 30,959 : Sell GBP 24,510 July 2017	(1)	-
	Buy USD 36,174 : Sell GBP 28,540 July 2017	(1)	-
	Buy USD 418,764 : Sell GBP 321,931 July 2017^	-	-
	Buy USD 4,502,193 : Sell GBP 3,463,857 July 2017	(1)	-
	Buy USD 51,441 : Sell GBP 40,339 July 2017	(1)	-
	Buy USD 5,225,728 : Sell GBP 4,023,040 July 2017^	-	-
	Buy USD 52,784 : Sell GBP 40,759 July 2017^	-	-
	Buy USD 530,219 : Sell GBP 419,746 July 2017	(12)	-
	Buy USD 5,354 : Sell GBP 4,116 July 2017^	-	-
	Buy USD 56,761 : Sell GBP 43,831 July 2017^	-	-
	Buy USD 6,277,263 : Sell GBP 4,826,451 July 2017	2	-
		5,061	0.68
	Investment assets including investment liabilities	695,908	92.89
	Other net assets	53,249	7.11
	Total net assets	749,157	100.00

Prior year comparative percentages have changed for some sectors due to reclassification within these sectors.

Defaulted

~ Unquoted securities

^ Due to rounding to nearest £1,000

+Suspended or delisted

Statement of total return for the year ended 30 June 2017

		2017		2016	
	Note	£000	£000	£000	£000
Income					
Net capital gains / (losses)	2		35,294		(644)
Revenue	3	36,457		35,373	
Expenses	4	(6,018)		(5,979)	
Interest payable and similar charges	5	(5)		(2)	
Net revenue before taxation		30,434		29,392	
Taxation	6	(184)		(78)	
Net revenue after taxation			30,250		29,314
Total return before distributions			65,544		28,670
Distributions	7		(37,154)		(35,224)
Change in net assets attributable to shareholders from investment activities			28,390		(6,554)

Statement of change in net assets attributable to shareholders

for the year ended 30 June 2017

		2017		2016	
		£000	£000	£000	£000
Opening net assets attributable to shareholders			701,203		667,938
Amounts receivable on issue of shares		66,597		97,252	
Amounts payable on cancellation of shares		(50,506)		(60,401)	
			16,091		36,851
Dilution adjustment			-		59
Change in net assets attributable to shareholders from investment activities			28,390		(6,554)
Retained distributions on accumulation shares			3,458		2,891
Unclaimed distributions			15		18
Closing net assets attributable to shareholders			749,157		701,203

Balance sheet as at 30 June 2017

	Note	2017 £000	2016 £000
Assets:			
Investments		696,173	685,407
Current assets:			
Debtors	8	28,590	12,429
Cash and bank balances	9	69,276	49,122
Total assets		794,039	746,958
Liabilities:			
Investment liabilities		265	23,450
Creditors:			
Amounts held at derivative clearing houses and brokers		26	-
Bank overdrafts		4,550	812
Distributions payable		7,700	9,778
Other creditors	10	32,341	11,715
Total liabilities		44,882	45,755
Net assets attributable to shareholders		749,157	701,203

Notes to the financial statements for the year ended 30 June 2016

1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 of the aggregated notes to the financial statements.

2 Net capital gains/(losses)

Net capital gains/(losses) on investments during the year comprise:

	2017 £000	2016 £000
Derivative securities	4,205	632
Forward currency contracts	(20,784)	(50,531)
Non-derivative securities	51,014	47,495
Other currency gains	875	1,778
Transaction costs	(16)	(18)
Net capital gains/(losses)	35,294	(644)

3 Revenue

	2017 £000	2016 £000
Bank interest	21	116
Derivative revenue	420	143
Interest on debt securities	35,032	33,897
Overseas dividends	930	692
Stock lending revenue	54	35
UK dividends	-	490
Total revenue	36,457	35,373

4 Expenses

	2017 £000	2016 £000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual management charge	5,276	5,233
GAC*	640	627
	5,916	5,860
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	57	77
Safe custody fees	45	41
	102	118
Other expenses:		
Legal fees	-	1
	-	1
Total expenses	6,018	5,979

Irrecoverable VAT is included in the above expenses where relevant.

*The current audit fee, which is levied through the GAC, is £9,725 (2016: £9,167).

Notes to the financial statements (continued)

5 Interest payable and similar charges

The interest payable and similar charges comprise:

	2017 £000	2016 £000
Interest payable	5	2
Total interest payable and similar charges	5	2

6 Taxation

(a) Analysis of charge in the year

The tax charge comprises:

	2017 £000	2016 £000
Current tax		
Overseas withholding tax	184	78
Total tax (note 6b)	184	78

b) Factors affecting current tax charge for year

The tax assessed for each year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICS) of 20% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Net revenue before taxation	30,434	29,392
Corporation tax at 20% (2016: 20%)	6,087	5,878
Effects of:		
Irrecoverable overseas tax	184	78
Revenue being paid as interest distributions	(6,050)	(5,765)
Tax effect of expensed double taxation relief	(37)	(15)
UK dividends*	-	(98)
Tax charge for the year (note 6a)	184	78

* Certain overseas dividends are not subject to corporation tax from 1 July 2009 due to changes enacted in the Finance Act 2009. OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2016: nil).

(d) Factors that may affect future tax charges

There were no factors that may affect future tax charges at the current or prior year end.

Notes to the financial statements (continued)

7 Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	2017 £000	2016 £000
Interim income	22,853	21,070
Interim accumulation	2,592	2,080
Final income	7,700	7,280
Final accumulation	866	811
Tax withheld on interest distributions	3,226	4,245
	<u>37,237</u>	<u>35,486</u>
Amounts deducted on cancellation of shares	295	326
Amounts received on issue of shares	(378)	(588)
Total distributions	<u>37,154</u>	<u>35,224</u>
Net revenue after taxation	30,250	29,314
Annual management charge borne by the capital account	5,276	5,233
Effective yield coupon based adjustment	1,628	671
Equalisation on conversions	-	6
Total distributions	<u>37,154</u>	<u>35,224</u>

Details of the distribution per share are set out in the distribution tables on pages 264 to 267.

8 Debtors

	2017 £000	2016 £000
Accrued revenue	10,981	11,012
Amounts receivable for issue of shares	836	703
Currency transactions awaiting settlement	5,198	355
Income tax receivable	130	-
Sales awaiting settlement	11,445	359
Total debtors	<u>28,590</u>	<u>12,429</u>

9 Cash and bank balances

	2017 £000	2016 £000
Amounts held at derivative clearing houses and brokers	25	462
Cash and bank balances	69,251	48,660
Total cash and bank balances	<u>69,276</u>	<u>49,122</u>

Notes to the financial statements (continued)

10 Other creditors

	2017 £000	2016 £000
Accrued annual management charge	443	420
Accrued Depositary's fee	4	6
Accrued other expenses	59	56
Amounts payable for cancellation of shares	883	1,662
Currency transactions awaiting settlement	5,201	359
Purchases awaiting settlement	25,751	9,212
Total other creditors	32,341	11,715

11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

12 Related party transactions

Henderson Investment Funds Limited as ACD to the fund is deemed to be a related party because it provides key management personnel services to the fund. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', the 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 249 and 250 and notes 4, 7, 8 and 10 on pages 251 to 254 including all issues and cancellations where the ACD acted as principal.

Transactions with the ACD are as follows:

- All issues and cancellations,
- Annual management charge
- GAC

There were no material shareholders at the year end (2016: nil).

13 Shareholders' funds

The fund currently has 3 share classes available; Class A (Retail with front-end charges), Class I (Institutional) and Class Z (Institutional). The annual management charge on each share class is as follows:

	2017 %	2016 %
Class A	1.25%	1.25%
Class I	0.60%	0.60%
Class Z*	0.00%	0.00%

* Charges for managing Z class shares are levied outside the fund and are agreed between the ACD and investors.

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative tables on pages 236 to 239. The distribution per share class is given in the distribution tables on pages 264 to 267. All share classes have the same rights on winding up.

Notes to the financial statements (continued)

13 Shareholders' funds (continued)

Share reconciliation as at 30 June 2017

	Class A income	Class I accumulation	Class I income	Class Z accumulation
Opening number of shares	277,976,365	42,247,026	605,420,037	9,810,214
Creations during the year	11,640,077	7,816,312	39,472,563	1,496,148
Cancellations during the year	(22,837,710)	(10,906,325)	(24,729,431)	(1,539,402)
Shares converted during the year	(1,245,757)	(3,919)	1,007,494	-
Closing shares in issue	265,532,975	39,153,094	621,170,663	9,766,960

	Class A income gross	Class I income gross	Class Z accumulation gross
Opening number of shares	4,506,128	254,826,432	1,000
Creations during the year	128,549	40,434,658	83,375
Cancellations during the year	(881,893)	(9,340,136)	-
Shares converted during the year	(87,639)	238,683	-
Closing shares in issue	3,665,145	286,159,637	84,375

14 Financial derivatives

The fund may use financial derivatives for hedging and meeting the investment objectives including risk reduction and implementation of investment policies.

Eligible collateral types are approved by the Investment Manager and are agreed with the relevant counterparty.

The counterparty exposure has been calculated using the positive marked-to-market value of the derivative contract with that counterparty.

At 30 June 2017 there were bonds with a market value of £79,197 (2016: £2,780,835) held as collateral by the fund in respect of derivatives. There was no collateral pledged to the fund (2016: nil).

2017

At 30 June 2017 the underlying exposure for each category of derivatives was as follows:

Counterparty	Credit default index/swaps £000	Forward foreign exchange contracts £000	Total by counterparty £000
BNP Paribas	-	5,301	5,301
Deutsche Bank	14	-	14
Morgan Stanley	8	-	8
	22	5,301	5,323

Notes to the financial statements (continued)

14 Financial derivatives (continued)

2016

At 30 June 2016 the underlying exposure for each category of derivatives was as follows:

Counterparty	Credit default index/swaps £000	Forward foreign exchange contracts £000	Total by counterparty £000
Barclays	448	-	448
BNP Paribas	-	2,899	2,899
Credit Suisse	47	-	47
Deutsche Bank	35	-	35
JP Morgan	1,794	-	1,794
Morgan Stanley	20	-	20
	2,344	2,899	5,243

15 Stock lending

The fund and the Investment Manager have entered into a stock lending programme with BNP Paribas acting as the stock lending agent for the purposes of efficient portfolio management and to generate additional income.

Stock lending revenue is disclosed under 'Revenue' in the Statement of total return.

Eligible collateral types for Stock Lending and borrowing transactions are approved by the Investment Manager and may consist of securities issued or guaranteed by a Member State of the OECD or by their local authorities or supranational institutions and organisations with regional, EU and world-wide scope, generally subject to a minimum long term credit rating of at least A- by one or more major rating agency or equities. Collateral should be highly liquid and traded on a regulated market. Collateral is subject to a haircut on a sliding scale based on the combination of the underlying instrument being lent versus the asset being received as collateral. The value of collateral required will range from 102.50% to 110.00% of the value of the stock on loan.

2017

Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
Barclays Bank	48	52	Corporate Bond
Barclays Bank	2,033	2,184	Government Bond
	2,081	2,236	
Credit Suisse	1,128	1,211	Government Bond
JP Morgan	966	1,018	Corporate Bond
JP Morgan	2,337	2,409	Government Bond
	3,303	3,427	Government Bond
	6,512	6,874	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	64	10	54

Notes to the financial statements (continued)

15 Stock lending (continued)

2016 Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
Barclays Bank	28	29	Corporate Bond
Barclays Bank	673	694	Government Bond
	<u>701</u>	<u>723</u>	
Credit Suisse	11	12	Corporate Bond
Credit Suisse	2,232	2,372	Government Bond
	<u>2,243</u>	<u>2,384</u>	
Goldman Sachs	10,230	10,526	Government Bond
JP Morgan	1,987	2,038	Corporate Bond
JP Morgan	2,549	2,769	Government Bond
	<u>4,536</u>	<u>4,807</u>	Government Bond
	<u>17,710</u>	<u>18,440</u>	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	41	6	35

16 Risk

Risks in respect of financial assets and liabilities are set out in note 3 of the aggregated notes to the financial statements.

Currency risk

The fund's net exposure to currency risk (including any instruments used to hedge foreign currencies) is considered insignificant. This is consistent with the exposure during the prior year.

Interest rate risk

The fund's exposure to interest rate risk is considered significant. The interest rate risk profile of the fund's financial assets and financial liabilities at the year end is set out in the following table:

	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
2017				
Euro	21,671	51,510	3,476	76,657
UK sterling	201,475	195,185	18,242	414,902
US dollar	60,559	229,526	12,395	302,480
Total	<u>283,705</u>	<u>476,221</u>	<u>34,113</u>	<u>794,039</u>

Notes to the financial statements (continued)

16 Risk (continued)

Interest rate risk (continued)

	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
2016				
Australian dollar	-	1,706	-	1,706
Euro	30,223	65,310	684	96,217
UK sterling	95,194	208,982	23,292	327,468
US dollar	40,050	272,878	8,639	321,567
Total	165,467	548,876	32,615	746,958

	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Non-interest bearing liabilities £000	Total £000
2017				
Euro	-	-	274	274
UK sterling	4,550	-	12,067	16,617
US dollar	26	-	27,965	27,991
Total	4,576	-	40,306	44,882

	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Non-interest bearing liabilities £000	Total £000
2016				
Euro	3,144	-	331	3,475
UK sterling	812	-	32,513	33,325
US dollar	-	-	8,955	8,955
Total	3,956	-	41,799	45,755

Notes to the financial statements (continued)

16 Risk (continued)

Credit ratings

2017

Investments:

	Market value £000	Percentage of net assets %
Investment grade (AAA - BBB)	301,992	40.31
Below investment grade (BB and below)	374,205	49.95
Unrated	14,431	1.92
Total debt securities	690,628	92.18
Derivatives	5,058	0.68
Equities	222	0.03
Investment assets including investment liabilities	695,908	92.89
Other net assets	53,249	7.11
Total net assets	749,157	100.00

2016

Investments:

	Market value £000	Percentage of net assets %
Investment grade (AAA - BBB)	377,062	53.77
Below investment grade (BB and below)	282,712	40.32
Unrated	20,390	2.91
Total debt securities	680,164	97.00
Derivatives	(18,207)	(2.60)
Investment assets including investment liabilities	661,957	94.40
Other net assets	39,246	5.60
Total net assets	701,203	100.00

16 Risk (continued)

Sensitivity analysis

The actual VaR results, limits and utilisation of limits are summarised in the table below:

	Global Exposure Calculation Basis	Actual VaR in year			VaR Limit	Utilisation of VaR limit		
		Minimum	Maximum	Average		Minimum	Maximum	Average
		%	%	%	%	%	%	%
2017	Absolute VaR	1.95	3.13	2.49	20.00	9.74	15.64	12.47
2016	Absolute VaR	1.35	2.60	1.82	20.00	6.73	12.98	9.11

Leverage

	Minimum	Maximum	Average
	%	%	%
2017	45.15	199.18	93.45
2016	37.65	186.43	78.73

Notes to the financial statements (continued)

Liquidity risk

The following table provides a maturity analysis of the fund's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	On demand	Within one year	Over one year but not more than five years	Over five years
	£000	£000	£000	£000
2017				
Amounts held at derivatives clearing houses and brokers	25	-	-	-
Bank overdrafts	4,551	-	-	-
Derivative financial liabilities	-	265	-	-
Distribution payable	-	7,700	-	-
Other creditors	-	32,341	-	-
Total	4,576	40,306	-	-
	On demand	Within one year	Over one year but not more than five years	Over five years
	£000	£000	£000	£000
2016				
Bank overdrafts	812	-	-	-
Derivative financial liabilities	-	23,450	-	-
Distribution payable	-	9,778	-	-
Other creditors	-	11,715	-	-
Total	812	44,943	-	-

17 Fair value disclosure

Fair value measurement

The fund has early adopted the March 2016 amendment to section 34 of FRS 102 (Fair Value Hierarchy disclosures that simplify the preparation of financial instrument disclosure), which is applicable to accounting periods beginning on or after 1 January 2017 with earlier application permitted.

The intention of a fair value measurement is to estimate the price at which an asset or a liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS 102 the fund classifies fair value measurement under the following levels:

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

17 Fair value disclosure (continued)

Notes to the financial statements (continued)

Fair value hierarchy

Valuation technique	2017		2016	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1	20,199*	25	5,445*	75
Level 2	675,974	240	679,874	23,375
Level 3	-	-	88	-
	696,173	265	685,407	23,450

* Debt securities included in the highest fair value hierarchy level, where their valuation is determined to be sufficiently close to a binding quoted price, amount to £20,199,000 as at 30 June 2017 (2016: £5,445,270).

Where a price is unavailable or the price provided is not thought to be a fair reflection of the current market value of the asset, the Investment Manager, a , may permit some other method of valuation to be used if they consider that it better reflects value and is in accordance with good accounting practice. A Global Fair Value Pricing Committee ('GFVPC') of the Investment Manager is responsible for determining or approving unquoted prices. Where deemed necessary, the GFVPC will seek ratification of decisions from the Janus Henderson Investment Performance and Risk Committee. The GFVPC meets on a monthly basis and consists of representatives from various parts of the Investment manager who act as an independent party, segregated from the fund management function, to review and approve fair value pricing decisions and pricing models on a regular basis. The assets included within level 3 are defaulted bonds which have been valued by the GFVPC using broker quotes.

Notes to the financial statements (continued)

18 Direct transaction costs

	Purchases		Sales/maturities	
	2017	2016	2017	2016
	£000	£000	£000	£000
Trades in the year				
Debt securities	574,322	576,893	620,300	490,256
Equities	941	-	728	2,495
Trades in the year before transaction costs	575,263	576,893	621,028	492,751
Transaction costs				
Commissions				
Debt securities	-	-	-	-
Equities	-	-	-	-
Total commissions	-	-	-	-
Taxes				
Debt securities	-	-	-	-
Equities	-	-	-	-
Total taxes	-	-	-	-
Other expenses				
Debt securities	-	4	20	-
Equities	-	-	-	-
Total other expenses	-	4	20	-
Total transaction costs	-	4	20	-
Total net trades in the year after transaction costs	575,263	576,897	621,008	492,751

	Purchases		Sales/maturities	
	2017	2016	2017	2016
	%	%	%	%
Total transaction cost expressed as a percentage of asset type cost				
Commissions				
Debt securities	-	-	-	-
Equities	-	-	-	-
Taxes				
Debt securities	-	-	-	-
Equities	-	-	-	-
Other expenses				
Debt securities	-	-	-	-
Equities	-	-	-	-
	2017	2016		
	%	%		
Total transaction cost expressed as a percentage of net asset value				
Commissions	-	-		
Taxes	-	-		
Other expenses	-	-		
Total costs	-	-		

Notes to the financial statements (continued)

18 Direct transaction costs (continued)

There were no in specie transfers during the year (2016: nil). There were corporate actions during the year of £6,582,672 (2016: nil).

There were direct transaction costs associated with derivatives during the year of £29,546 (2016: £4,582) which is 0.01% of the average net asset value of the fund (2016: 0.00%).

Direct transaction costs are fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the fund. These exclude any differences between quoted bid and offer prices or internal administrative or holding costs.

Transaction costs for bonds are not separately identifiable as with other financial instruments as the costs form part of the dealing spread and therefore are inherent within the purchase and sale prices of the trades.

The portfolio dealing spread as at 30 June 2017 was 0.69% (2016: 0.94%). The portfolio dealing spread is calculated at the fund's 12 noon valuation point.

19 Events after the Balance sheet date

There were no material post Balance sheet events which require disclosure within these financial statements.

Distribution tables for the year ended 30 June 2017 (in pence per unit)

Interim interest distribution (accounting date 30 September 2016, paid on 30 November 2016)

Group 1: shares purchased prior to 1 July 2016

Group 2: shares purchased on or after 1 July 2016

	Gross revenue	Income tax (20%)	Net revenue	Equalisation	Distribution paid 30/11/16*	Distribution paid 30/11/15*
Class A income						
Group 1	0.6941	0.1388	0.5553	-	0.5553	0.5253
Group 2	0.3086	0.0617	0.2469	0.3084	0.5553	0.5253
Class I accumulation						
Group 1	1.7733	0.3547	1.4186	-	1.4186	1.2772
Group 2	0.8446	0.1689	0.6757	0.7429	1.4186	1.2772
Class I income						
Group 1	0.7558	0.1512	0.6046	-	0.6046	0.5674
Group 2	0.3779	0.0756	0.3023	0.3023	0.6046	0.5674
Class Z accumulation						
Group 1	2.6916	0.5383	2.1533	-	2.1533	1.9273
Group 2	0.9673	0.1935	0.7738	1.3795	2.1533	1.9273
Class A income gross						
Group 1	0.7066	-	0.7066	-	0.7066	0.6660
Group 2	0.3311	-	0.3311	0.3755	0.7066	0.6660
Class I income gross						
Group 1	0.7684	-	0.7684	-	0.7684	0.7198
Group 2	0.3311	-	0.3311	0.4373	0.7684	0.7198
Class Z accumulation gross						
Group 1	3.1820	-	3.1820	-	3.1820	2.8070
Group 2	3.1820	-	3.1820	-	3.1820	2.8070

* Distributions on Class A income, Class I accumulation, Class I income and Class Z accumulation prior to 6 April 2017 are net of 20% income tax.

Distribution tables (continued)

Interim interest distribution (accounting date 31 December 2016, paid on 28 February 2017)

Group 1: shares purchased prior to 1 October 2016

Group 2: shares purchased on or after 1 October 2016

	Gross revenue	Income tax (20%)	Net revenue	Equalisation	Distribution paid 28/02/17*	Distribution paid 29/02/16*
Class A income						
Group 1	0.7050	0.1410	0.5640	-	0.5640	0.5397
Group 2	0.3589	0.0718	0.2871	0.2769	0.5640	0.5397
Class I accumulation						
Group 1	1.8223	0.3645	1.4578	-	1.4578	1.3275
Group 2	0.9563	0.1913	0.7650	0.6928	1.4578	1.3275
Class I income						
Group 1	0.7685	0.1537	0.6148	-	0.6148	0.5837
Group 2	0.3968	0.0794	0.3174	0.2974	0.6148	0.5837
Class Z accumulation						
Group 1	2.7696	0.5539	2.2157	-	2.2157	2.0060
Group 2	1.5601	0.3120	1.2481	0.9676	2.2157	2.0060
Class A income gross						
Group 1	0.7027	-	0.7027	-	0.7027	0.6841
Group 2	0.3848	-	0.3848	0.3179	0.7027	0.6841
Class I income gross						
Group 1	0.7654	-	0.7654	-	0.7654	0.7405
Group 2	0.3981	-	0.3981	0.3673	0.7654	0.7405
Class Z accumulation gross						
Group 1	3.2150	-	3.2150	-	3.2150	2.9115
Group 2	3.2150	-	3.2150	-	3.2150	2.9115

* Distributions on Class A income, Class I accumulation, Class I income and Class Z accumulation prior to 6 April 2017 are net of 20% income tax.

Distribution tables (continued)

Interim interest distribution (accounting date 31 March 2017, paid on 31 May 2017)

Group 1: shares purchased prior to 1 January 2017

Group 2: shares purchased on or after 1 January 2017

	Distribution per share	Equalisation	Total Distribution per share 31/05/17	Total Distribution per share 31/05/16*
Class A income				
Group 1	0.6436	-	0.6436	0.5164
Group 2	0.2833	0.3603	0.6436	0.5164
Class I accumulation				
Group 1	1.6802	-	1.6802	1.2840
Group 2	0.8695	0.8107	1.6802	1.2840
Class I income				
Group 1	0.7010	-	0.7010	0.5588
Group 2	0.3564	0.3446	0.7010	0.5588
Class Z accumulation				
Group 1	2.5634	-	2.5634	1.9449
Group 2	1.6977	0.8657	2.5634	1.9449
Class A income gross				
Group 1	0.6507	-	0.6507	0.6434
Group 2	0.5400	0.1107	0.6507	0.6434
Class I income gross				
Group 1	0.7103	-	0.7103	0.6980
Group 2	0.3742	0.3361	0.7103	0.6980
Class Z accumulation gross				
Group 1	3.0264	-	3.0264	2.8284
Group 2	3.0264	-	3.0264	2.8284

* Distributions on Class A income, Class I accumulation, Class I income and Class Z accumulation prior to 6 April 2017 are net of 20% income tax.

Distribution tables (continued)

Final interest distribution (accounting date 30 June 2017, paid on 31 August 2017)

Group 1: shares purchased prior to 1 April 2017

Group 2: shares purchased on or after 1 April 2017

	Distribution per share	Equalisation	Total Distribution per share 31/08/17	Total Distribution per share 31/08/16*
Class A income				
Group 1	0.6013	-	0.6013	0.5656
Group 2	0.3535	0.2478	0.6013	0.5656
Class I accumulation				
Group 1	1.5949	-	1.5949	1.4194
Group 2	0.9806	0.6143	1.5949	1.4194
Class I income				
Group 1	0.6573	-	0.6573	0.6115
Group 2	0.3730	0.2843	0.6573	0.6115
Class Z accumulation				
Group 1	2.4425	-	2.4425	2.1540
Group 2	1.4129	1.0296	2.4425	2.1540
Class A income gross				
Group 1	0.6374	-	0.6374	0.7212
Group 2	0.4302	0.2072	0.6374	0.7212
Class I income gross				
Group 1	0.6979	-	0.6979	0.7743
Group 2	0.4333	0.2646	0.6979	0.7743
Class Z accumulation gross				
Group 1	3.2796	-	3.2796	3.1070
Group 2	3.2796	-	3.2796	3.1070

* Distributions on Class A income, Class I accumulation, Class I income and Class Z accumulation prior to 6 April 2017 are net of 20% income tax.

Henderson Strategic Bond Fund

Authorised Corporate Director's (ACD) report

Investment Fund Managers

Jenna Barnard and John Pattullo

Investment objective and policy

To provide a return by investing in higher yielding assets including high yield bonds, investment grade bonds, government bonds, preference shares and other bonds. The fund may also invest in equities. The fund will take strategic asset allocation decisions between countries, asset classes, sectors and credit ratings. The fund may invest in other transferable securities, money market instruments, derivatives and forward transactions, deposits and units in collective investment schemes.

Performance summary

	30 Jun 16 - 30 Jun 17 %	30 Jun 15 - 30 Jun 16 %	30 Jun 14 - 30 Jun 15 %	30 Jun 13 - 30 Jun 14 %	30 Jun 12 - 30 Jun 13 %
Henderson Strategic Bond Fund	5.7	2.4	2.1	10.4	7.5

Source: Morningstar, bid to bid and net of fees, as at 12 noon valuation point, based on performance of Class A income. The fund is not run against a specific benchmark.

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.

Significant portfolio changes for the year ended 30 June 2017

Largest purchases	£000	Largest sales/maturities	£000
Australia (Commonwealth of) 2.75% 21/11/2027	125,231	UK Treasury 3.25% 22/01/2044	161,348
Australia (Commonwealth of) 1.75% 21/11/2020	119,572	Australia (Commonwealth of) 2.75% 21/11/2027	128,796
UK Treasury 1.50% 22/07/2026	105,607	UK Treasury 1.50% 22/07/2026	106,252
UK Treasury 3.25% 22/01/2044	102,830	Australia (Commonwealth of) 3.25% 21/04/2029	50,816
Australia (Commonwealth of) 3.75% 21/04/2037	54,405	US Treasury 2.25% 15/02/2027	49,827
US Treasury 2.25% 15/02/2027	52,115	Australia (Commonwealth of) 3.75% 21/04/2037	37,770
Australia (Commonwealth of) 3.25% 21/04/2029	49,306	Anheuser-Busch InBev 4.70% 01/02/2036	36,748
Australia (Commonwealth of) 3.25% 21/10/2018	32,814	UK Treasury 2.00% 22/07/2020	27,051
Altice US Finance I 5.50% 15/05/2026	25,016	Diamond 1 & 2 Finance 8.10% 15/07/2036	25,493
Microsoft 3.30% 06/02/2027	21,919	AT&T 4.75% 15/05/2046	24,117
Total purchases	1,847,479	Total sales/maturities	1,859,138

Investment review

The first half of the year under review was a remarkably strong one for a range of bond markets, especially UK government and investment grade corporate bonds. The sterling market proved a standout performer. Indeed, as the dust settled it became clear that the UK's vote to leave the European Union (EU), commonly referred to as 'Brexit', was a significant catalyst for bond markets, albeit at the expense of a weaker currency.

As bond markets digested the impact of the UK's vote to leave the EU, the implications played positively into a number of themes that we had positioned within the fund. One example came in August, when the Bank of England (BoE) implemented their policy response to the Brexit vote – base rates were cut to 0.25% with a further cut promised if required. The monetary stimulus scheme was expanded by £60bn, plus a £10bn scheme was initiated to purchase UK industrial investment grade corporate bonds. In addition, a new Term Funding Scheme was established to offset the interest rate cut compressing bank margins.

Overall, this comprehensive package was a surprise to the market. Gilts and corporate bonds rallied aggressively. This compounded the already aggressive buying of European government and corporate bonds by the European Central Bank's (ECB's) own programme. High yield bonds were also good performers as the search for yield became more desperate. Financial bonds – having lagged before the Brexit decision – caught an international bid, helped by the devaluation of sterling. The theme of central banks exaggerating the bond drought while suppressing volatility (sharp fluctuations in price) was remarkable given how far we are into this monetary experiment.

However, in September 2016, markets debated the significance of a shift in policy framework from monetary stimulus to fiscal stimulus around the world, and the impact this might have on the shape of yield curves. The Bank of Japan's announcement that it had moved policy to a yield target of 0% on 10-year Japanese government bonds was also significant, not only in terms of the policy shift, but also in that a source of significant uncertainty in bond markets for months managed to pass without stoking additional volatility.

The final three months of 2016 were dominated by the appointment of new US President-elect Donald Trump. The market took this as a signal to enter full risk-on mode, as, along with the strengthening economic data already being observed at the start of the fourth quarter, anticipation of fiscal expansion drove a rapid sell-off of US government bond yields and a significant appreciation of the dollar. The fund underperformed during this period given that our interest rate sensitivity (duration) was too high. The source of this underperformance was the US investment grade book, which suffered after the election of Trump and the rout of US government bonds (with which these securities trade in line). Issuers such as Kraft Heinz, Comcast and Altria suffered due to the long maturities on these bonds. Some of these names were trimmed in favour of shorter US high yield issues due to the credit-supportive background.

We reduced duration by approximately one year during the week of Mr Trump's election. Trading in interest rate futures helped mitigate losses, as the fund went both long and short over the year, making approximately 24 basis points. Ten-year Treasury yields actually doubled from the deflation scare lows of 1.32% in June to a high of 2.64% six months later. Time will tell whether this is a cyclical or structural shift.

Coming into 2017, the pervasive bearishness on bonds was profound; using industry data on US Treasury futures, we observed throughout most of this year an all-time record number of short positions – meaning investors were positioning for prices on US government bonds to fall. Either the data was going to improve to justify the expected sell off in bonds or it would fade and bonds would rally. Our view that the reflation trade would have a limited lifespan was justified. We felt this was a global synchronised cyclical uplift driven by China reflation its economy in 2016 rather than anything the Trump administration initiated. The subjective soft economic data that the equity market focused on seemed to fade, while the more reliable hard economic data was much more muted – and indeed, the correct focus of the bond community.

The global economic surprise indexes turned down significantly, albeit from elevated levels. US employment data was soft, with a few siren signs of distress appearing in sub-prime auto loans and shopping mall mortgage-related bonds. Headline inflation faded, but remained problematic in the UK. Sovereign bonds rallied in this risk-off environment as short sellers of Treasuries scrambled to cover their shorts, as it appeared the secular trends of low growth, inflation and volatility re-asserted themselves.

This bond rally faded in the last week of April as the market embraced the favourable first-round outcome of the French election, and the markets continued to rally after the second-round election result. Wage inflation continued to be muted, to the frustration of many bond bears, and indeed, central bankers! Towards year end, the main news came from actual and perceived shifts in policy stance from central banks rather than any underlying economic data. This was initiated by Canada, where low and falling inflation was disregarded and the central bank signalled that it was ready to take back the 50 basis points in 'emergency' rate cuts from 2015. The BoE then surprised investors, with a number of Monetary Policy Committee members already voting for a hike and the previously dovish chief economist signalling a willingness to consider rate hikes later in the year.

Authorised Corporate Director's report (continued)

In addition, there was some confusion over the positions of both BoE governor Mark Carney and ECB president Mario Draghi following speeches that were interpreted as a shift towards less accommodative monetary policy. The combination of this rhetoric and exceptionally low volatility in bond markets created the beginnings of what we think may be another short sharp move higher in government bond yields – the type of which has recently become known as a 'tantrum'. This may prove to be a modest move away from emergency monetary policies, but unless inflation picks up materially, we remain sympathetic to embracing duration in a secular sense, accepting shorter term cyclical peaks and troughs.

The fund performed in line with the sector. We enjoyed the uplift in bond pricing in a domestic sense post-Brexit vote. However, the fourth quarter was a tougher one for all bond holders. The Trump reflation trade certainly tested the resolve of the secular 'stagflationist' camp. We found this quarter somewhat challenging. Given the induced political crises we endured, we opportunistically managed duration from both the short and long side by using interest rate futures, sometimes hedging the book and at other times adding risk. We did achieve a favourable return for our shareholders, which was pleasing.

We have been very selective on the new credits we have added to the fund. We saw significant value in some jumbo bond deals which typically, given their size, have to come at a significant new issue premium. Examples of such names included Anheuser-Busch InBev, Vodafone, AT&T and Microsoft. We find that smaller deals hardly have any issue premium at all.

Notable sales included Dell, AXA, Walgreens, CVS Health and Kraft Heinz. We purposely declined many new high yield deals either due to too much leverage, a weak business model, poor valuation or a combination of all three factors. Separately, we added some sovereign duration risk into Australia – a country which has not had a recession for 22 years, has select property bubbles in some cities but lacks any material inflation, and looks somewhat unbalanced.

The fundamental backdrop of low growth, low inflation and low default rates is not at risk, in our view. However, government bond markets have, in recent years, become prone to very sharp moves higher in yields which, in our mind, provides buying opportunities given the underlying economic fundamentals. We feel it is likely that the move in yields that began in June could well develop into a shakeout in the bond market. However, this may present opportunities to lock in attractive long maturity yields for our clients.

Comparative tables for the year ended 30 June 2017

	Class A income		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	123.96	125.59	128.16
Return before operating charges*	8.74	4.85	4.65
Operating charges	(1.77)	(1.77)	(1.81)
Return after operating charges*	6.97	3.08	2.84
Distributions on income shares	(4.95)	(4.71)	(5.41)
Closing net asset value per share	125.98	123.96	125.59
* after direct transaction costs of:	0.01	-	-
Performance			
Return after charges	5.62%	2.45%	2.22%
Other information			
Closing net asset value (£000s)	141,182	145,165	270,253
Closing number of shares	112,064,232	117,101,951	215,188,710
Operating charges	1.40%	1.41%	1.41%
Direct transaction costs	0.01%	0.00%	0.00%
Prices			
Highest share price (pence)	130.00	127.60	131.50
Lowest share price (pence)	124.10	121.40	125.80
	Class I accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	306.46	296.77	285.78
Return before operating charges*	23.38	14.65	16.20
Operating charges	(2.20)	(2.08)	(2.07)
Return after operating charges*	21.18	12.57	14.13
Distributions on accumulation shares	(14.11)	(14.39)	(15.69)
Retained distributions on accumulation shares^	12.67	11.51	12.55
Closing net asset value per share	326.20	306.46	296.77
* after direct transaction costs of:	0.02	-	0.01
Performance			
Return after charges	6.91%	4.24%	4.94%
Other information			
Closing net asset value (£000s)	447,750	338,278	209,874
Closing number of shares	137,263,784	110,382,900	70,720,435
Operating charges	0.69%	0.69%	0.70%
Direct transaction costs	0.01%	0.00%	0.00%
Prices			
Highest share price (pence)	329.00	308.60	305.70
Lowest share price (pence)	309.00	293.80	286.60

^ Retained distributions prior to 6 April 2017 are net of 20% income tax.

Comparative tables (continued)

	Class I income		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	133.11	133.96	136.19
Return before operating charges*	9.41	5.19	4.55
Operating charges	(0.94)	(0.92)	(0.96)
Return after operating charges*	8.47	4.27	3.59
Distributions on income shares	(5.42)	(5.12)	(5.82)
Closing net asset value per share	136.16	133.11	133.96
* after direct transaction costs of:	0.01	-	-

Performance

Return after charges	6.36%	3.19%	2.64%
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Other information

Closing net asset value (£000s)	750,378	669,598	548,297
Closing number of shares	551,106,085	503,058,250	409,285,683
Operating charges	0.69%	0.69%	0.70%
Direct transaction costs	0.01%	0.00%	0.00%

Prices

Highest share price (pence)	139.70	136.20	140.10
Lowest share price (pence)	133.60	130.00	133.60

	Class Z accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	328.74	316.39	305.41
Return before operating charges*	25.12	15.59	14.48
Operating charges	(0.14)	(0.13)	(0.13)
Return after operating charges*	24.98	15.46	14.35
Distributions on accumulation shares	(15.35)	(15.55)	(16.83)
Retained distributions on accumulation shares^	13.79	12.44	13.46
Closing net asset value per share	352.16	328.74	316.39
* after direct transaction costs of:	0.02	-	0.01

Performance

Return after charges	7.60%	4.89%	4.70%
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Other information

Closing net asset value (£000s)	11,496	12,603	14,018
Closing number of shares	3,264,424	3,833,723	4,430,762
Operating charges	0.04%	0.04%	0.04%
Direct transaction costs	0.01%	0.00%	0.00%

Prices

Highest share price (pence)	355.10	330.90	325.50
Lowest share price (pence)	331.50	314.40	303.80

^ Retained distributions prior to 6 April 2017 are net of 20% income tax.

Comparative tables (continued)

Class A income gross

	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	125.50	127.13	129.75
Return before operating charges*	9.49	6.08	6.07
Operating charges	(1.80)	(1.79)	(1.84)
Return after operating charges*	7.69	4.29	4.23
Distributions on income shares	(5.64)	(5.92)	(6.85)
Closing net asset value per share	127.55	125.50	127.13
* after direct transaction costs of:	0.01	-	-

Performance

Return after charges	6.13%	3.37%	3.26%
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Other information

Closing net asset value (£000s)	6,808	7,648	12,160
Closing number of shares	5,337,006	6,093,869	9,564,876
Operating charges	1.40%	1.41%	1.41%
Direct transaction costs	0.01%	0.00%	0.00%

Prices

Highest share price (pence)	131.80	129.30	133.40
Lowest share price (pence)	125.70	123.00	127.40

Class I accumulation gross

	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	355.92	341.60	323.90
Return before operating charges*	27.35	16.72	20.09
Operating charges	(2.56)	(2.40)	(2.39)
Return after operating charges*	24.79	14.32	17.70
Distributions on accumulation shares	(16.57)	(16.49)	(17.97)
Retained distributions on accumulation shares	16.57	16.49	17.97
Closing net asset value per share	380.71	355.92	341.60
* after direct transaction costs of:	0.02	-	0.01

Performance

Return after charges	6.97%	4.19%	5.46%
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Other information

Closing net asset value (£000s)	102,527	57,162	45,259
Closing number of shares	26,930,600	16,060,453	13,249,163
Operating charges	0.69%	0.69%	0.70%
Direct transaction costs	0.01%	0.00%	0.00%

Prices

Highest share price (pence)	383.80	358.20	351.10
Lowest share price (pence)	358.90	340.10	326.80

Comparative tables (continued)

	Class I income gross		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	99.69	100.33	101.80
Return before operating charges*	7.55	4.81	4.71
Operating charges	(0.70)	(0.69)	(0.72)
Return after operating charges*	6.85	4.12	3.99
Distributions on income shares	(4.56)	(4.76)	(5.46)
Closing net asset value per share	101.98	99.69	100.33
* after direct transaction costs of:	0.01	-	-
Performance			
Return after charges	6.87%	4.11%	3.92%
Other information			
Closing net asset value (£000s)	355,803	312,813	207,647
Closing number of shares	348,888,869	313,777,483	206,961,797
Operating charges	0.69%	0.69%	0.70%
Direct transaction costs	0.01%	0.00%	0.00%
Prices			
Highest share price (pence)	104.80	102.10	105.10
Lowest share price (pence)	100.20	97.48	100.10

Comparative tables (continued)

Class Z accumulation gross

	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	360.31	343.55	328.15
Return before operating charges*	27.72	16.90	15.53
Operating charges	(0.15)	(0.14)	(0.13)
Return after operating charges*	27.57	16.76	15.40
Distributions on accumulation shares	(17.25)	(16.82)	(18.16)
Retained distributions on accumulation shares	17.25	16.82	18.16
Closing net asset value per share	387.88	360.31	343.55
* after direct transaction costs of:	0.02	-	0.01

Performance

Return after charges	7.65%	4.88%	4.69%
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Other information

Closing net asset value (£000s)	196	62	1,618
Closing number of shares	50,610	17,187	471,059
Operating charges	0.04%	0.04%	0.04%
Direct transaction costs	0.01%	0.00%	0.00%

Prices

Highest share price (pence)	391.00	362.40	352.60
Lowest share price (pence)	363.30	343.40	326.90

Performance values are at close of business and may differ from the performance summary.

Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

Share class launches and closures

There were no share classes launched or closed in the year.

Ongoing charge figure

The annualised ongoing charge figure (OCF) of the fund is 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 year, except for expenses that are explicitly excluded by regulation.

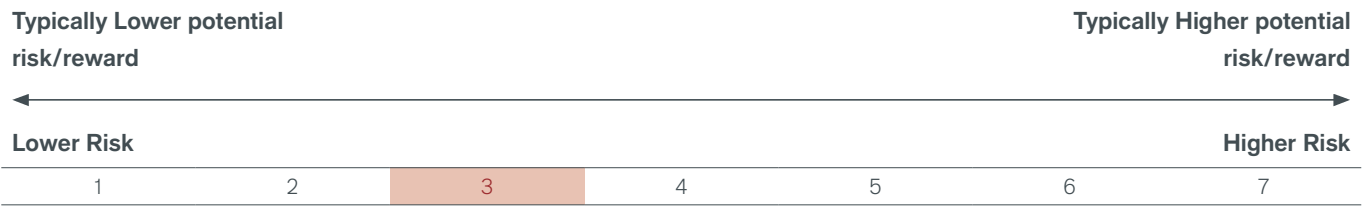
	2017 %	2016 %
Class A	1.40	1.41
Class I	0.69	0.69
Class Z	0.04	0.04

The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

Risk and reward profile

The fund currently has 8 types of share class in issue; A income, I accumulation, I income, Z accumulation, A income gross, I income gross, I accumulation gross and Z accumulation gross.

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 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 share classes appear at 3 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events.

The full list of the fund's risks are contained in the 'Risk Factors' section in the fund's prospectus.

There have been no changes to the risk rating in the year.

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

Portfolio statement as at 30 June 2017

Holding	Investment	Market value £000	Percentage of total net assets %
	Equities 0.03% (2016: 0.00%)		
	United Kingdom 0.00% (2016: 0.00%)		
	Financials 0.00% (2016: 0.00%)		
14,000	Lloyds Banking 9.25% Non-Cumulative Preference	22	-
	United States 0.03% (2016: 0.00%)		
	Financials 0.03% (2016: 0.00%)		
25,114	CitiGroup 7.875% 30/10/2040 Preference Shares	502	0.03
	Bonds 85.47% (2016: 95.95%)		
	Australia 8.24% (2016: 0.00%)		
	Fixed Rate Bond 8.24% (2016: 0.00%)		
AUD 197,300,000	Australia (Commonwealth of) 1.75% 21/11/2020	115,528	6.36
AUD 26,500,000	Australia (Commonwealth of) 3.25% 21/10/2018	15,973	0.88
AUD 28,400,000	Australia (Commonwealth of) 3.75% 21/04/2037	18,157	1.00
		149,658	8.24
	Belgium 0.00% (2016: 2.22%)		
	Fixed Rate Bond 0.00% (2016: 2.22%)		
	Canada 1.08% (2016: 0.17%)		
	Fixed Rate Bond 1.08% (2016: 0.17%)		
USD 13,683,000	Cott 5.375% 01/07/2022	10,916	0.60
USD 11,185,000	Cott 5.50% 01/04/2025	8,783	0.48
		19,699	1.08
	France 1.33% (2016: 7.97%)		
	Fixed Rate Bond 0.38% (2016: 0.70%)		
EUR 7,600,000	La Financiere Atalian 4.00% 15/05/2024	6,904	0.38
	Secured Loans 0.83% (2016: 1.06%)		
EUR 10,938,035	Numericable FRN 14/01/2025~	9,646	0.53
EUR 3,788,854	Oberthur FRN 10/01/2024~	3,342	0.18
EUR 1,530,646	Oberthur FRN 10/01/2024 Term B~	2,072	0.12
		15,060	0.83
	Variable Rate Bond 0.12% (2016: 6.21%)		
GBP 1,925,000	Orange 5.75% Perpetual	2,128	0.12
	Germany 2.36% (2016: 5.31%)		
	Asset Backed 0.00% (2016: 0.00%)		
EUR 1,231,147	Talisman Finance FRN 22/10/2016#	-	-

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	Fixed Rate Bond 2.06% (2016: 4.05%)		
EUR 3,535,000	Unitymedia Hessen 3.50% 15/01/2027	3,201	0.18
EUR 2,250,000	Unitymedia Hessen 4.00% 15/01/2025	2,083	0.11
EUR 10,725,000	Unitymedia 3.75% 15/01/2027	9,605	0.53
USD 18,865,000	Unitymedia 5.00% 15/01/2025	15,214	0.84
EUR 8,000,000	WEPA Hygieneprodukte 3.75% 15/05/2024	7,297	0.40
		<u>37,400</u>	<u>2.06</u>
	Secured Loans 0.30% (2016: 0.49%)		
EUR 6,144,059	Douglas FRN 13/08/2022~	<u>5,435</u>	<u>0.30</u>
	Variable Rate Bond 0.00% (2016: 0.77%)		
	Ireland 2.69% (2016: 2.48%)		
	Fixed Rate Bond 2.69% (2016: 1.97%)		
EUR 15,636,000	Ardagh Packaging Finance 4.00% 15/05/2024	15,319	0.83
USD 8,800,000	Ardagh Packaging Finance 4.625% 15/05/2023	6,941	0.38
GBP 5,600,000	Ardagh Packaging Finance 4.75% 15/07/2027	5,592	0.31
USD 4,255,000	Ardagh Packaging Finance 6.00% 15/02/2025	3,440	0.19
USD 3,112,000	Ardagh Packaging Finance 6.00% 30/06/2021	2,480	0.14
USD 4,210,000	Ardagh Packaging Finance 7.25% 15/05/2024	3,545	0.20
EUR 6,090,000	Eircom Finance 4.50% 31/05/2022	5,582	0.31
USD 7,150,000	WPP Finance 4.75% 21/11/2021	5,955	0.33
		<u>48,854</u>	<u>2.69</u>
	Secured Loans 0.00% (2016: 0.51%)		
	Italy 0.00% (2016: 0.05%)		
	Variable Rate Bond 0.00% (2016: 0.05%)		
	Japan 0.00% (2016: 0.95%)		
	Fixed Rate Bond 0.00% (2016: 0.95%)		
	Luxembourg 2.01% (2016: 1.68%)		
	Fixed Rate Bond 0.97% (2016: 1.68%)		
EUR 12,829,000	Telenet Finance VI 4.875% 15/07/2027	12,319	0.68
EUR 5,870,000	Trionista Topco 6.875% 30/04/2021	5,348	0.29
		<u>17,667</u>	<u>0.97</u>
	Secured Loans 1.04% (2016: 0.00%)		
EUR 6,263,369	Eircom FRN 08/03/2024~	5,532	0.30
USD 11,630,964	Formula One FRN 01/02/2024~	8,957	0.50
USD 3,107,631	Siemens Audiology FRN 17/01/2022 Term B7~	2,395	0.13
EUR 2,176,041	Siemens Audiology FRN 17/01/2022 Term B6~	1,935	0.11
		<u>18,819</u>	<u>1.04</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	Netherlands 1.64% (2016: 2.20%)		
	Asset Backed 0.00% (2016: 0.00%)		
	Fixed Rate Bond 0.77% (2016: 0.73%)		
EUR 4,000,000	Interxion Holdings 6.00% 15/07/2020	3,626	0.20
GBP 6,750,000	Rabobank Nederland 6.91% Perpetual	8,725	0.48
EUR 2,000,000	UPC 3.875% 15/06/2029	1,694	0.09
		<u>14,045</u>	<u>0.77</u>
	Floating Rate Note 0.00% (2016: 0.22%)		
	Secured Loans 0.87% (2016: 0.00%)		
EUR 17,746,832	Nord Anglia FRN 26/06/2024~	<u>15,741</u>	<u>0.87</u>
	Variable Rate Bond 0.00% (2016: 1.25%)		
	New Zealand 0.64% (2016: 0.00%)		
	Fixed Rate Bond 0.64% (2016: 0.00%)		
USD 14,080,000	Reynolds 7.00% 15/07/2024	<u>11,628</u>	<u>0.64</u>
	Norway 0.00% (2016: 0.20%)		
	Fixed Rate Bond 0.00% (2016: 0.20%)		
	Spain 0.00% (2016: 1.09%)		
	Variable Rate Bond 0.00% (2016: 1.09%)		
	Sweden 0.56% (2016: 0.63%)		
	Fixed Rate Bond 0.56% (2016: 0.63%)		
EUR 10,884,000	Auris Luxembourg II 8.00% 15/01/2023	<u>10,234</u>	<u>0.56</u>
	Switzerland 1.46% (2016: 2.17%)		
	Fixed Rate Bond 0.20% (2016: 0.36%)		
USD 4,500,000	Aquarius Investments 8.25% Perpetual	<u>3,671</u>	<u>0.20</u>
	Secured Loans 0.00% (2016: 0.21%)		
	Variable Rate Bond 1.26% (2016: 1.60%)		
USD 22,200,000	UBS 6.875% Perpetual	18,202	1.00
USD 5,500,000	UBS 7.00% Perpetual	4,687	0.26
		<u>22,889</u>	<u>1.26</u>
	United Kingdom 30.55% (2016: 40.57%)		
	Asset Backed 0.61% (2016: 0.67%)		
GBP 4,000,000	BAA Funding 6.25% 10/09/2018	4,234	0.23
GBP 1,550,000	Canary Wharf Finance II FRN 22/10/2037	1,248	0.07
GBP 1,993,829	DECO Series FRN 27/01/2036#	-	-
GBP 5,082,462	Tesco Property Finance 5.744% 13/04/2040	5,598	0.31
		<u>11,080</u>	<u>0.61</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Fixed Rate Bond 17.69% (2016: 24.82%)			
GBP 11,810,000	Arqiva Broadcast Finance 9.50% 31/03/2020	12,571	0.69
GBP 3,560,000	BAA Funding 6.00% 20/03/2020	3,987	0.22
GBP 10,005,000	BAA Funding 7.125% 14/02/2024	12,857	0.71
GBP 4,040,000	BAT International Finance 1.75% 05/07/2021	4,088	0.23
USD 10,500,000	BAT International Finance 3.95% 15/06/2025	8,389	0.46
GBP 6,100,000	BAT International Finance 6.00% 29/06/2022	7,356	0.41
GBP 12,900,000	BUPA Finance 5.00% 08/12/2026	14,531	0.80
GBP 1,000,000	Cattles 6.875% Perpetual#	-	-
GBP 3,600,000	Channel Link Enterprises Finance FRN 30/06/2050	3,624	0.20
GBP 13,100,000	CPUK Finance 4.25% 28/08/2022	13,176	0.73
GBP 2,500,000	CPUK Finance 4.875% 28/08/2025	2,533	0.14
GBP 19,626,000	Daily Mail & General Trust 5.75% 07/12/2018	20,726	1.14
GBP 4,136,000	Friends Life Holdings 12.00% 21/05/2021	5,718	0.31
GBP 3,840,000	Friends Life Holdings 8.25% 21/04/2022	4,951	0.27
GBP 1,582,000	Galaxy Bidco 6.375% 15/11/2020	1,613	0.09
GBP 2,028,000	Galaxy Finco 7.875% 15/11/2021	2,080	0.11
GBP 15,070,000	Imperial Tobacco Finance 4.875% 07/06/2032	18,212	1.00
GBP 5,000,000	Imperial Tobacco Finance 9.00% 17/02/2022	6,603	0.36
GBP 11,245,000	Iron Mountain 6.125% 15/09/2022	11,849	0.65
GBP 20,500,000	PGH Capital 4.125% 20/07/2022	21,219	1.18
GBP 9,100,000	PGH Capital 6.625% 18/12/2025	10,420	0.57
GBP 608,000	Prudential 6.125% 19/12/2031	778	0.04
USD 19,790,000	Prudential 7.75% Perpetual	15,781	0.87
GBP 6,600,000	RAC Bond 4.565% 06/05/2023	7,154	0.39
GBP 10,200,000	RAC Bond 4.87% 06/05/2026	11,323	0.62
USD 10,315,000	Royal Bank of Scotland 7.648% Perpetual	9,787	0.54
GBP 5,000,000	Scottish Widows 5.50% 16/06/2023	5,598	0.31
GBP 2,515,000	Scottish Widows 7.00% 16/06/2043	3,183	0.18
GBP 10,400,000	Tesco 5.50% 13/01/2033	11,334	0.62
GBP 15,000,000	Tesco 6.125% 24/02/2022	17,157	0.94
GBP 8,600,000	TP ICAP 5.25% 26/01/2024	9,194	0.51
GBP 7,027,000	Virgin Media Finance 6.375% 15/10/2024	7,544	0.42
USD 6,700,000	Virgin Media Secured Finance 5.25% 15/01/2026	5,369	0.30
GBP 18,811,000	Virgin Media Secured Finance 6.25% 28/03/2029	20,369	1.12
USD 13,175,000	Vodafone 2.95% 19/02/2023	10,197	0.56
		<u>321,271</u>	<u>17.69</u>
Secured Loans 0.40% (2016: 0.00%)			
EUR 8,220,000	Misys Europe FRN 13/06/2024~	<u>7,309</u>	<u>0.40</u>
Stepped Rate Bond 1.94% (2016: 1.73%)			
GBP 7,000,000	Co-Operative Bank 6.25% 08/07/2026	8,477	0.47
GBP 13,125,000	Co-Operative Bank 6.875% 08/07/2020	14,929	0.82
GBP 3,800,000	Royal Bank of Scotland 5.625% Perpetual	4,071	0.22
GBP 7,122,000	Standard Life 6.546% Perpetual	<u>7,777</u>	<u>0.43</u>
		<u>35,254</u>	<u>1.94</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Variable Rate Bond 9.91% (2016: 13.35%)			
GBP 1,900,000	Aviva 4.375% Perpetual	1,939	0.11
GBP 5,000,000	Aviva 6.125% Perpetual	5,606	0.31
GBP 3,025,000	Bank of Scotland 7.281% Perpetual	3,777	0.21
USD 27,030,000	Barclays Bank 6.278% Perpetual	23,408	1.29
USD 9,000,000	Barclays Bank 7.875% Perpetual	7,455	0.41
GBP 14,289,000	BUPA Finance 6.125% Perpetual	15,843	0.87
GBP 17,002,000	HBOS Sterling Finance Jersey 7.881% Perpetual	23,626	1.30
GBP 17,249,000	HSBC Bank 5.844% Perpetual	21,067	1.16
USD 13,454,000	Lloyds Banking 6.657% Perpetual	11,746	0.65
GBP 13,145,000	National Grid Finance 5.625% 18/06/2073	14,892	0.82
GBP 5,190,000	National Westminster Bank 7.125% Perpetual	5,783	0.32
GBP 130,350	Nationwide Building Society VAR Perpetual	19,497	1.07
USD 7,456,000	RBS Capital Trust II FRN Perpetual	6,552	0.36
GBP 5,000,000	RL Finance Bonds 6.125% 30/11/2043	5,556	0.31
GBP 5,600,000	Standard Life 5.50% 04/12/2042	6,202	0.34
GBP 6,968,000	Thames Water Utilities Cayman Finance 5.375% 21/07/2025	6,985	0.38
		<hr/> 179,934	<hr/> 9.91
United States 32.91% (2016: 28.26%)			
Asset Backed 0.00% (2016: 0.01%)			
GBP 963,519	Lehman Brothers Holdings 7.875% 08/05/2018	<hr/> 89	<hr/> -
Fixed Rate Bond 29.29% (2016: 25.88%)			
USD 15,450,000	Altice US Finance I 5.50% 15/05/2026	12,489	0.69
USD 14,200,000	Altria 2.625% 16/09/2026	10,525	0.58
USD 10,000,000	Altria 2.85% 09/08/2022	7,819	0.43
USD 7,730,000	Altria 5.375% 31/01/2044	7,174	0.40
GBP 5,800,000	AMC Entertainment 6.375% 15/11/2024	6,213	0.34
AUD 14,500,000	Apple 2.65% 10/06/2020	8,573	0.47
GBP 10,000,000	Apple 3.05% 31/07/2029	10,895	0.60
USD 7,095,000	Apple 3.35% 09/02/2027	5,584	0.31
AUD 14,500,000	Apple 3.70% 28/08/2022	8,836	0.49
USD 4,000,000	Apple 4.25% 09/02/2047	3,266	0.18
USD 18,237,000	Aramark 4.75% 01/06/2026	14,566	0.80
USD 7,445,000	Aramark 5.125% 15/01/2024	6,025	0.33
GBP 7,700,000	AT&T 3.55% 14/09/2037	7,481	0.41
USD 10,500,000	AT&T 4.125% 17/02/2026	8,288	0.46
GBP 16,835,000	AT&T 4.375% 14/09/2029	18,762	1.04
USD 3,051,000	Ball 4.00% 15/11/2023	2,402	0.13
EUR 5,820,000	Ball 4.375% 15/12/2023	5,775	0.32
USD 1,355,000	Ball 5.00% 15/03/2022	1,114	0.06
USD 10,430,000	Ball 5.25% 01/07/2025	8,863	0.49
USD 9,799,000	Berry Plastics 5.125% 15/07/2023	7,855	0.43
USD 10,540,000	Boyd Gaming 6.375% 01/04/2026	8,774	0.48
EUR 4,900,000	Catalent Pharma Solutions 4.75% 15/12/2024	4,598	0.25
USD 13,990,000	CCO Capital 5.875% 01/05/2027	11,511	0.63
USD 13,000,000	Charter Communications Operating Capital 4.908% 23/07/2025	10,812	0.60
USD 9,225,000	Charter Communications Operating Capital 6.484% 23/10/2045	8,524	0.47

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Fixed Rate Bond (continued)			
USD 11,600,000	Comcast 3.30% 01/02/2027	9,040	0.50
USD 12,900,000	Comcast 3.40% 15/07/2046	9,043	0.50
USD 9,200,000	Constellation Brands 3.50% 09/05/2027	7,076	0.39
USD 9,000,000	Constellation Brands 4.50% 09/05/2047	7,132	0.39
USD 11,195,000	Crown Americas Capital V 4.25% 30/09/2026	8,597	0.47
USD 16,106,000	CSC Holdings 6.625% 15/10/2025	13,640	0.75
USD 20,700,000	Diamond 1 & 2 Finance 5.45% 15/06/2023	17,293	0.96
USD 10,100,000	Equinix 5.375% 01/04/2023	8,077	0.44
USD 1,500,000	Equinix 5.75% 01/01/2025	1,243	0.07
USD 9,645,000	First Data 5.00% 15/01/2024	7,636	0.42
USD 4,240,000	First Data 5.375% 15/08/2023	3,411	0.19
USD 5,215,000	First Data 5.75% 15/01/2024	4,170	0.23
USD 3,433,000	HCA Holdings 5.00% 15/03/2024	2,798	0.15
USD 2,667,000	HCA Holdings 6.50% 15/02/2020	2,241	0.12
USD 9,873,000	IGT 6.25% 15/02/2022	8,304	0.46
USD 7,597,000	IGT 6.50% 15/02/2025	6,419	0.35
USD 15,340,000	Iron Mountain 6.00% 15/08/2023	12,548	0.69
USD 11,150,000	KFC/Pizza Hut/Taco Bell America 4.75% 01/06/2027	8,766	0.48
USD 10,540,000	Lamb Weston Holdings 4.875% 01/11/2026	8,408	0.46
USD 27,050,000	Microsoft 3.30% 06/02/2027	21,450	1.19
USD 6,450,000	Microsoft 3.45% 08/08/2036	4,969	0.27
USD 2,000,000	Microsoft 4.45% 03/11/2045	1,713	0.09
EUR 10,100,000	Netflix 3.625% 15/05/2027	9,011	0.50
USD 23,000,000	Oracle 3.90% 15/05/2035	18,246	1.01
EUR 9,600,000	QuintilesIMS 3.25% 15/03/2025	8,553	0.47
USD 18,000,000	Reynolds American 6.15% 15/09/2043	17,304	0.96
USD 7,825,000	Sealed Air 4.875% 01/12/2022	6,416	0.35
USD 2,665,000	Sealed Air 5.125% 01/12/2024	2,200	0.12
USD 10,170,000	Sealed Air 5.25% 01/04/2023	8,397	0.46
USD 12,152,000	Servcorp International 5.375% 15/05/2024	9,881	0.54
USD 2,900,000	Service International 7.625% 01/10/2018	2,383	0.13
USD 720,000	ServiceMaster 5.125% 15/11/2024	574	0.03
USD 11,010,000	Silgan Holdings 4.75% 15/03/2025	8,688	0.48
USD 12,045,000	SiriusXM Radio 5.375% 15/04/2025	9,586	0.53
USD 22,100,000	S&P Global 4.00% 15/06/2025	17,814	0.99
EUR 3,600,000	Spectrum Brands 4.00% 01/10/2026	3,283	0.18
USD 10,000,000	Verizon Communications 3.125% 16/03/2022	7,812	0.43
GBP 7,000,000	Verizon Communications 4.75% 17/02/2034	8,176	0.45
USD 7,233,000	Verizon Communications 5.012% Perpetual	5,624	0.31
USD 2,760,000	Walgreens Boots Alliance 3.45% 01/06/2026	2,120	0.12
USD 6,195,000	Walgreens Boots Alliance 3.80% 18/11/2024	4,953	0.27
		<u>531,719</u>	<u>29.29</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Secured Loans 2.25% (2016: 1.11%)			
USD 17,903,576	Berry Plastics FRN 08/02/2020~	13,779	0.76
GBP 6,514,200	Equinix FRN 06/01/2023~	6,568	0.36
EUR 14,264,250	Equinix FRN 22/12/2023~	12,637	0.70
USD 11,278	HCA FRN 15/02/2024~	9	-
USD 11,222	HCA FRN 17/03/2023~	9	-
EUR 8,907,675	Infor Lawson FRN 01/02/2022~	7,875	0.43
		<u>40,877</u>	<u>2.25</u>
Variable Rate Bond 1.37% (2016: 1.26%)			
USD 32,220,000	Wachovia Capital Trust III 5.56975% Perpetual	<u>24,941</u>	<u>1.37</u>
Derivatives 0.65% (2016: (2.68%))			
Futures 0.00% (2016: (0.01%))			
460	CBT US Long Bond September 2017	<u>(61)</u>	<u>-</u>
Swaps (0.03%) (2016: 0.29%)			
Credit Default Index Swaps 0.00% (2016: 0.32%)			
Credit Default Swaps (0.03%) (2016: (0.03%))			
10,750,000	CDS 1.00% 20/12/2020 Host Hotels Pay USD	(188)	(0.01)
10,750,000	CDS 1.00% 20/12/2020 Host Hotels Pay USD	(187)	(0.01)
9,000,000	CDS 1.00% 20/12/2021 Renault Pay EUR	(128)	(0.01)
1,165,000	CDS 5.00% 20/12/2017 ConvaTec Healthcare Receive EUR	24	-
677,832	CDS 5.00% 20/12/2017 ConvaTec Healthcare Receive EUR	14	-
		<u>(465)</u>	<u>(0.03)</u>
Forward Foreign Exchange Contracts 0.68% (2016: (2.96%))			
	Buy AUD 160,870,050 : Sell GBP 94,516,966 July 2017	368	0.02
	Buy AUD 192,125 : Sell GBP 112,880 July 2017^	-	-
	Buy AUD 63,842,632 : Sell GBP 37,891,268 July 2017	(235)	(0.01)
	Buy AUD 86,005,600 : Sell GBP 50,531,397 July 2017	197	0.01
	Buy EUR 10,434,375 : Sell GBP 9,169,265 July 2017	(2)	-
	Buy EUR 107,604 : Sell GBP 94,686 July 2017^	-	-
	Buy EUR 120,254 : Sell GBP 105,678 July 2017^	-	-
	Buy EUR 1,468,272 : Sell GBP 1,290,279 July 2017^	-	-
	Buy EUR 4,885,197 : Sell GBP 4,280,344 July 2017	11	-
	Buy EUR 4,974 : Sell GBP 4,397 July 2017^	-	-
	Buy EUR 679,201 : Sell GBP 597,416 July 2017	(1)	-
	Buy EUR 728,209 : Sell GBP 641,198 July 2017	(1)	-
	Buy EUR 90,941 : Sell GBP 80,203 July 2017^	-	-
	Buy GBP 11,288,913 : Sell USD 14,663,733 July 2017^	-	-
	Buy GBP 194,770,395 : Sell EUR 222,005,260 July 2017	(269)	(0.01)
	Buy GBP 301,081,150 : Sell AUD 507,932,879 July 2017	1,490	0.08
	Buy GBP 345,374,123 : Sell USD 442,141,296 July 2017	5,274	0.29
	Buy GBP 390,722,765 : Sell USD 500,000,000 July 2017	6,117	0.33
	Buy GBP 51,530,018 : Sell AUD 87,343,632 July 2017	12	-
	Buy GBP 5,616,001 : Sell USD 7,118,002 July 2017	141	0.01
	Buy GBP 7,195,158 : Sell EUR 8,172,592 July 2017	15	-

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Forward Foreign Exchange Contracts <small>(continued)</small>			
	Buy GBP 94,629,441 : Sell AUD 160,870,050 July 2017	(366)	(0.02)
	Buy USD 1,004,988 : Sell GBP 772,601 July 2017^	-	-
	Buy USD 10,622,494 : Sell GBP 8,317,125 July 2017	(146)	(0.01)
	Buy USD 1,198,834 : Sell GBP 949,053 July 2017	(27)	-
	Buy USD 11,990,531 : Sell GBP 9,219,259 July 2017	4	-
	Buy USD 128,346 : Sell GBP 99,109 July 2017^	-	-
	Buy USD 141,079 : Sell GBP 110,630 July 2017	(2)	-
	Buy USD 14,663,733 : Sell GBP 11,281,851 July 2017	(2)	-
	Buy USD 173,694 : Sell GBP 137,031 July 2017	(3)	-
	Buy USD 1,860,263 : Sell GBP 1,436,538 July 2017	(6)	-
	Buy USD 1,875,435 : Sell GBP 1,470,716 July 2017	(28)	-
	Buy USD 2,796,576 : Sell GBP 2,186,666 July 2017	(36)	-
	Buy USD 280,869 : Sell GBP 216,077 July 2017^	-	-
	Buy USD 2,994,282 : Sell GBP 2,312,110 July 2017	(9)	-
	Buy USD 3,971,510 : Sell GBP 3,114,552 July 2017	(60)	-
	Buy USD 525,406 : Sell GBP 410,792 July 2017	(7)	-
	Buy USD 6,264,273 : Sell GBP 4,815,537 July 2017	3	-
	Buy USD 70,024 : Sell GBP 55,436 July 2017	(2)	-
	Buy USD 81,771 : Sell GBP 64,513 July 2017	(2)	-
	Buy USD 9,745,594 : Sell GBP 7,619,934 July 2017	(123)	(0.01)
		<u>12,305</u>	<u>0.68</u>
Investment assets including investment liabilities		1,564,609	86.15
	Other net assets	251,531	13.85
	Total net assets	1,816,140	100.00

Prior year comparative percentages have changed for some sectors due to reclassification within these sectors.

~ Unquoted securities

Defaulted

^ Due to rounding to nearest £1,000

Statement of total return for the year ended 30 June 2017

		2017		2016	
	Note	£000	£000	£000	£000
Income					
Net capital gains	2		47,803		2,885
Revenue	3	74,508		66,536	
Expenses	4	(12,638)		(11,271)	
Interest payable and similar charges	5	(8)		(3)	
Net revenue before taxation		61,862		55,262	
Taxation	6	(227)		(140)	
Net revenue after taxation			61,635		55,122
Total return before distributions			109,438		58,007
Distributions	7		(75,512)		(67,495)
Change in net assets attributable to shareholders from investment activities			33,926		(9,488)

Statement of change in net assets attributable to shareholders

for the year ended 30 June 2017

		2017		2016	
		£000	£000	£000	£000
Opening net assets attributable to shareholders			1,543,329		1,309,126
Amounts receivable on issue of shares		314,023		352,193	
Amounts payable on the cancellation of shares		(95,647)		(122,200)	
			218,376		229,993
Change in net assets attributable to shareholders from investment activities			33,926		(9,488)
Retained distribution on accumulation shares			20,503		13,692
Unclaimed distributions			6		6
Closing net assets attributable to shareholders			1,816,140		1,543,329

Balance sheet as at 30 June 2017

	Note	2017 £000	2016 £000
Assets:			
Investments		1,566,500	1,491,188
Current assets:			
Debtors	8	207,800	36,951
Cash and bank balances	9	204,676	175,226
Total assets		1,978,976	1,703,365
Liabilities:			
Investment liabilities		1,891	51,729
Creditors:			
Amounts held at derivative clearing houses and brokers		62	-
Bank overdrafts		8,611	5,143
Distributions payable		12,491	16,474
Other creditors	10	139,781	86,690
Total liabilities		162,836	160,036
Net assets attributable to shareholders		1,816,140	1,543,329

Notes to the financial statements for the year ended 30 June 2017

1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 of the aggregated notes to the financial statements.

2 Net capital gains

Net capital gains on investments during the year comprise:

	2017 £000	2016 £000
Derivative securities	8,331	(658)
Forward currency contracts	(47,624)	(104,051)
Non-derivative securities	90,556	106,782
Other currency (losses) / gains	(3,435)	833
Transaction costs	(25)	(21)
Net capital gains	47,803	2,885

3 Revenue

	2017 £000	2016 £000
Bank interest	133	518
Derivative revenue	249	(423)
Interest on debt securities	73,877	64,351
Interest on margin	2	-
Overseas dividends	116	1,303
Stock lending revenue	130	119
UK dividends	1	668
Total revenue	74,508	66,536

4 Expenses

	2017 £000	2016 £000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual management charge	11,052	9,835
GAC*	1,360	1,198
	12,412	11,033
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	123	158
Safe custody fees	103	79
	226	237
Other expenses:		
Legal fees	-	1
	-	1
Total expenses	12,638	11,271

Irrecoverable VAT is included in the above expenses where relevant.

*The current audit fee, which is levied through the GAC, is £12,064 (2016: £9,167).

Notes to the financial statements (continued)

5 Interest payable and similar charges

	2017 £000	2016 £000
The interest payable and similar charges comprise:		
Interest payable	8	3
Total interest payable and similar charges	8	3

6 Taxation

(a) Analysis of charge in the year

The tax charge comprises:

	2017 £000	2016 £000
Overseas withholding tax	227	140
Total current tax (note 6b)	227	140

b) Factors affecting current tax charge for year

The tax assessed for each year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICS) of 20% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Net revenue before taxation	61,862	55,262
Corporation tax at 20% (2016: 20%)	12,372	11,052
Effects of:		
Tax effect of expensed double taxation relief	-	(28)
Irrecoverable overseas tax	227	140
Revenue being paid as interest distributions	(12,372)	(10,890)
UK dividends*	-	(134)
Tax charge for the year (note 6a)	227	140

* As an OEIC this item is not subject to corporation tax.

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Deferred tax

There is no provision required for deferred taxation at the balance sheet date (2016: £nil).

(d) Factors that may affect future tax charges

There were no factors that may affect future tax charges at the current or prior accounting year end.

Notes to the financial statements (continued)

7 Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

	2017 £000	2016 £000
Interim income	37,473	33,981
Interim accumulation	14,971	9,673
Final income	12,491	11,635
Final accumulation	5,532	4,019
Tax withheld on interest distributions	6,114	9,229
	<u>76,581</u>	<u>68,537</u>
Amounts deducted on cancellation of shares	459	436
Amounts received on issue of shares	(1,528)	(1,478)
Total distributions	<u>75,512</u>	<u>67,495</u>
Net revenue after taxation	61,635	55,122
Annual management charge borne by the capital account	11,052	9,835
Effective yield coupon based adjustment	2,825	2,524
Equalisation on conversions	-	14
Total distributions	<u>75,512</u>	<u>67,495</u>

Details of the distribution per share are set out in the distribution tables on pages 301 to 304.

8 Debtors

	2017 £000	2016 £000
Accrued revenue	20,840	23,183
Amounts receivable for issue of shares	2,535	1,459
Currency transactions awaiting settlement	61,616	10,026
Sales awaiting settlement	122,809	2,283
Total debtors	<u>207,800</u>	<u>36,951</u>

9 Cash and bank balances

	2017 £000	2016 £000
Amounts held at derivative clearing houses and brokers	61	1,013
Cash and bank balances	204,355	174,213
Collateral accounts	260	-
Total cash and bank balances	<u>204,676</u>	<u>175,226</u>

Notes to the financial statements (continued)

10 Other creditors

	2017 £000	2016 £000
Accrued annual management charge	974	844
Accrued Depositary's fee	7	15
Accrued other expenses	132	112
Amounts payable for cancellation of shares	758	5,427
Derivative interest payable	7	26
Currency transactions awaiting settlement	61,622	9,963
Purchases awaiting settlement	76,281	70,303
Total other creditors	139,781	86,690

11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

12 Related party transactions

Henderson Investment Funds Limited as ACD to the fund is deemed to be a related party because it provides key management personnel services to the fund. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', the 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 286 and 287 and notes 4, 7, 8 and 10 on pages 288 to 291 including all issues and cancellations where the ACD acted as principal.

Transactions with the ACD are as follows:

- All issues and cancellations,
- Annual management charge
- GAC

There were no material shareholders at the year end (2016: nil).

13 Shareholders' funds

The fund currently has 3 share classes available; Class A (Retail with front-end charges), Class I (Institutional) and Class Z (Institutional). The annual management charge on each share class is as follows:

	2017 %	2016 %
Class A	1.25%	1.25%
Class I	0.60%	0.60%
Class Z*	0.00%	0.00%

* Charges for managing Z class shares are levied outside the fund and are agreed between the ACD and investors.

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative tables on pages 271 to 275. The distribution per share class is given in the distribution tables on pages 301 to 304. All share classes have the same rights on winding up.

Notes to the financial statements (continued)

13 Shareholders' funds (continued)

Share reconciliation as at 30 June 2017

	Class A income	Class I accumulation	Class I income	Class Z accumulation
Opening number of shares	117,101,951	110,382,900	503,058,250	3,833,723
Issues during the year	9,927,557	35,345,859	65,334,265	205,301
Cancellations during the year	(14,343,950)	(7,983,725)	(18,706,515)	(774,600)
Shares converted during the year	(621,326)	(481,250)	1,420,085	-
Closing shares in issue	112,064,232	137,263,784	551,106,085	3,264,424

	Class A income gross	Class I accumulation gross	Class I income gross	Class Z accumulation gross
Opening number of shares	6,093,869	16,060,453	313,777,483	17,187
Issues during the year	261,638	11,369,932	53,546,154	54,111
Cancellations during the year	(863,724)	(527,562)	(18,936,349)	(11,694)
Shares converted during the year	(154,777)	27,777	501,581	(8,994)
Closing shares in issue	5,337,006	26,930,600	348,888,869	50,610

14 Financial derivatives

The fund may use financial derivatives for hedging and meeting the investment objectives including risk reduction and implementation of investment policies.

Eligible collateral types are approved by the Investment Manager and are agreed with the relevant counterparty.

At 30 June 2017 there were bonds with a market value of £261,524 (2016: £5,241,740) held as collateral and cash of £260,000 pledged as collateral (2016: £nil).

The counterparty exposure has been calculated using the positive marked-to-market value of the derivative contract with that counterparty.

2017

At 30 June 2017 the underlying exposure for each category of derivatives was as follows:

Counterparty	Credit default swaps £000	Forward foreign exchange contracts £000	Total by counterparty £000
BNP Paribas	-	13,632	13,632
Deutsche Bank	24	-	24
Morgan Stanley	14	-	14
	38	13,632	13,670

Notes to the financial statements (continued)

14 Financial derivatives (continued)

2016

At 30 June 2016 the underlying exposure for each category of derivatives was as follows:

Counterparty	Credit default index/swaps £000	Forward foreign exchange contracts £000	Total by counterparty £000
Barclays Bank	1,198	-	1,198
BNP Paribas	-	4,977	4,977
Credit Suisse	81	-	81
Deutsche Bank	60	-	60
Goldman Sachs	85	-	85
JP Morgan	3,989	-	3,989
Morgan Stanley	35	-	35
	5,448	4,977	10,425

15 Stock lending

The fund and the Investment Manager have entered into a stock lending programme with BNP Paribas acting as the stock lending agent for the purposes of efficient portfolio management and to generate additional income.

Stock lending revenue is disclosed under 'Revenue' in the Statement of total return.

Eligible collateral types for Stock Lending and borrowing transactions are approved by the Investment Manager and may consist of securities issued or guaranteed by a Member State of the OECD or by their local authorities or supranational institutions and organisations with regional, EU and world-wide scope, generally subject to a minimum long term credit rating of at least A- by one or more major rating agency or equities. Collateral should be highly liquid and traded on a regulated market. Collateral is subject to a haircut on a sliding scale based on the combination of the underlying instrument being lent versus the asset being received as collateral. The value of collateral required will range from 102.50% to 110.00% of the value of the stock on loan.

2017

Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
Credit Suisse	413	444	Government Bond
Deutsche Bank	8	8	Government Bond
JP Morgan	3,602	3,794	Corporate Bond
JP Morgan	1,389	1,544	Equity
JP Morgan	8,712	8,981	Government Bond
	13,703	14,319	
Morgan Stanley	2,591	2,729	Government Bond
	16,715	17,500	

Notes to the financial statements (continued)

15 Stock lending (continued)

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	153	23	130

2016 Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
Barclays Bank	205	212	Corporate Bond
Barclays Bank	4,924	5,079	Government Bond
	5,129	5,291	
Citigroup	5,667	6,257	Government Bond
Credit Suisse	22	23	Corporate Bond
Credit Suisse	4,386	4,660	Government Bond
	4,408	4,683	
Goldman Sachs	12,434	12,794	Government Bond
HSBC	598	1,047	Government Bond
JP Morgan	7,321	7,510	Corporate Bond
JP Morgan	3,228	3,507	Government Bond
	10,549	11,017	
Morgan Stanley	537	551	Government Bond
Royal Bank of Scotland	3,269	3,352	Government Bond
	42,591	44,992	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	140	21	119

Notes to the financial statements (continued)

16 Risk

Currency risk

The fund's net exposure to currency risk (including any instruments used to hedge foreign currencies) is considered insignificant. This is consistent with the exposure during the prior year.

Interest rate risk

The fund's exposure to interest rate risk is considered significant. The interest rate risk profile of the fund's financial assets and financial liabilities at the year end is set out in the following table:

	Floating rate financial assets	Fixed rate financial assets	Non-interest bearing assets	Total
2017	£000	£000	£000	£000
Australian dollar	8,573	158,495	147,697	314,765
Euro	76,590	118,251	7,826	202,667
UK sterling	264,174	408,007	79,084	751,265
US dollar	75,822	597,870	36,587	710,279
Total	425,159	1,282,623	271,194	1,978,976

	Floating rate financial assets	Fixed rate financial assets	Non-interest bearing assets	Total
2016	£000	£000	£000	£000
Australian dollar	-	3,081	-	3,081
Euro	57,994	159,957	1,227	219,178
UK sterling	277,841	445,186	39,763	762,790
US dollar	78,108	615,589	24,619	718,316
Total	413,943	1,223,813	65,609	1,703,365

	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing assets	Total
2017	£000	£000	£000	£000
Australian dollar	-	-	235	235
Euro	-	127	68,706	68,833
UK sterling	8,611	-	65,606	74,217
US dollar	62	376	19,113	19,551
Total	8,673	503	153,660	162,836

	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing assets	Total
2016	£000	£000	£000	£000
Euro	7,282	612	-	7,894
UK sterling	5,143	38,239	77,313	120,695
US dollar	-	31,283	164	31,447
Total	12,425	70,134	77,477	160,036

Notes to the financial statements (continued)

16 Risk (continued)

Credit ratings

	Market value	Percentage of total net assets
2017		
Investments:		
Investment grade (AAA - BBB)	769,985	42.40
Below investment grade (BB and below)	778,561	42.87
Unrated	3,760	0.20
Total debt securities	1,552,306	85.47
Derivatives	11,779	0.65
Equities	524	0.03
Investment assets including investment liabilities	1,564,609	86.15
Other net assets	251,531	13.85
Total net assets	1,816,140	100.00

	Market value	Percentage of total net assets
2016		
Investments:		
Investment grade (AAA - BBB)	892,185	57.81
Below investment grade (BB and below)	550,536	35.68
Unrated	38,024	2.46
Total debt securities	1,480,745	95.95
Derivatives	(41,304)	(2.68)
Equities	18	-
Investment assets including investment liabilities	1,439,459	93.27
Other net assets	103,870	6.73
Total net assets	1,543,329	100.00

Sensitivity analysis

The actual VaR results, limits and utilisation of limits are summarised in the table below:

	Global Exposure Calculation basis	Actual VaR in year			VaR Limit	Utilisation of VaR limit		
		Minimum	Maximum	Average		Minimum	Maximum	Average
		%	%	%	%	%	%	%
2017	Absolute VaR	1.54	2.93	2.22	20.00	7.68	14.64	11.12
2016	Absolute VaR	1.30	2.52	1.71	20.00	6.51	12.61	8.53

Leverage	Minimum	Maximum	Average
	%	%	%
2017	61.71	246.86	125.93
2016	37.01	179.54	78.37

Notes to the financial statements (continued)

16 Risk (continued)

Liquidity risk

The following table provides a maturity analysis of the fund's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	On demand	Within one year	Over one year but not more than five years	Over five years
	£000	£000	£000	£000
2017				
Amounts held at derivatives clearing houses and brokers	62	-	-	-
Bank overdrafts	8,611	-	-	-
Derivative financial liabilities	-	1,388	503	-
Distribution payable	-	12,491	-	-
Other creditors	-	139,781	-	-
Total	8,673	153,660	503	-

	On demand	Within one year	Over one year but not more than five years	Over five years
	£000	£000	£000	£000
2016				
Bank overdrafts	5,143	-	-	-
Derivative financial liabilities	-	50,772	957	-
Distribution payable	-	16,474	-	-
Other creditors	-	86,690	-	-
Total	5,143	153,936	957	-

17 Fair value disclosure

Fair value measurement

The fund has early adopted the March 2016 amendment to section 34 of FRS 102 (Fair Value Hierarchy disclosures that simplify the preparation of financial instrument disclosure), which is applicable to accounting periods beginning on or after 1 January 2017 with earlier application permitted.

The intention of a fair value measurement is to estimate the price at which an asset or a liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS 102 the fund classifies fair value measurement under the following levels:

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Notes to the financial statements (continued)

17 Fair value disclosure (continued)

Fair value hierarchy

Valuation technique	2017		2016	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1	524*	61	83,153*	164
Level 2	1,565,976	1,830	1,408,022	51,565
Level 3	-	-	13	-
	1,566,500	1,891	1,491,188	51,729

* Debt securities included in the highest fair value hierarchy level, where their valuation is determined to be sufficiently close to a binding quoted price, amount to nil as 30 June 2017 (2016: £83,135,365).

Where a price is unavailable or the price provided is not thought to be a fair reflection of the current market value of the asset, the Investment Manager, at its discretion, may permit some other method of valuation to be used if they consider that it better reflects value and is in accordance with good accounting practice. A Global Fair Value Pricing Committee ('GFVPC') of the Investment Manager is responsible for determining or approving unquoted prices. Where deemed necessary, the GFVPC will seek ratification of decisions from the Janus Henderson Investment Performance and Risk Committee. The GFVPC meets on a monthly basis and consists of representatives from various parts of the Investment manager who act as an independent party, segregated from the fund management function, to review and approve fair value pricing decisions and pricing models on a regular basis. The assets included within level 3 are defaulted bonds which have been valued by the GFVPC using broker quotes.

Notes to the financial statements (continued)

18 Direct transaction costs

	Purchases		Sales/maturities	
	2017	2016	2017	2016
	£000	£000	£000	£000
Trades in the year				
Debt securities	1,845,327	1,359,753	1,857,513	1,074,697
Equities	2,127	-	1,645	4,135
Trades in the year before transaction costs	1,847,454	1,359,753	1,859,158	1,078,832
Transaction costs				
Commissions				
Debt securities	-	-	-	-
Equities	-	-	-	-
Total commissions	-	-	-	-
Taxes				
Debt securities	-	-	-	-
Equities	-	-	-	-
Total taxes	-	-	-	-
Other expenses				
Debt securities	25	7	20	-
Equities	-	-	-	-
Total other expenses	25	7	20	-
Total transaction costs	25	7	20	-
Total net trades in the year after transaction costs	1,847,479	1,359,760	1,859,138	1,078,832

	Purchases		Sales/maturities	
	2017	2016	2017	2016
	%	%	%	%
Total transaction cost expressed as a percentage of asset type cost				
Commissions				
Debt securities	-	-	-	-
Equities	-	-	-	-
Taxes				
Debt securities	-	-	-	-
Equities	-	-	-	-
Other expenses				
Debt securities	-	-	-	-
Equities	-	-	-	-

	2017	2016
	%	%
Total transaction cost expressed as a percentage of net asset value		
Commissions	-	-
Taxes	-	-
Other expenses	-	-
Total costs	-	-

Notes to the financial statements (continued)

18 Direct transaction costs (continued)

There were no in specie transfers during the year (2016: nil). There were corporate actions during the year of £25,918,061 (2016: £43,310,972).

There were direct transaction costs associated with derivatives during the year of £67,121 (2016: £9,248) which is 0.01% of the average net asset value of the fund (2016: 0.00%).

Direct transaction costs are fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the fund. These exclude any differences between quoted bid and offer prices or internal administrative or holding costs.

Transaction costs for bonds are not separately identifiable as with other financial instruments as the costs form part of the dealing spread and therefore are inherent within the purchase and sale prices of the trades.

The portfolio dealing spread as at 30 June 2017 was 0.58% (2016: 0.82%). The portfolio dealing spread is calculated at the fund's 12 noon valuation point.

19 Events after the Balance sheet date

There were no material post Balance sheet events which require disclosure within these financial statements.

Distribution tables for the year ended 30 June 2017 (in pence per share)

Interim interest distribution (accounting date 30 September 2016, paid on 30 November 2016)

Group 1: shares purchased prior to 1 July 2016

Group 2: shares purchased on or after 1 July 2016

	Gross revenue	Income tax (20%)	Net revenue	Equalisation	Distribution paid 30/11/16*	Distribution paid 30/11/15*
Class A income						
Group 1	1.4429	0.2886	1.1543	-	1.1543	1.2227
Group 2	0.6695	0.1339	0.5356	0.6187	1.1543	1.2227
Class I accumulation						
Group 1	3.6429	0.7286	2.9143	-	2.9143	2.9389
Group 2	1.7995	0.3599	1.4396	1.4747	2.9143	2.9389
Class I income						
Group 1	1.5823	0.3165	1.2658	-	1.2658	1.3263
Group 2	0.7675	0.1535	0.6140	0.6518	1.2658	1.3263
Class Z accumulation						
Group 1	3.9465	0.7893	3.1572	-	3.1572	3.1634
Group 2	0.7820	0.1564	0.6256	2.5316	3.1572	3.1634
Class A income gross						
Group 1	1.4728	-	1.4728	-	1.4728	1.5453
Group 2	0.9905	-	0.9905	0.4823	1.4728	1.5453
Class I accumulation gross						
Group 1	4.2408	-	4.2408	-	4.2408	4.2123
Group 2	2.1207	-	2.1207	2.1201	4.2408	4.2123
Class I income gross						
Group 1	1.1879	-	1.1879	-	1.1879	1.2372
Group 2	0.6221	-	0.6221	0.5658	1.1879	1.2372
Class Z accumulation gross						
Group 1	4.3450	-	4.3450	-	4.3450	4.2846
Group 2	4.3450	-	4.3450	-	4.3450	4.2846

* Distributions on Class A income, Class I accumulation, Class I income and Class Z accumulation prior to 6 April 2017 are net of 20% income tax.

Distribution tables (continued)

Interim interest distribution (accounting date 31 December 2016, paid on 28 February 2017)

Group 1: shares purchased prior to 1 October 2016

Group 2: shares purchased on or after 1 October 2016

	Gross revenue	Income tax (20%)	Net revenue	Equalisation	Distribution paid 28/02/17*	Distribution paid 29/02/16*
Class A income						
Group 1	1.3880	0.2776	1.1104	-	1.1104	1.1756
Group 2	0.6063	0.1213	0.4850	0.6254	1.1104	1.1756
Class I accumulation						
Group 1	3.5571	0.7114	2.8457	-	2.8457	2.8626
Group 2	1.7849	0.3570	1.4279	1.4178	2.8457	2.8626
Class I income						
Group 1	1.5309	0.3062	1.2247	-	1.2247	1.2791
Group 2	0.7870	0.1574	0.6296	0.5951	1.2247	1.2791
Class Z accumulation						
Group 1	3.8404	0.7681	3.0723	-	3.0723	3.0882
Group 2	3.1491	0.6298	2.5193	0.5530	3.0723	3.0882
Class A income gross						
Group 1	1.4456	-	1.4456	-	1.4456	1.4977
Group 2	0.6999	-	0.6999	0.7457	1.4456	1.4977
Class I accumulation gross						
Group 1	4.2175	-	4.2175	-	4.2175	4.1502
Group 2	2.0901	-	2.0901	2.1274	4.2175	4.1502
Class I income gross						
Group 1	1.1678	-	1.1678	-	1.1678	1.2040
Group 2	0.6619	-	0.6619	0.5059	1.1678	1.2040
Class Z accumulation gross						
Group 1	4.3289	-	4.3289	-	4.3289	4.2280
Group 2	4.3289	-	4.3289	-	4.3289	4.2280

* Distributions on Class A income, Class I accumulation, Class I income and Class Z accumulation prior to 6 April 2017 are net of 20% income tax.

Distribution tables (continued)

Interim interest distribution (accounting date 31 March 2017, paid on 31 May 2017)

Group 1: shares purchased prior to 1 January 2017

Group 2: shares purchased on or after 1 January 2017

	Distribution per share	Equalisation	Distribution paid 31/05/17	Distribution paid 31/05/16*
Class A income				
Group 1	1.4581	-	1.4581	1.1402
Group 2	0.7311	0.7270	1.4581	1.1402
Class I accumulation				
Group 1	3.7250	-	3.7250	2.7943
Group 2	1.9022	1.8228	3.7250	2.7943
Class I income				
Group 1	1.5886	-	1.5886	1.2367
Group 2	0.7299	0.8587	1.5886	1.2367
Class Z accumulation				
Group 1	4.0738	-	4.0738	3.0212
Group 2	2.4214	1.6524	4.0738	3.0212
Class A income gross				
Group 1	1.4377	-	1.4377	1.4013
Group 2	0.5697	0.8680	1.4377	1.4013
Class I accumulation gross				
Group 1	4.2492	-	4.2492	3.9258
Group 2	1.7056	2.5436	4.2492	3.9258
Class I income gross				
Group 1	1.1631	-	1.1631	1.1253
Group 2	0.5898	0.5733	1.1631	1.1253
Class Z accumulation gross				
Group 1	4.3692	-	4.3692	4.0182
Group 2	4.3692	-	4.3692	4.0182

* Distributions on Class A income, Class I accumulation, Class I income and Class Z accumulation prior to 6 April 2017 are net of 20% income tax.

Distribution tables (continued)

Final interest distribution (accounting date 30 June 2017, paid on 31 August 2017)

Group 1: shares purchased prior to 1 April 2017

Group 2: shares purchased on or after 1 April 2017

	Distribution per share	Equalisation	Distribution paid 31/08/17	Distribution paid 31/08/16*
Class A income				
Group 1	1.2228	-	1.2228	1.1700
Group 2	0.4736	0.7492	1.2228	1.1700
Class I accumulation				
Group 1	3.1874	-	3.1874	2.9186
Group 2	2.0122	1.1752	3.1874	2.9186
Class I income				
Group 1	1.3435	-	1.3435	1.2797
Group 2	0.8201	0.5234	1.3435	1.2797
Class Z accumulation				
Group 1	3.4851	-	3.4851	3.1672
Group 2	1.9121	1.5730	3.4851	3.1672
Class A income gross				
Group 1	1.2876	-	1.2876	1.4793
Group 2	0.9414	0.3462	1.2876	1.4793
Class I accumulation gross				
Group 1	3.8638	-	3.8638	4.2023
Group 2	2.6982	1.1656	3.8638	4.2023
Class I income gross				
Group 1	1.0456	-	1.0456	1.1910
Group 2	0.6503	0.3953	1.0456	1.1910
Class Z accumulation gross				
Group 1	4.2089	-	4.2089	4.2864
Group 2	4.2089	-	4.2089	4.2864

* Distributions on Class A income, Class I accumulation, Class I income and Class Z accumulation prior to 6 April 2017 are net of 20% income tax.

Henderson UK Equity Income & Growth Fund

Authorised Corporate Director's (ACD) report

Investment Fund Managers

James Henderson and Laura Foll

Investment objective and policy

The fund aims to provide dividend income with prospects for both income and capital growth over the medium to long term by investing primarily in United Kingdom companies. The fund may invest in fixed interest and convertible securities as well as ordinary shares.

The fund may invest in other transferable securities, money market instruments, deposits and units in collective investment schemes.

Derivatives and forward transactions may be used for the purposes of efficient portfolio management only.

Performance summary

	30 Jun 16 - 30 Jun 17 %	30 Jun 15 - 30 Jun 16 %	30 Jun 14 - 30 Jun 15 %	30 Jun 13 - 30 Jun 14 %	30 Jun 12 - 30 Jun 13 %
Henderson UK Equity Income & Growth Fund	22.2	(9.0)	4.4	21.5	30.5
FTSE All-Share Index	18.1	2.2	2.6	13.1	17.9

Source: Morningstar, bid to bid and net of fees, as at 12 noon valuation point, based on performance of Class A income.

Benchmark values are as at close of business.

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.

Significant portfolio changes for the year ended 30 June 2017

Largest purchases	£000	Largest sales	£000
GlaxoSmithKline	6,000	Rio Tinto (UK Listing)	15,759
Standard Life	5,501	AstraZeneca	11,095
BAE Systems	5,412	Scapa	9,473
Phoenix Holdings	4,155	Hill & Smith Holdings	7,312
International Consolidated Airlines	3,133	XP Power	5,494
Petrofac	3,102	Legal & General	5,350
Aviva	2,662	Intermediate Capital	4,763
Ultra Electronics Holdings	2,566	BP	4,495
Henderson Opportunities Trust	2,473	Greencore	4,418
Shanks	2,403	International Consolidated Airlines	4,245
Total purchases	56,299	Total sales	134,350

Investment review

During the year to 30 June 2017, the fund rose 22.2% on a total return basis relative to an 18.1% rise in the FTSE All-Share index. The fund's distribution per share rose modestly.

It was a strong period for UK equity markets, despite a number of political headwinds, including the period immediately following the referendum to leave the European Union (EU) and the general election in June 2017. Overall, this has served as a reminder that the UK equity market is highly global in its exposure, and in a period of good global economic growth UK equities continued to perform well (and in many cases benefited from the translational impact of lower sterling).

The UK economy remained resilient in the second half of 2016, with the consumer continuing to spend despite steadily rising inflation and muted wage growth. In the first half of 2017, however, the economy slowed. With the savings ratio at an already low level, the UK consumer is becoming more cautious. This can be seen in headline data such as consumer confidence figures, and even at the stock level. DFS, for example, which we own a small position in, reported a fall in sofa sales following the election that resulted in the company lowering earnings forecasts.

Performance

Performance during the year was driven by smaller and medium-sized company exposure as the FTSE 250, FTSE Small Cap and FTSE AIM All-Share indexes outperformed their large-cap peers in the FTSE 100.

At the stock level, the largest contributors included Hill & Smith, Somero Enterprises and XP Power. A common theme among these outperformers was the industrials sector, which had a strong year as a result of better-than-expected organic growth deriving largely from outside the US in countries such as China. Our insurance holdings, including Chesnara, Hiscox and Phoenix Group, also performed well.

The largest detractors during the year tended to be companies with early-stage technologies where the market is unwilling to pay for any 'blue sky' (or best-case) scenarios. This included Hvivo, which conducts novel clinical trials for pharmaceutical and biotechnology companies, and Ilika, which develops solid state battery technology.

Activity

On the whole, we have been cautious with new purchases, as the market has performed well, which has left certain areas of the market on quite high valuations. Where we have made new purchases has tended to be in companies with attractive dividend yields and good scope to grow. This included purchasing new holdings in Aviva and Standard Life, and adding to our existing holding in Direct Line.

The largest sales included a reduction in our mining sector holdings – we sold positions in Glencore and Rio Tinto. Both shares had re-rated substantially (undergone a reassessment by the market) in a short period of time, and we felt that analyst forecasts were looking increasingly optimistic.

Outlook

A period in which wage growth lags retail price increases, such as the UK is currently experiencing, will always be a difficult one for an economy, as it creates a real operating headwind (or obstacle) for domestically orientated businesses. The valuation put on these companies by investors has fallen; stocks such as Marston's have experienced poor share price performance as a result. The challenging background means companies need a distinct competitive offering to trade successfully, and that the weaker companies will be found out. The companies in the portfolio are expected to cope with the challenging conditions. The fund has a diverse spread of companies of all sizes serving a wide range of end customers. The diversity reduces the risk of being invested in equities.

The fund has a large weighting in industrial stocks. The stocks in this sector are serving a wide variety of customers by product and geography. UK exporters are benefiting from the fall in sterling, as it is reducing the manufacturing costs of producing in the UK and therefore making them more competitive in international markets.

The fall in sterling has so far been the most tangible effect of the UK's vote to leave the EU. In the future, if tariffs do come in, the companies in the portfolio have well-developed plans that might include moving production destined for Europe to a Continental European plant. The companies held in the fund have astute management teams that will react to the circumstances that arise.

Comparative tables for the year ended 30 June 2017

	Class A accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	619.09	669.38	644.73
Return before operating charges*	137.95	(39.38)	35.70
Operating charges	(12.00)	(10.91)	(11.05)
Return after operating charges*	125.95	(50.29)	24.65
Distributions on accumulation shares	(26.35)	(24.65)	(21.90)
Retained distributions on accumulation shares	26.35	24.65	21.90
Closing net asset value per share	745.04	619.09	669.38
* after direct transaction costs of:	0.44	0.42	0.37

Performance

Return after charges	20.34%	(7.51%)	3.82%
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Other information

Closing net asset value (£000s)	455	453	307
Closing number of shares	61,023	73,114	45,886
Operating charges	1.70%	1.70%	1.69%
Direct transaction costs	0.06%	0.06%	0.06%

Prices

Highest share price (pence)	768.80	683.50	699.70
Lowest share price (pence)	602.90	573.50	582.10

	Class A income		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	553.56	622.42	620.10
Return before operating charges*	122.59	(36.10)	33.54
Operating charges	(10.61)	(10.08)	(10.43)
Return after operating charges*	111.98	(46.18)	23.11
Distributions on income shares	(23.25)	(22.68)	(20.79)
Closing net asset value per share	642.29	553.56	622.42
* after direct transaction costs of:	0.39	0.39	0.35

Performance

Return after charges	20.23%	(7.42%)	3.73%
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Other information

Closing net asset value (£000s)	65,784	64,410	107,935
Closing number of shares	10,242,208	11,635,594	17,340,987
Operating charges	1.70%	1.70%	1.69%
Direct transaction costs	0.06%	0.06%	0.06%

Prices

Highest share price (pence)	672.00	635.60	658.50
Lowest share price (pence)	539.10	525.00	555.40

Comparative tables (continued)

	Class C income		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	156.64	176.12	175.47
Return before operating charges*	34.70	(10.23)	9.49
Operating charges	(3.01)	(2.84)	(2.96)
Return after operating charges*	31.69	(13.07)	6.53
Distributions on income shares	(6.58)	(6.41)	(5.88)
Closing net asset value per share	181.75	156.64	176.12
* after direct transaction costs of:	0.11	0.11	0.10

Performance

Return after charges	20.23%	(7.42%)	3.72%
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Other information

Closing net asset value (£000s)	140,562	126,327	147,661
Closing number of shares	77,339,115	80,647,230	83,838,835
Operating charges	1.70%	1.70%	1.69%
Direct transaction costs	0.06%	0.06%	0.06%

Prices

Highest share price (pence)	190.10	179.90	186.30
Lowest share price (pence)	152.60	148.60	157.10

	Class I accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	1,128.37	1,209.51	1,145.54
Return before operating charges*	252.11	(71.34)	73.84
Operating charges	(10.78)	(9.80)	(9.87)
Return after operating charges*	241.33	(81.14)	63.97
Distributions on accumulation shares	(49.63)	(46.11)	(40.64)
Retained distributions on accumulation shares	49.63	46.11	40.64
Closing net asset value per share	1,369.70	1,128.37	1,209.51
* after direct transaction costs of:	0.80	0.76	0.66

Performance

Return after charges	21.39%	(6.71%)	5.58%
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Other information

Closing net asset value (£000s)	63,987	71,427	83,188
Closing number of shares	4,671,634	6,330,103	6,877,789
Operating charges	0.84%	0.84%	0.84%
Direct transaction costs	0.06%	0.06%	0.06%

Prices

Highest share price (pence)	1,412.00	1,236.00	1,263.00
Lowest share price (pence)	1,099.00	1,042.00	1,045.00

Comparative tables (continued)

	Class I income		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	617.37	688.96	683.03
Return before operating charges*	136.98	(40.18)	35.33
Operating charges	(5.86)	(5.52)	(5.74)
Return after operating charges*	131.12	(45.70)	29.59
Distributions on income shares	(26.78)	(25.89)	(23.66)
Closing net asset value per share	721.71	617.37	688.96
* after direct transaction costs of:	0.43	0.43	0.38

Performance

Return after charges	21.24%	(6.63%)	4.33%
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Other information

Closing net asset value (£000s)	129,082	140,619	208,079
Closing number of shares	17,885,611	22,776,895	30,202,205
Operating charges	0.84%	0.84%	0.84%
Direct transaction costs	0.06%	0.06%	0.06%

Prices

Highest share price (pence)	754.60	704.20	728.50
Lowest share price (pence)	601.30	583.90	611.50

	Class Z accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	180.54	192.02	181.97
Return before operating charges*	40.42	(11.37)	10.16
Operating charges	(0.12)	(0.11)	(0.11)
Return after operating charges*	40.30	(11.48)	10.05
Distributions on accumulation shares	(8.03)	(7.40)	(6.48)
Retained distributions on accumulation shares	8.03	7.40	6.48
Closing net asset value per share	220.84	180.54	192.02
* after direct transaction costs of:	0.13	0.12	0.10

Performance

Return after charges	22.32%	(5.98%)	5.52%
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Other information

Closing net asset value (£000s)	22,996	20,986	24,691
Closing number of shares	10,412,825	11,624,119	12,858,172
Operating charges	0.06%	0.06%	0.06%
Direct transaction costs	0.06%	0.06%	0.06%

Prices

Highest share price (pence)	227.60	196.40	200.40
Lowest share price (pence)	175.90	166.20	165.10

Comparative tables (continued)

	Class Z income		
	2017	2016	2015
	(pence per share)	(pence per share)	(pence per share)
Change in net assets per share			
Opening net asset value per share	189.67	210.07	206.21
Return before operating charges*	42.20	(12.29)	11.23
Operating charges	(0.13)	(0.12)	(0.12)
Return after operating charges*	42.07	(12.41)	11.11
Distributions on income shares	(8.33)	(7.99)	(7.25)
Closing net asset value per share	223.41	189.67	210.07
* after direct transaction costs of:	0.13	0.13	0.11

Performance

Return after charges	22.18%	(5.91%)	5.39%
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Other information

Closing net asset value (£000s)	2,691	2,341	3,804
Closing number of shares	1,204,581	1,234,216	1,810,795
Operating charges	0.06%	0.06%	0.06%
Direct transaction costs	0.06%	0.06%	0.06%

Prices

Highest share price (pence)	233.50	214.90	222.00
Lowest share price (pence)	184.80	178.90	185.50

	Class A accumulation (EUR hedged)		
	2017	2016	2015
	(pence per share)	(pence per share)	(pence per share)
Change in net assets per share			
Opening net asset value per share	834.32	767.10	838.59
Return before operating charges*	233.90	80.34	(58.01)
Operating charges	(16.67)	(13.12)	(13.48)
Return after operating charges*	217.23	67.22	(71.49)
Distributions on accumulation shares	(36.93)	(31.50)	(26.18)
Retained distributions on accumulation shares	36.93	31.50	26.18
Closing net asset value per share	1,051.55	834.32	767.10
* after direct transaction costs of:	0.61	0.50	0.45

Performance

Return after charges	26.04%	8.76%	(8.53%)
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Other information

Closing net asset value (£000s)	81	63	291
Closing number of shares	7,699	7,542	37,957
Operating charges	1.70%	1.70%	1.69%
Direct transaction costs	0.06%	0.06%	0.06%

Prices

Highest share price (EUR cents)	1,237.00	1,105.00	1,133.00
Lowest share price (EUR cents)	977.60	926.90	945.00

Comparative tables (continued)

	Class A accumulation (USD hedged)		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	755.44	688.51	612.12
Return before operating charges*	201.47	78.73	87.73
Operating charges	(15.60)	(11.80)	(11.34)
Return after operating charges*	185.87	66.93	76.39
Distributions on accumulation shares	(33.49)	(28.17)	(23.75)
Retained distributions on accumulation shares	33.49	28.17	23.75
Closing net asset value per share	941.31	755.44	688.51
* after direct transaction costs of:	0.57	0.45	0.38
Performance			
Return after charges	24.60%	9.72%	12.48%
Other information			
Closing net asset value (£000s)	211	247	613
Closing number of shares	22,413	32,750	89,006
Operating charges	1.70%	1.70%	1.69%
Direct transaction costs	0.06%	0.06%	0.06%
Prices			
Highest share price (USD cents)	1,260.00	1,106.00	1,132.00
Lowest share price (USD cents)	983.80	927.20	944.20

Performance values are at close of business and may differ from the performance summary.

Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

Share class launches and closures

There were no share classes launched or closed in the year.

Hedged share classes

Class A accumulation (EUR hedged) and Class A accumulation (USD hedged) are hedged share classes. Hedged share classes allow the ACD to use currency hedging transactions to reduce the effect of fluctuations in the rate of exchange between the currency of share in those classes and Sterling which is the base currency of the fund.

Ongoing charge figure

The annualised ongoing charge figure (OCF) of the fund is 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 year, except for expenses that are explicitly excluded by regulation.

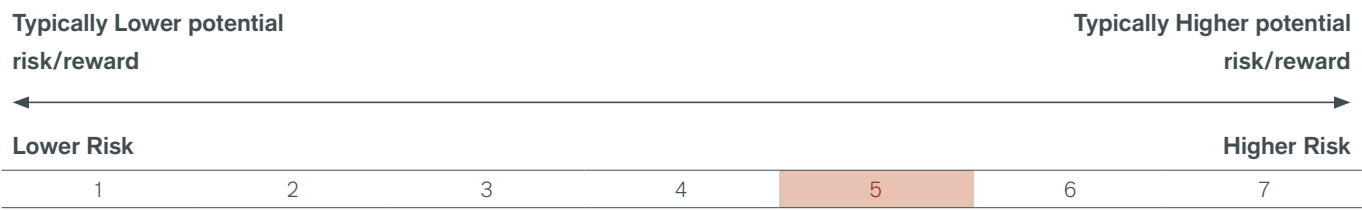
	2017 %	2016 %
Class A	1.70	1.70
Class C	1.70	1.70
Class I	0.84	0.84
Class Z	0.06	0.06
Class A accumulation (EUR hedged)	1.70	1.70
Class A accumulation (USD hedged)	1.70	1.70

The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

Risk and reward profile

The fund currently has 9 types of share class in issue; A accumulation, A income, C income, I accumulation, I income, Z accumulation, Z income, A accumulation (EUR hedged) and A accumulation (USD hedged).

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 period¹, 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 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 share classes appear at 5 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events.

The full list of the fund's risks are contained in the 'Risk Factors' section of the fund's prospectus.

There have been no changes to the risk rating in the year.

¹Class A accumulation gross was launched 22 April 2014 and both Class A accumulation (EUR hedged, USD hedged) launched 18 November 2013, as these do not have a 5 year history, a synthetic history has been created using the fund's relevant sector average.

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

Portfolio statement as at 30 June 2017

Holding	Investment	Market value £000	Percentage of total net assets %
	Equities 100.77% (2016: 100.98%)		
	Ireland 1.30% (2016: 2.15%)		
	Consumer Goods 0.00% (2016: 0.81%)		
	Financials 1.23% (2016: 1.29%)		
6,000,000	Carador Income Fund 'C'	3,327	0.78
188,680	Malin	1,933	0.45
		<u>5,260</u>	<u>1.23</u>
	Oil & Gas 0.07% (2016: 0.05%)		
1,875,000	Providence Resources	<u>295</u>	<u>0.07</u>
	Israel 0.00% (2016: 0.02%)		
	Consumer Goods 0.00% (2016: 0.02%)		
	Netherlands 4.09% (2016: 3.86%)		
	Oil & Gas 4.09% (2016: 3.86%)		
550,000	Royal Dutch Shell 'A'	11,193	2.62
302,808	Royal Dutch Shell 'B'	6,245	1.47
		<u>17,438</u>	<u>4.09</u>
	Singapore 1.87% (2016: 2.67%)		
	Industrials 1.14% (2016: 1.82%)		
200,000	XP Power	<u>4,858</u>	<u>1.14</u>
	Oil & Gas 0.73% (2016: 0.85%)		
8,407,349	Atlantis Resources	<u>3,111</u>	<u>0.73</u>
	United Kingdom 92.45% (2016: 90.88%)		
	Basic Materials 4.67% (2016: 8.51%)		
2,692,000	Acertec~	-	-
2,327,062	Carclo	3,968	0.93
186,197	Croda International	7,234	1.70
2,131,867	Elementis	6,270	1.47
3,535,000	Itaconix	707	0.17
1,438,507	Plastics Capital	1,697	0.40
		<u>19,876</u>	<u>4.67</u>
	Consumer Goods 4.68% (2016: 4.72%)		
2,475,000	Finsbury Food	2,846	0.67
3,087,927	GKN	10,067	2.36
600,000	Headlam	3,228	0.76
210,400	Portmeirion Potts	1,988	0.47
853,652	UP Global Sourcing	1,786	0.42
		<u>19,915</u>	<u>4.68</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Consumer Services 7.08% (2016: 7.62%)			
1,218,202	Conviviality	3,752	0.88
1,011,874	DFS Furniture	2,079	0.49
7,231,657	Fastjet	1,374	0.32
3,931,657	FastJet (Warrants)*	154	0.04
979,194	Findel	1,958	0.46
1,994,319	Flybe	733	0.17
1,294,601	Halfords	4,427	1.05
3,081,634	Marston's	3,760	0.88
925,000	McColl's Retail	1,850	0.43
300,000	Pearson	2,075	0.49
900,000	SafeStyle UK	2,781	0.65
2,340,000	Shoe Zone	3,931	0.92
1,547,500	Topps Tiles	1,277	0.30
		<hr/>	<hr/>
		30,151	7.08
Financials 37.90% (2016: 31.37%)			
860,000	A & J Mucklow REIT	4,343	1.02
500,000	Aviva	2,630	0.62
1,000,000	Barclays Bank	2,028	0.48
3,148,438	Chesnara	12,184	2.85
32,905,500	Cluff Natural Resources	839	0.20
1,663,199	Direct Line Insurance	5,911	1.39
1,167,217	EPE Special Opportunities	3,618	0.85
3,150,000	Greenwich Loan Income Fund	370	0.09
837,274	Henderson Alternative Strategies	2,294	0.54
300,000	Henderson Opportunities Trust	2,771	0.65
350,000	Herald Investment Trust	3,486	0.82
1,183,335	Hiscox Insurance	14,993	3.51
2,281,683	HSBC Holdings	16,238	3.80
950,000	H&T	2,803	0.66
203,500,000	Hume Capital Securities~	-	-
5,920,823	Infrastructure India	237	0.06
1,557,401	International Personal Finance	2,624	0.62
1,409,091	IP	1,897	0.45
3,269,900	Numis	8,003	1.88
1,739,500	Palace Capital	6,436	1.51
7,938,177	Park	6,519	1.53
2,220,283	Phoenix Holdings	17,184	4.03
215,000	Provident Financial	5,231	1.23
511,949	Prudential	9,015	2.12
3,882,300	Redde	6,289	1.48
2,000,000	Sanditon Investment Trust	1,948	0.46
901,661	St. Modwen Properties	3,236	0.76
1,250,000	Standard Chartered	9,715	2.28
1,500,000	Standard Life	5,987	1.41
5,550,000	Tawa	722	0.17
684,862	Virgin Money	1,829	0.43
		<hr/>	<hr/>
		161,380	37.90

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Health Care 2.90% (2016: 4.85%)			
350,000	GlaxoSmithKline	5,724	1.34
1,150,000	Horizon Discovery	2,358	0.55
7,500,000	Oxford Pharmascience	109	0.03
1,944,000	Retroscreen	1,652	0.39
16,696,500	Tissue Regenix	2,004	0.47
219,828	4D Pharma	503	0.12
		<hr/> 12,350	<hr/> 2.90
Industrials 26.60% (2016: 24.66%)			
600,000	Acal	1,817	0.43
270,000	Avon Rubber	2,754	0.65
673,076	Babcock International	5,926	1.39
800,000	BAE Systems	5,068	1.19
1,803,531	Balfour Beatty	4,880	1.15
1,900,965	Carillion	3,551	0.83
1,358,805	Castings	6,283	1.48
472,984	Clarke (T)	401	0.09
1,312,500	DX	125	0.03
2,722,275	Epwin	2,995	0.70
1,300,000	Flowtech Fluidpower	1,851	0.43
440,834	Goldenport Holdings~	-	-
1,902,305	Hayward Tyler	894	0.21
427,425	Hill & Smith Holdings	5,898	1.39
3,880,000	iEnergizer	2,794	0.66
194,266	IMI	2,321	0.55
1,095,395	Interserve	2,533	0.59
5,619,000	Johnson Service	7,234	1.70
3,361,535	Low & Bonar	2,857	0.67
4,850,000	Macfarlane	2,886	0.68
1,240,000	Marshalls	4,650	1.09
736,411	Meggitt	3,512	0.82
3,436,563	Metalrax~	-	-
2,000,000	Morgan Advanced Materials	5,674	1.33
9,945,274	Renold	5,271	1.24
53,607,485	Rolls-Royce (bonus issue)	54	0.01
755,035	Rolls-Royce Holdings	6,727	1.58
1,150,000	Royal Mail	4,844	1.14
5,550,000	Senior	13,021	3.06
3,003,153	Shanks	2,485	0.58
2,050,000	TT Electronics	3,962	0.93
		<hr/> 113,268	<hr/> 26.60
Oil & Gas 5.12% (2016: 5.54%)			
2,964,254	BP	13,126	3.09
1,000,000	Cape	1,875	0.44
8,000,000	Ilika	3,120	0.73
180,000	Indus Gas	702	0.16
6,150,000	Velocys	2,990	0.70
		<hr/> 21,813	<hr/> 5.12

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	Telecommunications 2.02% (2016: 2.43%)		
262,760	Inmarsat Ventures	2,022	0.47
3,013,235	Vodafone	6,561	1.55
		<u>8,583</u>	<u>2.02</u>
	Utilities 1.48% (2016: 1.18%)		
2,200,000	Aggregated Micro Power	2,365	0.56
1,850,000	Centrica	3,704	0.87
2,000,000	Modern Water	230	0.05
		<u>6,299</u>	<u>1.48</u>
	United States 1.06% (2016: 1.40%)		
	Health Care 0.00% (2016: 0.47%)		
	Industrials 1.06% (2016: 0.93%)		
1,561,980	Somero Enterprises	<u>4,530</u>	<u>1.06</u>
	Derivatives 0.00% (2016: 0.00%)		
	Forward Foreign Exchange Contracts 0.00% (2016: 0.00%)		
	Forward Foreign Exchange Contracts (Hedged share classes) 0.00% (2016: 0.00%)		
	Buy EUR 13,894 : Sell GBP 12,196 July 2017	-	-
	Buy EUR 2,026 : Sell GBP 1,787 July 2017	-	-
	Buy EUR 77,865 : Sell GBP 68,674 July 2017	-	-
	Buy GBP 2,346 : Sell USD 2,987 July 2017	-	-
	Buy GBP 749 : Sell EUR 851 July 2017	-	-
	Buy USD 275,349 : Sell GBP 216,214 July 2017	(5)	-
	Buy USD 3,953 : Sell GBP 3,104 July 2017	-	-
		<u>(5)</u>	<u>-</u>
	Investment assets including investment liabilities	429,122	100.77
	Other net liabilities	<u>(3,273)</u>	<u>(0.77)</u>
	Total net assets	425,849	100.00

Prior year comparative percentages have changed for some sectors due to reclassification within these sectors.

Geographical classifications are based on country of risk.

~ Suspended, delisted or unquoted securities

*Manually priced

^Due to rounding to nearest £1,000

Statement of total return for the year ended 30 June 2017

		2017		2016	
	Note	£000	£000	£000	£000
Income					
Net capital gains/(losses)	2		77,223		(53,247)
Revenue	3	17,989		20,550	
Expenses	4	(5,497)		(6,048)	
Interest payable and similar charges	5	(3)		(3)	
Net revenue before taxation		12,489		14,499	
Taxation	6	(112)		(86)	
Net revenue after taxation			12,377		14,413
Total return before distributions			89,600		(38,834)
Distributions	7		(17,253)		(19,772)
Change in net assets attributable to shareholders from investment activities			72,347		(58,606)

Statement of change in net assets attributable to shareholders

for the year ended 30 June 2017

		2017		2016	
		£000	£000	£000	£000
Opening net assets attributable to shareholders			426,873		576,569
Amounts receivable on issue of shares		71,944		38,322	
Amounts payable on cancellation of shares		(149,601)		(133,370)	
			(77,657)		(95,048)
Change in net assets attributable to shareholders from investment activities			72,347		(58,606)
Retained distributions on accumulation shares			4,257		3,923
Unclaimed distributions			29		35
Closing net assets attributable to shareholders			425,849		426,873

Balance sheet as at 30 June 2017

	Note	2017 £000	2016 £000
Assets:			
Investments		429,127	431,058
Current assets:			
Debtors	8	1,737	2,930
Cash and bank balances	9	4,822	4,733
Total assets		435,686	438,721
Liabilities:			
Investment liabilities		5	-
Creditors:			
Bank overdrafts		3,882	-
Distributions payable		4,735	4,933
Other creditors	10	1,215	6,915
Total liabilities		9,837	11,848
Net assets attributable to shareholders		425,849	426,873

Notes to the financial statements for the year ended 30 June 2017

1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 of the aggregated notes to the financial statements.

2 Net capital gains/(losses)

Net capital gains/(losses) on investments during the year comprise:

	2017 £000	2016 £000
Derivative securities	-	(1)
Forward currency contracts	(9)	-
Forward currency contracts on hedged share classes	7	72
Non-derivative securities	77,230	(53,300)
Other currency gains / (losses)	8	(5)
Transaction costs	(13)	(13)
Net capital gains/(losses)	77,223	(53,247)

3 Revenue

	2017 £000	2016 £000
Bank interest	6	6
Overseas dividends	3,345	3,582
Stock dividends	203	-
Stock lending revenue	102	129
UK dividends	14,081	16,594
UK REIT revenue - PID	186	203
Underwriting commission	66	36
Total revenue	17,989	20,550

4 Expenses

	2017 £000	2016 £000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual management charge	4,876	5,356
GAC*	561	615
	5,437	5,971
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	46	62
Safe custody fees	14	15
	60	77
Total expenses	5,497	6,048

Irrecoverable VAT is included in the above expenses where relevant.

*The current audit fee, which is levied through the GAC, is £9,725 (2016: £9,167).

Notes to the financial statements (continued)

5 Interest payable and similar charges

The interest payable and similar charges comprise:

	2017 £000	2016 £000
Interest payable	3	3
Total interest payable and similar charges	3	3

6 Taxation

a) Analysis of charge in the year

The tax charge comprises:

	2017 £000	2016 £000
Current tax		
Overseas withholding tax	112	86
Total tax (note 6b)	112	86

(b) Factors affecting current tax charge for year

The tax assessed for each year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICS) of 20% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Net revenue before taxation	12,489	14,499
Corporation tax at 20% (2016: 20%)	2,498	2,900
Effects of:		
Irrecoverable overseas tax	112	86
Overseas dividends*	(675)	(717)
UK dividends**	(2,851)	(3,319)
Unused management expenses	1,028	1,136
Tax charge for the year (note 6a)	112	86

* Certain overseas dividends are not subject to corporation tax from 1 July 2009 due to changes enacted in the Finance Act 2009.

**As an OEIC this item is not subject to corporation tax.

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2016: nil).

(d) Factors that may affect future tax charges

At the year end, after claiming relief against revenue taxable on receipt, there is a potential deferred tax asset of £21,504,557 (2016: £20,476,418) in relation to surplus management expenses. It is unlikely that the fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

Notes to the financial statements (continued)

7 Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	2017	2016
	£000	£000
Interim income	7,937	10,408
Interim accumulation	3,032	2,551
Final income	4,735	4,933
Final accumulation	1,225	1,372
	<u>16,929</u>	<u>19,264</u>
Amounts deducted on cancellation of shares	557	693
Amounts received on issue of shares	(233)	(185)
Total distributions	<u>17,253</u>	<u>19,772</u>
Net revenue after taxation	12,377	14,413
Annual management charge borne by the capital account	4,876	5,356
Equalisation on conversions	-	3
Total distributions	<u>17,253</u>	<u>19,772</u>

Details of the distribution per share are set out in the distribution tables on pages 331 to 334.

8 Debtors

	2017	2016
	£000	£000
Accrued revenue	1,382	2,067
Amounts receivable for issue of shares	247	15
Overseas withholding tax reclaimable	105	66
Sales awaiting settlement	3	782
Total debtors	<u>1,737</u>	<u>2,930</u>

9 Cash and bank balances

	2017	2016
	£000	£000
Cash and bank balances	4,822	4,733
Total cash and bank balances	<u>4,822</u>	<u>4,733</u>

Notes to the financial statements (continued)

10 Creditors

	2017 £000	2016 £000
Accrued annual management charge	387	383
Accrued Depositary's fee	3	5
Accrued other expenses	47	33
Amounts payable for cancellation of shares	655	6,278
Purchases awaiting settlement	123	216
Total other creditors	1,215	6,915

11 Contingent liabilities and commitments

There were no outstanding contingent liabilities or commitments at the current or prior year end.

12 Related party transactions

Henderson Investment Funds Limited as ACD to the fund is deemed to be a related party because it provides key management personnel services to the fund. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', the 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 318 and 319 and notes 4, 7, 8 and 10 on pages 320 to 323 including all issues and cancellations where the ACD acted as principal.

Transactions with the ACD are as follows:

- All issues and cancellations,
- Annual management charge
- GAC

There were no material shareholders at the year end (2016: nil).

13 Shareholders' funds

The fund currently has 4 share classes available; Class A (Retail with front-end charges), Class C (Institutional), Class I (Institutional and Class Z (Institutional). The annual management charge on each share class is as follows:

	2017 %	2016 %
Class A	1.50%	1.50%
Class C	1.50%	1.50%
Class I	0.75%	0.75%
Class Z*	0.00%	0.00%

* Charges for managing Z class shares are levied outside the fund and are agreed between the ACD and investors.

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative tables on pages 307 to 311. The distribution per share class is given in the distribution tables on pages 331 to 334. All share classes have the same rights on winding up.

Notes to the financial statements (continued)

13 Shareholders' funds (continued)

Share reconciliation as at 30 June 2017

	Class A accumulation	Class A income	Class C income	Class I accumulation
Opening number of shares	73,114	11,635,594	80,647,230	6,330,103
Issues during the year	10,492	155,680	2,503,095	4,189,444
Cancellations during the year	(27,859)	(1,436,074)	(5,811,210)	(5,853,350)
Shares converted during the year	5,276	(112,992)	-	5,437
Closing shares in issue	61,023	10,242,208	77,339,115	4,671,634

	Class I income	Class Z accumulation	Class Z income	Class A accumulation (EUR hedged)
Opening number of shares	22,776,895	11,624,119	1,234,216	7,542
Issues during the year	1,666,258	2,000,459	410,431	10,645
Cancellations during the year	(6,643,336)	(3,211,753)	(440,066)	(10,488)
Shares converted during the year	85,794	-	-	-
Closing shares in issue	17,885,611	10,412,825	1,204,581	7,699

	Class A accumulation (USD hedged)
Opening number of shares	32,750
Issues during the year	22,163
Cancellations during the year	(32,500)
Shares converted during the year	-
Closing shares in issue	22,413

14 Financial derivatives

The fund may use financial derivatives for efficient portfolio management only..

Eligible collateral types are approved by the Investment Manager and are agreed with the relevant counterparty.

The counterparty exposure has been calculated using the positive marked-to-market value of the derivative contract with that counterparty.

At 30 June 2017 there was no collateral pledged or collateral held in respect of derivatives for this fund (2016: nil).

2017

The fund had no exposure to derivatives as at 30 June 2017.

2016

At 30 June 2016 the underlying exposure for the derivatives held was as follows:

Counterparty	Forward foreign exchange contracts £000
BNP Paribas	20
	20

Notes to the financial statements (continued)

15 Stock lending

The fund and the Investment Manager have entered into a stock lending programme with BNP Paribas acting as the stock lending agent for the purposes of efficient portfolio management and to generate additional income.

Stock lending revenue is disclosed under 'Revenue' in the Statement of total return.

Eligible collateral types for Stock Lending and borrowing transactions are approved by the Investment Manager and may consist of securities issued or guaranteed by a Member State of the OECD or by their local authorities or supranational institutions and organisations with regional, EU and world-wide scope, generally subject to a minimum long term credit rating of at least A- by one or more major rating agency or equities. Collateral should be highly liquid and traded on a regulated market. Collateral is subject to a haircut on a sliding scale based on the combination of the underlying instrument being lent versus the asset being received as collateral. The value of collateral required will range from 102.50% to 110.00% of the value of the stock on loan.

2017

Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
ABN Amro	3,625	3,807	Cash
ABN Amro	165	184	Equity
	<u>3,790</u>	<u>3,991</u>	
Bank of Nova Scotia	3,875	4,306	Equity
Citigroup	285	334	Equity
Citigroup	1,728	1,931	Government Bond
	<u>2,013</u>	<u>2,265</u>	
Deutsche Bank	8	9	Equity
Deutsche Bank	1,129	1,187	Government Bond
	<u>1,137</u>	<u>1,196</u>	
JP Morgan	3,566	3,967	Equity
Merrill Lynch	489	515	Government Bond
Natixis	11,951	13,279	Equity
Société Générale	5,329	5,921	Equity
	<u>32,150</u>	<u>35,440</u>	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	120	18	102

Notes to the financial statements (continued)

15 Stock lending (continued)

2016 Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
ABN Amro	16,698	17,710	Equity
ABN Amro	38	40	Government Bond
	<u>16,736</u>	<u>17,750</u>	
Barclays Bank	1	1	Government Bond
Citigroup	814	856	Government Bond
Deutsche Bank	187	197	Corporate Bond
Deutsche Bank	5,045	5,589	Equity
Deutsche Bank	4,301	4,516	Government Bond
	<u>9,533</u>	<u>10,302</u>	
HSBC	-	8	Government Bond
JP Morgan	2,019	2,168	Government Bond
Merrill Lynch	19	26	Government Bond
Société Générale	3	4	Equity
Société Générale	10,744	11,285	Government Bond
	<u>10,747</u>	<u>11,289</u>	
	<u>39,869</u>	<u>42,400</u>	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	152	23	129

Notes to the financial statements (continued)

16 Risk

Currency risk

The fund's net exposure to currency risk (including any instruments used to hedge foreign currencies) is considered insignificant. This is consistent with the exposure during the prior year.

Interest rate risk

The fund's exposure to interest rate risk is considered insignificant. This is consistent with the exposure during the prior year.

Other market price risk

An increase or decrease in market values will have a direct effect on the value of the investment assets in the portfolio and therefore a proportionate effect on the value of the fund.

Leverage

The fund has not employed significant leverage in the current or prior year.

Liquidity risk

The following table provides a maturity analysis of the fund's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	On demand	Within one year	Over one year but not more than five years	Over five years
	£000	£000	£000	£000
2017				
Bank overdrafts	3,882	-	-	-
Derivative financial liabilities	-	5	-	-
Distribution payable	-	4,735	-	-
Other creditors	-	1,215	-	-
Total	3,882	5,955	-	-

	On demand	Within one year	Over one year but not more than five years	Over five years
	£000	£000	£000	£000
2016				
Distribution payable	-	4,933	-	-
Other creditors	-	6,915	-	-
Total	-	11,848	-	-

Notes to the financial statements (continued)

17 Fair value disclosure

Fair value measurement

The fund has early adopted the March 2016 amendment to section 34 of FRS 102 (Fair Value Hierarchy disclosures that simplify the preparation of financial instrument disclosure), which is applicable to accounting periods beginning on or after 1 January 2017 with earlier application permitted.

The intention of a fair value measurement is to estimate the price at which an asset or a liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS 102 the fund classifies fair value measurement under the following levels:

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Fair value hierarchy

Valuation technique	2017		2016	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1	428,127	-	431,038	-
Level 2	846	5	20	-
Level 3	154	-	-	-
	429,127	5	431,058	-

Where a price is unavailable or the price provided is not thought to be a fair reflection of the current market value of the asset, the Investment Manager, a , may permit some other method of valuation to be used if they consider that it better reflects value and is in accordance with good accounting practice. A Global Fair Value Pricing Committee ('GFVPC') of the Investment Manager is responsible for determining or approving unquoted prices. Where deemed necessary, the GFVPC will seek ratification of decisions from the Janus Henderson Investment Performance and Risk Committee. The GFVPC meets on a monthly basis and consists of representatives from various parts of the Investment manager who act as an independent party, segregated from the fund management function, to review and approve fair value pricing decisions and pricing models on a regular basis. The assets included within level 3 are warrants which have been valued by the GFVPC using the Black Scholes model.

Notes to the financial statements (continued)

18 Direct transaction costs

	Purchases		Sales	
	2017	2016	2017	2016
	£000	£000	£000	£000
Trades for the year				
Equities	56,103	50,682	134,443	145,979
Trades in the year before transaction costs	56,103	50,682	134,443	145,979
Transaction costs				
Commissions				
Equities	32	33	93	135
Total commissions	32	33	93	135
Taxes				
Equities	164	168	-	-
Total taxes	164	168	-	-
Other expenses				
Equities	-	-	-	-
Total other expenses	-	-	-	-
Total transaction costs	196	201	93	135
Total net trades in the year after transaction costs	56,299	50,883	134,350	145,844
	Purchases		Sales	
	2017	2016	2017	2016
	%	%	%	%
Total transaction cost expressed as a percentage of asset type cost				
Commissions				
Equities	0.06	0.07	0.07	0.09
Taxes				
Equities	0.29	0.33	-	-
Other expenses				
Equities	-	-	-	-
	2017	2016		
	%	%		
Total transaction cost expressed as a percentage of net asset value				
Commissions	0.03	0.03		
Taxes	0.03	0.03		
Other expenses	-	-		
Total costs	0.06	0.06		

There were no in specie transfers during the year (2016: nil). There were corporate actions during the year of £1,008,343 (2016: £1,008,408).

There were no direct transaction costs associated with derivatives during the year (2016: nil).

Direct transaction costs are fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the fund. These exclude any differences between quoted bid and offer prices or internal administrative or holding costs.

The portfolio dealing spread as at 30 June 2017 was 1.05% (2016: 1.27%). The portfolio dealing spread is calculated at the fund's 12 noon valuation point.

Notes to the financial statements (continued)

19 Events after the Balance sheet date

There were no material post Balance sheet events which require disclosure within these financial statements.

Distribution tables for the year ended 30 June 2017 (in pence per unit)

Interim dividend distribution (accounting date 30 September 2016, paid on 30 November 2016)

Group 1 : shares purchased prior to 1 July 2016

Group 2 : shares purchased on or after 1 July 2016

	Distribution per share	Equalisation	Total Distribution per share 30/11/2016*	Total Distribution per share 30/11/2015*
Class A accumulation				
Group 1	6.2964	-	6.2964	5.7222
Group 2	2.7522	3.5442	6.2964	5.7222
Class A income				
Group 1	5.6303	-	5.6303	5.3215
Group 2	2.4093	3.2210	5.6303	5.3215
Class C income				
Group 1	1.5932	-	1.5932	1.5059
Group 2	0.6122	0.9810	1.5932	1.5059
Class I accumulation				
Group 1	11.8107	-	11.8107	10.6681
Group 2	8.5221	3.2886	11.8107	10.6681
Class I income				
Group 1	6.4621	-	6.4621	6.0767
Group 2	4.8584	1.6037	6.4621	6.0767
Class Z accumulation				
Group 1	1.9062	-	1.9062	1.7095
Group 2	1.5219	0.3843	1.9062	1.7095
Class Z income				
Group 1	2.0028	-	2.0028	1.8704
Group 2	1.2365	0.7663	2.0028	1.8704
Class A accumulation (EUR hedged)¹				
Group 1	10.2729	-	10.2729	9.2626
Group 2	10.2729	-	10.2729	9.2626
Class A accumulation (USD hedged)²				
Group 1	9.7079	-	9.7079	9.2953
Group 2	0.2204	9.4875	9.7079	9.2953

* Distribution is shown net of 10% notional tax credit.

¹ in EUR cents per share

² in USD cents per share

Distribution tables (continued)

Interim dividend distribution (accounting date 31 December 2016, paid on 28 February 2017)

Group 1 : shares purchased prior to 1 October 2016

Group 2 : shares purchased on or after 1 October 2016

	Distribution per share	Equalisation	Total Distribution per share 28/02/2017	Total Distribution per share 29/02/2016*
Class A accumulation				
Group 1	4.4219	-	4.4219	4.3720
Group 2	3.0303	1.3916	4.4219	4.3720
Class A income				
Group 1	3.9191	-	3.9191	4.0322
Group 2	1.5990	2.3201	3.9191	4.0322
Class C income				
Group 1	1.1090	-	1.1090	1.1413
Group 2	0.4079	0.7011	1.1090	1.1413
Class I accumulation				
Group 1	8.4209	-	8.4209	8.2424
Group 2	2.5043	5.9166	8.4209	8.2424
Class I income				
Group 1	4.5640	-	4.5640	4.6515
Group 2	2.0261	2.5379	4.5640	4.6515
Class Z accumulation				
Group 1	1.3665	-	1.3665	1.3252
Group 2	0.6491	0.7174	1.3665	1.3252
Class Z income				
Group 1	1.4221	-	1.4221	1.4381
Group 2	0.4454	0.9767	1.4221	1.4381
Class A accumulation (EUR hedged)¹				
Group 1	7.2838	-	7.2838	7.0628
Group 2	6.3344	0.9494	7.2838	7.0628
Class A accumulation (USD hedged)²				
Group 1	7.3218	-	7.3218	6.8945
Group 2	1.2638	6.0580	7.3218	6.8945

* Distribution is shown net of 10% notional tax credit.

¹ in EUR cents per share

² in USD cents per share

Distribution tables (continued)

Interim dividend distribution (accounting date 31 March 2017, paid on 31 May 2017)

Group 1 : shares purchased prior to 1 January 2016

Group 2 : shares purchased on or after 1 January 2016

	Distribution per share	Equalisation	Total Distribution per share 31/05/2017	Total Distribution per share 31/05/2016
Class A accumulation				
Group 1	5.4198	-	5.4198	5.6041
Group 2	1.9164	3.5034	5.4198	5.6041
Class A income				
Group 1	4.7718	-	4.7718	5.2087
Group 2	3.0937	1.6781	4.7718	5.2087
Class C income				
Group 1	1.3503	-	1.3503	1.4627
Group 2	0.6665	0.6838	1.3503	1.4627
Class I accumulation				
Group 1	10.2781	-	10.2781	10.6037
Group 2	6.9136	3.3645	10.2781	10.6037
Class I income				
Group 1	5.5342	-	5.5342	5.9420
Group 2	3.6269	1.9073	5.5342	5.9420
Class Z accumulation				
Group 1	1.6689	-	1.6689	1.6987
Group 2	0.9490	0.7199	1.6689	1.6987
Class Z income				
Group 1	1.7256	-	1.7256	1.8367
Group 2	0.5011	1.2245	1.7256	1.8367
Class A accumulation (EUR hedged)¹				
Group 1	8.6774	-	8.6774	9.3490
Group 2	8.6774	-	8.6774	9.3490
Class A accumulation (USD hedged)²				
Group 1	8.9495	-	8.9495	9.2952
Group 2	8.9495	-	8.9495	9.2952

¹ in EUR cents per share

² in USD cents per share

Distribution tables (continued)

Final dividend distribution (accounting date 30 June 2017, paid on 31 August 2017)

Group 1 : shares purchased prior to 1 April 2017

Group 2 : shares purchased on or after 1 April 2017

	Distribution per share	Equalisation	Total Distribution per share 31/08/2017	Total Distribution per share 31/08/2016
Class A accumulation				
Group 1	10.2135	-	10.2135	8.9524
Group 2	4.6530	5.5605	10.2135	8.9524
Class A income				
Group 1	8.9307	-	8.9307	8.1202
Group 2	2.4024	6.5283	8.9307	8.1202
Class C income				
Group 1	2.5269	-	2.5269	2.2979
Group 2	0.5618	1.9651	2.5269	2.2979
Class I accumulation				
Group 1	19.1192	-	19.1192	16.6004
Group 2	8.3031	10.8161	19.1192	16.6004
Class I income				
Group 1	10.2162	-	10.2162	9.2179
Group 2	3.8228	6.3934	10.2162	9.2179
Class Z accumulation				
Group 1	3.0877	-	3.0877	2.6672
Group 2	2.5952	0.4925	3.0877	2.6672
Class Z income				
Group 1	3.1765	-	3.1765	2.8441
Group 2	2.7699	0.4066	3.1765	2.8441
Class A accumulation (EUR hedged)¹				
Group 1	16.3986	-	16.3986	14.5114
Group 2	1.0659	15.3327	16.3986	14.5114
Class A accumulation (USD hedged)²				
Group 1	16.8010	-	16.8010	14.5532
Group 2	16.8010	-	16.8010	14.5532

¹ in EUR cents per share

² in USD cents per share

Henderson UK Smaller Companies Fund

Authorised Corporate Director's (ACD) report

Investment Fund Manager

Neil Hermon

Investment objective and policy

To aim to provide capital growth by investing primarily in United Kingdom smaller companies.

Performance summary

	30 Jun 16 - 30 Jun 17 %	30 Jun 15 - 30 Jun 16 %	30 Jun 14 - 30 Jun 15 %	30 Jun 13 - 30 Jun 14 %	30 Jun 12 - 30 Jun 13 %
Henderson UK Smaller Companies Fund	36.5	(9.7)	18.4	17.4	33.8
Numis Smaller Companies (ex Investment Trusts) Index	29.1	(6.6)	10.4	20.3	31.8

Source: Morningstar, bid to bid and net of fees, as at 12 noon valuation point, based on performance of Class A accumulation.
Benchmark values are as at close of business.

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.

Significant portfolio changes for the year ended 30 June 2017

Largest purchases	£000	Largest sales	£000
Melrose Industries	1,507	NMC Health	2,247
Vesuvius	1,506	E2V Technologies	1,817
Alfa Financial Software	1,146	Essentra	1,588
Go-Ahead	1,116	RPC	1,363
Fenner	995	Exova	1,215
Hollywood Bowl	963	Senior	1,163
Equiniti	959	Esure	1,100
Ricardo	921	Volution	918
Guinness Peat	909	Keller	840
SIG	890	Laird	793
Total purchases	29,438	Total sales	31,691

Investment review

The year under review was a very positive one for equity markets. It encompassed a period of significant political upheaval, with the aftermath of the UK's vote to exit the European Union (EU), commonly referred to as 'Brexit', the election of President Trump in November. Globally, a rise of populism and dissatisfaction with the perceived liberal ruling elite became increasingly prevalent. That equity markets made such good progress against this backdrop was somewhat of a surprise, but performance was helped in the UK by the significant devaluation of sterling, which supported large international earners in particular.

Global economic conditions improved over the year, albeit modestly, with stronger growth around the world. Monetary conditions remained benign, with supportive monetary policies coming from most developed world central banks. Global geopolitical concerns remained heightened, with significant conflict in the Middle East causing an international migrant crisis. Commodity prices rebounded with robust Chinese economic growth and production cutbacks, aiding a recovery in oil and metal prices.

The fundamentals of the corporate sector remained robust. Companies continued to grow their dividends while balance sheets remained strong. UK corporate earnings saw stronger growth, helped by improving economic conditions and the weakness of sterling increasing the value of overseas earnings for UK companies.

Smaller companies outperformed larger companies over the year, with the Numis Smaller Companies ex Investment Companies Index gaining 29.1% compared with a rise of 18.1% in the FT All-Share Index.

Performance

The fund outperformed its benchmark over the year, returning 36.5%. Positive contributors to performance included NMC Health (a Middle East healthcare operator). The shares rose 69.7% as the company expanded quickly through a combination of organic expansion and acquisitions. Profitability of the group is growing fast, and the outlook remains strong. Melrose (an engineering group) rose 205.2% after it made a value-enhancing acquisition of Nortek. The improvement in Nortek's margins and return on capital employed is currently ahead of target.

Negative contributors included Laird (electronic components), which fell 43.4% as profits were hit by a severe contraction in margins at business with its largest customer. Additionally, the fund was hampered by a lack of exposure to the mining sector, which performed strongly due to the commodity market rebounding after a prolonged period of weakness.

Investment Activity

In the first half of the year, we bought a position in Smart Metering Systems, a gas metering business. The company is well placed to benefit from the programme to roll out smart meters across the UK by 2020. We also bought a position in Hollywood Bowl, an operator of bowling alleys. It is well placed to grow, strongly aided by a site-opening programme and capital investment in its existing estate. We initiated a position in Burford Capital, a litigation finance business. The company has benefited from a buoyant market and the high skill base of its employees. Prospects look strong, and Burford has limited correlation to the economic cycle. To finance these purchases, we disposed of our position in Keller, a ground engineering business, as it is struggling to perform on a consistent basis across its wide geographical base.

In the second half of the year, we bought a position in Medica, which provides radiology services, principally to the NHS. The company is growing quickly, aided by strong demand from its major customer as it continues to outsource. We bought a position in Alfa Financial Software, which provides software to the leasing industry. The company is growing quickly, aided by strong demand from its customer base. We also bought a position in SIG, a building material distributor. After a number of years of underperformance, we believe a highly creditable new management team are well placed to turn the company around. To finance these purchases, we disposed of our position in Dairy Crest, a branded dairy group, as the company is failing to hit expectations and its debt remains stubbornly high. We also disposed of our position in Volution, a ventilation group, due to poor organic growth and fears that its UK business will slow due to uncertainties caused by the political environment.

Outlook

The recent UK general election represented a political gamble that spectacularly failed for the Conservative Party. Expectations of a significant majority in the House of Commons transformed into a hung Parliament and a minority government supported by a 'confidence and supply' arrangement with the Democratic Unionist Party in Northern Ireland. The frailties and complexities of such an arrangement, combined with the narrow majority it provides, means it is highly unlikely that the current government will last its full term; indeed, we believe there is a reasonable chance that we will have another election in the short to medium term.

Authorised Corporate Director's report (continued)

Outlook (continued)

At the same time, the UK government is entering into Brexit negotiations with the EU. There is clearly a range of possible outcomes from these negotiations, and what deal the UK will end up with is, at this point, unclear. One potential positive from the recent election is a more conciliatory stance from the UK in these negotiations and a 'softer' Brexit as an outcome.

This political uncertainty will probably make UK consumers cautious. At the same time, they are facing the pressure of more expensive imported goods. This could squeeze consumers' net disposable income as wage inflation fails to match price inflation.

Outside the UK, economic conditions remain mixed, but on balance things seem to be getting better, particularly in the US and Europe. The recent rises in US interest rates have flagged to investors that loose global monetary conditions (in which lower rates make it easier to borrow) will at some stage reverse. However, the 'normalisation' of monetary policy (a gradual reversion to higher rates) will probably be a slow and measured process.

In the corporate sector, conditions are intrinsically stronger than they were during the financial crisis of 2008-9. Balance sheets are more robust and dividends are growing. In addition, a large proportion of UK corporate earnings comes from overseas, even among smaller companies, and will be boosted by the devaluation of sterling.

In terms of share-price valuations, the equity market is roughly in line with long-term averages. Merger and acquisition (M&A) activity remains a supportive feature for smaller companies. If corporate confidence improves, M&A will increase, especially as little or no return can currently be generated from cash and the cost of debt is historically low.

Comparative tables for the year ended 30 June 2017

	Class A accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	533.13	583.80	493.42
Return before operating charges*	196.04	(40.95)	99.25
Operating charges	(10.86)	(9.72)	(8.87)
Return after operating charges*	185.18	(50.67)	90.38
Distributions on accumulation shares	(4.98)	(4.53)	(3.85)
Retained distributions on accumulation shares	4.98	4.53	3.85
Closing net asset value per share	718.31	533.13	583.80
* after direct transaction costs of:	0.67	0.83	0.66
Performance			
Return after charges	34.73%	(8.68%)	18.32%
Other information			
Closing net asset value (£000s)	58,115	45,989	63,080
Closing number of shares	8,090,545	8,626,113	10,805,094
Operating charges	1.70%	1.70%	1.70%
Direct transaction costs	0.10%	0.15%	0.13%
Prices			
Highest share price (pence)	739.10	595.30	603.80
Lowest share price (pence)	505.70	508.60	453.90
	Class I accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	614.18	666.89	558.83
Return before operating charges*	226.69	(47.14)	113.09
Operating charges	(6.27)	(5.57)	(5.03)
Return after operating charges*	220.42	(52.71)	108.06
Distributions on accumulation shares	(12.80)	(10.63)	(7.97)
Retained distributions on accumulation shares	12.80	10.63	7.97
Closing net asset value per share	834.60	614.18	666.89
* after direct transaction costs of:	0.78	0.95	0.76
Performance			
Return after charges	35.89%	(7.90%)	19.34%
Other information			
Closing net asset value (£000s)	61,245	53,723	49,173
Closing number of shares	7,338,149	8,747,077	7,373,399
Operating charges	0.85%	0.85%	0.84%
Direct transaction costs	0.10%	0.15%	0.13%
Prices			
Highest share price (pence)	858.20	680.80	689.20
Lowest share price (pence)	582.70	585.90	515.40

Comparative tables (continued)

	Class Z accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	417.50	449.78	373.98
Return before operating charges*	154.61	(31.97)	76.04
Operating charges	(0.35)	(0.31)	(0.24)
Return after operating charges*	154.26	(32.28)	75.80
Distributions on accumulation shares	(11.89)	(11.14)	(9.88)
Retained distributions on accumulation shares	11.89	11.14	9.88
Closing net asset value per share	571.76	417.50	449.78
* after direct transaction costs of:	0.53	0.64	0.50
Performance			
Return after charges	36.95%	(7.18%)	20.27%
Other information			
Closing net asset value (£000s)	22,675	14,957	17,502
Closing number of shares	3,965,863	3,582,559	3,891,287
Operating charges	0.07%	0.07%	0.06%
Direct transaction costs	0.10%	0.15%	0.13%
Prices			
Highest share price (pence)	587.60	459.90	464.60
Lowest share price (pence)	396.20	398.30	345.70

Performance values are at close of business and may differ from the performance summary.

Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

Share class launches and closures

There were no share classes launched or closed in the year.

Ongoing charge figure

The annualised ongoing charge figure (OCF) of the fund is 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 year, except for expenses that are explicitly excluded by regulation.

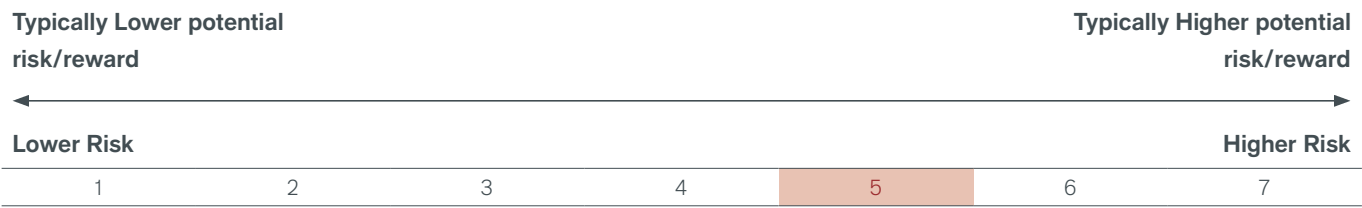
	2017 %	2016 %
Class A	1.70	1.70
Class I	0.85	0.85
Class Z	0.07	0.07

The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

Risk and reward profile

The fund currently has 3 types of share class in issue; A accumulation, I accumulation and Z 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 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 share class appears at 5 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events.

There have been no changes to risk rating during the year.

The full list of the fund's risks are contained in the 'Risk Factors' section in the fund's prospectus.

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

Portfolio statement as at 30 June 2017

Holding	Investment	Market value £000	Percentage of total net assets %
	Equities 100.83% (2016: 97.57%)		
	Germany 0.34% (2016: 0.44%)		
	Technology 0.34% (2016: 0.44%)		
110,299	SQS Software Quality Systems	480	0.34
	Ireland 0.83% (2016: 0.95%)		
	Consumer Services 0.83% (2016: 0.95%)		
425,000	Tarsus	1,185	0.83
	Singapore 0.53% (2016: 0.00%)		
	Industrials 0.53% (2016: 0.00%)		
31,000	XP Power	753	0.53
	United Arab Emirates 3.46% (2016: 3.67%)		
	Health Care 3.46% (2016: 3.67%)		
225,000	NMC Health	4,919	3.46
	United Kingdom 95.83% (2016: 91.69%)		
	Basic Materials 4.71% (2016: 4.34%)		
210,000	Elementis	618	0.43
450,000	Scapa	2,131	1.50
119,000	Victrex	2,232	1.58
350,000	Yule Catto	1,708	1.20
		6,689	4.71
	Consumer Goods 7.40% (2016: 5.91%)		
167,000	Bellway	4,969	3.50
445,000	Countryside Properties	1,518	1.07
224,347	Crest Nicholson Holding	1,174	0.83
55,319	Supergroup	827	0.58
49,000	Ted Baker	1,171	0.82
405,893	UP Global Sourcing	849	0.60
		10,508	7.40
	Consumer Services 13.95% (2016: 13.39%)		
400,000	Ascential	1,294	0.91
220,000	Cineworld	1,544	1.09
360,000	Conviviality	1,109	0.78
378,218	DFS Furniture	777	0.55
90,000	Dunelm	541	0.38
128,729	Euromoney Institutional Investor	1,381	0.97
61,000	Go-Ahead	1,073	0.76
650,000	Gocompare.com	689	0.49
130,000	GVC	983	0.69
440,000	Hollywood Bowl	747	0.53
565,000	ITE	870	0.61
230,000	Joules	685	0.48
890,000	Koovs	365	0.26

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Consumer Services (continued)			
475,000	Lookers	545	0.38
375,000	Marshall Motor	495	0.35
325,000	N Brown	1,008	0.71
180,000	Next Fifteen Communications	751	0.53
250,000	Playtech	2,379	1.66
240,000	SafeStyle UK	742	0.52
133,086	SCS	207	0.15
375,000	The Gym	707	0.50
255,660	Zoopla Property	925	0.65
		<hr/> 19,817	<hr/> 13.95
Financials 18.07% (2016: 16.05%)			
685,000	Aldermore	1,489	1.05
460,000	Brewin Dolphin	1,576	1.11
165,000	Burford Capital	1,487	1.05
2,400,000	Capital & Regional Property	1,350	0.95
620,000	CLS Holdings	1,259	0.89
510,000	Grainger Trust	1,341	0.94
250,000	Helical Bar	752	0.53
369,646	Intermediate Capital	3,076	2.17
715,000	John Laing	2,166	1.53
340,000	Jupiter Fund Management	1,717	1.21
420,000	OneSavings Bank	1,575	1.11
701,662	Paragon	2,998	2.11
160,000	Safestore Holdings	674	0.47
750,000	Sherborne Investors (Guernsey) B	375	0.26
520,000	St. Modwen Properties	1,866	1.31
120,000	Unite	779	0.55
250,000	Urban & Civic	658	0.46
321,492	Xafinity	529	0.37
		<hr/> 25,667	<hr/> 18.07
Health Care 5.94% (2016: 6.21%)			
62,500	Abcam	608	0.43
345,000	Clinigen	2,970	2.10
130,984	Consort Medical	1,369	0.96
108,000	Dechra Pharmaceuticals	1,836	1.29
240,000	Medica	547	0.39
850,000	Quantum Pharmaceutical	475	0.33
560,000	Vectura	627	0.44
		<hr/> 8,432	<hr/> 5.94

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Industrials 34.36% (2016: 32.96%)			
742,560	AA	1,693	1.19
150,000	Atkins (WS)	3,121	2.20
93,000	Avon Rubber	949	0.67
750,000	Balfour Beatty	2,030	1.43
125,000	Bodycote	942	0.66
206,000	Charles Taylor Consulting	494	0.35
185,000	Costain	853	0.60
1,197,857	Digital Barrier	323	0.23
480,000	Equiniti	1,199	0.84
525,000	Eurocell	1,339	0.94
315,000	Fenner	902	0.63
1,515,385	Guinness Peat	1,182	0.83
203,673	Howden Joinery	829	0.58
690,219	Ibstock	1,695	1.19
390,000	Interserve	902	0.63
1,250,000	Learning Technologies	569	0.40
390,000	Luceco	936	0.66
1,540,000	Melrose Industries	3,734	2.62
257,626	Midwich	840	0.59
390,000	Northgate	1,728	1.22
425,000	Optimal Payments	2,172	1.53
169,000	Oxford Instruments	1,771	1.25
252,000	Polypipe	963	0.68
80,000	Renishaw	2,896	2.04
190,000	ReStore	863	0.61
100,000	Ricardo	777	0.55
400,000	Rotork	942	0.66
88,000	RPC	662	0.47
500,000	RWS	1,900	1.34
295,000	Sanne	1,882	1.33
720,000	Severfield-Rowen	558	0.39
655,000	SIG	973	0.69
123,749	Smart Metering Systems	653	0.46
70,000	Spectris	1,766	1.24
310,000	Tyman	1,099	0.77
285,000	Vesuvius	1,512	1.06
700,000	WYG	679	0.48
130,000	Xaar	491	0.35
		<hr/> 48,819	<hr/> 34.36
Oil & Gas 2.32% (2016: 3.24%)			
560,000	Cairn Energy	964	0.68
750,000	Faroe Petroleum	623	0.44
260,000	Hunting	1,268	0.89
875,000	Premier Oil	438	0.31
		<hr/> 3,293	<hr/> 2.32

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	Technology 7.95% (2016: 8.82%)		
39,000	Accesso	673	0.47
352,765	Alfa Financial Software	1,632	1.15
85,000	Aveva	1,648	1.16
52,417	EMIS	483	0.34
317,640	GBG	1,105	0.78
373,753	Imagination Technologies	573	0.40
700,000	NCC	1,146	0.81
302,072	Regeneris	453	0.32
245,000	RM	424	0.30
122,000	SDL International	760	0.54
264,286	Sevelec	796	0.56
205,000	Softcat	808	0.57
975,000	Tribal	784	0.55
		<hr/> 11,285	<hr/> 7.95
	Telecommunications 0.97% (2016: 0.77%)		
223,000	Gamma Communications	<hr/> 1,371	<hr/> 0.97
	United States 0.00% (2016: 0.82%)		
	Industrials 0.00% (2016: 0.82%)		
	Investment assets	<hr/> 143,218	<hr/> 100.83
	Other net liabilities	<hr/> (1,183)	<hr/> (0.83)
	Total net assets	<hr/> 142,035	<hr/> 100.00

Prior year comparative percentages have changed for some sectors due to reclassification within these sectors.
Geographical classifications are based on country of risk.

Statement of total return for the year ended 30 June 2017

		2017		2016	
	Note	£000	£000	£000	£000
Income					
Net capital gains/(losses)	2		37,243		(12,576)
Revenue	3	3,221		3,157	
Expenses	4	(1,402)		(1,433)	
Interest payable and similar charges	5	(4)		(3)	
Net revenue before taxation		1,815		1,721	
Taxation	6	(2)		(2)	
Net revenue after taxation			1,813		1,719
Total return/(expense) before distributions			39,056		(10,857)
Distributions	7		(1,813)		(1,719)
Change in net assets attributable to shareholders from investment activities			37,243		(12,576)

Statement of change in net assets attributable to shareholders

for the year ended 30 June 2017

		2017		2016	
		£000	£000	£000	£000
Opening net assets attributable to shareholders			114,669		129,755
Amounts receivable on issue of shares		19,677		19,818	
Amounts payable on cancellation of shares		(31,367)		(24,047)	
			(11,690)		(4,229)
Change in net assets attributable to shareholders from investment activities			37,243		(12,576)
Retained distributions on accumulation shares			1,813		1,719
Closing net assets attributable to shareholders			142,035		114,669

Balance sheet as at 30 June 2017

	Note	2017 £000	2016 £000
Assets:			
Investments		143,218	111,878
Current assets:			
Debtors	8	1,899	1,177
Cash and bank balances	9	1,628	4,913
Total assets		146,745	117,968
Liabilities:			
Creditors:			
Bank overdrafts		4,003	-
Other creditors	10	707	3,299
Total liabilities		4,710	3,299
Net assets attributable to shareholders		142,035	114,669

Notes to the financial statements for the year ended 30 June 2017

1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 of the aggregated notes to the financial statements.

2 Net capital gains/(losses)

Net capital gains/(losses) on investments during the year comprise:

	2017 £000	2016 £000
Non-derivative securities	37,252	(12,567)
Other currency losses	-	(1)
Transaction costs	(9)	(8)
Net capital gains/(losses)	37,243	(12,576)

3 Revenue

	2017 £000	2016 £000
Bank interest	1	6
Overseas dividends	352	206
Stock lending revenue	-	10
UK dividends	2,709	2,801
UK REIT revenue - PID	70	107
UK REIT revenue - non PID	53	6
Underwriting commission	36	21
Total revenue	3,221	3,157

4 Expenses

	2017 £000	2016 £000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual management charge	1,236	1,262
GAC*	148	151
	1,384	1,413
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	14	16
Safe custody fees	4	4
	18	20
Total expenses	1,402	1,433

Irrecoverable VAT is included in the above expenses where relevant.

*The current audit fee, which is levied through the GAC, is £7,458 (2016: £7,030).

Notes to the financial statements (continued)

5 Interest payable and similar charges

The interest payable and similar charges comprise:

	2017 £000	2016 £000
Interest payable	4	3
Total interest payable and similar charges	4	3

6 Taxation

(a) Analysis of charge in the year

The tax charge comprises:

	2017 £000	2016 £000
Overseas withholding tax	2	2
Total tax (note 6b)	2	2

(b) Factors affecting current tax charge for year

The tax assessed for each year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICS) of 20% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Net revenue before taxation	1,815	1,721
Corporation tax at 20% (2016: 20%)	363	344
Effects of:		
Irrecoverable overseas tax	2	2
Overseas dividends*	(71)	(41)
UK dividends**	(552)	(561)
Unused management expenses	260	258
Tax charge for the year (note 6a)	2	2

* Certain overseas dividends are not subject to corporation tax from 1 July 2009 due to changes enacted in the Finance Act 2009.

**As an OEIC this item is not subject to corporation tax. OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above..

(c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2016: nil).

(d) Factors that may affect future tax charges

At the year end, after claiming relief against revenue taxable on receipt, there is a potential deferred tax asset of £6,157,230 (2016: £5,897,315) in relation to surplus management expenses. It is unlikely that the fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

Notes to the financial statements (continued)

7 Distributions

	2017 £000	2016 £000
Final accumulation	1,813	1,719
Total distributions	1,813	1,719

Details of the distribution per share are set out in the distribution tables on page 356.

8 Debtors

	2017 £000	2016 £000
Accrued revenue	530	450
Amounts receivable for issue of shares	1,311	14
Income tax recoverable	2	-
Overseas withholding tax reclaimable	4	3
Sales awaiting settlement	52	710
Total debtors	1,899	1,177

9 Cash and bank balances

	2017 £000	2016 £000
Cash and bank balances	1,628	4,913
Total cash and bank balances	1,628	4,913

10 Other creditors

	2017 £000	2016 £000
Accrued annual management charge	112	97
Accrued Depositary's fee	1	1
Accrued other expenses	14	12
Amounts payable for cancellation of shares	157	2,730
Purchases awaiting settlement	423	459
Total other creditors	707	3,299

Notes to the financial statements (continued)

11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

12 Related party transactions

Henderson Investment Funds Limited as ACD to the fund is deemed to be a related party because it provides key management personnel services to the fund. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', the 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 346 and 347 and notes 4, 8 and 10 on pages 348 to 350 including all issues and cancellations where the ACD acted as principal.

Transactions with the ACD are as follows:

- All issues and cancellations,
- Annual management charge
- GAC

There were no material shareholders at the year end (2016: nil).

13 Shareholders' funds

The fund currently has 3 share classes available; Class A (Retail with front-end charges), Class I (Institutional) and Class Z (Institutional). The annual management charge on each share class is as follows:

	2017	2016
	%	%
Class A	1.50%	1.50%
Class I	0.75%	0.75%
Class Z	0.00%	0.00%*

* Charges for managing Z class shares are levied outside the fund and are agreed between the ACD and investors.

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative tables on pages 338 to 339. The distribution per share class is given in the distribution tables on page 356. All share classes have the same rights on winding up.

Share reconciliation as at 30 June 2017

	Class A accumulation	Class I accumulation	Class Z accumulation
Opening number of shares	8,626,113	8,747,077	3,582,559
Issues during the year	118,612	1,079,963	2,222,487
Cancellations during the year	(579,656)	(2,553,410)	(1,839,183)
Shares converted during the year	(74,524)	64,519	-
Closing shares in issue	8,090,545	7,338,149	3,965,863

14 Stock lending

The fund and the Investment Manager have entered into a stock lending programme with BNP Paribas acting as the stock lending agent for the purposes of efficient portfolio management and to generate additional income.

Stock lending revenue is disclosed under 'Revenue' in the Statement of total return.

Eligible collateral types for Stock Lending and borrowing transactions are approved by the Investment Manager and may consist of securities issued or guaranteed by a Member State of the OECD or by their local authorities or supranational institutions and organisations with regional, EU and world-wide scope, generally subject to a minimum long term credit rating of at least A- by one or more major rating agency or equities. Collateral should be highly liquid and traded on a regulated market. Collateral is subject to a haircut on a sliding scale based on the combination of the underlying instrument being lent versus the asset being received as collateral. The value of collateral required will range from 102.50% to 110.00% of the value of the stock on loan.

Notes to the financial statements (continued)

14 Stock lending (continued)

2017

There was no stock on loan and no stock lending revenue receivable for the year ended 30 June 2017.

2016

There was no stock on loan as at 30 June 2016.

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	12	2	10

15 Risk

Currency risk

The fund's exposure to currency risk is considered insignificant. This is consistent with the exposure during the prior year.

Interest rate risk

The fund's exposure to interest rate risk is considered insignificant. This is consistent with the exposure during the prior year.

Other market price risk

An increase or decrease in market values will have a direct effect on the value of the investment assets in the portfolio and therefore a proportionate effect on the value of the fund.

Leverage

The fund has not employed significant leverage in the current or prior year.

Liquidity risk

The following table provides a maturity analysis of the fund's financial liabilities showing the remaining contractual maturities on an undiscounted basis:

	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
2017				
Bank overdrafts	4,003	-	-	-
Other creditors	-	707	-	-
Total	4,003	707	-	-

15 Risk (continued)

Liquidity risk (continued)

	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
2016				
Other creditors	-	3,299	-	-
Total	-	3,299	-	-

Notes to the financial statements (continued)

16 Fair value disclosure

Fair value measurement

The fund has early adopted the March 2016 amendment to section 34 of FRS 102 (Fair Value Hierarchy disclosures that simplify the preparation of financial instrument disclosure), which is applicable to accounting periods beginning on or after 1 January 2017 with earlier application permitted.

The intention of a fair value measurement is to estimate the price at which an asset or a liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS 102 the fund classifies fair value measurement under the following levels:

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Fair value hierarchy

Valuation technique	2017		2016	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1	143,218	-	111,878	-
Level 2	-	-	-	-
Level 3	-	-	-	-
	143,218	-	111,878	-

Notes to the financial statements (continued)

17 Direct transaction costs

	Purchases		Sales	
	2017	2016	2017	2016
	£000	£000	£000	£000
Trades in the year				
Equities	29,326	38,722	31,717	36,709
Trades in the year before transaction costs	29,326	38,722	31,717	36,709
Transaction costs				
Commissions				
Equities	19	27	25	37
Total commissions	19	27	25	37
Taxes				
Equities	93	123	-	-
Total taxes	93	123	-	-
Other expenses				
Equities	-	-	1	-
Total other expenses	-	-	1	-
Total transaction costs	112	150	26	37
Total net trades in the year after transaction costs	29,438	38,872	31,691	36,672

	Purchases		Sales	
	2017	2016	2017	2016
	%	%	%	%
Total transaction costs expressed as a percentage of asset type cost				
Commissions				
Equities	0.06	0.07	0.08	0.10
Taxes				
Equities	0.32	0.32	-	-
Other expenses				
Equities	-	-	-	-

	2017	2016
	%	%
Total transaction costs expressed as a percentage of net asset value		
Commissions	0.03	0.05
Taxes	0.07	0.10
Other expenses	-	-
Total costs	0.10	0.15

There were no in specie transfers during the year (2016: nil). There were corporate actions during the year of £3,434,192 (2016: nil).

Direct transaction costs are fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the fund. These exclude any differences between quoted bid and offer prices or internal administrative or holding costs.

The portfolio dealing spread as at 30 June 2017 is 0.58% (2016: 0.92x%). The portfolio dealing spread is calculated at the fund's 12 noon valuation point.

Notes to the financial statements (continued)

18 Events after the Balance sheet date

There were no material post Balance sheet events which require disclosure within these financial statements.

Distribution tables for the year ended 30 June 2017 (in pence per share)

Final dividend distribution (accounting date 30 June 2017, paid on 31 August 2017)

Group 1: shares purchased prior to 1 July 2016

Group 2: shares purchased on or after 1 July 2016

	Distribution per share	Total Distribution per share 31/08/17	Total Distribution per share 31/08/16
Class A accumulation			
Group 1	4.9751	4.9751	4.5268
Group 2	4.9751	4.9751	4.5268
Class I accumulation			
Group 1	12.7961	12.7961	10.6260
Group 2	12.7961	12.7961	10.6260
Class Z accumulation			
Group 1	11.8861	11.8861	11.1420
Group 2	11.8861	11.8861	11.1420

Appendix - Additional information (unaudited)

Remuneration Policy

Following the implementation of the UCITS V in the UK from 18 March 2016, all authorised UCITS Management Companies are required to comply with the UCITS Remuneration Code. Under the Code, the Remuneration Committee of Henderson Group plc* in its oversight of Henderson Investment Funds Limited ("HIFL") must make relevant remuneration disclosures in the first full performance year following the implementation date.

The disclosures must split remuneration between fixed and variable remuneration and must break down remuneration for categories of UCITS Code Staff (defined as all staff whose professional activities have a material impact on the risk profiles of the funds it manages). The Henderson Group plc* Remuneration Committee approves the list of UCITS Code Staff annually. In addition, identified UCITS Code Staff are notified of their status and the associated implications annually.

Henderson UK & Europe Funds is managed by HIFL, which is a subsidiary of Janus Henderson Group plc.

The Remuneration Committee of Henderson Group plc* has established a Remuneration Policy, one of the guiding principles of which is to ensure that the remuneration of its employees is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of each AFM and the funds they manage. This policy applies to HIFL and Henderson UK & Europe Funds.

Further information on the Henderson Group plc* Remuneration Policy is available in the Henderson Group plc* annual report and accounts.

	Headcount [1]	Total Remuneration (£'000s) [2,3]
Henderson All Stocks Credit Fund	828	1,473.5
of which		
Fixed Remuneration	828	786.5
Variable Remuneration	821	687.0
Carried Interest	n/a	
Henderson All Stocks Credit Fund Remuneration Code Staff	33	449.1
of which		
Senior Management [4]	18	215.5
Other Code Staff [5]	15	233.6
Henderson Buy & Maintain Credit Fund	828	39.9
of which		
Fixed Remuneration	828	20.4
Variable Remuneration	821	19.5
Carried Interest	n/a	
Henderson Buy & Maintain Credit Fund Remuneration Code Staff	33	15.5
of which		
Senior Management [4]	18	5.2
Other Code Staff [5]	15	10.3
Henderson European Smaller Companies Fund	829	130.2
of which		
Fixed Remuneration	829	61.3
Variable Remuneration	822	68.9
Carried Interest	n/a	
Henderson European Smaller Companies Fund Remuneration Code Staff	34	66.7
of which		
Senior Management [4]	18	13.4
Other Code Staff [5]	16	53.3

Appendix - Additional information (unaudited) (continued)

	Headcount [1]	Total Remuneration (£'000s) [2,3]
Henderson Index-Linked Bond Fund	828	305.9
of which		
Fixed Remuneration	828	168.3
Variable Remuneration	821	137.6
Carried Interest	n/a	
Henderson Index-Linked Bond Fund Remuneration Code Staff	33	95.0
of which		
Senior Management [4]	18	44.4
Other Code Staff [5]	15	50.6
Henderson Institutional Long Dated Credit Fund	828	548.8
of which		
Fixed Remuneration	828	292.9
Variable Remuneration	821	255.9
Carried Interest	n/a	
Henderson Institutional Long Dated Credit Fund Remuneration Code Staff	33	167.3
of which		
Senior Management [4]	18	80.3
Other Code Staff [5]	15	87.0
Henderson Institutional Long Dated Gilt Fund	828	58.4
of which		
Fixed Remuneration	828	32.1
Variable Remuneration	821	26.3
Carried Interest	n/a	
Henderson Institutional Long Dated Gilt Fund Remuneration Code Staff	33	18.2
of which		
Senior Management [4]	18	8.5
Other Code Staff [5]	15	9.7
Henderson Institutional Short Duration Bond Fund	828	1,764.1
of which		
Fixed Remuneration	828	959.5
Variable Remuneration	821	804.6
Carried Interest	n/a	
Henderson Institutional Short Duration Bond Fund Remuneration Code Staff	33	606.0
of which		
Senior Management [4]	18	243.7
Other Code Staff [5]	15	362.3
Henderson Institutional UK Gilt Fund	828	351.9
of which		
Fixed Remuneration	828	193.6
Variable Remuneration	821	158.3
Carried Interest	n/a	

Appendix - Additional information (unaudited) (continued)

	Headcount [1]	Total Remuneration (£'000s) [2,3]
Henderson Institutional UK Gilt Fund Remuneration Code Staff	33	109.3
of which		
Senior Management [4]	18	51.1
Other Code Staff [5]	15	58.2
Henderson Preference & Bond Fund	829	1,065.1
of which		
Fixed Remuneration	829	450.3
Variable Remuneration	822	614.8
Carried Interest	n/a	
Henderson Preference & Bond Fund Remuneration Code Staff	34	498.8
of which		
Senior Management [4]	18	119.2
Other Code Staff [5]	16	379.6
Henderson Strategic Bond Fund	829	2,409.3
of which		
Fixed Remuneration	829	1,017.8
Variable Remuneration	822	1,391.5
Carried Interest	n/a	
Henderson Strategic Bond Fund Remuneration Code Staff	34	1,129.6
of which		
Senior Management [4]	18	269.2
Other Code Staff [5]	16	860.4
Henderson UK Equity Income & Growth Fund	829	861.6
of which		
Fixed Remuneration	829	400.9
Variable Remuneration	822	460.7
Carried Interest	n/a	
Henderson UK Equity Income & Growth Fund Remuneration Code Staff	34	507.6
of which		
Senior Management [4]	18	74.5
Other Code Staff [5]	16	433.1
Henderson UK Smaller Companies Fund	828	202.1
of which		
Fixed Remuneration	828	87.7
Variable Remuneration	821	114.4
Carried Interest	n/a	
Henderson UK Smaller Companies Fund Remuneration Code Staff	33	104.9
of which		
Senior Management [4]	18	20.5
Other Code Staff [5]	15	84.4

Appendix - Additional information (unaudited) (continued)

1. The is actual number of employees who are fully or partly involved in the activities of Henderson UK & Europe Funds – no attempt has been made to apportion the time spent specifically in support of each fund within the Henderson UK & Europe Funds as this data is not captured as part of the Company's normal processes.
2. Please note that due to the employment structure and resourcing of the Henderson Group*, the staff indicated in this table may provide services to other companies in the Henderson Group plc*.
3. The remuneration disclosed is only in respect of the provision of services to Henderson UK & Europe Funds for the year, rather than the total remuneration for the year – for this purpose, remuneration has been apportioned between the provision of services to Henderson UK & Europe Funds and to other entities in the Henderson Group plc*, as follows:
 - in respect of fixed pay and annual/long term incentive bonuses:
 - where fixed pay is directly attributable to Henderson UK & Europe Funds (for example, fees for HIFL), 100% of those fees;
 - for Fund Managers, pro-rated using the average AUM of Henderson UK & Europe Funds managed by the relevant Fund Manager (as a proportion of the total AUM managed by that individual) as a proxy.
 - for other individuals, pro-rated using the average AUM of Henderson UK & Europe Funds (as a proportion of the aggregate average AUM of Henderson Group plc*) as a proxy.
4. Senior Management includes the Henderson Executive Committee and other Group Board members and the Board of HIFL.
5. Other Code Staff includes all other UCITS Code Staff not covered by the above, including Fund Managers who manage AUM within Henderson UK & Europe Funds.

*Henderson Group plc merged with Janus Capital on 30 May 2017 to become Janus Henderson Group plc, the employee and compensation metrics and the average AUM across the proceeding 12 months is largely based on the Henderson Group plc prior to the merger only.

Appendix - Additional information (unaudited) (continued)

Securities Financing Transactions

The funds engage in Securities Financing Transactions (SFTs) (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the funds' involvement in and exposures related to securities lending for the year ended 30 June 2017 are detailed below.

Global Data

The table lists the amount of securities on loan as a proportion of total lendable assets and the funds' assets under management (AUM) as at 30 June 2017:

Stock lending			
Fund	Market value of securities on loan £000	% of lendable assets	% of AUM
Henderson All Stocks Credit Fund	18,678	1.54%	1.47%
Henderson Institutional Long Dated Credit Fund	29,572	6.31%	6.26%
Henderson Institutional Long Dated Gilt Fund	3,519	7.91%	7.84%
Henderson Institutional UK Gilt Fund	41,955	13.50%	13.14%
Henderson Preference & Bond Fund	6,512	0.94%	0.87%
Henderson Strategic Bond Fund	16,715	1.08%	0.92%
Henderson UK Equity Income & Growth Fund	32,150	7.49%	7.55%

Concentration Data

The following table lists the ten largest collateral issuers by value of collateral received (across all SFTs) for each fund as at 30 June 2017:

Issuer	Market value of collateral received £000	Issuer	Market value of collateral received £000
Henderson All Stocks Credit Fund		Henderson Institutional Long Dated Credit Fund	
UK Treasury	10,543	UK Treasury	16,922
KFW	2,835	KFW	5,726
Republic of Finland	1,292	Republic of Finland	2,610
Government of Italy	934	Banque Europeenne D'Investissement	1,054
Banque Europeenne D'Investissement	522	Government of Italy	818
Government of France	469	RATP	760
RATP	376	Government of France	411
China Minsheng Banking	241	Government of Belgium	334
China Railway Construction	241	China Minsheng Banking	212
Link REIT	239	China Railway Construction	212

Appendix - Additional information (unaudited) (continued)

Issuer	Market value of collateral received £000	Issuer	Market value of collateral received £000
Henderson Institutional Long Dated Gilt Fund		Henderson Institutional UK Gilt Fund	
Government of Japan	3,449	UK Treasury	24,205
Republic of Finland	160	Government of Japan	10,526
		Government of Italy	5,408
		Government of France	2,715
		Republic of Finland	489
		European Financial Stability Facility	446
		Government of Ireland	187
		IBRD	45
		EBRD	28
		European Investment Bank	6
All counterparties have been included		All counterparties have been included	
Henderson Preference & Bond Fund		Henderson Strategic Bond Fund	
UK Treasury	3,366	UK Treasury	7,465
Government of France	1,465	KFW	2,881
KFW	773	Government of Italy	1,581
Government of Italy	533	Republic of Finland	1,313
Republic of Finland	352	Government of France	898
Banque Europeenne D'Investissement	142	Kingdom of Netherlands	706
RATP	103	Banque Europeenne D'Investissement	531
Government of Belgium	45	RATP	382
European Financial Stability Facility	44	Government of Belgium	168
Government of Ireland	34	China Minsheng Banking	157
Henderson UK Equity Income & Growth Fund			
Cash	3,807		
UK Treasury	1,666		
Banco Santander Central Hispano	1,417		
Siemens	1,329		
Government of Japan	1,146		
Alliant Energy	1,144		
ASML	1,035		
HSBC	1,000		
Booker	939		
Münchener Rückversicherung	712		

Appendix - Additional information (unaudited) (continued)

The following table details the top ten counterparties of each type of SFTs (based on gross volume of outstanding transactions), for each fund as at 30 June 2017:

Counterparty	Market value of securities on loan £000	Settlement basis	Counterparty	Market value of securities on loan £000	Settlement basis
Henderson All Stocks Credit Fund			Henderson Institutional Long Dated Credit Fund		
JP Morgan	14,279	Tri-party	JP Morgan	26,379	Tri-party
Barclays Bank	3,642	Tri-party	Barclays Bank	3,193	Tri-party
Lloyds Bank	757	Tri-party		29,572	
	18,678				
Henderson Institutional Long Dated Gilt Fund			Henderson Institutional UK Gilt Fund		
Deutsche Bank	3,519	Tri-party	Barclays Bank	21,100	Tri-party
	3,519		Deutsche Bank	10,739	Tri-party
			JP Morgan	8,395	Tri-party
			Lloyds Bank	1,721	Tri-party
				41,955	
Henderson Preference & Bond Fund			Henderson Strategic Bond Fund		
JP Morgan	3,303	Tri-party	JP Morgan	13,703	Tri-party
Barclays Bank	2,081	Tri-party	Morgan Stanley	2,591	Tri-party
Credit Suisse	1,128	Tri-party	Credit Suisse	413	Tri-party
	6,512		Deutsche Bank	8	Tri-party
				16,715	
Henderson UK Equity Income & Growth Fund					
Natixis	11,951	Tri-party			
Société Générale	5,329	Tri-party			
Bank of Nova Scotia	3,875	Tri-party			
ABN Amro	3,790	Tri-party			
JP Morgan	3,566	Tri-party			
Citigroup	2,013	Tri-party			
Deutsche Bank	1,137	Tri-party			
Merrill Lynch	489	Tri-party			
	32,150				

All counterparties have been included

Appendix - Additional information (unaudited) (continued)

Aggregate transaction data

The following tables provide an analysis of the collateral received by the funds in respect of each type of SFTs as at 30 June 2017:

Counterparty	Counterparty country of origin	Type	Quality	Collateral CCY	Settlement basis	Custodian	Market value of collateral received £000
All Stocks Credit Fund							
Barclays Bank	United Kingdom	Corporate Bond	Investment grade	EUR	Triparty	BNP Paribas	77
Barclays Bank	United Kingdom	Corporate Bond	Investment grade	GBP	Triparty	BNP Paribas	9
Barclays Bank	United Kingdom	Corporate Bond	Investment grade	USD	Triparty	BNP Paribas	5
Barclays Bank	United Kingdom	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	1,435
Barclays Bank	United Kingdom	Government Bond	Investment grade	GBP	Triparty	BNP Paribas	2,388
JP Morgan	United States	Corporate Bond	Investment grade	EUR	Triparty	BNP Paribas	3,212
JP Morgan	United States	Corporate Bond	Investment grade	GBP	Triparty	BNP Paribas	522
JP Morgan	United States	Equity	Main market listing	AUD	Triparty	BNP Paribas	2
JP Morgan	United States	Equity	Main market listing	CHF	Triparty	BNP Paribas	631
JP Morgan	United States	Equity	Main market listing	EUR	Triparty	BNP Paribas	346
JP Morgan	United States	Equity	Main market listing	GBP	Triparty	BNP Paribas	173
JP Morgan	United States	Equity	Main market listing	HKD	Triparty	BNP Paribas	1,140
JP Morgan	United States	Equity	Main market listing	JPY	Triparty	BNP Paribas	99
JP Morgan	United States	Equity	Main market listing	USD	Triparty	BNP Paribas	8
JP Morgan	United States	Equity	Main market listing	SGD	Triparty	BNP Paribas	3
JP Morgan	United States	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	1,483
JP Morgan	United States	Government Bond	Investment grade	GBP	Triparty	BNP Paribas	7,342
JP Morgan	United States	Government Bond	Investment grade	SEK	Triparty	BNP Paribas	9
JP Morgan	United States	Government Bond	Investment grade	DKK	Triparty	BNP Paribas	4
Lloyds Bank	United Kingdom	Government Bond	Investment grade	GBP	Triparty	BNP Paribas	812
							19,700
Henderson Institutional Long Dated Credit Fund							
Barclays Bank	United Kingdom	Corporate Bond	Investment grade	EUR	Triparty	BNP Paribas	68
Barclays Bank	United Kingdom	Corporate Bond	Investment grade	GBP	Triparty	BNP Paribas	8
Barclays Bank	United Kingdom	Corporate Bond	Investment grade	USD	Triparty	BNP Paribas	4
Barclays Bank	United Kingdom	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	1,257
Barclays Bank	United Kingdom	Government Bond	Investment grade	GBP	Triparty	BNP Paribas	2,094
JP Morgan	United States	Corporate Bond	Investment grade	EUR	Triparty	BNP Paribas	6,487
JP Morgan	United States	Corporate Bond	Investment grade	GBP	Triparty	BNP Paribas	1,054
JP Morgan	United States	Equity	Main market listing	AUD	Triparty	BNP Paribas	2
JP Morgan	United States	Equity	Main market listing	CHF	Triparty	BNP Paribas	555
JP Morgan	United States	Equity	Main market listing	EUR	Triparty	BNP Paribas	305
JP Morgan	United States	Equity	Main market listing	GBP	Triparty	BNP Paribas	153
JP Morgan	United States	Equity	Main market listing	HKD	Triparty	BNP Paribas	1,005
JP Morgan	United States	Equity	Main market listing	JPY	Triparty	BNP Paribas	87
JP Morgan	United States	Equity	Main market listing	USD	Triparty	BNP Paribas	7
JP Morgan	United States	Equity	Main market listing	SGD	Triparty	BNP Paribas	3
JP Morgan	United States	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	2,995
JP Morgan	United States	Government Bond	Investment grade	GBP	Triparty	BNP Paribas	14,828
JP Morgan	United States	Government Bond	Investment grade	SEK	Triparty	BNP Paribas	18
JP Morgan	United States	Government Bond	Investment grade	DKK	Triparty	BNP Paribas	8
							30,938

Appendix - Additional information (unaudited) (continued)

Counterparty	Counterparty country of origin	Type	Quality	Collateral CCY	Settlement basis	Custodian	Market value of collateral received £000
Henderson Institutional Long Dated Gilt Fund							
Deutsche Bank	Germany	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	160
Deutsche Bank	Germany	Government Bond	Investment grade	JPY	Triparty	BNP Paribas	3,449
							3,609
Henderson Institutional UK Gilt Fund							
Barclays Bank	United Kingdom	Corporate Bond	Investment grade	EUR	Triparty	BNP Paribas	446
Barclays Bank	United Kingdom	Corporate Bond	Investment grade	GBP	Triparty	BNP Paribas	52
Barclays Bank	United Kingdom	Corporate Bond	Investment grade	USD	Triparty	BNP Paribas	28
Barclays Bank	United Kingdom	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	8,310
Barclays Bank	United Kingdom	Government Bond	Investment grade	GBP	Triparty	BNP Paribas	13,836
Deutsche Bank	Germany	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	489
Deutsche Bank	Germany	Government Bond	Investment grade	JPY	Triparty	BNP Paribas	10,525
JP Morgan	United States	Government Bond	Investment grade	GBP	Bilateral	BNP Paribas	8,605
Lloyds Bank	United Kingdom	Government Bond	Investment grade	GBP	Bilateral	BNP Paribas	1,764
							44,055
Henderson Preference & Bond Fund							
Barclays Bank	United Kingdom	Corporate Bond	Investment grade	EUR	Triparty	BNP Paribas	44
Barclays Bank	United Kingdom	Corporate Bond	Investment grade	GBP	Triparty	BNP Paribas	5
Barclays Bank	United Kingdom	Corporate Bond	Investment grade	USD	Triparty	BNP Paribas	3
Barclays Bank	United Kingdom	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	820
Barclays Bank	United Kingdom	Government Bond	Investment grade	GBP	Triparty	BNP Paribas	1,364
Credit Suisse	Switzerland	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	1,211
JP Morgan	United States	Corporate Bond	Investment grade	EUR	Triparty	BNP Paribas	876
JP Morgan	United States	Corporate Bond	Investment grade	GBP	Triparty	BNP Paribas	142
JP Morgan	United States	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	404
JP Morgan	United States	Government Bond	Investment grade	GBP	Triparty	BNP Paribas	2,002
JP Morgan	United States	Government Bond	Investment grade	SEK	Triparty	BNP Paribas	2
JP Morgan	United States	Government Bond	Investment grade	DKK	Triparty	BNP Paribas	1
							6,874

Appendix - Additional information (unaudited) (continued)

Counterparty	Counterparty country of origin	Type	Quality	Collateral CCY	Settlement basis	Custodian	Market value of collateral received £000
Henderson Strategic Bond Fund							
Credit Suisse	Switzerland	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	444
Deutsche Bank	Germany	Government Bond	Investment grade	JPY	Triparty	BNP Paribas	8
JP Morgan	United States	Corporate Bond	Investment grade	EUR	Triparty	BNP Paribas	3,263
JP Morgan	United States	Corporate Bond	Investment grade	GBP	Triparty	BNP Paribas	531
JP Morgan	United States	Equity	Main market listing	AUD	Triparty	BNP Paribas	1
JP Morgan	United States	Equity	Main market listing	CHF	Triparty	BNP Paribas	404
JP Morgan	United States	Equity	Main market listing	EUR	Triparty	BNP Paribas	222
JP Morgan	United States	Equity	Main market listing	GBP	Triparty	BNP Paribas	111
JP Morgan	United States	Equity	Main market listing	HKD	Triparty	BNP Paribas	736
JP Morgan	United States	Equity	Main market listing	JPY	Triparty	BNP Paribas	63
JP Morgan	United States	Equity	Main market listing	USD	Triparty	BNP Paribas	5
JP Morgan	United States	Equity	Main market listing	SGD	Triparty	BNP Paribas	2
JP Morgan	United States	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	1,507
JP Morgan	United States	Government Bond	Investment grade	GBP	Triparty	BNP Paribas	7,461
JP Morgan	United States	Government Bond	Investment grade	SEK	Triparty	BNP Paribas	9
JP Morgan	United States	Government Bond	Investment grade	DKK	Triparty	BNP Paribas	4
Morgan Stanley	United Kingdom	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	2,725
Morgan Stanley	United Kingdom	Government Bond	Investment grade	GBP	Triparty	BNP Paribas	4
							17,500

Appendix - Additional information (unaudited) (continued)

Counterparty	Counterparty country of origin	Type	Quality	Collateral CCY	Settlement basis	Custodian	Market value of collateral received £000
Henderson UK Equity Income & Growth Fund							
ABN Amro	Netherlands	Equity	Main market listing	CHF	Triparty	BNP Paribas	2
ABN Amro	Netherlands	Equity	Main market listing	EUR	Triparty	BNP Paribas	51
ABN Amro	Netherlands	Equity	Main market listing	GBP	Triparty	BNP Paribas	131
ABN Amro	Netherlands	Cash	Main market listing	GBP	Cash	BNP Paribas	3,807
Bank of Nova Scotia	Canada	Equity	Main market listing	AUD	Triparty	BNP Paribas	99
Bank of Nova Scotia	Canada	Equity	Main market listing	EUR	Triparty	BNP Paribas	409
Bank of Nova Scotia	Canada	Equity	Main market listing	GBP	Triparty	BNP Paribas	3,798
Citigroup	United States	Equity	Main market listing	GBP	Triparty	BNP Paribas	334
Citigroup	United States	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	265
Citigroup	United States	Government Bond	Investment grade	GBP	Triparty	BNP Paribas	1,666
Deutsche Bank	Germany	Equity	Main market listing	EUR	Triparty	BNP Paribas	8
Deutsche Bank	Germany	Equity	Main market listing	HKD	Triparty	BNP Paribas	1
Deutsche Bank	Germany	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	41
Deutsche Bank	Germany	Government Bond	Investment grade	JPY	Triparty	BNP Paribas	1,146
JP Morgan	United States	Equity	Main market listing	AUD	Triparty	BNP Paribas	3
JP Morgan	United States	Equity	Main market listing	CHF	Triparty	BNP Paribas	1,043
JP Morgan	United States	Equity	Main market listing	EUR	Triparty	BNP Paribas	571
JP Morgan	United States	Equity	Main market listing	GBP	Triparty	BNP Paribas	286
JP Morgan	United States	Equity	Main market listing	HKD	Triparty	BNP Paribas	1,882
JP Morgan	United States	Equity	Main market listing	JPY	Triparty	BNP Paribas	163
JP Morgan	United States	Equity	Main market listing	USD	Triparty	BNP Paribas	13
JP Morgan	United States	Equity	Main market listing	SGD	Triparty	BNP Paribas	6
Merrill Lynch	United States	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	515
Natixis	France	Equity	Main market listing	CHF	Triparty	BNP Paribas	612
Natixis	France	Equity	Main market listing	EUR	Triparty	BNP Paribas	8,938
Natixis	France	Equity	Main market listing	GBP	Triparty	BNP Paribas	2,780
Natixis	France	Equity	Main market listing	JPY	Triparty	BNP Paribas	731
Natixis	France	Equity	Main market listing	USD	Triparty	BNP Paribas	218
Société Générale	France	Equity	Main market listing	GBP	Triparty	BNP Paribas	1,048
Société Générale	France	Equity	Main market listing	USD	Triparty	BNP Paribas	4,873
							35,440

The lending and collateral transactions are on an open basis and can be recalled on demand.

Appendix - Additional information (unaudited) (continued)

Re-use of collateral

The funds do not engage in any re-use of collateral.

Return and cost on securities lending activities

The following table details the funds' return and costs for each type of SFTs for the year ending 30 June 2017:

Stock lending					
Fund	Total gross amount of securities lending income £000	Direct and indirect costs and fees deducted by securities lending agent £000	% return of the securities lending agent	Net securities lending income retained by the fund £000	% return of the fund
Henderson All Stocks Credit Fund	51	8	15%	43	85%
Henderson Institutional Long Dated Credit Fund	49	7	15%	42	85%
Henderson Institutional Long Dated Gilt Fund	9	1	15%	8	85%
Henderson Institutional UK Gilt Fund	51	8	15%	43	85%
Henderson Preference & Bond Fund	64	10	15%	54	85%
Henderson Strategic Bond Fund	153	23	15%	130	85%
Henderson UK Equity Income & Growth Fund	120	18	15%	102	85%

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 shares 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@janushenderson.com**

We may record telephone calls for our mutual protection and to improve customer service.

Important Information

Janus Henderson Investors is the name under which Janus Capital International Limited (reg no. 3594615), Henderson Global Investors Limited (reg. no. 906355), Henderson Investment Funds Limited (reg. no. 2678531), Henderson Investment Management Limited (reg. no. 1795354), AlphaGen Capital 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 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.

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