



# INTERIM SHORT REPORT

For the six months ended  
31 December 2016

**Henderson**  
GLOBAL INVESTORS

**Henderson All Stocks Credit Fund**

# Henderson All Stocks Credit Fund

## Short Report

For the six months ended 31 December 2016

### Investment Fund Manager

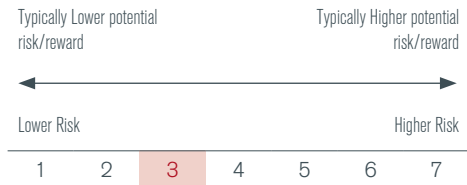
Philip Payne

### 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.

### Risk and reward profile

The fund currently has 8 types of share class in issue; A accumulation, A income, A income gross, I accumulation, I accumulation gross, I Income, I income gross and Z accumulation gross. Each type of 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 lowest category does not mean risk free.

The fund's risk level reflects the following:

- As a category, bonds are less volatile than shares.
- Fluctuations in exchange rates may cause the value of your investment to rise or fall.

**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. 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.

**Geographic risk** The fund's value may fall where it has concentrated exposure to a particular country or region 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.

There have been no changes to the risk rating during the period.

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

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

### Investment review

The sterling corporate bond market performed well during the second half of 2016, with spreads

on the Non-Gilt Index tightening 35 basis points (bps). Performance demonstrated a tale of two quarters, with the market quickly shrugging off any fears about the UK's exit from the European Union (commonly known as 'Brexit') to return one of the strongest quarters on record, with credit spreads tightening 40bps and government bond yields declining to record lows. Third-quarter market performance was driven predominantly by monetary policy easing announced by the Bank of England (BoE), which comprised a 0.25% cut in the base rate, a new term funding scheme for banks, an expansion of the government asset purchase scheme by £60bn and the introduction of a new £10bn Corporate Bond Purchase Scheme (CBPS). An increase in risk appetite saw inflows into the asset class, which led to a sharp rise in corporate bond issuance, with £18bn of new supply in the third quarter before a more normal run rate was assumed in the fourth.

The increased risk appetite in the third quarter saw an outperformance of more market-sensitive and longer dated sectors. There was also an outperformance of bonds eligible for inclusion in the BoE's purchase programme. Conversely, the fourth quarter was weak for sterling corporate bonds, which posted a -2.8% total return, driven by a sharp rise in government bond yields as inflation expectations rose and economic data strengthened, defying the immediate post-Brexit gloom. US President-elect Trump's surprise win was seen as supportive for risk assets, particularly financials and cyclical, and the year ended with the US Federal Reserve raising interest rates for the only time in 2016 by 0.25%. Finally, it is worth noting that the BoE made strong progress with the CBPS, purchasing £4.9bn, well ahead of expectations.

The All Stocks Credit Fund returned 3.2% in the second half of 2016, outperforming the iBoxx £ Non-Gilts Index by 30 bps.

The strongest returns came from a significant overweight to the retail sector, where Tesco and Morrisons were the strongest performers. The issuers benefited from the outperformance of lower rated (BBB) issuers, positive earnings updates and improving sales. Walmart also performed well. Financials were strong, with banks and insurers benefiting from attractive valuations and improved sentiment driven by rising government bond yields. Insurance performed well, with contribution skewed towards subordinated bonds.

An overweight to Aviva was the standout performer, with RSA and NN Group also positive. Positions in Aviva and Legal & General were added to during the period; SwissRe was sold following good performance, and Axa and Prudential were reduced. Similarly, the contribution from banks was significantly skewed towards subordinated bonds; HSBC and BPCE were the largest contributors. The fund added bank holdings via new issues from BNP, Barclays, Wells Fargo, Credit Suisse and Bank of America.

Other notable contribution came from an overweight to RWE, which 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 was reduced following strong performance. Elsewhere in utilities, Western Power also contributed significantly. Positioning in telecommunications was also positive, driven predominantly by participation in a new issue from Verizon, which performed well. AT&T detracted after it announced a deal to acquire Time Warner; spreads widened, and the name was reduced.

The biggest detractors from performance came from the sectors and issuers the fund had limited positioning in, such as Housing Associations, and some of the domestically focused utilities. This was due to strong market performance, particularly over the summer months, following the intervention by the BoE and the launch of the asset purchase schemes.

Political risk is likely to continue to play a major role in the direction of markets over the next year as President-elect Trump begins his tenure, Brexit negotiations commence and general elections are held in the Netherlands, France, Germany and possibly Italy. Momentum heading into 2017 remains strong, with economic data in Europe and the US continuing to improve, which should be supportive of credit spreads in the short term; however, current valuations and the potential for a large new issue calendar at the start of the year may limit the scope for further spread tightening. We maintain a constructive view on sterling corporate bond spreads as we enter 2017, but anticipate a volatile year where stock selection will be key.

## Performance summary

| Cumulative performance                | Six months              | One year                | Five years              | Since launch            |
|---------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|                                       | 30 Jun 16-<br>31 Dec 16 | 31 Dec 15-<br>31 Dec 16 | 31 Dec 11-<br>31 Dec 16 | 04 Sep 00-<br>31 Dec 16 |
|                                       | %                       | %                       | %                       | %                       |
| Henderson All Stocks Credit Fund      | 3.2                     | 9.1                     | 31.4                    | 115.5                   |
| iBoxx GBP Non Gilt Total Return Index | 2.9                     | 10.7                    | 42.2                    | -*                      |

| Discrete year performance | 31 Dec 15-<br>31 Dec 16          | 31 Dec 14-<br>31 Dec 15 | 31 Dec 13-<br>31 Dec 14 | 31 Dec 12-<br>31 Dec 13 | 31 Dec 11-<br>31 Dec 12 |
|---------------------------|----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|                           | %                                | %                       | %                       | %                       | %                       |
|                           | Henderson All Stocks Credit Fund | 9.1                     | (1.2)                   | 11.0                    | (0.9)                   |

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.

\* Benchmark return is not quoted as the fund inception date is earlier than the benchmark 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.

## Summary of fund performance

| Share class                | Net asset value* | Net asset value* | Net asset value |
|----------------------------|------------------|------------------|-----------------|
|                            | 31/12/16<br>p    | 30/06/16<br>p    | % change        |
| Class A accumulation       | 151.74           | 147.89           | 2.60            |
| Class A income             | 132.01           | 129.86           | 1.66            |
| Class I accumulation       | 248.27           | 241.33           | 2.88            |
| Class I income             | 133.28           | 131.09           | 1.67            |
| Class A income gross       | 132.38           | 130.20           | 1.67            |
| Class I accumulation gross | 277.90           | 269.33           | 3.18            |
| Class I income gross       | 134.63           | 132.43           | 1.66            |
| Class Z accumulation gross | 228.02           | 220.44           | 3.44            |

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

## Net revenue distribution

| Share class                | 31/12/16<br>p | 31/12/15<br>p |
|----------------------------|---------------|---------------|
| Class A accumulation       | 1.43          | 1.65          |
| Class A income             | 1.25          | 1.48          |
| Class I accumulation       | 2.97          | 3.26          |
| Class I income             | 1.61          | 1.81          |
| Class A income gross       | 1.58          | 1.86          |
| Class I accumulation gross | 4.18          | 4.52          |
| Class I income gross       | 2.05          | 2.29          |
| Class Z accumulation gross | 4.00          | 4.21          |

Total interest distributions for the six months ended 31 December 2016, comparison is for the same period last year.

## Fund facts

| Accounting dates     | Payment dates  |
|----------------------|--|
| 31 December, 30 June | 30 November, Last day of February, 31 May, 31 August |

### Ongoing charge figure

|         | 31/12/16<br>% | 30/06/16<br>% |
|---------|---------------|---------------|
| Class A | 1.16          | 1.16          |
| Class I | 0.54          | 0.54          |
| Class Z | 0.04          | 0.04          |

The 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.

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

## Performance record

| Calendar year               | Net revenue<br>(pence per share) | Highest price<br>(pence per share) | Lowest price<br>(pence per share) |
|-----------------------------|----------------------------------|------------------------------------|-----------------------------------|
| <b>Class A accumulation</b> |                                  |                                    |                                   |
| 2012                        | 3.31                             | 128.80                             | 115.80                            |
| 2013                        | 3.40                             | 134.00                             | 124.70                            |
| 2014                        | 3.54                             | 141.50                             | 127.30                            |
| 2015                        | 3.36                             | 147.70                             | 137.80                            |
| 2016                        | 3.14                             | 159.30+                            | 138.50+                           |
| 2017                        | 0.68*                            | -                                  | -                                 |
| <b>Class A income</b>       |                                  |                                    |                                   |
| 2012                        | 3.25                             | 124.20                             | 114.00                            |
| 2013                        | 3.25                             | 127.60                             | 118.00                            |
| 2014                        | 3.29                             | 129.40                             | 118.80                            |
| 2015                        | 3.05                             | 134.20                             | 123.40                            |
| 2016                        | 2.78                             | 139.90+                            | 122.90+                           |
| 2017                        | 0.59*                            | -                                  | -                                 |
| <b>Class I accumulation</b> |                                  |                                    |                                   |
| 2012                        | 6.23                             | 206.30                             | 184.70                            |
| 2013                        | 6.51                             | 215.10                             | 200.40                            |
| 2014                        | 6.76                             | 229.10                             | 205.10                            |
| 2015                        | 6.59                             | 239.30                             | 223.70                            |
| 2016                        | 6.31                             | 260.20+                            | 225.50+                           |
| 2017                        | 1.42                             | -                                  | -                                 |
| <b>Class I income</b>       |                                  |                                    |                                   |
| 2012                        | 3.87                             | 125.50                             | 115.10                            |
| 2013                        | 3.91                             | 128.80                             | 119.20                            |
| 2014                        | 3.93                             | 130.70                             | 119.90                            |
| 2015                        | 3.72                             | 135.50                             | 124.60                            |
| 2016                        | 3.46                             | 141.30+                            | 124.10+                           |
| 2017                        | 0.77*                            | -                                  | -                                 |

## Performance record (continued)

| Calendar year                     | Net revenue<br>(pence per share) | Highest price<br>(pence per share) | Lowest price<br>(pence per share) |
|-----------------------------------|----------------------------------|------------------------------------|-----------------------------------|
| <b>Class A income gross</b>       |                                  |                                    |                                   |
| 2012                              | 4.08                             | 124.70                             | 114.30                            |
| 2013                              | 4.07                             | 128.10                             | 118.50                            |
| 2014                              | 4.12                             | 129.90                             | 119.10                            |
| 2015                              | 3.83                             | 134.60                             | 123.70                            |
| 2016                              | 3.52                             | 140.40+                            | 123.30+                           |
| 2017                              | 0.74                             | -                                  | -                                 |
| <b>Class I accumulation gross</b> |                                  |                                    |                                   |
| 2012                              | 8.47                             | 224.10                             | 199.00                            |
| 2013                              | 8.86                             | 234.40                             | 218.60                            |
| 2014                              | 9.28                             | 252.90                             | 224.70                            |
| 2015                              | 9.12                             | 264.40                             | 247.90                            |
| 2016                              | 8.83                             | 290.70+                            | 251.00+                           |
| 2017                              | 2.00*                            | -                                  | -                                 |
| <b>Class I income gross</b>       |                                  |                                    |                                   |
| 2012                              | 4.92                             | 126.90                             | 116.20                            |
| 2013                              | 4.95                             | 130.20                             | 120.60                            |
| 2014                              | 4.97                             | 132.30                             | 121.10                            |
| 2015                              | 4.71                             | 137.00                             | 125.90                            |
| 2016                              | 4.40                             | 142.90                             | 125.50+                           |
| 2017                              | 0.98                             | -                                  | -                                 |
| <b>Class Z accumulation gross</b> |                                  |                                    |                                   |
| 2012                              | 7.61                             | 180.20                             | 159.20                            |
| 2013                              | 8.04                             | 188.80                             | 176.20                            |
| 2014                              | 8.45                             | 205.40                             | 181.60                            |
| 2015                              | 8.44                             | 214.90                             | 201.90                            |
| 2016                              | 8.29                             | 238.10                             | 205.10+                           |
| 2017                              | 1.93*                            | -                                  | -                                 |

## Performance record (continued)

| Calendar year               | Net revenue<br>(pence per share) | Highest price<br>(pence per share) | Lowest price<br>(pence per share) |
|-----------------------------|----------------------------------|------------------------------------|-----------------------------------|
| <b>Class Z income gross</b> |                                  |                                    |                                   |
| 2012                        | 4.93                             | 113.50                             | 103.70                            |
| 2013                        | 4.98                             | 116.30                             | 107.80                            |
| 2014                        | 5.00                             | 118.20                             | 108.10                            |
| 2015 <sup>1</sup>           | 2.44                             | 122.40                             | 116.10+                           |

\* to 28 February

+ to 31 December

<sup>1</sup> Class Z income gross closed on 2 June 2015.

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



## Major holdings

| as at 31/12/16   | %    |
|--|------|
| UK Treasury 4.5% 07/12/2042                            | 1.34 |
| UK Treasury 4.25% 07/12/2046                           | 1.13 |
| Network Rail Infrastructure Finance 4.375% 09/12/2030  | 1.08 |
| Santander UK 1.875% 17/02/2020                         | 0.86 |
| Severn Trent Water Utilities 2.75% 05/12/2031          | 0.84 |
| Bank of America 7% 31/07/2028                          | 0.83 |
| Time Warner Cable 5.75% 02/06/2031                     | 0.77 |
| Yorkshire Water Services 3.75% 22/03/2046              | 0.76 |
| Wal-Mart Stores 5.625% 27/03/2034                      | 0.76 |
| Deutsche Telekom International Finance 6.5% 08/04/2022 | 0.76 |

## Asset allocation

| as at 31/12/16          | %             |
|-------------------------|---------------|
| United Kingdom          | 60.55         |
| United States           | 14.85         |
| Germany                 | 6.29          |
| France                  | 4.74          |
| Supranational           | 2.19          |
| Australia               | 1.36          |
| Switzerland             | 1.34          |
| Netherlands             | 1.19          |
| Italy                   | 0.76          |
| Luxembourg              | 0.64          |
| Hong Kong               | 0.61          |
| Belgium                 | 0.28          |
| Israel                  | 0.21          |
| Sweden                  | 0.20          |
| Denmark                 | 0.18          |
| Austria                 | 0.03          |
| Derivatives             | (0.07)        |
| Other net assets        | 4.65          |
| <b>Total net assets</b> | <b>100.00</b> |

## Major holdings

| as at 30/06/16   | %    |
|--|------|
| UK Treasury 4.5% 07/12/2042                            | 2.92 |
| UK Treasury 2% 07/09/2025                              | 1.05 |
| Deutsche Telekom International Finance 6.5% 08/04/2022 | 0.89 |
| Santander UK 1.875% 17/02/2020                         | 0.85 |
| RSA Insurance 9.375% 20/05/2039                        | 0.76 |
| UK Treasury 4.25% 07/06/2032                           | 0.76 |
| LCR Finance 4.5% 07/12/2028                            | 0.76 |
| Yorkshire Water Services 3.75% 22/03/2046              | 0.74 |
| KFW 5.75% 07/06/2032                                   | 0.74 |
| Lloyds Bank 6% 08/02/2029                              | 0.70 |

## Asset allocation

| as at 30/06/16          | %             |
|-------------------------|---------------|
| United Kingdom          | 58.73         |
| United States           | 14.48         |
| Germany                 | 6.95          |
| France                  | 5.52          |
| Supranational           | 2.55          |
| Australia               | 1.88          |
| Switzerland             | 1.70          |
| Netherlands             | 1.33          |
| Italy                   | 1.12          |
| Japan                   | 0.97          |
| Mexico                  | 0.71          |
| Belgium                 | 0.29          |
| Portugal                | 0.26          |
| Luxembourg              | 0.24          |
| Spain                   | 0.10          |
| Ireland                 | 0.06          |
| South Africa            | 0.04          |
| Brazil                  | 0.03          |
| Jamaica                 | 0.02          |
| Sweden                  | 0.02          |
| Greece                  | 0.01          |
| Derivatives             | (0.32)        |
| Other net assets        | 3.31          |
| <b>Total net assets</b> | <b>100.00</b> |

## Report and accounts

This document is a short report of the Henderson All Stocks Credit Fund for the six months ended 31 December 2016.

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

## Other information

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

### Issued by:

Henderson Investment Funds Limited

Registered office:

201 Bishopsgate,  
London EC2M 3AE

Member of The Investment Association and  
authorised and regulated

by the Financial Conduct Authority.

Registered in England No 2678531

### Shareholder Administrator

International Financial Data Services (UK) Limited

IFDS House

St. Nicholas Lane

Basildon 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.

### Depositary

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](http://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 31 December 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 All Stocks Credit 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

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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