

Henderson

Higher Income

Fund

Short Report

For the year ended 31 August 2011

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On 12 August 2011 the Gartmore UK Equity Income Fund merged into the Henderson Higher Income Fund.

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 year the Fund returned 5.9%, underperforming the IMA UK Equity Income sector +7.4%.

The UK equity market provided positive if volatile returns over the period with the FTSE All Share Index up 7.3%. For the overwhelming majority of the period markets were driven higher by good corporate earnings, continued positive economic data from emerging markets and general confidence in a steady global recovery. However, August proved an exceptionally difficult month for the market with the FTSE All Share Index losing 7% of its value. Fears over debt problems spreading to core eurozone members such as Italy and Spain, and a downgrade by S&P of the US credit rating

to AA+ were the main factors behind the sell-off. Despite these macroeconomic headwinds it was interesting to note the robust results that continued to be released by the majority of companies.

As a result of commodity prices remaining high over the period as a whole, the UK mining sector outperformed the market and hence the Fund's underweight position in the sector detracted from returns. The Fund's positions in Halfords and AstraZeneca were also negative for performance. Halfords' share price came under pressure following disappointing results from its newly acquired Nationwide Autocentre chain, as well as evidence of poorer trading in its core car maintenance and bicycle businesses. AstraZeneca underperformed the market despite announcing solid results and increasing its dividend as investors continued to debate the long term strength of their product pipeline. Elsewhere the Fund's holdings in Burberry, Meggitt and the London Stock Exchange (LSE) aided performance. Burberry continued to report outstanding results that were well received by the market, Meggitt announced a strategically excellent deal and a robust outlook for civil aerospace, while the LSE outperformed after releasing results that were ahead of expectations and benefited from speculation about future industry consolidation.

During the period we added to the Fund's positions in 3i and Reed Elsevier. 3i, the private equity and venture capital firm, trades at a significant discount to its broad underlying portfolio of assets, has a conservative balance sheet and good net asset value growth prospects. We also feel that there is potential in the future for greater distributions to shareholders. Reed Elsevier's share price performance had been lacklustre despite reporting a gradual improvement in trading, hence we increased the position. Reed has high quality assets with market leading positions covering science & technology publishing, legal publishing, insurance risk analytics and business-to-business exhibitions. The company should deliver stable double-digit

earnings growth going forward and we feel the valuation does not reflect this.

Elsewhere we initiated a position in the auto parts and aerospace engineer GKN. Despite lead indicators pointing towards a slowdown in auto production, any impact is likely to be offset by their strong product range, recent acquisitions and better margins in its aerospace division. GKN has good global growth exposure, a strong balance sheet and an attractive valuation.

To help fund those purchases we exited the position in Britvic due to continued worries over the strength of its brands and hence its ability to pass on raw material cost inflation. We also sold our position in Sainsbury's due to growing fears over its trading performance in an environment of challenging consumer cash flow, as well as having longer term concerns over its returns on investment. Finally, we

exited our position in Logica, an IT services provider, as we felt its exposure to the improving corporate sector was likely to be offset by its exposure to public sector cutbacks.

Outlook

We continue to believe that equity markets are attractively valued relative to bonds and their long term average. Although there is likely to be a period of low economic growth, especially in Western Europe, it is our view that this is more than discounted in current valuations. In this environment equities should make gains from current levels and with continuing low interest rates, companies with sustainable, attractive yields should outperform the wider market.

Andrew Jones and Graham Kitchen
27 September 2011

Discrete annual performance

	1 Sep 10- 31 Aug 11 %	1 Sep 09- 31 Aug 10 %	1 Sep 08- 31 Aug 09 %	1 Sep 07- 31 Aug 08 %	1 Sep 06- 31 Aug 07 %
Henderson Higher Income Fund	5.9	10.0	(18.9)	(28.7)	6.2
FTSE All-Share Index	7.3	10.6	(8.2)	(8.7)	11.8

Source: Morningstar, mid to mid, net income 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 2011 p	Net asset value 2010 p	Net asset value % change
Class A income	35.33	34.64	1.99
Class A accumulation	163.34	153.79	6.21
Class I income	71.79	70.03	2.51
Class S income	69.78	67.39	3.55

Fund facts

Accounting dates

28 February, 31 August

Payment dates

31 January, 30 April, 31 July, 31 October

Total expense ratio

	2011 %	2010 %
Class A	1.79	1.74
Class I	1.07	1.09
Class S	0.07	0.05

The 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 per share p	Highest price per share p	Lowest price per share p
Class A income			
2006	2.96	70.56	61.81
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+	33.09+
Class A accumulation			
2009^	1.38	151.50	136.70
2010	6.77	173.60	142.70
2011	6.89*	180.50+	151.00+
Class I income			
2006	7.10	140.30	124.20
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+	67.27+

Performance record (continued)

Class I accumulation

2006	3.27	128.60	100.40
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

2006	4.44	121.90	99.95
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+

Class S accumulation

2007	2.25	104.40	84.92
2008++	4.86	89.49	43.53

* to 31 October

+ to 31 August

++ Closed 6 March 2009

** Closed 3 March 2010

^ Launched on 20 August 2009

Net revenue distribution

Share class	2011 p	2010 p
Class A income	1.49	1.55
Class A accumulation	6.89	6.77
Class I income	3.19	3.19
Class I accumulation	n/a	1.41
Class S income	3.08	2.93

Total revenue distribution for the year ended 31 August 2011, comparison for the same period last year.

Past performance is not a guide to future performance.

Major holdings

2011	%
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

2011	%
Oil & gas producers	13.13
Pharmaceuticals & biotechnology	8.41
Travel & leisure	7.05
Banks	6.59
Life insurance	6.14
General financial	5.97
Gas, water & multiutilities	5.94
Tobacco	5.92
Media	5.54
Mobile telecommunications	4.42
Others	31.33
Net other liabilities	(0.44)
Total	100.00

Major holdings

2010	%
GlaxoSmithKline	5.14
HSBC (London Listed)	4.98
Royal Dutch Shell 'B'	4.92
Vodafone	4.46
AstraZeneca	4.39
BP	3.70
British American Tobacco	3.69
Imperial Tobacco	2.94
National Grid	2.50
Centrica	2.27

Asset allocation

2010	%
Oil & gas producers	11.29
Pharmaceuticals & biotechnology	9.53
Banks	9.12
Gas, water & multiutilities	6.94
Tobacco	6.63
Travel & leisure	5.94
Life insurance	5.76
General retailers	3.20
Mobile telecommunications	4.46
General financial	4.05
Others	33.88
Net other liabilities	(0.80)
Total	100.00

Report and accounts

This document is a short report of the Henderson Higher Income Fund for the year ended 31 August 2011.

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 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,
London EC2M 3AE

Member of the IMA and authorised and regulated by the Financial Services Authority.
Registered in England No 2678531

Depositary

From 1 October 2011

National Westminster Bank plc
135 Bishopsgate
London EC2M 3UR

Risk warning

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Important information

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

Auditor

PricewaterhouseCoopers LLP

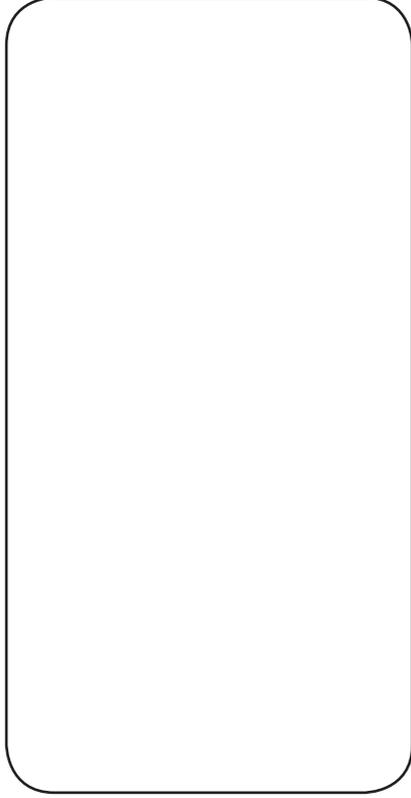
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Changes of address - regulatory requirements

FSA regulation requires us to send this report mailing to the address held on file on the ex-dividend date of 31 August 2011. 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.