



Henderson
GLOBAL INVESTORS

Henderson

Higher Income Fund

Short Report

for the six months ended 28 February 2012

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Fund Managers

Andrew Jones and Graham Kitchen

Investment objective and policy

To achieve increasing distributions with the potential of long-term capital growth. The Fund will invest principally in the securities of UK companies. In addition to ordinary shares, the Fund may also invest in fixed interest securities, preference shares, debt securities convertible into ordinary stock, money-market instruments and deposits. The Fund may also invest outside of the UK if the investment adviser believes that it is in the interest of the Fund.

Risk Profile

The Fund's annual management charge is currently taken from its capital, this may allow more income to be paid, however, it may also restrict capital growth or even result in capital erosion over time.

The Fund is a specialist country-specific or geographical region fund, the investment carries greater risk than a fund diversified across more countries.

Activity

During the review period the Fund returned 11.9% outperforming the IMA UK Equity Income Sector 10.6%.

Equity markets continued to make strong gains over the period with the FTSE All-Share Index up 10.3%. Despite the ongoing Eurozone sovereign debt crisis equity markets rebounded strongly from their 2011 lows in October. Better than expected US economic data provided support while the European Central Bank's (ECB's) announced Longer Term Refinancing Operation (LTRO), which aimed to increase liquidity and avoid any potential collapse of the European banking system, further fuelled the market rally.

The Fund's holdings in Johnson Matthey, Experian and Sage Group were all positive for performance. Johnson Matthey was a new position, which we were fortunate to buy at the start of the period. The company is the global market leader in emissions control for the automotive industry with exposure to structural high growth in the heavy duty diesel market following legislation changes. The company also has a strong balance sheet and an attractive valuation. Over the past six months it has performed well as global growth concerns eased following better data out of the US and China and has also announced good results. Experian and Sage both reported robust results. Experian benefited from strong growth in its Brazilian business and new product offerings in more developed economies, while Sage continued to see an improvement in demand for its products and services from its small and mid-cap customer base.

The Fund's overweight position in financial services contributed negatively to performance as both Tullett Prebon and 3i Group underperformed. Tullett Prebon, the inter-dealer broker, suffered as market volumes declined and risk appetite abated. Meanwhile 3i's share price came under pressure as investors were concerned that slowing economic growth in Europe could cause the company to write down the value of some of its underlying assets.

As well as purchasing Johnson Matthey we also initiated a position in Land Securities and added to our holdings in IMI and GKN thereby increasing the Fund's exposure to more cyclical stocks. Land Securities is a large well diversified property company that trades at a significant discount to net asset value (NAV) and offers an attractive dividend yield. With property capital values still considerably below their peak and the balance sheet in a much stronger position we feel the valuation discounts an overly pessimistic scenario. Furthermore, Land Securities' high quality property estate should be attractive to both overseas and institutional investors

especially when UK gilt yields are at all time lows. IMI and GKN are both strong internationally diverse engineering groups that operate in markets with good growth potential and are attractively valued on both a profitability and dividend basis.

To fund these purchases we reduced our position in the tobacco sector trimming both British American Tobacco and Imperial Tobacco after a period of outperformance. Elsewhere we sold our holding in bus and rail operator FirstGroup, industrial conglomerate Smiths Group and chemical company Croda International. Croda had reached our valuation target whereas we became sceptical over the likely success of FirstGroup's turnaround plan for their US School bus business.

Although it appears that we are past the worst of the European sovereign debt crisis and economies appear to be recovering we believe economic growth is likely to be subdued over the medium term given the high level of indebtedness of governments and consumers. However, equity markets continue to be attractively valued relative to bonds and their long term average, especially on a dividend yield basis. Hence the fund is exposed to strong well financed companies capable of good dividend growth, which should serve unit holders well going forward.

Discrete annual performance

	1 Mar 11- 29 Feb 12	1 Mar 10- 28 Feb 11	1 Mar 09- 28 Feb 10	1 Mar 08- 28 Feb 09	1 Mar 07- 29 Feb 08
	%	%	%	%	%
Henderson Higher Income Fund	3.6	15.9	42.3	(45.8)	(20.5)
FTSE All-Share Index	1.5	17.2	47.3	(33.0)	(2.7)

Source: Morningstar, mid to mid, net revenue reinvested, net of fees, 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.

Summary of Fund performance

Share class	Net asset value 28/02/12 p	Net asset value 31/08/11 p	Net asset value % change
Class A income	38.52	35.33	9.03
Class A accumulation	180.75	163.34	10.66
Class I income	78.45	71.79	9.28
Class S income	76.64	69.78	9.83

Fund facts

Accounting dates

28 February, 31 August

Payment dates

31 January, 30 April, 31 July, 31 October

Total expense ratio

	28/02/12	31/08/11
	%	%
Class A	1.79	1.79
Class I	1.07	1.07
Class S	0.07	0.07

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.

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A income			
2007	2.94	73.36	57.24
2008	3.19	60.21	27.01
2009	2.11	35.40	22.67
2010	1.55	38.88	32.57
2011	1.49	39.89	32.85
2012	0.57*	39.01+	36.62+
Class A accumulation			
2009 [^]	1.38	151.50	136.70
2010	6.77	173.60	142.70
2011	6.89	180.50	151.00
2012	2.62*	181.80+	170.30+
Class I income			
2007	5.97	146.10	114.40
2008	6.45	120.40	54.24
2009	4.15	71.40	45.43
2010	3.19	78.73	65.88
2011	3.19	80.95	66.78
2012	1.23*	79.48+	74.53+

Performance record (continued)

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class I accumulation			
2007	5.18	125.30	101.60
2008	5.77	106.90	51.67
2009	3.70	71.40	45.43
2010**	1.41	73.91	67.96
Class S income			
2007	4.25	135.80	106.90
2008	6.04	112.60	51.18
2009	3.72	68.10	42.83
2010	2.93	76.00	63.16
2011	3.08	78.45	65.36
2012	1.19*	77.62+	72.70+
Class S accumulation			
2007	2.25	104.40	84.92
2008++	4.86	89.49	43.53

* to 30 April

+ to 28 February

++ S accumulation shares closed on 6th March 2009

** I accumulation shares closed on 3 March 2010

^ A accumulation shares launched on 20 August 2009

Net revenue distribution

Share class	28/02/12	28/02/11
	p	p
Class A income	0.57	0.50
Class A accumulation	2.62	2.42
Class I income	1.23	1.10
Class S income	1.19	1.06

Total dividend distributions for the period ended 28 February 2012, comparison is for the same period last year.

Past performance is not a guide to future performance.

Major holdings

as at 28/02/12	%
Royal Dutch Shell 'B'	6.41
BP	5.12
GlaxoSmithKline	4.99
AstraZeneca	4.06
HSBC (London listed)	3.95
Vodafone	3.93
Rio Tinto	2.76
British American Tobacco	2.72
Imperial Tobacco	2.63
BG	2.57

Asset allocation

as at 28/02/12	%
Oil & gas producers	14.10
Pharmaceuticals & biotechnology	9.06
Banks	6.38
Life insurance	6.35
Media	5.52
Tobacco	5.35
Travel & leisure	4.88
Gas, water & multiutilities	4.67
Financial Services	4.64
Mobile telecommunications	3.93
Others	35.36
Net other liabilities	(0.24)
Total	100.00

Major holdings

as at 31/08/11	%
Royal Dutch Shell 'B'	6.35
GlaxoSmithKline	5.06
Vodafone	4.42
BP	4.40
HSBC (London listed)	4.03
British American Tobacco	3.49
AstraZeneca	3.35
Rio Tinto	3.00
Imperial Tobacco	2.43
BG	2.38

Asset allocation

as at 31/08/11	%
Oil & gas producers	13.13
Pharmaceuticals & biotechnology	8.41
Travel & leisure	7.05
Banks	6.59
Life insurance	6.14
Gas, water & multiutilities	5.94
Tobacco	5.92
Media	5.54
Financial Services	4.84
Mobile telecommunications	4.42
Others	32.46
Net other liabilities	(0.44)
Total	100.00

Report and accounts

This document is a short report of the Henderson Higher Income Fund for the six months ended 28 February 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 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 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 IMA and authorised and regulated by the Financial Services Authority.
Registered in England No 2678531

Depositary

The Royal Bank of Scotland Plc
The Broadstone
50 South Gyle Crescent
Edinburgh EH12 9UZ

From 1 October 2011
National Westminster Bank Plc
135 Bishopsgate
London EC2M 3UR

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.

Important information

On 1 October 2011, the Depositary changed from The Royal Bank of Scotland Plc to National Westminster Bank Plc.

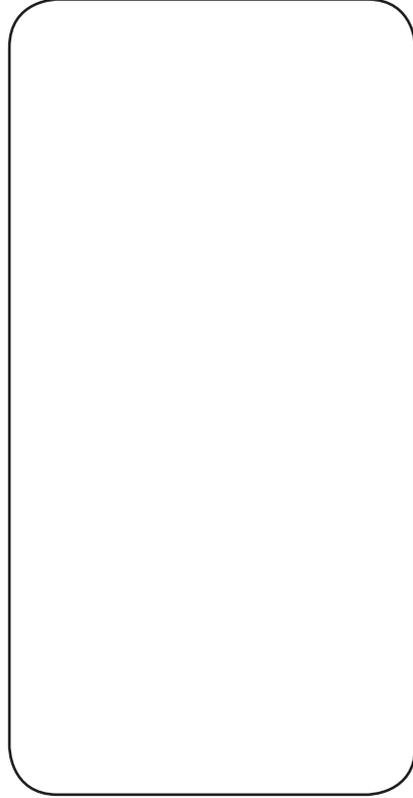
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Changes of address - regulatory requirements

FSA regulation requires us to send this report mailing to the address held on file on the ex-dividend date of 28 February 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 Higher Income 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. 9063355), Henderson Fund Management Limited (reg. no. 2607112), Henderson Investment Funds Limited (reg. no. 2678531), Henderson Investment Management Limited (reg. no. 1795354), Henderson Alternative Investment Advisor Limited (reg. no. 962757), Henderson Equity Partners Limited (reg. no. 2606646), (each incorporated and registered in England and Wales with registered office at 201 Bishopsgate, London EC2M 3AE), Gartmore Investment Limited (reg. no. 1508030), Gartmore Fund Managers Limited (reg. no. 1137353), (each incorporated and registered in England and Wales with registered office 201 Bishopsgate, London EC2M 3AE) are authorised and regulated by the Financial Services Authority to provide investment products and services. Telephone calls may be recorded and monitored.

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