



INTERIM SHORT REPORT

For the six months ended
15 October 2016

Henderson
GLOBAL INVESTORS

Henderson Sterling Bond Unit Trust

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Short Report

For the six months ended 15 October 2016

Investment Fund Managers

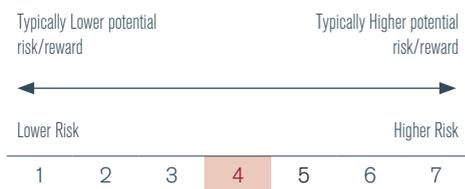
Stephen Thariyan & Philip Payne

Investment objective and policy

To achieve a high and stable income. The fund will invest principally in sterling denominated fixed interest securities including preference shares. The fund may also invest in securities acquired on the conversion of convertible securities held within the portfolio, derivatives and forward transactions, warrants originally acquired with fixed interest investments, or under a scheme of reconstruction affecting securities in the fund, money market instruments and deposits. The fund concentrates on investment grade corporate bonds. Derivatives may be used for meeting the investment objective of the fund and for efficient portfolio management.

Risk and reward profile

The fund currently has 4 unit classes; Income units, Accumulation units, Class I income and Class I accumulation. The risk and reward profile of each unit class 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 and down. When you sell your units, they may be worth less than you paid for them. The risk/reward rating above is based on medium-term volatility. In the future, the fund's actual volatility could be higher or lower and its rated risk/reward level could change.

The lowest category does not mean risk free.

The fund's risk level reflects the following:

- As a category bonds are, in general, less volatile than shares
- Fluctuations in a number of factors, such as interest rates, exchange rates and the perceived credit quality of the bonds held may cause the value of your investment, and any income from it, to rise or fall.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events. Under normal market conditions the following risks may apply:

Counterparty risk The fund could lose money if a counterparty with which it transacts becomes unwilling or unable to meet its obligations to the fund.

Default risk The issuers of certain bonds could become unable to make payments of their bonds. The risk of default may be higher where the fund invests in sub-investment grade bonds.

Derivatives risk Using derivatives can involve a higher level of risk. A small movement in the price of an underlying investment may result in a disproportionately large movement in the price of the derivative instrument.

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 In difficult market conditions 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 Warnings" section of the fund's prospectus.

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

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

Investment review

The fund performed well over the review period, as it benefited from a tightening in credit spreads and a fall in government bond yields. The biggest driver was further monetary policy easing measures that were announced by the Bank of England following the vote to leave the European Union. This consisted of a 0.25% cut in the base rate, a new term funding scheme for banks, an expansion of the government's asset purchase scheme by £60bn and the introduction of a new £10bn corporate bond purchase scheme. The outperforming sectors during the period were utilities, financials and telecommunications, while lower-rated investment grade bonds outperformed higher-rated bonds.

Utilities was the strongest sector contributor to performance, with German utilities RWE and E.ON proving most significant. The position in RWE was increased ahead of the company's capital markets day at the end of June due to the attractive valuation of the bonds after they retained their Standard & Poor's investment grade rating. An announcement at the capital markets day confirmed that bonds would move to a new spin-off company called Innogy, shielding bondholders from the nuclear liabilities, which helped spreads rally. The fund also added a position in RWE hybrids (subordinated bonds). E.ON was the other standout performer following positive restructuring plans; it also benefited from inclusion in the Bank of England's corporate bond buying scheme. EDF contributed significantly as well, and the position in the company's hybrids was increased after they retained their investment grade rating.

Positions in Tesco and Morrisons performed well over the summer, benefiting from the outperformance of lower rated (BBB) issuers and improving corporate earnings. The position in Wal-Mart also performed well, along with holdings in telecommunications, where Verizon and Orange were the largest contributors to performance.

Financials also contributed significantly during the review period. The largest contribution came from the insurance sector, where positions in Aviva, RSA and AXA performed well. The holding in RSA benefited from the company tendering for some of their subordinated bonds.

Banks were also a strong contributor to performance, with HSBC and Lloyds producing the strongest returns. Holdings in the real estate sector also benefited performance, with the best returns coming through positions in Australian real estate investment trusts (REITs) Scentre Group and Vicinity Centres, and Welltower, a US healthcare REIT, where the fund's holding was reduced following good performance.

In terms of other activity, SwissRe, Siemens, Apple, Gatwick Airport and KPN have been sold, and GSK, Orange, RSA and AXA reduced following good performance. Further exposure reductions came through Centrica, AA and Heathrow Airport. Proceeds were recycled into new issuance from RAC, London & Quadrant, British American Tobacco and Brown Forman, whilst adding to existing positions in Global Switch and Time Warner Cable. New positions were added in Places for People and FCA. Positions were also increased in AT&T and Vodafone, the latter through new issuance. The fund also participated in deals from Northumbrian Water and National Grid towards the end of the review period, with the latter issuing a record £3bn.

Recent negative returns have been related to the sharp rise in government bond yields on concerns of higher inflation following the plunge in the pound after the rhetoric at the Conservative party conference indicated a willingness to pursue a so called hard Brexit. Stronger than expected domestic and overseas economic data has also brought into question central banks' ability to continue with their current accommodative monetary policies.

The potential for volatility driven by political risks in the US and Europe and a more hawkish stance from global central banks leads us to take a cautious stance towards sterling corporate bonds in the short term. Wider spreads would present an opportunity to increase exposure to credit as the Bank of England purchase programme will continue to provide support to the market in the medium term and a further rise in government bond yields should be supportive of corporate bonds due to possible re-entry of buyers sensitive to the absolute level of yields. At the sector level we favour financials as these assets did not participate to the same degree as the rest of the market and should see some benefit from higher rates and more attractive valuations.

Performance summary

Cumulative performance	Six months	One year	Five years	Since launch
	15 Apr 16 - 15 Oct 16 %	15 Oct 15 - 15 Oct 16 %	15 Oct 11 - 15 Oct 16 %	22 Apr 88 - 15 Oct 16 %
Henderson Sterling Bond Unit Trust	7.5	9.9	39.5	465.0
Morningstar IA £ Corporate Bond	6.6	9.1	39.8	403.8

Discrete performance

	15 Oct 15 - 15 Oct 16 %	15 Oct 14 - 15 Oct 15 %	15 Oct 13 - 15 Oct 14 %	15 Oct 12 - 15 Oct 13 %	15 Oct 11 - 15 Oct 12 %
Henderson Sterling Bond Unit Trust	9.9	1.1	7.2	2.2	14.8

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

Summary of fund performance

Unit class	Net asset value*	Net asset value*	Net asset value
	15/10/16 p	15/04/16 p	% change
Accumulation units	213.29	199.09	7.13
Income units	64.75	61.02	6.11
Class I accumulation	126.34	117.59	7.44
Class I income	111.57	105.13	6.13

*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 date
15 October, 15 April	15 September, 15 December, 15 March, 15 June

Ongoing charge figure

	15/10/16 %	15/04/16 %
Accumulation units	1.41	1.41
Income units	1.41	1.41
Class I	0.70	0.70

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.

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

Performance record

Calendar year	Net revenue (pence per unit)	Highest price (pence per unit)	Lowest price (pence per unit)
Accumulation units			
2011	5.22	159.87	147.33
2012	4.70	179.89	157.77
2013	4.66	187.21	173.52
2014	4.67	207.34	179.17
2015	4.48	216.68	191.97
2016	4.28*	232.61 +	190.25+
Income units			
2011	1.83	54.88	51.98
2012	1.59	60.03	53.97
2013	1.54	61.68	57.10
2014	1.50	65.71	58.26
2015	1.41	68.29	59.61
2016	1.32*	70.86 +	58.63+
Class I accumulation			
2012 ~	0.70	104.49	98.61
2013	3.32	108.68	100.85
2014	3.35	116.53	104.45
2015	3.30	121.92	112.88
2016	3.21*	132.04 +	112.28+
Class I income			
2012 ~	0.70	103.78	98.61
2013	3.25	106.26	98.35
2014	3.19	108.70	100.50
2015	3.04	112.89	102.73
2016	2.88*	117.18 +	101.07+

* to 15 December

+ to 15 October

~ Unit class launched 1 August 2012.

Net revenue distribution

Unit class	15/10/16 p	15/10/15 p
Accumulation units	2.02	2.22
Income units	0.62	0.70
Class I accumulation	1.56	1.64
Class I income	1.39	1.50

Total interest distributions for the six months ended 15 October 2016, comparison is for the same period last year.

Past performance is not a guide to future performance

Major holdings

as at 15/10/16	%
Wal-Mart Stores 4.875% 19/01/2039	1.15
Deutsche Telekom International Finance 6.5% 08/04/2022	1.12
UK Treasury 4.5% 07/09/2034	1.12
GE Capital UK Funding 5.875% 18/01/2033	1.09
Santander UK 1.875% 17/02/2020	1.07
BAT International Finance 6.375% 12/12/2019	0.99
Goldman Sachs 4.25% 29/01/2026	0.98
ING Bank FRN 29/05/2023	0.94
BAA Funding 6.75% 03/12/2028	0.90
Kennedy Wilson Europe Real Estate 3.95% 30/06/2022	0.87

Asset allocation

as at 15/10/16	%
United Kingdom	55.97
United States	17.53
France	5.90
Germany	5.50
Australia	2.60
Netherlands	1.91
Italy	1.44
Switzerland	1.25
Portugal	0.52
Mexico	0.44
Belgium	0.36
Canada	0.23
Denmark	0.19
Derivatives	0.03
Other net assets	6.13
Total net assets	100.00

Major holdings

as at 15/04/16	%
UK Treasury 4.5% 07/12/2042	2.11
Électricité de France 5.5% 17/10/2041	1.18
Western Power Distribution West 5.75% 16/04/2032	1.16
Deutsche Telekom International Finance 6.5% 08/04/2022	1.08
Abbey National Treasury Services 1.875% 17/02/2020	1.05
Verizon Communications 4.75% 17/02/2034	1.03
Wal-Mart Stores 4.875% 19/01/2039	1.01
BAT International Finance 6.375% 12/12/2019	0.98
GE Capital UK Funding 5.875% 18/01/2033	0.98
Goldman Sachs 4.25% 29/01/2026	0.95

Asset allocation

as at 15/04/16	%
United Kingdom	58.50
United States	15.67
France	7.61
Germany	3.49
Australia	2.85
Netherlands	2.58
Italy	2.37
Switzerland	1.58
Mexico	1.04
Portugal	0.50
Belgium	0.36
Canada	0.21
Other net assets	3.24
Total net assets	100.00

Report and accounts

This document is a short report of the Henderson Sterling Bond Unit Trust for the six months ended 15 October 2016.

Copies of the annual and half yearly long form reports of this fund are available on our website www.henderson.com or contact client services on the telephone number provided.

Other information

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

Issued by:

Henderson Investment Funds Limited
Registered office:
201 Bishopsgate
London
EC2M 3AE
Member of the Investment Association and
authorised and regulated
by the Financial Conduct Authority.
Registered in England No 2678531

Unitholder Administrator

International Financial Data Services (UK) Limited
IFDS House
St Nicholas Lane
Basildon
Essex
SS15 5FS

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.

Trustee

National Westminster Bank Plc
135 Bishopsgate
London
EC2M 3UR

Auditor

PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow
G2 7EQ

Contact us

Client Services 0800 832 832

www.henderson.com

Head Office address:
201 Bishopsgate, London EC2M 3AE



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 15 October 2016. 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 Sterling Bond Unit Trust at any time by logging on to 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.

Important Information

Henderson Global Investors is the name under which Henderson Global Investors Limited (reg. no. 906355), Henderson Fund Management Limited (reg. no. 2607112), 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 at 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. Ref: 34V

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

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