



INTERIM SHORT REPORT

For the six months ended
31 December 2016

Henderson
GLOBAL INVESTORS

Henderson Index Linked Bond Fund

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Short Report

For the six months ended 31 December 2016

Investment Fund Manager

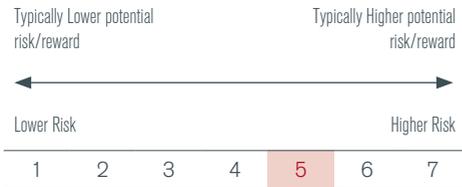
Mitul Patel

Investment objective and policy

To provide a return by investing primarily in United Kingdom Government issued index linked securities. 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 income, A income gross, D accumulation gross, I accumulation, I accumulation gross, I income, I income gross and Z accumulation gross. Each 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 typically less volatile than shares
- The fund focuses on a single country
- 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. 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.

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 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.

Investment review

Government bond markets performed poorly during the period, as central banks stepped away from their ultra-accommodative monetary policy stance as expectations over future growth and inflation prospects improved. The election of Donald Trump as president of the United States led to a further boost to growth and inflation forecasts, and a rate hike from the Federal Reserve (Fed) led to substantial pressure on the US Treasury market. In the UK, the economy proved to be more resilient than expected following the Brexit referendum, and the Bank of England's (BoE's) Monetary Policy Committee moved to a more neutral stance. The European Central Bank announced in December its intention to reduce the size of its quantitative easing (QE) programme (central bank liquidity measures) during the course of 2017. In addition, firmer oil prices led to diminished fears of deflation and a renewed focus on inflationary pressures as we moved into 2017.

The gilt market initially performed well during the summer months, as the BoE cut rates and restarted its QE programme. As sterling weakened, inflation expectations rose and led to lower expectations of further easing in November, particularly in light of the initial resilience of the economy. This led to gilt yields rising sharply during the fourth quarter, although index-linked gilts significantly outperformed due to a sharp increase in inflation expectations.

The fund outperformed its benchmark over the period. We continued to look for relative value opportunities within the UK government bond market where possible, while also using derivatives to express views across developed rates and currency markets, as outlined below.

The fund profited by positioning for US Treasuries to outperform UK gilts, as the yield differential between the two had moved to historic wides. Having profited from the trade, we closed the position ahead of the US election. As the yield differential approached its wides again following the election, we re-established the position, but closed

it for a small loss after the Fed's decision to hike rates, which was delivered with a more hawkish message than was expected. Overall, the strategy was profitable during the period.

The fund profited by taking relative value opportunities in the US market. We entered the period positioned for the 20-year/30-year sector to outperform the 10-year/20-year sector of the US swaps curve. The trade performed exceptionally well after the US election and was closed for a profit. Following the US election, we positioned for 5-year Treasury yields to rise relative to 2-year yields in the US. As the market moved to price in a tighter monetary policy outlook, we closed the trade for a profit.

The fund positioned for European swap rates in the intermediate sector of the swap curve to fall relative to swap rates of a longer maturity. The strategy was profitable and was maintained as we entered 2017.

Positioning for 3-year UK swap rates to fall, as well as Japanese yields in the 2-year and 10-year area to fall, led to a loss for the fund. This was partially offset by positioning for a rise in 30-year German bond yields. All three positions were closed during the fourth quarter.

The fund positioned for 50-year inflation-linked bond yields to fall relative to 10-year gilt yields, and the position was closed for a profit.

Currency strategies were broadly neutral during the period. Although the fund profited by positioning for a weaker Japanese yen versus the US dollar, this was offset by small losses on several other positions, most notably positions which looked for a strengthening in the Swedish krona.

Government bond markets are likely to remain volatile over 2017. Political risks remain elevated in Europe, while uncertainty remains high over the policies that a Trump administration may deliver. Central banks are likely to tread more cautiously, as an improvement in inflation no longer warrants an exceptionally accommodative monetary policy stance and the Fed continues to tighten policy.

Performance summary

Cumulative performance	Six months	One year	Five years	Since launch
	30 Jun 16- 31 Dec 16	31 Dec 15- 31 Dec 16	31 Dec 11- 31 Dec 16	04 Sep 00 - 31 Dec 16
	%	%	%	%
Henderson Index Linked Bond Fund	8.8	26.0	44.8	201.2
FTSE Index Linked (Over 5 years) Index	7.7	27.4	54.4	-*

Discrete year performance

	31 Dec 15- 31 Dec 16	31 Dec 14- 31 Dec 15	31 Dec 13- 31 Dec 14	31 Dec 12- 31 Dec 13	31 Dec 11- 31 Dec 12
	%	%	%	%	%
	Henderson Index Linked Bond Fund	26.0	(1.9)	18.4	(0.8)

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	30/06/16	% change
	p	p	
Class A income	455.02	424.16	7.28
Class I accumulation	540.83	502.78	7.57
Class I income	469.23	436.23	7.56
Class A income gross	460.70	429.01	7.39
Class D accumulation gross	344.60	319.96	7.70
Class I accumulation gross	552.87	514.03	7.56
Class I income gross	471.05	437.96	7.56
Class Z accumulation gross	314.85	292.00	7.83

*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.

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 A	0.91	0.91
Class A gross	0.81	0.81
Class D	0.29	0.29
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).

Net revenue distribution

Share class	31/12/16 p	31/12/15 p
Class A income	-	-
Class I accumulation	-	0.31
Class I income	-	0.27
Class A income gross	-	-
Class D accumulation gross	-	0.57
Class I accumulation gross	-	0.36
Class I income gross	-	0.31
Class Z accumulation gross	-	0.85

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

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A income			
2012	-	319.80	295.40
2013	-	350.90	303.70
2014	-	374.30	308.20
2015	-	389.20	348.40
2016	-	484.80+	363.20+
2017	-*	-	-
Class I accumulation			
2012	0.25	369.00	342.30
2013	0.32	407.90	352.30
2014	0.02	440.50	360.10
2015	-	458.40	410.60
2016	0.31	575.80+	429.80+
2017	-*	-	-
Class I income			
2012	0.22	320.90	297.50
2013	0.28	354.20	306.10
2014	0.02	382.50	312.60
2015	-	398.00	356.50
2016	0.27	499.60+	372.90+
2017	-*	-	-
Class A income gross			
2012	-	321.20	297.00
2013	-	353.20	305.50
2014	-	377.90	310.70
2015	-	393.00	351.80
2016	-	490.80+	367.10+
2017	-*	-	-

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class D accumulation gross			
2012	0.33	232.00	215.83
2013	0.67	257.50	222.30
2014	0.63	279.30	227.70
2015	-	290.70	260.40
2016	0.57	366.60+	273.20+
2017	-*	-	-
Class I accumulation gross			
2012	0.31	377.00	350.00
2013	0.42	417.10	360.30
2014	0.03	450.40	368.20
2015	-	468.70	419.70
2016	0.36	588.60+	439.40+
2017	-*	-	-
Class I income gross			
2012	0.26	322.10	298.80
2013	0.36	355.70	307.40
2014	0.02	384.10	314.00
2015	-	399.70	357.90
2016	0.31	501.50+	374.40+
2017	-*	-	-
Class Z accumulation gross			
2012	0.52	209.50	195.20
2013	1.02	233.10	201.10
2014	1.11	253.90	206.60
2015	0.30	264.40	236.90
2016	0.85	334.80+	249.00+
2017	-*	-	-

* to 28 February
+ to 31 December

Past performance is not a guide to future performance.

Major holdings

as at 31/12/16	%
UK Treasury 0.125% Index-Linked 22/03/2068	6.35
UK Treasury 1.25% Index-Linked 22/11/2055	5.89
UK Treasury 0.375% Index-Linked 22/03/2062	5.61
UK Treasury 1.125% Index-Linked 22/11/2037	5.22
UK Treasury 0.5% Index-Linked 22/03/2050	5.06
UK Treasury 0.625% Index-Linked 22/03/2040	4.83
UK Treasury 0.75% Index-Linked 22/11/2047	4.72
UK Treasury 0.125% Index-Linked 22/03/2044	4.72
UK Treasury 1.25% Index-Linked 22/11/2027	4.61
UK Treasury 0.625% Index-Linked 22/11/2042	4.40

Asset allocation

as at 31/12/16	%
Bonds	99.47
Derivatives	0.14
Other net assets	0.39
Total net assets	100.00

Major holdings

as at 30/06/16	%
UK Treasury 0.125% Index-Linked 22/03/2068	6.94
UK Treasury 1.25% Index-Linked 22/11/2055	6.27
UK Treasury 0.375% Index-Linked 22/03/2062	5.70
UK Treasury 0.75% Index-Linked 22/11/2047	5.61
UK Treasury 0.125% Index-Linked 22/03/2044	5.30
UK Treasury 1.125% Index-Linked 22/11/2037	5.22
UK Treasury 2.5% Index-Linked 17/07/2024	5.14
UK Treasury 0.5% Index-Linked 22/03/2050	5.08
UK Treasury 1.25% Index-Linked 22/11/2027	4.91
UK Treasury 0.625% Index-Linked 22/03/2040	4.90

Asset allocation

as at 30/06/16	%
Bonds	99.85
Derivatives	(0.06)
Other net assets	0.21
Total net assets	100.00

Report and accounts

This document is a short report of the Henderson Index Linked Bond 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 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,
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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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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.

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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 Index Linked 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.

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