Henderson
GLOBAL INVESTORS

Henderson

# Investment Funds

Series V

**Interim Report & Accounts**
For the six months ended 31 March 2012

Who are

# Henderson Global Investors?

**Established in 1934 to administer the estates of Alexander Henderson, the first Lord Faringdon, Henderson Global Investors (Henderson) is a leading independent global asset management firm. The company provides its institutional, retail and high net-worth clients with access to skilled investment professionals representing a broad range of asset classes, including equities, fixed income, property and private equity. With its principal place of business in London, Henderson is one of Europe's largest investment managers, with £64.3† billion assets under management (as at 31 December 2011) and employs around 1,000 people worldwide.**

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

With investment expertise across every asset class, Henderson's skillful investment managers invest in every major market around the globe. They are supported by a global team of researchers and economists who have a keen understanding of the economic forces driving the security markets and who undertake rigorous sector and theme analysis. Underpinning this process is a comprehensive risk-control framework to ensure that investment views are translated into portfolios managed in line with investors risk and return requirements.

### What do we do?

At Henderson Global Investors we do one thing and we do it really well – investment management. As a company, we are totally focused on this core activity and it underpins everything we do.

We do this by providing a range of investment products and services including:

- Open ended funds – offshore funds, unit trusts, OEICs
- Investment trusts
- Individual Savings Accounts
- Pension fund management
- Management of portfolios for UK and international institutional clients

† Source: Henderson Global Investors.

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# Authorised Corporate Director's (ACD) report

We are pleased to present the Interim report and accounts for Henderson Investment Funds Series V (previously Gartmore Investment Funds Series V) for the six months ended 31 March 2012.

**Authorised status**

Henderson Investment Funds Series V (the "Company") is an open ended investment company ("OEIC") with variable capital authorised, under regulation 12 (Authorisation) of the OEIC regulations, by the Financial Services Authority on 19 August 2004. It is an umbrella company, comprising various sub-funds. The investment objective for each sub-fund and the policy for achieving that objective is given in the 'Investment Objective' section of each sub-fund's report. The investment activities of each sub-fund are given in the 'Activity' section of each sub-fund's report. The portfolio of investments of each sub-fund are given in the 'Portfolio Statement' of each sub-fund's report. Shareholders are not liable for the debts of the Company.

The Fund is a non-UCITS retail scheme.

**Other information**

Since the issue of the last annual report at 30 September 2011, the Funds listed below merged into other Henderson Funds and are no longer available for investment:

Gartmore MultiManager Cautious Fund

**Fund liabilities**

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

**Advisers**

| | Name | Address | Regulator |
|---|---|---|---|
| **Authorised Corporate Director** | **Henderson Investment Funds Limited**<br>Member of IMA<br>The ultimate controlling party is Henderson Group plc. | Registered Office:<br>201 Bishopsgate, London EC2M 3AE<br>Registered in England No 2678531<br>Telephone – 020 7818 1818<br>Dealing – 0845 608 8703<br>Enquiries – 0800 832 832 | Authorised and regulated by the Financial Services Authority. |
| **Investment Manager** | **Henderson Global Investors Limited**<br>The ultimate controlling party is Henderson Group plc. | 201 Bishopsgate,<br>London EC2M 3AE | Authorised and regulated by the Financial Services Authority. |
| **Registrar** | **International Financial Data Services (UK) Limited** | IFDS House,<br>St Nicholas Lane,<br>Basildon SS15 5FS | Authorised and regulated by the Financial Services Authority. |
| **Depositary** | **HSBC Bank plc** | 8 Canada Square,<br>Canary Wharf,<br>London E14 5HQ | Authorised and regulated by the Financial Services Authority |
| **Independent Auditors** | **PricewaterhouseCoopers LLP** | PO Box 90,<br>Erskine House,<br>68–73 Queen Street,<br>Edinburgh EH2 4NH | Institute of Chartered Accountants in England and Wales. |
| **Legal Adviser** | **Eversheds LLP** | One Wood Street,<br>London EC2V 7WS | The Law Society. |

# Market review for the six months ended 31 March 2012

Equity markets started the period well, with the MSCI World Index having its best October performance in local currency terms since 1974. Spurring the rise was a recovery from seemingly oversold positions as well as the fact that the sharp market falls of late summer helped concentrate the minds of European politicians into agreeing measures to resolve the Greek debt problem. The rally was short-lived, however, as fears about the sovereign debt crisis resurfaced and a deteriorating growth outlook for China cancelled out more encouraging data from the US. Yields rose on sovereign debt in the eurozone periphery. In late December, however, the European Central Bank (ECB) undertook a Longer Term Refinancing Operation (LTRO). This made available cheap three-year funding to banks and was widely seen as averting a bank funding crisis. Markets rallied and continued to do so throughout the first two months of 2012, aided by liquidity from the central banks of the UK and Japan extending their asset purchase programmes and a further round of the LTRO. Corporate earnings results were also strong. By March, the equity market rally began to fade despite economic data from the US remaining strong. Whilst a deal had been reached on Greek debt, concerns were refocused on Spain. By period end, equities, as represented by the MSCI World Index, had risen 17.3% in sterling terms, whilst government bonds, as represented by the JP Morgan GBI Global All Maturities Index, were down 3.3%.

Key drivers behind US equities' strong performance included the general amelioration in macroeconomic data (including retail sales, confidence measures, and unemployment), which began to reassure investors that US growth would recover into 2012. The positive momentum in the US market was maintained by Congress announcing an extension of payroll tax cuts to the end of 2012 and the US Federal Reserve (Fed) stating it was committed to low interest rates until at least 2014. Corporate news flow was also generally buoyant with bellwether technology stock Apple reporting record quarterly earnings. The S&P 500 Composite Index rose 22.7%.

Whilst UK equities were buoyed by the Bank of England (BoE) announcing two extensions to its asset purchase programmes (a form of quantitative easing, or QE) over the period, concerns over the strength of UK manufacturing, the structural fiscal deficit and, latterly, the economy contracting by 0.2% in the final quarter of 2011 triggered some caution. At the corporate level, however, companies largely continued to report robust earnings and rising dividends. The FTSE All Share Index rose 15.0%.

European equities were volatile during the six-month period. Although the European bailout facility was expanded and voluntary 'haircuts' (loss of value of the bonds) were agreed, the positive mood faded as authorities appeared to lose control of events in November. The incumbent prime ministers in Italy and Greece were replaced by technocrats, whilst weak economic data for the eurozone coincided with fears of wider debt 'contagion', threatening to potentially trigger a new banking crisis. Ultimately, the ECB's two LTROs mitigated a short-term liquidity crisis, enabling markets to move higher into 2012. A bifurcation between the strength of the core versus the peripheral economies became more apparent over the period: although the German economy remained robust, Southern European economies struggled to cope with the austerity regimes. The FTSE World Europe excluding UK rose 13.5%.

In Asia, China's announcement in January that its economy had grown by 8.9% year-on-year in the final quarter of 2011, down from 9.1% the previous quarter, eased fears of an economic hard landing, which had been troubling investors for much of 2011. The FTSE World Asia Pacific ex-Japan Index rose 15.8%. With regards to Japan, the worrying strength of the yen and a loss of economic momentum were characteristic of the reporting period. In February, the Bank of Japan surprised markets by announcing a ¥10 trillion extension to its asset purchase programme and setting a 1% target inflation rate. Both actions are seen as helping in the country's fight against deflation. The FTSE Japan Index rose 13.9% in yen terms, but yen weakness meant this translated into a return of 4.0% in sterling terms. Emerging markets tended to move in aggregate with developed markets during the period, albeit with greater sensitivity to concerns about the pace of growth in China. Inflation concerns led to the Reserve Bank of India lifting its key interest rate, although in Brazil the key policy rate was cut to assist the economy. The MSCI Emerging Markets Index rose 16.2%.

Fixed income markets ebbed and flowed in response to shifting concerns about sovereign debt and the announcements and actions of central bankers. Fears about an escalation of the sovereign debt crisis led to yields initially rising on peripheral bonds, although they subsequently fell back as some calm was restored to the market. The yield on the US 10-year bond crept up from its low in October as improving domestic economic data and greater risk appetite lessened investor enthusiasm for the so-called 'safe haven' asset. The Fed, however, pledged to keep rates low and Chairman Bernanke cautioned that recent job growth momentum may not last. UK government bond prices were supported by the BoE's decision to twice extend QE. The corporate bond markets responded positively to the largesse of the ECB, with credit-sensitive sectors such as high yield bonds performing well later in the period. Corporate bonds generally outperformed sovereign debt over the full six-month period.

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

## Aggregated statement of total return for the six months ended 31 March 2012 (unaudited)

| | 31/03/12 | | 31/03/11 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Income | | | | |
| Net capital gains | | 5,743 | | 7,369 |
| Revenue | 397 | | 1,394 | |
| Expenses | (143) | | (718) | |
| Net revenue before taxation | 254 | | 676 | |
| Taxation | (33) | | (26) | |
| Net revenue after taxation | | 221 | | 650 |
| **Total return before distributions** | | 5,964 | | 8,019 |
| Finance costs: Distributions | | (6) | | (750) |
| **Change in net assets attributable to shareholders from investment activities** | | **5,958** | | **7,269** |

## Aggregated statement of change in net assets attributable to shareholders

for the six months ended 31 March 2012 (unaudited)

| | 31/03/12 | | 31/03/11 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Opening net assets attributable to shareholders** | | **45,478** | | **128,585** |
| Amounts receivable on issue of shares | 89 | | 1,467 | |
| Amounts transferred to merged Fund* | (9) | | – | |
| Amounts payable on cancellation of shares | (3,085) | | (14,550) | |
| | | (3,005) | | (13,083) |
| Stamp duty reserve tax | | – | | (8) |
| Change in net assets attributable to shareholders from investment activities (see above) | | 5,958 | | 7,269 |
| Retained distributions on accumulation shares | | – | | 235 |
| **Closing net assets attributable to shareholders** | | **48,431** | | **122,998** |

* Details of mergers can be found in the financial statements of each Fund.

# Aggregated balance sheet as at 31 March 2012 (unaudited)

| | 31/03/12 | | 30/09/11 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Assets** | | | | |
| Investment assets | | 47,059 | | 42,591 |
| Debtors | 920 | | 556 | |
| Cash and bank balances | 681 | | 2,717 | |
| Total other assets | | 1,601 | | 3,273 |
| **Total assets** | | 48,660 | | 45,864 |
| **Liabilities** | | | | |
| Creditors | (133) | | (348) | |
| Bank overdrafts | (96) | | – | |
| Distribution payable on income shares | – | | (38) | |
| **Total liabilities** | | (229) | | (386) |
| **Net assets attributable to shareholders** | | **48,431** | | **45,478** |

# Certification of financial statements by Directors of the ACD

In accordance with the requirements of the Financial Services Authority's Collective Investment Schemes Sourcebook, we hereby certify the investment report and financial statements on behalf of the Directors of Henderson Investment Funds Limited.

Andrew Formica
(Chief Executive)

David Jacob
(Chief Investment Officer)

17 May 2012

# Aggregated notes to the financial statements as at 31 March 2012

## 1 Accounting policies

### (a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) issued by the Investment Management Association (IMA) in October 2010.

### (b) Basis of valuation of investments

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

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

Investments in Collective Investment Schemes (CIS) have been valued at bid prices, adjusted to take account of the discounts available to the Authorised Corporate Director (ACD) from the charges of the underlying portfolio. For those CIS funds that are not dual priced, mid prices are used.

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

Non-eligble securities indicate investments held or traded on non-eligble stock markets. Information about eligible stock markets is available in the Prospectus.

### (c) Recognition of revenue

Distributions from Collective Investment Schemes are recognised as revenue and included in the amount available for distribution.

Equalisation received and accrued from distributions or accumulations on shares in the underlying investments are treated as capital and deducted from the cost of the investment.

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

Management fee rebates received from the managers of Collective Investment Schemes are recognised on an accruals basis, and are recognised as either capital or income depending on the nature of the underlying Fund's fee structure.

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

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

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

Distributions from offshore funds are recognised as revenue and added to the bookcost of holding when they are declared.

### (d) Treatment of special dividends

Special dividends are treated as repayments of capital or revenue depending on the facts of each particular case.

### (e) Stock lending income

Revenue from stock lending is accounted for net of bank and agent fees and is recognised on an accruals basis.

## 1 Accounting policies (continued)

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

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

All of the management charges payable to the ACD are charged to the revenue account. For the purposes of determining the distribution, all or part of the charge may be borne by capital. All of the Gartmore Long Term Balanced Fund's management charge has been borne by the revenue account, with the Gartmore MultiManager Cautious Fund's management charge being borne wholly by capital.

The allocation of the General Administration Charge (GAC) is a fixed percentage for each share class.

The allocation of revenue and expenses to each share class is based upon the proportion of the Fund's assets attributable to each share class, on the day the revenue is earned or the expense is suffered.

**General Administration Charge**

All fees with the exception of the Annual Management Charge, Depositary and Safe Custody fees, are charged by a single ad valorem charge. The GAC creates more efficiency and transparency around the charging process than more traditional methods.

For further details please refer to the Prospectus.

**(g) Distribution policy**

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

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

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

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

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

If one share class is in profit and another share class in deficit, the share class in deficit will transfer a portion of its ACD fees to capital in order to allow the profit making share class to make a distribution. This policy has not been required during this accounting period.

For Gartmore Long Term Balanced Fund, the policy of the Company is to make dividend distributions on a half yearly basis with an interim and a final distribution being made for each financial year. The ACD reserves the right not to make interim distributions from low yielding Funds.

## 1 Accounting policies (continued)

**(h) Exchange rates**

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

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

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

**(i) Taxation**

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

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

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

**(j) Aggregation**

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

## 2 Risk

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

The risks have remained unchanged since the beginning of the year to which these financial statements relate and are summarised below.

**Interest rate risk**

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

**Liquidity risk**

The Funds can be indirectly affected by liquidity risk due to the holdings of the underlying Funds.

Liquidity risk is the risk that the Funds cannot raise sufficient cash to meet their liabilities when due. One of the key factors influencing this will be the ability to sell investments at, or close to, the fair value without a significant loss being realised. Recent market issues following the credit crunch resulted in a significant reduction in liquidity of the bond markets and Floating Rate Notes ("FRN") markets in particular.

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

## 2 Risk (continued)

**Liquidity risk** (continued)

The ACD manages the Funds' cash to ensure they can meet their liabilities. The ACD receives daily reports of subscriptions and redemptions enabling the ACD to raise cash from the Funds' portfolio in order to meet redemption requests. In addition the ACD monitors market liquidity of all securities, with particular focus on the FRN market, where relevant, seeking to ensure Funds maintain sufficient liquidity to meet known and potential redemption activity. Funds' cash balances are monitored daily by the ACD and Administrator. Where investments cannot be realised in time to meet any potential liability, the Funds may borrow up to 10% of their value to ensure settlement. All of the Funds' financial liabilities are payable on demand or in less than one year.

**Credit and counterparty risk**

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

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

A counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any requirements or limitations), as published in the Financial Services Authority (FSA) Register or whose Home State authorisation, permits it to enter into the transaction as a principal off-exchange.

**Foreign currency risk**

Foreign exchange risk is the risk that the value of the Funds' and underlying Funds' investments will fluctuate as a result of changes in foreign currency exchange rates. For those Funds, and underlying Funds where a proportion of the net assets of the Funds are denominated in currencies other than sterling, the balance sheet can be affected by movements in exchange rates. The ACD may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the sterling value of investments that are priced in other currencies. The foreign currency profile for the relevant Funds is shown in their notes to the financial statements, contained within the full accounts.

**Market price risk**

Market 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. Market price risk arises mainly from uncertainty about future prices of financial instruments the Funds might hold. It represents the potential loss the Funds might suffer through holding market positions in the face of price movements. The Funds' investment portfolios are exposed to market price fluctuations, which are monitored by the ACD in pursuance of their investment objectives and policies as set out in the Prospectus.

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

## 3 Portfolio transaction costs

| | 31/03/12 £000 | 31/03/11 £000 |
|---|---|---|
| Purchases in period before transaction costs | 650 | 18,931 |
| **Purchases including transaction costs** | **650** | **18,931** |
| Sales in period before transaction costs | 1,925 | 21,472 |
| **Sales net of transaction costs** | **1,925** | **21,472** |
| **Transaction handling charges*** | **2** | **3** |

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

# Gartmore Long Term Balanced Fund
# Manager's report

### Fund Manager

William Edgar

### Investment objective and policy

The Fund aims to achieve a long-term return, in excess of the long-term return that is typically achieved from a balanced portfolio of UK and global investments by investing in collective investment schemes, fixed interest securities, other transferable securities, money market instruments, warrants, cash and deposits.

The Fund may use derivatives for the purposes of efficient portfolio management.

### Performance summary

Over the year the Fund increased by 1.0% compared with a 0.0% increase in the MStar "Mixed Investment 40-85% Shares".

| Discrete annual performance | 1 Apr 11-<br>31 Mar 12<br>% | 1 Apr 10-<br>31 Mar 11<br>% | 1 Apr 09-<br>31 Mar 10<br>% | 1 Apr 08-<br>31 Mar 09<br>% | 1 Apr 07-<br>31 Mar 08<br>% |
|---|---|---|---|---|---|
| **Gartmore Long Term Balanced Fund** | 1.0 | 5.2 | 35.5 | (22.6) | (3.9) |
| **MStar Mixed Investment 40-85% Shares** | 0.0 | 6.6 | 39.2 | (20.7) | (3.3) |

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.

## Significant portfolio changes for the six months ended 31 March 2012

| Purchases | £000 |
|---|---|
| Henderson Long Dated Gilt Fund (Accumulation)* | 650 |

| Sales | £000 |
|---|---|
| Henderson US Growth Fund (Accumulation)* | 650 |
| Henderson European Selected Opportunities Fund (Accumulation)* | 500 |
| Henderson Pacific Capital Growth Fund (Accumulation)* | 250 |
| Henderson Enhanced Japan Equity Fund (Accumulation)* | 225 |
| Henderson Money Market Fund (Accumulation)* | 200 |
| Henderson UK Alpha Fund (Accumulation)* | 100 |

* Related party to the Fund

Please note that the above shows all purchases and sales during the period.

## Economic and Market Background

Although the final quarter of 2011 remained a volatile period most equity markets delivered positive returns. Markets continued to be driven more by the actions and words of politicians, central bankers and ratings agencies than the evidence of material change in corporate fundamentals. The key turnaround for markets came in mid-December as the European Central Bank (ECB) attempted to ease tight credit conditions in the Eurozone by lending €489 billion over three years at an interest rate of 1%. Many believe that the ECB's Longer-Term Refinancing Operation averted a major credit crunch. Most regions registered gains over the quarter, the key exception being Japan, which was hampered by the strong yen and floods in Thailand affecting its exporters.

The first quarter of 2012 started off strongly thanks to a general increase in risk appetite among investors. In addition to the market welcoming the actions of the ECB, this reflected more positive economic data coming out of the US, particularly in terms of the labour market and housing. Adding to the improved sentiment were generally strong corporate earnings and positive banking stress test results in the US. Monetary policy in the UK and US continued to be highly accommodative, whilst the Bank of China made it easier for banks to lend. In addition, the Bank of Japan decided to further ease monetary policy by increasing its asset purchasing plan and also setting a 1% inflation target. All major equity markets rose over the quarter although the bullishness did start to fade in March. The uprising in Syria and the ongoing tensions between Israel and Iran saw oil prices rise markedly, which if persistent will act as a drag on the global economy and potentially create inflationary pressure. Equities performed better than bonds, and amongst fixed income assets, credit-sensitive corporate bonds tended to do better than government bonds.

## Performance and Activity

The Fund delivered a return of 13.5% over the six month period outperforming its peer group benchmark (BNY Mellon Pooled Average Balanced ex Property). Looking at the period as a whole, all major equity markets posted strong gains. All of the Fund's holdings delivered positive returns over the period, but the best performing assets were the Henderson UK Alpha Fund (Accumulation), the Henderson US Growth Fund (Accumulation), the Henderson Asia Pacific Capital Growth Fund (Accumulation) and the Henderson Emerging Markets Opportunities Fund (Accumulation). Throughout the period the Fund was underweight fixed income and, in particular, underweight overseas government bonds. This proved beneficial as the latter asset class delivered a negative return due partly to appreciation of sterling. The Fund targeted a broadly neutral position towards equities although there was some variation in the weightings to individual regions. The US remains our preferred equity market reflecting the view that the US economy will continue to grow albeit moderately whilst our least favoured market is continental Europe. Throughout the period the Fund had a zero weighting to property.

## Strategy and Outlook

The momentum in stock prices started to fade in the second half of March as some economic data started to disappoint. Investors will be hoping that the weaker than expected US non-farm payrolls figure for March was a blip rather than a deteriorating trend. Our view remains that the global economy should grow in 2012, but significant risks remain in Europe where the actions of the ECB have lessened the risk of default in the financial sector, but may not have altered the poor outlook for the region's economy. China's economic data has continued to worsen, but the authorities' desire to further ease policy may be hampered by persistent inflation. Although the oil price has somewhat stabilised recently any further upward pressure on fuel costs could potentially derail weak economies. Corporate balance sheets remain strong and earnings have been resilient, however, in such an uncertain environment we continue to target a broadly neutral allocation to equities. Our most distinct stance remains the underweight to overseas bonds

# Comparative tables as at 31 March 2012

## Net asset value per share

| | Net asset value of Fund (£) | Number of shares in issue | Net asset value per share (pence) |
|---|---|---|---|
| **Class I accumulation*** | | | |
| 30/09/2009 | 59,035,599 | 13,465,511 | 438.42 |
| 30/09/2010 | 54,825,576 | 11,640,753 | 470.98 |
| 30/09/2011 | 45,478,278 | 10,069,478 | 451.64 |
| 31/03/2012 | 48,430,756 | 9,447,367 | 512.64 |

* Share class name changed from Institutional Accumulation on 11 July 2011.

## Performance record

| Calendar year | Net revenue (pence per share) | Highest price (pence per share) | Lowest price (pence per share) |
|---|---|---|---|
| **Class I accumulation** | | | |
| 2007 | 10.84 | 511.07 | 461.71 |
| 2008 | 13.52 | 504.41 | 348.24 |
| 2009 | 10.45 | 455.26 | 334.21 |
| 2010 | 7.73 | 509.22 | 426.73 |
| 2011 | 9.62 | 524.21 | 439.63 |
| 2012 | –+ | 520.80* | 476.59* |

+ to 31 May
* to 31 March

# Total expense ratio

The annualised total expense ratio (TER) of the Fund, based on the total expenses included within the financial statements for the period as indicated below:

| | 31/03/12<br>% | 30/09/11<br>% |
|---|---|---|
| **Class I** | 0.73 | 0.72 |

The TER of the Fund is the ratio of the Fund's total operating costs to its average net assets for twelve months.
The TER includes a synthetic element of 0.11% (2011: 0.05%) to incorporate the TER of underlying Funds.

# Ongoing charge figure*

The annualised ongoing charge figure (OCF) of the Fund, calculated as the ratio of the total ongoing charges to the average net asset value for twelve months. Ongoing charges are all expenses deducted from the assets of the Fund during the period, except for expenses that are explicitly excluded by regulation.

| | 31/03/12<br>% |
|---|---|
| **Class I** | 0.74 |

* The OCF replaces the TER. It is calculated in accordance with guidelines issued by the Committee of European Securities Regulators with the aim of ensuring a harmonised approach to the calculation of the OCF by all UCITS.

The Fund is a non-UCITS retail fund and we have adopted this disclosure to enable comparison across our fund range.

# Portfolio statement as at 31 March 2012

| Holding | Investment | Market value £000 | Percentage of total net assets % |
|---|---|---|---|
| | **COLLECTIVE INVESTMENT SCHEMES 95.62% (30/09/11: 92.12%)** | | |
| | **United Kingdom 42.73% (30/09/11: 39.62%)** | | |
| 2,061,752 | Henderson Cautious Managed Fund (Accumulation)* | 3,846 | 7.94 |
| 10,186,794 | Henderson Higher Income Fund (Income)* | 7,991 | 16.50 |
| 578,277 | Henderson UK & Irish Smaller Companies Fund (Accumulation)* | 2,017 | 4.17 |
| 7,150,508 | Henderson UK Alpha Fund (Accumulation)* | 6,839 | 14.12 |
| | | 20,693 | 42.73 |
| | **United States 15.59% (30/09/11: 15.01%)** | | |
| 5,207,351 | Henderson US Growth Fund (Accumulation)* | 7,551 | 15.59 |
| | **Continental Europe 10.29% (30/09/11: 10.72%)** | | |
| 578,474 | Henderson European Selected Opportunities Fund (Accumulation)* | 4,982 | 10.29 |
| | **Japan 4.55% (30/09/11: 5.12%)** | | |
| 2,393,351 | Henderson Japan Enhanced Equity Fund (Accumulation)* | 2,204 | 4.55 |
| | **Pacific Rim 5.39% (30/09/11: 5.28%)** | | |
| 387,035 | Henderson Asia Pacific Capital Growth Fund (Accumulation)* | 2,611 | 5.39 |
| | **Emerging Markets 4.42% (30/09/11: 4.07%)** | | |
| 1,452,434 | Henderson Emerging Markets Opportunities Fund (Accumulation)* | 2,140 | 4.42 |
| | **Fixed Interest 4.15% (30/09/11: 2.83%)** | | |
| 906,065 | Henderson Long Dated Gilt Fund (Accumulation)* | 2,012 | 4.15 |
| | **Cash 8.50% (30/09/11: 9.47%)** | | |
| 2,870,955 | Henderson Money Market Fund (Accumulation)* | 4,114 | 8.50 |

# Portfolio statement (continued)

| Holding | Investment | Market value £000 | Percentage of total net assets % |
|---|---|---|---|
| | **FIXED INTEREST 1.55% (30/09/11: 1.53%)** | | |
| | **Government Index-Linked 1.55% (30/09/11: 1.53%)** | | |
| GBP 125,000 | Treasury 1.125% Index-Linked 22/11/2037 | 190 | 0.39 |
| GBP 125,000 | Treasury 1.25% Index-Linked 22/11/2027 | 189 | 0.39 |
| GBP 100,000 | Treasury 1.25% Index-Linked 22/11/2055 | 190 | 0.39 |
| GBP 50,000 | Treasury 2.5% Index-Linked 16/4/2020 | 183 | 0.38 |
| | | 752 | 1.55 |
| | **Investment assets** | **47,059** | **97.17** |
| | Net other assets | 1,372 | 2.83 |
| | **Net assets** | **48,431** | **100.00** |

* Related party

## Statement of total return for the six months ended 31 March 2012 (unaudited)

| | 31/03/12 | | 31/03/11 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Income | | | | |
| Net capital gains | | 5,744 | | 4,029 |
| Revenue | 387 | | 491 | |
| Expenses | (146) | | (192) | |
| Net revenue before taxation | 241 | | 299 | |
| Taxation | (30) | | (7) | |
| Net revenue after taxation | | 211 | | 292 |
| **Total return before distributions** | | 5,955 | | 4,321 |
| Finance costs: Distributions | | (6) | | (25) |
| **Change in net assets attributable to shareholders from investment activities** | | **5,949** | | **4,296** |

## Statement of change in net assets attributable to shareholders

for the six months ended 31 March 2012 (unaudited)

| | 31/03/12 | | 31/03/11 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Opening net assets attributable to shareholders** | | **45,478** | | **54,826** |
| Amounts receivable on issue of shares | 89 | | 213 | |
| Amounts payable on cancellation of shares | (3,085) | | (6,933) | |
| | | (2,996) | | (6,720) |
| Stamp duty reserve tax | | – | | (1) |
| Change in net assets attributable to shareholders from investment activities (see above) | | 5,949 | | 4,296 |
| **Closing net assets attributable to shareholders** | | **48,431** | | **52,401** |

# Balance sheet as at 31 March 2012 (unaudited)

| | 31/03/12 | | 30/09/11 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Assets** | | | | |
| Investment assets | | 47,059 | | 42,591 |
| Debtors | 744 | | 302 | |
| Cash and bank balances | 681 | | 2,656 | |
| Total other assets | | 1,425 | | 2,958 |
| **Total assets** | | 48,484 | | 45,549 |
| **Liabilities** | | | | |
| Creditors | (53) | | (71) | |
| **Total liabilities** | | (53) | | (71) |
| **Net assets attributable to shareholders** | | **48,431** | | **45,478** |

# Notes to the financial statements as at 31 March 2012

## 1 Accounting policies

The accounting and risk policies are set out in notes 1 and 2 of the aggregated financial statements on pages 6 to 9.

## 2 Portfolio transaction costs

| | 31/03/12 £000 | 31/03/11 £000 |
|---|---|---|
| Purchases in period before transaction costs | 650 | 3,150 |
| **Purchases including transaction costs** | **650** | **3,150** |
| Sales in period before transaction costs | 1,925 | 6,001 |
| **Sales net of transaction costs** | **1,925** | **6,001** |
| **Transaction handling charges*** | **1** | **1** |

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

# Distribution table for the six months ended 31 March 2012 (in pence per share)

There is no distribution for the six months ended 31 March 2012.

# Gartmore MultiManager Cautious Fund*
# Managers' report

## Fund Managers

Tony Lanning and Bill McQuaker

## Investment objective and policy

The Fund aims to achieve a long-term return, in excess of the long-term return that is typically achieved from a portfolio of UK bond funds, UK equity funds, property and cash by investing in a range of collective investment schemes which invest predominantly in UK bond funds and UK equity income funds; the Managers may also seek global investment opportunities; the Fund may also invest in transferable securities, money market instruments, warrants, cash and deposits.

The Managers may use derivatives for the purposes of efficient portfolio management.

| Discrete annual performance | 1 Apr 11- 11 Aug 11 % | 1 Apr 10- 31 Mar 11 % | 1 Apr 09- 31 Mar 10 % | 1 Apr 08- 31 Mar 09 % | 1 Apr 07- 31 Mar 08 % |
|---|---|---|---|---|---|
| **Gartmore MultiManager Cautious Fund** | (6.2) | 6.0 | 29.3 | (18.1) | (5.6) |
| **IMA Mixed Investment 20-60% Shares** | (4.5) | 5.3 | 28.1 | (16.0) | (4.8) |

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.

* The Fund merged into the Henderson Multi-Manager Income & Growth on 12 August 2011.

# Comparative tables as at 31 March 2012

## Net asset value per share

| | Net asset value of Fund (£) | Net asset value of shares (£) | Number of shares in issue | Net asset value per share (pence) |
|---|---|---|---|---|
| **Class A income** | | | | |
| 30/09/2009 | 74,897,522 | 48,721,155 | 46,486,153 | 104.81 |
| 30/09/2010 | 73,759,392 | 48,526,012 | 43,530,205 | 111.48 |
| 30/09/2011 | – | – | – | – |
| 31/03/2012 | – | – | – | – |
| **Class A accumulation** | | | | |
| 30/09/2009 | 74,897,522 | 26,176,367 | 21,589,340 | 121.25 |
| 30/09/2010 | 73,759,392 | 25,233,380 | 19,204,399 | 131.39 |
| 30/09/2011 | – | – | – | – |
| 31/03/2012 | – | – | – | – |

## Performance record

| Calendar year | Net revenue (pence per share) | Highest price (pence per share) | Lowest price (pence per share) |
|---|---|---|---|
| **Class A income** | | | |
| 2007 | 4.28 | 124.23 | 115.16 |
| 2008 | 2.79 | 118.00 | 88.67 |
| 2009 | 2.44 | 107.34 | 86.21 |
| 2010 | 2.02 | 116.13 | 103.79 |
| 2011* | 2.19+ | 117.95 | 107.19 |
| **Class A accumulation** | | | |
| 2007 | 4.64 | 133.88 | 125.40 |
| 2008 | 3.12 | 130.55 | 100.08 |
| 2009 | 2.82 | 124.19 | 97.99 |
| 2010 | 2.35 | 136.87 | 121.88 |
| 2011* | 2.59+ | 140.27 | 128.16 |

+ to 13 October

* Merged with Henderson Multi-Manager Income & Growth Fund on 12 August 2011.

# Total expense ratio

The annualised total expense ratio (TER) of the Fund, based on the total expenses included within the financial statements for the period as indicated below:

| | 31/03/12<br>% | 30/09/11<br>% |
|---|---|---|
| **Class A income** | n/a | 1.25* |
| **Class A accumulation** | n/a | 1.26* |

The TER of the Fund is the ratio of the Fund's total operating costs to its average net assets for twelve months.
* Please note the TER has been calculated for the period 1 October 2010 to 11 August 2011.

## Statement of total return for the six months ended 31 March 2012 (unaudited)

| | 31/03/12 | | 31/03/11 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Income | | | | |
| Net capital (losses)/gains | | (1) | | 3,340 |
| Revenue | 10 | | 903 | |
| Expenses | 3 | | (526) | |
| Net revenue before taxation | 13 | | 377 | |
| Taxation | (3) | | (19) | |
| Net revenue after taxation | | 10 | | 358 |
| **Total return before distributions** | | 9 | | 3,698 |
| Finance costs: Distributions | | – | | (725) |
| **Change in net assets attributable to shareholders from investment activities** | | **9** | | **2,973** |

## Statement of change in net assets attributable to shareholders

for the six months ended 31 March 2012 (unaudited)

| | 31/03/12 | | 31/03/11 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Opening net assets attributable to shareholders** | | **–** | | **73,759** |
| Amounts receivable on issue of shares | – | | 1,254 | |
| Amounts transferred to merged Fund* | (9) | | – | |
| Amounts payable on cancellation of shares | – | | (7,617) | |
| | | (9) | | (6,363) |
| Stamp duty reserve tax | | – | | (7) |
| Change in net assets attributable to shareholders from investment activities (see above) | | 9 | | 2,973 |
| Retained distributions on accumulation shares | | – | | 235 |
| **Closing net assets attributable to shareholders** | | **–** | | **70,597** |

* The Fund merged into Henderson Multi-Manager Income & Growth on 12 August 2011.

## Balance sheet as at 31 March 2012 (unaudited)

| | 31/03/12 | | 30/09/11 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Assets** | | | | |
| Debtors | 176 | | 254 | |
| Cash and bank balances | – | | 61 | |
| Total other assets | | 176 | | 315 |
| **Total assets** | | 176 | | 315 |
| **Liabilities** | | | | |
| Creditors | (80) | | (277) | |
| Bank overdrafts | (96) | | – | |
| Distribution payable on income shares | – | | (38) | |
| **Total liabilities** | | (176) | | (315) |
| **Net assets attributable to shareholders** | | **–** | | **–** |

# Notes to the financial statements as at 31 March 2012

## 1 Accounting policies

The accounting and risk policies are set out in notes 1 and 2 of the aggregated financial statements on pages 6 to 9.

## 2 Portfolio transaction costs

| | 31/03/12<br>£000 | 31/03/11<br>£000 |
|---|---|---|
| Purchases in period before transaction costs | – | 15,781 |
| **Purchases including transaction costs** | **–** | **15,781** |
| Sales in period before transaction costs | – | 15,471 |
| **Sales net of transaction costs** | **–** | **15,471** |
| **Transaction handling charges*** | **1** | **2** |

* These amounts have been deducted in determining net capital (losses)/gains.

# Distribution table for the six months ended 31 March 2012 (in pence per share)

### Interim dividend distribution (xd date 31 December 2011, paid on 29 February 2012)

| | Distribution paid 29/02/2012 | Distribution paid 28/02/2011 |
|---|---|---|
| Class A income | – | 0.511 |
| Class A accumulation | – | 0.602 |

### Interim dividend distribution (xd date 31 March 2012, paid on 31 May 2012)

| | Distribution payable 31/05/2012 | Distribution paid 31/05/2011 |
|---|---|---|
| Class A income | – | 0.631 |
| Class A accumulation | – | 0.746 |

**Equalisation**

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

# Further information

### Shareholder enquiries

If you have any queries about your Fund holding, either contact your professional adviser or telephone us on one of the numbers below:

For dealing enquiries including buying and selling units please telephone at local rate: **0845 608 8703**

The following line is also available:

Investor Services: 0800 832 832

or you can contact us via e-mail at **support@henderson.com**

We may record telephone calls for our mutual protection and to improve customer service.

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