



INTERIM SHORT REPORT

For the six months ended
31 December 2016

Henderson
GLOBAL INVESTORS

Henderson Institutional Short Duration Bond Fund

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Short Report

For the six months ended 31 December 2016

Investment Fund Manager

Edward Panek

Investment objective and policy

The fund aims to generate capital and income returns through investment in a diversified portfolio of short duration fixed income and variable rate securities. The fund may invest in Cash, Certificates of Deposit (CDs), Time Deposits, Commercial Paper, Floating Rate Notes, Fixed Rate Corporate Bonds, Covered Bonds, Asset Backed Securities (ABS including residential mortgage backed securities (RMBS)), government issued or guaranteed securities and securities issued by supranational or public international bodies. The fund may also invest in derivatives for the hedging of credit, currency and interest rate risk.

Risk and reward profile

The fund currently has 1 type of share class in issue; Z accumulation gross.

The risk and reward profile is as follows:



The Synthetic Risk and Reward Indicator (SRRI) is calculated based on historical volatility over a rolling 5 year period¹, it is reviewed monthly and updated if volatility has changed materially to cause a movement in the SRRI level. The SRRI is an indicator and may not accurately reflect future volatility and market conditions.

The value of an investment in the fund can go up or down. When you sell your shares they may be worth less than you paid for them.

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

The lowest category does not mean risk free.

The fund's risk level reflects the following:

- As a category, bank deposits and money market instruments are less volatile than shares.
- Fluctuations in exchange rates may cause the value of your investment to rise or fall.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events. 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 on their bonds. The risk of default may be higher where the fund invests in sub-investment grade bonds.

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

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

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

There has been no changes to the risk rating in 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.

¹ As the share class does not have a 5 year history, a synthetic history has been created using the funds' relevant sector average.

Investment review

The rise of populist politics took centre stage during the period, with a stunning upset victory for Donald Trump in the US presidential election and a vote against constitutional reform in Italy grabbing the headlines. Developed market government bond yields rose, but the heightened financial market volatility expected didn't materialise as a result of these political events.

Central banks remained in the spotlight, with further details of monetary stimulus announced by the Bank of Japan, the European Central Bank and the Bank of England. The latter cut its base interest rate to a new record low of 0.25% along with announcing an asset purchase programme to incorporate both government bonds and corporate bonds. In contrast, the US Federal Reserve raised interest rates for only the second time in nearly a decade, signalling a desire to move away from a regime of ultra-loose monetary policy and perhaps stimulate the economy through Donald Trump's proposed fiscal measures.

Ultimately, corporate bond and securitised markets outperformed their government equivalents during the period in question, as the expected impact of reflationary policies (those intended to stimulate the economy and promote inflation) in the developed world led to negative returns from fixed-rate government bond markets.

Performance was predominantly driven by coupon income (regular interest paid on a bond), as price volatility is limited in the portfolio holdings due to the high credit quality and shorter maturity of the bonds.

Positive contributions came from the three principal asset classes – money market instruments, corporate bonds and asset-backed securities (ABS). There were no material detractors from performance during the period.

At the end of the period in question, the fund held nearly 30% of holdings in assets denominated in currencies other than sterling, investing in securities denominated in euros, US dollars and Japanese yen. These investments were hedged back to sterling using forward foreign exchange contracts.

Our US dollar-denominated positioning continued to be predominantly invested in the corporate bond market (companies like JPMorgan and Royal Bank of Canada). During the period in question, we reduced our holdings in US dollar-denominated assets in favour of euro and sterling assets, which offered better relative value.

Over £300m of assets were redeemed from the fund during November and December. We used these outflows to implement some asset allocation shifts, increasing positioning in the ABS market. These switches improved the prospective returns of the portfolio, without a material increase in credit risk.

The opportunity to enhance returns by buying assets denominated in yen and hedging the investment back to sterling persisted during the period. As a result, we held around 4% of assets in short-dated Japanese T-Bills (a money market instrument by the government). This was as an efficient way to generate returns in excess of the fund's benchmark.

During the period, the fund made use of currency forwards and interest rate swaps. These instruments were used to hedge both currency and interest rate risk.

We will maintain discipline in our focus on shorter duration, higher-rated bonds. Despite the positive performance of our investments in recent months, the world is still an uncertain place. Increased political volatility and unrest has the potential to spill over into financial markets at some point, and so we remain vigilant.

We expect coupon income to continue driving the returns of the fund.

Performance summary

Cumulative performance

	Six months 30 Jun 16- 31 Dec 16 %	One year 31 Dec 15- 31 Dec 16 %	Since launch 24 Nov 15- 31 Dec 16 %
Henderson Short Duration Bond Fund	0.6	1.1	1.2
3-month £ LIBOR	0.2	0.5	0.6

Source: BNP Paribas Security Services, close of business net of fees, based on performance of Class Z accumulation gross.

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* 31/12/16 p	Net asset value* 30/06/16 p	Net asset value % change
Class Z accumulation gross	101.20	100.60	0.60

*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 p	31/12/15 p
Class Z accumulation gross	0.36	0.09

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

Fund facts

Accounting dates

31 December, 30 June

Payment dates

30 November, Last day of February, 31 May, 31 August

Ongoing charge figure

	31/12/16 %	30/06/16 %
Class Z accumulation gross	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).

* The fund launched on 24 November 2015.

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class Z accumulation gross			
2015 ¹	-	100.18	100.06
2016	0.76	101.23+	100.19+
2017	0.11*	-	-

* to 28 February

+ to 31 December

¹ Class Z accumulation gross launched on 24 November 2015.

Past performance is not a guide to future performance

Major holdings

as at 31/12/16	%
Japan (Government of) 0% 20/04/2017	2.29
Japan (Government of) 0% 11/01/2017	2.28
Penarth Master Issuer FRN 18/10/2019 2014-2X A1	1.92
Dolphin Master Issuer FRN 28/09/2099 2013-2 A	1.84
Gracechurch Card FRN 15/07/2021	1.84
Commonwealth Bank of Australia FRN 15/12/2017	1.83
Duncan Funding FRN 17/12/2062 2015-1 A1	1.78
Artle Master Issuer 3.986% 17/08/2017	1.71
FCT Ginkgo FRN 18/05/2043 15-SF1 A	1.57
Storm FRN 22/04/2054 2016-1 A1	1.56

Asset allocation

as at 31/12/16	%
United Kingdom	27.63
Germany	12.41
Netherlands	10.89
France	8.12
Japan	6.27
United States	6.05
Australia	5.71
Switzerland	4.76
Canada	3.37
Denmark	3.08
United Arab Emirates	2.86
Sweden	2.09
Belgium	1.18
Singapore	1.10
Norway	0.16
Derivatives	(0.61)
Other net assets	4.93
Total net assets	100.00

Asset allocation

as at 30/06/16	%
Japan (Government of) 0% 10/08/2016	3.92
Penarth Master Issuer FRN 18/10/2019 2014-2X A1	1.92
Duncan Funding FRN 17/12/2062 2015-1 A1	1.79
Master Credit Card Trust FRN 23/09/2019 2016-1A A	1.73
Dolphin Master Issuer FRN 28/09/2099 2013-2 A	1.69
Abbey National Treasury Services 0.70% 19/12/2016	1.57
Storm FRN 22/04/2054 2016-1 A1	1.55
Bavarian Sky FRN 20/10/2023 GER4 A	1.35
Permanent Master Issuer 4.805% 15/07/2042 3A	1.34
FCT Ginkgo FRN 18/05/2043 15-SF1 A	1.30

Asset allocation

as at 30/06/16	%
United Kingdom	29.82
United States	14.72
Germany	9.55
Netherlands	8.00
France	7.11
Japan	5.01
Canada	4.98
Switzerland	3.41
Australia	2.95
Denmark	2.87
Sweden	2.09
Singapore	1.80
United Arab Emirates	1.69
Finland	1.56
Belgium	1.03
Norway	0.24
Derivatives	(2.31)
Other net assets	5.48
Total net assets	100.00

Report and accounts

This document is a short report of the Henderson Institutional Short Duration Bond Fund for the six months ended 31 December 2016.

Copy of the half yearly long form report and financial statements 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
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Member of The Investment Association
and authorised and regulated
by the Financial Conduct Authority.
Registered in England No 2678531

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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.

Depository

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EC2M 3UR

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Changes of address - regulatory requirements

FCA regulation requires us to send this report mailing to the address held on file on the accounting date of 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 Institutional Short Duration Bond Fund 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.

H027155/0117