

Henderson

# Cash

Fund

**Short Report**

For the year ended 31 May 2012

# Henderson Cash Fund

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### Fund Manager

Angus Teatheron

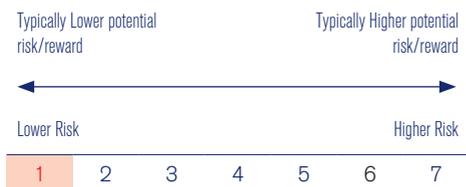
### Investment objective and policy

The Investment objective of the Henderson Cash Fund is to provide a level of income in line with money market rates, commensurate with security of capital, through investment primarily in short term deposits, money market instruments and, at the Manager's discretion, fixed interest securities.

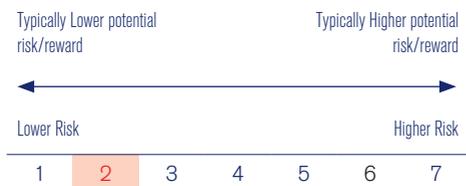
### Risk and reward profile

The Fund currently has 8 unit classes.

For X retail accumulation, X retail gross accumulation, A corporate accumulation, A corporate gross accumulation, I intermediate accumulation and I intermediate gross accumulation, the risk and reward profile is as follows:



For Z institutional gross accumulation and C financial gross accumulation:



The value of an investment in the Fund can go up and down. When you sell your shares, they may be worth less than what 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 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 which could amplify everyday risk and trigger other risks such as:

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

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

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

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

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

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

## Manager's Commentary

### Highlights

- UK base rate remained unchanged at 0.50% throughout the period.
- The Bank of England's asset purchase programme was increased by £125bn to £325bn.
- UK economic activity remains weak whilst inflation remains stubbornly above target.
- Concerns over European sovereign risk continues to dominate the markets.

### Market review

The economic outlook for the UK has steadily worsened with slowing global activity, continuing fiscal consolidation and weakening domestic demand all weighing heavily on the economy. In its quarterly inflation reports the Bank of England's Monetary Policy Committee (MPC) has been continually revising down its growth forecast for the UK economy. Against this background the MPC has announced another two rounds of quantitative easing (QE), the first in October 2011 for £75bn and the second in February 2012 for £50bn.

In Europe, conditions continued to worsen with peripheral debt yield rising ever higher; to compound matters banks and sovereigns were continually downgraded by the rating agencies. The European Central Bank (ECB) in July raised rates by 0.25% citing inflationary concerns; however late in the fourth quarter, under their new president, rates were cut twice to 1.00%, as the downside risks to real Gross Domestic Product growth became of greater concern. They also announced a three-year unlimited Longer-Term Refinancing Operation (LTRO) facility, to be implemented in 2 tranches, which enabled European banks to overcome their immediate funding issues. In total just over €1tn was allotted.

At the beginning of 2012, money market rates and yields on sovereign debt began to fall as the first tranche of the ECB's LTRO started to filter down to the markets. Sentiment was further helped with an eventual agreement on a Greek debt swap agreement with its bond holders, thus allowing payment of its latest bailout package. In the UK the economic data was 'patchy' with fluctuating indices and surveys, culminating in the preliminary first quarter GDP figure posting of -0.3% quarter-on-quarter, indicating the UK was technically back in

recession. On a positive note, CPI inflation did finally begin to fall as last year's VAT increases dropped out, ending the review period at 3.0%.

### Fund Activity

Demand for short-term funding from the interbank market, as well as reluctance by a number of the larger money funds to lend to certain sectors of the European market for anything other than day-to-day money, pushed sterling LIBOR rates higher across the yield curve, with the one-year rate hitting a two-year high of 1.89675% towards the end of January. With this tightening in liquidity the Fund gradually reduced its weighted asset maturity (WAM) profile. This was achieved by adopting a more defensive investment strategy by keeping new investments short term, and reducing its floating rate note (FRN) holdings. With the second allotment of the ECB's LTRO at the end of February and the announcement of an additional round of QE by the Bank of England at their February meeting, money market rates began to ease. The fund took this opportunity to increase its WAM by selectively increasing the tenor of some of its fixed rate assets, at the same time it also increased its holding of FRNs to 16%.

The Fund maintained its exposure to Spain via an instant access call account with Santander UK. The Fund has also adopted the new Investment Management Association (IMA) guidelines for the money market funds sector; the only change to the investment policy is that the maximum maturity date of any holding has been reduced from five years to two.

### Outlook

With the current economic outlook, it is unlikely the MPC will change the base rate for several years, if anything further rounds of quantitative easing are likely, although it is debatable whether it will ease the markets' paralysis or boost the general economy. The main driver for all financial markets is Europe and the outcome of the Eurozone crisis; until this has been resolved to the satisfaction of the markets, any thoughts of returning to normal monetary policy are redundant. With this in mind, the Fund will maintain a defensive posture whilst being watchful of the credit rating agencies and their assessments of sovereign nations and individual financial institutions.

## Discrete annual performance

	1 June 11 - 31 May 12 %	1 Jun 10- 31 May 11 %	1 June 09 - 31 May 10 %	1 June 08 - 31 May 09 %	1 June 07 - 31 May 08 %
Henderson Cash Fund	0.5	0.7	0.9	4.0	4.4
MStar Money Market Sector Average	0.1	0.3	1.4	0.4	3.9

Source: Morningstar, mid to mid, basic rate tax GBP.

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.

## Fund facts

### Accounting dates

30 November, 31 May

### Payment dates

28th of each month

### Total expense ratio

	2012 %	2011 %
Class X retail accumulation	0.37	0.37
Class A corporate accumulation	0.24	0.24
Class I intermediate accumulation	0.57	0.57
Class X retail gross accumulation	0.37	0.37
Class A corporate gross accumulation	0.24	0.24
Class I intermediate gross accumulation	0.57	0.57
Class Z institutional gross accumulation	0.04	0.05
Class C financial gross accumulation	0.19	0.19

The total expense ratio (TER) of the Fund is the ratio of the Fund's total operating costs to its average net assets for twelve months.

### Ongoing charge figure\*

	2012 %
Class X retail accumulation	0.37
Class A corporate accumulation	0.24
Class I intermediate accumulation	0.57
Class X retail gross accumulation	0.37
Class A corporate gross accumulation	0.24
Class I intermediate gross accumulation	0.57
Class Z institutional gross accumulation	0.04
Class C financial gross accumulation	0.19

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 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.

## Performance record

Calendar year	Net revenue (pence per unit)	Highest price (pence per unit)	Lowest price (pence per unit)
<b>Class X retail accumulation</b>			
2007	5.81	150.40	144.50
2008	6.80	157.15	150.49
2009	3.46	160.50	157.18
2010	0.91	161.39	160.48
2011	0.89	162.18	161.38
2012	0.51*	162.70+	162.18+
<b>Class A corporate accumulation</b>			
2009**	1.72	102.00	100.22
2010	0.69	102.68	101.99
2011	0.69	103.31	102.68
2012	0.39*	103.70+	103.31+
<b>Class I intermediate accumulation</b>			
2009***	1.06	101.18	100.00
2010	0.42	101.57	101.14
2011	0.39	101.91	101.57
2012	0.25*	102.14+	101.91+
<b>Class X retail gross accumulation</b>			
2008****	1.57	102.02	100.00
2009	2.85	104.72	102.05
2010	0.73	105.44	104.72
2011	0.75	106.13	105.43
2012	0.43*	106.50+	106.13+
<b>Class A corporate gross accumulation</b>			
2009*****	1.81	102.07	100.04
2010	0.85	102.88	102.01
2011	0.87	103.69	102.88
2012	0.49*	104.12+	103.69+
<b>Class I intermediate gross accumulation</b>			
2009*****	1.32	101.46	100.01
2010	0.50	101.93	101.44
2011	0.51	102.38	101.92
2012	0.31*	102.70+	102.38+
<b>Class Z institutional gross accumulation</b>			
2007*****	0.03	100.50	100.00
2008	6.02	106.57	100.60
2009	3.28	109.67	106.57
2010	1.14	110.82	109.67
2011	1.16	111.92	110.82
2012	0.64*	112.50+	111.92+
<b>Class C financial gross accumulation</b>			
2007*****	2.73	147.80	139.91
2008	8.79	156.45	147.88
2009	4.62	160.77	156.50
2010	1.42	162.24	160.76
2011	1.45	163.60	162.23
2012	0.81*	164.30+	163.60+

\* to 28 June

+ to 31 May

\*\* launched 21 Jan 09

\*\*\* launched 12 Mar 09

\*\*\*\* launched 21 Aug 08

\*\*\*\*\* launched 16 Feb 09

\*\*\*\*\* launched 12 Mar 09

\*\*\*\*\* launched 27 Nov 07

\*\*\*\*\* launched 1 Oct 07

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

## Net revenue distribution

Unit class	2012 p	2011 p
Class X retail accumulation	0.95	0.91
Class A corporate accumulation	0.73	0.69
Class I intermediate accumulation	0.45	0.40
Class X retail gross accumulation	0.81	0.73
Class A corporate gross accumulation	0.92	0.87
Class I intermediate gross accumulation	0.56	0.52
Class Z institutional gross accumulation	1.23	1.15
Class C financial gross accumulation	1.54	1.44

Total interest distributions for the year ended 31 May 2012, comparison is for the same period last year.

## Major holdings

as at 2012	%
Standard Chartered Bank 1.32% 09/02/2012-09/08/2012	4.54
HSBC Bank FRN 10/09/2012	2.84
Riyad Bank 0.98% 17/07/2012	2.84
Standard Chartered Bank 1.66% 30/09/2011-28/09/2012	2.84
United Overseas Bank 1.28% 28/02/2012-28/08/2012	2.84
Deutsche Bank 0.8% 13/03/2012- 13/06/2012	2.83
JP Morgan Chase & Co FRN 27/06/2012	2.83
Rabobank Nederland FRN 12/10/2012	2.83
Royal Bank of Scotland FRCD 31/08/2011-31/08/2012*	2.83
Royal Bank of Scotland FRCD 17/08/2011-17/08/2012*	2.83

\* A related party to the fund.

## Asset allocation

as at 2012	%
Certificates of deposit	72.08
Floating rate notes	15.79
Sterling cash deposits	2.84
Net other assets*	9.29
<b>Total</b>	<b>100.00</b>

\*Includes overnight cash deposits.

## Major holdings

as at 2011	%
BNP Paribas FRN 29/09/2011	4.14
Unicredito Italiano 1.25% 31/03/2011- 30/09/2011	2.18
National Bank of Abu Dhabi 1.5% 21/06/2010-21/06/2011	2.11
HSBC FRN 10/09/2012	2.08
Barclays Bank 1.43% 07/07/2010- 07/07/2011	2.07
Barclays Bank FRCD 28/04/2011- 30/04/2011	2.07
Lloyds Banking Group 1.46% 14/09/2010-14/09/2011	2.07
Lloyds Banking Group FRN 15/07/2010- 15/07/2011	2.07
Royal Bank of Scotland FRCD 09/08/2010-09/08/2011*	2.07
Royal Bank of Scotland FRCD 31/08/2010-31/08/2011*	2.07

## Asset allocation

as at 2011	%
Certificates of deposit	67.07
Floating rate notes	14.22
Sterling cash deposits	5.07
Net other assets*	13.64
<b>Total</b>	<b>100.00</b>

## Summary of Fund performance

Unit class	Net asset value 2012 p	Net asset value 2011 p	Net asset value % change
Class X retail accumulation	162.63	161.78	0.53
Class A corporate accumulation	103.64	102.98	0.64
Class I intermediate accumulation	102.12	101.75	0.36
Class X retail gross accumulation	106.50	105.76	0.70
Class A corporate gross accumulation	104.11	103.26	0.82
Class I intermediate gross accumulation	102.65	102.16	0.48
Class Z institutional gross accumulation	112.47	111.32	1.03
Class C financial gross accumulation	164.29	162.86	0.88

### Report and accounts

This document is a short report of the Henderson Cash Fund for the year ended 31 May 2012.

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 investor services on the telephone number provided.

### Other information

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

### Issued by:

Henderson Investment Funds Limited  
Registered office:  
201 Bishopsgate,  
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Member of the IMA and authorised and regulated  
by the Financial Services Authority.  
Registered in England No 2678531

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### Risk warning

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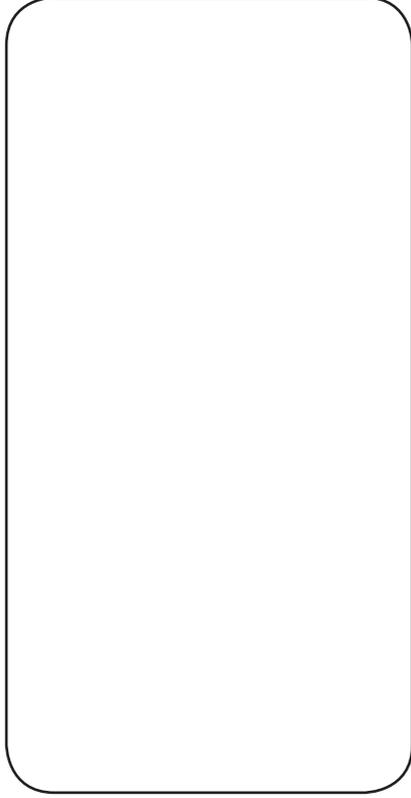
### Auditor

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### Changes of address - regulatory requirements

FSA regulation requires us to send this report mailing to the address held on file on the accounting date of 31 May 2012. 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 Cash Fund at any time by logging on to [www.henderson.com](http://www.henderson.com). Select 'Personal Investor' and then access 'Valuations' from the Tools Menu. Simply select the fund you hold and enter the appropriate number of shares.

### Any questions?

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

### Important Information

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

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