

Henderson

# Index Linked Bond

Fund

**Short Report**

For the year ended 30 June 2013

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## Short Report

For the year ended 30 June 2013

### Fund Managers

Philip Apel and Mitul Patel

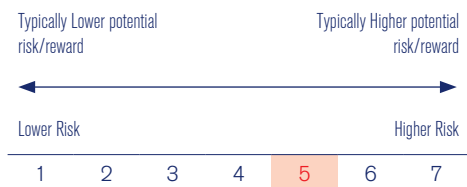
### Investment objective and policy

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.

### Risk and reward profile

The Fund currently has 8 types of share class in issue:

A income, I accumulation, D accumulation, Z accumulation gross, I income, A gross income, I gross income and I gross accumulation. Each type of share class has the same risk and reward profile which is as follows:



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 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 risk/reward rating above is based on medium-term volatility. In the future, the Fund's actual volatility could be higher or lower and its rated risk/reward level could change.

The lowest category does not mean risk free.

The Fund's risk level reflects the following:

- As a category, bonds are typically less volatile than shares
- The Fund focuses on a single country
- Fluctuations in exchange rates may cause the value of your investment to rise or fall

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events which could amplify everyday risk and trigger other risks such as:

**Counterparty risk** The Fund could lose money if an entity with which it interacts becomes unwilling or unable to meet its obligations to the Fund.

**Default risk** The issuers of certain bonds could become unable to make payments on their bonds.

**Derivatives risk** Certain derivatives could behave unexpectedly or could expose the Fund to losses that are significantly greater than the cost of the derivative.

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

**Liquidity risk** Certain securities could become hard to value or sell at a desired time and price.

**Management risk** Investment management techniques that have worked well in normal market conditions could prove ineffective or detrimental at other times.

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

### Managers' commentary

Index-linked bond yields were extremely volatile during the period, as uncertainty over the future calculation methodology of the retail price index (RPI) dominated sentiment within the asset class. The market initially moved to discount a change in the RPI calculation methodology, which would have biased future inflation prints downwards, but a ruling in January concluded

that the methodology should not be changed, which led to index linked bonds performing well. They subsequently performed poorly as global inflationary pressures softened.

Core government bond markets performed poorly during the year. Whilst data in Europe continued to be disappointing, tail risks stemming from the European sovereign bond crisis and the US fiscal cliff diminished and government bond yields reverted back to levels more consistent with a slow but steady economic recovery.

The main positive contributors to performance were:

- 1) Positioning for a wider yield differential between North America and Europe as their economic performance diverged.
- 2) Positioning for the yield curve in Europe to remain steep for longer than the market expected, as the area continued to struggle with the impact of fiscal tightening and structural reforms.

The main negative contributors to performance were:

- 1) Positioning for a rise in US real yields (nominal yields minus the rate of inflation), which fell as the market initially priced in expectations of a dovish Federal Reserve (Fed), rather than an improving fundamental backdrop.

- 2) Positioning for the Australian yield curve to steepen as the economy deteriorated, but which flattened as government bonds rallied during the holding period of the trade.

During the year, our core directional positioning remained light, but we continued to take tactical opportunities in all developed bond markets, with some success.

In addition, we also successfully exploited a range of cross market and intra market relative opportunities, in both nominal and inflation markets.

Looking ahead, markets are likely to remain volatile in the coming months. As the US economy continues to strengthen and downside risks diminish, yields are likely to continue rising (as bond prices continue to fall). However, there are still ongoing drags from the deleveraging (reduction of debt) of the household and financial sector, as well as fiscal retrenchment, which will stop the global economy from growing significantly above trend growth rates. Global inflationary pressures are also likely to remain muted and downside risks may reappear in Europe and emerging markets, which may stop yields rising significantly.

## Performance summary

	1 Jul 12 - 30 Jun 13 %	1 Jul 11 - 30 Jun 12 %	1 Jul 10 - 30 Jun 11 %	1 Jul 09 - 30 Jun 10 %	1 Jul 08 - 30 Jun 09 %
Henderson Index Linked Bond Fund	3.2	15.2	10.1	7.2	1.0
FTSE Index Linked (Over 5 Years) Index	2.7	16.9	9.7	8.4	(0.6)

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

Figures in brackets are negative

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

## Summary of Fund performance

Share class	Net asset value* 2013 p	Net asset value* 2012 p	Net asset value % change
Class A income	314.43	309.27	1.67
Class I income	317.84	311.10	2.17
Class I accumulation	366.04	357.72	2.33
Class A gross income	316.72	310.86	1.89
Class I gross income	319.21	312.43	2.17
Class I gross accumulation	374.32	365.66	2.37
Class Z gross accumulation	209.47	203.60	2.88
Class D gross accumulation	231.24	225.33	2.62

\*The net asset value is calculated as at close of business on the last business day of the accounting period. The investments are valued at fair value which is generally deemed to be the bid market price.

## Fund facts

Accounting dates	Payment dates
30 June, 31 December	31 August, 30 November, 28/29 February, 31 May

### Ongoing charge figure

	2013 %	2012 %
Class A	1.19	1.19
Class A gross	1.07	1.07
Class I	0.54	0.54
Class Z	0.04	0.04
Class D	0.29	0.29

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

## Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
<b>Class X income</b>			
2008	0.30	229.20	203.00
2009	0.40	243.10	209.10
2010**	0.18	238.80	237.10
<b>Class A income</b>			
2008	1.18	229.90	202.90
2009	1.22	243.30	209.00
2010	0.54	256.40	228.20
2011	-	315.80	245.00
2012	-	319.80	295.40
2013	-*	350.90+	303.70+
<b>Class I income</b>			
2008	2.10	228.70	202.60
2009	2.06	242.60	208.70
2010	1.23	255.90	227.70
2011	0.29	316.80	245.00
2012	0.22	320.90	297.50
2013	0.28*	354.20+	306.10+
<b>Class I accumulation</b>			
2008	2.36	260.30	229.50
2009	2.34	277.20	237.00
2010	1.40	293.90	260.30
2011	0.34	364.30	281.40
2012	0.25	369.00	342.30
2013	0.32*	407.90+	352.30+
<b>Class A gross income</b>			
2008	1.53	229.90	203.50
2009	1.51	244.00	209.70
2010	0.81	257.10	228.90
2011	-	317.10	245.70
2012	-	321.20	297.00
2013	-*	353.20+	305.50+

## Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
<b>Class I gross income</b>			
2008	2.65	229.30	202.90
2009	2.58	243.30	209.10
2010	1.58	256.60	228.20
2011	0.38	318.00	245.60
2012	0.26	322.10	298.80
2013	0.36*	355.70+	307.40+
<b>Class I gross accumulation</b>			
2008	3.02	264.90	232.90
2009	2.97	282.50	240.80
2010	1.84	299.90	265.20
2011	0.44	372.20	287.10
2012	0.31	377.00	350.00
2013	0.42*	417.10+	360.30+
<b>Class Z gross accumulation</b>			
2008	2.34	145.40	127.40
2009	2.32	155.30	131.90
2010	1.60	165.60	146.00
2011	0.97	206.70	158.70
2012	0.52	209.50	195.20
2013	0.78*	233.10+	201.10+
<b>Class D gross accumulation</b>			
2008	2.91	166.00	142.30
2009	2.20	173.00	147.20
2010	1.46	184.00	162.50
2011	0.62	229.00	176.30
2012	0.33	232.00	215.83
2013	0.55*	257.50+	222.30+

\* to 30 August

+ to 30 June

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

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

## Net revenue distribution

	2013	2012
Share class	p	p
Class A income	-	-
Class I income	0.49	-
Class I accumulation	0.57	-
Class A gross income	-	-
Class I gross income	0.62	-
Class I gross accumulation	0.73	-
Class Z gross accumulation	1.21	0.32
Class D gross accumulation	0.88	0.12

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

## Major holdings

as at 2013	%
UK Treasury 2.5% Index-Linked 17/07/2024	7.48
UK Treasury 1.25% Index-Linked 22/11/2027	7.27
UK Treasury 1.875% Index-Linked 22/11/2022	7.24
UK Treasury 2.5% Index-Linked 16/04/2020	7.05
UK Treasury 1.25% Index-Linked 22/11/2055	6.33
UK Treasury 1.25% Index-Linked 22/11/2032	5.98
UK Treasury 2% Index-Linked 26/01/2035	5.88
UK Treasury 0.625% Index-Linked 22/11/2042	5.83
UK Treasury 0.75% Index-Linked 22/11/2047	5.13
UK Treasury 0.375% Index-Linked 22/03/2062	5.02

## Major holdings

as at 2012	%
UK Treasury 2.5% Index-Linked 16/04/2020	14.91
UK Treasury 2.5% Index-Linked 17/07/2024	7.67
UK Treasury 1.25% Index-Linked 22/11/2055	6.98
UK Treasury 2% Index-Linked 26/01/2035	6.75
UK Treasury 1.25% Index-Linked 22/11/2027	5.96
UK Treasury 4.125% Index-Linked 22/07/2030	5.73
UK Treasury 1.875% Index-Linked 22/11/2022	5.70
UK Treasury 1.25% Index-Linked 22/11/2032	5.38
UK Treasury 0.625% Index-Linked 22/11/2042	5.13
UK Treasury 0.625% Index-Linked 22/03/2040	5.09

## Asset allocation

as at 2013	%
Government bonds	97.67
Non - Government bonds	1.86
Interest rate swaps	0.12
Inflation swaps	0.01
Net other assets	0.34
<b>Total</b>	<b>100.00</b>

## Asset allocation

as at 2012	%
Government bonds	97.59
Non - Government bonds	1.75
Futures	0.02
Interest rate swaps	0.04
Net other assets	0.60
<b>Total</b>	<b>100.00</b>

## Report and accounts

This document is a short report of the Henderson Index Linked Bond Fund for the year ended 30 June 2013.

Copies of the annual and half yearly long form report and financial statements of this Fund are available on our website [www.henderson.com](http://www.henderson.com) or contact client services on the telephone number provided.

## Other information

The information in this report is designed to enable you to make an informed judgement on the activities of the Fund during the year it covers and the results of those activities at the end of the year.

## Issued by:

Henderson Investment Funds Limited

Registered office:

201 Bishopsgate,  
London EC2M 3AE

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

Registered in England No 2678531

## Risk warning

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

## Depositary

National Westminster Bank Plc

135 Bishopsgate  
London EC2M 3UR

## Auditor

PricewaterhouseCoopers LLP

141 Bothwell Street  
Glasgow  
G2 7EQ





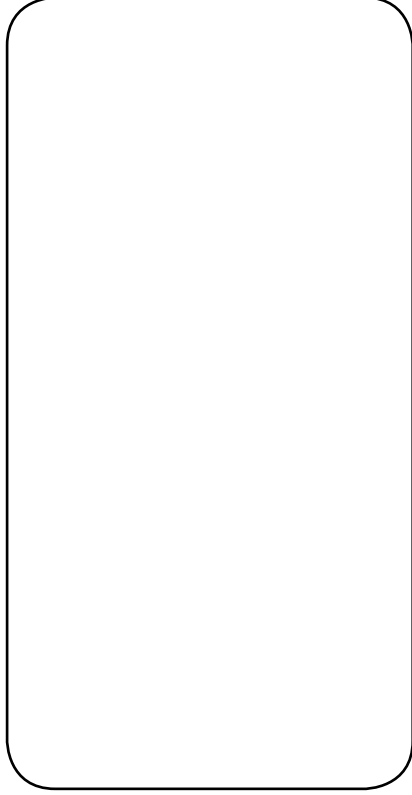




## Contact us

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### Changes of address - regulatory requirements

FCA regulation requires us to send this report mailing to the address held on file on the accounting date of 30 June 2013. If you have confirmed a change of address with us since that date we will ensure all future correspondence will be sent to your new address.

### Online valuations

You can value your Henderson Index Linked Bond Fund at any time by logging on to [www.henderson.com](http://www.henderson.com). Select 'Personal Investor' and then access 'Valuations' from the Tools Menu. Simply select the fund you hold and enter the appropriate number of shares.

### Any questions ?

Further information about the activities and performance of the fund for this and previous periods can be obtained from the Investment Manager. If you have any questions please call our Client Services Team on 0800 832 832 or email [support@henderson.com](mailto:support@henderson.com).

### Important information

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

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