



# ANNUAL REPORT & ACCOUNTS

For the year ended  
30 June 2018

Janus Henderson  
— INVESTORS —

**Janus Henderson UK & Europe Funds**  
(formerly Henderson UK & Europe Funds)



# Who are Janus Henderson Investors?

**Janus Henderson Investors exists to help clients achieve their long-term financial goals.**

Formed in 2017 from the merger between Janus Capital Group and Henderson Group, we are committed to adding value through active management. For us, active is more than our investment approach – it is the way we translate ideas into action, how we communicate our views and the partnerships we build in order to create the best outcomes for clients.

We are proud to offer a highly diversified range of products, harnessing the intellectual capital of some of the industry's most innovative and formative thinkers. Our expertise encompasses the major asset classes, we have investment teams situated around the world and we serve intermediary, institutional and individual investors globally. As at 30 June 2018, we had approximately US\$370bn in assets under management, more than 2,000 employees and offices in 28 cities worldwide. Headquartered in London, we are an independent asset manager that is dual-listed on the New York Stock Exchange and the Australian Securities Exchange.

At Janus Henderson, we believe in the sharing of expert insight for better investment and business decisions. We call this ethos *Knowledge. Shared. Knowledge. Shared* is reflected both in how our investment teams interact and in our commitment to empowering clients in their decision-making. In our view, knowledge is powerful when it is shared.

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## Authorised Corporate Director's (ACD) report for the year ended 30 June 2018

We are pleased to present the Annual Report and Accounts for Janus Henderson UK & Europe Funds (formerly Henderson UK & Europe Funds) (the "Company") for the year ended 30 June 2018.

### Authorised status

The Company is an investment company with variable capital incorporated in England and Wales under registered number IC70 and authorised by the FCA with effect from 21 June 2000. The Company has been certified by the FCA as complying with the conditions necessary for it to enjoy the rights conferred by the EC Directive on Undertakings for Collective Investment in Transferable Securities. The Company has an unlimited duration.

The Company is a UCITS (undertakings for the collective investment in transferable securities) scheme structured as an umbrella company, in that different funds may be established from time to time by the ACD with the approval of the FCA. The fund comprises eleven sub funds ("funds"). On the introduction of any new fund or class, a revised prospectus will be prepared setting out the relevant details of each fund or class.

### Fund liabilities

The assets of each fund will be treated as separate from those of every other fund and will be invested in accordance with the investment objective and investment policy applicable to that fund. Shareholders are not liable for the debts of the Company.

### Other information

On 15 December 2017, the Company changed its name from Henderson UK & Europe Funds to Janus Henderson UK & Europe Funds. The following funds also changed their names:

- Henderson All Stocks Credit Fund to Janus Henderson All Stocks Credit Fund,
- Henderson European Smaller Companies Fund to Janus Henderson European Smaller Companies Fund,
- Henderson Index Linked Bond Fund to Janus Henderson Index Linked Bond Fund,
- Henderson Institutional Long Dated Credit Fund to Janus Henderson Institutional Long Dated Credit Fund,
- Henderson Institutional Long Dated Gilt Fund to Janus Henderson Institutional Long Dated Gilt Fund,
- Henderson Institutional Short Duration Bond Fund to Janus Henderson Institutional Short Duration Bond Fund,
- Henderson Institutional UK Gilt Fund to Janus Henderson Institutional UK Gilt Fund,
- Henderson Institutional Short Duration Bond Fund to Janus Henderson Institutional Short Duration Bond Fund,
- Henderson Preference & Bond Fund to Janus Henderson Preference & Bond Fund,
- Henderson Strategic Bond Fund to Janus Henderson Strategic Bond Fund, and
- Henderson UK Smaller Companies Fund to Janus Henderson UK Smaller Companies Fund.

Janus Henderson Buy & Maintain Credit Fund closed to investors on 11 April 2018. The fund terminated on 29 June 2018.

## Director's statement

In accordance with the requirements of the Collective Investment Schemes Sourcebook, as issued and amended by the Financial Conduct Authority, I hereby certify the investment report and financial statements on behalf of the Directors of Henderson Investment Funds Limited.

 C. Chaloner  
(Director)

11 September 2018

## Authorised Corporate Director's (ACD) report (continued)

### Service providers

	Name	Address	Regulator
<b>Authorised Corporate Director (ACD)</b>	<b>Henderson Investment Funds Limited</b> Member of the Investment Association The ultimate holding company is Janus Henderson Group plc	Registered Office: 201 Bishopsgate London EC2M 3AE Registered in England No 2678531. Telephone – 020 7818 1818 Dealing – 0845 608 8703 Enquiries – 0800 832 832	Authorised and regulated by the Financial Conduct Authority
<b>Directors of the ACD</b>	C Chaloner R Chaudhuri (from 27.09.17) A Crooke (from 8.06.18) G Foggin H J de Sausmarez G Kitchen (to 31.03.18) P Wagstaff		
<b>Investment Manager</b>	<b>Henderson Global Investors Limited</b> The ultimate holding company is Janus Henderson Group plc	201 Bishopsgate London EC2M 3AE	Authorised and regulated by the Financial Conduct Authority
<b>Shareholder Administrator</b>	<b>DST Financial Services International Limited and DST Financial Services Europe Limited</b>	DST House St Nicholas Lane Basildon Essex SS15 5FS	Authorised and regulated by the Financial Conduct Authority
<b>Depository</b>	<b>National Westminster Bank plc</b> The ultimate holding company is the Royal Bank of Scotland Group plc	135 Bishopsgate London EC2M 3UR	Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority
<b>Independent Auditor</b>	<b>PricewaterhouseCoopers LLP</b>	141 Bothwell Street Glasgow G2 7EQ	Institute of Chartered Accountants in England and Wales
<b>Legal Adviser</b>	<b>Eversheds Sutherland (International) LLP</b>	One Wood Street London EC2V 7WS	The Law Society

## Overview

Global equity markets rose over the year to 30 June 2018 (MSCI World Index +9.9% in total return sterling terms and +11.7% in US dollar terms). Geopolitics, trade tensions and divergent central bank activity dominated headlines and influenced investor sentiment.

## UK

In the UK, the FTSE All-Share Index rose (+9.0% in sterling). The UK's exit from the European Union (Brexit) dominated headlines: Although a transitional deal was reached in March, little progress was made thereafter, which increased the prospect of a 'no-deal Brexit'. The annual gross domestic product (GDP) growth rate fell to 1.2% year on year in the first quarter of 2018 – the lowest rate since 2012. Rising inflation was a key reason influencing the Bank of England's (BoE) decision to raise its benchmark rate from 0.25% to 0.5% in November, which marked the first rate rise in a decade. Investors anticipated another rate rise in May, but weak economic data in late April crushed these expectations and interest rates were left unchanged. In May, the BoE reduced its 2018 growth forecasts from 1.8% to 1.4%. More positively, the unemployment rate dropped to a 42-year low of 4.2% by the end of the review year.

## Europe

European equities were up (FTSE World Europe ex UK Index +2.5% in sterling and +3.7% in euros). Elections throughout the review year boosted the power of populist and far-right parties. Italian political uncertainty in May caused a sell-off in equities and government bonds at both the domestic and global level as investors worried about the new coalition government's plans that could see the country leave the single currency bloc. The eurozone economy grew at an annual rate of 2.8% in the third and fourth quarters of 2017 but slowed to 2.5% in the first quarter of 2018. In October, the European Central Bank (ECB) extended its bond purchase programme until September 2018 (at a halved monthly pace) as inflation remained below the 2% target. In June, the ECB scheduled the end of its bond-buying programme for the end of 2018 and announced its expectation that interest rates would remain unchanged for at least another year. Inflation slowed to 1.1% in February, the slowest rate in more than a year, but rose to a 16-month high of 2.0% in June as energy and food prices rose.

## US

US equities advanced (S&P 500 Index +12.5% in sterling, +14.4% in dollars), reaching record highs in late 2017 and early 2018 on strong corporate earnings and optimism over tax reform, before tumbling in February on expectation-beating US wage data, fuelling fears of a more aggressive policy from the US Federal Reserve (Fed). Ongoing trade tensions between the US and China negatively affected equities throughout the rest of 2018. More encouragingly, relations between the US and North Korea thawed towards the end of the review year as President Donald Trump met with Kim Jong-un in June, while a rally in the technology sector and rising oil prices boosted equities in June. The annualised GDP growth rate of 3.2% in the three months to September marked the fastest rate in over two years. However, it slowed to a one-year low of 2.0% in the first quarter of 2018, below expectations. More positively, the unemployment rate fell to an 18-year low of 3.8% in May. The Fed raised interest rates in December, March and June.

## Japan

Japanese equities advanced (Topix Index +9.5% in sterling, +9.7% in yen). Prime Minister Shinzo Abe strengthened his position in October's snap election but his popularity later declined amid a series of scandals. Meanwhile, President Trump opposed re-joining the Trans-Pacific Partnership and did not exempt the country from steel tariffs. Japan's economy shrank in the first quarter of 2018, contracting by an annualised 0.6%. It was the first economic contraction since 2015 and worse than analysts predicted, suggesting the beginning of a less favourable economic environment in the country. The Bank of Japan kept interest rates unchanged but reduced the amount of its monthly bond purchases through 2018, which some analysts interpreted as signs of a reduction of the country's fiscal stimulus programme.

## Asia

The MSCI AC Asia Pacific ex Japan Index rose (+8.1% in sterling, +9.9% in US dollars). Equities tumbled in February amid the global sell-off and were continuously affected by trade tensions between the US and China. The Italian political crisis also weighed on Asian equities, which fell alongside global markets. The meeting between Kim Jong-un and President Trump dominated headlines for most of the second quarter; the latter cancelled the meeting in May although the two leaders eventually met in June to sign an agreement with the intention of denuclearising the Korean peninsula. Chinese GDP expanded 6.8% (annual rate) in the first quarter of 2018, unchanged from the previous two quarters. Equities there were particularly hurt by February's global sell-off and hit a two-year low in June amid trade war concerns. India's GDP annual growth rate rose over the year, reaching 7.7% in the first quarter of 2018, the strongest rate of growth in seven quarters. Australian equities touched 10-year highs in November and again in June, despite falling in early 2018 amid the global sell-off and fears of a US/China trade war.

## Emerging markets

Emerging markets were also up (MSCI Emerging Markets Index +6.8% in sterling, +8.6% in US dollars), despite tumbling during Italy's political crisis. Brazil's economy grew at an annual rate of 1.2% in the first quarter of 2018, its slowest rate of expansion since the second quarter of 2017 and below market expectations. Ratings agency Fitch downgraded the country's credit rating in February as the government scrapped its pension reform. The Central Bank of Brazil cut interest rates throughout most of the year as inflation declined, but left them unchanged in May and June. Russia's GDP grew at an annual rate of 1.3% in the first quarter of 2018, up from 0.9% in the previous quarter. Meanwhile, the Bank of Russia cut interest rates in February and March as inflation remained low.

## Market review (continued)

### Fixed income and commodities

Within fixed income, core government bond markets were mixed. Yields rose in the US, were almost flat in the UK and fell in Germany. Factors pushing up 10-year US Treasury yields included strong employment data and trade tensions. UK 10-year gilt yields spiked in late 2017 and early 2018 on Brexit concerns and expectations of a BoE rate rise but fell back later. German bund yields slumped in March on investor nerves regarding a potential US/China trade war. Yields on German, US and UK government securities fell in late May amid Italy's political turmoil. Corporate bond issuance reached record highs in late 2017 and yields remained relatively stable during February's equity sell-off. In March, sales of new debt issues fell to their lowest levels since 2014, and markets declined during the second quarter as the Fed tightened its monetary policy.

The price of Brent Crude oil rose over the year, boosted by production cuts. In June, the Organization of the Petroleum Exporting Countries (OPEC) agreed to raise production to limit the rising prices. The gold price was volatile throughout the year but did ultimately rise. Despite its safe-haven nature, the commodity was largely avoided throughout 2018, owing to the strength of the US dollar and still relatively subdued inflation rates.



## **Statement of Authorised Corporate Director's (ACD) responsibilities** for the year ended 30 June 2018

The Financial Conduct Authority's Collective Investment Schemes Sourcebook requires the ACD to prepare financial statements for each annual accounting year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland), of the funds and their income for the year. In preparing the financial statements the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the requirements of the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in May 2014;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which enable it to demonstrate that the Financial Statements, as prepared by Henderson Investment Funds Limited, comply with the above requirements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future.

The ACD is responsible for the management of the Company in accordance with its Instrument of Incorporation, Prospectus and the OEIC Regulations. The ACD is also responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Statement of Depositary's responsibilities and report of the Depositary to the shareholders of Janus Henderson UK & Europe Funds (the "Company")

for the year ended 30 June 2018

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations), as amended, the Financial Services and Markets Act 2000, as amended (together "the Regulations"), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares carried out in accordance with the Regulations;
- the value of shares in the Company is calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM") are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

National Westminster Bank Plc  
London  
11 September 2018

# Independent auditors' report to the shareholders of Janus Henderson UK & Europe Funds (the "Company") for the year ended 30 June 2018

## Report on the audit of the financial statements

### Opinion

In our opinion, Janus Henderson UK & Europe Fund's financial statements:

- give a true and fair view of the financial position of the Company and each of the sub-funds as at 30 June 2018 and of the net revenue and the net capital gains/(losses) on the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Janus Henderson UK & Europe Funds (the "Company") is an Open Ended Investment Company ('OEIC') with 11 sub-funds. The financial statements of the company comprise the financial statements of each of the sub-funds. We have audited the financial statements, included within the Annual Report & Accounts (the "Annual Report"), which comprise:

- the balance sheets as at 30 June 2018;
- the statement of total return and the statement of change in net assets attributable to shareholders for the year then ended;
- the distribution tables;
- aggregated notes to the financial statements and
- the notes to the financial statements.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Authorised Corporate Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Corporate Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's or any of the sub-funds' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's or any of the sub-funds' ability to continue as a going concern.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Corporate Director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

# Independent auditors' report to the shareholders of Janus Henderson UK & Europe Funds (the "Company") (continued)

## Authorised Corporate Director's Report

In our opinion, the information given in the Authorised Corporate Director's (ACD) report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Responsibilities for the financial statements and the audit

### Responsibilities of the Authorised Corporate Director for the financial statements

As explained more fully in the Statement of Authorised Corporate Director's (ACD) responsibilities set out on page 4, the Authorised Corporate Director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Corporate Director is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Corporate Director is responsible for assessing the company's and each of the sub-funds ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Corporate Director either intends to wind up or terminate the company or individual sub-fund, or has no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## Use of this report

This report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Opinion on matter required by the Collective Investment Schemes sourcebook

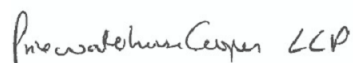
In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

### Collective Investment Schemes sourcebook exception reporting

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.



PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Glasgow  
11 September 2018

## 1 Accounting policies

### (a) Basis of preparation

The financial statements of Janus Henderson UK & Europe Funds (formerly Henderson UK & Europe Funds) (the 'Company') comprise the financial statements of each of the funds. They have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the Investment Management Association ('IMA') in May 2014 (the 'SORP'), the Financial Reporting Standard 102 ('FRS 102'), the Financial Conduct Authority's Collective Investment Schemes Sourcebook ('COLL') and the Company's Instrument of Incorporation. The financial statements have been prepared on a going concern basis.

### (b) Basis of valuation of investments

The valuation of listed investments has been at fair value, which is generally deemed to be bid market price, excluding any accrued interest in the case of debt securities, at close of business on the last valuation day of the accounting year (29 June 2018) in accordance with the provisions of the scheme particulars.

Secured loans are valued by the Authorised Corporate Director (ACD) taking into account latest dealing prices, broker quotes and valuations from reliable sources.

Investments in collective investment schemes (CIS) have been valued at bid prices. For those CIS funds that are not dual priced, single prices are used.

Certificates of deposit are valued by the ACD using a yield curve approach. The yield curve provides a graphical illustration of the relationship between redemption yields and instrument's maturity dates, and from this an appropriate market yield can be derived for the instrument which can in turn be used to calculate its fair value.

Suspended, defaulted, delisted, unquoted or manually priced securities are valued by the ACD taking into account, where appropriate, latest dealing prices, valuations from reliable sources, financial performance and other relevant factors.

Derivative assets and liabilities are valued at the fair value price to close out the contract at the Balance sheet date, using available market prices or an assessment of fair value based on counterparty valuations and appropriate pricing models.

### (c) Revenue recognition

Distributions from CIS and dividends receivable from quoted equity and non equity shares are credited to revenue, when the security is quoted ex-dividend. Dividends on unquoted stocks are credited to revenue when the dividend is announced.

Overseas dividends are disclosed gross of any foreign tax suffered, the tax element being separately disclosed in the tax note.

Interest on debt securities is recognised on an accruals basis, taking into account the effective yield on the investment. The effective yield is a calculation that amortises any discount or premium on the purchase of an investment over its remaining life based on estimated cash flows.

Bank and deposit interest are recognised on an accruals basis.

Accumulation of revenue relating to accumulation units or shares held in underlying funds is recognised as revenue and included in the amount available for distribution. Equalisation received and accrued from distributions or accumulations on units or shares in underlying investments is treated as capital and deducted from the cost of the investment.

Income distributions from UK Real Estate Investment Trusts ('UK REITs') is split into two parts, a Property Income Distribution (PID) made up of rental revenue and a non-PID element, consisting of non-rental revenue. The PID element is subject to corporation tax as schedule A revenue, while the non-PID element is treated as franked revenue.

Overseas REIT income is disclosed gross of any foreign tax suffered, the tax element being separately disclosed in the tax note.

Revenue earned on derivatives and interest on margin are accounted for on an accruals basis.

Underwriting commission is taken to revenue and recognised when the issue takes place, except where the fund is required to take up all or some of the shares underwritten in which case an appropriate proportion of the commission received is deducted from the cost of the relevant shares.

Stock lending revenue is accounted for on an accruals basis, net of bank and agent fees.

Revenue derived from the gains/losses on hedged class forward currency contracts is allocated to both the capital and revenue of the share class based upon the prior day capital/revenue split.

Special dividends are recognised as either revenue or capital depending on the nature and circumstances of the dividends receivable.

Dividends received as shares (scrip/stock dividends), to the extent that the value of such dividends is equal to the cash dividends, are treated as revenue. The revenue forms part of any distribution.

If any revenue receivable at the Balance sheet date is not considered recoverable, a provision is made for the relevant amount.

## Aggregated notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### (d) Treatment of expenses (including ACD expenses)

All expenses (other than those detailed below and those relating to the purchase and sale of investments) are charged against revenue on an accruals basis.

#### Annual Management Charge (AMC)

In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual fee out of the Company property, calculated as a percentage of the relevant value of the property of each class of each fund. The AMC is accrued on a daily basis by reference to the net asset value of each share class on that dealing day and the amount due for each month is payable on the last working day of the month.

The investment objective of Janus Henderson Preference & Bond Fund, Janus Henderson Strategic Bond Fund and Janus Henderson UK Equity Income & Growth Fund concentrates on the generation of income as a higher priority than capital growth. The ACD and Depositary have agreed that 100% of the AMC for these funds is to be taken to capital for the purpose of calculating the distribution, as permitted by the OEIC regulations and in accordance with the Prospectus. The distribution currently payable reflects this treatment together with any associated tax effect.

#### General Administration Charge

All fees with the exception of the AMC, Depositary, legal fees and safe custody fees have been replaced by a single ad valorem charge, the General Administration Charge (GAC). The ACD believes that this creates more efficiency around the charging process than more traditional methods. The GAC is calculated as a percentage of the scheme property and the amount each share class in each fund will pay will depend on the costs attributable to each share class based on whether the class is a 'retail' class or an 'Institutional' class. The GAC accrues on a daily basis and is payable to the ACD by each share class monthly.

#### Allocation of revenue and expenses to multiple share classes

With the exception of the AMC, and the GAC and revenue derived from the gains/losses on hedged class forward currency contracts, which are directly attributable to individual share classes, all revenue and expenses are allocated to share classes pro rata to the value of the net assets of the relevant share class on the day that the revenue or expense is incurred.

#### (e) Exchange rates

Foreign currency transactions are translated into sterling at the exchange rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies at the end of the accounting year are translated into sterling at the exchange rates prevailing at close of business on the last valuation day of the accounting year.

#### (f) Taxation

Provision is made for tax at the current rates on the excess of taxable revenue over allowable expenses, with relief for overseas taxation taken where appropriate.

Overseas dividends are disclosed gross of any foreign tax suffered, the tax element being separately disclosed in the tax note.

Corporation tax is charged at 20% of the revenue liable to corporation tax less expenses.

Deferred tax is provided on all timing differences that have originated but not reversed at the balance sheet date other than those recorded as permanent differences. Deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

Deferred tax assets are only recognised to the extent it is regarded as more likely than not that there will be taxable profits against which the future reversal of underlying timing differences can be offset.

#### (g) Cash flow statement

The funds are not required to produce a cash flow statement as they meet the exemption criteria set out in FRS 102.7.1A as the funds' investments are highly liquid, are carried at market value and a Statement of change in net assets attributable to shareholders is provided for each fund.

#### (h) Hedged share classes

Class A EUR (hedged) accumulation and Class A USD (hedged) accumulation in Janus Henderson UK Equity Income & Growth Fund are hedged share classes. Hedged share classes allow the ACD to use currency hedging transactions to reduce the effect of fluctuations in the rate of exchange between the currency of shares in those classes and Sterling which is the base currency of the fund.

Any benefits or losses of the hedging transactions accrue to shareholders in that hedged share class only.

The currency transactions will not cause the Euro and US dollar hedged class shares to be leveraged. The value of the share class to be hedged will be made up of both capital and income elements and the ACD intends to hedge between 95-105% of the value of each hedged share class. Adjustments to any hedge to keep within this target range will only be made when the required adjustment is material. As such the Euro and US dollar hedged class shares will not be completely protected from all currency fluctuations.

## Aggregated notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### (j) Treatment of derivatives

Derivative transactions are accounted for on a trade date basis. Where such transactions are used to protect or enhance revenue and the circumstances support it, the revenue and expenses derived there from are included in Revenue in the Statement of total return on an accruals basis. Where such transactions are used to protect or enhance capital and the circumstances support it, the gains and losses derived there from are included in Net capital gains/(losses) in the Statement of total return.

#### Forward foreign currency contracts

Open forward currency contracts are shown in the portfolio statement at fair value and the net gains/(losses) are reflected in Forward currency contracts in Net capital gains/(losses) on investments.

#### Forward foreign currency contracts on hedged share classes

Open forward currency contracts on hedged share classes are shown in the portfolio statement at fair value. The net gains/(losses) on forward currency contracts on hedged unit classes are apportioned between Hedged income on forward currency contracts in the Revenue account and Forward currency contracts on hedged share classes in Net capital gains/(losses) on investments, reflecting the income and capital elements of the hedged share classes.

#### Futures contracts

The unrealised gain/(loss) on open future contracts is disclosed in the portfolio statement. The margins paid on these contracts are included in amounts held at derivative clearing houses and brokers. For futures, the net gains/(losses) are apportioned between the revenue account and derivative securities in net capital gains/(losses) on investments, reflecting the nature of the return. The basis of the apportionment is typically made by reference to the yield on the underlying security or index or other appropriate source.

#### Credit default swaps

Open credit default swaps (CDS) are shown in the Portfolio Statement at fair value and the net capital gains/ (losses) are reflected within Derivative securities in Net capital gains/(losses) on investments. Premiums receivable or payable on CDSs are included in the Revenue account on an accruals basis.

#### Credit default index swaps

Open credit default swaps index (CDX) are shown in the Portfolio Statement at fair value and the net capital gains/(losses) are reflected within Derivative securities in Net capital gains/(losses) on investments. Premiums receivable or payable on CDX are included in the Revenue account on an accruals basis.

#### Interest rate swaps

Open interest rate swaps (IRS) are shown in the portfolio statement at fair value and the net capital gains/(losses) are reflected within Derivative securities in Net capital gains/(losses) on investments. Interest receivable or payable on IRS is included in the Revenue account on an accruals basis.

#### Inflation index swaps

Open inflation index swaps (IIS) are shown in the portfolio statement at fair value and the net gains/(losses) are reflected within Derivative securities in Net capital gains/(losses) on investments. Premiums receivable or payable on inflation index swaps is included in the Revenue account on an accruals basis.

#### Swaptions contracts

Swaptions contracts are shown in the Portfolio statement at fair value and the net gains/(losses) are reflected within Derivative securities in Net capital gains/(losses) on investments. Premiums receivable or payable on swaptions are included within Derivative contracts in Net capital gains/(losses) on investments.

#### Options contracts

Options contracts are shown in the Portfolio statement at fair value and the net gains/(losses) are reflected within Derivative securities in Net capital gains/(losses) on investments. Premiums receivable or payable on options are included within Derivative contracts in Net capital gains/(losses) on investments.

#### (j) Dilution adjustment

The funds are priced on a single swinging price basis. The ACD has the discretion to charge a dilution adjustment when there is a large volume of deals and, in accordance with the FCA regulations, to pay this amount into the fund. In particular the ACD reserves the right to make such an adjustment in the following circumstances:

- On a fund experiencing large levels of net purchases (i.e. purchases less redemptions), relative to its size;
- On a fund experiencing large levels of net redemptions (i.e. redemptions less purchases), relative to its size;
- In any other case where the ACD is of the opinion that the interests of existing or continuing shareholders and potential investors require the imposition of a dilution adjustment.

## Aggregated notes to the financial statements (continued)

### 2 Distribution Policy

The distribution policy of the funds is to distribute/accumulate all available revenue, after the deduction of expenses properly chargeable against revenue, subject to any expense which may currently be transferred to capital. Janus Henderson UK Smaller Companies Fund, Janus Henderson European Smaller Companies Fund and Janus Henderson UK Equity Income & Growth pay dividend distributions; all other funds pay interest distributions.

Revenue attributed to accumulation shareholders is retained at the end of each distribution period and represents a reinvestment of revenue.

With effect from 1 July 2017, marginal tax relief is no longer taken into account when determining the amount available for distribution on Janus Henderson UK Equity Income & Growth Fund.

For the purpose of calculating the distribution, interest on debt securities is computed on an effective yield basis, the same basis on which it is reflected in the financial statements with the exception of Janus Henderson Preference & Bond and Janus Henderson Strategic Bond, unless the effective yield calculation is higher than that calculated on a coupon basis.

For the purposes of calculating the distribution on Janus Henderson Index Linked Bond Fund, revenue is computed on an effective yield basis utilising the exemption set out in the Financial Conduct Authority's COLL 6.8.3 (for funds whose policy is to invest predominantly in index linked securities) to treat capital indexation as non-distributable.

Gains and losses on investments and currencies, whether realised or unrealised, are taken to capital and are not available for distribution.

When the revenue from investments exceeds the expenses, a distribution will be made. Should expenses exceed revenue there will be no distribution and the shortfall will be transferred from capital at the year end.

The following funds make annual distributions (31 August) to shareholders:

- Janus Henderson UK Smaller Companies Fund
- Janus Henderson European Smaller Companies Fund

The following funds make quarterly distributions (30 November, last day of February, 31 May and 31 August) to shareholders:

- Janus Henderson All Stocks Credit Fund
- Janus Henderson Index Linked Bond Fund
- Janus Henderson Institutional Long Dated Credit Fund
- Janus Henderson Institutional Long Dated Gilt Fund
- Janus Henderson Institutional Short Duration Bond Fund
- Janus Henderson Institutional UK Gilt Fund
- Janus Henderson Institutional Preference & Bond Fund
- Janus Henderson Strategic Bond Fund
- Janus Henderson UK Equity Income & Growth Fund

All distributions unclaimed for a period of six years after having become due for payment shall be forfeited and shall revert to the funds.

### Equalisation

Income equalisation currently applies to all funds except Janus Henderson European Smaller Companies Fund and Janus Henderson UK Smaller Companies Fund.

Equalisation applies only to shares purchased during the distributions period (group 2 shares). It is the average amount of revenue included in the purchase price of group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.



### 3 Risk

In pursuing their investment objectives the funds hold a number of financial instruments. These financial instruments comprise securities and other investments, cash balances, debtors and creditors arising from the funds' operations. Derivative instruments may be used in all funds for the purposes of efficient portfolio management and, in the bond funds may also be used for meeting the investment objectives of the funds, including risk reduction and implementation of investment policies.

The risk management policy and process for the funds is designed to satisfy the regulatory requirements for UCITS funds; associated regulatory technical standards and guidelines; and local regulations. The framework for risk controls and limits for the funds are documented within the ACD's Risk Management Policy and Process document, which outlines for each main risk category the controls and risk measures in place, including stress tests for assessing sensitivity to the most relevant risks. This risk framework includes setting of limits and monitoring against those limits.

In the normal course of business, the funds' activities expose it to various types of risk which are associated with the financial instruments and markets in which they invest. These financial risks: market risk (comprising currency risk, interest rate risk and other market price risk), credit risk and liquidity risk and the approach to the management of these risks, are set out below and remain unchanged from the previous accounting year. For a detailed explanation of these and further risks involved in investing in the funds, reference should be made to the Prospectus; investors and prospective investors are recommended to discuss all potential risks with their own legal, tax and financial advisors.

The risk management systems to which the Janus Henderson Risk, Compliance and Operations teams have access for independent monitoring and risk measurement purposes include:

- Charles River system's Compliance module for investment restrictions monitoring;
- OneSumX operational risk database;
- RiskMetrics, UBS Delta, Style Research, FinAnalytica and Barra Aegis for market risk measurement; and
- Bloomberg for market data and price checking.

These are supplemented by an in-house development, the Janus Henderson Derivatives Risk and Compliance database.

#### (a) Market risk

Market risk is the risk of loss resulting from fluctuations in the market value of positions in the funds attributable to changes in market variables such as interest rates, foreign exchange rates or an issuer's creditworthiness.

The investments of the funds are subject to normal market fluctuations and other risks inherent in investing in securities in pursuance of the investment objective and policies.

Investments in emerging markets may be more volatile than investments in more developed markets. Some of these markets may have relatively unstable governments, economies based on only a few industries and securities markets that trade only a limited number of securities. Many emerging markets do not have well developed regulatory systems and disclosure standards may be less stringent than those of developed markets. The risks of expropriation, nationalisation and social, political and economic instability are greater in emerging markets than in more developed markets. Some of the more common risks associated with emerging markets investment include: fraudulent securities; lack of liquidity; currency fluctuations; settlement and custody risks; investment and remittance restrictions; and accounting requirements.

Funds investing in smaller companies invest in transferable securities which may be less liquid than the securities of larger companies, as a result of inadequate trading volume or restrictions on trading. Securities in smaller companies may possess greater potential for capital appreciation, but also involve risks, such as limited product lines, markets and financial or managerial resources and trading in such securities may be subject to more abrupt price movements than trading in the securities of larger companies.

The funds may use derivatives instruments for efficient portfolio management purposes. This should not lead to an increase in risk to a fund. In adverse situations, however a fund's use of derivatives may become ineffective in efficient portfolio management and a fund may suffer significant loss as a result. Derivatives, when used to implement an investment policy, may increase the volatility of a fund's share price although it is not intended that their use will otherwise cause its existing risk profile to change.

Fund's investing in secured loans are subject to additional risks including lack of liquidity and custody risks.

The global exposure of the funds is calculated by using either the commitment approach or Value-at-Risk approach by reference to their risk profile.

### 3 Risk (continued)

#### (a) Market risk

VaR is a mathematical statistical concept and is commonly used as a standard measure of risk in the financial sector. For each VaR fund the maximum potential loss that it could suffer in normal market conditions within a given time horizon and a certain degree of confidence is estimated. In these calculations all positions in the relevant investment portfolio are taken into consideration including those undertaken for efficient portfolio management purposes. VaR is calculated daily using a Monte Carlo simulation approach; as a control mechanism, Monte Carlo results are compared to the parametric model for validation purposes within the daily monitoring process.

The following parameters are applied as a minimum: a one-tailed 99% confidence interval, a holding period equivalent to one month (20 business days), effective observation period (history) of risk factors of at least 1 year (250 business days), quarterly data set updates and daily calculation.

For those funds using the VaR approach to calculate global exposure and for which it is not appropriate to determine a reference portfolio absolute monthly VaR is not to exceed a regulatory maximum limit of 20% (absolute VaR). For funds which have a suitable reference portfolio, the regulatory limit is that the VaR of the total portfolio's positions shall not be greater than twice the VaR of the portfolio's reference portfolio (relative VaR).

The level of leverage arising from the use of derivative instruments is disclosed in the individual funds' accounts as a percentage of the relevant fund's total Net Asset Value. The calculation is based on the sum of notional exposures of financial derivative instruments in the investment portfolio including those held for risk reduction purposes. Please note this level of leverage is explicitly not an investment limit for the fund and will vary over time under differing market conditions to ensure that each fund meet its investment objective.

Please refer to the individual funds' accounts for details of global exposure, leverage and sensitivity analysis.

#### Currency risk

Currency risk is the risk that the value of the funds' investments will fluctuate as a result of changes in foreign currency exchange rates. A proportion of a fund's assets and income may be denominated in currencies other than sterling (the fund's functional currency and the one in which it reports its results). As a result, movements in exchange rates may affect the sterling value of those items so a fund's total return and balance sheet can be significantly affected by currency fluctuations. This risk is managed by the Investment Manager using hedging transactions in line with each fund's investment objective, powers and limits, though this will not eliminate the relevant fund's currency risk.

Please refer to the individual funds' accounts for details of currency risk exposure.

#### Hedged Share Classes

Hedged share classes exist in the Janus Henderson UK Equity Income & Growth Fund. These hedged share classes allow the Investment Manager to use currency hedging transactions to seek to minimise the effect of exchange rate fluctuations between the base currency and the currency of the relevant share class.

Hedging transactions may be entered into whether the Euro or US dollar (as appropriate) is declining or increasing in value relative to Sterling and so where such hedging is undertaken it may substantially protect investors in the relevant class against a decrease in the value of Sterling relative to the US dollar or Euro but it may also preclude investors from benefiting from an increase in the value of Sterling. The performance of a hedged share class may differ from other share classes of the fund because the return on unhedged share classes is based on both the performance of the fund's investments and the performance of the portfolio currency relative to sterling whereas the return on a hedged share class should only be based on the performance of the fund's investments. However, there is no guarantee that the hedging strategy applied in hedged share classes will entirely eliminate the adverse effects of changes in exchange rates between the base currency and the currency of the relevant share class. Where undertaken, the effect of hedging is reflected in the net asset value and therefore, in the performance of the relevant hedged share class.

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Some securities such as bonds are directly impacted by interest rate movements but others are indirectly affected.

The funds invest in debt securities including secured loans and sub-investment grade bonds. The accumulation and disposal of holdings may be more expensive, time consuming and generally more difficult than in more developed markets. As regards security, there is the possibility of the invalidation of an investment as a fraudulent conveyance under relevant creditors' rights laws. Where sub-participations are used to gain exposure there is the additional credit and bankruptcy risk of the direct participant and its failure to account for monies received. A fund does not generally have the right to force compliance by the obligor with the terms of the applicable debt agreements nor directly benefit from the supporting collateral for the debt in respect of which it has purchased a sub-participation. Secured loans will be registered in the name of the fund who will therefore be the legal owner and benefit from the indemnities and covenants under the loan documentation. The associated risk of the loans not being held in the name of the custodian are failure to acquire proper title and improper disposal. The Investment Manager has no control over the activities of any company which has entered into a secured loan invested in by the funds.

## Aggregated notes to the financial statements (continued)

### 3 Risk (continued)

#### (a) Market risk (continued)

##### Interest rate risk (continued)

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of the capital may fall, and vice versa. Inflation will also decrease the real value of capital. The value of a fixed interest security will fall in the event of the default or reduced credit rating of the issuer. Generally, the higher the rate of interest, the higher the perceived credit risk of the issuer. High yield bonds with lower credit rating (also known as sub-investment grade bonds) are potentially more risky (higher credit risk) than investment grade bonds, and may have an increased risk of default on repayment.

From time to time Janus Henderson All Stocks Credit Fund, Janus Henderson Institutional Long Dated Credit Fund, Janus Henderson Preference & Bond Fund and Janus Henderson Strategic Bond Fund may hold sub-investment grade bonds. Such bonds have a lower credit rating than investment grade bonds and carry a higher degree of risk.

Please refer to the individual funds' accounts for details of interest rate risk exposure.

##### Other market price risk

Other price risk is the risk that the value of the funds' investments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Other price risk arises mainly from uncertainty about future prices of financial instruments the funds might hold. It represents the potential loss the funds might suffer through holding market positions in the face of price movements. The funds' investment portfolios are exposed to market price fluctuations, which are monitored by the Authorised Corporate Director in pursuance of the investment objectives and policies.

#### (b) Credit and counterparty risk

Credit and counterparty risk is the risk of loss resulting from the possibility that the counterparty to a transaction may default on its obligations prior to the settlement of the transaction's cashflow.

In order to manage credit risk the funds are subject to investment limits for issuers of securities (including secured loans) as outlined in the Prospectus. Issuer credit ratings are evaluated periodically and an approved issuer list is maintained and monitored. In addition the funds may only buy and sell investments through brokers which have been approved by the ACD as an acceptable counterparty and limits are set and monitored to cover the exposure to any individual broker. Changes in brokers' financial ratings are periodically reviewed by the Janus Henderson Credit Risk Forum along with set limits and new counterparty approval.

The funds' assets that are held with the banks could be exposed to credit and counterparty risk. The banks used by the funds and ACD are subject to regular reviews. Only counterparties that have been approved by Janus Henderson's Credit Risk Forum are used for derivative transactions. The continuing credit worthiness of counterparties is monitored on a daily basis.

Adherence to investment guidelines and to investment and borrowing powers set out in the instrument of Incorporation, the Prospectus and in the Financial Conduct Authority Collective Investment Schemes Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

Please refer to the individual funds' accounts for details of credit and counterparty risk exposure, where relevant.

#### (c) Liquidity risk

Liquidity risk is the risk that a position in the funds' portfolios cannot be sold, liquidated or closed out at limited cost in an adequately short timeframe and that the ability of the funds to meet their settlement obligations is thereby compromised.

The funds are generally able to realise cash quickly to meet their liabilities. The main liquidity requirements of the funds include the redemption of any shares that a shareholder wishes to sell. Temporary higher liquidity levels may also arise during the carrying out of a change in asset allocation policy, or following a large issue of shares.

Funds investing in smaller companies invest in transferable securities which may be less liquid than the securities of larger companies, as a result of inadequate trading volume or restrictions on trading.

Some funds invest in secured loans for which there may be a lack of liquidity, whereby the accumulation and disposal of holdings may be more expensive, time-consuming and generally more difficult than in more developed markets.

The ACD manages the funds' cash positions to ensure they can meet their liabilities. The ACD receives daily reports of subscriptions and redemptions enabling the ACD to raise cash from the funds' portfolios in order to meet redemption requests. In addition the ACD monitors the market liquidity of all securities, seeking to ensure the funds maintain sufficient liquidity to meet known and potential redemption activity. The funds' cash balances are monitored daily by the ACD and administrator. When investments cannot be realised in time to meet any potential liability, the funds may borrow up to 10% of their property to ensure settlement.

Please refer to the individual funds' accounts for details of liquidity risk exposure.

## 4 Cross-holdings

There are no cross-holdings within any of the funds of the Janus Henderson UK & Europe Funds at the year end (2017: nil).

# Janus Henderson All Stocks Credit fund (formerly Henderson All Stocks Credit fund)

## Authorised Corporate Director's (ACD) report

### Investment Fund Managers

Philip Payne and Hartej Singh

Please note that as of 1 October 2017, Hartej Singh also managed this fund.

### Investment objective and policy

To provide a return by investing primarily in sterling denominated investment grade corporate bonds. The fund may invest in other transferable securities, money market instruments, derivatives and forward transactions, deposits and units in collective investment schemes.

### Performance summary

	30 Jun 17 - 30 Jun 18	30 Jun 16 - 30 Jun 17	30 Jun 15 - 30 Jun 16	30 Jun 14 - 30 Jun 15	30 Jun 13 - 30 Jun 14
	%	%	%	%	%
<b>Janus Henderson All Stocks Credit Fund</b>	0.4	5.7	6.4	4.6	5.5
<b>iBoxx GBP Non-Gilts All Maturities TR Index</b>	0.6	5.3	9.0	6.5	6.7

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 at close of business.

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.

## Significant portfolio changes for the year ended 30 June 2018

<b>Largest purchases</b>	<b>£000</b>	<b>Largest sales/maturities</b>	<b>£000</b>
UK Treasury 4.50% 07/12/2042	24,252	UK Treasury 4.50% 07/12/2042	27,664
UK Treasury 4.50% 07/09/2034	19,673	UK Treasury 4.50% 07/09/2034	16,573
UK Treasury 1.50% 22/07/2047	19,113	Leonardo 1.50% 07/06/2024	9,962
UK Treasury 1.75% 07/09/2037	11,133	Morgan Stanley 2.625% 09/03/2027	9,660
UK Treasury 0.50% 22/07/2022	10,253	LVMH 1.00% 14/06/2022	9,070
Air France-KLM 3.75% 12/10/2022	9,951	Aviva 6.125% 14/11/2036	8,787
Land Securities Capital Markets 2.75% 22/09/2057	9,045	WM Morrison Supermarkets 4.75% 04/07/2029	8,304
European Investment Bank 6.00% 07/12/2028	8,423	Barclays Bank 6.75% 16/01/2023	8,140
UK Treasury 4.25% 07/06/2032	7,776	AA Bond 4.248% 31/07/2020	7,925
UK Treasury 4.75% 07/12/2038	7,757	UK Treasury 4.25% 07/12/2046	7,885
<b>Total purchases</b>	<b>666,071</b>	<b>Total sales/maturities</b>	<b>717,160</b>

## Authorised Corporate Director's (ACD) report (continued)

### Investment review

Returns on sterling corporate bonds were positive over the year, benefiting from falling government bonds yields (prices move inversely to yields). However, excess credit returns (over governments) detracted from performance, despite performing well in the first half of the year under review.

The first six months of the review year were busy with significant political and central bank activity. As widely expected, the European Central Bank (ECB) announced a reduction in its monthly asset purchases from €60bn to €30bn, although it also extended the programme to September 2018. Catalonia voted for independence from Spain, while the UK made progress on its negotiations to leave the European Union (Brexit). In the US, President Donald Trump waged a war of words against North Korean leader Kim Jong-un and the Federal Reserve (Fed) raised interest rates by 25 basis points in December.

Total returns weakened in 2018 as volatility increased (meaning prices fluctuated more sharply) and global market sentiment deteriorated. This was precipitated by US wage inflation concerns, expectations of tighter monetary policy and US plans to impose trade tariffs on China. A rise in gilt yields towards the start of the year also hurt sterling returns.

As we moved towards the end of the year under review, corporate bond markets saw further weakness as a result of Italian political instability, an escalation of the trade dispute between the US and China and wider geopolitical concerns. Global growth, which previously looked well synchronised, also became less balanced as the US exceeded growth expectations while Europe slowed. The Fed and the Bank of England proved to be more hawkish than expected, while the ECB continued to err on the side of caution, offering guidance that it would not hike interest rates until at least summer 2019.

The fund delivered a positive return over the year. The strongest contributions to performance came from our allocation to lower rated bonds in the retail sector and financials. Detractors were primarily individual positions which underperformed for idiosyncratic reasons.

Performance also benefited from our tactical asset allocation as we took advantage of the August weakness in financials to increase our allocation to UK insurers, adding to positions in AXA, Scottish Widows and Prudential. We also decreased risk in January, thereby avoiding the worst of the back-up in credit markets in February, and reduced our position in banks late in the review year, reducing the impact of the sell-off in the sector during May and June.

In terms of financials, our overweight to subordinated banks and insurers was a strong contributor to returns, with an overweight to UK challenger bank Clydesdale, which was upgraded to investment grade by Moody's. Other strong contributors included subordinated bonds from HSBC, RBS and Bank of America. On the insurance side, Aviva performed well, along with a holding in Phoenix, which benefited from a strong earnings release and a ratings upgrade by Fitch.

The fund also benefited from a number of other 'rising star' rating agency upgrades in the portfolio, including aerospace and defence company Leonardo, which returned to an investment grade rating (Fitch), while also tendering for some of its existing bonds. Tesco, another rising star candidate, continued to perform well following strong results and a subsequent tender by the company for some of its outstanding bonds at a premium to market prices. We expect the issuer will return to investment grade at some point in 2019.

Our positioning in telecommunications performed well, including positions in Arqiva, which rallied on news that the company would not call its subordinated bonds, and US issuer AT&T. AT&T's bonds benefited after some of its bonds were redeemed at a price of 101p due to delays in the merger with Time Warner.

One area where new issuance was relatively high over the year was the real estate investment trust sector, partly driven by Annington Funding and Land Securities Capital Markets repurchasing existing bonds and issuing new debt. The fund participated in some of these deals, establishing new positions in Annington Funding and Akelius (residential property) and increasing existing positions in Land Securities and Digital Realty Trust. The bonds performed well since launch and contributed positively to performance.

Finally, our underweight to the utilities sector also performed well, benefiting from regulatory headwinds and perceived risks around future regulation.

Detractors included a short position in a UK gaming firm and a long position in Telecom Italia. While the gaming firm (and the gaming sector as a whole) came under pressure, our position, which was expressed through credit default swaps, also detracted as a review into Fixed Odd Betting Terminals was delayed and after the company agreed to be acquired by a rival. This position was closed at a loss. Telecom Italia declined as Italian politics hit the headlines and the company drew criticism in Italian newspapers on reports of infighting among the company's board. However, the weakness was partially offset by our underweight to Italian sovereign debt.

## Authorised Corporate Director's (ACD) report (continued)

In the short term, we are cautious on sterling corporate bonds. Following the recent moves, we believe valuations have become more attractive, especially versus US and euro equivalents. However, we believe 2018 will continue to be volatile, which may result in further periods of weakness in the summer months and provide more attractive entry points.

We remain cognisant that global monetary tightening could create instability in government bond and credit markets, particularly as seasonal factors may reduce liquidity and cause exaggerated movements in bond prices. We are equally mindful that other notable threats to stability remain prevalent including US trade relations and European and UK political pressures.

## Comparative tables for the year ended 30 June 2018

	Class A accumulation		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	155.53	147.89	138.30
Return before operating charges*	1.99	9.63	12.02
Operating charges	(1.43)	(1.63)	(1.63)
Return after operating charges*	0.56	8.00	10.39
Distributions on accumulation shares	(3.75)	(3.66)	(4.01)
Retained distributions on accumulation shares <sup>^</sup>	3.75	3.30	3.21
Closing net asset value per share	156.09	155.53	147.89
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	0.36%	5.41%	7.51%
<b>Other information</b>			
Closing net asset value (£000s)	2,158	2,879	2,923
Closing number of shares	1,382,628	1,850,983	1,976,710
Operating charges	0.91%	1.06%	1.16%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	159.60	159.30	147.80
Lowest share price (pence)	154.60	148.90	137.80

<sup>^</sup> Retained distributions prior to 6 April 2017 are net of 20% income tax.

	Class A income		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	133.69	129.86	124.22
Return before operating charges*	1.72	8.12	10.51
Operating charges	(1.22)	(1.42)	(2.01)
Return after operating charges*	0.50	6.70	8.50
Distributions on income shares	(3.19)	(2.87)	(2.86)
Closing net asset value per share	131.00	133.69	129.86
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	0.37%	5.16%	6.84%
<b>Other information</b>			
Closing net asset value (£000s)	2,846	5,884	6,783
Closing number of shares	2,172,612	4,400,881	5,223,526
Operating charges	0.91%	1.06%	1.16%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	137.20	139.90	130.40
Lowest share price (pence)	131.30	130.20	122.90

## Comparative tables (continued)

	Class I accumulation		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	255.01	241.33	224.48
Return before operating charges*	3.24	15.79	19.68
Operating charges	(1.39)	(1.36)	(1.24)
Return after operating charges*	1.85	14.43	18.44
Distributions on accumulation shares	(7.11)	(7.29)	(7.97)
Retained distributions on accumulation shares <sup>^</sup>	7.11	6.54	6.38
Closing net asset value per share	256.86	255.01	241.33
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	0.73%	5.98%	8.21%
<b>Other information</b>			
Closing net asset value (£000s)	435,345	14,934	11,752
Closing number of shares	169,487,530	5,856,229	4,869,869
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	262.00	260.20	241.10
Lowest share price (pence)	254.00	243.60	223.70

<sup>^</sup> Retained distributions prior to 6 April 2017 are net of 20% income tax.

	Class I income		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	134.98	131.09	125.34
Return before operating charges*	1.73	8.14	9.95
Operating charges	(0.73)	(0.73)	(0.68)
Return after operating charges*	1.00	7.41	9.27
Distributions on income shares	(3.72)	(3.52)	(3.52)
Closing net asset value per share	132.26	134.98	131.09
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	0.74%	5.65%	7.40%
<b>Other information</b>			
Closing net asset value (£000s)	179,376	13,885	21,398
Closing number of shares	135,628,630	10,286,999	16,323,443
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	138.60	141.30	131.80
Lowest share price (pence)	132.60	131.50	124.10



## Comparative tables (continued)

### Class Z accumulation (formerly Class Z accumulation gross)

	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	234.80	220.44	202.59
Return before operating charges*	2.98	14.45	17.93
Operating charges	(0.10)	(0.09)	(0.08)
Return after operating charges*	2.88	14.36	17.85
Distributions on accumulation shares	(7.75)	(7.86)	(8.30)
Retained distributions on accumulation shares	7.75	7.86	8.30
Closing net asset value per share	237.68	234.80	220.44
* after direct transaction costs of:	-	-	-

### Performance

Return after charges	1.23%	6.51%	8.81%
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### Other information

Closing net asset value (£000s)	524,790	569,826	508,336
Closing number of shares	220,797,397	242,688,820	230,602,762
Operating charges	0.04%	0.04%	0.04%
Direct transaction costs	0.00%	0.00%	0.00%

### Prices

Highest share price (pence)	241.90	239.50	220.20
Lowest share price (pence)	234.60	223.30	201.90

### Class A income gross

	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	134.07	130.20	124.50
Return before operating charges*	1.07	8.51	10.77
Operating charges	(0.31)	(1.43)	(1.46)
Return after operating charges*	0.76	7.08	9.31
Distributions on income shares	(0.83)	(3.21)	(3.61)
Final cancellation price	(134.00) <sup>1</sup>	-	-
Closing net asset value per share	-	134.07	130.20
* after direct transaction costs of:	-	-	-

### Performance

Return after charges	0.57%	5.44%	7.48%
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### Other information

Closing net asset value (£000s)	-	64	80
Closing number of shares	-	47,922	61,307
Operating charges	0.91%	1.06%	1.16%
Direct transaction costs	0.00%	0.00%	0.00%

### Prices

Highest share price (pence)	137.60 <sup>2</sup>	140.40	130.90
Lowest share price (pence)	134.00 <sup>2</sup>	130.60	123.30

<sup>1</sup> Class A income gross closed on 2 October 2017 and this is the final cancellation price.

<sup>2</sup> to 2 October 2017

## Comparative tables (continued)

	Class I accumulation gross		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	285.43	269.33	248.76
Return before operating charges*	2.27	17.62	21.95
Operating charges	(0.40)	(1.52)	(1.38)
Return after operating charges*	1.87	16.10	20.57
Distributions on accumulation shares	(2.03)	(8.17)	(8.89)
Retained distributions on accumulation shares	2.03	8.17	8.89
Final cancellation price	(287.30) <sup>3</sup>	-	-
Closing net asset value per share	-	285.43	269.33
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	0.66%	5.98%	8.27%
<b>Other information</b>			
Closing net asset value (£000s)	-	485,487	727,590
Closing number of shares	-	170,087,074	270,149,704
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	293.10 <sup>4</sup>	291.10	269.10
Lowest share price (pence)	285.20 <sup>4</sup>	272.40	247.90

<sup>3</sup> Class I accumulation gross closed on 2 October 2017 and this is the final cancellation price.

<sup>4</sup> to 2 October 2017

	Class I income gross		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	136.35	132.43	126.62
Return before operating charges*	1.11	8.65	10.98
Operating charges	(0.19)	(0.75)	(0.70)
Return after operating charges*	0.92	7.90	10.28
Distributions on income shares	(0.97)	(3.98)	(4.47)
Final cancellation price	(136.30) <sup>5</sup>	-	-
Closing net asset value per share	-	136.35	132.43
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	0.67%	5.97%	8.12%
<b>Other information</b>			
Closing net asset value (£000s)	-	175,443	386
Closing number of shares	-	128,669,409	291,214
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	140.00 <sup>6</sup>	142.90	133.40
Lowest share price (pence)	136.30 <sup>6</sup>	132.90	125.50

<sup>5</sup> Class I income gross closed on 2 October 2017 and this is the final cancellation price.

<sup>6</sup> to 2 October 2017

Direct transaction costs incurred on securities transactions (including derivatives) are stated after deducting the proportion of the amounts collected from dilution adjustments that relate to direct transaction costs.

Performance values are at close of business and may differ from the performance summary.

## Comparative tables (continued)

### Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

### Share class launches and closures

There were no share classes launched in the year. The following share classes were closed in the year.

Share class	Closure date
Class A income gross	2 October 2017
Class I accumulation gross	2 October 2017
Class I income gross	2 October 2017

The following share class changed name in the year:

Share class	Date of change
Class Z accumulation (formerly Class Z accumulation gross)	2 October 2017

As there is no longer any difference between gross and net share classes, investors in Class A income gross, Class I accumulation gross and Class I income gross have been combined into Class A income, Class I accumulation and Class I income respectively. This removes the administration cost of running two separate share classes that are otherwise identical.

## Ongoing charge figure

The annualised ongoing charge figure (OCF) of the fund is calculated as the ratio of the total ongoing charges to the average net asset value for twelve months. Ongoing charges are all expenses deducted from the assets of the fund during the year, except for expenses that are explicitly excluded by regulation.

	<b>2018</b> %	<b>2017</b> %
<b>Class A</b>	0.91	1.06 <sup>1</sup>
<b>Class I</b>	0.54	0.54
<b>Class Z</b>	0.04	0.04

The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

<sup>1</sup> The annual management charge on Class A reduced from 1.00% to 0.75% on 1 February 2017.

## Risk and reward profile

The fund currently has 5 types of share class in issue; A accumulation, A income, I accumulation, I income and Z accumulation (formerly 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 and any income from it 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 share classes appear at 3 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events.

The full list of the fund's risks are contained in the 'Risk Factors' section in the fund's prospectus.

There have been no changes to the risk rating in the year.

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

## Portfolio statement as at 30 June 2018

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Bonds 97.17% (2017: 95.77%)</b>		
	<b>Australia 0.40% (2017: 0.68%)</b>		
	<b>Fixed Rate Bond 0.25% (2017: 0.39%)</b>		
GBP 2,300,000	BHP Billiton Finance 4.3% 25/09/2042	2,822	0.25
	<b>Variable Rate Bond 0.15% (2017: 0.29%)</b>		
GBP 1,500,000	BHP Billiton Finance VAR 22/10/2077	1,680	0.15
	<b>Austria 0.29% (2017: 0.03%)</b>		
	<b>Fixed Rate Bond 0.29% (2017: 0.03%)</b>		
EUR 3,800,000	JAB 1.75% 25/06/2026	3,353	0.29
	<b>Belgium 0.78% (2017: 1.26%)</b>		
	<b>Zero / Discount Rate Bond 0.78% (2017: 1.26%)</b>		
GBP 6,248,000	Anheuser-Busch InBev 1.75% 07/03/2025	6,094	0.53
GBP 3,000,000	Anheuser-Busch InBev 2.85% 25/05/2037	2,875	0.25
		8,969	0.78
	<b>Canada 0.26% (2017: 0.00%)</b>		
	<b>Fixed Rate Bond 0.26% (2017: 0.00%)</b>		
GBP 3,000,000	Liberty Living Finance 2.625% 28/11/2024	2,997	0.26
	<b>Cayman Islands 0.00% (2017: 0.16%)</b>		
	<b>Fixed Rate Bond 0.00% (2017: 0.16%)</b>		
	<b>Czech Republic 0.28% (2017: 0.00%)</b>		
	<b>Fixed Rate Bond 0.28% (2017: 0.00%)</b>		
EUR 3,900,000	CPI Property 4.375% Perpetual	3,238	0.28
	<b>France 6.00% (2017: 5.21%)</b>		
	<b>Fixed Rate Bond 4.09% (2017: 3.54%)</b>		
EUR 6,700,000	Air France-KLM 3.75% 12/10/2022	6,105	0.53
GBP 5,200,000	Banque Fédérative du Crédit Mutuel 1.375% 20/12/2021	5,167	0.45
GBP 7,000,000	Dexia Credit Local 1.125% 15/06/2022	6,925	0.60
GBP 2,850,000	Électricité de France 5.125% 22/09/2050	3,483	0.30
GBP 5,600,000	Électricité de France 5.50% 17/10/2041	7,007	0.62
GBP 2,300,000	Électricité de France 6.00% 23/01/2114	2,961	0.26
GBP 1,850,000	LVMH 1.00% 14/06/2022	1,827	0.16
USD 4,200,000	Numericable 6% 15/05/2022	3,193	0.28
GBP 2,249,000	Orange 1.00% 12/05/2025	2,691	0.24
GBP 4,220,000	Total Capital International 1.75% 07/07/2025	4,176	0.36
EUR 1,700,000	Unibail-Rodamco 2.125% Perpetual	1,469	0.13
GBP 1,300,000	Veolia Environnement 6.125% 29/10/2037	1,822	0.16
		46,826	4.09

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Variable Rate Bond 1.91% (2017: 1.67%)</b>			
GBP 2,506,000	AXA 5.625% 16/01/2054	2,673	0.23
GBP 3,923,000	AXA 6.772% Perpetual	4,114	0.36
EUR 6,700,000	EDF 4.125% Perpetual	6,192	0.54
GBP 1,700,000	Électricité de France 5.875% Perpetual	1,682	0.15
GBP 2,800,000	Électricité de France 6.00% Perpetual	2,844	0.25
GBP 1,706,000	Orange 5.75% Perpetual	1,836	0.16
GBP 2,330,000	Orange 5.875% Perpetual	2,506	0.22
		<u>21,847</u>	<u>1.91</u>
<b>Germany 5.71% (2017: 6.74%)</b>			
<b>Fixed Rate Bond 4.69% (2017: 5.95%)</b>			
GBP 6,000,000	Aroundtown 3.00% 16/10/2029	5,758	0.50
GBP 5,900,000	BMW International Investment 1.75% 19/04/2022	5,907	0.52
GBP 5,100,000	Deutsche Telekom International Finance 6.50% 08/04/2022	5,986	0.52
GBP 1,650,000	E.ON International Finance 5.875% 30/10/2037	2,228	0.19
GBP 2,650,000	E.ON International Finance 6.00% 30/10/2019	2,810	0.25
GBP 2,150,000	E.ON International Finance 6.75% 27/01/2039	3,197	0.28
GBP 6,700,000	FMS Wertmanagement 0.875% 14/02/2022	6,640	0.59
GBP 2,900,000	innogy Finance 5.50% 06/07/2022	3,307	0.29
GBP 1,250,000	innogy Finance 6.125% 06/07/2039	1,750	0.15
GBP 2,883,000	innogy Finance 6.25% 03/06/2030	3,785	0.33
GBP 3,979,000	KFW 5.75% 07/06/2032	5,924	0.52
EUR 2,871,000	Unitymedia Hessen 3.75% 15/01/2027	2,646	0.23
GBP 3,736,000	Volkswagen Financial Services 1.50% 12/04/2021	3,707	0.32
		<u>53,645</u>	<u>4.69</u>
<b>Variable Rate Bond 1.02% (2017: 0.79%)</b>			
EUR 4,500,000	ATF Netherlands 3.75% Perpetual	4,000	0.35
GBP 2,600,000	Munich Reinsurance 6.625% 26/05/2042	2,964	0.26
GBP 4,600,000	RWE Finance 7.00% Perpetual	4,716	0.41
		<u>11,680</u>	<u>1.02</u>
<b>Hong Kong 0.00% (2017: 0.54%)</b>			
<b>Variable Rate Bond 0.00% (2017: 0.54%)</b>			
<b>Ireland 0.65% (2017: 0.32%)</b>			
<b>Fixed Rate Bond 0.65% (2017: 0.32%)</b>			
GBP 4,019,000	Ardagh Packaging Finance 4.75% 15/07/2027	3,843	0.34
GBP 3,700,000	Bank of Ireland 3.125% 19/09/2027	3,587	0.31
		<u>7,430</u>	<u>0.65</u>
<b>Israel 0.11% (2017: 0.00%)</b>			
<b>Fixed Rate Bond 0.11% (2017: 0.00%)</b>			
EUR 1,400,000	Teva Pharmaceutical Finance Netherlands II 4.50% 01/03/2025	1,266	0.11

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Italy 1.40% (2017: 1.47%)</b>		
	<b>Fixed Rate Bond 0.80% (2017: 1.40%)</b>		
GBP 2,371,000	Enel Finance International 5.625% 14/08/2024	2,755	0.24
GBP 2,177,000	Enel Finance International 5.75% 14/09/2040	2,760	0.24
USD 2,042,000	Meccanica Holdings 6.25% 15/01/2040	1,670	0.15
EUR 2,200,000	Telecom Italia 5.25% 17/03/2055	1,992	0.17
		<u>9,177</u>	<u>0.80</u>
	<b>Variable Rate Bond 0.60% (2017: 0.07%)</b>		
GBP 770,000	Enel 6.625% 15/09/2076	841	0.07
GBP 5,500,000	Enel 7.75% 10/09/2075	6,048	0.53
		<u>6,889</u>	<u>0.60</u>
	<b>Luxembourg 0.65% (2017: 0.60%)</b>		
	<b>Fixed Rate Bond 0.65% (2017: 0.60%)</b>		
GBP 6,697,100	European Investment Bank 4.25% 07/12/2021	7,395	0.65
	<b>Netherlands 1.87% (2017: 0.74%)</b>		
	<b>Fixed Rate Bond 1.87% (2017: 0.37%)</b>		
GBP 5,900,000	ABN AMRO Bank 1.00% 30/06/2020	5,858	0.52
GBP 4,700,000	ABN AMRO Bank 1.375% 07/06/2022	4,634	0.40
EUR 3,300,000	Lincoln Finance 6.875% 15/04/2021	3,009	0.26
GBP 4,866,000	Rabobank Nederland 4.625% 23/05/2029	5,403	0.47
EUR 2,740,000	VIVAT FRN Perpetual	2,492	0.22
		<u>21,396</u>	<u>1.87</u>
	<b>Variable Rate Bond 0.00% (2017: 0.37%)</b>		
	<b>Romania 0.31% (2017: 0.00%)</b>		
	<b>Fixed Rate Bond 0.31% (2017: 0.00%)</b>		
EUR 4,000,000	Globalworth Real Estate Investments 3.00% 29/03/2025	3,518	0.31
	<b>Spain 0.32% (2017: 0.30%)</b>		
	<b>Fixed Rate Bond 0.32% (2017: 0.30%)</b>		
GBP 2,900,000	Iberdrola Finanzas 7.375% 29/01/2024	3,681	0.32
	<b>Supranational 3.23% (2017: 1.95%)</b>		
	<b>Fixed Rate Bond 3.23% (2017: 1.95%)</b>		
GBP 3,827,000	European Investment Bank 3.875% 08/06/2037	4,981	0.44
GBP 2,913,000	European Investment Bank 4.50% 07/03/2044	4,351	0.38
GBP 1,608,000	European Investment Bank 5.00% 15/04/2039	2,440	0.21
GBP 3,200,000	European Investment Bank 5.50% 15/04/2025	4,031	0.35
GBP 3,731,000	European Investment Bank 5.625% 07/06/2032	5,457	0.48
GBP 8,871,000	European Investment Bank 6.00% 07/12/2028	12,457	1.09
GBP 2,190,000	International Bank for Reconstruction & Development 5.75% 07/06/2032	3,261	0.28
		<u>36,978</u>	<u>3.23</u>



## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Sweden 1.23% (2017: 1.21%)</b>		
	<b>Fixed Rate Bond 1.23% (2017: 1.21%)</b>		
GBP 4,800,000	Akelius Residential Property 2.375% 15/08/2025	4,630	0.40
GBP 4,900,000	Scania 1.875% 28/06/2022	4,888	0.43
GBP 4,600,000	Svenska Handelsbanken 1.625% 18/06/2022	4,590	0.40
		<u>14,108</u>	<u>1.23</u>
	<b>Switzerland 2.03% (2017: 1.47%)</b>		
	<b>Fixed Rate Bond 1.59% (2017: 1.05%)</b>		
GBP 2,695,000	Credit Suisse 2.125% 12/09/2025	2,565	0.22
EUR 4,100,000	Richemont International 1.00% 26/03/2026	3,637	0.32
EUR 5,700,000	Richemont International 1.50% 26/03/2030	5,085	0.44
USD 2,150,000	Syngenta Finance 4.892% 24/04/2025	1,597	0.14
USD 1,335,000	Syngenta Finance 5.182% 24/04/2028	977	0.09
GBP 4,400,000	UBS 1.25% 10/12/2020	4,378	0.38
		<u>18,239</u>	<u>1.59</u>
	<b>Variable Rate Bond 0.44% (2017: 0.42%)</b>		
GBP 4,497,000	Zurich Finance UK 6.625% Perpetual	5,047	0.44
	<b>United Kingdom 58.07% (2017: 56.32%)</b>		
	<b>Asset Backed 1.88% (2017: 2.40%)</b>		
GBP 593,285	Canary Wharf Finance 6.455% 22/10/2033	748	0.07
GBP 1,963,875	Juturna 5.0636% 10/08/2033	2,371	0.21
GBP 4,425,207	Longstone Finance 4.791% 19/04/2036	5,097	0.44
GBP 2,421,000	Metropolitan Funding 4.125% 05/04/2048	2,830	0.25
GBP 856,000	Sunderland Finance 6.38% 31/03/2042	1,174	0.10
GBP 1,527,274	Telereal Securitisation 5.3887% 10/12/2033	1,813	0.16
GBP 1,459,671	Tesco Property Finance 5.744% 13/04/2040	1,692	0.15
GBP 4,748,678	White City Property Finance 5.1202% 17/04/2035	5,837	0.50
		<u>21,562</u>	<u>1.88</u>
	<b>Fixed Rate Bond 51.62% (2017: 47.34%)</b>		
GBP 3,318,000	AA Bond 2.875% 31/01/2022	3,252	0.28
GBP 4,517,000	AA Bond 4.248% 31/07/2020	4,656	0.41
GBP 3,380,000	AA Bond 5.5% 31/07/2022	3,083	0.27
GBP 3,923,000	Affordable Housing Finance 2.893% 11/08/2043	4,479	0.39
GBP 1,606,000	Anglian Water Services Finance 4.50% 22/02/2026	1,759	0.15
GBP 3,200,000	Annington Funding 2.646% 12/07/2025	3,184	0.28
GBP 1,800,000	Annington Funding 3.184% 12/07/2029	1,801	0.16
GBP 4,210,000	Annington Funding 3.685% 12/07/2034	4,298	0.38
GBP 8,501,000	Arqiva Broadcast Finance 9.50% 31/03/2020	8,797	0.77
GBP 3,527,000	Arqiva Financing 4.04% 30/06/2020	3,659	0.32
GBP 5,055,000	A2Dominion 3.50% 15/11/2028	5,163	0.45
GBP 8,754,000	BAA Funding 6.75% 03/12/2026	11,458	1.00
GBP 2,610,000	Bank of Scotland 9.375% 15/05/2021	3,117	0.27
USD 4,000,000	Barclays Bank 7.625% 21/11/2022	3,262	0.28
GBP 1,508,000	Barclays Bank 9.50% 07/08/2021	1,796	0.16
GBP 6,100,000	Barclays 2.375% 06/10/2023	5,980	0.52
GBP 6,315,000	BAT International Finance 1.75% 05/07/2021	6,321	0.55
GBP 6,840,000	BAT International Finance 4.00% 04/09/2026	7,428	0.65

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Fixed Rate Bond</b> (continued)			
GBP 5,741,000	BAT International Finance 6.375% 12/12/2019	6,139	0.54
GBP 5,400,000	Bazalgette Finance 2.375% 29/11/2027	5,283	0.46
GBP 2,200,000	British Telecommunications 3.125% 21/11/2031	2,126	0.19
GBP 4,155,000	Broadgate Financing 4.821% 05/07/2036	5,408	0.47
GBP 3,500,000	Bromford 3.125% 03/05/2048	3,484	0.30
GBP 5,000,000	Bunzl Finance 2.25% 11/06/2025	4,899	0.43
GBP 6,345,000	BUPA Finance 5.00% 08/12/2026	6,826	0.60
GBP 1,490,000	BUPA Finance 5.00% 25/04/2023	1,612	0.14
GBP 2,510,000	Cadent Finance 1.125% 22/09/2021	2,477	0.22
GBP 2,700,000	Catalyst Housing 3.125% 31/10/2047	2,673	0.23
GBP 3,381,000	Centrica 7.00% 19/09/2018	3,423	0.30
GBP 2,500,000	Centrica 7.00% 19/09/2033	3,622	0.32
GBP 1,600,000	Channel Link Enterprises Finance FRN 30/06/2050	1,586	0.14
GBP 1,100,000	Channel Link Enterprises Finance 3.848% 30/06/2050	1,173	0.10
GBP 3,000,000	Clarion Housing 3.125% 19/04/2048	2,982	0.26
GBP 4,616,000	Coventry Building Society 5.875% 28/09/2022	5,375	0.47
GBP 3,766,000	CPUK Finance 2.666% 28/02/2020	3,826	0.33
GBP 2,584,000	CPUK Finance 4.25% 28/08/2022	2,597	0.23
GBP 5,539,128	Delamare Finance 5.5457% 19/02/2029	6,197	0.54
GBP 1,900,000	Dwr Cymru Financing 2.50% 31/03/2036	1,859	0.16
GBP 2,297,000	Dwr Cymru Financing 6.015% 31/03/2028	3,039	0.27
GBP 5,167,000	Eastern Power Networks 4.75% 30/09/2021	5,679	0.50
GBP 5,549,000	EE Finance 4.375% 28/03/2019	5,674	0.50
GBP 6,300,000	Experian Finance 2.125% 27/09/2024	6,259	0.55
GBP 3,058,000	Experian Finance 3.50% 15/10/2021	3,230	0.28
GBP 4,800,000	Experian Finance 4.75% 23/11/2018	4,867	0.43
GBP 1,115,000	FirstGroup 8.75% 08/04/2021	1,302	0.11
GBP 1,800,000	Gatwick Funding 4.625% 27/03/2034	2,124	0.19
GBP 1,230,000	Gatwick Funding 5.25% 23/01/2024	1,418	0.12
GBP 1,100,000	GKN 5.375% 19/09/2022	1,206	0.11
GBP 3,258,000	GlaxoSmithKline Capital 4.25% 18/12/2045	4,014	0.35
GBP 3,450,000	GlaxoSmithKline Capital 5.25% 10/04/2042	4,769	0.42
GBP 2,036,000	GlaxoSmithKline Capital 5.25% 19/12/2033	2,670	0.23
GBP 5,167,000	Heathrow Funding 2.75% Perpetual	4,611	0.40
GBP 3,898,000	Heathrow Funding 6.00% 20/03/2020	4,192	0.37
GBP 2,631,000	Heathrow Funding 6.45% 10/12/2031	3,624	0.32
GBP 4,497,000	Heathrow Funding 7.125% 14/02/2024	5,513	0.48
GBP 5,511,000	HSBC Bank 4.75% 24/03/2046	6,596	0.58
GBP 2,601,000	HSBC Bank 5.375% 22/08/2033	3,161	0.28
GBP 862,000	HSBC Bank 6.25% 30/01/2041	1,211	0.11
GBP 3,700,000	HSBC Holdings 2.175% 27/06/2023	3,678	0.32
GBP 800,000	HSBC Holdings 7.00% 07/04/2038	1,132	0.10
GBP 2,136,000	Imperial Tobacco Finance 5.50% 28/09/2026	2,522	0.22
GBP 3,005,000	Imperial Tobacco Finance 7.75% 24/06/2019	3,190	0.28
GBP 2,249,000	Imperial Tobacco Finance 9.00% 17/02/2022	2,797	0.24
GBP 1,050,000	Land Securities Capital Markets 2.375% 29/03/2027	1,060	0.09
GBP 600,000	Land Securities Capital Markets 2.625% 22/09/2037	587	0.05
GBP 5,300,000	Land Securities Capital Markets 2.75% 22/09/2057	5,215	0.46
GBP 7,044,000	LCR Finance 4.50% 07/12/2028	8,931	0.78
GBP 2,000,000	Lloyds Bank 4.875% 30/03/2027	2,470	0.22

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Fixed Rate Bond</b> (continued)			
GBP 2,760,000	Lloyds Bank 5.125% 07/03/2025	3,345	0.29
GBP 5,965,000	Lloyds Bank 6.00% 08/02/2029	8,173	0.71
GBP 4,500,000	Lloyds Bank 6.50% 17/09/2040	6,759	0.59
GBP 4,185,000	Lloyds Bank 7.625% 22/04/2025	5,380	0.47
GBP 1,889,000	Lloyds Bank 9.625% 06/04/2023	2,448	0.21
GBP 5,100,000	London & Quadrant Housing 2.25% 20/07/2029	4,888	0.43
GBP 1,100,000	London & Quadrant Housing 2.75% 20/07/2057	997	0.09
GBP 2,232,000	London & Quadrant Housing 3.75% Perpetual	2,483	0.22
GBP 3,650,000	Longstone Finance 4.896% 19/04/2036	4,121	0.36
GBP 5,187,000	Motability Operations 3.625% 10/03/2036	5,769	0.50
GBP 3,560,000	National Westminster Bank 6.50% 07/09/2021	4,025	0.35
EUR 4,300,000	Nationwide Building Society 2.00% 25/07/2029	3,733	0.33
GBP 3,500,000	Network Rail Infrastructure Finance 3.00% 07/09/2023	3,805	0.33
GBP 9,950,000	Network Rail Infrastructure Finance 4.375% 09/12/2030	12,842	1.11
GBP 3,400,000	Notting Hill Housing Trust 3.25% 12/10/2048	3,342	0.29
GBP 1,350,000	Optivo 3.283% 22/03/2048	1,385	0.12
GBP 2,400,000	Orbit Capital 3.375% 14/06/2048	2,429	0.21
GBP 2,679,000	Orbit Capital 3.50% 24/03/2045	2,780	0.24
GBP 1,900,000	Peabody Energy 4.625% 12/12/2053	2,497	0.22
GBP 3,400,000	Pennon 2.875% Perpetual	3,384	0.30
GBP 5,694,000	Phoenix 4.125% 20/07/2022	5,826	0.51
GBP 6,410,000	Places for People Treasury 2.875% 17/08/2026	6,283	0.55
GBP 5,154,000	Prudential 5.00% 20/07/2055	5,196	0.45
GBP 900,000	Prudential 6.125% 19/12/2031	1,096	0.10
GBP 2,000,000	Quilter 4.478% 28/02/2028	2,011	0.18
GBP 4,158,000	RAC Bond 4.565% 06/05/2023	4,333	0.38
GBP 2,972,000	RAC Bond 4.87% 06/05/2026	3,089	0.27
GBP 6,300,000	Royal Bank of Scotland 2.875% 19/09/2026	6,207	0.54
GBP 5,932,000	Royal Bank of Scotland 6.625% 17/09/2018	5,999	0.52
USD 2,193,000	Royal Bank of Scotland 7.648% Perpetual	2,080	0.18
GBP 3,900,000	Santander UK 1.625% 10/05/2021	3,899	0.34
GBP 10,293,000	Santander UK 1.875% 17/02/2020	10,359	0.90
GBP 4,100,000	Santander UK 2.92% 08/05/2026	4,068	0.36
GBP 4,261,000	Santander UK 5.125% 14/04/2021	4,706	0.41
GBP 4,377,000	Santander UK 5.75% 02/03/2026	5,596	0.49
GBP 9,534,000	Scottish Widows 5.50% 16/06/2023	10,439	0.91
GBP 1,700,000	Scottish Widows 7.00% 16/06/2043	2,045	0.18
GBP 2,800,000	Severn Trent Water Utilities 3.625% 16/01/2026	2,998	0.26
GBP 3,708,000	Society of Lloyd's 4.475% 30/10/2024	3,982	0.35
GBP 1,900,000	Southern Gas Network 3.10% 15/09/2036	1,901	0.17
GBP 3,343,000	Southern Water Services 6.125% 31/03/2019	3,464	0.30
GBP 1,532,000	SP Manweb 4.875% 20/09/2027	1,822	0.16
GBP 4,687,000	Tesco 6.00% 14/12/2029	5,699	0.50
GBP 3,811,000	Tesco 6.125% 24/02/2022	4,321	0.38
GBP 1,900,000	Thames Water Utilities Cayman Finance 2.625% 24/01/2032	1,802	0.16
GBP 6,297,000	Thames Water Utilities Cayman Finance 4.00% 19/06/2025	6,907	0.60
GBP 1,500,000	Thames Water Utilities Cayman Finance 4.375% 03/07/2034	1,721	0.15
GBP 1,000,000	Thames Water Utilities Cayman Finance 4.625% 04/06/2046	1,232	0.11
GBP 4,255,000	THFC Funding No.3 5.20% 11/10/2043	5,615	0.49
GBP 5,500,000	TP ICAP 5.25% 26/01/2024	5,642	0.49

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Fixed Rate Bond (continued)</b>			
GBP 2,392,000	Transport for London 3.625% 15/05/2045	2,895	0.25
GBP 3,613,000	Transport for London 3.875% 23/07/2042	4,503	0.39
GBP 700,000	Transport for London 4.00% 07/04/2064	1,000	0.09
GBP 3,600,000	Tritax Big Box REIT 2.625% 14/12/2026	3,572	0.31
GBP 3,600,000	Tritax Big Box REIT 3.125% 14/12/2031	3,569	0.31
GBP 9,000,000	UK Treasury 0.50% 22/07/2022	8,860	0.77
GBP 16,497,629	UK Treasury 1.50% 22/07/2047	15,621	1.35
GBP 4,780,000	UK Treasury 1.75% 07/09/2037	4,802	0.42
GBP 1,600,000	UK Treasury 2.25% 07/09/2023	1,700	0.15
GBP 4,855,000	UK Treasury 4.25% 07/09/2039	7,030	0.61
GBP 3,040,000	UK Treasury 4.25% 07/12/2049	4,912	0.43
GBP 4,365,000	UK Treasury 4.50% 07/09/2034	6,140	0.54
GBP 7,747,558	UK Treasury 4.50% 07/12/2042	11,991	1.04
GBP 2,500,000	UK Treasury 4.75% 07/12/2038	3,814	0.33
GBP 4,692,000	Unite USAF 3.374% 30/06/2023	5,004	0.44
GBP 6,000,000	Vodafone 3.00% 12/08/2056	5,130	0.45
GBP 1,375,000	Vodafone 3.375% Perpetual	1,277	0.11
GBP 915,000	Wellcome Trust Finance 4.00% 09/05/2059	1,296	0.11
GBP 3,577,000	Wessex Water Services Finance 4.00% 24/09/2021	3,841	0.34
GBP 4,593,000	Western Power Distribution East Midlands 5.25% 17/01/2023	5,249	0.46
GBP 1,050,000	Western Power Distribution South Wales 5.75% 23/03/2040	1,454	0.13
GBP 1,950,000	Western Power Distribution South West 5.75% 23/03/2040	2,701	0.24
GBP 3,000,000	Whitbread 3.375% 16/10/2025	3,035	0.27
GBP 1,156,000	WM Morrison Supermarkets 3.50% 27/07/2026	1,225	0.11
GBP 1,277,000	WM Morrison Supermarkets 4.75% 04/07/2029	1,474	0.13
		590,819	51.62
<b>Stepped Rate Bond 0.02% (2017: 0.11%)</b>			
GBP 154,000	Standard Life 6.75% Perpetual	201	0.02
<b>Variable Rate Bond 4.55% (2017: 6.47%)</b>			
GBP 4,550,000	Aviva 6.125% Perpetual	4,955	0.43
GBP 3,253,000	Aviva 6.625% 03/06/2041	3,585	0.31
GBP 1,402,000	Aviva 6.875% 20/05/2058	1,693	0.15
GBP 5,844,000	CYBG 5.00% 09/02/2026	6,050	0.53
GBP 5,246,000	HBOS Capital Funding 6.461% Perpetual	5,330	0.47
GBP 5,500,000	HSBC Bank 5.375% 04/11/2030	6,318	0.55
GBP 6,790,000	HSBC Bank 5.844% Perpetual	8,552	0.76
GBP 2,300,000	National Grid Finance 5.625% 18/06/2073	2,504	0.22
GBP 2,100,000	Prudential 5.70% 19/12/2063	2,283	0.20
GBP 2,148,000	RSA Insurance VAR 10/10/2045	2,309	0.20
GBP 3,585,000	Southern Water Services 4.50% 31/03/2038	3,828	0.33
GBP 4,202,000	Standard Life 5.50% 04/12/2042	4,634	0.40
		52,041	4.55

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>United States 13.58% (2017: 16.77%)</b>			
<b>Asset Backed 0.00% (2017: 0.01%)</b>			
GBP 820,526	Lehman Brothers Holdings 7.875% 08/05/2018 <sup>1</sup>	31	-
<b>Fixed Rate Bond 13.58% (2017: 16.76%)</b>			
GBP 4,784,000	American Honda Finance 2.625% 14/10/2022	4,979	0.43
GBP 3,388,000	Apple 3.60% 31/07/2042	3,951	0.35
GBP 845,000	AT&T 4.25% 01/06/2043	887	0.08
GBP 4,880,000	AT&T 4.375% 14/09/2029	5,372	0.47
GBP 4,400,000	AT&T 4.875% 01/06/2044	5,048	0.44
GBP 1,650,000	AT&T 7.00% 30/04/2040	2,389	0.21
GBP 6,506,000	Bank of America 2.30% 25/07/2025	6,394	0.56
GBP 4,985,000	Bank of America 5.50% 04/12/2019	5,275	0.46
GBP 3,950,000	Bank of America 6.125% 15/09/2021	4,477	0.39
GBP 4,700,000	Bank of America 7.00% 31/07/2028	6,383	0.56
GBP 1,900,000	Becton Dickinson 3.02% 24/05/2025	1,923	0.17
GBP 3,085,000	Citigroup 5.15% 21/05/2026	3,617	0.32
GBP 1,750,000	Citigroup 5.875% 01/07/2024	2,019	0.18
GBP 3,576,000	Citigroup 6.80% 25/06/2038	5,277	0.46
GBP 843,000	Citigroup 7.375% 01/09/2039	1,321	0.12
GBP 4,114,000	Digital Stout 4.75% 13/10/2023	4,554	0.40
EUR 5,300,000	Equinix 2.875% 01/02/2026	4,418	0.39
USD 4,964,000	E*TRADE Financial 4.50% 20/06/2028	3,773	0.33
GBP 2,604,000	GE Capital UK Funding 5.875% 18/01/2033	3,391	0.30
GBP 600,000	GE Capital UK Funding 6.25% 05/05/2038	834	0.07
GBP 4,008,000	General Electric Capital UK Funding 4.375% 31/07/2019	4,129	0.36
GBP 1,480,000	General Electric Capital 4.875% 18/09/2037	1,674	0.15
GBP 2,027,000	General Electric Capital 5.25% 07/12/2028	2,437	0.21
GBP 1,200,000	General Electric Capital 5.375% 18/12/2040	1,541	0.13
GBP 2,950,000	Goldman Sachs 7.25% 10/04/2028	3,995	0.35
GBP 2,250,000	Johnson & Johnson 5.50% 06/11/2024	2,771	0.24
GBP 3,167,000	JPMorgan Chase 1.875% 10/02/2020	3,196	0.28
GBP 6,219,000	McKesson 3.125% 17/02/2029	6,169	0.54
GBP 2,900,000	Morgan Stanley 2.625% 09/03/2027	2,848	0.25
GBP 3,800,000	New York Life Global Funding 1.75% 15/12/2022	3,823	0.33
GBP 5,167,000	Procter & Gamble 1.375% 03/05/2025	5,035	0.44
GBP 584,000	Time Warner Cable 5.25% 15/07/2042	635	0.06
GBP 3,552,000	Time Warner Cable 5.75% 02/06/2031	4,026	0.35
GBP 4,000,000	Verizon Communications 3.375% 27/10/2036	3,903	0.34
GBP 6,719,000	Walmart Stores 5.625% 27/03/2034	9,460	0.83
GBP 7,000,000	Walmart Stores 5.75% 19/12/2030	9,587	0.83
GBP 9,650,000	Wells Fargo 5.25% 01/08/2023	10,832	0.94
USD 4,000,000	Wyndham Worldwide 4.15% 01/04/2024	2,980	0.26
		155,323	13.58

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Derivatives (0.07%) (2017: (0.05%))</b>		
	<b>Futures 0.02% (2017: 0.02%)</b>		
(8)	CBT US Ultra Bond September 2018	(31)	-
(53)	CBT US 10 Year Note September 2018	(33)	-
(98)	EUX Euro-Bobl September 2018	(60)	(0.01)
(153)	EUX Euro-Bund September 2018	(205)	(0.02)
388	ICE Long Gilt September 2018	515	0.05
		<u>186</u>	<u>0.02</u>
	<b>Swaps (0.04%) (2017: (0.08%))<sup>2</sup></b>		
	<b>Credit Default Index Swaps 0.00% (2017: (0.12%))<sup>2</sup></b>		
	<b>Credit Default Swaps (0.04%) (2017: 0.04%)<sup>2</sup></b>		
6,500,000	CDS 1.00% 20/06/2023 Airbus Pay EUR	(155)	(0.02)
900,000	CDS 5.00% 20/06/2023 Rexel Pay EUR	(126)	(0.01)
900,000	CDS 5.00% 20/06/2023 Rexel Pay EUR	(126)	(0.01)
		<u>(407)</u>	<u>(0.04)</u>
	<b>Forward Foreign Exchange Contracts (0.05%) (2017: 0.01%)<sup>2</sup></b>		
	Buy EUR 1,172,955 : Sell GBP 1,034,035 July 2018	4	-
	Buy EUR 128,275 : Sell GBP 112,420 July 2018	1	-
	Buy EUR 2,109,266 : Sell GBP 1,851,230 July 2018	15	-
	Buy EUR 36,361 : Sell GBP 32,180 July 2018 <sup>3</sup>	-	-
	Buy EUR 4,651,659 : Sell GBP 4,091,704 July 2018	25	-
	Buy EUR 47,939 : Sell GBP 42,314 July 2018 <sup>3</sup>	-	-
	Buy EUR 84,995 : Sell GBP 74,989 July 2018 <sup>3</sup>	-	-
	Buy EUR 95,175 : Sell GBP 84,233 July 2018 <sup>3</sup>	-	-
	Buy GBP 156,378 : Sell EUR 177,389 July 2018	(1)	-
	Buy GBP 1,839,145 : Sell EUR 2,091,369 July 2018	(12)	-
	Buy GBP 20,233,245 : Sell USD 26,808,141 July 2018	(50)	-
	Buy GBP 214,740 : Sell EUR 244,600 July 2018	(2)	-
	Buy GBP 27,733 : Sell USD 36,600 July 2018 <sup>3</sup>	-	-
	Buy GBP 32,420 : Sell USD 42,500 July 2018 <sup>3</sup>	-	-
	Buy GBP 3,309,847 : Sell EUR 3,770,588 July 2018	(27)	-
	Buy GBP 58,237,107 : Sell EUR 66,481,221 July 2018	(594)	(0.05)
	Buy GBP 9,859 : Sell EUR 11,232 July 2018 <sup>3</sup>	-	-
		<u>(641)</u>	<u>(0.05)</u>
	<b>Investment assets including investment liabilities</b>	<b>1,111,296</b>	<b>97.10</b>
	Other net assets	33,219	2.90
	<b>Total net assets</b>	<b>1,144,515</b>	<b>100.00</b>

<sup>1</sup> Defaulted

<sup>2</sup> Unquoted securities

<sup>3</sup> Due to rounding to nearest £1,000

All investments are listed on recognised stock exchanges and are "approved securities" within the meaning of FCA rules unless otherwise stated.

## Statement of total return for the year ended 30 June 2018

	Note	2018		2017	
		£000	£000	£000	£000
Income					
Net capital (losses)/gains	2		(25,417)		37,653
Revenue	3	41,194		45,240	
Expenses	4	(3,902)		(4,474)	
Interest payable and similar charges	5	(1)		-	
Net revenue before taxation		37,291		40,766	
Taxation	6	-		-	
Net revenue after taxation			37,291		40,766
Total return before distributions			11,874		78,419
Distributions	7		(37,293)		(40,766)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(25,419)</b>		<b>37,653</b>

## Statement of change in net assets attributable to shareholders for the year ended 30 June 2018

	2018		2017	
	£000	£000	£000	£000
<b>Opening net assets attributable to shareholders</b>		<b>1,268,402</b>		<b>1,279,248</b>
Amounts receivable on issue of shares	15,421		190,935	
Amounts payable on in specie transfer*	-		(58,517)	
Amounts payable on cancellation of shares	(145,737)		(220,685)	
		(130,316)		(88,267)
Dilution adjustment		284		792
Change in net assets attributable to shareholders from investment activities		(25,419)		37,653
Retained distributions on accumulation shares		31,564		38,971
Unclaimed distributions		-		5
<b>Closing net assets attributable to shareholders</b>		<b>1,144,515</b>		<b>1,268,402</b>

\* In specie redemption

**Balance sheet** as at 30 June 2018

	Note	2018 £000	2017 £000
<b>Assets:</b>			
Investments		1,112,718	1,216,253
Current assets:			
Debtors	8	19,313	31,227
Cash and bank balances	9	30,564	52,163
<b>Total assets</b>		<b>1,162,595</b>	<b>1,299,643</b>
<b>Liabilities:</b>			
Investment liabilities		1,422	2,119
Creditors:			
Amounts held at derivative clearing houses and brokers		514	254
Bank overdrafts		7,887	9,673
Distributions payable		1,223	1,369
Other creditors	10	7,034	17,826
<b>Total liabilities</b>		<b>18,080</b>	<b>31,241</b>
<b>Net assets attributable to shareholders</b>		<b>1,144,515</b>	<b>1,268,402</b>



## Notes to the financial statements for the year ended 30 June 2018

### 1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 of the fund's aggregated notes to the financial statements.

### 2 Net capital (losses)/gains

Net capital (losses)/gains on investments during the year comprise:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Derivative securities	(1,828)	483
Forward currency contracts	(159)	(4,021)
Non-derivative securities	(23,389)	41,809
Other currency losses	(24)	(599)
Transaction costs	(17)	(19)
<b>Net capital (losses)/gains</b>	<b>(25,417)</b>	<b>37,653</b>

### 3 Revenue

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Bank interest	66	34
Derivative revenue	(133)	(986)
Interest on debt securities	41,158	46,149
Stock lending revenue	103	43
<b>Total revenue</b>	<b>41,194</b>	<b>45,240</b>

### 4 Expenses

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
Annual management charge	3,438	3,956
GAC*	295	314
	<u>3,733</u>	<u>4,270</u>
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary fees	70	106
Safe custody fees	99	98
	<u>169</u>	<u>204</u>
<b>Total expenses</b>	<b>3,902</b>	<b>4,474</b>

Irrecoverable VAT is included in the above expenses where relevant.

\*The current audit fee, which is levied through the GAC, is £10,017 (2017: £9,725).

## Notes to the financial statements (continued)

### 5 Interest payable and similar charges

The interest payable and similar charges comprise:

	2018 £000	2017 £000
Interest payable	1	-
<b>Total interest payable and similar charges</b>	<b>1</b>	<b>-</b>

### 6 Taxation

#### a) Analysis of charge in the year

There is no tax charge for the current year (2017: nil).

#### b) Factors affecting tax charge for year

The tax assessed for each year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICS) of 20% (2017: 20%). The differences are explained below:

	2018 £000	2017 £000
Net revenue before taxation	37,291	40,766
Corporation tax at 20% (2017: 20%)	7,458	8,153
Effects of:		
Revenue being paid as interest distributions	(7,458)	(8,153)
<b>Tax charge for the year (note 6a)</b>	<b>-</b>	<b>-</b>

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

#### c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2017: nil).

#### d) Factors that may affect future tax charges

There were no factors that may affect future tax charges at the current or prior year end.

## Notes to the financial statements (continued)

### 7 Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Interim income	4,040	394
Interim accumulation	24,480	30,758
Final income	1,223	1,369
Final accumulation	7,084	8,213
Tax withheld on interest distributions	-	110
	<u>36,827</u>	<u>40,844</u>
Amounts deducted on cancellation of shares	545	990
Amounts received on issue of shares	(79)	(1,068)
<b>Total distributions</b>	<u><b>37,293</b></u>	<u><b>40,766</b></u>
Net revenue after taxation	37,291	40,766
Equalisation on conversions	2	-
<b>Total distributions</b>	<u><b>37,293</b></u>	<u><b>40,766</b></u>

Details of the distribution per share are set out in the distribution tables on pages 48 to 51.

### 8 Debtors

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Accrued revenue	16,627	18,983
Amounts receivable for issue of shares	16	50
Currency transactions awaiting settlement	-	4,291
Lehman's compensation	-	236
Sales awaiting settlement	2,670	7,667
<b>Total debtors</b>	<u><b>19,313</b></u>	<u><b>31,227</b></u>

### 9 Cash and bank balances

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Amounts held at derivative clearing houses and brokers	4,507	391
Cash and bank balances	26,057	49,982
Cash pledged as collateral	-	1,790
<b>Total cash and bank balances</b>	<u><b>30,564</b></u>	<u><b>52,163</b></u>

## Notes to the financial statements (continued)

### 10 Other creditors

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Accrued annual management charge	268	314
Accrued Depository's fee	6	6
Accrued other expenses	55	36
Amounts payable for cancellation of shares	757	153
Derivative revenue payable	4	27
Currency transactions awaiting settlement	-	4,293
Purchases awaiting settlement	5,944	12,997
<b>Total other creditors</b>	<b>7,034</b>	<b>17,826</b>

### 11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

### 12 Related party transactions

Henderson Investment Funds Limited as ACD to the fund is deemed to be a related party because it provides key management personnel services to the fund. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', the 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 35 and 36 and notes 4, 7, 8 and 10 on pages 37 to 40 including all issues and cancellations where the ACD acted as principal.

Transactions with the ACD are as follows:

- All issues and cancellations,
- Annual management charge
- GAC

There were no material shareholders at the year end (2017: nil).

### 13 Shareholders' funds

The fund currently has 3 share classes available; Class A (Retail with front-end charges), Class I (Institutional) and Class Z (Institutional). The annual management charge on each share class is as follows:

	<b>2018</b>	<b>2017</b>
	<b>%</b>	<b>%</b>
Class A	0.75	0.75 <sup>1</sup>
Class I	0.50	0.50
Class Z*	0.00	0.00

\* Charges for managing Z class shares are levied outside the fund and are agreed between the ACD and investors.

<sup>1</sup> The annual management charge on Class A reduced from 1.00% to 0.75% on 1 February 2017.

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative tables on pages 19 to 23. The distribution per share class is given in the distribution tables on pages 48 to 51. All share classes have the same rights on winding up.

## Notes to the financial statements (continued)

### 13 Shareholders' funds (continued)

Shares reconciliation as at 30 June 2018

	<b>Class A accumulation</b>	<b>Class A income</b>	<b>Class I accumulation</b>	<b>Class I income</b>
Opening number of shares	1,850,983	4,400,881	5,856,229	10,286,999
Issues during the year	27,806	37,756	1,383,678	744,668
Cancellations during the year	(417,936)	(702,728)	(28,481,863)	(6,943,638)
Shares converted during the year	(78,225)	(1,563,297)	190,729,486	131,540,601
<b>Closing shares in issue</b>	<b>1,382,628</b>	<b>2,172,612</b>	<b>169,487,530</b>	<b>135,628,630</b>

	<b>Class Z accumulation (formerly Class Z accumulation gross)</b>	<b>Class A income gross</b>	<b>Class I accumulation gross</b>	<b>Class I income gross</b>
Opening number of shares	242,688,820	47,922	170,087,074	128,669,409
Issues during the year	3,678,122	-	684,655	-
Cancellations during the year	(25,569,545)	(1,343)	(414,764)	(23,295)
Shares converted during the year	-	(46,579)	(170,356,965)	(128,646,114)
<b>Closing shares in issue</b>	<b>220,797,397</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 14 Financial derivatives

The fund may use financial derivatives for efficient portfolio management and meeting the investment objectives including risk reduction and implementation of investment policies.

Eligible collateral types are approved by the Investment Manager and are agreed with the relevant counterparty.

The counterparty exposure has been calculated using the positive marked-to-market value of the derivative contract with that counterparty.

At 30 June 2018 there was no collateral held in respect of derivatives (2017: nil) and there was no collateral pledged, in respect of derivatives (2017: cash of £1,790,000 was pledged).

#### 2018

At 30 June 2018 the underlying exposure for each category of derivatives was as follows:

<b>Counterparty</b>	<b>Forward foreign exchange contracts £000</b>	<b>Futures £000</b>	<b>Total by counterparty £000</b>
BNP Paribas	45	-	45
UBS	-	515	514
	<b>45</b>	<b>515</b>	<b>559</b>

## Notes to the financial statements (continued)

### 14 Financial derivatives (continued)

2017

At 30 June 2017 the underlying exposure for each category of derivatives was as follows:

Counterparty	Credit Default Swaps/Index £000	Forward foreign exchange contracts £000	Futures £000	Total by counterparty £000
BNP Paribas	-	398	-	398
Barclays Bank	204	-	-	204
Citigroup	517	-	-	517
JP Morgan	45	-	-	45
Merrill Lynch	10	-	-	10
UBS	-	-	254	254
	<b>776</b>	<b>398</b>	<b>254</b>	<b>1,428</b>

### 15 Stock lending

The fund and the Investment Manager have entered into a stock lending programme with BNP Paribas acting as the stock lending agent for the purposes of efficient portfolio management and to generate additional income.

Stock lending revenue is disclosed under 'Revenue' in the Statement of total return.

Eligible collateral types for Stock Lending and borrowing transactions are approved by the Investment Manager and may consist of securities issued or guaranteed by a Member State of the OECD or by their local authorities or supranational institutions and organisations with regional, EU and world-wide scope, generally subject to a minimum long term credit rating of at least A- by one or more major credit rating agency or listed equities on eligible markets.. Collateral should be highly liquid and traded on a regulated market. Collateral is subject to a haircut on a sliding scale based on the combination of the underlying instrument being lent versus the asset being received as collateral. The value of collateral required will range from 102.50% to 110.00% of the value of the stock on loan.

2018 Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
Barclays Bank	1,343	1,414	Corporate Bond
Barclays Bank	57,924	60,454	Government Bond
	59,267	61,868	
Credit Suisse	1,638	1,787	Government Bond
Goldman Sachs	2,425	2,659	Government Bond
JP Morgan	27,204	28,719	Corporate Bond
JP Morgan	1,547	1,725	Equity
JP Morgan	21,421	22,613	Government Bond
	50,172	53,057	
Lloyds Bank	2,706	2,811	Government Bond
Royal Bank of Scotland	4,879	5,139	Government Bond
	<b>121,087</b>	<b>127,321</b>	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	121	18	103

## Notes to the financial statements (continued)

### 15 Stock lending (continued)

2017 Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
Barclays Bank	84	91	Corporate Bond
Barclays Bank	3,558	3,823	Government Bond
	<u>3,642</u>	<u>3,914</u>	
JP Morgan	3,544	3,734	Corporate Bond
JP Morgan	2,161	2,402	Equity
JP Morgan	8,574	8,838	Government Bond
	<u>14,279</u>	<u>14,974</u>	
Lloyds Bank	757	812	Government Bond
	<u>18,678</u>	<u>19,700</u>	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	51	8	43

### 16 Risk

#### Currency risk

The fund's net exposure to currency risk (including any instruments used to hedge foreign currencies) is considered insignificant. This is consistent with the exposure during the prior year.

#### Interest rate risk

The fund's exposure to interest rate risk is considered significant. The interest rate risk profile of the fund's financial assets and financial liabilities at the year end is set out in the following table:

	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
<b>2018</b>				
Euro	12,713	45,961	738	59,412
UK sterling	116,878	947,478	18,903	1,083,259
US dollar	159	19,532	233	19,924
<b>Total</b>	<u>129,750</u>	<u>1,012,971</u>	<u>19,874</u>	<u>1,162,595</u>
	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
<b>2017</b>				
Euro	6,590	34,826	471	41,887
UK sterling	181,197	1,032,767	27,095	1,241,059
US dollar	-	12,049	4,648	16,697
<b>Total</b>	<u>187,787</u>	<u>1,079,642</u>	<u>32,214</u>	<u>1,299,643</u>

## Notes to the financial statements (continued)

### 16 Risk (continued)

#### Interest rate risk (continued)

	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing liabilities	Total
<b>2018</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Euro	-	407	269	676
UK sterling	8,401	-	8,939	17,340
US dollar	-	-	64	64
<b>Total</b>	<b>8,401</b>	<b>407</b>	<b>9,272</b>	<b>18,080</b>
	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing liabilities	Total
<b>2017</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Euro	254	1,869	52	2,175
UK sterling	9,673	-	14,993	24,666
US dollar	-	-	4,400	4,400
<b>Total</b>	<b>9,927</b>	<b>1,869</b>	<b>19,445</b>	<b>31,241</b>

#### Credit Ratings

	Market value £000	Percentage of net assets %
<b>2018</b>		
<b>Investments</b>		
Investment grade (AAA - BBB)	977,824	85.43
Below investment grade (BB and below)	102,901	8.99
Unrated	31,433	2.75
<b>Total debt securities</b>	<b>1,112,158</b>	<b>97.17</b>
Derivatives	(862)	(0.07)
<b>Investment assets including investment liabilities</b>	<b>1,111,296</b>	<b>97.10</b>
Other net assets	33,219	2.90
<b>Total net assets</b>	<b>1,144,515</b>	<b>100.00</b>
	Market value £000	Percentage of net assets %
<b>2017</b>		
<b>Investments</b>		
Investment grade (AAA - BBB)	1,100,644	86.77
Below investment grade (BB and below)	91,540	7.22
Unrated	22,641	1.78
<b>Total debt securities</b>	<b>1,214,825</b>	<b>95.77</b>
Derivatives	(691)	(0.05)
<b>Investment assets including investment liabilities</b>	<b>1,214,134</b>	<b>95.72</b>
Other net assets	54,268	4.28
<b>Total net assets</b>	<b>1,268,402</b>	<b>100.00</b>



## Notes to the financial statements (continued)

### 16 Risk (continued)

#### Sensitivity analysis

The actual VaR results, limits and utilisation of limits are summarised in the table below:

VaR Results	Global Exposure Calculation Basis	Actual Relative VaR for year			VaR limit	Utilisation of VaR limit		
		Minimum %	Maximum %	Average %		Minimum %	Maximum %	Average %
2018	Relative VaR*	98.74	109.78	103.40	200	49.37	54.89	51.70
2017	Relative VaR*	98.70	110.86	103.24	200	49.35	55.43	51.62

\* Reference portfolio: iBoxx GBP Non-Gilts All Maturities TR Index

#### Leverage

	Minimum %	Maximum %	Average %
2018	4.13	31.01	14.53
2017	6.48	27.58	14.51

#### Liquidity risk

The following table provides a maturity analysis of the fund's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
<b>2018</b>				
Amounts held at derivatives clearing houses and brokers	514	-	-	-
Bank overdrafts	7,887	-	-	-
Derivative financial liabilities	-	1,015	407	-
Distribution payable	-	1,223	-	-
Other creditors	-	7,034	-	-
<b>Total</b>	<b>8,401</b>	<b>9,272</b>	<b>407</b>	<b>-</b>
	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
<b>2017</b>				
Amounts held at derivatives clearing houses and brokers	254	-	-	-
Bank overdrafts	9,673	-	-	-
Derivative financial liabilities	-	249	1,870	-
Distribution payable	-	1,369	-	-
Other creditors	-	17,826	-	-
<b>Total</b>	<b>9,927</b>	<b>19,444</b>	<b>1,870</b>	<b>-</b>

## Notes to the financial statements (continued)

### 17 Fair value disclosure

#### Fair value measurement

The intention of a fair value measurement is to estimate the price at which an asset or a liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS 102 the fund classifies fair value measurement under the following levels:

#### Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

#### Level 2

Inputs other than quoted prices included within level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

#### Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

#### Fair value hierarchy

	2018		2017	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1	109,757*	328	55,673*	-
Level 2	1,002,961	1,094	1,160,580	2,119
Level 3	-	-	-	-
	<u>1,112,718</u>	<u>1,422</u>	<u>1,216,253</u>	<u>2,119</u>

\* Debt securities have been included in level 1, where their valuation is determined to be sufficiently close to a binding quoted price, amount to £109,242,197 as at 30 June 2018 (2017: £55,418,957).

### 18 Direct transaction costs

	Purchases		Sales	
	2018 £000	2017 £000	2018 £000	2017 £000
<b>Trades in the year</b>				
Debt securities	666,071	976,455	717,160	959,319
<b>Trades in the year before transaction costs</b>	<u>666,071</u>	<u>976,455</u>	<u>717,160</u>	<u>959,319</u>
<b>Transaction costs</b>				
<b>Commissions</b>				
Debt securities	-	-	-	-
<b>Total commissions</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Taxes</b>				
Debt securities	-	-	-	-
<b>Total taxes</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other expenses</b>				
Debt securities	-	-	-	-
<b>Total other expenses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total transaction costs</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total net trades in the year after transaction costs</b>	<u>666,071</u>	<u>976,455</u>	<u>717,160</u>	<u>959,319</u>

## Notes to the financial statements (continued)

### 18 Direct transaction costs (continued)

	Purchases		Sales	
	2018 %	2017 %	2018 %	2017 %
<b>Total transaction costs expressed as a percentage of asset type cost</b>				
<b>Commissions</b>				
Debt securities	-	-	-	-
<b>Taxes</b>				
Debt securities	-	-	-	-
<b>Other expenses</b>				
Debt securities	-	-	-	-
	<b>2018 %</b>	<b>2017 %</b>		
<b>Total transaction costs expressed as a percentage of net asset value</b>				
Commissions	-	-		
Taxes	-	-		
Other expenses	-	-		
<b>Total costs</b>	<u>-</u>	<u>-</u>		

There were no in specie transfers during the year (2017: £51,447,428). There were corporate actions during the year of £24,236,688 (2017: £27,333,993).

There were direct transaction costs associated with derivatives in the year of £4,379 (2017: £9,302) which is 0.00% of the average net asset value of the fund (2017: 0.00%).

Direct transaction costs are fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the fund. These exclude any differences between quoted bid and offer prices or internal administrative or holding costs.

Transaction costs for bonds are not separately identifiable as with other financial instruments as the costs from part of the dealing spread and therefore are inherent within the purchase and sale prices of the trades.

The portfolio dealing spread as at 30 June 2018 was 0.65% (2017: 0.64%). The portfolio dealing spread is calculated at the fund's 12 noon valuation point.

### 19 Events after the Balance sheet date

There were no material post Balance sheet events which require disclosure within these financial statements.

## Distribution tables for the year ended 30 June 2018 (in pence per share)

### Interim interest distribution (accounting date 30 September 2017, paid on 30 November 2017)

Group 1 : shares purchased prior to 1 July 2017

Group 2 : shares purchased on or after 1 July 2017

	Distribution per share	Equalisation	Total distribution per share 30/11/17	Total distribution per share 30/11/16*
<b>Class A accumulation</b>				
Group 1	0.9583	-	0.9583	0.7524
Group 2	0.5460	0.4123	0.9583	0.7524
<b>Class A income</b>				
Group 1	0.8238	-	0.8238	0.6607
Group 2	0.3834	0.4404	0.8238	0.6607
<b>Class I accumulation</b>				
Group 1	1.8110	-	1.8110	1.5488
Group 2	0.9595	0.8515	1.8110	1.5488
<b>Class I income</b>				
Group 1	0.9586	-	0.9586	0.8413
Group 2	0.5680	0.3906	0.9586	0.8413
<b>Class Z accumulation (formerly Class Z accumulation gross)</b>				
Group 1	1.9678	-	1.9678	2.0744
Group 2	0.5808	1.3870	1.9678	2.0744
<b>Class A income gross</b>				
Group 1	0.8265	-	0.8265	0.8394
Group 2	0.8265	-	0.8265	0.8394
<b>Class I accumulation gross</b>				
Group 1	2.0272	-	2.0272	2.1756
Group 2	0.7007	1.3265	2.0272	2.1756
<b>Class I income gross</b>				
Group 1	0.9684	-	0.9684	1.0698
Group 2	0.9684	-	0.9684	1.0698

\* Distributions on Class A accumulation, Class A income, Class I accumulation and Class I income prior to 6 April 2017 are shown net of 20% income tax.

## Distribution tables (continued)

### Interim interest distribution (accounting date 31 December 2017, paid on 28 February 2018)

Group 1 : shares purchased prior to 1 October 2017

Group 2 : shares purchased on or after 1 October 2017

	Distribution per share	Equalisation	Total distribution per share 28/02/18	Total distribution per share 28/02/17*
<b>Class A accumulation</b>				
Group 1	0.9639	-	0.9639	0.6786
Group 2	0.3359	0.6280	0.9639	0.6786
<b>Class A income</b>				
Group 1	0.8235	-	0.8235	0.5930
Group 2	0.3269	0.4966	0.8235	0.5930
<b>Class I accumulation</b>				
Group 1	1.8242	-	1.8242	1.4218
Group 2	0.6230	1.2012	1.8242	1.4218
<b>Class I income</b>				
Group 1	0.9587	-	0.9587	0.7676
Group 2	0.5155	0.4432	0.9587	0.7676
<b>Class Z accumulation (formerly Class Z accumulation gross)</b>				
Group 1	1.9829	-	1.9829	1.9257
Group 2	0.7295	1.2534	1.9829	1.9257
<b>Class A income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	0.7435
Group 2	n/a	n/a	n/a	0.7435
<b>Class I accumulation gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	1.9999
Group 2	n/a	n/a	n/a	1.9999
<b>Class I income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	0.9759
Group 2	n/a	n/a	n/a	0.9759

\* Distributions on Class A accumulation, Class A income, Class I accumulation and Class I income prior to 6 April 2017 are shown net of 20% income tax.

<sup>1</sup> Class A income gross, Class I accumulation gross and Class I income gross closed on 2 October 2017.

## Distribution tables (continued)

### Interim interest distribution (accounting date 31 March 2018, paid on 31 May 2018)

Group 1: shares purchased prior to 1 January 2018

Group 2: shares purchased on or after 1 January 2018

	Distribution per share	Equalisation	Total distribution per share 31/05/18	Total distribution per share 31/05/17
<b>Class A accumulation</b>				
Group 1	0.9249	-	0.9249	0.9226
Group 2	0.4032	0.5217	0.9249	0.9226
<b>Class A income</b>				
Group 1	0.7854	-	0.7854	0.8027
Group 2	0.1612	0.6242	0.7854	0.8027
<b>Class I accumulation</b>				
Group 1	1.7548	-	1.7548	1.7898
Group 2	1.0213	0.7335	1.7548	1.7898
<b>Class I income</b>				
Group 1	0.9159	-	0.9159	0.9608
Group 2	0.2747	0.6412	0.9159	0.9608
<b>Class Z accumulation (formerly Class Z accumulation gross)</b>				
Group 1	1.9144	-	1.9144	1.9282
Group 2	0.4485	1.4659	1.9144	1.9282
<b>Class A income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	0.8059
Group 2	n/a	n/a	n/a	0.8059
<b>Class I accumulation gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	2.0042
Group 2	n/a	n/a	n/a	2.0042
<b>Class I income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	0.9710
Group 2	n/a	n/a	n/a	0.9710

<sup>1</sup> Class A income gross, Class I accumulation gross and Class I income gross closed on 2 October 2017.

## Distribution tables (continued)

### Final interest distribution (accounting date 30 June 2018, paid on 31 August 2018)

Group 1: shares purchased prior to 1 April 2018

Group 2: shares purchased on or after 1 April 2018

	Distribution per share	Equalisation	Total distribution per share 31/08/18	Total distribution per share 31/08/17
<b>Class A accumulation</b>				
Group 1	0.9004	-	0.9004	0.9455
Group 2	0.5461	0.3543	0.9004	0.9455
<b>Class A income</b>				
Group 1	0.7605	-	0.7605	0.8177
Group 2	0.2157	0.5448	0.7605	0.8177
<b>Class I accumulation</b>				
Group 1	1.7167	-	1.7167	1.7845
Group 2	0.7677	0.9490	1.7167	1.7845
<b>Class I income</b>				
Group 1	0.8898	-	0.8898	0.9512
Group 2	0.0131	0.8767	0.8898	0.9512
<b>Class Z accumulation (formerly Class Z accumulation gross)</b>				
Group 1	1.8850	-	1.8850	1.9355
Group 2	1.0213	0.8637	1.8850	1.9355
<b>Class A income gross <sup>1</sup></b>				
Group 1	n/a	n/a	n/a	0.8196
Group 2	n/a	n/a	n/a	0.8196
<b>Class I accumulation gross <sup>1</sup></b>				
Group 1	n/a	n/a	n/a	1.9951
Group 2	n/a	n/a	n/a	1.9951
<b>Class I income gross <sup>1</sup></b>				
Group 1	n/a	n/a	n/a	0.9597
Group 2	n/a	n/a	n/a	0.9597

<sup>1</sup> Class A income gross, Class I accumulation gross and Class I income gross closed on 2 October 2017.

# Janus Henderson European Smaller Companies Fund (formerly Henderson European Smaller Companies Fund)

## Authorised Corporate Director's (ACD) report

### Investment Fund Managers

Ollie Beckett and Rory Stokes

### Investment objective and policy

To aim to provide capital growth by investing primarily in European Smaller Companies, excluding the United Kingdom.

### Performance summary

	30 Jun 17 - 30 Jun 18	30 Jun 16 - 30 Jun 17	30 Jun 15 - 30 Jun 16	30 Jun 14 - 30 Jun 15	30 Jun 13 - 30 Jun 14
	%	%	%	%	%
<b>Janus Henderson European Smaller Companies Fund</b>	7.8	50.1	9.4	3.9	27.3
<b>Euromoney Smaller Europe (ex UK) Index</b>	6.9	35.8	14.2	(0.3)	26.8

Source: Morningstar, bid to bid and net of fees as at 12 noon valuation point, based on performance of Class A accumulation. Benchmark values are at close of business.

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.

## Significant portfolio changes for the year ended 30 June 2018

<b>Largest purchases</b>	<b>£000</b>	<b>Largest sales</b>	<b>£000</b>
Agfa Gevaert	4,675	Koenig & Bauer	4,240
Intertrust	4,409	Swissquote Holding	4,211
Altia	4,230	Portucel Soporcel	3,433
Forbo Holdings	3,837	Yoox	3,263
Zur Rose	3,836	doBank	2,880
SLM Solutions	3,820	NKT	2,822
Valmet	3,783	Masmovil Ibercom	2,785
Devoteam	3,622	Leoni	2,776
Handicare	3,566	Basic-Fit	2,757
Gruppo MutuiOnline	3,515	Derichebourg	2,603
<b>Total purchases</b>	<b>214,717</b>	<b>Total sales</b>	<b>116,580</b>



### Investment review

Over the year to June 2018, the fund generated a positive return, despite politics remaining a source of drama. Italian elections delivered a majority for the 'populists'; German elections forced a protracted coalition negotiation, which in turn seemed to undermine the eurozone economic reform ambitions of the French President Emmanuel Macron. In the US, President Donald Trump continued to threaten trade wars against other nations. We have long subscribed to the view that politics in Europe are less important than economics. However, the current uncertainty in global trade may lead to an interaction between the two.

More broadly, the economic environment remained positive, but not as good as many market participants perhaps hoped. A seemingly more hawkish US Federal Reserve set on raising rates, the elevated risk of trade wars and general concerns about the age of the economic cycle all interlinked to create sharper fluctuations in market prices and incrementally raised the cost of capital. Our interpretation of the current situation is that if interest rates do rise, they will be led by the US, slower than expected and not followed in the eurozone with any real urgency. Trade wars are possible, but we believe a general lowering of tariffs between the US and the European Union, plus more opening up of Chinese markets, are as possible, if not more likely, outcomes of the current situation. We maintain our belief that we are in the middle stages of a long protracted economic recovery, in which Europe has the potential to catch up with the rest of the world.

The main contributors to the fund's positive return included doBank, a processor of non-performing loans, which offers a large addressable market in Italy. FinecoBank also added to fund returns. The Italian bank restructured its credit line to reduce dependence on UniCredit, which was seen favourably by the market. Each company serves to remind us that attractive returns can be achieved in those sectors and geographies that are perceived as challenged. We also benefited from the investment in a French supplier of linings for liquefied natural gas (LNG) container ships, Gaztransport et Technigaz, which began to receive orders after a quiet spell while energy prices were low. We believe the company's very high market share and the strong demand backdrop for LNG leave it well placed over the long term.

The principal detractors were Italian Clothing retailer OVS, which warned on trading after the poor weather in the first quarter of 2018 and had to write down its investment and further allocation to its minority interest in Swiss retailer Sempiore. We do not think the business is fundamentally broken and believe it is not expensive enough. French flash sale site SRP Groupe persistently failed to hit forecast sales and margin projections. We disposed of the position as our growing reservations about the business model were exacerbated by our lack of faith in its management.

We positioned the portfolio to blend structural growth stories, self-help and mispriced equity. What we pay for something is always a consideration. To that end, we added French Semiconductor material manufacturer Soitec as a structural growth story. The company sells products such as silicon-on-insulator substrates that improve power consumption, performance and cost for processors going into products from mobile telephony to automotive. The technology is being embraced by large players in the semiconductor industry, and sales grew 26.4% over the year to March 2018. We also added high growth company Handicare, which manufactures assistive products and solutions for disabled and elderly people.

We participated in a number of initial public offerings that appeared to have come to market at attractive valuations. These include Carel Industries, an air-conditioning controls company with a large family shareholder; home24, a German online home furnishings business; Better Collective, a Danish e-marketer for the online betting industry; and B&S, which we like in terms of its cash generation and potential for a closing valuation gap with peers as its quality becomes more apparent.

## Comparative tables for the year ended 30 June 2018

	Class A accumulation		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	2,147.73	1,450.34	1,305.99
Return before operating charges*	210.64	727.96	167.57
Operating charges	(39.40)	(30.57)	(23.22)
Return after operating charges*	171.24	697.39	144.35
Distributions on accumulation shares	-	(3.76)	(6.74)
Retained distributions on accumulation shares	-	3.76	6.74
Closing net asset value per share	2,318.97	2,147.73	1,450.34
* after direct transaction costs of:	2.29	2.35	1.72
<b>Performance</b>			
Return after charges	7.97%	48.08%	11.05%
<b>Other information</b>			
Closing net asset value (£000s)	66,677	64,078	42,971
Closing number of shares	2,875,294	2,983,528	2,962,853
Operating charges	1.71%	1.71%	1.72%
Direct transaction costs	0.10%	0.13%	0.13%
<b>Prices</b>			
Highest share price (pence)	2,426.00	2,207.00	1,466.00
Lowest share price (pence)	2,140.00	1,441.00	1,228.00
	Class I accumulation		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	2,389.36	1,599.77	1,428.30
Return before operating charges*	235.25	806.96	184.49
Operating charges	(22.20)	(17.37)	(13.02)
Return after operating charges*	213.05	789.59	171.47
Distributions on accumulation shares	(19.97)	(17.26)	(23.32)
Retained distributions on accumulation shares	19.97	17.26	23.32
Closing net asset value per share	2,602.41	2,389.36	1,599.77
* after direct transaction costs of:	2.57	2.65	1.91
<b>Performance</b>			
Return after charges	8.92%	49.36%	12.01%
<b>Other information</b>			
Closing net asset value (£000s)	183,994	74,533	27,386
Closing number of shares	7,070,143	3,119,374	1,711,859
Operating charges	0.86%	0.86%	0.87%
Direct transaction costs	0.10%	0.13%	0.13%
<b>Prices</b>			
Highest share price (pence)	2,713.00	2,454.00	1,616.00
Lowest share price (pence)	2,381.00	1,590.00	1,350.00

## **Comparative tables** (continued)

Direct transaction costs incurred on securities transactions (including derivatives) are stated after deducting the proportion of the amounts collected from dilution adjustments that relate to direct transaction costs.

Performance values are at close of business and may differ from the performance summary.

### **Operating charges**

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

### **Share class launches and closures**

There were no share classes launched or closed in the year.

## Ongoing charge figure

The annualised ongoing charge figure (OCF) of the fund is calculated as the ratio of the total ongoing charges to the average net asset value for twelve months. Ongoing charges are all expenses deducted from the assets of the fund during the year, except for expenses that are explicitly excluded by regulation.

	<b>2018</b> %	<b>2017</b> %
<b>Class A</b>	1.71	1.71
<b>Class I</b>	0.86	0.86

The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

## Risk and reward profile

The fund currently has 2 types of share class in issue; A accumulation and I accumulation.

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 and any income from it 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 share classes appear at 5 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events.

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

There have been no changes to the risk ratings in the year.

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

## Portfolio statement as at 30 June 2018

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Equities 97.01% (2017: 96.55%)</b>		
	<b>Austria 1.46% (2017: 3.41%)</b>		
	Basic Materials 1.46% (2017: 1.76%)		
40,095	Lenzing	3,649	1.46
	<b>Consumer Services 0.00% (2017: 0.98%)</b>		
	<b>Technology 0.00% (2017: 0.67%)</b>		
	<b>Belgium 5.02% (2017: 5.47%)</b>		
	<b>Health Care 0.53% (2017: 1.23%)</b>		
66,325	Ion Beam Applications	1,337	0.53
	<b>Industrials 4.49% (2017: 4.24%)</b>		
1,358,529	Agfa Gevaert	4,266	1.71
45,536	Barco	4,188	1.67
29,957	CFE	2,787	1.11
		11,241	4.49
	<b>Denmark 3.38% (2017: 1.88%)</b>		
	<b>Consumer Goods 0.92% (2017: 0.00%)</b>		
209,511	TCM	2,315	0.92
	<b>Industrials 1.14% (2017: 1.88%)</b>		
63,206	FLSmidth	2,865	1.14
	<b>Technology 1.32% (2017: 0.00%)</b>		
559,036	Better Collective	3,293	1.32
	<b>Estonia 0.52% (2017: 0.00%)</b>		
	<b>Consumer Services 0.52% (2017: 0.00%)</b>		
1,370,913	Tallink	1,291	0.52
	<b>Finland 6.86% (2017: 4.70%)</b>		
	<b>Consumer Goods 2.23% (2017: 1.06%)</b>		
538,615	Altia	4,144	1.66
248,633	Next Games	1,440	0.57
		5,584	2.23
	<b>Consumer Services 0.20% (2017: 1.29%)</b>		
92,206	Verkkokauppa.com	492	0.20
	<b>Financials 0.00% (2017: 0.76%)</b>		
	<b>Health Care 0.52% (2017: 0.00%)</b>		
271,114	Silmaasema	1,307	0.52
	<b>Industrials 3.91% (2017: 0.95%)</b>		
292,791	Lehto	2,571	1.03
561,868	Outotec	3,374	1.34
265,592	Valmet	3,875	1.54
		9,820	3.91

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Technology 0.00% (2017: 0.64%)</b>		
	<b>France 10.23% (2017: 10.69%)</b>		
	<b>Consumer Goods 1.08% (2017: 2.98%)</b>		
76,975	Kaufman & Broad	2,703	1.08
	<b>Consumer Services 0.60% (2017: 2.38%)</b>		
190,765	Europcar	1,505	0.60
	<b>Health Care 1.48% (2017: 1.45%)</b>		
85,024	Vétoquinol	3,715	1.48
	<b>Industrials 2.67% (2017: 2.56%)</b>		
92,854	Gaztransport et Technigaz	4,270	1.71
76,313	Mersen	2,291	0.91
1,335	STEF	120	0.05
		6,681	2.67
	<b>Technology 4.40% (2017: 1.32%)</b>		
155,373	Criteo ADS	3,865	1.54
49,577	Devoteam	4,142	1.64
47,780	Soitec	3,047	1.22
		11,054	4.40
	<b>Germany 15.48% (2017: 14.22%)</b>		
	<b>Consumer Goods 3.73% (2017: 3.17%)</b>		
47,153	Akasol	2,073	0.83
43,127	Einhell Germany Preference Shares	3,646	1.44
75,766	Helma Eigenheimbau	2,295	0.92
46,870	JOST Werke	1,343	0.54
		9,357	3.73
	<b>Consumer Services 1.74% (2017: 1.25%)</b>		
40,793	CEWE Stiftung	2,854	1.13
58,158	home24	1,517	0.61
		4,371	1.74
	<b>Financials 1.51% (2017: 1.02%)</b>		
88,683	Aareal Bank	2,953	1.18
81,798	Mutares	828	0.33
		3,781	1.51
	<b>Health Care 1.37% (2017: 0.00%)</b>		
141,371	Dermapharm	3,428	1.37
	<b>Industrials 3.31% (2017: 6.22%)</b>		
18,362	Basler	2,647	1.06
109,638	SGL Carbon	891	0.36
116,484	SLM Solutions	3,353	1.33
123,671	SUSS MircoTec	1,404	0.56
		8,295	3.31

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Technology 3.82% (2017: 2.56%)</b>		
133,563	Dialog Semiconductor	1,536	0.61
91,616	Mensch und Maschine Software	1,880	0.75
33,229	Nemetschek	3,029	1.21
143,183	USU Software	3,139	1.25
		<u>9,584</u>	<u>3.82</u>
	<b>Greece 0.00% (2017: 0.83%)</b>		
	<b>Basic Materials 0.00% (2017: 0.83%)</b>		
	<b>Ireland 2.30% (2017: 1.93%)</b>		
	<b>Consumer Goods 0.83% (2017: 1.05%)</b>		
379,076	Origin Enterprises	<u>2,072</u>	<u>0.83</u>
	<b>Consumer Services 1.47% (2017: 0.88%)</b>		
593,358	Dalata Hotel	<u>3,684</u>	<u>1.47</u>
	<b>Italy 7.76% (2017: 13.03%)</b>		
	<b>Consumer Goods 0.48% (2017: 2.63%)</b>		
484,605	OVS	<u>1,198</u>	<u>0.48</u>
	<b>Consumer Services 0.00% (2017: 3.81%)</b>		
	<b>Financials 6.40% (2017: 3.86%)</b>		
611,435	Anima	2,490	0.99
782,007	Banca Farmafactoring	3,458	1.38
674,116	BPER Banca	2,806	1.12
418,454	FinecoBank	3,578	1.43
294,772	Gruppo MutuiOnline	3,711	1.48
		<u>16,043</u>	<u>6.40</u>
	<b>Health Care 0.00% (2017: 0.69%)</b>		
	<b>Industrials 0.88% (2017: 0.00%)</b>		
307,136	Carel Industries	<u>2,217</u>	<u>0.88</u>
	<b>Oil &amp; Gas 0.00% (2017: 1.32%)</b>		
	<b>Telecommunications 0.00% (2017: 0.72%)</b>		
	<b>Luxembourg 2.37% (2017: 2.28%)</b>		
	<b>Consumer Services 1.25% (2017: 0.00%)</b>		
247,186	B&S	<u>3,116</u>	<u>1.25</u>
	<b>Industrials 1.12% (2017: 2.28%)</b>		
632,286	Ahlsell	<u>2,813</u>	<u>1.12</u>
	<b>Malta 1.08% (2017: 0.00%)</b>		
	<b>Consumer Services 1.08% (2017: 0.00%)</b>		
1,096,370	Aspire Global	<u>2,701</u>	<u>1.08</u>



## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Netherlands 8.22% (2017: 9.09%)</b>		
	<b>Consumer Goods 0.00% (2017: 1.37%)</b>		
	<b>Consumer Services 0.00% (2017: 0.39%)</b>		
	<b>Financials 2.86% (2017: 1.72%)</b>		
288,178	Intertrust	3,802	1.51
158,765	Van Lanschot Kempen	3,377	1.35
		<u>7,179</u>	<u>2.86</u>
	<b>Industrials 2.88% (2017: 2.09%)</b>		
212,894	Brunel International	2,702	1.08
196,144	Heijmans	1,953	0.78
84,088	Kendrion	2,566	1.02
		<u>7,221</u>	<u>2.88</u>
	<b>Oil &amp; Gas 1.18% (2017: 0.82%)</b>		
268,296	Fugro	2,948	1.18
	<b>Technology 1.30% (2017: 2.70%)</b>		
30,746	BE Semiconductor Industries	628	0.25
198,794	ICT	2,637	1.05
		<u>3,265</u>	<u>1.30</u>
	<b>Norway 5.13% (2017: 4.86%)</b>		
	<b>Consumer Services 1.00% (2017: 0.00%)</b>		
724,936	Bygghemma Group First	2,517	1.00
	<b>Financials 1.12% (2017: 1.06%)</b>		
350,655	Sparebank 1	2,816	1.12
	<b>Industrials 0.88% (2017: 2.57%)</b>		
623,210	Wallenius Wilhelmsen Logistics	2,201	0.88
	<b>Oil &amp; Gas 1.23% (2017: 1.23%)</b>		
537,795	Spectrum	3,078	1.23
	<b>Technology 0.90% (2017: 0.00%)</b>		
895,994	Data Respons	2,248	0.90
	<b>Portugal 0.00% (2017: 0.95%)</b>		
	<b>Basic Materials 0.00% (2017: 0.95%)</b>		
	<b>Spain 3.82% (2017: 3.33%)</b>		
	<b>Financials 0.00% (2017: 1.77%)</b>		
	<b>Health Care 0.99% (2017: 0.00%)</b>		
178,589	Laboratorios Farmaceúticos Rovi	2,480	0.99

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Industrials 2.83% (2017: 1.56%)</b>		
344,514	Applus	3,482	1.39
297,584	Fluidra	3,606	1.44
		<u>7,088</u>	<u>2.83</u>
	<b>Sweden 12.71% (2017: 9.31%)</b>		
	<b>Basic Materials 1.96% (2017: 1.77%)</b>		
358,599	Ahlstrom-Munksjö	4,909	1.96
	<b>Consumer Goods 2.07% (2017: 2.16%)</b>		
405,561	MIPS	2,674	1.06
134,126	Thule	2,526	1.01
		<u>5,200</u>	<u>2.07</u>
	<b>Consumer Services 4.30% (2017: 4.47%)</b>		
593,522	AcadeMedia	2,437	0.97
503,592	Dustin	3,446	1.37
1,051,915	Europris	2,380	0.95
264,398	Kindred	2,530	1.01
		<u>10,793</u>	<u>4.30</u>
	<b>Financials 0.81% (2017: 0.00%)</b>		
150,713	JM	2,040	0.81
	<b>Health Care 1.10% (2017: 0.00%)</b>		
445,421	Ambea	2,757	1.10
	<b>Industrials 2.47% (2017: 0.91%)</b>		
265,105	Alimak	3,062	1.22
536,064	Balco	3,132	1.25
		<u>6,194</u>	<u>2.47</u>
	<b>Switzerland 9.26% (2017: 8.97%)</b>		
	<b>Basic Materials 0.00% (2017: 0.70%)</b>		
	<b>Consumer Services 1.56% (2017: 0.00%)</b>		
39,517	Zur Rose	3,919	1.56
	<b>Financials 0.00% (2017: 0.48%)</b>		
	<b>Health Care 2.23% (2017: 0.21%)</b>		
763,420	Handicare	2,721	1.09
9,517	Siegfried	2,875	1.14
		<u>5,596</u>	<u>2.23</u>

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Industrials 5.47% (2017: 7.58%)</b>			
19,903	Comet	1,622	0.65
2,441	Forbo Holdings	2,756	1.10
3,193	Interroll	4,232	1.70
29,914	Klingelberg	1,129	0.45
2,638,606	Meyer Burger Technology	1,890	0.75
178,546	OC Oerlikon	2,066	0.82
		<u>13,695</u>	<u>5.47</u>
<b>United Kingdom 1.41% (2017: 0.00%)<sup>1</sup></b>			
<b>Industrials 1.41% (2017: 0.00%)</b>			
443,605	Grafton	<u>3,531</u>	<u>1.41</u>
<b>United States 0.00% (2017: 1.60%)</b>			
<b>Financials 0.00% (2017: 1.60%)</b>			
<b>Derivatives 0.00% (2017: 0.00%)</b>			
<b>Forward Foreign Exchange Contracts 0.00% (2017: 0.00%)<sup>2</sup></b>			
	Buy GBP 1,495,300 : Sell EUR 1,688,225 July 2018	2	-
	Buy GBP 434,929 : Sell EUR 493,300 July 2018	(1)	-
	Buy GBP 4,904 : Sell EUR 5,537 July 2018 <sup>3</sup>	-	-
		<u>1</u>	<u>-</u>
<b>Investment assets including investment liabilities</b>		<b>243,188</b>	<b>97.01</b>
Other net assets		7,483	2.99
<b>Total net assets</b>		<b><u>250,671</u></b>	<b><u>100.00</u></b>

<sup>1</sup> These stocks are incorporated and Domiciled in Europe and are permitted investments, the country of risk is United Kingdom.

<sup>2</sup> Unquoted securities

<sup>3</sup> Due to rounding to nearest £1,000

All investments are listed on recognised stock exchanges and are "approved securities" within the meaning of FCA rules unless otherwise stated.

## Statement of total return for the year ended 30 June 2018

	Note	2018		2017	
		£000	£000	£000	£000
Income					
Net capital gains	2		11,475		34,574
Revenue	3	4,046		1,988	
Expenses	4	(2,371)		(1,201)	
Interest payable and similar charges	5	(29)		(10)	
Net revenue before taxation		1,646		777	
Taxation	6	(360)		(127)	
Net revenue after taxation			1,286		650
Total return before distributions			12,761		35,224
Distributions	7		(1,412)		(650)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>11,349</b>		<b>34,574</b>

## Statement of change in net assets attributable to shareholders for the year ended 30 June 2018

	2018		2017	
	£000	£000	£000	£000
<b>Opening net assets attributable to shareholders</b>		<b>138,611</b>		<b>70,357</b>
Amounts receivable on issue of shares	124,258		40,546	
Amounts payable on cancellation of shares	(24,993)		(7,516)	
		99,265		33,030
Dilution adjustment		34		-
Change in net assets attributable to shareholders from investment activities		11,349		34,574
Retained distributions on accumulation shares		1,412		650
<b>Closing net assets attributable to shareholders</b>		<b>250,671</b>		<b>138,611</b>

**Balance sheet** as at 30 June 2018

	Note	2018 £000	2017 £000
<b>Assets:</b>			
Investments		243,189	133,825
Current assets:			
Debtors	8	3,815	915
Cash and bank balances	9	10,702	5,929
<b>Total assets</b>		<b>257,706</b>	<b>140,669</b>
<b>Liabilities:</b>			
Investment liabilities		1	1
Creditors:			
Bank overdrafts		1,194	542
Other creditors	10	5,840	1,515
<b>Total liabilities</b>		<b>7,035</b>	<b>2,058</b>
<b>Net assets attributable to shareholders</b>		<b>250,671</b>	<b>138,611</b>

## Notes to the financial statements for the year ended 30 June 2018

### 1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 of the fund's aggregated notes to the financial statements.

### 2 Net capital gains

Net capital gains on investments during the year comprise:

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Forward currency contracts	(149)	(3)
Non-derivative securities	11,511	34,394
Other currency gains	142	196
Transaction costs	(29)	(13)
<b>Net capital gains</b>	<b>11,475</b>	<b>34,574</b>

### 3 Revenue

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Bank interest	3	-
Overseas dividends	4,043	1,988
<b>Total revenue</b>	<b>4,046</b>	<b>1,988</b>

### 4 Expenses

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
Annual management charge	2,100	1,062
GAC*	231	121
	<u>2,331</u>	<u>1,183</u>

#### **Payable to the Depositary, associates of the Depositary and agents of either of them:**

Depositary fees	19	9
Safe custody fees	21	8
	<u>40</u>	<u>17</u>

#### **Other expenses:**

Legal fees	-	1
	<u>-</u>	<u>1</u>

#### **Total expenses**

	<u><b>2,371</b></u>	<u><b>1,201</b></u>
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Irrecoverable VAT is included in the above expenses where relevant.

\* The current audit fee, which is levied through the GAC, is £7,681 (2017: £7,458).

## Notes to the financial statements (continued)

### 5 Interest payable and similar charges

The interest payable and similar charges comprise:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Interest payable*	29	10
<b>Total interest payable and similar charges</b>	<b>29</b>	<b>10</b>

\* Includes negative interest on credit balances held with custodian.

### 6 Taxation

#### a) Analysis of charge in the year

The tax charge comprises:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Current tax</b>		
Overseas withholding tax	360	127
<b>Total tax (note 6b)</b>	<b>360</b>	<b>127</b>

#### b) Factors affecting tax charge for year

The tax assessed for each year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICS) of 20% (2017: 20%). The differences are explained below:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Net revenue before taxation	1,646	777
Corporation tax at 20% (2017: 20%)	329	155
Effects of:		
Irrecoverable overseas tax	360	127
Overseas dividends*	(763)	(384)
Tax effect of expensed double taxation relief	-	(2)
Unused management expenses	434	231
<b>Tax charge for the year (note 6a)</b>	<b>360</b>	<b>127</b>

\* Certain overseas dividends are not subject to corporation tax from 1 July 2009 due to changes enacted in the Finance Act 2009. OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

#### c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2017: nil).

#### d) Factors that may affect future tax charges

At the year end, after claiming relief against revenue taxable on receipt, there is a potential deferred tax asset of £2,130,909 (2017: £1,696,587) in relation to surplus management expenses. It is unlikely that the fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised at the current or prior year end.

## Notes to the financial statements (continued)

### 7 Distributions

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Final accumulation	1,412	650
<b>Total distributions</b>	<b>1,412</b>	<b>650</b>
Net revenue after taxation	1,286	650
Revenue shortfall	126	-
<b>Total distributions</b>	<b>1,412</b>	<b>650</b>

Details of the distribution per share are set out in the distribution table on page 74.

### 8 Debtors

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Accrued revenue	102	13
Amounts receivable for issue of shares	329	469
Currency transactions awaiting settlement	994	3
Overseas withholding tax reclaimable	244	237
Sales awaiting settlement	2,146	193
<b>Total debtors</b>	<b>3,815</b>	<b>915</b>

### 9 Cash and bank balances

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Cash and bank balances	10,702	5,929
<b>Total cash and bank balances</b>	<b>10,702</b>	<b>5,929</b>

### 10 Other creditors

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Accrued annual management charge	200	122
Accrued Depositary's fee	2	1
Accrued other expenses	36	18
Amounts payable for cancellation of shares	2,003	223
Currency transactions awaiting settlement	995	3
Purchases awaiting settlement	2,604	1,148
<b>Total other creditors</b>	<b>5,840</b>	<b>1,515</b>

### 11 Contingent assets, liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.



## Notes to the financial statements (continued)

### 12 Related party transactions

Henderson Investment Funds Limited as ACD to the fund is deemed to be a related party because it provides key management personnel services to the fund. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', the 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 64 and 65 and notes 4, 8 and 10 on pages 66 to 68 including all issues and cancellations where the ACD acted as principal.

Transactions with the ACD are as follows:

- All issues and cancellations,
- Annual management charge
- GAC

There were no material shareholders at the year end (2017: nil).

### 13 Shareholders' funds

The fund currently has 2 share classes available; Class A (Retail with front-end charges) and Class I (Institutional). The annual management charge on each share class is as follows:

	2018	2017
	%	%
Class A	1.50	1.50
Class I	0.75	0.75

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative tables on pages 54 and 55. The distribution per share class is given in the distribution table on page 74. All share classes have the same rights on winding up.

### Shares reconciliation as at 30 June 2018

	Class A accumulation	Class I accumulation
Opening number of shares	2,983,528	3,119,374
Issues during the year	378,906	4,478,929
Cancellations during the year	(440,193)	(570,277)
Shares converted during the year	(46,947)	42,117
<b>Closing shares in issue</b>	<b>2,875,294</b>	<b>7,070,143</b>

### 14 Financial derivatives

The fund may use financial derivatives for the purposes of efficient portfolio management only.

Eligible collateral types are approved by the Investment Manager and are agreed with the relevant counterparty.

The counterparty exposure has been calculated using the positive marked-to-market value of the derivative contract with that counterparty.

There was no collateral pledged or collateral held in respect of derivatives as at 30 June 2018 (2017: nil).

#### 2018

At 30 June 2018 the underlying exposure for the derivatives held was as follows:

Counterparty	Forward foreign exchange contracts £000
BNP Paribas	2
	<u>2</u>

#### 2017

The fund had no exposure to derivatives as at 30 June 2017.

## Notes to the financial statements (continued)

### 15 Risk

#### Currency risk

The exposure to currency risk is considered significant. The following table details the net exposure of the principle foreign currencies the fund is exposed to including any instruments used to hedge foreign currencies.

<b>2018</b>	<b>Investment assets including investment liabilities £000</b>	<b>Other net assets/ (liabilities) £000</b>	<b>Total net assets £000</b>
<b>Currency</b>			
Danish krone	5,180	10	5,190
Euro	156,817	9,373	166,190
Norwegian krone	12,724	29	12,753
Polish zloty	-	4	4
Swedish krona	38,648	-	38,648
Swiss franc	20,488	-	20,488
UK sterling	5,466	(1,933)	3,533
US dollar	3,865	-	3,865
<b>Total</b>	<b>243,188</b>	<b>7,483</b>	<b>250,671</b>

<b>2017</b>	<b>Investment assets including investment liabilities £000</b>	<b>Other net assets/ (liabilities) £000</b>	<b>Total net assets £000</b>
<b>Currency</b>			
Danish krone	2,608	-	2,608
Euro	96,516	4,492	101,008
Norwegian krone	8,133	-	8,133
Swedish krona	10,583	25	10,608
Swiss franc	13,366	(1)	13,365
UK sterling	(174)	271	97
US dollar	2,792	-	2,792
<b>Total</b>	<b>133,824</b>	<b>4,787</b>	<b>138,611</b>

#### Sensitivity analysis

The net foreign currency assets held by the fund at the year end were £247,138,000 (2017: £138,514,000). A 10% increase in the foreign exchange rates applied to the fund's net foreign currency assets would have the effect of increasing the return for the year ended 30 June 2018 and the net assets as at 30 June 2018 by £24,713,800 (2017: £13,851,400). A 10% decrease in the foreign exchange rates applied to the fund's net foreign currency assets would have the effect of decreasing the return for the year ended 30 June 2018 and the net assets as at 30 June 2018 by £24,713,800 (2017: £13,851,400).

#### Interest rate risk

The fund's exposure to interest rate risk is considered insignificant. This is consistent with the exposure during the prior year.

#### Other market price risk

An increase or decrease in market values will have a direct effect on the value of the investment assets in the portfolio and therefore a proportionate effect on the value of the fund.

#### Leverage

The fund has not employed significant leverage in the current or prior year.

## Notes to the financial statements (continued)

### 15 Risk (continued)

#### Liquidity risk

The following table provides a maturity analysis of the fund's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
<b>2018</b>				
Bank overdrafts	1,194	-	-	-
Derivative financial liabilities	-	1	-	-
Other creditors	-	5,840	-	-
<b>Total</b>	<b>1,194</b>	<b>5,841</b>	<b>-</b>	<b>-</b>
	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
<b>2017</b>				
Bank overdrafts	542	-	-	-
Derivative financial liabilities	-	1	-	-
Other creditors	-	1,515	-	-
<b>Total</b>	<b>542</b>	<b>1,516</b>	<b>-</b>	<b>-</b>

### 16 Fair value disclosure

#### Fair value measurement

The intention of a fair value measurement is to estimate the price at which an asset or a liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS 102 the fund classifies fair value measurement under the following levels:

#### Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

#### Level 2

Inputs other than quoted prices included within level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

#### Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

#### Fair value hierarchy

	2018		2017	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1	239,541	-	133,825	-
Level 2	3,648	1	-	1
Level 3	-	-	-	-
	<b>243,189</b>	<b>1</b>	<b>133,825</b>	<b>1</b>

## Notes to the financial statements (continued)

### 17 Direct transaction costs

	Purchases		Sales	
	2018 £000	2017 £000	2018 £000	2017 £000
<b>Trades in the year</b>				
Equities	214,533	79,699	116,639	47,444
<b>Trades in the year before transaction costs</b>	<b>214,533</b>	<b>79,699</b>	<b>116,639</b>	<b>47,444</b>
<b>Transaction costs</b>				
<b>Commissions</b>				
Equities	96	56	58	44
<b>Total commissions</b>	<b>96</b>	<b>56</b>	<b>58</b>	<b>44</b>
<b>Taxes</b>				
Equities	54	9	-	-
<b>Total taxes</b>	<b>54</b>	<b>9</b>	<b>-</b>	<b>-</b>
<b>Other expenses</b>				
Equities	34	10	1	-
<b>Total other expenses</b>	<b>34</b>	<b>10</b>	<b>1</b>	<b>-</b>
<b>Total transaction costs</b>	<b>184</b>	<b>75</b>	<b>59</b>	<b>44</b>
<b>Total net trades in the year after transaction costs</b>	<b>214,717</b>	<b>79,774</b>	<b>116,580</b>	<b>47,400</b>

	Purchases		Sales	
	2018 %	2017 %	2018 %	2017 %
<b>Total transaction costs expressed as a percentage of asset type cost</b>				
<b>Commissions</b>				
Equities	0.04	0.07	0.05	0.09
<b>Taxes</b>				
Equities	0.03	0.01	-	-
<b>Other expenses</b>				
Equities	0.02	0.01	-	-
<b>Total costs</b>	<b>0.12</b>	<b>0.13</b>		

There were no in specie transfers during the year (2017: nil). There were corporate actions during the year of £292,599 (2017: nil).

There were no direct transaction costs associated with derivatives during the year (2017: nil).

Direct transaction costs are fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the fund. These exclude any differences between quoted bid and offer prices or internal administrative or holding costs.

The portfolio dealing spread as at 30 June 2018 was 0.37% (2017: 0.41%). The portfolio dealing spread is calculated at the fund's 12 noon valuation point.

## Notes to the financial statements (continued)

### 18 Events after the Balance sheet date

There were no material post Balance sheet events which require disclosure within these financial statements.

**Distribution table** for the year ended 30 June 2018 (in pence per share)

**Final dividend distribution (accounting date 30 June 2018, paid on 31 August 2018)**

Group 1: shares purchased prior to 1 July 2017

Group 2: shares purchased on or after 1 July 2017

	<b>Distribution per share</b>	<b>Total distribution per share 31/08/18</b>	<b>Total distribution per share 31/08/17</b>
<b>Class A accumulation</b>			
Group 1	-	-	3.7614
Group 2	-	-	3.7614
<b>Class I accumulation</b>			
Group 1	19.9682	19.9682	17.2553
Group 2	19.9682	19.9682	17.2553

# Janus Henderson Index Linked Bond Fund (formerly Henderson Index Linked Bond Fund)

## Authorised Corporate Director's (ACD) report

### Investment Fund Managers

Andrew Mulliner and Bethany Payne

Please note that as of 9 April 2018, Andrew Mulliner and Bethany Payne took over the management of this fund.

### 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.

### Performance summary

	30 Jun 17 - 30 Jun 18	30 Jun 16 - 30 Jun 17	30 Jun 15 - 30 Jun 16	30 Jun 14 - 30 Jun 15	30 Jun 13 - 30 Jun 14
	%	%	%	%	%
<b>Janus Henderson Index linked Bond Fund</b>	0.9	7.6	14.6	12.9	1.6
<b>FTSE Index Linked (Over 5 years) Index</b>	2.0	7.1	17.0	15.8	4.3

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 at close of business.

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.

## Significant portfolio changes for the year ended 30 June 2018

<b>Largest purchases</b>	<b>£000</b>	<b>Largest sales</b>	<b>£000</b>
UK Treasury 0.125% Index-Linked 10/08/2048	2,893	UK Treasury 1.25% Index-Linked 22/11/2027	7,594
UK Treasury 0.625% Index-Linked 22/11/2042	2,292	UK Treasury 1.875% Index-Linked 22/11/2022	4,478
UK Treasury 0.125% Index-Linked 22/11/2056	2,284	UK Treasury 1.25% Index-Linked 22/11/2055	3,899
UK Treasury 1.25% Index-Linked 22/11/2032	1,923	UK Treasury 0.625% Index-Linked 22/11/2042	3,778
UK Treasury 0.125% Index-Linked 22/03/2026	1,458	UK Treasury 1.125% Index-Linked 22/11/2037	3,519
UK Treasury 0.125% Index-Linked 22/03/2029	1,378	UK Treasury 0.125% Index-Linked 22/03/2068	3,322
UK Treasury 1.125% Index-Linked 22/11/2037	1,255	UK Treasury 0.50% Index-Linked 22/03/2050	3,276
UK Treasury 0.125% Index-Linked 22/11/2036	1,070	UK Treasury 0.375% Index-Linked 22/03/2062	3,272
Portugal (Republic of) 4.10% 15/02/2045	1,009	UK Treasury 0.625% Index-Linked 22/03/2040	3,221
UK Treasury 1.25% Index-Linked 22/11/2055	963	UK Treasury 2.50% Index-Linked 17/07/2024	2,822
<b>Total purchases</b>	<b>24,812</b>	<b>Total sales</b>	<b>69,515</b>

### Investment review

Government bond markets underwent periods of volatility (sharper fluctuations in prices) during the year. While we started with rising yields in core markets (prices move inversely to yields), especially in the US where the narrative of rebounding inflation dominated, early in the first quarter of 2018 we saw a bout of instability in emerging markets, led by Argentina and Turkey. This caused concerns of spillovers into developed markets, followed by an apparently existential threat to the eurozone as the new Italian government made ominous statements relating to parallel currencies and expanding government deficits. This resulted in a flight-to-quality bid to core government bond markets, as well as marked underperformance of peripheral European markets, led by Italy. Although this crisis abated considerably, some increase in risk premium remains in these markets.

The European Central Bank announced the end of its bond-buying programme but also agreed not to increase rates until at least after the summer of 2019. This provided some further reprieve for European bonds. All the while, trade tensions were gradually escalating. While the intention to impose tariffs has been known for some time, the approach of the implementation date served to focus minds on the issue, and served as a restraining force on yields given that domestic data in the US in particular still appears robust.

In the UK, the economy continued to be hampered by uncertainty due to the negotiations around leaving the European Union. While gilt market volatility was muted and data was mixed, the Bank of England was able to justify tightening its monetary policy very gradually.

The fund underperformed 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 from positioning for falling yields in short-dated bonds in Canada, Australia, Europe and the UK. Headwinds to performance came from a long position in US Treasuries and being positioned for long-dated German bonds to underperform short-dated ones.

Currency strategies detracted over the year as we lost money in a long position in the Czech koruna versus the euro. However, some of that performance came back through a long position in the Norwegian krone versus the euro.

Our inflation strategies proved to be profitable, as we positioned for long-dated inflation expectations to rise in the UK, relative to five-year inflation expectations. We also profited by positioning for a rise in US inflation expectations. However, a position which looked for 10-year European inflation expectations to rise relative to five-year inflation expectations made a small loss.

To-date, the US economy has shown no material ill effects from the shocks buffeting global markets, supported as it is by an unprecedented late-cycle fiscal expansion. As such, if we see some stability in the trade backdrop, we believe yields could move higher as the Federal Reserve continues on its path of interest rate hikes. While this will influence rates globally, we believe shorter-dated bonds in Europe and Japan will receive support from central bank guidance and continued bond buying respectively.



## Comparative tables for the year ended 30 June 2018

	Class A income		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	450.27	424.16	366.51
Return before operating charges*	7.89	30.26	60.94
Operating charges	(4.11)	(4.15)	(3.29)
Return after operating charges*	3.78	26.11	57.65
Distributions on income shares	-	-	-
Closing net asset value per share	454.05	450.27	424.16
* after direct transaction costs of:	-	-	0.01
<b>Performance</b>			
Return after charges	0.84%	6.16%	15.73%
<b>Other information</b>			
Closing net asset value (£000s)	13,050	13,769	15,070
Closing number of shares	2,874,205	3,057,838	3,552,976
Operating charges	0.91%	0.91%	0.91%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	475.30	488.90	422.40
Lowest share price (pence)	434.30	418.20	358.00
	Class D accumulation (formerly Class D accumulation gross)		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	342.02	319.96	274.77
Return before operating charges*	5.99	23.05	46.00
Operating charges	(1.00)	(0.99)	(0.81)
Return after operating charges*	4.99	22.06	45.19
Distributions on accumulation shares	-	-	(0.57)
Retained distributions on accumulation shares	-	-	0.57
Closing net asset value per share	347.01	342.02	319.96
* after direct transaction costs of:	-	-	0.01
<b>Performance</b>			
Return after charges	1.46%	6.89%	16.45%
<b>Other information</b>			
Closing net asset value (£000s)	29	31	309
Closing number of shares	8,250	8,950	96,495
Operating charges	0.29%	0.29%	0.29%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	361.50	370.90	318.80
Lowest share price (pence)	330.20	315.70	268.50

## Comparative tables (continued)

	Class I accumulation		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	536.15	502.78	432.82
Return before operating charges*	9.37	36.30	72.45
Operating charges	(2.91)	(2.93)	(2.41)
Return after operating charges*	6.46	33.37	70.04
Distributions on accumulation shares	-	-	(0.39)
Retained distributions on accumulation shares <sup>^</sup>	-	-	0.31
Closing net asset value per share	542.61	536.15	502.78
* after direct transaction costs of:	-	-	0.01
<b>Performance</b>			
Return after charges	1.20%	6.64%	16.18%
<b>Other information</b>			
Closing net asset value (£000s)	108,056	21,211	15,311
Closing number of shares	19,914,073	3,956,259	3,045,261
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	566.30	581.70	501.00
Lowest share price (pence)	517.50	496.10	422.90

<sup>^</sup> Retained distribution prior to 6 April 2017 are net of 20% income tax.

	Class I income		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	465.17	436.23	375.80
Return before operating charges*	8.13	31.48	62.79
Operating charges	(2.52)	(2.54)	(2.09)
Return after operating charges*	5.61	28.94	60.70
Distributions on income shares	-	-	(0.27)
Closing net asset value per share	470.78	465.17	436.23
* after direct transaction costs of:	-	-	0.01
<b>Performance</b>			
Return after charges	1.21%	6.63%	16.15%
<b>Other information</b>			
Closing net asset value (£000s)	43,329	62,656	51,976
Closing number of shares	9,203,548	13,469,458	11,914,841
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	491.40	504.70	434.70
Lowest share price (pence)	449.00	430.40	367.20

## Comparative tables (continued)

### Class Z accumulation (formerly Class Z accumulation gross)

	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	312.90	292.00	250.15
Return before operating charges*	5.49	21.03	41.95
Operating charges	(0.13)	(0.13)	(0.10)
Return after operating charges*	5.36	20.90	41.85
Distributions on accumulation shares	(0.09)	-	(0.85)
Retained distributions on accumulation shares	0.09	-	0.85
Closing net asset value per share	318.26	312.90	292.00
* after direct transaction costs of:	-	-	0.01

### Performance

Return after charges	1.71%	7.16%	16.73%
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### Other information

Closing net asset value (£000s)	14,005	15,408	15,783
Closing number of shares	4,400,659	4,924,252	5,405,032
Operating charges	0.04%	0.04%	0.04%
Direct transaction costs	0.00%	0.00%	0.00%

### Prices

Highest share price (pence)	330.80	339.10	290.90
Lowest share price (pence)	302.10	288.20	244.50

### Class A income gross

	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	456.10	429.01	370.26
Return before operating charges*	(2.08)	30.84	61.75
Operating charges	(1.32)	(3.75)	(3.00)
Return after operating charges*	(3.40)	27.09	58.75
Distributions on income shares	-	-	-
Final cancellation price	(452.70) <sup>1</sup>	-	-
Closing net asset value per share	-	456.10	429.01
* after direct transaction costs of:	-	-	0.01

### Performance

Return after charges	(0.75)	6.31%	15.87%
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### Other information

Closing net asset value (£000s)	-	3,401	1,381
Closing number of shares	-	745,709	321,916
Operating charges	0.81%	0.81%	0.81%
Direct transaction costs	0.00%	0.00%	0.00%

### Prices

Highest share price (pence)	481.50 <sup>2</sup>	495.10	427.40
Lowest share price (pence)	440.20 <sup>2</sup>	423.10	361.70

<sup>1</sup> Class A income gross closed on 2 October 2017 and this is the final cancellation price.

<sup>2</sup> to 2 October 2017

## Comparative tables (continued)

	Class I accumulation gross		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	548.07	514.03	442.52
Return before operating charges*	(2.63)	37.02	73.97
Operating charges	(1.04)	(2.98)	(2.46)
Return after operating charges*	(3.67)	34.04	71.51
Distributions on accumulation shares	-	-	(0.36)
Retained distributions on accumulation shares	-	-	0.36
Final cancellation price	(544.40) <sup>3</sup>	-	-
Closing net asset value per share	-	548.07	514.03
* after direct transaction costs of:	-	-	0.01
<b>Performance</b>			
Return after charges	(0.67%)	6.62%	16.16%
<b>Other information</b>			
Closing net asset value (£000s)	-	95,410	190,316
Closing number of shares	-	17,408,180	37,024,417
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	578.90 <sup>4</sup>	594.60	512.50
Lowest share price (pence)	529.00 <sup>4</sup>	507.20	432.40

<sup>3</sup> Class I accumulation gross closed on 2 October 2017 and this is the final cancellation price.

<sup>4</sup> to 2 October 2017

	Class I income gross		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	466.97	437.96	377.35
Return before operating charges*	(2.28)	31.56	63.02
Operating charges	(0.89)	(2.55)	(2.10)
Return after operating charges*	(3.17)	29.01	60.92
Distributions on income shares	-	-	(0.31)
Final cancellation price	(463.80) <sup>5</sup>	-	-
Closing net asset value per share	-	466.97	437.96
* after direct transaction costs of:	-	-	0.01
<b>Performance</b>			
Return after charges	(0.68%)	6.62%	16.14%
<b>Other information</b>			
Closing net asset value (£000s)	-	10,463	5,078
Closing number of shares	-	2,240,706	1,159,567
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	493.30 <sup>6</sup>	506.60	436.40
Lowest share price (pence)	450.70 <sup>6</sup>	432.10	368.70

<sup>5</sup> Class I income gross closed on 2 October 2017 and this is the final cancellation price.

<sup>6</sup> to 2 October 2017

Direct transaction costs incurred on securities transactions (including derivatives) are stated after deducting the proportion of the amounts collected from dilution adjustments that relate to direct transaction costs.

Performance values are at close of business and may differ from the performance summary.

## Comparative tables (continued)

### Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

### Share class launches and closures

There were no share classes launched in the year. The following share classes were closed in the year.

Share class	Closure date
Class A income gross	2 October 2017
Class I accumulation gross	2 October 2017
Class I income gross	2 October 2017

The following share classes changed name in the year:

Share class	Date of change
Class D accumulation (formerly Class D accumulation gross)	2 October 2017
Class Z accumulation (formerly Class Z accumulation gross)	2 October 2017

As there is no longer any difference between gross and net share classes, investors in Class A income gross, Class I accumulation gross and Class I income gross have been combined into Class A income, Class I accumulation and Class I income respectively. This removes the administration cost of running two separate share classes that are otherwise identical.

## Ongoing charge figure

The annualised ongoing charge figure (OCF) of the fund is calculated as the ratio of the total ongoing charges to the average net asset value for twelve months. Ongoing charges are all expenses deducted from the assets of the fund during the year, except for expenses that are explicitly excluded by regulation.

	<b>2018</b> %	<b>2017</b> %
<b>Class A</b>	0.91	0.91
<b>Class A gross<sup>1</sup></b>	0.81	0.81
<b>Class D</b>	0.29	0.29
<b>Class I</b>	0.54	0.54
<b>Class Z</b>	0.04	0.04

The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

<sup>1</sup> Class A income gross closed on 2 October 2017.

## Risk and reward profile

The fund currently has 5 types of share class in issue; A income, I accumulation, I income, D accumulation (formerly D accumulation gross), and Z accumulation (formerly 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 and any income from it 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 share classes appear at 5 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events.

The full list of the fund's risks are contained in the 'Risk Factors' section of the fund's prospectus.

There have been no changes to the risk ratings in the year.

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

## Portfolio statement as at 30 June 2018

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Bonds 99.43% (2017: 98.34%)</b>			
<b>United Kingdom 99.43% (2017: 98.34%)</b>			
<b>Index Linked Bond 99.43% (2017: 98.34%)</b>			
GBP 1,726,973	UK Treasury 0.125% Index-Linked 10/08/2048	2,890	1.62
GBP 4,266,237	UK Treasury 0.125% Index-Linked 22/03/2024	5,522	3.09
GBP 3,948,845	UK Treasury 0.125% Index-Linked 22/03/2026	4,950	2.77
GBP 4,422,615	UK Treasury 0.125% Index-Linked 22/03/2029	6,311	3.54
GBP 4,689,036	UK Treasury 0.125% Index-Linked 22/03/2044	8,341	4.67
GBP 2,296,909	UK Treasury 0.125% Index-Linked 22/03/2046	3,950	2.21
GBP 3,241,205	UK Treasury 0.125% Index-Linked 22/03/2058	6,787	3.80
GBP 3,741,581	UK Treasury 0.125% Index-Linked 22/03/2068	9,661	5.41
GBP 2,752,032	UK Treasury 0.125% Index-Linked 22/11/2036	4,074	2.28
GBP 1,642,059	UK Treasury 0.125% Index-Linked 22/11/2056	3,252	1.82
GBP 2,877,257	UK Treasury 0.125% Index-Linked 22/11/2065	6,801	3.81
GBP 3,688,465	UK Treasury 0.25% Index-Linked 22/03/2052	7,690	4.31
GBP 3,736,309	UK Treasury 0.375% Index-Linked 22/03/2062	9,797	5.49
GBP 3,650,705	UK Treasury 0.50% Index-Linked 22/03/2050	8,836	4.95
GBP 4,221,831	UK Treasury 0.625% Index-Linked 22/03/2040	8,641	4.84
GBP 3,784,277	UK Treasury 0.625% Index-Linked 22/11/2042	8,314	4.66
GBP 4,502,394	UK Treasury 0.75% Index-Linked 22/03/2034	7,755	4.35
GBP 3,542,908	UK Treasury 0.75% Index-Linked 22/11/2047	8,873	4.97
GBP 3,894,930	UK Treasury 1.125% Index-Linked 22/11/2037	8,779	4.92
GBP 4,273,052	UK Treasury 1.25% Index-Linked 22/11/2027	8,059	4.52
GBP 4,043,397	UK Treasury 1.25% Index-Linked 22/11/2032	7,705	4.32
GBP 3,020,063	UK Treasury 1.25% Index-Linked 22/11/2055	10,633	5.97
GBP 2,689,518	UK Treasury 2.00% Index-Linked 26/01/2035	7,215	4.04
GBP 2,047,192	UK Treasury 2.50% Index-Linked 17/07/2024	7,391	4.14
GBP 1,442,051	UK Treasury 4.125% Index-Linked 22/07/2030	5,223	2.93
		<u>177,450</u>	<u>99.43</u>
<b>Derivatives (0.13%) (2017: 0.05%)</b>			
<b>Futures (0.02%) (2017: 0.01%)</b>			
(23)	EUX Euro-Buxl 30 Year Bond September 2018	(42)	(0.02)
(6)	OSE Japan 10 Year Bond September 2018	(10)	(0.01)
103	SFE Australia 3 Year Bond September 2018	15	0.01
		<u>(37)</u>	<u>(0.02)</u>
<b>Options 0.03% (2017: 0.00%)</b>			
1,540,000	CHF/EUR Call 1.16 July 2018	11	0.01
1,750,000	GBP/USD Put 1.35 August 2018	41	0.02
(1,750,000)	USD/GBP Put 1.30 August 2018	(6)	-
		<u>46</u>	<u>0.03</u>
<b>Swaptions (0.01%) (2017: 0.00%)</b>			
26,800,000	Swaption January 2019 USD 3 Month LIBOR 2.5725%	20	0.01
(11,200,000)	Swaption January 2019 USD 3 Month LIBOR 2.595%	(27)	(0.02)
		<u>(7)</u>	<u>(0.01)</u>



## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Swaps (0.11%) (2017: 0.02%)<sup>1</sup></b>			
<b>Interest Rate Swaps (0.11%) (2017: 0.02%)<sup>1</sup></b>			
6,894,100,000	IRS 0.11% LIBOR 6 month 0.00% Receive Fixed 0.00% JPY	41	0.02
1,388,000,000	IRS 0.4465% LIBOR 6 month 0.00% Receive Floating 0.00% JPY	(107)	(0.06)
1,800,000	IRS 1.4651% EURIBOR 6 month 0.00% Receive Fixed 0.00% EUR	3	-
1,800,000	IRS 1.5078% EURIBOR 6 month 0.00% Receive Fixed 0.00% EUR	18	0.01
9,700,000	IRS 1.611% LIBOR 6 month 0.00% Receive Floating 0.00% GBP	(82)	(0.05)
1,800,000	IRS 1.6443% LIBOR 6 month 0.00% Receive Fixed 0.00% GBP	11	0.01
2,100,000	IRS 1.732% LIBOR 6 month 0.00% Receive Fixed 0.00% GBP	58	0.03
11,300,000	IRS 2.26% CAD BA 3 month 0.00% Receive Fixed 0.00% CAD	(16)	(0.01)
11,200,000	IRS 2.405% CAD BA 3 month 0.00% Receive Fixed 0.00% CAD	(7)	-
62,600,000	IRS 2.815% LIBOR 3 month 0.00% Receive Fixed 0.00% USD	(144)	(0.08)
13,800,000	IRS 2.949% LIBOR 3 month 0.00% Receive Floating 0.00% USD	23	0.01
7,000,000	IRS 3.025% LIBOR 3 month 0.00% Receive Floating 0.00% USD	(22)	(0.01)
31,500,000	IRS 3.046% LIBOR 3 month 0.00% Receive Fixed 0.00% USD	30	0.02
		<u>(194)</u>	<u>(0.11)</u>
<b>Forward Foreign Exchange Contracts (0.02%) (2017: 0.02%)<sup>1</sup></b>			
	Buy AUD 63,100 : Sell GBP 35,282 July 2018 <sup>2</sup>	-	-
	Buy CAD 10,657 : Sell GBP 6,016 July 2018 <sup>2</sup>	-	-
	Buy CAD 21,290 : Sell GBP 12,143 July 2018 <sup>2</sup>	-	-
	Buy CAD 21,470 : Sell GBP 12,181 July 2018 <sup>2</sup>	-	-
	Buy CAD 31,435 : Sell GBP 17,954 July 2018 <sup>2</sup>	-	-
	Buy CAD 33,352 : Sell GBP 19,092 July 2018 <sup>2</sup>	-	-
	Buy CAD 4,734 : Sell GBP 2,706 July 2018 <sup>2</sup>	-	-
	Buy CAD 48,232 : Sell GBP 27,325 July 2018 <sup>2</sup>	-	-
	Buy CAD 8,208 : Sell GBP 4,647 July 2018 <sup>2</sup>	-	-
	Buy CZK 74,400,332 : Sell EUR 2,868,282 September 2018	(14)	(0.01)
	Buy EUR 1,500,000 : Sell CZK 39,192,000 September 2018	(2)	-
	Buy EUR 1,572,228 : Sell CHF 1,812,682 September 2018	7	-
	Buy GBP 1,242 : Sell CAD 2,193 July 2018 <sup>2</sup>	-	-
	Buy GBP 145,260 : Sell EUR 164,143 July 2018 <sup>2</sup>	-	-
	Buy GBP 19,998 : Sell CAD 34,752 July 2018 <sup>2</sup>	-	-
	Buy GBP 207,621 : Sell USD 275,088 July 2018	(1)	-
	Buy GBP 27,324 : Sell CAD 48,232 July 2018 <sup>2</sup>	-	-
	Buy GBP 33,361 : Sell EUR 37,700 July 2018 <sup>2</sup>	-	-
	Buy GBP 337,950 : Sell EUR 385,791 July 2018	(3)	-
	Buy GBP 67,954 : Sell AUD 121,000 July 2018 <sup>2</sup>	-	-
	Buy GBP 7,546 : Sell CAD 13,193 July 2018 <sup>2</sup>	-	-
	Buy JPY 671,279 : Sell GBP 4,596 July 2018 <sup>2</sup>	-	-
	Buy NOK 29,374,608 : Sell EUR 3,098,794 September 2018	(18)	(0.01)
	Buy PLN 3,769,078 : Sell EUR 862,266 September 2018	(4)	-
	Buy USD 30,785 : Sell GBP 23,187 July 2018 <sup>2</sup>	-	-
		<u>(35)</u>	<u>(0.02)</u>
	<b>Investment assets including investment liabilities</b>	<b>177,223</b>	<b>99.30</b>
	Other net assets	1,246	0.70
	<b>Total net assets</b>	<b>178,469</b>	<b>100.00</b>

<sup>1</sup> Unquoted securities

<sup>2</sup> Due to rounding to nearest £1,000

All investments are listed on recognised stock exchanges and are "approved securities" within the meaning of FCA rules unless otherwise stated.

## Statement of total return for the year ended 30 June 2018

	Note	2018		2017	
		£000	£000	£000	£000
Income					
Net capital (losses)/gains	2		(2,052)		17,639
Revenue	3	5,915		8,198	
Expenses	4	<u>(1,000)</u>		<u>(1,456)</u>	
Net revenue before taxation		4,915		6,742	
Taxation	5	<u>-</u>		<u>-</u>	
Net revenue after taxation			<u>4,915</u>		<u>6,742</u>
Total return before distributions			2,863		24,381
Distributions	6		(5)		(1)
<b>Change in net assets attributable to shareholders from investment activities</b>			<u>2,858</u>		<u>24,380</u>

## Statement of change in net assets attributable to shareholders for the year ended 30 June 2018

	2018		2017	
	£000	£000	£000	£000
<b>Opening net assets attributable to shareholders</b>		<b>222,349</b>		<b>295,224</b>
Amounts receivable on issue of shares	14,056		53,905	
Amounts payable on inspecie transfer*	-		(53,317)	
Amounts payable on cancellation of shares	<u>(60,818)</u>		<u>(97,900)</u>	
		(46,762)		(97,312)
Dilution adjustment		20		57
Change in net assets attributable to shareholders from investment activities		2,858		24,380
Retained distributions on accumulation shares		4		-
<b>Closing net assets attributable to shareholders</b>		<u>178,469</u>		<u>222,349</u>

\* In-specie redemption

**Balance sheet** for the year ended 30 June 2018

	Note	2018 £000	2017 £000
<b>Assets:</b>			
Investments		177,728	219,118
Current assets:			
Debtors	7	431	2,224
Cash and bank balances	8	2,119	4,763
<b>Total assets</b>		<b>180,278</b>	<b>226,105</b>
<b>Liabilities:</b>			
Investment liabilities		505	351
Creditors:			
Amounts held at derivative clearing houses and brokers		57	33
Bank overdrafts		997	1,779
Other creditors	9	250	1,593
<b>Total liabilities</b>		<b>1,809</b>	<b>3,756</b>
<b>Net assets attributable to shareholders</b>		<b>178,469</b>	<b>222,349</b>

## Notes to the financial statements for the year ended 30 June 2018

### 1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 of the fund's aggregated notes to the financial statements.

### 2 Net capital (losses)/gains

Net capital (losses)/gains on investments during the year comprise:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Derivative securities	(702)	145
Forward currency contracts	(220)	(276)
Non-derivative securities	(1,097)	17,750
Other currency (losses)/gains	(14)	28
Transaction costs	(19)	(8)
<b>Net capital (losses)/gains</b>	<b>(2,052)</b>	<b>17,639</b>

### 3 Revenue

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Bank interest	3	2
Derivative revenue	408	31
Interest on debt securities	5,504	8,165
<b>Total revenue</b>	<b>5,915</b>	<b>8,198</b>

### 4 Expenses

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
Annual management charge	916	1,338
GAC*	60	82
	<u>976</u>	<u>1,420</u>
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary fees	17	29
Safe custody fees	7	7
	<u>24</u>	<u>36</u>
<b>Total expenses</b>	<b>1,000</b>	<b>1,456</b>

Irrecoverable VAT is included in the above expenses where relevant.

\* The current audit fee, which is levied through the GAC, is £10,017 (2017: £9,725).

## Notes to the financial statements (continued)

### 5 Taxation

#### a) Analysis of charge in the year

There is no tax charge for the current year (2017: nil).

#### b) Factors affecting tax charge for year

The tax assessed for each year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICS) of 20% (2017: 20%). The differences are explained below:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Net revenue before taxation	4,915	6,742
Corporation tax at 20% (2017: 20%)	983	1,348
Effects of:		
Relief for indexation movements on index-linked gilts	(1,161)	(1,685)
Unused management expenses	178	337
<b>Tax charge for the year (note 5a)</b>	<b>-</b>	<b>-</b>

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

#### c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2017: nil).

#### d) Factors that may affect future tax charges

At the year end, after claiming relief against revenue taxable on receipt, there is a potential deferred tax asset of £2,513,850 (2017: £2,335,735) in relation to surplus management expenses. It is unlikely that the fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised at the current or prior year end.

### 6 Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Interim accumulation	4	-
	4	-
Amounts deducted on cancellation of shares	1	1
<b>Total distributions</b>	<b>5</b>	<b>1</b>
Net revenue after taxation	4,915	6,742
Adjustment for capital indexation	(5,805)	(8,425)
Revenue shortfall	895	1,684
<b>Total distributions</b>	<b>5</b>	<b>1</b>

Details of the distribution per share are set out in the distribution tables on pages 98 to 101.

## Notes to the financial statements (continued)

### 7 Debtors

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Accrued revenue	270	313
Amounts receivable for issue of shares	126	1,911
Currency transactions awaiting settlement	35	-
<b>Total debtors</b>	<b>431</b>	<b>2,224</b>

### 8 Cash and bank balances

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Amounts held at derivative clearing houses and brokers	855	110
Cash and bank balances	1,044	4,653
Cash pledged as collateral	220	-
<b>Total cash and bank balances</b>	<b>2,119</b>	<b>4,763</b>

### 9 Other creditors

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Accrued annual management charge	71	92
Accrued Depositary's fee	2	2
Accrued other expenses	9	7
Amounts payable for cancellation of shares	119	200
Derivative revenue payable	14	1
Currency transactions awaiting settlement	35	-
Purchases awaiting settlement	-	1,291
<b>Total other creditors</b>	<b>250</b>	<b>1,593</b>

### 10 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

### 11 Related party transactions

Henderson Investment Funds Limited as ACD to the fund is deemed to be a related party because it provides key management personnel services to the fund. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', the 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 86 and 87 and notes 4, 6, 7 and 9 on pages 88 to 90 including all issues and cancellations where the ACD acted as principal.

Transactions with the ACD are as follows:

- All issues and cancellations,
- Annual management charge
- GAC

There were no material shareholders at the year end (2017: nil).

## Notes to the financial statements (continued)

### 12 Shareholders' funds

The fund currently has 4 share classes available; Class A (Retail with front-end charges), Class I (Institutional), Class D (Institutional) and Class Z (Institutional). The annual management charge on each share class is as follows:

	<b>2018</b>	<b>2017</b>
	%	%
Class A	0.75	0.75
Class D	0.25	0.25
Class I	0.50	0.50
Class Z*	0.00	0.00

\* Charges for managing Z class shares are levied outside the fund and are agreed between the ACD and investors.

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative tables on pages 77 to 81. The distribution per share class is given in the distribution tables on pages 98 to 101. All share classes have the same rights on winding up.

### Shares reconciliation as at 30 June 2018

	<b>Class A income</b>	<b>Class D accumulation (formerly Class D accumulation gross)</b>	<b>Class I accumulation</b>	<b>Class I income</b>
Opening number of shares	3,057,838	8,950	3,956,259	13,469,458
Issues during the year	156,617	-	1,801,454	547,641
Cancellations during the year	(751,158)	(700)	(643,283)	(7,133,502)
Shares converted during the year	410,908	-	14,799,643	2,319,951
<b>Closing shares in issue</b>	<b>2,874,205</b>	<b>8,250</b>	<b>19,914,073</b>	<b>9,203,548</b>
	<b>Class Z accumulation (formerly Class Z accumulation gross)</b>	<b>Class A income gross</b>	<b>Class I accumulation gross</b>	<b>Class I income gross</b>
Opening number of shares	4,924,252	745,709	17,408,180	2,240,706
Issues during the year	69,106	9,572	78,908	56,791
Cancellations during the year	(592,699)	(244,728)	(3,059,135)	(32,463)
Shares converted during the year	-	(510,553)	(14,427,953)	(2,265,034)
<b>Closing shares in issue</b>	<b>4,400,659</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Notes to the financial statements (continued)

### 13 Financial derivatives

The fund may use financial derivatives for efficient portfolio management and meeting the investment objectives including risk reduction and implementation of investment policies.

Eligible collateral types are approved by the Investment Manager and are agreed with the relevant counterparty.

The counterparty exposure has been calculated using the positive marked-to-market value of the derivative contract with that counterparty.

At 30 June 2018 there was no collateral held in respect of derivatives (2017:nil) and there was cash of £220,000 pledged as collateral (2017: nil).

#### 2018

At 30 June 2018 the underlying exposure for each category of derivatives was as follows:

Counterparty	Futures £000	Forward foreign exchange contracts £000	Interest Rate Swaps £000
Barclays Bank	-	-	-
Citigroup	-	-	143
Goldman sach's	-	-	41
JP Morgan	-	7	-
UBS	15	-	-
	<b>15</b>	<b>7</b>	<b>184</b>

Counterparty	Options £000	Swaptions £000	Total by counterparty £000
Barclays Bank	41	-	41
Citigroup	-	20	163
Goldman sach's	-	-	41
JP Morgan	11	-	18
UBS	-	-	15
	<b>52</b>	<b>20</b>	<b>278</b>

#### 2017

At 30 June 2017 the underlying exposure for each category of derivatives was as follows:

Counterparty	Forward foreign exchange contracts £000	Futures £000	Inflation Index Swaps £000
Barclays Bank	-	-	-
BNP Paribas	3	-	-
Citigroup	-	-	-
JP Morgan	25	-	10
Morgan Stanley	9	-	-
UBS	-	33	-
	<b>37</b>	<b>33</b>	<b>10</b>



## Notes to the financial statements (continued)

### 13 Financial derivatives (continued)

Counterparty	Interest rate swaps £000	Total by counterparty £000
Barclays Bank	187	187
BNP Paribas	-	3
Citigroup	132	132
JP Morgan	59	94
Morgan Stanley	-	9
UBS	-	33
	<b>378</b>	<b>458</b>

### 14 Risk

#### Currency risk

The fund's net exposure to currency risk (including any instruments used to hedge foreign currencies) is considered insignificant. This is consistent with the exposure during the prior year.

#### Interest rate risk

The fund's exposure to interest rate risk is considered significant. The interest rate risk profile of the fund's financial assets and financial liabilities at the year end is set out in the following table:

	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
<b>2018</b>				
Australian dollar	98	-	15	113
Canadian dollar	-	-	32	32
Euro	165	-	17	182
Japanese yen	73	-	-	73
UK sterling	179,227	-	441	179,668
US dollar	190	-	20	210
<b>Total</b>	<b>179,753</b>	<b>-</b>	<b>525</b>	<b>180,278</b>
	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
<b>2017</b>				
Euro	37	-	-	37
Swedish krona	-	-	25	25
UK sterling	223,467	-	2,245	225,712
US dollar	307	-	24	331
<b>Total</b>	<b>223,811</b>	<b>-</b>	<b>2,294</b>	<b>226,105</b>
	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Non-interest bearing liabilities £000	Total £000
<b>2018</b>				
Australian dollar	15	-	35	50
Canadian dollar	41	-	-	41
Czech koruna	-	-	14	14
Euro	22	-	44	66
Japanese yen	107	-	10	117
Norwegian krone	-	-	19	19
Polish zloty	-	-	4	4
UK sterling	1,082	-	223	1,305
US dollar	165	-	28	193
<b>Total</b>	<b>1,432</b>	<b>-</b>	<b>377</b>	<b>1,809</b>

## Notes to the financial statements (continued)

### 14 Risk (continued)

#### Interest rate risk (continued)

	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing liabilities	Total
2017	£000	£000	£000	£000
Canadian dollar	59	-	-	59
Euro	72	-	-	72
Polish zloty	-	-	2	2
UK sterling	1,869	-	1,593	3,462
US dollar	160	-	1	161
<b>Total</b>	<b>2,160</b>	<b>-</b>	<b>1,596</b>	<b>3,756</b>

#### Credit Ratings

	Market value £000	Percentage of net assets %
<b>2018</b>		
<b>Investments</b>		
Investment grade (AAA - BBB)	177,450	99.43
<b>Total debt securities</b>	<b>177,450</b>	<b>99.43</b>
Derivatives	(227)	(0.13)
<b>Investment assets including investment liabilities</b>	<b>177,223</b>	<b>99.30</b>
Other net assets	1,246	0.70
<b>Total net assets</b>	<b>178,469</b>	<b>100.00</b>
	Market value £000	Percentage of net assets %
<b>2017</b>		
<b>Investments</b>		
Investment grade (AAA - BBB)	218,660	98.34
<b>Total debt securities</b>	<b>218,660</b>	<b>98.34</b>
Derivatives	107	0.05
<b>Investment assets including investment liabilities</b>	<b>218,767</b>	<b>98.39</b>
Other net assets	3,582	1.61
<b>Total net assets</b>	<b>222,349</b>	<b>100.00</b>

#### Sensitivity analysis

The actual VaR results, limits and utilisation of limits are summarised in the table below:

VaR Results	Global Exposure Calculation Basis	Actual Relative VaR for year			VaR limit	Utilisation of VaR limit		
		Minimum %	Maximum %	Average %		Minimum %	Maximum %	Average %
<b>2018</b>	Relative VaR*	97.74	103.14	99.65	200.00	48.87	51.57	49.83
<b>2017</b>	Relative VaR*	94.76	102.29	99.81	200.00	47.38	51.15	49.91

\* Reference portfolio: FTSE Index Linked (Over 5 Years) Index

#### Leverage

	Minimum %	Maximum %	Average %
<b>2018</b>	77.18	222.39	155.43
<b>2017</b>	23.01	80.41	48.17

## Notes to the financial statements (continued)

### 14 Risk (continued)

#### Liquidity risk

The following table provides a maturity analysis of the fund's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
<b>2018</b>				
Amounts held at derivatives clearing houses and brokers	57	-	-	-
Bank overdrafts	997	-	-	-
Derivative financial liabilities	-	127	167	211
Other creditors	-	250	-	-
<b>Total</b>	<b>1,054</b>	<b>377</b>	<b>167</b>	<b>211</b>
	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
<b>2017</b>				
Amounts held at derivatives clearing houses and brokers	33	-	-	-
Bank overdrafts	1,779	-	-	-
Derivative financial liabilities	-	3	67	281
Other creditors	-	1,593	-	-
<b>Total</b>	<b>1,812</b>	<b>1,596</b>	<b>67</b>	<b>281</b>

### 15 Fair value disclosure

#### Fair value measurement

The intention of a fair value measurement is to estimate the price at which an asset or a liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS 102 the fund classifies fair value measurement under the following levels:

#### Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

#### Level 2

Inputs other than quoted prices included within level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

#### Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

## Notes to the financial statements (continued)

### 15 Fair value disclosure (continued)

#### Fair value hierarchy

	2018		2017	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1	177,465*	52	218,693*	-
Level 2	263	453	425	351
Level 3	-	-	-	-
	<u>177,728</u>	<u>505</u>	<u>219,118</u>	<u>351</u>

\* Debt securities have been included in level 1, where their valuation is determined to be sufficiently close to a binding quoted price, amount to £177,450,147 as 30 June 2018 (2017: £218,660,859).

### 16 Direct transaction costs

	Purchases		Sales	
	2018 £000	2017 £000	2018 £000	2017 £000
<b>Trades in the year</b>				
Debt securities	24,812	79,990	69,515	127,639
<b>Trades in the year before transaction costs</b>	<u>24,812</u>	<u>79,990</u>	<u>69,515</u>	<u>127,639</u>
<b>Transaction costs</b>				
<b>Commissions</b>				
Debt securities	-	-	-	-
<b>Total commissions</b>	-	-	-	-
<b>Taxes</b>				
Debt securities	-	-	-	-
<b>Total taxes</b>	-	-	-	-
<b>Other expenses</b>				
Debt securities	-	-	-	-
<b>Total other expenses</b>	-	-	-	-
<b>Total transaction costs</b>	-	-	-	-
<b>Total net trades in the year after transaction costs</b>	<u>24,812</u>	<u>79,990</u>	<u>69,515</u>	<u>127,639</u>

## Notes to the financial statements (continued)

### 16 Direct transaction costs (continued)

	Purchases		Sales	
	2018	2017	2018	2017
	%	%	%	%
<b>Total transaction costs expressed as a percentage of asset type cost</b>				
<b>Commissions</b>				
Debt securities	-	-	-	-
<b>Taxes</b>				
Debt securities	-	-	-	-
<b>Other expenses</b>				
Debt securities	-	-	-	-
	<b>2018</b>	<b>2017</b>		
	%	%		
<b>Total transaction costs expressed as a percentage of net asset value</b>				
Commissions	-	-		
Taxes	-	-		
Other expenses	-	-		
<b>Total costs</b>	<u>-</u>	<u>-</u>		

There were no specie transfers during the year (2017: £52,948,522). There were no corporate actions during the year (2017: nil).

There were direct transaction costs associated with derivatives in the year of £3,289 (2017: £6,787) which is 0.00% of the average net asset value of the fund (2017: 0.00%).

Direct transaction costs are fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the fund. These exclude any differences between quoted bid and offer prices or internal administrative or holding costs.

Direct transaction costs related to bonds are not separately identifiable as with other financial instruments as the costs form part of the dealing spread and therefore are inherent within the purchase and sale prices of the trade.

The portfolio dealing spread as at 30 June 2018 was 0.00% (2017: 0.20%). The portfolio dealing spread is calculated at the fund's 12 noon valuation point.

### 17 Events after the Balance sheet date

There were no material post Balance sheet events which require disclosure within these financial statements.

## Distribution tables for the year ended 30 June 2018 (in pence per share)

### Interim interest distribution (accounting date 30 September 2017, paid on 30 November 2017)

Group 1 : shares purchased prior to 1 July 2017

Group 2 : shares purchased on or after 1 July 2017

	Distribution per share	Equalisation	Total distribution per share 30/11/17	Total distribution per share 30/11/16
<b>Class A Income</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-
<b>Class D accumulation (formerly Class D accumulation gross)</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-
<b>Class I accumulation</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-
<b>Class I income</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-
<b>Class Z accumulation (formerly Class Z accumulation gross)</b>				
Group 1	0.0023	-	0.0023	-
Group 2	-	0.0023	0.0023	-
<b>Class A income gross</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-
<b>Class I accumulation gross</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-
<b>Class I income gross</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-

## Distribution tables (continued)

### Interim interest distribution (accounting date 31 December 2017, paid on 28 February 2018)

Group 1 : shares purchased prior to 1 October 2017

Group 2 : shares purchased on or after 1 October 2017

	Distribution per share	Equalisation	Total distribution per share 28/02/18	Total distribution per share 28/02/17
<b>Class A Income</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-
<b>Class D accumulation (formerly Class D accumulation gross)</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-
<b>Class I accumulation</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-
<b>Class I income</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-
<b>Class Z accumulation (formerly Class Z accumulation gross)</b>				
Group 1	0.0675	-	0.0675	-
Group 2	-	0.0675	0.0675	-
<b>Class A income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	-
Group 2	n/a	n/a	n/a	-
<b>Class I accumulation gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	-
Group 2	n/a	n/a	n/a	-
<b>Class I income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	-
Group 2	n/a	n/a	n/a	-

<sup>1</sup> Class income gross, Class I accumulation and Class I income gross closed on 2 October 2017.

## Distribution tables (continued)

### Interim interest distribution (accounting date 31 March 2018, paid on 31 May 2018)

Group 1: shares purchased prior to 1 January 2018

Group 2: shares purchased on or after 1 January 2018

	Distribution per share	Equalisation	Total distribution per share 31/05/18	Total distribution per share 31/05/17
<b>Class A Income</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-
<b>Class D accumulation (formerly Class D accumulation gross)</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-
<b>Class I accumulation</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-
<b>Class I income</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-
<b>Class Z accumulation (formerly Class Z accumulation gross)</b>				
Group 1	0.0152	-	0.0152	-
Group 2	-	0.0152	0.0152	-
<b>Class A income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	-
Group 2	n/a	n/a	n/a	-
<b>Class I accumulation gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	-
Group 2	n/a	n/a	n/a	-
<b>Class I income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	-
Group 2	n/a	n/a	n/a	-

<sup>1</sup> Class A income gross, Class I accumulation gross and Class I income gross closed on 2 October 2017.



## Distribution tables (continued)

### Final interest distribution (accounting date 30 June 2018, paid on 31 August 2018)

Group 1: shares purchased prior to 1 April 2018

Group 2: shares purchased on or after 1 April 2018

	Distribution per share	Equalisation	Total distribution per share 31/08/18	Total distribution per share 31/08/17
<b>Class A Income</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-
<b>Class D accumulation (formerly Class D accumulation gross)</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-
<b>Class I accumulation</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-
<b>Class I income</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-
<b>Class Z accumulation (formerly Class Z accumulation gross)</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-
<b>Class A income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	-
Group 2	n/a	n/a	n/a	-
<b>Class I accumulation gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	-
Group 2	n/a	n/a	n/a	-
<b>Class I income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	-
Group 2	n/a	n/a	n/a	-

<sup>1</sup> Class income gross, Class I accumulation and Class I income gross closed on 2 October 2017.

# Janus Henderson Institutional Long Dated Credit Fund (formerly Henderson Institutional Long Dated Credit Fund)

## Authorised Corporate Director's (ACD) report

### Investment Fund Managers

Philip Payne and Hartej Singh

Please note that from 1 October 2017, Hartej Singh also managed this fund.

### Investment objective and policy

To provide a return by investing primarily in long dated sterling denominated investment grade corporate bonds. In line with the scheme's benchmark index the term corporate bond will include debt instruments issued by any entity other than a Government or local authority. The fund may also invest in other transferable securities, money market instruments, derivatives and forward transactions, deposits and units in collective investment schemes.

### Performance summary

	30 Jun 17 - 30 Jun 18	30 Jun 16 - 30 Jun 17	30 Jun 15 - 30 Jun 16	30 Jun 14 - 30 Jun 15	30 Jun 13 - 30 Jun 14
	%	%	%	%	%
<b>Janus Henderson Institutional Long Dated Credit Fund</b>	0.1	7.6	12.4	6.9	7.4
<b>iBoxx GBP Non Gilt +15 years Index</b>	0.1	7.3	15.4	8.9	9.3

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 at close of business.

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.

## Significant portfolio changes for the year ended 30 June 2018

<b>Largest purchases</b>	<b>£000</b>	<b>Largest sales</b>	<b>£000</b>
UK Treasury 1.75% 07/09/2037	16,087	UK Treasury 4.50% 07/12/2042	14,952
UK Treasury 1.50% 22/07/2047	15,254	UK Treasury 1.75% 07/09/2037	10,513
UK Treasury 4.50% 07/12/2042	11,295	UK Treasury 4.50% 07/09/2034	9,788
UK Treasury 4.50% 07/09/2034	7,993	UK Treasury 1.50% 22/07/2047	8,380
UK Treasury 4.75% 07/12/2038	6,727	AT&T 3.55% 14/09/2037	4,837
UK Treasury 4.25% 07/09/2039	6,027	Centrica 4.25% 12/09/2044	4,562
Verizon Communications 3.375% 27/10/2036	4,730	UK Treasury 4.25% 07/09/2039	4,049
Land Securities Capital Markets 2.75% 22/09/2057	4,274	Électricité de France 6.125% 02/06/2034	4,014
London & Quadrant Housing 2.75% 20/07/2057	3,829	GE Capital UK Funding 5.875% 18/01/2033	3,795
Annington Funding 3.935% 12/07/2047	3,740	innogy Finance 6.125% 06/07/2039	3,607
<b>Total purchases</b>	<b>190,884</b>	<b>Total sales</b>	<b>222,801</b>

## Authorised Corporate Director's (ACD) report (continued)

### Investment review

Returns on sterling corporate bonds were positive over the year, benefiting from falling government bonds yields (prices move inversely to yields). However, excess credit returns (over governments) detracted from performance, despite performing well in the first half of the year under review.

The first six months of the review year were busy with significant political and central bank activity. As widely expected, the European Central Bank (ECB) announced a reduction in its monthly asset purchases from €60bn to €30bn, although it also extended the programme to September 2018. Meanwhile, in the US, President Donald Trump waged a war of words against North Korean leader Kim Jong-un and the Federal Reserve (Fed) raised interest rates by 25 basis points in December.

Total returns weakened in 2018 as volatility increased (mean prices fluctuated more sharply) and global market sentiment deteriorated. This was precipitated by US wage inflation concerns, expectations of tighter monetary policy and US plans to impose trade tariffs on China. A rise in gilt yields towards the start of the year also hurt sterling returns.

As we moved towards the end of the review year, corporate bond markets saw further weakness as a result of Italian political instability, an escalation of the trade dispute between the US and China and wider geopolitical concerns. Global growth, which had previously looked well synchronised, also became less balanced as the US exceeded growth expectations while Europe slowed. The Fed proved to be more hawkish than expected, while the Bank of England delayed an expected rate hike in May and the ECB continued to err on the side of caution, offering guidance that it would not hike interest rates until at least summer 2019.

The fund delivered a positive return over the year under review. The strongest contributions to performance came from our allocation to lower rated bonds in the retail sector, with holdings in financials and an underweight to utilities also performing well. Detractors were primarily individual positions, which underperformed for idiosyncratic reasons.

Performance also benefited from our tactical asset allocation, as we took advantage of the August weakness in financials to increase our allocation to UK insurers, adding to positions in Axa, Scottish Widows and Prudential. We also decreased risk in January, thereby avoiding the worst of the back-up in credit markets in February and reduced our position late in the review year, reducing the impact of the sell-off in the sector during May and June.

In terms of financials, our overweight to banks and insurers was a strong contributor to returns, with overweights to HSBC and Lloyds Bank performing well. On the insurance side, Aviva performed well, along with a holding in Legal & General, where we subsequently took profits.

The fund benefited from a number of 'rising star' issuers where we expect rating agencies to upgrade their credit rating. These included aerospace and defence company Leonardo, which returned to an investment grade rating (Fitch), with the company also tendering for some of its existing bonds and Tesco, which continued to perform well following strong results and a subsequent tender by the company for some of its outstanding bonds at a premium to market prices. We expect the issuer will return to investment grade at some point in 2019. Elsewhere in the retail sector, performance benefited from our position in Walmart Stores and our underweight to university deals, with a new issue from University of Cambridge repricing the entire sector wider, along with other high quality issuers.

In the telecommunications sector, our positioning in US issuer AT&T benefited returns as some of its bonds were redeemed at a price of 101p due to delays in the merger with Time Warner.

One area where new issuance was relatively high over the year was the real estate investment trust sector, partly driven by Annington Funding and Land Securities Capital Markets repurchasing existing bonds and issuing new debt. The fund participated in both of these deals, which performed well since launch and contributed positively to performance.

The whole business securitised sector was also a strong contributor to relative performance. The portfolio benefited from a zero weighting to issuer Dignity finance. The funeral company has been losing market share, announced a profit warning and saw the rating of some bonds cut to high yield.

Our underweight to the utilities sector was broadly positive, benefiting from regulatory headwinds and perceived risks around future regulation. Meanwhile, the underweight position in Thames Water Utilities Cayman Finance benefited performance as the issuer's bonds underperformed following a downgrade by S&P from A- to BBB+.

Detractors included a short position in UK gaming and a long position in Telecom Italia. While the gaming company (and the gaming sector as a whole) came under pressure, our position, which was expressed through credit default swaps, also detracted as a review into Fixed Odd Betting Terminals was delayed and after the company agreed to be acquired by a rival. This position was closed at a loss. Telecom Italia declined as Italian politics hit the headlines and the company drew criticism in Italian newspapers on reports of infighting among the company's board. However, the weakness was partially offset by our underweight to Italian sovereign debt.

## Authorised Corporate Director's (ACD) report (continued)

In the short term, we are cautious on sterling corporate bonds. Following the recent moves, valuations became more attractive, especially versus US and euro equivalents. However, we believe 2018 will continue to be volatile, which may result in further periods of weakness in the summer months and provide more attractive entry points.

We remain cognisant that global monetary tightening could create instability in government bond and credit markets, particularly as seasonal factors may reduce liquidity and cause exaggerated movements in bond prices. We are equally mindful that other notable threats to stability remain prevalent including US trade relations and European and UK political pressures.

## Comparative tables for the year ended 30 June 2018

	Class A income		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	196.93	188.40	170.41
Return before operating charges*	1.86	15.04	24.26
Operating charges	(1.80)	(2.10)	(2.02)
Return after operating charges*	0.06	12.94	22.24
Distributions on income shares	(5.07)	(4.41)	(4.25)
Closing net asset value per share	191.92	196.93	188.40
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	0.03%	6.87%	13.05%
<b>Other information</b>			
Closing net asset value (£000s)	3,962	6,295	4,462
Closing number of shares	2,064,220	3,196,884	2,368,342
Operating charges	0.91%	1.05%	1.16%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	205.60	217.40	189.20
Lowest share price (pence)	191.10	187.70	168.40

	Class I accumulation		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	372.45	347.03	304.99
Return before operating charges*	3.47	28.55	46.04
Operating charges	(2.04)	(2.02)	(1.70)
Return after operating charges*	1.43	26.53	44.34
Distributions on accumulation shares	(11.10)	(10.99)	(11.49)
Retained distributions on accumulation shares <sup>^</sup>	11.10	9.88	9.19
Closing net asset value per share	373.88	372.45	347.03
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	0.38%	7.64%	14.54%
<b>Other information</b>			
Closing net asset value (£000s)	224,582	1,980	1,053
Closing number of shares	60,067,768	531,722	303,305
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	389.20	400.70	346.60
Lowest share price (pence)	367.20	348.00	302.40

<sup>^</sup> Retained distributions prior to 6 April 2017 are net of 20% income tax.

## Comparative tables (continued)

	Class I income		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	201.94	193.22	174.75
Return before operating charges*	1.94	15.28	24.65
Operating charges	(1.09)	(1.11)	(0.97)
Return after operating charges*	0.85	14.17	23.68
Distributions on income shares	(5.95)	(5.45)	(5.21)
Closing net asset value per share	196.84	201.94	193.22
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	0.42%	7.33%	13.55%
<b>Other information</b>			
Closing net asset value (£000s)	181,546	44,517	21,977
Closing number of shares	92,228,126	22,044,059	11,374,032
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	211.00	223.10	194.20
Lowest share price (pence)	196.10	192.70	172.80
	Class Z accumulation (formerly Class Z accumulation gross)		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	232.55	214.84	186.30
Return before operating charges*	2.01	17.78	28.62
Operating charges	(0.07)	(0.07)	(0.08)
Return after operating charges*	1.94	17.71	28.54
Distributions on accumulation shares	(8.11)	(8.03)	(8.17)
Retained distributions on accumulation shares	8.11	8.03	8.17
Closing net asset value per share	234.49	232.55	214.84
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	0.83%	8.24%	15.32%
<b>Other information</b>			
Closing net asset value (£000s)	-	2	2
Closing number of shares	206	1,000	1,000
Operating charges	0.03%	0.03%	0.04%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	243.30	248.70	214.60
Lowest share price (pence)	230.00	216.60	184.80

## Comparative tables (continued)

	Class A income gross		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	198.62	189.96	171.71
Return before operating charges*	1.55	15.72	25.71
Operating charges	(0.46)	(2.11)	(2.05)
Return after operating charges*	1.09	13.61	23.66
Distributions on income shares	(1.31)	(4.95)	(5.41)
Final cancellation price	(198.40) <sup>1</sup>	-	-
Closing net asset value per share	-	198.62	189.96
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	0.55%	7.16%	13.78%
<b>Other information</b>			
Closing net asset value (£000s)	-	78	74
Closing number of shares	-	39,093	38,811
Operating charges	0.91%	1.05%	1.16%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	207.40 <sup>2</sup>	219.60	191.00
Lowest share price (pence)	197.80 <sup>2</sup>	189.50	169.80

<sup>1</sup> Class A income gross closed on 2 October 2017 and this is the final cancellation price.

<sup>2</sup> to 2 October 2017

	Class I accumulation gross		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	414.11	384.52	335.12
Return before operating charges*	3.28	31.81	51.28
Operating charges	(0.59)	(2.22)	(1.88)
Return after operating charges*	2.69	29.59	49.40
Distributions on accumulation shares	(3.11)	(12.25)	(12.86)
Retained distributions on accumulation shares	3.11	12.25	12.86
Final cancellation price	(416.80) <sup>3</sup>	-	-
Closing net asset value per share	-	414.11	384.52
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	0.65%	7.70%	14.74%
<b>Other information</b>			
Closing net asset value (£000s)	-	273,249	307,244
Closing number of shares	-	65,985,256	79,903,014
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	432.80 <sup>4</sup>	444.70	384.00
Lowest share price (pence)	412.40 <sup>4</sup>	386.70	332.30

<sup>3</sup> Class I accumulation gross closed on 2 October 2017 and this is the final cancellation price.

<sup>4</sup> to 2 October 2017

## Comparative tables (continued)

	Class I income gross		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	197.57	188.96	170.79
Return before operating charges*	1.60	15.64	25.58
Operating charges	(0.28)	(1.08)	(0.95)
Return after operating charges*	1.32	14.56	24.63
Distributions on income shares	(1.49)	(5.95)	(6.46)
Final cancellation price	(197.40) <sup>5</sup>	-	-
Closing net asset value per share	-	197.57	188.96
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	0.67%	7.71%	14.42%
<b>Other information</b>			
Closing net asset value (£000s)	-	146,282	158,260
Closing number of shares	-	74,039,951	83,751,398
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	206.50 <sup>6</sup>	218.50	190.30
Lowest share price (pence)	196.70 <sup>6</sup>	188.70	169.00

<sup>5</sup> Class I income gross closed on 2 October 2017 and this is the final cancellation price.

<sup>6</sup> to 2 October 2017

Direct transaction costs incurred on securities transactions (including derivatives) are stated after deducting the proportion of the amounts collected from dilution adjustments that relate to direct transaction costs.

Performance values are at close of business and may differ from the performance summary.

### Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

### Share class launches and closures

There were no share classes launched during the year. The following share classes closed during the year:

Share class	Closure date
Class A income gross	2 October 2017
Class I accumulation gross	2 October 2017
Class I income gross	2 October 2017

The following share class changed name in the year:

Share class	Date of change
Class Z accumulation (formerly Class Z accumulation gross)	2 October 2017

As there is no longer any difference between gross and net share classes, investors in Class A income gross, Class I accumulation gross and Class I income gross have been combined into Class A income, Class I accumulation and Class I income respectively. This removes the administration cost of running two separate share classes that are otherwise identical.



## Ongoing charge figure

The annualised ongoing charge figure (OCF) of the fund is calculated as the ratio of the total ongoing charges to the average net asset value for twelve months. Ongoing charges are all expenses deducted from the assets of the fund during the year, except for expenses that are explicitly excluded by regulation.

	<b>2018</b> %	<b>2017</b> %
<b>Class A</b>	0.91	1.05 <sup>1</sup>
<b>Class I</b>	0.54	0.54
<b>Class Z</b>	0.03	0.03

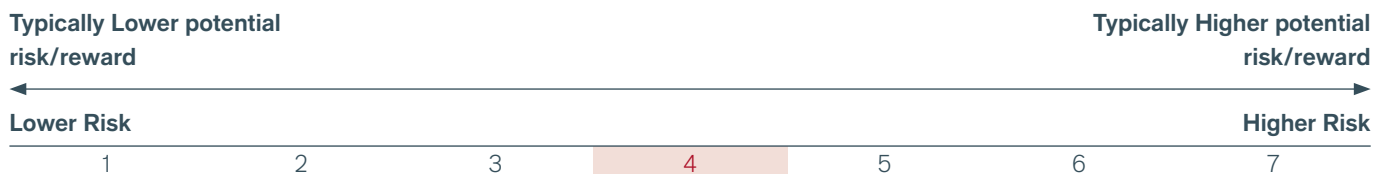
The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

<sup>1</sup> The annual management charge on Class A reduced from 1.00% to 0.75% on 1 February 2017.

## Risk and reward profile

The fund currently has 4 types of share class in issue; A income, I accumulation, I income and Z accumulation (formerly 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 and any income from it 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 share classes appear at 4 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events.

The full list of the fund's risks are contained in the 'Risk Factors' section in the fund's prospectus.

There have been no changes to the risk ratings in the year.

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

**Portfolio statement** as at 30 June 2018

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Bonds 98.00% (2017: 99.19%)</b>		
	<b>Australia 1.33% (2017: 0.63%)</b>		
	<b>Fixed Rate Bond 1.33% (2017: 0.63%)</b>		
GBP 4,455,000	BHP Billiton Finance 4.3% 25/09/2042	5,466	1.33
	<b>Belgium 0.79% (2017: 1.30%)</b>		
	<b>Zero / Discount Rate Bond 0.79% (2017: 1.30%)</b>		
GBP 3,400,000	Anheuser-Busch InBev 2.85% 25/05/2037	3,258	0.79
	<b>Cayman Islands 0.00% (2017: 0.15%)</b>		
	<b>Fixed Rate Bond 0.00% (2017: 0.15%)</b>		
	<b>France 9.15% (2017: 9.18%)</b>		
	<b>Fixed Rate Bond 8.55% (2017: 8.50%)</b>		
GBP 4,000,000	Électricité de France 5.125% 22/09/2050	4,889	1.19
GBP 5,300,000	Électricité de France 5.50% 17/10/2041	6,632	1.62
GBP 1,400,000	Électricité de France 5.50% 27/03/2037	1,719	0.42
GBP 3,900,000	Électricité de France 6.00% 23/01/2114	5,020	1.22
GBP 850,000	France Telecom 5.375% 22/11/2050	1,158	0.28
GBP 1,260,000	France Telecom 5.625% 23/01/2034	1,640	0.40
GBP 2,900,000	GDF Suez 5.00% 01/10/2060	4,279	1.04
GBP 1,047,000	Reseau Ferre de France 4.83% 25/03/2060	1,760	0.43
GBP 2,028,000	Reseau Ferre de France 5.00% 11/03/2052	3,271	0.80
GBP 1,446,000	Reseau Ferre de France 5.25% 31/01/2035	2,037	0.50
GBP 1,900,000	Veolia Environnement 6.125% 29/10/2037	2,662	0.65
		<u>35,067</u>	<u>8.55</u>
	<b>Variable Rate Bond 0.60% (2017: 0.68%)</b>		
GBP 2,300,000	AXA 5.625% 16/01/2054	2,454	0.60
	<b>Germany 4.15% (2017: 5.91%)</b>		
	<b>Fixed Rate Bond 4.15% (2017: 5.91%)</b>		
GBP 1,700,000	Aroundtown 3.00% 16/10/2029	1,632	0.40
GBP 2,250,000	E.ON International Finance 5.875% 30/10/2037	3,038	0.74
GBP 2,200,000	E.ON International Finance 6.75% 27/01/2039	3,270	0.80
GBP 1,200,000	innogy Finance 4.75% 31/01/2034	1,411	0.34
GBP 2,550,000	innogy Finance 6.125% 06/07/2039	3,568	0.87
GBP 1,867,000	KFW 5.00% 09/06/2036	2,789	0.68
GBP 1,100,000	Siemens Financieringsmaatschappij 3.75% 10/09/2042	1,301	0.32
		<u>17,009</u>	<u>4.15</u>
	<b>Italy 1.78% (2017: 2.25%)</b>		
	<b>Fixed Rate Bond 1.78% (2017: 2.25%)</b>		
GBP 3,005,000	Enel Finance International 5.75% 14/09/2040	3,811	0.92
GBP 1,600,000	Enel Finance International 5.75% 22/06/2037	1,990	0.49
USD 840,000	Meccanica Holdings 6.25% 15/01/2040	687	0.17
EUR 900,000	Telecom Italia 5.25% 17/03/2055	815	0.20
		<u>7,303</u>	<u>1.78</u>

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Mexico 0.52% (2017: 0.54%)</b>		
	<b>Fixed Rate Bond 0.52% (2017: 0.54%)</b>		
GBP 2,100,000	United Mexican States 5.625% 19/03/2114	2,130	0.52
	<b>Netherlands 0.41% (2017: 0.38%)</b>		
	<b>Fixed Rate Bond 0.41% (2017: 0.38%)</b>		
GBP 500,000	Rabobank Nederland 4.625% 23/05/2029	555	0.14
GBP 750,000	Rabobank Nederland 5.375% 03/08/2060	1,121	0.27
		1,676	0.41
	<b>Supranational 4.00% (2017: 3.98%)</b>		
	<b>Fixed Rate Bond 4.00% (2017: 3.98%)</b>		
GBP 2,900,000	European Investment Bank 3.875% 08/06/2037	3,774	0.92
GBP 3,560,000	European Investment Bank 4.50% 07/03/2044	5,318	1.30
GBP 2,076,000	European Investment Bank 4.625% 12/10/2054	3,513	0.86
GBP 2,500,000	European Investment Bank 5.00% 15/04/2039	3,793	0.92
		16,398	4.00
	<b>Sweden 0.21% (2017: 1.18%)</b>		
	<b>Fixed Rate Bond 0.21% (2017: 1.18%)</b>		
GBP 544,000	Vattenfall 6.875% 15/04/2039	849	0.21
	<b>Switzerland 0.13% (2017: 0.19%)</b>		
	<b>Fixed Rate Bond 0.13% (2017: 0.19%)</b>		
USD 751,000	Syngenta Finance 5.182% 24/04/2028	549	0.13
	<b>United Kingdom 62.15% (2017: 55.43%)</b>		
	<b>Asset Backed 1.56% (2017: 1.80%)</b>		
GBP 1,150,000	Canary Wharf 5.952% 22/10/2037	1,638	0.39
GBP 1,000,000	Housing & Care 21 3.288% 08/11/2049	1,008	0.25
GBP 790,000	Metropolitan Funding 4.125% 05/04/2048	924	0.23
GBP 1,088,000	Sunderland Finance 6.38% 31/03/2042	1,493	0.36
GBP 1,167,737	Tesco Property Finance 5.744% 13/04/2040	1,354	0.33
		6,417	1.56
	<b>Fixed Rate Bond 57.78% (2017: 49.64%)</b>		
GBP 1,192,000	Affinity Sutton Capital Markets 5.981% 17/09/2038	1,723	0.42
GBP 5,610,000	Affordable Housing Finance 2.893% 11/08/2043	6,405	1.56
GBP 2,200,000	Affordable Housing Finance 3.80% 20/05/2042	2,866	0.70
GBP 3,560,000	Annington Funding 3.685% 12/07/2034	3,634	0.89
GBP 2,700,000	Annington Funding 3.935% 12/07/2047	2,790	0.68
GBP 2,200,000	BAA Funding 4.625% 31/10/2046	2,704	0.66
GBP 1,500,000	BAA Funding 5.875% 13/05/2041	2,106	0.51
GBP 1,700,000	BAT International Finance 2.25% 09/09/2052	1,278	0.31
GBP 3,400,000	BAT International Finance 6.00% 24/11/2034	4,530	1.10
GBP 2,500,000	BG Energy Capital 5.00% 04/11/2036	3,320	0.81
GBP 1,900,000	British Telecommunications 3.625% 21/11/2047	1,822	0.44
GBP 1,535,000	Broadgate Financing 4.821% 05/07/2036	1,998	0.49
GBP 1,800,000	Bromford 3.125% 03/05/2048	1,792	0.44
GBP 1,600,000	Cadent Finance 2.625% 22/09/2038	1,460	0.36
GBP 1,500,000	Catalyst Housing 3.125% 31/10/2047	1,485	0.36

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Fixed Rate Bond</b> (continued)		
GBP 900,000	Centrica 4.25% 12/09/2044	1,025	0.25
GBP 1,684,000	Centrica 4.375% 13/03/2029	1,910	0.47
GBP 1,500,000	Centrica 7.00% 19/09/2033	2,173	0.53
GBP 1,100,000	Channel Link Enterprises Finance 3.848% 30/06/2050	1,173	0.29
GBP 1,500,000	Clarion Housing 3.125% 19/04/2048	1,491	0.36
GBP 1,265,054	Delamare Finance 5.5457% 19/02/2029	1,415	0.35
GBP 2,000,000	Dwr Cymru Financing 2.50% 31/03/2036	1,957	0.48
GBP 600,000	Dwr Cymru Financing 4.473% 31/03/2057	856	0.21
GBP 1,100,000	Eastern Power Networks 6.25% 12/11/2036	1,580	0.39
GBP 1,700,000	Gatwick Funding 3.125% 28/09/2039	1,647	0.40
GBP 2,100,000	Gatwick Funding 4.625% 27/03/2034	2,478	0.60
GBP 1,300,000	Gatwick Funding 5.75% 23/01/2037	1,740	0.42
GBP 3,100,000	GlaxoSmithKline Capital 4.25% 18/12/2045	3,819	0.93
GBP 3,400,000	GlaxoSmithKline Capital 5.25% 10/04/2042	4,700	1.15
GBP 1,302,000	GlaxoSmithKline Capital 5.25% 19/12/2033	1,708	0.42
GBP 2,854,000	GlaxoSmithKline Capital 6.375% 09/03/2039	4,350	1.06
GBP 852,161	Harbour Funding 5.28% 31/03/2044	1,082	0.26
GBP 3,450,000	Heathrow Funding 2.75% Perpetual	3,079	0.75
GBP 950,000	Heathrow Funding 6.45% 10/12/2031	1,309	0.32
GBP 3,700,000	HSBC Bank 4.75% 24/03/2046	4,429	1.08
GBP 1,190,000	HSBC Bank 5.375% 22/08/2033	1,446	0.35
GBP 1,700,000	HSBC Holdings 6.00% 29/03/2040	2,182	0.53
GBP 2,350,000	HSBC Holdings 7.00% 07/04/2038	3,326	0.81
GBP 2,900,000	Land Securities Capital Markets 2.75% 22/09/2057	2,854	0.70
GBP 2,600,000	LCR Finance 4.50% 07/12/2038	3,714	0.91
GBP 1,725,000	LCR Finance 5.10% 07/03/2051	3,027	0.74
GBP 4,700,000	Lloyds Bank 6.50% 17/09/2040	7,061	1.72
GBP 2,700,000	London & Quadrant Housing 2.75% 20/07/2057	2,448	0.60
GBP 1,080,000	London & Quadrant Housing 3.75% Perpetual	1,201	0.29
GBP 3,120,000	Longstone Finance 4.896% 19/04/2036	3,522	0.86
GBP 1,510,000	Manchester Airport Group Funding 4.75% 31/03/2034	1,831	0.45
GBP 4,600,000	Motability Operations 3.625% 10/03/2036	5,116	1.25
GBP 1,000,000	National Grid Gas Finance 2.75% 22/09/2046	903	0.22
GBP 6,450,000	Network Rail Infrastructure Finance 4.75% 29/11/2035	9,163	2.24
GBP 1,050,000	Northern Gas Networks Finance 4.875% 15/11/2035 'B'	1,322	0.32
GBP 626,000	Northern Gas Networks Finance 5.625% 23/03/2040	876	0.21
GBP 2,000,000	Notting Hill Housing Trust 3.25% 12/10/2048	1,966	0.48
GBP 390,000	Notting Hill Housing Trust 4.375% 20/02/2054	477	0.12
GBP 1,400,000	Optivo 3.283% 22/03/2048	1,436	0.35
GBP 800,000	Orbit Capital 3.375% 14/06/2048	810	0.20
GBP 3,381,000	Orbit Capital 3.50% 24/03/2045	3,509	0.86
GBP 2,710,000	Peabody Energy 4.625% 12/12/2053	3,562	0.87
GBP 3,400,000	Prudential 5.00% 20/07/2055	3,427	0.84
GBP 800,000	RAC Bond 4.87% 06/05/2026	831	0.20
GBP 2,980,000	Sanctuary Capital 5.00% 26/04/2047	4,043	0.99
GBP 3,400,000	Scottish Widows 7.00% 16/06/2043	4,090	1.00
GBP 1,370,000	Southern Electric Power 4.625% 20/02/2037	1,664	0.41
GBP 700,000	Southern Gas Network 3.10% 15/09/2036	700	0.17
GBP 1,067,000	Sovereign Housing Capital 4.768% 01/06/2043	1,382	0.34
GBP 700,000	Tesco 5.20% 05/03/2057	827	0.20
GBP 1,730,000	Tesco 6.00% 14/12/2029	2,104	0.51

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Fixed Rate Bond (continued)</b>			
GBP 1,200,000	Thames Water Utilities Cayman Finance 4.375% 03/07/2034	1,377	0.34
GBP 1,300,000	Thames Water Utilities Cayman Finance 4.625% 04/06/2046	1,602	0.39
GBP 2,700,000	Thames Water Utilities Cayman Finance 5.5% 11/02/2041	3,621	0.88
GBP 700,000	Thames Water Utilities Cayman Finance 7.738% 09/04/2058	1,317	0.32
GBP 2,410,000	THFC Funding No 2 6.35% 08/07/2039	3,536	0.86
GBP 2,300,000	THFC Funding No.3 5.20% 11/10/2043	3,035	0.74
GBP 2,000,000	Transport for London 3.625% 15/05/2045	2,421	0.59
GBP 2,800,000	Transport for London 3.875% 23/07/2042	3,490	0.85
GBP 1,100,000	Transport for London 4.00% 07/04/2064	1,572	0.38
GBP 2,200,000	Tritax Big Box REIT 3.125% 14/12/2031	2,181	0.53
GBP 7,625,000	UK Treasury 1.50% 22/07/2047	7,220	1.76
GBP 5,730,000	UK Treasury 1.75% 07/09/2037	5,757	1.40
GBP 1,425,000	UK Treasury 4.25% 07/09/2039	2,063	0.50
GBP 1,670,000	UK Treasury 4.25% 07/12/2040	2,451	0.60
GBP 1,500,000	UK Treasury 4.25% 07/12/2049	2,424	0.59
GBP 1,355,000	UK Treasury 4.50% 07/12/2042	2,097	0.51
GBP 2,500,000	UK Treasury 4.75% 07/12/2038	3,814	0.93
GBP 1,234,000	United Utilities Water 5.00% 28/02/2035	1,586	0.39
GBP 2,000,000	University of Cambridge 2.35% 27/06/2078	1,985	0.48
GBP 1,610,000	University of Cambridge 3.75% 17/10/2052	2,137	0.52
GBP 800,000	University of Liverpool 3.375% 25/06/2055	948	0.23
GBP 1,300,000	University of Southampton 2.25% 11/04/2057	1,179	0.29
GBP 5,200,000	Vodafone 3.00% 12/08/2056	4,446	1.08
GBP 1,600,000	Vodafone 3.375% Perpetual	1,486	0.36
GBP 1,100,000	Wellcome Trust Finance 4.00% 09/05/2059	1,558	0.38
GBP 1,500,000	Wellcome Trust Finance 4.625% 25/07/2036	2,000	0.49
GBP 1,050,000	Western Power Distribution South Wales 5.75% 23/03/2040	1,454	0.35
GBP 1,050,000	Western Power Distribution South West 5.75% 23/03/2040	1,454	0.35
GBP 1,350,000	Yorkshire Water Services 6.375% 19/08/2039	2,057	0.50
		<u>236,922</u>	<u>57.78</u>
<b>Stepped Rate Bond 0.02% (2017: 0.30%)</b>			
GBP 48,000	Standard Life 6.75% Perpetual	63	0.02
<b>Variable Rate Bond 2.79% (2017: 3.69%)</b>			
GBP 2,600,000	Aviva 6.875% 20/05/2058	3,140	0.77
GBP 1,113,000	HBOS Sterling Finance Jersey 7.881% Perpetual	1,621	0.40
GBP 3,044,000	HSBC Bank 5.844% Perpetual	3,834	0.93
GBP 2,600,000	Prudential 5.70% 19/12/2063	2,826	0.69
		<u>11,421</u>	<u>2.79</u>
<b>United States 13.38% (2017: 18.07%)</b>			
<b>Fixed Rate Bond 13.38% (2017: 18.07%)</b>			
GBP 2,100,000	Apple 3.60% 31/07/2042	2,449	0.60
GBP 1,800,000	AT&T 4.25% 01/06/2043	1,889	0.46
GBP 4,400,000	AT&T 4.875% 01/06/2044	5,048	1.23
GBP 1,600,000	AT&T 5.20% 18/11/2033	1,898	0.46
GBP 3,200,000	AT&T 7.00% 30/04/2040	4,632	1.13
GBP 3,000,000	Citigroup 6.80% 25/06/2038	4,427	1.08
GBP 1,997,000	Citigroup 7.375% 01/09/2039	3,130	0.76

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Fixed Rate Bond (continued)</b>			
GBP 800,000	GE Capital UK Funding 6.25% 05/05/2038	1,112	0.27
GBP 1,948,000	GE Capital UK Funding 8.00% 14/01/2039	3,204	0.78
GBP 1,811,000	General Electric Capital 4.875% 18/09/2037	2,049	0.50
GBP 1,000,000	General Electric Capital 5.375% 18/12/2040	1,284	0.31
GBP 993,000	Goldman Sachs 6.875% 18/01/2038	1,382	0.34
GBP 3,100,000	Pfizer 2.735% 15/06/2043	3,035	0.74
GBP 1,988,000	Time Warner Cable 5.25% 15/07/2042	2,161	0.53
GBP 2,000,000	Verizon Communications 3.125% 02/11/2035	1,906	0.46
GBP 4,100,000	Verizon Communications 3.375% 27/10/2036	4,001	0.98
GBP 500,000	Walmart Stores 4.875% 19/01/2039	685	0.17
GBP 1,175,000	Walmart Stores 5.25% 28/09/2035	1,630	0.40
GBP 5,800,000	Walmart Stores 5.625% 27/03/2034	8,165	1.99
GBP 700,000	Welltower REIT 4.50% 01/12/2034	785	0.19
		54,872	13.38
<b>Derivatives (0.02%) (2017: 0.01%)</b>			
<b>Futures 0.02% (2017: (0.05%))</b>			
(12)	EUX Euro-Bund September 2018	(17)	-
65	ICE Long Gilt September 2018	108	0.02
		91	0.02
<b>Swaps (0.04%) (2017: 0.04%)<sup>1</sup></b>			
<b>Credit Default Swaps (0.04%) (2017: 0.04%)<sup>1</sup></b>			
2,500,000	CDS 1.00% 20/06/2023 Airbus Pay EUR	(60)	(0.02)
300,000	CDS 5.00% 20/06/2023 Rexel Pay EUR	(42)	(0.01)
300,000	CDS 5.00% 20/06/2023 Rexel Pay EUR	(42)	(0.01)
		(144)	(0.04)
<b>Forward Foreign Exchange Contracts 0.00% (2017: 0.02%)<sup>1</sup></b>			
	Buy EUR 31,306 : Sell GBP 27,633 July 2018 <sup>2</sup>	-	-
	Buy EUR 32,247 : Sell GBP 28,261 July 2018 <sup>2</sup>	-	-
	Buy EUR 49,128 : Sell GBP 43,480 July 2018 <sup>2</sup>	-	-
	Buy EUR 56,344 : Sell GBP 49,458 July 2018 <sup>2</sup>	-	-
	Buy GBP 28,428 : Sell EUR 32,247 July 2018 <sup>2</sup>	-	-
	Buy GBP 790,008 : Sell EUR 901,843 July 2018	(8)	-
	Buy GBP 989,797 : Sell USD 1,311,437 July 2018	(2)	-
		(10)	-
<b>Investment assets including investment liabilities</b>		<b>401,791</b>	<b>97.98</b>
Other net assets		8,299	2.02
<b>Total net assets</b>		<b>410,090</b>	<b>100.00</b>

<sup>1</sup> Unquoted securities

<sup>2</sup> Due to rounding to nearest £1,000

All investments are listed on recognised stock exchanges and are "approved securities" within the meaning of FCA rules unless otherwise stated.

## Statement of total return for the year ended 30 June 2018

	Note	2018		2017	
		£000	£000	£000	£000
Income					
Net capital (losses)/gains	2		(11,648)		23,576
Revenue	3	16,025		17,375	
Expenses	4	<u>(2,501)</u>		<u>(2,699)</u>	
Net revenue before taxation		13,524		14,676	
Taxation	5	<u>-</u>		<u>-</u>	
Net revenue after taxation			<u>13,524</u>		<u>14,676</u>
Total return before distributions			1,876		38,252
Distributions	6		(13,524)		(14,676)
<b>Change in net assets attributable to shareholders from investment activities</b>			<u>(11,648)</u>		<u>23,576</u>

## Statement of change in net assets attributable to shareholders for the year ended 30 June 2018

	2018		2017	
	£000	£000	£000	£000
<b>Opening net assets attributable to shareholders</b>		<b>472,403</b>		<b>493,072</b>
Amounts receivable on issue of shares	10,983		40,102	
Amounts payable on cancellation of shares	<u>(69,462)</u>		<u>(93,621)</u>	
		(58,479)		(53,519)
Dilution adjustment		196		460
Change in net assets attributable to shareholders from investment activities		(11,648)		23,576
Retained distributions on accumulation shares		7,618		8,814
<b>Closing net assets attributable to shareholders</b>		<u><b>410,090</b></u>		<u><b>472,403</b></u>



**Balance sheet** as at 30 June 2018

	Note	2018 £000	2017 £000
<b>Assets:</b>			
Investments		401,962	469,050
Current assets:			
Debtors	7	6,031	13,111
Cash and bank balances	8	7,279	8,649
<b>Total assets</b>		<b>415,272</b>	<b>490,810</b>
<b>Liabilities:</b>			
Investment liabilities		171	408
Creditors:			
Amounts held at derivative clearing houses and brokers		108	-
Bank overdrafts		2,499	3,004
Distributions payable		1,356	1,444
Other creditors	9	1,048	13,551
<b>Total liabilities</b>		<b>5,182</b>	<b>18,407</b>
<b>Net assets attributable to shareholders</b>		<b>410,090</b>	<b>472,403</b>

## Notes to the financial statements for the year ended 30 June 2018

### 1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 of the fund's aggregated notes to the financial statements.

### 2 Net capital (losses)/gains

Net capital (losses)/gains on investments during the year comprise:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Derivative securities	(320)	145
Forward currency contracts	150	(106)
Non-derivative securities	(11,475)	23,667
Other currency gains/(losses)	7	(118)
Transaction costs	(10)	(12)
<b>Net capital (losses)/gains</b>	<b>(11,648)</b>	<b>23,576</b>

### 3 Revenue

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Bank interest	10	4
Derivative revenue	(27)	(84)
Interest on debt securities	15,977	17,413
Interest on margin	1	-
Stock lending revenue	64	42
<b>Total revenue</b>	<b>16,025</b>	<b>17,375</b>

### 4 Expenses

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
Annual management charge	2,315	2,493
GAC*	111	120
	<u>2,426</u>	<u>2,613</u>
<b>Payable to the Depository, associates of the Depository and agents of either of them:</b>		
Depository fees	37	49
Safe custody fees	38	37
	<u>75</u>	<u>86</u>
<b>Total expenses</b>	<b>2,501</b>	<b>2,699</b>

Irrecoverable VAT is included in the above expenses where relevant.

\* The current audit fee, which is levied through the GAC, is £10,017 (2017: £9,725).

## Notes to the financial statements (continued)

### 5 Taxation

#### a) Analysis of charge in the year

There is no tax charge for the current year (2017: nil).

#### b) Factors affecting tax charge for year

The tax assessed for each year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICS) of 20% (2017: 20%). The differences are explained below:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Net revenue before taxation	13,524	14,676
Corporation tax at 20% (2017: 20%)	2,705	2,935
Effects of:		
Revenue being paid as interest distributions	(2,705)	(2,935)
<b>Tax charge for the year (note 6a)</b>	<b>-</b>	<b>-</b>

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

#### c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2017: nil).

#### d) Factors that may affect future tax charges

There were no factors that may affect future tax charges at the current or prior year end.

### 6 Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Interim income	4,313	4,023
Interim accumulation	5,985	6,805
Final income	1,356	1,444
Final accumulation	1,633	2,009
Tax withheld on interest distributions	-	100
	<u>13,287</u>	<u>14,381</u>
Amounts deducted on cancellation of shares	270	430
Amounts received on issue of shares	(33)	(135)
<b>Total distributions</b>	<b><u>13,524</u></b>	<b><u>14,676</u></b>

Details of the distribution per share are set out in the distribution tables on pages 129 to 132.

## Notes to the financial statements (continued)

### 7 Debtors

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Accrued revenue	6,018	6,913
Amounts receivable for issue of shares	13	673
Sales awaiting settlement	-	5,525
<b>Total debtors</b>	<b>6,031</b>	<b>13,111</b>

### 8 Cash and bank balances

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Amounts held at derivative clearing houses and brokers	1,135	629
Cash and bank balances	6,144	8,020
<b>Total cash and bank balances</b>	<b>7,279</b>	<b>8,649</b>

### 9 Other creditors

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Accrued annual management charge	177	201
Accrued Depositary's fee	3	3
Accrued other expenses	22	14
Amounts payable for cancellation of shares	186	2,145
Derivative revenue payable	1	3
Purchases awaiting settlement	659	11,185
<b>Total other creditors</b>	<b>1,048</b>	<b>13,551</b>

### 10 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

### 11 Related party transactions

Henderson Investment Funds Limited as ACD to the fund is deemed to be a related party because it provides key management personnel services to the fund. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', the 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 116 and 117 and notes 4, 6, 7 and 9 on pages 118 to 120 including all issues and cancellations where the ACD acted as principal.

Transactions with the ACD are as follows:

- All issues and cancellations,
- Annual management charge
- GAC

There were no material shareholders at the year end (2017: nil).

## Notes to the financial statements (continued)

### 12 Shareholders' funds

The fund currently has 3 share classes available; Class A (Retail with front-end charges), Class I (Institutional) and Class Z (Institutional). The annual management charge on each share class is as follows:

	2018	2017
	%	%
Class A	0.75	0.75 <sup>1</sup>
Class I	0.50	0.50
Class Z *	0.00	0.00

\* Charges for managing Z class shares are levied outside the fund and are agreed between the ACD and investors.

<sup>1</sup> The annual management charge on Class A reduced from 1.00% to 0.75% on 1 February 2017.

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative tables on pages 105 to 108. The distribution per share class is given in the distribution tables on pages 129 to 132. All share classes have the same rights on winding up.

#### Shares reconciliation as at 30 June 2018

	Class A income	Class I accumulation	Class I income	Class Z accumulation (formerly Class Z accumulation gross)
Opening number of shares	3,196,884	531,722	22,044,059	1,000
Issues during the year	106,227	525,062	3,730,794	-
Cancellations during the year	(488,855)	(12,773,138)	(10,151,104)	(794)
Shares converted during the year	(750,036)	71,784,122	76,604,377	-
<b>Closing shares in issue</b>	<b>2,064,220</b>	<b>60,067,768</b>	<b>92,228,126</b>	<b>206</b>
		Class A income gross	Class I accumulation gross	Class I income gross
Opening number of shares		39,093	65,985,256	74,039,951
Issues during the year		-	279,550	-
Cancellations during the year		(1,000)	(53,993)	(8,971)
Shares converted during the year		(38,093)	(66,210,813)	(74,030,980)
<b>Closing shares in issue</b>		<b>-</b>	<b>-</b>	<b>-</b>

## Notes to the financial statements (continued)

### 13 Financial derivatives

The fund may use financial derivatives for efficient portfolio management and meeting the investment objectives including risk reduction and implementation of investment policies.

Eligible collateral types are approved by the Investment Manager and are agreed with the relevant counterparty.

The counterparty exposure has been calculated using the positive marked-to-market value of the derivative contract with that counterparty.

There was no collateral pledged or collateral held in respect of derivatives as at 30 June 2018 (2017: nil).

#### 2018

At 30 June 2018 the underlying exposure for the derivatives held was as follows:

Counterparty	Futures £000	Total by counterparty £000
UBS	108	108
	<b>108</b>	<b>108</b>

#### 2017

At 30 June 2017 the underlying exposure for each category of derivatives held was as follows:

Counterparty	Credit default swaps £000	Forward foreign exchange contracts £000	Total by counterparty £000
Barclays Bank	70	-	70
BNP Paribas	-	183	183
Credit Suisse	189	-	189
JP Morgan	16	-	16
Merrill Lynch	3	-	3
	<b>278</b>	<b>183</b>	<b>461</b>

## Notes to the financial statements (continued)

### 14 Stock lending

The fund and the Investment Manager have entered into a stock lending programme with BNP Paribas acting as the stock lending agent for the purposes of efficient portfolio management and in order to generate additional income.

Stock lending revenue is disclosed under 'Revenue' in the Statement of total return.

Eligible collateral types for Stock Lending and borrowing transactions are approved by the Investment Manager and may consist of securities issued or guaranteed by a Member State of the OECD or by their local authorities or supranational institutions and organisations with regional, EU and world-wide scope, generally subject to a minimum long term credit rating of at least A- by one or more major credit rating agency or listed equities on eligible markets. Collateral should be highly liquid and traded on a regulated market. Collateral is subject to a haircut on a sliding scale based on the combination of the underlying instrument being lent versus the asset being received as collateral. The value of collateral required will range from 102.50% to 110.00% of the value of the stock on loan.

2018 Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral	
Barclays Bank	785	827	Corporate Bond	
Barclays Bank	33,868	35,347	Government Bond	
	<u>34,653</u>	<u>36,174</u>		
BNP Paribas	3,412	4,188	Corporate Bond	
BNP Paribas	8	10	Certificate of deposit	
	<u>3,420</u>	<u>4,198</u>		
Goldman Sachs	1,565	1,716	Government Bond	
JP Morgan	17,535	18,512	Corporate Bond	
JP Morgan	1,834	2,046	Equity	
JP Morgan	13,807	14,576	Government Bond	
	<u>33,176</u>	<u>35,134</u>		
RBS	3,038	3,200	Government Bond	
<b>Total</b>	<b><u>75,852</u></b>	<b><u>80,422</u></b>		
Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	75	11	64

## Notes to the financial statements (continued)

### 14 Stock lending (continued)

2017 Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
Barclays Bank	74	80	Corporate Bond
Barclays Bank	3,119	3,351	Government Bond
	<u>3,193</u>	<u>3,431</u>	
JP Morgan	7,159	7,541	Corporate Bond
JP Morgan	1,905	2,117	Equity
JP Morgan	17,315	17,849	Government Bond
	<u>26,379</u>	<u>27,507</u>	
	<u>29,572</u>	<u>30,938</u>	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	49	7	42

### 15 Risk

#### Currency risk

The fund's net exposure to currency risk (including any instruments used to hedge foreign currencies) is considered insignificant. This is consistent with the exposure during the prior year.

#### Interest rate risk

The fund's exposure to interest rate risk is considered significant. The interest rate risk profile of the fund's financial assets and financial liabilities at the year end is set out in the following table:

	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
<b>2018</b>				
Euro	699	815	12	1,526
UK sterling	20,455	385,927	6,103	412,485
US dollar	-	1,237	24	1,261
<b>Total</b>	<u>21,154</u>	<u>387,979</u>	<u>6,139</u>	<u>415,272</u>
	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
<b>2017</b>				
Euro	-	1,479	-	1,479
UK sterling	30,581	438,479	10,907	479,967
US dollar	161	6,816	2,387	9,364
<b>Total</b>	<u>30,742</u>	<u>446,774</u>	<u>13,294</u>	<u>490,810</u>



## Notes to the financial statements (continued)

### 15 Risk (continued)

#### Interest rate risk (continued)

	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing liabilities	Total
2018	£000	£000	£000	£000
Euro	-	144	676	820
UK sterling	2,607	-	1,755	4,362
<b>Total</b>	<b>2,607</b>	<b>144</b>	<b>2,431</b>	<b>5,182</b>

	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing liabilities	Total
2017	£000	£000	£000	£000
Euro	-	90	4	94
UK sterling	3,004	-	15,212	18,216
US dollar	-	-	97	97
<b>Total</b>	<b>3,004</b>	<b>90</b>	<b>15,313</b>	<b>18,407</b>

#### Credit Ratings

	Market value £000	Percentage of net assets %
<b>2018</b>		
<b>Investments</b>		
Investment grade (AAA - BBB)	380,894	92.89
Unrated	20,960	5.11
<b>Total debt securities</b>	<b>401,854</b>	<b>98.00</b>
Derivatives	(63)	(0.02)
<b>Investment assets including investment liabilities</b>	<b>401,791</b>	<b>97.98</b>
Other net assets	8,299	2.02
<b>Total net assets</b>	<b>410,090</b>	<b>100.00</b>
<b>2017</b>		
<b>Investments</b>		
Investment grade (AAA - BBB)	433,218	91.70
Below investment grade (BB and below)	9,946	2.11
Unrated	25,425	5.38
<b>Total debt securities</b>	<b>468,589</b>	<b>99.19</b>
Derivatives	53	0.01
<b>Investment assets including investment liabilities</b>	<b>468,642</b>	<b>99.20</b>
Other net assets	3,761	0.80
<b>Total net assets</b>	<b>472,403</b>	<b>100.00</b>

## Notes to the financial statements (continued)

### 15 Risk (continued)

#### Sensitivity analysis

The actual VaR results, limits and utilisation of limits are summarised in the table below:

VaR Results	Global Exposure Calculation Basis	Actual Relative VaR for year			VaR limit	Utilisation of VaR limit		
		Minimum %	Maximum %	Average %		Minimum %	Maximum %	Average %
2018	Relative VaR*	98.29	103.22	100.67	200	49.15	51.61	50.34
2017	Relative VaR*	97.51	104.56	100.24	200	48.76	52.28	50.12

\* Reference portfolio: FTSE Actuaries All Stock Gilt Index

#### Leverage

	Minimum %	Maximum %	Average %
2018	3.01	15.84	7.43
2017	3.58	18.46	8.39

#### Liquidity risk

The following table provides a maturity analysis of the fund's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
<b>2018</b>				
Amounts held at derivatives clearing houses and brokers	108	-	-	-
Bank overdrafts	2,499	-	-	-
Derivative financial liabilities	-	27	144	-
Distribution payable	-	1,356	-	-
Other creditors	-	1,048	-	-
<b>Total</b>	<b>2,607</b>	<b>2,431</b>	<b>144</b>	<b>-</b>
	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
<b>2017</b>				
Bank overdrafts	3,004	-	-	-
Derivative financial liabilities	-	318	90	-
Distribution payable	-	1,444	-	-
Other creditors	-	13,551	-	-
<b>Total</b>	<b>3,004</b>	<b>15,313</b>	<b>90</b>	<b>-</b>

## Notes to the financial statements (continued)

### 16 Fair value disclosure

#### Fair value measurement

The intention of a fair value measurement is to estimate the price at which an asset or a liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS 102 the fund classifies fair value measurement under the following levels:

#### Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

#### Level 2

Inputs other than quoted prices included within level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

#### Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

#### Fair value hierarchy

	2018		2017	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1	42,331*	17	27,241*	248
Level 2	359,631	154	441,809	160
Level 3	-	-	-	-
	<u>401,962</u>	<u>171</u>	<u>469,050</u>	<u>408</u>

\* Debt securities have been included in the level 1, where their valuation is determined to be sufficiently close to a binding quoted price, amount to £42,223,094 as at 30 June 2018 (2017: £27,241,033).

### 17 Direct transaction costs

	Purchases		Sales	
	2018 £000	2017 £000	2018 £000	2017 £000
<b>Trades in the year</b>				
Debt securities	190,884	256,572	222,801	290,521
<b>Trades in the year before transaction costs</b>	<u>190,884</u>	<u>256,572</u>	<u>222,801</u>	<u>290,521</u>
<b>Transaction costs</b>				
<b>Commissions</b>				
Debt securities	-	-	-	-
<b>Total commissions</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Taxes</b>				
Debt securities	-	-	-	-
<b>Total taxes</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other expenses</b>				
Debt securities	-	-	-	-
<b>Total other expenses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total transaction costs</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total net trades in the year after transaction costs</b>	<u>190,884</u>	<u>256,572</u>	<u>222,801</u>	<u>290,521</u>

## Notes to the financial statements (continued)

### 17 Direct transaction costs (continued)

	Purchases		Sales	
	2018 %	2017 %	2018 %	2017 %
<b>Total transaction costs expressed as a percentage of asset type cost</b>				
<b>Commissions</b>				
Debt securities	-	-	-	-
<b>Taxes</b>				
Debt securities	-	-	-	-
<b>Other expenses</b>				
Debt securities	-	-	-	-
	<b>2018 %</b>	<b>2017 %</b>		
<b>Total transaction costs expressed as a percentage of net asset value</b>				
Commissions	-	-		
Taxes	-	-		
Other expenses	-	-		
<b>Total costs</b>	<u>-</u>	<u>-</u>		

There were no in specie transfers during the year (2017: nil). There were corporate actions during the year of £24,590,855 (2017: £6,825,658).

There were direct transaction costs associated with derivatives in the year of £1,091 (2017: £1,863) which is 0.00% of the average net asset value of the fund (2017: 0.00%).

Direct transaction costs are fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the fund. These exclude any differences between quoted bid and offer prices or internal administrative or holding costs.

Direct transaction costs related to bonds are not separately identifiable as with other financial instruments as the costs form part of the dealing spread and therefore are inherent within the purchase and sale prices of the trade.

The portfolio dealing spread as at 30 June 2018 was 1.13% (2017: 1.06%). The portfolio dealing spread is calculated at the fund's 12 noon valuation point.

### 18 Events after the Balance sheet date

There were no material post Balance sheet events which require disclosure within these financial statements.

## Distribution tables for the year ended 30 June 2018 (in pence per share)

### Interim interest distribution (accounting date 30 September 2017, paid on 30 November 2017)

Group 1 : shares purchased prior to 1 July 2017

Group 2 : shares purchased on or after 1 July 2017

	Distribution per share	Equalisation	Total distribution per share 30/11/17	Total distribution per share 30/11/16*
<b>Class A income</b>				
Group 1	1.2936	-	1.2936	0.9509
Group 2	0.8283	0.4653	1.2936	0.9509
<b>Class I accumulation</b>				
Group 1	2.8014	-	2.8014	2.2287
Group 2	1.6420	1.1594	2.8014	2.2287
<b>Class I income</b>				
Group 1	1.5190	-	1.5190	1.2409
Group 2	0.8799	0.6391	1.5190	1.2409
<b>Class Z accumulation (formerly Class Z accumulation gross)</b>				
Group 1	2.0700	-	2.0700	2.0530
Group 2	2.0700	-	2.0700	2.0530
<b>Class A income gross</b>				
Group 1	1.3060	-	1.3060	1.2107
Group 2	1.3060	-	1.3060	1.2107
<b>Class I accumulation gross</b>				
Group 1	3.1140	-	3.1140	3.1103
Group 2	1.7238	1.3902	3.1140	3.1103
<b>Class I income gross</b>				
Group 1	1.4857	-	1.4857	1.5285
Group 2	0.8835	0.6022	1.4857	1.5285

\* Distributions on Class A income, Class I accumulation and Class I income prior to 6 April 2017 are net of 20% income tax.

## Distribution tables (continued)

### Interim interest distribution (accounting date 31 December 2017, paid on 28 February 2018)

Group 1 : shares purchased prior to 1 October 2017

Group 2 : shares purchased on or after 1 October 2017

	Distribution per share	Equalisation	Total distribution per share 28/02/18	Total distribution per share 28/02/17*
<b>Class A income</b>				
Group 1	1.3038	-	1.3038	0.9584
Group 2	0.4151	0.8887	1.3038	0.9584
<b>Class I accumulation</b>				
Group 1	2.8360	-	2.8360	2.2276
Group 2	1.0429	1.7931	2.8360	2.2276
<b>Class I income</b>				
Group 1	1.5262	-	1.5262	1.2331
Group 2	0.7607	0.7655	1.5262	1.2331
<b>Class Z accumulation (formerly Class Z accumulation gross)</b>				
Group 1	2.1262	-	2.1262	2.0535
Group 2	2.1262	-	2.1262	2.0535
<b>Class A income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	1.2221
Group 2	n/a	n/a	n/a	1.2221
<b>Class I accumulation gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	3.1153
Group 2	n/a	n/a	n/a	3.1153
<b>Class I income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	1.5198
Group 2	n/a	n/a	n/a	1.5198

<sup>1</sup> Class A income gross, Class I accumulation gross and Class I income gross closed on 2 October 2017.

\* Distributions on Class A income, Class I accumulation and Class I income prior to 6 April 2017 are net of 20% income tax.

## Distribution tables (continued)

### Interim interest distribution (accounting date 31 March 2018, paid on 31 May 2018)

Group 1: shares purchased prior to 1 January 2018

Group 2: shares purchased on or after 1 January 2018

	Distribution per share	Equalisation	Total distribution per share 31/05/18	Total distribution per share 31/05/17
<b>Class A income</b>				
Group 1	1.2478	-	1.2478	1.2295
Group 2	0.4140	0.8338	1.2478	1.2295
<b>Class I accumulation</b>				
Group 1	2.7405	-	2.7405	2.6988
Group 2	1.8476	0.8929	2.7405	2.6988
<b>Class I income</b>				
Group 1	1.4640	-	1.4640	1.4848
Group 2	0.6538	0.8102	1.4640	1.4848
<b>Class Z accumulation (formerly Class Z accumulation gross)</b>				
Group 1	2.0219	-	2.0219	1.9650
Group 2	2.0219	-	2.0219	1.9650
<b>Class A income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	1.2397
Group 2	n/a	n/a	n/a	1.2397
<b>Class I accumulation gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	2.9987
Group 2	n/a	n/a	n/a	2.9987
<b>Class I income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	1.4517
Group 2	n/a	n/a	n/a	1.4517

<sup>1</sup> Class A income gross, Class I accumulation gross and Class I income gross closed on 2 October 2017.

## Distribution tables (continued)

### Final interest distribution (accounting date 30 June 2018, paid on 31 August 2018)

Group 1: shares purchased prior to 1 April 2018

Group 2: shares purchased on or after 1 April 2018

	Distribution per share	Equalisation	Total distribution per share 31/08/18	Total distribution per share 31/08/17
<b>Class A income</b>				
Group 1	1.2286	-	1.2286	1.2663
Group 2	0.5619	0.6667	1.2286	1.2663
<b>Class I accumulation</b>				
Group 1	2.7193	-	2.7193	2.7227
Group 2	1.0166	1.7027	2.7193	2.7227
<b>Class I income</b>				
Group 1	1.4424	-	1.4424	1.4870
Group 2	0.6630	0.7794	1.4424	1.4870
<b>Class Z accumulation (formerly Class Z accumulation gross)</b>				
Group 1	1.8898	-	1.8898	1.9626
Group 2	1.8898	-	1.8898	1.9626
<b>Class A income gross <sup>1</sup></b>				
Group 1	n/a	n/a	n/a	1.2750
Group 2	n/a	n/a	n/a	1.2750
<b>Class I accumulation gross <sup>1</sup></b>				
Group 1	n/a	n/a	n/a	3.0230
Group 2	n/a	n/a	n/a	3.0230
<b>Class I income gross <sup>1</sup></b>				
Group 1	n/a	n/a	n/a	1.4528
Group 2	n/a	n/a	n/a	1.4528

<sup>1</sup> Class A income gross, Class I accumulation gross and Class I income gross closed on 2 October 2017.



# Janus Henderson Institutional Long Dated Gilt fund (formerly Henderson Institutional Long Dated Gilt fund)

## Authorised Corporate Director's (ACD) report

### Investment Fund Managers

Andrew Mulliner and Bethany Payne

Please note that as of 9 April 2018, Andrew Mulliner and Bethany Payne took over the management of this fund.

### Investment objective and policy

To aim to provide a return by investing primarily in long dated United Kingdom Government securities. The fund may invest in other transferable securities, money market instruments, derivatives and forward transactions, deposits and units in collective investment schemes.

### Performance summary

	30 Jun 17 - 30 Jun 18	30 Jun 16 - 30 Jun 17	30 Jun 15 - 30 Jun 16	30 Jun 14 - 30 Jun 15	30 Jun 13 - 30 Jun 14
	%	%	%	%	%
<b>Janus Henderson Institutional Long Dated Gilt Fund</b>	3.2	(1.4)	20.7	13.2	3.3
<b>FTSE Gilts Over 15 Years</b>	4.2	(1.8)	24.1	16.3	5.3

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 at close of business.

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.

## Significant portfolio changes for the year ended 30 June 2018

<b>Largest purchases</b>	<b>£000</b>	<b>Largest sales</b>	<b>£000</b>
UK Treasury 4.25% 07/12/2055	1,196	UK Treasury 4.25% 07/12/2055	1,654
UK Treasury 1.50% 22/07/2047	851	UK Treasury 4.50% 07/09/2034	1,102
UK Treasury 4.25% 07/12/2046	640	UK Treasury 4.25% 07/12/2046	998
UK Treasury 2.50% 22/07/2065	561	UK Treasury 4.25% 07/12/2040	879
UK Treasury 4.25% 07/12/2040	537	UK Treasury 4.75% 07/12/2038	814
UK Treasury 1.75% 07/09/2037	534	UK Treasury 4.50% 07/12/2042	788
UK Treasury 4.75% 07/12/2038	489	UK Treasury 3.50% 22/01/2045	775
UK Treasury 3.50% 22/07/2068	433	UK Treasury 3.50% 22/07/2068	755
UK Treasury 3.25% 22/01/2044	418	UK Treasury 3.75% 22/07/2052	737
UK Treasury 3.75% 22/07/2052	387	UK Treasury 3.25% 22/01/2044	736
<b>Total purchases</b>	<b>8,995</b>	<b>Total sales</b>	<b>13,079</b>

### Investment review

Government bond markets underwent periods of volatility (sharper fluctuations in prices) during the year. While we started with rising yields in core markets (prices move inversely to yields), especially in the US where the narrative of rebounding inflation dominated, early in the first quarter of 2018 we saw a bout of instability in emerging markets, led by Argentina and Turkey. This caused concerns of spillovers into developed markets, followed by an apparently existential threat to the eurozone as the new Italian government made ominous statements relating to parallel currencies and expanding government deficits. This resulted in a flight-to-quality bid to core government bond markets, as well as marked underperformance of peripheral European markets, led by Italy. Although this crisis abated considerably, some increase in risk premium remains in these markets.

The European Central Bank announced the end of its bond-buying programme but also agreed not to increase rates until at least after the summer of 2019. This provided some further reprieve for European bonds. All the while, trade tensions were gradually escalating. While the intention to impose tariffs has been known for some time, the approach of the implementation date served to focus minds on the issue, and served as a restraining force on yields given that domestic data in the US in particular still appears robust.

In the UK, the economy continued to be hampered by uncertainty due to the negotiations around leaving the European Union. While gilt market volatility was muted and data was mixed, the Bank of England was able to justify tightening its monetary policy very gradually.

The fund underperformed its benchmark over the year. 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 from positioning for falling yields in short-dated bonds in Canada, Australia, Europe and the UK. Headwinds to performance came from a long position in US Treasuries and being positioned for long-dated German bonds to underperform short-dated ones.

Currency strategies detracted over the year as we lost money in a long position in the Czech koruna versus the euro. However, some of that performance came back through a long position in the Norwegian krone versus the euro.

Our inflation strategies proved to be profitable, as we positioned for long-dated inflation expectations to rise in the UK, relative to five-year inflation expectations. We also profited by positioning for a rise in US inflation expectations. However, a position which looked for 10-year European inflation expectations to rise relative to five-year inflation expectations made a small loss.

To-date, the US economy has shown no material ill effects from the shocks buffeting global markets, supported as it is by an unprecedented late-cycle fiscal expansion. As such, if we see some stability in the trade backdrop, we believe yields could move higher as the Federal Reserve continues on its path of interest rate hikes. While this will influence rates globally, we believe shorter-dated bonds in Europe and Japan will receive support from central bank guidance and continued bond buying respectively.

## Comparative tables for the year ended 30 June 2018

	Class A accumulation		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	214.10	220.09	180.03
Return before operating charges*	8.38	(3.73)	42.45
Operating charges	(1.99)	(2.02)	(1.74)
Return after operating charges*	6.39	(5.75)	40.71
Distributions on accumulation shares	(2.77)	(2.55)	(3.27)
Retained distributions on accumulation shares <sup>^</sup>	2.77	2.31	2.62
Closing net asset value per share	220.49	214.10	220.09
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	2.98%	(2.61%)	22.61%
<b>Other information</b>			
Closing net asset value (£000s)	867	845	940
Closing number of shares	393,126	394,635	427,233
Operating charges	0.92%	0.92%	0.92%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	224.10	241.30	218.00
Lowest share price (pence)	206.70	203.70	175.70

<sup>^</sup> Retained distributions prior to 6 April 2017 are net of 20% income tax.

	Class A income		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	195.44	203.04	168.33
Return before operating charges*	7.63	(3.62)	38.77
Operating charges	(1.81)	(1.86)	(1.62)
Return after operating charges*	5.82	(5.48)	37.15
Distributions on income shares	(2.52)	(2.12)	(2.44)
Closing net asset value per share	198.74	195.44	203.04
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	2.98%	(2.70%)	22.07%
<b>Other information</b>			
Closing net asset value (£000s)	8,216	10,682	16,299
Closing number of shares	4,134,156	5,465,468	8,027,616
Operating charges	0.92%	0.92%	0.92%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	204.50	222.60	201.70
Lowest share price (pence)	187.50	187.60	164.20

## Comparative tables (continued)

	Class I accumulation		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	316.32	324.13	264.37
Return before operating charges*	12.41	(5.54)	62.48
Operating charges	(1.76)	(1.78)	(1.56)
Return after operating charges*	10.65	(7.32)	60.92
Distributions on accumulation shares	(5.28)	(4.96)	(5.79)
Retained distributions on accumulation shares <sup>^</sup>	5.28	4.47	4.63
Closing net asset value per share	326.97	316.32	324.13
* after direct transaction costs of:	0.01	-	-
<b>Performance</b>			
Return after charges	3.37%	(2.26%)	23.04%
<b>Other information</b>			
Closing net asset value (£000s)	19,470	14,494	6,858
Closing number of shares	5,954,904	4,582,010	2,115,830
Operating charges	0.55%	0.55%	0.55%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	331.30	355.50	321.10
Lowest share price (pence)	306.10	300.50	258.00

<sup>^</sup> Retained distributions prior to 6 April 2017 are net of 20% income tax.

	Class Z accumulation (formerly Class Z accumulation gross)		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	228.64	232.76	188.05
Return before operating charges*	9.00	(4.00)	44.81
Operating charges	(0.12)	(0.12)	(0.10)
Return after operating charges*	8.88	(4.12)	44.71
Distributions on accumulation shares	(4.99)	(4.74)	(5.18)
Retained distributions on accumulation shares <sup>^</sup>	4.99	4.74	5.18
Closing net asset value per share	237.52	228.64	232.76
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	3.88%	(1.77%)	23.78%
<b>Other information</b>			
Closing net asset value (£000s)	13,279	12,355	9,937
Closing number of shares	5,590,541	5,403,725	4,269,359
Operating charges	0.05%	0.05%	0.05%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	240.20	255.70	230.60
Lowest share price (pence)	221.90	216.60	183.60

## Comparative tables (continued)

	Class I accumulation gross		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	342.52	350.39	284.50
Return before operating charges*	(1.04)	(5.90)	67.56
Operating charges	(0.48)	(1.97)	(1.67)
Return after operating charges*	(1.52)	(7.87)	65.89
Distributions on accumulation shares	(1.36)	(5.35)	(6.30)
Retained distributions on accumulation shares <sup>^</sup>	1.36	5.35	6.30
Final cancellation price	(341.00) <sup>1</sup>	-	-
Closing net asset value per share	-	342.52	350.39
* after direct transaction costs of:	0.01	-	-
<b>Performance</b>			
Return after charges	(0.44%)	(2.25%)	23.16%
<b>Other information</b>			
Closing net asset value (£000s)	-	6,533	35,291
Closing number of shares	-	1,907,427	10,071,678
Operating charges	0.55%	0.55%	0.55%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	358.70 <sup>2</sup>	384.60	347.20
Lowest share price (pence)	336.90 <sup>2</sup>	325.30	277.70

<sup>1</sup> Class I accumulation gross closed on 2 October 2017 and this is the final cancellation price.

<sup>2</sup> to 2 October 2017

Direct transaction costs incurred on securities transactions (including derivatives) are stated after deducting the proportion of the amounts collected from dilution adjustments that relate to direct transaction costs.

Performance values are at close of business and may differ from the performance summary.

### Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

### Share class launches and closures

There were no share classes launched during the year. The following share class closed in the year:

Share class	Closure date
Class I accumulation gross	2 October 2017

The following share class changed name in the year:

Share class	Date of change
Class Z accumulation (formerly Class Z accumulation gross)	2 October 2017

As there is no longer any difference between gross and net share classes, investors in Class I accumulation gross have been combined into Class I accumulation. This removes the administration cost of running two separate share classes that are otherwise identical.

## Ongoing charge figure

The annualised ongoing charge figure (OCF) of the fund is calculated as the ratio of the total ongoing charges to the average net asset value for twelve months. Ongoing charges are all expenses deducted from the assets of the fund during the year, except for expenses that are explicitly excluded by regulation.

	<b>2018</b> %	<b>2017</b> %
<b>Class A</b>	0.92	0.92
<b>Class I</b>	0.55	0.55
<b>Class Z</b>	0.05	0.05

The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

## Risk and reward profile

The fund currently has 4 types of share class in issue; A income, A accumulation, I accumulation and Z accumulation (formerly 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 and any income from it 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 share classes appear at 5 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events.

The full list of the fund's risks are contained in the 'Risk Factors' section in the fund's prospectus.

There have been no changes to the risk ratings in the year.

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

## Portfolio statement as at 30 June 2018

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Bonds 98.02% (2017: 99.05%)</b>			
<b>United Kingdom 98.02% (2017: 99.05%)</b>			
<b>Fixed Rate Bond 98.02% (2017: 99.05%)</b>			
GBP 1,676,197	UK Treasury 1.50% 22/07/2047	1,587	3.79
GBP 390,497	UK Treasury 1.625% 22/10/2071	400	0.96
GBP 832,769	UK Treasury 1.75% 07/09/2037	837	2.00
GBP 988,267	UK Treasury 1.75% 22/07/2057	1,026	2.45
GBP 1,318,814	UK Treasury 2.50% 22/07/2065	1,725	4.12
GBP 1,878,246	UK Treasury 3.25% 22/01/2044	2,452	5.86
GBP 1,884,912	UK Treasury 3.50% 22/01/2045	2,579	6.17
GBP 1,320,281	UK Treasury 3.50% 22/07/2068	2,199	5.26
GBP 1,613,218	UK Treasury 3.75% 22/07/2052	2,482	5.93
GBP 1,601,964	UK Treasury 4.00% 22/01/2060	2,769	6.62
GBP 2,042,907	UK Treasury 4.25% 07/03/2036	2,851	6.81
GBP 1,567,303	UK Treasury 4.25% 07/09/2039	2,269	5.43
GBP 1,681,912	UK Treasury 4.25% 07/12/2040	2,468	5.90
GBP 1,550,604	UK Treasury 4.25% 07/12/2046	2,419	5.78
GBP 1,366,069	UK Treasury 4.25% 07/12/2049	2,207	5.28
GBP 1,749,798	UK Treasury 4.25% 07/12/2055	3,032	7.25
GBP 1,578,013	UK Treasury 4.50% 07/09/2034	2,220	5.31
GBP 1,837,560	UK Treasury 4.50% 07/12/2042	2,844	6.80
GBP 1,728,186	UK Treasury 4.75% 07/12/2038	2,637	6.30
		41,003	98.02
<b>Derivatives (0.12%) (2017: 0.03%)</b>			
<b>Futures (0.01%) (2017: 0.01%)</b>			
(6)	EUX Euro-Buxl 30 Year Bond September 2018	(11)	(0.03)
9	ICE Long Gilt September 2018	6	0.01
(1)	OSE Japan 10 Year Bond September 2018	(2)	-
25	SFE Australia 3 Year Bond September 2018	4	0.01
		(3)	(0.01)
<b>Options 0.03% (2017: 0.00%)</b>			
370,000	CHF/EUR Call 1.16 July 2018	3	0.01
400,000	GBP/USD Put 1.35 August 2018	9	0.02
(400,000)	USD/GBP Put 1.30 August 2018	(1)	-
		11	0.03
<b>Swaptions (0.01%) (2017: 0.00%)</b>			
6,270,000	Swaption January 2019 USD 3 Month LIBOR 2.5725%	5	0.01
(2,620,000)	Swaption January 2019 USD 3 Month LIBOR 2.595%	(7)	(0.02)
		(2)	(0.01)



## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Swaps (0.11%) (2017: 0.01%)<sup>1</sup></b>			
<b>Inflation Rate Swaps (0.00%) (2017: 0.00%)<sup>1</sup></b>			
<b>Interest Rate Swaps (0.11%) (2017: 0.01%)<sup>1</sup></b>			
1,604,980,000	IRS 0.11% LIBOR 6 month 0.00% Receive Fixed 0.00% JPY	9	0.02
323,120,000	IRS 0.4465% LIBOR 6 month 0.00% Receive Floating 0.00% JPY	(25)	(0.06)
420,000	IRS 1.4651% EURIBOR 6 month 0.00% Receive Fixed 0.00% EUR	1	-
440,000	IRS 1.5078% EURIBOR 6 month 0.00% Receive Fixed 0.00% EUR	4	0.01
2,320,000	IRS 1.611% LIBOR 6 month 0.00% Receive Floating 0.00% GBP	(20)	(0.05)
390,000	IRS 1.6443% LIBOR 6 month 0.00% Receive Fixed 0.00% GBP	2	0.01
490,000	IRS 1.732% LIBOR 6 month 0.00% Receive Fixed 0.00% GBP	14	0.03
2,660,000	IRS 2.26% CAD BA 3 month 0.00% Receive Fixed 0.00% CAD	(4)	(0.01)
2,640,000	IRS 2.405% CAD BA 3 month 0.00% Receive Fixed 0.00% CAD	(2)	-
15,000,000	IRS 2.815% LIBOR 3 month 0.00% Receive Fixed 0.00% USD	(34)	(0.08)
3,310,000	IRS 2.949% LIBOR 3 month 0.00% Receive Floating 0.00% USD	6	0.01
1,630,000	IRS 3.025% LIBOR 3 month 0.00% Receive Floating 0.00% USD	(5)	(0.01)
7,330,000	IRS 3.046% LIBOR 3 month 0.00% Receive Fixed 0.00% USD	7	0.02
		<u>(47)</u>	<u>(0.11)</u>
<b>Forward Foreign Exchange Contracts (0.02%) (2017: 0.01%)<sup>1</sup></b>			
	Buy CAD 10,325 : Sell GBP 5,910 July 2018 <sup>2</sup>	-	-
	Buy CAD 11,349 : Sell GBP 6,429 July 2018 <sup>2</sup>	-	-
	Buy CAD 1,935 : Sell GBP 1,095 July 2018 <sup>2</sup>	-	-
	Buy CAD 1,995 : Sell GBP 1,126 July 2018 <sup>2</sup>	-	-
	Buy CAD 5,057 : Sell GBP 2,869 July 2018 <sup>2</sup>	-	-
	Buy CAD 6,129 : Sell GBP 3,496 July 2018 <sup>2</sup>	-	-
	Buy CAD 7,403 : Sell GBP 4,228 July 2018 <sup>2</sup>	-	-
	Buy CZK 17,614,957 : Sell EUR 679,079 September 2018	(3)	(0.01)
	Buy EUR 313,048 : Sell CHF 360,922 September 2018	1	-
	Buy EUR 360,000 : Sell CZK 9,406,080 September 2018	(1)	-
	Buy GBP 16,511 : Sell AUD 29,400 July 2018 <sup>2</sup>	-	-
	Buy GBP 1,778 : Sell CAD 3,108 July 2018 <sup>2</sup>	-	-
	Buy GBP 46,321 : Sell EUR 52,879 July 2018 <sup>2</sup>	-	-
	Buy GBP 4,711 : Sell CAD 8,186 July 2018 <sup>2</sup>	-	-
	Buy GBP 6,429 : Sell CAD 11,349 July 2018 <sup>2</sup>	-	-
	Buy GBP 64,442 : Sell EUR 72,820 July 2018 <sup>2</sup>	-	-
	Buy GBP 92,278 : Sell USD 122,264 July 2018 <sup>2</sup>	-	-
	Buy JPY 958,573 : Sell GBP 6,563 July 2018 <sup>2</sup>	-	-
	Buy NOK 6,826,747 : Sell EUR 720,170 September 2018	(4)	(0.01)
	Buy PLN 884,530 : Sell EUR 202,261 September 2018	(1)	-
		<u>(8)</u>	<u>(0.02)</u>
	<b>Investment assets including investment liabilities</b>	<b>40,954</b>	<b>97.90</b>
	Other net assets	878	2.10
	<b>Total net assets</b>	<b>41,832</b>	<b>100.00</b>

<sup>1</sup> Unquoted securities

<sup>2</sup> Due to rounding to nearest £1,000

All investments are listed on recognised stock exchanges and are "approved securities" within the meaning of FCA rules unless otherwise stated.

## Statement of total return for the year ended 30 June 2018

	Note	2018		2017	
		£000	£000	£000	£000
Income					
Net capital gains/(losses)	2		677		(1,248)
Revenue	3	952		1,086	
Expenses	4	<u>(208)</u>		<u>(276)</u>	
Net revenue before taxation		744		810	
Taxation	5	<u>-</u>		<u>-</u>	
Net revenue after taxation			<u>744</u>		<u>810</u>
Total return before distributions			1,421		(438)
Distributions	6		(744)		(810)
<b>Change in net assets attributable to shareholders from investment activities</b>			<u><b>677</b></u>		<u><b>(1,248)</b></u>

## Statement of change in net assets attributable to shareholders for the year ended 30 June 2018

	2018		2017	
	£000	£000	£000	£000
<b>Opening net assets attributable to shareholders</b>		<b>44,909</b>		<b>69,325</b>
Amounts receivable on issue of shares	9,540		24,278	
Amounts payable on in specie transfer*	-		(20,264)	
Amounts payable on cancellation of shares	<u>(13,912)</u>		<u>(27,724)</u>	
		(4,372)		(23,710)
Dilution adjustment		-		6
Change in net assets attributable to shareholders from investment activities		677		(1,248)
Retained distributions on accumulation shares		618		536
<b>Closing net assets attributable to shareholders</b>		<u><b>41,832</b></u>		<u><b>44,909</b></u>

\* In specie redemption

**Balance sheet** as at 30 June 2018

	Note	2018 £000	2017 £000
<b>Assets:</b>			
Investments		41,074	44,558
Current assets:			
Debtors	7	502	535
Cash and bank balances	8	759	227
<b>Total assets</b>		<b>42,335</b>	<b>45,320</b>
<b>Liabilities:</b>			
Investment liabilities		120	62
Creditors:			
Amounts held at derivative clearing houses and brokers		20	5
Bank overdrafts		90	95
Distributions payable		25	33
Other creditors	9	248	216
<b>Total liabilities</b>		<b>503</b>	<b>411</b>
<b>Net assets attributable to shareholders</b>		<b>41,832</b>	<b>44,909</b>

## Notes to the financial statements for the year ended 30 June 2018

### 1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 of the fund's aggregated notes to the financial statements.

### 2 Net capital gains/(losses)

Net capital gains/(losses) on investments during the year comprise:

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Derivative securities	(138)	38
Forward currency contracts	(44)	(48)
Non-derivative securities	871	(1,233)
Other currency (losses)/gains	(3)	4
Transaction costs	(9)	(9)
<b>Net capital gains/(losses)</b>	<b>677</b>	<b>(1,248)</b>

### 3 Revenue

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Derivative revenue	87	6
Interest on debt securities	859	1,072
Stock lending revenue	6	8
<b>Total revenue</b>	<b>952</b>	<b>1,086</b>

### 4 Expenses

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
Annual management charge	181	240
GAC*	21	29
	<u>202</u>	<u>269</u>
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary fees	4	6
Safe custody fees	2	1
	<u>6</u>	<u>7</u>
<b>Total expenses</b>	<b>208</b>	<b>276</b>

Irrecoverable VAT is included in the above expenses where relevant.

\* The current audit fee, which is levied through the GAC, is £10,017 (2017: £9,725).

## Notes to the financial statements (continued)

### 5 Taxation

#### a) Analysis of charge in the year

There is no tax charge for the current year (2017: nil).

#### b) Factors affecting tax charge for year

The tax assessed for each year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICS) of 20% (2017: 20%). The differences are explained below:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Net revenue before taxation	744	810
Corporation tax at 20% (2017: 20%)	149	162
Effects of:		
Revenue being paid as interest distributions	(149)	(162)
<b>Tax charge for the year (note 5a)</b>	<b>-</b>	<b>-</b>

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

#### c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2017: nil).

#### d) Factors that may affect future tax charges

There were no factors that may affect future tax charges at the current or prior year end.

### 6 Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Interim income	86	102
Interim accumulation	469	383
Final income	25	33
Final accumulation	149	153
Tax withheld on interest distributions	-	35
	<u>729</u>	<u>706</u>
Amounts deducted on cancellation of shares	33	147
Amounts received on issue of shares	(18)	(43)
<b>Total distributions</b>	<b><u>744</u></b>	<b><u>810</u></b>

Details of the distribution per share are set out in the distribution tables on pages 154 to 156.

## Notes to the financial statements (continued)

### 7 Debtors

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Accrued revenue	275	300
Amounts receivable for issue of shares	20	235
Sales awaiting settlement	207	-
<b>Total debtors</b>	<b>502</b>	<b>535</b>

### 8 Cash and bank balances

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Amounts held at derivative clearing houses and brokers	277	14
Cash and bank balances	482	213
<b>Total cash and bank balances</b>	<b>759</b>	<b>227</b>

### 9 Other creditors

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Accrued annual management charge	14	16
Accrued other expenses	5	3
Amounts payable for cancellation of shares	226	43
Derivative revenue payable	3	-
Purchases awaiting settlement	-	154
<b>Total other creditors</b>	<b>248</b>	<b>216</b>

### 10 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

### 11 Related party transactions

Henderson Investment Funds Limited as ACD to the fund is deemed to be a related party because it provides key management personnel services to the fund. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', the 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 142 and 143 and notes 4, 6, 7 and 9 on pages 144 to 146 including all issues and cancellations where the ACD acted as principal.

Transactions with the ACD are as follows:

- All issues and cancellations,
- Annual management charge
- GAC

There were no material shareholders at the year end (2017: nil).

### 12 Shareholders' funds

The fund currently has 3 share classes available; Class A (Retail with front-end charges), Class I (Institutional) and Class Z (Institutional). The annual management charge on each share class is as follows:

	<b>2018</b>	<b>2017</b>
	<b>%</b>	<b>%</b>
Class A	0.75	0.75
Class I	0.50	0.50
Class Z*	0.00	0.00

\* Charges for managing Z class shares are levied outside the fund and are agreed between the ACD and investors.

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative tables on pages 135 to 137. The distribution per share class is given in the distribution tables on pages 154 to 156. All share classes have the same rights on winding up.

## Notes to the financial statements (continued)

### 12 Shareholders' funds (continued)

Shares reconciliation as at 30 June 2018

	Class A accumulation	Class A income	Class I accumulation
Opening number of shares	394,635	5,465,468	4,582,010
Issues during the year	139,858	861,645	1,390,474
Cancellations during the year	(141,367)	(1,925,813)	(2,655,178)
Shares converted during the year	-	(267,144)	2,637,598
<b>Closing shares in issue</b>	<b>393,126</b>	<b>4,134,156</b>	<b>5,954,904</b>

	Class Z accumulation (formerly Class Z gross accumulation)	Class I accumulation gross
Opening number of shares	5,403,725	1,907,427
Issues during the year	757,384	400,828
Cancellations during the year	(570,568)	(24,946)
Shares converted during the year	-	(2,283,309)
<b>Closing shares in issue</b>	<b>5,590,541</b>	<b>-</b>

### 13 Financial derivatives

The fund may use financial derivatives for efficient portfolio management and meeting the investment objectives including risk reduction and implementation of investment policies.

Eligible collateral types are approved by the Investment Manager and are agreed with the relevant counterparty.

The counterparty exposure has been calculated using the positive marked-to-market value of the derivative contract with that counterparty.

There was no collateral pledged or collateral held in respect of derivatives as at 30 June 2018 (2017: nil).

#### 2018

At 30 June 2018 the underlying exposure for each category of derivatives held was as follows:

Counterparty	Futures £000	Forward foreign exchange contracts £000	Interest rate swaps £000
Barclays Bank	-	-	-
Citigroup	-	-	34
Goldman Sachs	-	-	9
JP Morgan	-	1	-
UBS	10	-	-
	<b>10</b>	<b>1</b>	<b>43</b>

Counterparty	Options £000	Swaptions £000	Total by counterparty £000
Barclays Bank	9	-	9
Citigroup	-	5	39
Goldman Sachs	-	-	9
JP Morgan	3	-	4
UBS	-	-	10
	<b>12</b>	<b>5</b>	<b>71</b>

## Notes to the financial statements (continued)

### 13 Financial derivatives (continued)

2017

At 30 June 2017 the underlying exposure for each category of derivatives held was as follows:

Counterparty	Futures £000	Forward foreign exchange contracts £000	Inflation index swaps £000
Barclays Bank	-	-	-
Citigroup	-	-	2
JP Morgan	-	1	-
UBS	5	3	-
	<u>5</u>	<u>4</u>	<u>2</u>

Counterparty	Interest rate swaps £000	Total by counterparty £000
Barclays Bank	29	29
Citigroup	27	29
JP Morgan	10	11
UBS	-	8
	<u>66</u>	<u>77</u>

### 14 Stock lending

The fund and the Investment Manager have entered into a stock lending programme with BNP Paribas acting as the stock lending agent for the purposes of efficient portfolio management and to generate additional income.

Stock lending revenue is disclosed under 'Revenue' in the Statement of total return.

Eligible collateral types for Stock Lending and borrowing transactions are approved by the Investment Manager and may consist of securities issued or guaranteed by a Member State of the OECD or by their local authorities or supranational institutions and organisations with regional, EU and world-wide scope, generally subject to a minimum long term credit rating of at least A- by one or more major credit rating agency or listed equities on eligible markets. Collateral should be highly liquid and traded on a regulated market. Collateral is subject to a haircut on a sliding scale based on the combination of the underlying instrument being lent versus the asset being received as collateral. The value of collateral required will range from 102.50% to 110.00% of the value of the stock on loan.

2018 Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
Citigroup	3,561	3,957	Equity
	<u>3,561</u>	<u>3,957</u>	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	7	1	6



## Notes to the financial statements (continued)

### 14 Stock lending (continued)

2017 Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
Deutsche Bank	3,519	3,609	Government Bond
	<b>3,519</b>	<b>3,609</b>	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	9	1	8

### 15 Risk

#### Currency risk

The fund's net exposure to currency risk (including any instruments used to hedge foreign currencies) is considered insignificant. This is consistent with the exposure during the prior year.

#### Interest rate risk

The fund's exposure to interest rate risk is considered significant. The interest rate risk profile of the fund's financial assets and financial liabilities at the year end is set out in the following table:

	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
<b>2018</b>				
Australian dollar	24	-	4	28
Canadian dollar	-	-	7	7
Euro	58	-	4	62
Japanese yen	14	-	-	14
UK sterling	646	41,003	510	42,159
US dollar	60	-	5	65
<b>Total</b>	<b>802</b>	<b>41,003</b>	<b>530</b>	<b>42,335</b>
	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
<b>2017</b>				
Euro	7	-	-	7
Swedish krona	-	-	3	3
UK sterling	236	44,481	536	45,253
US dollar	52	-	5	57
<b>Total</b>	<b>295</b>	<b>44,481</b>	<b>544</b>	<b>45,320</b>

## Notes to the financial statements (continued)

### 15 Risk (continued)

#### Interest rate risk (continued)

	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing liabilities	Total
	£000	£000	£000	£000
2018				
Australian dollar	4	-	-	4
Canadian dollar	9	-	-	9
Czech koruna	-	-	3	3
Euro	6	-	11	17
Japanese yen	25	-	2	27
Norwegian krone	-	-	4	4
Polish zloty	-	-	1	1
UK sterling	116	-	275	391
US dollar	40	-	7	47
<b>Total</b>	<b>200</b>	<b>-</b>	<b>303</b>	<b>503</b>

	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing liabilities	Total
	£000	£000	£000	£000
2017				
Canadian dollar	12	-	-	12
Euro	14	-	-	14
UK sterling	111	-	249	360
US dollar	25	-	-	25
<b>Total</b>	<b>162</b>	<b>-</b>	<b>249</b>	<b>411</b>

#### Credit Ratings

	Market value £000	Percentage of net assets %
2018		
<b>Investments</b>		
Investment grade (AAA - BBB)	41,003	98.02
<b>Total debt securities</b>	<b>41,003</b>	<b>98.02</b>
Derivatives	(49)	(0.12)
<b>Investment assets including investment liabilities</b>	<b>40,954</b>	<b>97.90</b>
Other net assets	878	2.10
<b>Total net assets</b>	<b>41,832</b>	<b>100.00</b>
2017		
<b>Investments</b>		
Investment grade (AAA - BBB)	44,481	99.05
<b>Total debt securities</b>	<b>44,481</b>	<b>99.05</b>
Derivatives	15	0.03
<b>Investment assets including investment liabilities</b>	<b>44,496</b>	<b>99.08</b>
Other net assets	413	0.92
<b>Total net assets</b>	<b>44,909</b>	<b>100.00</b>

## Notes to the financial statements (continued)

### 15 Risk (continued)

#### Sensitivity analysis

The actual VaR results, limits and utilisation of limits are summarised in the table below:

VaR Results	Global Exposure Calculation Basis	Actual Relative VaR for year			VaR limit	Utilisation of VaR limit		
		Minimum %	Maximum %	Average %		Minimum %	Maximum %	Average %
2018	Relative VaR*	98.29	102.77	100.31	200.00	49.15	51.39	50.15
2017	Relative VaR*	94.95	102.65	99.39	200.00	47.48	51.33	49.70

#### Leverage

	Minimum %	Maximum %	Average %
2018	67.24	214.23	144.53
2017	24.04	89.82	48.25

#### Liquidity risk

The following table provides a maturity analysis of the fund's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
<b>2018</b>				
Amounts held at derivatives clearing houses and brokers	20	-	-	-
Bank overdrafts	90	-	-	-
Derivative financial liabilities	-	30	40	50
Distribution payable	-	25	-	-
Other creditors	-	248	-	-
<b>Total</b>	<b>110</b>	<b>303</b>	<b>40</b>	<b>50</b>
	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
<b>2017</b>				
Amounts held at derivatives clearing houses and brokers	5	-	-	-
Bank overdrafts	95	-	-	-
Derivative financial liabilities	-	-	13	49
Distribution payable	-	33	-	-
Other creditors	-	216	-	-
<b>Total</b>	<b>100</b>	<b>249</b>	<b>13</b>	<b>49</b>

## Notes to the financial statements (continued)

### 16 Fair value disclosure

#### Fair value measurement

The intention of a fair value measurement is to estimate the price at which an asset or a liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS 102 the fund classifies fair value measurement under the following levels:

#### Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

#### Level 2

Inputs other than quoted prices included within level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

#### Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

#### Fair value hierarchy

	2018		2017	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1	41,013*	13	44,486*	-
Level 2	61	107	72	62
Level 3	-	-	-	-
	<u>41,074</u>	<u>120</u>	<u>44,558</u>	<u>62</u>

\* Debt securities included in the highest fair value hierarchy level, where their valuation is determined to be sufficiently close to a binding quoted price, amount to £41,003,182 as at 30 June 2018 (2017: £44,481,341)

### 17 Direct transaction costs

	Purchases		Sales	
	2018 £000	2017 £000	2018 £000	2017 £000
<b>Trades in the year</b>				
Debt securities	8,995	34,307	13,079	37,128
<b>Trades in the year before transaction costs</b>	<u>8,995</u>	<u>34,307</u>	<u>13,079</u>	<u>37,128</u>
<b>Transaction costs</b>				
<b>Commissions</b>				
Debt securities	-	-	-	-
<b>Total commissions</b>	-	-	-	-
<b>Taxes</b>				
Debt securities	-	-	-	-
<b>Total taxes</b>	-	-	-	-
<b>Other expenses</b>				
Debt securities	-	-	-	-
<b>Total other expenses</b>	-	-	-	-
<b>Total transaction costs</b>	-	-	-	-
<b>Total net trades in the year after transaction costs</b>	<u>8,995</u>	<u>34,307</u>	<u>13,079</u>	<u>37,128</u>

## Notes to the financial statements (continued)

### 17 Direct transaction costs (continued)

	Purchases		Sales	
	2018 %	2017 %	2018 %	2017 %
<b>Total transaction costs expressed as a percentage of asset type cost</b>				
<b>Commissions</b>				
Debt securities	-	-	-	-
<b>Taxes</b>				
Debt securities	-	-	-	-
<b>Other expenses</b>				
Debt securities	-	-	-	-
	<b>2018</b>	<b>2017</b>		
	<b>%</b>	<b>%</b>		
<b>Total transaction costs expressed as a percentage of net asset value</b>				
Commissions	-	-		
Taxes	-	-		
Other expenses	-	-		
<b>Total costs</b>	<u>-</u>	<u>-</u>		

There were no in specie transfers during the year (2017: £20,032,897). There were no corporate actions during the year (2017: nil).

There were direct transaction costs associated with derivatives in the year of £797 (2017: £1,288) which is 0.00% of the average net asset value of the fund (2017: 0.00%).

Direct transaction costs are fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the fund. These exclude any differences between quoted bid and offer prices or internal administrative or holding costs.

Direct transaction costs related to bonds are not separately identifiable as with other financial instruments as the costs form part of the dealing spread and therefore are inherent within the purchase and sale prices of the trade.

The portfolio dealing spread as at 30 June 2018 was 0.00% (2017: 0.12%). The portfolio dealing spread is calculated at the fund's 12 noon valuation point.

### 18 Events after the Balance sheet date

There were no material post Balance sheet events which require disclosure within these financial statements.

## Distribution tables for the year ended 30 June 2018 (in pence per share)

### Interim interest distribution (accounting date 30 September 2017, paid on 30 November 2017)

Group 1 : shares purchased prior to 1 July 2017

Group 2 : shares purchased on or after 1 July 2017

	Distribution per share	Equalisation	Total distribution per share 30/11/17	Total distribution per share 30/11/16*
<b>Class A accumulation</b>				
Group 1	0.6497	-	0.6497	0.4530
Group 2	0.0057	0.6440	0.6497	0.4530
<b>Class A income</b>				
Group 1	0.5931	-	0.5931	0.4180
Group 2	0.1164	0.4767	0.5931	0.4180
<b>Class I accumulation</b>				
Group 1	1.2571	-	1.2571	0.9218
Group 2	0.6592	0.5979	1.2571	0.9218
<b>Class Z accumulation (formerly Class Z accumulation gross)</b>				
Group 1	1.2003	-	1.2003	1.1344
Group 2	0.0062	1.1941	1.2003	1.1344
<b>Class I accumulation gross</b>				
Group 1	1.3617	-	1.3617	1.2375
Group 2	0.9793	0.3824	1.3617	1.2375

\* Distributions on Class A accumulation, Class A income and Class I accumulation prior to 6 April 2017 are net of 20% income tax.

## Distribution tables (continued)

### Interim interest distribution (accounting date 31 December 2017, paid on 28 February 2018)

Group 1 : shares purchased prior to 1 October 2017

Group 2 : shares purchased on or after 1 October 2017

	Distribution per share	Equalisation	Total distribution per share 28/02/18	Total distribution per share 28/02/17*
<b>Class A accumulation</b>				
Group 1	0.7335	-	0.7335	0.5306
Group 2	0.3655	0.3680	0.7335	0.5306
<b>Class A income</b>				
Group 1	0.6675	-	0.6675	0.4885
Group 2	0.2448	0.4227	0.6675	0.4885
<b>Class I accumulation</b>				
Group 1	1.3795	-	1.3795	1.0076
Group 2	0.8606	0.5189	1.3795	1.0076
<b>Class Z accumulation (formerly Class Z accumulation gross)</b>				
Group 1	1.2893	-	1.2893	1.1765
Group 2	1.2172	0.0721	1.2893	1.1765
<b>Class I accumulation gross <sup>1</sup></b>				
Group 1	n/a	n/a	n/a	1.3472
Group 2	n/a	n/a	n/a	1.3472

<sup>1</sup> Class I accumulation gross closed on 2 October 2017.

\* Distributions on Class A accumulation, Class A income and Class I accumulation prior to 6 April 2017 are net of 20% income tax.

### Interim interest distribution (accounting date 31 March 2018, paid on 31 May 2018)

Group 1: shares purchased prior to 1 January 2018

Group 2: shares purchased on or after 1 January 2018

	Distribution per share	Equalisation	Total distribution per share 31/05/18	Total distribution per share 31/05/17
<b>Class A accumulation</b>				
Group 1	0.7146	-	0.7146	0.6609
Group 2	0.2868	0.4278	0.7146	0.6609
<b>Class A income</b>				
Group 1	0.6482	-	0.6482	0.6071
Group 2	0.1706	0.4776	0.6482	0.6071
<b>Class I accumulation</b>				
Group 1	1.3459	-	1.3459	1.2648
Group 2	0.4704	0.8755	1.3459	1.2648
<b>Class Z accumulation (formerly Class Z accumulation gross)</b>				
Group 1	1.2616	-	1.2616	1.2162
Group 2	0.2707	0.9909	1.2616	1.2162
<b>Class I accumulation gross <sup>1</sup></b>				
Group 1	n/a	n/a	n/a	1.3900
Group 2	n/a	n/a	n/a	1.3900

<sup>1</sup> Class I accumulation gross closed on 2 October 2017.

## Distribution tables (continued)

### Final interest distribution (accounting date 30 June 2018, paid on 31 August 2018)

Group 1: shares purchased prior to 1 April 2018

Group 2: shares purchased on or after 1 April 2018

	Distribution per share	Equalisation	Total distribution per share 31/08/18	Total distribution per share 31/08/17
<b>Class A accumulation</b>				
Group 1	0.6761	-	0.6761	0.6643
Group 2	0.3845	0.2916	0.6761	0.6643
<b>Class A income</b>				
Group 1	0.6120	-	0.6120	0.6083
Group 2	0.3600	0.2520	0.6120	0.6083
<b>Class I accumulation</b>				
Group 1	1.2986	-	1.2986	1.2795
Group 2	0.7673	0.5313	1.2986	1.2795
<b>Class Z accumulation (formerly Class Z accumulation gross)</b>				
Group 1	1.2340	-	1.2340	1.2115
Group 2	0.9199	0.3141	1.2340	1.2115
<b>Class I accumulation gross <sup>1</sup></b>				
Group 1	n/a	n/a	n/a	1.3776
Group 2	n/a	n/a	n/a	1.3776

<sup>1</sup> Class I accumulation gross closed on 2 October 2017.



# Janus Henderson Institutional Short Duration Bond Fund (formerly Henderson Institutional Short Duration Bond Fund)

## Authorised Corporate Director's (ACD) report

### 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.

### Performance summary

	30 Jun 17 - 30 Jun 18	30 Jun 16 - 30 Jun 17	24 Nov 15* - 30 Jun 16
	%	%	%
<b>Janus Henderson Institutional Short Duration Bond Fund</b>	0.6	1.0	0.6
<b>3-month £ LIBOR</b>	0.5	0.4	0.4

\* The fund launched 24 November 2015.

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

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.

## Significant portfolio changes for the year ended 30 June 2018

Largest purchases	£000	Largest sales/maturities	£000
Friary No.4 FRN 21/01/2050	27,117	Penarth Master Issuer FRN 18/10/2019 2014-2X A1	26,200
DNB Bank FRN 02/10/2020	20,771	Commonwealth Bank of Australia FRN 15/12/2017	25,000
Sumitomo Mitsui Banking 0.29% 20/11/2017	20,000	Arkle Master Issuer 3.986% 17/08/2017	22,972
Sumitomo Mitsui Banking 0.52% 19/03/2018	20,000	DNB Bank FRN 02/10/2020	21,059
Crédit Agricole Corporate and Investment Bank 0.62% 03/08/2018	20,000	Rabobank Nederland 0.36% 08/02/2018	21,000
Crédit Agricole Corporate and Investment Bank 0.56% 06/03/2018	20,000	Czech (Republic of) 0.00% 22/01/2018	20,859
Orbita Funding FRN 16/10/2024 2017-1	20,000	Rabobank Nederland 4.75% 15/01/2018	20,420
Crédit Agricole 0.34% 06/11/2017	20,000	Den Danske Bank Aktieselskab 0.38% 12/12/2017	20,000
First Abu Dhabi Bank 0.84% 08/11/2018	18,000	Sumitomo Mitsui Banking 0.29% 20/11/2017	20,000
ING Bank 0.85% 31/10/2018	18,000	Crédit Agricole 0.34% 06/11/2017	20,000
<b>Total purchases</b>	<b>1,163,665</b>	<b>Total sales/maturities</b>	<b>1,405,079</b>

## Authorised Corporate Director's (ACD) report (continued)

### Investment review

The first six months of the review year were busy with political and central bank activity. As widely expected, the European Central Bank announced a reduction in its monthly asset purchases from €60bn to €30bn, although extended the programme to September 2018. Catalonia voted for independence from Spain, while the UK made progress on its negotiations to leave the European Union (Brexit). In the US, President Donald Trump continued to wage a war of words against North Korean leader Kim Jong-un and the Federal Reserve raised interest rates by a further 25 basis points. There was also a pick-up in idiosyncratic credit stories on both a positive and negative note.

Total returns weakened in the beginning of 2018 as volatility increased (meaning there were sharper fluctuations in prices) and global market sentiment deteriorated as US wage inflation led to concerns of tightening monetary policy and the US announced plans to impose trade tariffs on China. This escalation in volatility, alongside retail outflows, heavy investment grade supply in March and rising government bond yields (prices move inversely to yields) caused negative total and excess credit returns.

The last three months of the financial year were also weak, with credit spread (the extra yield over an equivalent government security) widening due to Italian political instability, ongoing trade disputes between US and China and wider geopolitical concerns. This, alongside continued retail fund outflows and heavy supply in US dollar markets, negatively impacted global investment grade credit spreads.

Default rates remained low, with lower rated and higher yielding corporate bonds and loans among the best performers.

The fund delivered a positive return over the year, ahead of the 3-month £ LIBOR benchmark, but underperformed its long-term target.

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 year. The fund continued to exhibit particularly strong risk-adjusted returns in the corporate bond segment.

The first half of the review year was characterised by very low market volatility and it was therefore spread compression that continued to drive returns. The second half of the review year saw a considerable uptick in terms of volatility and risk assets suffered. The fund enjoys a broad diversification in terms of money markets, ABS and corporate bonds, and this diversification helped to insulate the fund from some of the broader market moves.

While the fund maintained its cautious stance, we avoided the lowest yielding asset classes (such as covered bonds and T-bills) and our focus on spread product allowed us to take advantage of some of the spread widening in 2018 in reinvesting cash.

We continued to take advantage of some of the dislocation in the currency markets. The cross currency basis swap between euros and sterling remained relatively stable over the year and we therefore continued to invest in euros whenever the opportunity arose. We traded between US dollars and sterling on a more tactical basis. We exited all our US dollar-denominated positions in November 2017 (from a 5.5% allocation) and recently tactically started to reintroduce US dollars to the portfolio, following some significant spread widening as well as a more normalised cross currency basis swap.

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

We continue to believe there are a number of reasons to be cautiously positioned in the short to medium term. These include monetary policy normalisation in the US, a potential trade war and Brexit. While cautious positioning is certainly warranted, these events could also offer attractive investment opportunities, which we believe the fund is well-positioned to capture.

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

## Comparative table for the year ended 30 June 2018

### Class Z accumulation (formerly Class Z accumulation gross)

	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	101.57	100.60	100.06
Return before operating charges*	0.65	1.01	0.58
Operating charges	(0.04)	(0.04)	(0.04)
Return after operating charges*	0.61	0.97	0.54
Distributions on accumulation shares	(0.54)	(0.61)	(0.51)
Retained distributions on accumulation shares	0.54	0.61	0.51
Closing net asset value per share	102.18	101.57	100.60
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	0.60%	0.96%	0.54%
<b>Other information</b>			
Closing net asset value (£000s)	1,166,635	1,442,096	1,601,182
Closing number of shares	1,141,656,451	1,419,821,418	1,591,633,842
Operating charges	0.04%	0.04%	0.04%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	102.24	101.62	100.70
Lowest share price (pence)	101.60	100.63	100.06

<sup>1</sup> Class Z accumulation (formerly Class Z accumulation gross) launched on 24 November 2015. This is the initial launch price.

Performance values are at close of business and may differ from the performance summary.

### Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

### Share class launches and closures

There were no share classes launched or closed during the year.

The following share class changed name in the year:

Share class	Date of change
Class Z accumulation (formerly Class Z accumulation gross)	2 October 2017

## Ongoing charge figure

The annualised ongoing charge figure (OCF) of the fund is calculated as the ratio of the total ongoing charges to the average net asset value for twelve months. Ongoing charges are all expenses deducted from the assets of the fund during the year, except for expenses that are explicitly excluded by regulation.

	2018 %	2017 %
<b>Class Z</b>	0.04	0.04

The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

## Risk and reward profile

The fund currently has one type of share class in issue; Z accumulation (formerly 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 period<sup>1</sup>, 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 and any income from it 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 share class appears at 2 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events.

There has been no change to the risk rating in the year.

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

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

<sup>1</sup> Class Z accumulation (formerly Class Z accumulation gross) was launched on 24 November 2015, as it does not have a 5 year history, a synthetic history has been created using the fund's relevant sector average.

## Portfolio statement as at 30 June 2018

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Bonds 65.97% (2017: 66.75%)</b>		
	<b>Australia 2.01% (2017: 4.72%)</b>		
	<b>Asset Backed 0.56% (2017: 0.00%)</b>		
AUD 11,755,580	Driver Australia Five Trust FRN 21/07/2026	6,569	0.56
	<b>Fixed Rate Bond 1.45% (2017: 0.21%)</b>		
GBP 17,000,000	National Australia Bank 0.875% 26/06/2020	16,826	1.45
	<b>Floating Rate Note 0.00% (2017: 4.51%)</b>		
	<b>Belgium 0.46% (2017: 0.00%)</b>		
	<b>Asset Backed 0.46% (2017: 0.00%)</b>		
EUR 6,000,000	BL FRN 25/03/2034	5,325	0.46
	<b>Canada 0.00% (2017: 1.11%)</b>		
	<b>Floating Rate Note 0.00% (2017: 1.11%)</b>		
	<b>Czech Republic 0.00% (2017: 1.40%)</b>		
	<b>Fixed Rate Bond 0.00% (2017: 1.40%)</b>		
	<b>Denmark 1.03% (2017: 0.83%)</b>		
	<b>Floating Rate Note 1.03% (2017: 0.83%)</b>		
GBP 12,000,000	Danske Bank FRN 04/10/2018	12,013	1.03
	<b>Finland 0.79% (2017: 0.00%)</b>		
	<b>Floating Rate Note 0.79% (2017: 0.00%)</b>		
EUR 10,400,000	OP Corporate Bank FRN 22/05/2020	9,259	0.79
	<b>France 4.75% (2017: 5.99%)</b>		
	<b>Asset Backed 1.93% (2017: 3.31%)</b>		
EUR 13,573,510	FCT Ginkgo FRN 18/05/2043 15-SF1 A	12,028	1.02
EUR 3,909,465	FCT Ginkgo FRN 23/10/2041 2014-SF1 A	3,460	0.30
EUR 8,000,000	Master Credit Cards Pass FRN 25/06/2029 2017-1A	7,090	0.61
		22,578	1.93
	<b>Fixed Rate Bond 1.66% (2017: 2.19%)</b>		
GBP 5,500,000	Banque Federative du Credit Mutuel 0.875% 08/06/2020	5,443	0.47
GBP 12,963,000	Natixis 5.875% 24/02/2020	13,923	1.19
		19,366	1.66
	<b>Floating Rate Note 1.16% (2017: 0.49%)</b>		
GBP 7,500,000	Banque Fédérative du Crédit Mutuel FRN 07/02/2019	7,511	0.65
GBP 6,000,000	Banque Fédérative du Crédit Mutuel FRN 16/01/2020	5,996	0.51
		13,507	1.16
	<b>Germany 9.32% (2017: 11.15%)</b>		
	<b>Asset Backed 5.08% (2017: 6.99%)</b>		
EUR 5,945,091	Bavarian Sky FRN 20/10/2023 GER4 A	5,262	0.45
EUR 9,945,657	Bavarian Sky FRN 31/10/2023 GER5 A	8,808	0.76
EUR 12,357,168	Bumper FRN 23/03/2026 7 A	10,948	0.93
EUR 6,306,136	Cars Alliance FRN 18/05/2027 2016-G1V A	5,588	0.48
EUR 2,499,565	E-Carat FRN 18/10/2024 2016-1 A	2,215	0.19

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Asset Backed (continued)</b>		
EUR 8,307,128	Globaldrive Auto Receivables FRN 20/01/2024 2016-A A	7,358	0.63
EUR 8,940,879	Red & Black Auto Germany FRN 15/09/2025	7,936	0.68
EUR 10,331,392	Silver Arrow FRN 15/07/2025	9,166	0.79
EUR 2,274,839	Silver Arrow FRN 15/10/2023 6 A	2,013	0.17
		<u>59,294</u>	<u>5.08</u>
	<b>Fixed Rate Bond 2.08% (2017: 2.43%)</b>		
EUR 7,000,000	BASF 1.50% 01/10/2018	6,216	0.53
GBP 3,000,000	BMW Finance 3.375% 14/12/2018	3,031	0.26
GBP 7,000,000	Daimler 1.00% 20/12/2019	6,963	0.60
GBP 8,000,000	Daimler 2.375% 16/07/2018	8,004	0.69
		<u>24,214</u>	<u>2.08</u>
	<b>Floating Rate Note 2.16% (2017: 1.73%)</b>		
EUR 4,000,000	BASF FRN 15/11/2019	3,549	0.30
GBP 10,500,000	BMW International Investment FRN 15/02/2019	10,509	0.90
EUR 12,500,000	SC Germany Auto FRN 13/12/2027 2018-1	11,106	0.96
		<u>25,164</u>	<u>2.16</u>
	<b>Japan 0.00% (2017: 0.54%)</b>		
	<b>Floating Rate Note 0.00% (2017: 0.54%)</b>		
	<b>Netherlands 8.41% (2017: 7.66%)</b>		
	<b>Asset Backed 5.03% (2017: 4.44%)</b>		
EUR 26,100,000	Dolphin Master Issuer FRN 28/09/2099 2013-2 A	23,123	1.98
EUR 17,910,000	Matsuba FRN 27/08/2021 2016-1 A	15,871	1.36
GBP 14,100,000	Permanent Master Issuer FRN 15/07/2058 2018-1X 1A2	14,100	1.21
EUR 6,340,160	Storm FRN 22/04/2054 2016-1 A1	5,610	0.48
		<u>58,704</u>	<u>5.03</u>
	<b>Fixed Rate Bond 1.92% (2017: 1.44%)</b>		
GBP 14,000,000	ABN AMRO Bank 1.00% 30/06/2020	13,901	1.19
EUR 9,000,000	Cooperatieve Rabobank 4.125% 14/01/2020	8,476	0.73
		<u>22,377</u>	<u>1.92</u>
	<b>Floating Rate Note 1.46% (2017: 1.78%)</b>		
GBP 17,000,000	ABN Amro Bank FRN 30/11/2018	17,026	1.46
	<b>Norway 0.46% (2017: 0.07%)</b>		
	<b>Asset Backed 0.46% (2017: 0.07%)</b>		
NOK 58,000,000	Nordax Nordic FRN 15/12/2040	5,391	0.46
	<b>Singapore 0.86% (2017: 0.00%)</b>		
	<b>Floating Rate Note 0.86% (2017: 0.00%)</b>		
GBP 10,000,000	DBS Bank FRN 25/05/2020	10,000	0.86
	<b>Spain 0.80% (2017: 0.00%)</b>		
	<b>Asset Backed 0.80% (2017: 0.00%)</b>		
EUR 10,500,000	Asset-Backed European Securitisation Transaction Thirteen Fondo de Titulización FRN 23/08/2030	9,290	0.80

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Sweden 1.03% (2017: 1.87%)</b>		
	<b>Fixed Rate Bond 0.00% (2017: 0.93%)</b>		
	<b>Floating Rate Note 1.03% (2017: 0.94%)</b>		
GBP 12,000,000	Swedbank FRN 14/06/2020	12,000	1.03
	<b>United Kingdom 30.52% (2017: 26.42%)</b>		
	<b>Asset Backed 19.69% (2017: 20.15%)</b>		
GBP 9,000,000	Charter Mortgage Funding FRN 12/06/2055 2018-1 A	8,986	0.77
GBP 6,721,046	Duncan Funding FRN 17/04/2063 2016-1X A1B	6,748	0.58
GBP 16,319,983	Duncan Funding FRN 17/12/2062 2015-1 A1	16,405	1.41
GBP 7,206,569	E-Carat FRN 18/03/2024	7,200	0.62
GBP 3,749,179	E-Carat FRN 18/06/2024 6A	3,754	0.32
GBP 5,108,200	E-Carat FRN 18/11/2024	5,107	0.44
GBP 20,464,471	Friary No.4 FRN 21/01/2050	20,439	1.75
GBP 9,425,000	Funding II FRN 15/06/2022 2017-1	9,448	0.81
GBP 2,623,244	Gosforth Funding FRN 15/02/2058 2016-1X A1B	2,628	0.23
GBP 1,454,848	Gosforth Funding FRN 16/06/2057 2015-1 A1	1,455	0.12
GBP 2,794,105	Gosforth Funding FRN 24/07/2058 2016-2X A1	2,804	0.24
GBP 23,000,000	Gracechurch Card FRN 15/07/2021	23,032	1.97
GBP 15,000,000	Holmes Master Issuer FRN 15/10/2054 2017-1	14,990	1.28
GBP 11,500,000	Lanark Master Issuer FRN 22/12/2054 2014-2X	11,534	0.99
GBP 11,750,000	Lanark Master Issuer FRN 22/12/2069 2017-1X	11,750	1.01
GBP 18,497,423	Laser ABS FRN 25/09/2030 2017-1	18,506	1.59
GBP 5,621,508	Orbita Funding FRN 14/07/2023 2016 0.00%1 A	5,632	0.48
GBP 20,000,000	Orbita Funding FRN 16/10/2024 2017-1	19,981	1.71
GBP 10,080,000	Penarth Master Issuer FRN 18/03/2025	10,087	0.86
GBP 8,300,000	Permanent Master Issuer FRN 15/07/2058 2016-1 1A1	8,306	0.71
GBP 9,078,000	Silverstone Master Issuer FRN 21/01/2070 2016 16-1X 1A2	9,101	0.78
GBP 11,888,302	Turbo Finance FRN 20/02/2023 6A	11,905	1.02
		<u>229,798</u>	<u>19.69</u>
	<b>Fixed Rate Bond 8.11% (2017: 5.23%)</b>		
GBP 11,894,000	ASIF III Jersey 5.00% 18/12/2018	12,105	1.04
GBP 6,091,000	BP Capital Market 4.325% 10/12/2018	6,178	0.53
GBP 15,700,000	Coventry Building Society 1.00% 05/05/2020	15,587	1.34
GBP 5,000,000	Coventry Building Society 6.00% 16/10/2019	5,300	0.45
GBP 4,500,000	Experian Finance 4.75% 23/11/2018	4,562	0.39
GBP 2,016,000	Northern Electric Finance 8.875% 16/10/2020	2,348	0.20
GBP 9,000,000	Northern Powergrid Yorkshire 9.25% 17/01/2020	10,054	0.86
GBP 8,860,000	Prudential 1.75% 27/11/2018	8,882	0.76
GBP 10,000,000	Santander UK 1.625% 10/05/2021	9,998	0.86
GBP 6,266,000	Santander UK 1.875% 17/02/2020	6,306	0.54
GBP 9,500,000	Scottish & Southern Energy 5% 01/10/18 EMTN GBP	9,590	0.82
GBP 3,499,000	Yorkshire Water Services 6.00% 21/08/2019	3,684	0.32
		<u>94,594</u>	<u>8.11</u>



## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Floating Rate Note 2.72% (2017: 1.04%)</b>			
EUR 10,000,000	GlaxoSmithKline Capital FRN 21/05/2020	8,884	0.76
GBP 6,000,000	HSBC Bank FRN 09/03/2020	5,999	0.51
EUR 6,500,000	HSBC Bank FRN 09/03/2020	5,778	0.50
GBP 11,000,000	Royal Bank of Scotland FRN 15/05/2020	11,019	0.95
		<u>31,680</u>	<u>2.72</u>
<b>United States 5.53% (2017: 4.99%)</b>			
<b>Asset Backed 0.00% (2017: 0.36%)</b>			
<b>Fixed Rate Bond 2.32% (2017: 3.42%)</b>			
EUR 8,500,000	Berkshire Hathaway 0.50% 13/03/2020	7,591	0.65
GBP 2,680,000	GE Capital UK Funding 6.75% 06/08/2018	2,694	0.23
GBP 7,000,000	MetLife 5.25% 29/06/2020	7,510	0.64
EUR 7,000,000	Metropolitan Life Global Funding I 2.375% 30/09/2019	6,381	0.55
EUR 3,250,000	Pfizer 0.00% 06/03/2020	2,881	0.25
		<u>27,057</u>	<u>2.32</u>
<b>Floating Rate Note 3.21% (2017: 1.21%)</b>			
EUR 12,000,000	Coca-Cola FRN 08/03/2019	10,631	0.91
EUR 10,000,000	PACCAR Financial FRN 18/05/2021	8,895	0.76
USD 12,000,000	Protective Life Global Funding FRN 28/06/2021	9,087	0.78
EUR 10,000,000	Wells Fargo FRN 24/04/2019	8,868	0.76
		<u>37,481</u>	<u>3.21</u>
<b>Certificates of Deposit 27.89% (2017: 26.40%)</b>			
<b>Australia 0.86% (2017: 0.00%)</b>			
GBP 10,000,000	National Australia Bank 0.72% 17/09/2018	10,003	0.86
<b>Canada 3.26% (2017: 0.00%)</b>			
GBP 5,000,000	Bank of Montreal 0.87% 27/09/2018	5,003	0.43
GBP 10,000,000	Bank of Montreal 0.90% 21/12/2018	10,009	0.86
GBP 5,500,000	Canadian Imperial Bank of Commerce 0.90% 26/09/2018	5,504	0.47
GBP 12,500,000	Canadian Imperial Bank of Commerce 0.96% 04/01/2019	12,514	1.07
GBP 5,000,000	Toronto-Dominion Bank 0.87% 20/12/2018	5,004	0.43
		<u>38,034</u>	<u>3.26</u>
<b>Denmark 1.29% (2017: 1.73%)</b>			
GBP 15,000,000	Den Danske Bank Aktieselskab 0.58% 12/07/2018	15,001	1.29
<b>Finland 1.14% (2017: 0.00%)</b>			
EUR 15,000,000	Nordea Bank 0.00% 04/01/2019	13,291	1.14
<b>France 5.22% (2017: 5.06%)</b>			
GBP 20,000,000	Crédit Agricole Corporate and Investment Bank 0.62% 03/08/2018	20,003	1.70
GBP 10,000,000	Crédit industriel et Commercial 0.775% 05/12/2018	10,003	0.86
GBP 5,000,000	Société Générale 0.65% 31/07/2018	5,001	0.43
GBP 5,000,000	Société Générale 0.70% 28/09/2018	5,001	0.43
GBP 10,000,000	Société Générale 0.72% 08/10/2018	10,003	0.86
GBP 11,000,000	Société Générale 0.80% 31/01/2019	11,003	0.94
		<u>61,014</u>	<u>5.22</u>

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Germany 0.86% (2017: 2.08%)</b>			
GBP 10,000,000	Landesbank Hessen Thuringen 0.62% 09/08/2018	10,002	0.86
<b>Japan 0.00% (2017: 1.04%)</b>			
<b>Netherlands 4.97% (2017: 2.15%)</b>			
GBP 15,000,000	ING Bank 0.71% 03/12/2018	15,001	1.29
GBP 18,000,000	ING Bank 0.85% 31/10/2018	18,013	1.53
GBP 15,000,000	Rabobank Nederland 0.88% 02/10/2018	15,010	1.29
GBP 10,000,000	Rabobank Nederland 0.93% 01/11/2018	10,009	0.86
		<u>58,033</u>	<u>4.97</u>
<b>Singapore 1.72% (2017: 1.04%)</b>			
GBP 10,000,000	United Overseas Bank 0.77% 24/08/2018	10,004	0.86
GBP 10,000,000	United Overseas Bank 0.78% 05/09/2018	10,004	0.86
		<u>20,008</u>	<u>1.72</u>
<b>Sweden 0.99% (2017: 0.00%)</b>			
GBP 11,500,000	Svenska Handelsbanken 0.88% 12/10/2018	11,508	0.99
<b>Switzerland 2.14% (2017: 2.78%)</b>			
GBP 10,000,000	Credit Suisse 0.78% 31/01/2019	10,001	0.86
GBP 5,000,000	UBS 0.75% 09/11/2018	5,002	0.43
GBP 10,000,000	UBS 0.76% 27/11/2018	10,003	0.85
		<u>25,006</u>	<u>2.14</u>
<b>United Arab Emirates 2.40% (2017: 3.05%)</b>			
GBP 10,000,000	First Abu Dhabi Bank 0.81% 03/12/2018	10,005	0.86
GBP 18,000,000	First Abu Dhabi Bank 0.84% 08/11/2018	18,011	1.54
		<u>28,016</u>	<u>2.40</u>
<b>United Kingdom 3.04% (2017: 6.78%)</b>			
GBP 5,500,000	Nationwide Building Society 0.87% 02/10/2018	5,504	0.47
GBP 15,000,000	Standard Chartered Bank 0.63% 06/08/2018	15,002	1.28
GBP 5,000,000	Standard Chartered Bank 0.76% 14/12/2018	5,001	0.43
GBP 10,000,000	Standard Chartered Bank 0.93% 12/10/2018	10,009	0.86
		<u>35,516</u>	<u>3.04</u>
<b>United States 0.00% (2017: 0.69%)</b>			
<b>Treasury Bill 0.00% (2017: 1.12%)</b>			
<b>Czech Republic 0.00% (2017: 1.12%)</b>			
<b>Derivatives (0.22%) (2017: (0.08%))</b>			
<b>Swaps 0.00% (2017: 0.01%)<sup>1</sup></b>			
<b>Interest Rate Swaps 0.00% (2017: 0.01%)<sup>1</sup></b>			
8,500,000	IRS -0.2155% EURIBOR 3 month - Receive Floating - EUR	(5)	-
3,250,000	IRS -0.2185% EURIBOR 3 month - Receive Floating - EUR	(2)	-
7,000,000	IRS -0.278% EURIBOR 3 month - Receive Floating - EUR	(1)	-
9,000,000	IRS -0.279% EURIBOR 3 month - Receive Floating - EUR <sup>2</sup>	-	-

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Interest Rate Swaps</b> (continued)			
7,000,000	IRS -0.33% EURIBOR 3 month - Receive Floating - EUR	4	-
7,000,000	IRS 0.48% LIBOR 3 month - Receive Floating - GBP	41	-
5,500,000	IRS 0.50% LIBOR 3 month - Receive Floating - GBP	47	-
7,800,000	IRS 0.53% LIBOR 3 month - Receive Floating - GBP	59	-
9,000,000	IRS 0.5475% LIBOR 3 month - Receive Floating - GBP	62	-
9,700,000	IRS 0.6263% LIBOR 3 month - Receive Floating - GBP	18	-
3,400,000	IRS 0.727% LIBOR 3 month - Receive Floating - GBP	4	-
8,000,000	IRS 0.7475% LIBOR 6 month - Receive Floating - GBP	21	-
2,680,000	IRS 0.752% LIBOR 3 month - Receive Floating - GBP <sup>2</sup>	-	-
6,000,000	IRS 0.754% LIBOR 3 month - Receive Floating - GBP	15	-
4,500,000	IRS 0.8375% LIBOR 3 month - Receive Floating - GBP	(3)	-
8,860,000	IRS 0.84% LIBOR 3 month - Receive Floating - GBP	(6)	-
6,091,000	IRS 0.852% LIBOR 3 month - Receive Floating - GBP	(4)	-
3,000,000	IRS 0.856% LIBOR 3 month - Receive Floating - GBP	(2)	-
11,894,000	IRS 0.862% LIBOR 3 month - Receive Floating - GBP	(8)	-
5,000,000	IRS 1.025% LIBOR 3 month - Receive Floating - GBP	(10)	-
12,963,000	IRS 1.07% LIBOR 3 month - Receive Floating - GBP	(37)	-
7,900,000	IRS 1.10% LIBOR 3 month - Receive Floating - GBP	(24)	-
17,000,000	IRS 1.121% LIBOR 3 month - Receive Floating - GBP	(57)	-
7,000,000	IRS 1.1225% LIBOR 3 month - Receive Floating - GBP	(23)	-
14,000,000	IRS 1.1225% LIBOR 3 month - Receive Floating - GBP	(46)	-
10,000,000	IRS 1.1367% LIBOR 3 month - Receive Floating - GBP	(24)	-
2,016,000	IRS 1.161% LIBOR 3 month - Receive Floating - GBP	(8)	-
		<u>11</u>	<u>-</u>
<b>Forward Foreign Exchange Contracts (0.22%) (2017: (0.09%))<sup>1</sup></b>			
	Buy AUD 17,185 : Sell GBP 9,590 July 2018 <sup>2</sup>	-	-
	Buy EUR 2,113,007 : Sell GBP 1,865,075 July 2018	5	-
	Buy EUR 513,328 : Sell GBP 452,897 July 2018	1	-
	Buy EUR 714,732 : Sell GBP 627,389 July 2018	5	-
	Buy EUR 773,967 : Sell GBP 680,818 July 2018	4	-
	Buy EUR 849,834 : Sell GBP 746,963 July 2018	5	-
	Buy EUR 8,583,087 : Sell GBP 7,535,337 July 2018	60	0.01
	Buy EUR 866,980 : Sell GBP 764,340 July 2018	3	-
	Buy EUR 943,260 : Sell GBP 826,675 July 2018	8	-
	Buy GBP 13,310,219 : Sell EUR 15,000,000 January 2019	(40)	-
	Buy GBP 245,717,260 : Sell EUR 280,501,287 July 2018	(2,509)	(0.23)
	Buy GBP 5,307,097 : Sell NOK 57,400,848 July 2018	(27)	-
	Buy GBP 6,681,977 : Sell EUR 7,602,863 July 2018	(46)	-
	Buy GBP 6,817,511 : Sell AUD 12,139,359 July 2018	31	-
	Buy GBP 9,033,434 : Sell USD 12,000,000 July 2018	(46)	-
	Buy NOK 90,403 : Sell GBP 8,356 July 2018 <sup>2</sup>	-	-
		<u>(2,546)</u>	<u>(0.22)</u>
	<b>Investment assets including investment liabilities</b>	<b>1,092,410</b>	<b>93.64</b>
	Other net assets	74,225	6.36
	<b>Total net assets</b>	<b>1,166,635</b>	<b>100.00</b>

<sup>1</sup> Unquoted securities

<sup>2</sup> Due to rounding to nearest £1,000

All investments are listed on recognised stock exchanges and are “approved securities” within the meaning of FCA rules unless otherwise stated.

Prior year comparative percentages have changed for some sectors due to reclassification within these sectors.

## Statement of total return for the year ended 30 June 2018

	Note	2018		2017	
		£000	£000	£000	£000
Income					
Net capital gains	2		964		4,985
Revenue	3	7,445		10,126	
Expenses	4	(457)		(569)	
Interest payable and similar charges	5	(6)		(3)	
Net revenue before taxation		6,982		9,554	
Taxation	6	-		-	
Net revenue after taxation			6,982		9,554
Total return before distributions			7,946		14,539
Distributions	7		(6,983)		(9,553)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>963</b>		<b>4,986</b>

## Statement of change in net assets attributable to shareholders for the year ended 30 June 2018

	2018		2017	
	£000	£000	£000	£000
<b>Opening net assets attributable to shareholders</b>		<b>1,442,096</b>		<b>1,601,182</b>
Amounts receivable on issue of shares	33,621		208,776	
Amounts payable on cancellation of shares	(316,801)		(382,147)	
		(283,180)		(173,371)
Dilution adjustment		70		174
Change in net assets attributable to shareholders from investment activities		963		4,986
Retained distributions on accumulation shares		6,686		9,125
<b>Closing net assets attributable to shareholders</b>		<b>1,166,635</b>		<b>1,442,096</b>

**Balance sheet** as at 30 June 2018

	Note	2018 £000	2017 £000
<b>Assets:</b>			
Investments		1,095,338	1,368,886
Current assets:			
Debtors	8	4,099	5,170
Cash and bank balances	9	73,111	92,782
<b>Total assets</b>		<b>1,172,548</b>	<b>1,466,838</b>
<b>Liabilities:</b>			
Investment liabilities		2,928	10,575
Creditors:			
Bank overdrafts		502	2,291
Other creditors	10	2,483	11,876
<b>Total liabilities</b>		<b>5,913</b>	<b>24,742</b>
<b>Net assets attributable to shareholders</b>		<b>1,166,635</b>	<b>1,442,096</b>

## Notes to the financial statements for the year ended 30 June 2018

### 1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 of the fund's aggregated notes to the financial statements.

### 2 Net capital gains

Net capital gains on investments during the year comprise:

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Derivative securities	897	1,050
Forward currency contracts	(19)	(23,144)
Non-derivative securities	(180)	28,473
Other currency gains/(losses)	278	(1,392)
Transaction costs	(12)	(2)
<b>Net capital gains</b>	<b>964</b>	<b>4,985</b>

### 3 Revenue

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Bank interest	184	82
Derivative revenue	(545)	(567)
Interest on debt securities	7,806	10,611
<b>Total revenue</b>	<b>7,445</b>	<b>10,126</b>

### 4 Expenses

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
GAC*	301	348
	<u>301</u>	<u>348</u>
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary fees	72	134
Safe custody fees	84	87
	<u>156</u>	<u>221</u>
<b>Total expenses</b>	<b>457</b>	<b>569</b>

Irrecoverable VAT is included in the above expenses where relevant.

\* The current audit fee, which is levied through the GAC, is £10,017 (2017: £9,725).

## Notes to the financial statements (continued)

### 5 Interest payable and similar charges

The interest payable and similar charges comprise:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Interest payable	6	3
<b>Total interest payable and similar charges</b>	<b>6</b>	<b>3</b>

### 6 Taxation

#### a) Analysis of charge in the year

There is no tax charge for the current year (2017: nil).

#### b) Factors affecting tax charge for year

The tax assessed for each year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICS) of 20% (2017: 20%). The differences are explained below:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Net revenue before taxation	6,982	9,554
Corporation tax at 20% (2017: 20%)	1,396	1,911
Effects of:		
Revenue being paid as interest distributions	(1,396)	(1,911)
<b>Tax charge for the year (note 6a)</b>	<b>-</b>	<b>-</b>

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

#### c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2017: nil).

#### d) Factors that may affect future tax charges

There were no factors that may affect future tax charges at the current or prior year end.

## Notes to the financial statements (continued)

### 7 Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Interim accumulation	4,897	7,511
Final accumulation	1,789	1,614
	<b>6,686</b>	<b>9,125</b>
Amounts deducted on cancellation of shares	337	681
Amounts received on issue of shares	(40)	(253)
<b>Total distributions</b>	<b>6,983</b>	<b>9,553</b>
Net revenue after taxation	6,982	9,554
Undistributed revenue brought forward	1	-
Undistributed revenue carried forward	-	(1)
<b>Total distributions</b>	<b>6,983</b>	<b>9,553</b>

Details of the distribution per share are set out in the distribution tables on page 180.

### 8 Debtors

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Accrued revenue	4,013	5,170
Sales awaiting settlement	86	-
<b>Total debtors</b>	<b>4,099</b>	<b>5,170</b>

### 9 Cash and bank balances

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Amounts held at derivative clearing houses and brokers	1,002	-
Cash and bank balances	72,109	91,722
Cash pledged as collateral	-	1,060
<b>Total cash and bank balances</b>	<b>73,111</b>	<b>92,782</b>

### 10 Other creditors

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Accrued Depositary's fee	5	5
Accrued other expenses	46	34
Amounts payable for cancellation of shares	2,350	-
Derivative revenue payable	82	76
Purchases awaiting settlement	-	11,761
<b>Total other creditors</b>	<b>2,483</b>	<b>11,876</b>



## Notes to the financial statements (continued)

### 11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

### 12 Related party transactions

Henderson Investment Funds Limited as ACD to the fund is deemed to be a related party because it provides key management personnel services to the fund. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', the 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 168 and 169 and notes 4, 7 and 10 on pages 170 to 172 including all issues and cancellations where the ACD acted as principal.

Transactions with the ACD are as follows:

- All issues and cancellations,
- Annual management charge
- GAC

HSBC Global Custody Nominee (UK) Limited, as a material shareholder, is a related party holding shares comprising 99.65% of the total net assets of the fund as at the year end (2017: 77.79%).

### 13 Shareholders' funds

The fund currently has 1 share class available; Class Z (Institutional). The annual management charge on the share class is as follows:

	<b>2018</b>	<b>2017</b>
	%	%
Class Z*	0.00	0.00

\* Charges for managing Z class shares are levied outside the fund and are agreed between the ACD and investors.

The net asset value of the share class, the net asset value per share and the number of shares in the share class are given in the comparative table on page 159. The distribution per share class is given in the distribution table on page 180.

### Shares reconciliation as at 30 June 2018

	<b>Class Z accumulation</b>
Opening number of shares	1,419,821,418
Issues during the year	33,035,305
Cancellations during the year	(311,200,272)
<b>Closing shares in issue</b>	<b><u>1,141,656,451</u></b>

### 14 Financial derivatives

The fund may use financial derivatives for efficient portfolio management and meeting the investment objectives including risk reduction and implementation of investment policies.

Eligible collateral types are approved by the Investment Manager and are agreed with the relevant counterparty.

The counterparty exposure has been calculated using the positive marked-to-market value of the derivative contract with that counterparty.

There was no collateral pledged in respect of derivatives as at 30 June 2018 (2017: cash of £1,060,000 was pledged). There was no collateral held in respect of derivatives as at 30 June 2018 (2017: nil).

## Notes to the financial statements (continued)

### 14 Financial derivatives (continued)

#### 2018

At 30 June 2018 the underlying exposure for each category of derivatives held was as follows:

Counterparty	Forward foreign exchange contracts	Interest rate swaps	Total by counterparty £000
BNP Paribas	122	-	122
Citigroup	-	271	271
	<b>122</b>	<b>271</b>	<b>393</b>

#### 2017

At 30 June 2017 the underlying exposure for each category of derivatives held was as follows:

Counterparty	Forward foreign exchange contracts £000	Interest rate swaps £000	Total by counterparty £000
Barclays Bank	8,616	45	8,661
JP Morgan	487	191	678
Merrill Lynch	-	70	70
	<b>9,103</b>	<b>306</b>	<b>9,409</b>

### 15 Risk

#### Currency risk

The fund's net exposure to currency risk (including any instruments used to hedge foreign currencies) is considered insignificant. This is consistent with the exposure during the prior year.

#### Interest rate risk

The fund's exposure to interest rate risk is considered significant. The interest rate risk profile of the fund's financial assets and financial liabilities at the year end is set out in the following table:

	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
<b>2018</b>				
Australian dollar	6,700	-	5	6,705
Euro	208,831	44,836	440	254,107
Norwegian krone	5,391	-	4	5,395
UK sterling	408,452	485,030	3,771	897,253
US dollar	9,087	-	1	9,088
<b>Total</b>	<b>638,461</b>	<b>529,866</b>	<b>4,221</b>	<b>1,172,548</b>
	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
<b>2017</b>				
Czech Republic koruna	-	36,403	487	36,890
Euro	245,610	70,414	1,666	317,690
UK sterling	528,719	531,991	12,025	1,072,735
US dollar	32,496	6,931	96	39,523
<b>Total</b>	<b>806,825</b>	<b>645,739</b>	<b>14,274</b>	<b>1,466,838</b>

## Notes to the financial statements (continued)

### 15 Risk (continued)

#### Interest rate risk (continued)

	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing liabilities	Total
2018	£000	£000	£000	£000
Euro	8	-	7	15
UK sterling	754	-	5,144	5,898
<b>Total</b>	<b>762</b>	<b>-</b>	<b>5,151</b>	<b>5,913</b>
	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing liabilities	Total
2017	£000	£000	£000	£000
Euro	1	-	92	93
UK sterling	2,505	-	20,326	22,831
US dollar	-	-	1,818	1,818
<b>Total</b>	<b>2,506</b>	<b>-</b>	<b>22,236</b>	<b>24,742</b>

#### Credit Ratings

	Market value £000	Percentage of net assets %
<b>2018</b>		
<b>Investments</b>		
Investment grade (AAA - BBB)*	1,035,340	88.75
Unrated	59,605	5.11
<b>Total debt securities</b>	<b>1,094,945</b>	<b>93.86</b>
Derivatives	(2,535)	(0.22)
<b>Investment assets including investment liabilities</b>	<b>1,092,410</b>	<b>93.64</b>
Other net assets	74,225	6.36
<b>Total net assets</b>	<b>1,166,635</b>	<b>100.00</b>
	Market value £000	Percentage of net assets %
<b>2017</b>		
<b>Investments</b>		
Investment grade (AAA - BBB)*	1,277,046	88.55
Unrated	82,431	5.72
<b>Total debt securities</b>	<b>1,359,477</b>	<b>94.27</b>
Derivatives	(1,166)	(0.08)
<b>Investment assets including investment liabilities</b>	<b>1,358,311</b>	<b>94.19</b>
Other net assets	83,785	5.81
<b>Total net assets</b>	<b>1,442,096</b>	<b>100.00</b>

\* Certificates of deposits included within above investment grade have been rated based on the rating of the issuer.

## Notes to the financial statements (continued)

### 15 Risk (continued)

#### Sensitivity analysis

The actual VaR results, limits and utilisation of limits are summarised in the table below:

VaR Results	Global Exposure Calculation Basis	Actual VaR in year			VaR limit	Utilisation of VaR limit		
		Minimum %	Maximum %	Average %		Minimum %	Maximum %	Average %
2018	Absolute VaR	0.84	1.75	1.32	20.00	4.22	8.77	6.58
2017	Absolute VaR	0.48	2.32	1.59	20.00	2.41	11.62	7.94

#### Leverage

	Minimum %	Maximum %	Average %
2018	43.17	177.58	84.84
2017	52.99	105.91	76.64

#### Liquidity risk

The following table provides a maturity analysis of the fund's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
<b>2018</b>				
Bank overdrafts	502	-	-	-
Derivative financial liabilities	-	2,691	237	-
Other creditors	-	2,483	-	-
<b>Total</b>	<b>502</b>	<b>5,174</b>	<b>237</b>	<b>-</b>
	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
<b>2017</b>				
Bank overdrafts	2,291	-	-	-
Distribution payable	-	10,527	48	-
Other creditors	-	11,876	-	-
<b>Total</b>	<b>2,291</b>	<b>22,403</b>	<b>48</b>	<b>-</b>

## Notes to the financial statements (continued)

### 16 Fair value disclosure

#### Fair value measurement

The intention of a fair value measurement is to estimate the price at which an asset or a liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS 102 the fund classifies fair value measurement under the following levels:

#### Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

#### Level 2

Inputs other than quoted prices included within level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

#### Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

#### Fair value hierarchy

	2018		2017	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1	-	-	-	-
Level 2	1,095,338	2,928	1,368,886	10,575
Level 3	-	-	-	-
	<u>1,095,338</u>	<u>2,928</u>	<u>1,368,886</u>	<u>10,575</u>

## Notes to the financial statements (continued)

### 17 Direct transaction costs

	Purchases		Sales	
	2018 £000	2017 £000	2018 £000	2017 £000
<b>Trades in the year</b>				
Certificates of deposit	703,785	395,595	764,972	-
Debt securities	459,880	1,009,471	640,107	1,601,104
<b>Trades in the year before transaction costs</b>	<b>1,163,665</b>	<b>1,405,066</b>	<b>1,405,079</b>	<b>1,601,104</b>
<b>Transaction costs</b>				
<b>Commissions</b>				
Certificates of deposit	-	-	-	-
Debt securities	-	-	-	-
<b>Total commissions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Taxes</b>				
Certificates of deposit	-	-	-	-
Debt securities	-	-	-	-
<b>Total taxes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other expenses</b>				
Certificates of deposit	-	-	-	-
Debt securities	-	-	-	-
<b>Total other expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total transaction costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total net trades in the year after transaction costs</b>	<b>1,163,665</b>	<b>1,405,066</b>	<b>1,405,079</b>	<b>1,601,104</b>

	Purchases		Sales	
	2018 %	2017 %	2018 %	2017 %
<b>Total transaction costs expressed as a percentage of asset type cost</b>				
<b>Commissions</b>				
Certificates of deposit	-	-	-	-
Debt securities	-	-	-	-
<b>Taxes</b>				
Certificates of deposit	-	-	-	-
Debt securities	-	-	-	-
<b>Other expenses</b>				
Certificates of deposit	-	-	-	-
Debt securities	-	-	-	-

	2018 %	2017 %
<b>Total transaction costs expressed as a percentage of net asset value</b>		
Commissions	-	-
Taxes	-	-
Other expenses	-	-
<b>Total costs</b>	<b>-</b>	<b>-</b>

## Notes to the financial statements (continued)

### 17 Direct transaction costs (continued)

There were no in specie transfers during the year (2017: nil). There were corporate actions during the year of £10,695,500 (2017: nil).

There were no direct transaction costs associated with derivatives in the year (2017: nil).

Direct transaction costs are fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the fund. These exclude any differences between quoted bid and offer prices or internal administrative or holding costs.

Direct transaction costs related to bonds are not separately identifiable as with other financial instruments as the costs form part of the dealing spread and therefore are inherent within the purchase and sale prices of the trade.

The portfolio dealing spread as at 30 June 2018 was 0.10% (2017: 0.09%). The portfolio dealing spread is calculated at the fund's 12 noon valuation point.

### 18 Events after the Balance sheet date

There were no material post Balance sheet events which require disclosure within these financial statements.

## Distribution tables for the year ended 30 June 2018 (in pence per share)

### Interim interest distribution (accounting date 30 September 2017, paid on 30 November 2017)

Group 1 : shares purchased prior to 1 July 2017

Group 2 : shares purchased on or after 1 July 2017

	Distribution per share	Equalisation	Total distribution per share 30/11/17	Total distribution per share 30/11/16
<b>Class Z accumulation (formerly Class Z accumulation gross)</b>				
Group 1	0.1243	-	0.1243	0.2510
Group 2	0.1243	-	0.1243	0.2510

### Interim interest distribution (accounting date 31 December 2017, paid on 28 February 2018)

Group 1 : shares purchased prior to 1 October 2017

Group 2 : shares purchased on or after 1 October 2017

	Distribution per share	Equalisation	Total distribution per share 28/02/18	Total distribution per share 28/02/17
<b>Class Z accumulation (formerly Class Z accumulation gross)</b>				
Group 1	0.1384	-	0.1384	0.1087
Group 2	0.0443	0.0941	0.1384	0.1087

### Interim interest distribution (accounting date 31 March 2018, paid on 31 May 2018)

Group 1: shares purchased prior to 1 January 2018

Group 2: shares purchased on or after 1 January 2018

	Distribution per share	Equalisation	Total distribution per share 31/05/18	Total distribution per share 31/05/17
<b>Class Z accumulation (formerly Class Z accumulation gross)</b>				
Group 1	0.1186	-	0.1186	0.1392
Group 2	-	0.1186	0.1186	0.1392

### Final interest distribution (accounting date 30 June 2018, paid on 31 August 2018)

Group 1: shares purchased prior to 1 April 2018

Group 2: shares purchased on or after 1 April 2018

	Distribution per share	Equalisation	Total distribution per share 31/08/18	Total distribution per share 31/08/17
<b>Class Z accumulation (formerly Class Z accumulation gross)</b>				
Group 1	0.1567	-	0.1567	0.1137
Group 2	0.0165	0.1402	0.1567	0.1137



# Janus Henderson Institutional UK Gilt Fund (formerly Henderson Institutional UK Gilt Fund)

## Authorised Corporate Director's (ACD) report

### Investment Fund Managers

Andrew Mulliner and Bethany Payne

Please note that as of 9 April 2018, Andrew Mulliner and Bethany Payne took over the management of this fund.

### Investment objective and policy

To provide a return by investing primarily in United Kingdom Government securities. The fund may invest in other transferable securities, money market instruments, derivatives and forward transactions, deposits and units in collective investment schemes.

### Performance summary

	30 Jun 17 - 30 Jun 18	30 Jun 16 - 30 Jun 17	30 Jun 15 - 30 Jun 16	30 Jun 14 - 30 Jun 15	30 Jun 13 - 30 Jun 14
	%	%	%	%	%
<b>Janus Henderson Institutional UK Gilt Fund</b>	0.8	(1.0)	11.0	6.2	0.5
<b>FTSE Actuaries Fixed Interest All Stocks UK Gilts</b>	1.9	(0.9)	13.5	8.9	2.3

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 at close of business.

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.

## Significant portfolio changes for the year ended 30 June 2018

<b>Largest purchases</b>	<b>£000</b>	<b>Largest sales</b>	<b>£000</b>
UK Treasury 0.50% 22/07/2022	17,950	UK Treasury 0.50% 22/07/2022	19,032
UK Treasury 1.50% 22/07/2047	15,609	UK Treasury 1.50% 22/07/2026	16,023
UK Treasury 4.25% 07/06/2032	11,361	UK Treasury 1.25% 22/07/2018	11,754
UK Treasury 4.50% 07/03/2019	8,699	UK Treasury 4.50% 07/09/2034	10,342
UK Treasury 2.00% 07/09/2025	6,549	UK Treasury 5.00% 07/03/2018	10,251
UK Treasury 1.75% 07/09/2022	5,915	UK Treasury 4.25% 07/12/2027	8,529
UK Treasury 4.25% 07/12/2027	5,482	UK Treasury 1.50% 22/07/2047	6,838
UK Treasury 0.75% 22/07/2023	5,221	UK Treasury 1.75% 07/09/2022	6,371
UK Treasury 1.25% 22/07/2018	4,496	UK Treasury 1.25% 22/07/2027	4,909
UK Treasury 3.75% 07/09/2021	3,476	UK Treasury 3.75% 07/09/2021	4,045
<b>Total purchases</b>	<b>119,858</b>	<b>Total sales</b>	<b>135,523</b>

### Investment review

Government bond markets underwent periods of volatility (sharper fluctuations in prices) during the year. While we started with rising yields in core markets (prices move inversely to yields), especially in the US where the narrative of rebounding inflation dominated, early in the first quarter of 2018 we saw a bout of instability in emerging markets, led by Argentina and Turkey. This caused concerns of spillovers into developed markets, followed by an apparently existential threat to the eurozone as the new Italian government made ominous statements relating to parallel currencies and expanding government deficits. This resulted in a flight-to-quality bid to core government bond markets, as well as marked underperformance of peripheral European markets, led by Italy. Although this crisis abated considerably, some increase in risk premium remains in these markets.

The European Central Bank announced the end of its bond-buying programme but also agreed not to increase rates until at least after the summer of 2019. This provided some further reprieve for European bonds. All the while, trade tensions were gradually escalating. While the intention to impose tariffs has been known for some time, the approach of the implementation date served to focus minds on the issue, and served as a restraining force on yields given that domestic data in the US in particular still appears robust.

In the UK, the economy continued to be hampered by uncertainty due to the negotiations around leaving the European Union. While gilt market volatility was muted and data was mixed, the Bank of England was able to justify tightening its monetary policy very gradually.

The fund underperformed its benchmark over the year. 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 from positioning for falling yields in short-dated bonds in Canada, Australia, Europe and the UK. Headwinds to performance came from a long position in US Treasuries and being positioned for long-dated German bonds to underperform short-dated ones.

Currency strategies detracted over the year as we lost money in a long position in the Czech koruna versus the euro. However, some of that performance came back through a long position in the Norwegian krone versus the euro.

Our inflation strategies proved to be profitable, as we positioned for long-dated inflation expectations to rise in the UK, relative to five-year inflation expectations. We also profited by positioning for a rise in US inflation expectations. However, a position which looked for 10-year European inflation expectations to rise relative to five-year inflation expectations made a small loss.

To-date, the US economy has shown no material ill effects from the shocks buffeting global markets, supported as it is by an unprecedented late-cycle fiscal expansion. As such, if we see some stability in the trade backdrop, we believe yields could move higher as the Federal Reserve continues on its path of interest rate hikes. While this will influence rates globally, we believe shorter-dated bonds in Europe and Japan will receive support from central bank guidance and continued bond buying respectively.

## Comparative tables for the year ended 30 June 2018

	<b>Class A income</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>(pence per share)</b>	<b>(pence per share)</b>	<b>(pence per share)</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	207.45	212.62	191.94
Return before operating charges*	3.30	(1.81)	24.35
Operating charges	(1.88)	(1.92)	(1.79)
Return after operating charges*	1.42	(3.73)	22.56
Distributions on income shares	(1.77)	(1.44)	(1.88)
Closing net asset value per share	207.10	207.45	212.62
* after direct transaction costs of:	-	-	-

### Performance

Return after charges	0.68%	(1.75%)	11.75%
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### Other information

Closing net asset value (£000s)	827	948	1,381
Closing number of shares	399,420	456,962	649,431
Operating charges	0.91%	0.91%	0.91%
Direct transaction costs	0.00%	0.00%	0.00%

### Prices

Highest share price (pence)	212.70	222.80	211.90
Lowest share price (pence)	201.00	203.00	189.60

	<b>Class D accumulation (formerly Class D accumulation gross)</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>(pence per share)</b>	<b>(pence per share)</b>	<b>(pence per share)</b>

<b>Change in net assets per share</b>			
Opening net asset value per share	148.74	150.36	133.26
Return before operating charges*	2.39	(1.18)	17.50
Operating charges	(0.43)	(0.44)	(0.40)
Return after operating charges*	1.96	(1.62)	17.10
Distributions on accumulation shares	(2.20)	(2.08)	(2.51)
Retained distributions on accumulation shares	2.20	2.08	2.51
Closing net asset value per share	150.70	148.74	150.36
* after direct transaction costs of:	-	-	-

### Performance

Return after charges	1.32%	(1.08%)	12.83%
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### Other information

Closing net asset value (£000s)	10,852	9,995	9,466
Closing number of shares	7,201,569	6,719,765	6,295,197
Operating charges	0.29%	0.29%	0.29%
Direct transaction costs	0.00%	0.00%	0.00%

### Prices

Highest share price (pence)	152.70	157.80	149.60
Lowest share price (pence)	145.30	144.30	131.70

## Comparative tables (continued)

	Class I accumulation		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	327.82	332.63	296.47
Return before operating charges*	5.21	(2.63)	38.78
Operating charges	(1.77)	(1.79)	(1.66)
Return after operating charges*	3.44	(4.42)	37.12
Distributions on accumulation shares	(4.02)	(3.76)	(4.80)
Retained distributions on accumulation shares <sup>^</sup>	4.02	3.37	3.84
Closing net asset value per share	331.26	327.82	332.63
* after direct transaction costs of:	0.01	-	0.01
<b>Performance</b>			
Return after charges	1.05%	(1.33%)	12.52%
<b>Other information</b>			
Closing net asset value (£000s)	30,828	5,548	7,088
Closing number of shares	9,306,308	1,692,406	2,131,013
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	336.30	348.70	330.80
Lowest share price (pence)	319.80	318.40	292.90

<sup>^</sup> Retained distributions prior to 6 April 2017 are net of 20% income tax.

	Class I income		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	205.78	210.93	190.33
Return before operating charges*	3.26	(1.89)	24.12
Operating charges	(1.11)	(1.13)	(1.06)
Return after operating charges*	2.15	(3.02)	23.06
Distributions on income shares	(2.51)	(2.13)	(2.46)
Closing net asset value per share	205.42	205.78	210.93
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	1.04%	(1.43%)	12.12%
<b>Other information</b>			
Closing net asset value (£000s)	2,498	2,881	3,316
Closing number of shares	1,216,043	1,400,192	1,571,973
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	211.10	221.10	210.40
Lowest share price (pence)	199.50	201.40	188.00

## Comparative tables (continued)

### Class Z accumulation (formerly Class Z accumulation gross)

	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	214.85	216.65	191.53
Return before operating charges*	3.45	(1.71)	25.20
Operating charges	(0.09)	(0.09)	(0.08)
Return after operating charges*	3.36	(1.80)	25.12
Distributions on accumulation shares	(3.72)	(3.54)	(4.11)
Retained distributions on accumulation shares	3.72	3.54	4.11
Closing net asset value per share	218.21	214.85	216.65
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	1.56%	(0.83%)	13.12%
<b>Other information</b>			
Closing net asset value (£000s)	259,000	274,408	250,549
Closing number of shares	118,691,356	127,719,944	115,648,951
Operating charges	0.04%	0.04%	0.04%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	220.60	227.50	215.50
Lowest share price (pence)	210.30	208.20	189.30

## Comparative tables (continued)

	Class I accumulation gross		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	354.02	358.77	318.76
Return before operating charges*	(1.32)	(2.82)	41.79
Operating charges	(0.50)	(1.93)	(1.78)
Return after operating charges*	(1.82)	(4.75)	40.01
Distributions on accumulation shares	(0.98)	(4.06)	(5.17)
Retained distributions on accumulation shares	0.98	4.06	5.17
Final cancellation price	(352.20) <sup>1</sup>	-	-
Closing net asset value per share	-	354.02	358.77
* after direct transaction costs of:	0.01	-	0.01
<b>Performance</b>			
Return after charges	(0.51%)	(1.32%)	12.55%
<b>Other information</b>			
Closing net asset value (£000s)	-	25,501	26,204
Closing number of shares	-	7,203,015	7,303,922
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price (pence)	363.20 <sup>2</sup>	376.40	356.80
Lowest share price (pence)	349.90 <sup>2</sup>	344.00	315.00

<sup>1</sup> Class I accumulation gross closed 2 October 2017 and this is the final cancellation price.

<sup>2</sup> to 2 October 2017.

Direct transaction costs incurred on securities transactions (including derivatives) are stated after deducting the proportion of the amounts collected from dilution adjustments that relate to direct transaction costs.

Performance values are at close of business and may differ from the performance summary.

### Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

### Share class launches and closures

There were no share classes launched in the year. The following share class closed in the year:

Share class	Closure date
Class I accumulation gross	2 October 2017

The following share class changed name in the year:

Share class	Date of change
Class D accumulation (formerly Class D accumulation gross)	2 October 2017
Class Z accumulation (formerly Class Z accumulation gross)	2 October 2017

As there is no longer any difference between gross and net share classes, investors in Class I accumulation gross have been combined into Class I accumulation. This removes the administration cost of running two separate share classes that are otherwise identical.

## Ongoing charge figure

The annualised ongoing charge figure (OCF) of the fund is calculated as the ratio of the total ongoing charges to the average net asset value for twelve months. Ongoing charges are all expenses deducted from the assets of the fund during the year, except for expenses that are explicitly excluded by regulation.

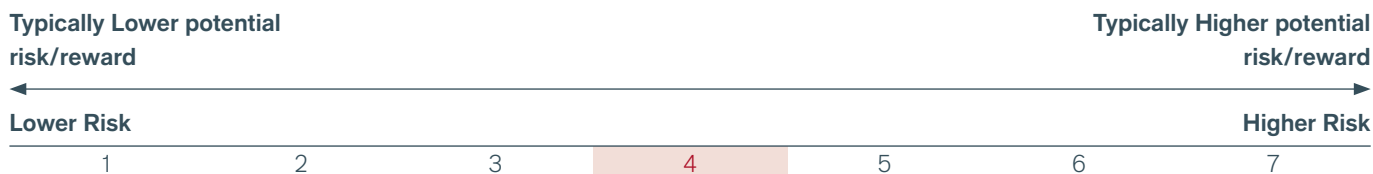
	<b>2018</b> %	<b>2017</b> %
<b>Class A</b>	0.91	0.91
<b>Class D</b>	0.29	0.29
<b>Class I</b>	0.54	0.54
<b>Class Z</b>	0.04	0.04

The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

## Risk and reward profile

The fund currently has 5 types of share class in issue; A income, I income, I accumulation, Z accumulation (formerly Z accumulation gross) and D accumulation (formerly D 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 and any income from it 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 share classes appear at 4 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events.

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

There have been no changes to the risk ratings in the year.

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.



**Portfolio statement** as at 30 June 2018

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Bonds 96.01% (2017: 97.24%)</b>			
<b>United Kingdom 96.01% (2017: 97.24%)</b>			
<b>Fixed Rate Bond 96.01% (2017: 97.24%)</b>			
GBP 6,128,196	UK Treasury 0.50% 22/07/2022	6,033	1.98
GBP 4,630,966	UK Treasury 0.75% 22/07/2023	4,569	1.50
GBP 7,507,073	UK Treasury 1.50% 22/01/2021	7,653	2.52
GBP 1,005,136	UK Treasury 1.50% 22/07/2026	1,027	0.34
GBP 12,538,009	UK Treasury 1.50% 22/07/2047	11,871	3.91
GBP 1,111,949	UK Treasury 1.625% 22/10/2071	1,139	0.37
GBP 6,191,247	UK Treasury 1.75% 07/09/2022	6,407	2.11
GBP 2,568,474	UK Treasury 1.75% 07/09/2037	2,581	0.85
GBP 7,471,037	UK Treasury 1.75% 22/07/2019	7,555	2.49
GBP 2,655,453	UK Treasury 1.75% 22/07/2057	2,756	0.91
GBP 6,107,306	UK Treasury 2.00% 07/09/2025	6,475	2.13
GBP 7,151,018	UK Treasury 2.00% 22/07/2020	7,338	2.41
GBP 5,809,401	UK Treasury 2.25% 07/09/2023	6,173	2.03
GBP 4,221,756	UK Treasury 2.50% 22/07/2065	5,523	1.82
GBP 5,957,652	UK Treasury 2.75% 07/09/2024	6,549	2.15
GBP 5,859,490	UK Treasury 3.25% 22/01/2044	7,651	2.52
GBP 6,018,724	UK Treasury 3.50% 22/01/2045	8,236	2.71
GBP 4,241,058	UK Treasury 3.50% 22/07/2068	7,063	2.32
GBP 7,187,014	UK Treasury 3.75% 07/09/2019	7,449	2.45
GBP 5,130,355	UK Treasury 3.75% 07/09/2020	5,471	1.80
GBP 6,503,779	UK Treasury 3.75% 07/09/2021	7,110	2.34
GBP 5,106,335	UK Treasury 3.75% 22/07/2052	7,857	2.58
GBP 8,202,165	UK Treasury 4.00% 07/03/2022	9,151	3.01
GBP 5,042,963	UK Treasury 4.00% 22/01/2060	8,715	2.87
GBP 6,177,773	UK Treasury 4.25% 07/03/2036	8,620	2.84
GBP 7,602,524	UK Treasury 4.25% 07/06/2032	10,152	3.34
GBP 4,886,120	UK Treasury 4.25% 07/09/2039	7,075	2.33
GBP 4,966,766	UK Treasury 4.25% 07/12/2040	7,288	2.40
GBP 4,760,039	UK Treasury 4.25% 07/12/2046	7,427	2.44
GBP 4,083,910	UK Treasury 4.25% 07/12/2049	6,598	2.17
GBP 5,673,045	UK Treasury 4.25% 07/12/2055	9,831	3.23
GBP 16,610,287	UK Treasury 4.50% 07/03/2019	17,062	5.62
GBP 6,834,104	UK Treasury 4.50% 07/09/2034	9,614	3.16
GBP 5,854,075	UK Treasury 4.50% 07/12/2042	9,060	2.98
GBP 6,792,538	UK Treasury 4.75% 07/03/2020	7,257	2.39
GBP 7,444,708	UK Treasury 4.75% 07/12/2030	10,191	3.35
GBP 5,603,894	UK Treasury 4.75% 07/12/2038	8,550	2.81
GBP 7,400,774	UK Treasury 5.00% 07/03/2025	9,256	3.04
GBP 4,087,622	UK Treasury 6.00% 07/12/2028	5,930	1.95
GBP 4,625,464	UK Treasury 8.00% 07/06/2021	5,601	1.84
		291,864	96.01
<b>Collective Investment Schemes 0.09% (2017: 0.08%)</b>			
271,177	Deutsche Global Liquidity Managed Platinum Sterling Fund	271	0.09

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Derivatives (0.12%) (2017: 0.04%)</b>		
	<b>Futures (0.02%) (2017: 0.01%)</b>		
(39)	EUX Euro-Buxl 30 Year Bond September 2018	(70)	(0.02)
(11)	OSE Japan 10 Year Bond September 2018	(19)	(0.01)
177	SFE Australia 3 Year Bond September 2018	26	0.01
		<u>(63)</u>	<u>(0.02)</u>
	<b>Options 0.03% (2017: 0.00%)</b>		
2,630,000	CHF/EUR Call 1.16 July 2018	18	0.01
3,050,000	GBP/USD Put 1.35 August 2018	72	0.02
(3,050,000)	USD/GBP Put 1.30 August 2018	(10)	-
		<u>80</u>	<u>0.03</u>
	<b>Swaptions (0.01%) (2017: 0.00%)</b>		
45,200,000	Swaption January 2019 USD 3 Month LIBOR 2.5725%	34	0.01
(18,900,000)	Swaption January 2019 USD 3 Month LIBOR 2.595%	(46)	(0.02)
		<u>(12)</u>	<u>(0.01)</u>
	<b>Swaps (0.10%) (2017: 0.02%)<sup>1</sup></b>		
	<b>Inflation Index Swaps 0.00% (2017: 0.00%)<sup>1</sup></b>		
	<b>Interest Rate Swaps (0.10%) (2017: 0.02%)<sup>1</sup></b>		
11,732,100,000	IRS 0.11% LIBOR 6 month 0.00% Receive Fixed 0.00% JPY	69	0.02
2,362,000,000	IRS 0.4465% LIBOR 6 month 0.00% Receive Floating 0.00% JPY	(182)	(0.06)
3,100,000	IRS 1.4651% EURIBOR 6 month 0.00% Receive Fixed 0.00% EUR	5	-
3,100,000	IRS 1.5078% EURIBOR 6 month 0.00% Receive Fixed 0.00% EUR	31	0.01
19,200,000	IRS 2.26% CAD BA 3 month 0.00% Receive Fixed 0.00% CAD	(27)	(0.01)
19,400,000	IRS 2.405% CAD BA 3 month 0.00% Receive Fixed 0.00% CAD	(12)	-
107,500,000	IRS 2.815% LIBOR 3 month 0.00% Receive Fixed 0.00% USD	(248)	(0.08)
23,700,000	IRS 2.949% LIBOR 3 month 0.00% Receive Floating 0.00% USD	40	0.01
11,800,000	IRS 3.025% LIBOR 3 month 0.00% Receive Floating 0.00% USD	(37)	(0.01)
53,200,000	IRS 3.046% LIBOR 3 month 0.00% Receive Fixed 0.00% USD	51	0.02
		<u>(310)</u>	<u>(0.10)</u>
	<b>Forward Foreign Exchange Contracts (0.02%) (2017: 0.01%)<sup>1</sup></b>		
	Buy CAD 14,244 : Sell GBP 8,064 July 2018 <sup>2</sup>	-	-
	Buy CAD 18,454 : Sell GBP 10,418 July 2018 <sup>2</sup>	-	-
	Buy CAD 2,611 : Sell GBP 1,502 July 2018 <sup>2</sup>	-	-
	Buy CAD 36,773 : Sell GBP 20,975 July 2018 <sup>2</sup>	-	-
	Buy CAD 36,821 : Sell GBP 20,891 July 2018 <sup>2</sup>	-	-
	Buy CAD 54,297 : Sell GBP 31,011 July 2018 <sup>2</sup>	-	-
	Buy CAD 57,588 : Sell GBP 32,966 July 2018 <sup>2</sup>	-	-
	Buy CAD 8,177 : Sell GBP 4,673 July 2018 <sup>2</sup>	-	-
	Buy CAD 83,089 : Sell GBP 47,072 July 2018	1	-
	Buy CZK 129,024,104 : Sell EUR 4,971,640 September 2018	(21)	(0.01)
	Buy EUR 2,388,656 : Sell CHF 2,753,854 September 2018	10	-
	Buy EUR 2,600,000 : Sell CZK 67,932,800 September 2018	(4)	-
	Buy EUR 31,766 : Sell GBP 27,943 July 2018 <sup>2</sup>	-	-
	Buy GBP 12,944 : Sell CAD 22,631 July 2018 <sup>2</sup>	-	-
	Buy GBP 19,232 : Sell USD 25,420 July 2018 <sup>2</sup>	-	-
	Buy GBP 2,146 : Sell CAD 3,788 July 2018 <sup>2</sup>	-	-
	Buy GBP 23,729 : Sell USD 31,526 July 2018 <sup>2</sup>	-	-

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Forward Foreign Exchange Contracts</b> <small>(continued)</small>			
	Buy GBP 35,803 : Sell CAD 62,218 July 2018 <sup>2</sup>	-	-
	Buy GBP 47,070 : Sell CAD 83,089 July 2018	(1)	-
	Buy GBP 503,754 : Sell USD 667,451 July 2018	(1)	-
	Buy GBP 55,484 : Sell EUR 62,700 July 2018 <sup>2</sup>	-	-
	Buy GBP 73,765 : Sell EUR 83,354 July 2018 <sup>2</sup>	-	-
	Buy GBP 83,117 : Sell AUD 148,000 July 2018 <sup>2</sup>	-	-
	Buy GBP 8,561 : Sell EUR 9,773 July 2018 <sup>2</sup>	-	-
	Buy JPY 504,348 : Sell GBP 3,453 July 2018 <sup>2</sup>	-	-
	Buy NOK 50,080,244 : Sell EUR 5,283,134 September 2018	(32)	(0.01)
	Buy PLN 6,886,517 : Sell EUR 1,577,634 September 2018	(9)	-
	Buy USD 34,162 : Sell GBP 25,781 July 2018 <sup>2</sup>	-	-
	Buy USD 52,566 : Sell GBP 39,592 July 2018 <sup>2</sup>	-	-
		<u>(57)</u>	<u>(0.02)</u>
	<b>Investment assets including investment liabilities</b>	<b>291,773</b>	<b>95.98</b>
	Other net assets	12,232	4.02
	<b>Total net assets</b>	<b>304,005</b>	<b>100.00</b>

<sup>1</sup> Unquoted securities

<sup>2</sup> Due to rounding to nearest £1,000

All investments are listed on recognised stock exchanges and are "approved securities" within the meaning of FCA rules unless otherwise stated.

## Statement of total return for the year ended 30 June 2018

	Note	2018		2017	
		£000	£000	£000	£000
Income					
Net capital losses	2		(592)		(7,468)
Revenue	3	5,507		5,254	
Expenses	4	<u>(319)</u>		<u>(349)</u>	
Net revenue before taxation		5,188		4,905	
Taxation	5	<u>-</u>		<u>-</u>	
Net revenue after taxation			<u>5,188</u>		<u>4,905</u>
Total return before distributions			4,596		(2,563)
Distributions	6		(5,188)		(4,905)
<b>Change in net assets attributable to shareholders from investment activities</b>			<u>(592)</u>		<u>(7,468)</u>

## Statement of change in net assets attributable to shareholders for the year ended 30 June 2018

	2018		2017	
	£000	£000	£000	£000
<b>Opening net assets attributable to shareholders</b>		<b>319,281</b>		<b>298,004</b>
Amounts receivable on issue of shares	25,106		104,183	
Amounts payable on cancellation of shares	<u>(44,843)</u>		<u>(80,394)</u>	
		(19,737)		23,789
Dilution adjustment		-		30
Change in net assets attributable to shareholders from investment activities		(592)		(7,468)
Retained distributions on accumulation shares		5,053		4,926
<b>Closing net assets attributable to shareholders</b>		<u><b>304,005</b></u>		<u><b>319,281</b></u>

**Balance sheet** as at 30 June 2018

	Note	2018 £000	2017 £000
<b>Assets:</b>			
Investments		292,492	311,313
Current assets:			
Debtors	7	2,469	2,698
Cash and bank balances	8	11,198	7,389
<b>Total assets</b>		<b>306,159</b>	<b>321,400</b>
<b>Liabilities:</b>			
Investment liabilities		719	473
Creditors:			
Amounts held at derivative clearing houses and brokers		98	48
Bank overdrafts		823	1,101
Distributions payable		9	10
Other creditors	9	505	487
<b>Total liabilities</b>		<b>2,154</b>	<b>2,119</b>
<b>Net assets attributable to shareholders</b>		<b>304,005</b>	<b>319,281</b>

## Notes to the financial statements for the year ended 30 June 2018

### 1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 of the fund's aggregated notes to the financial statements.

### 2 Net capital losses

Net capital losses on investments during the year comprise:

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Derivative securities	(1,064)	218
Forward currency contracts	(360)	(298)
Non-derivative securities	873	(7,404)
Other currency (losses)/gains	(20)	26
Transaction costs	(21)	(10)
<b>Net capital losses</b>	<b>(592)</b>	<b>(7,468)</b>

### 3 Revenue

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Bank interest	6	7
Derivative revenue	592	37
Interest on debt securities	4,860	5,167
Overseas dividends	1	-
Stock lending revenue	48	43
<b>Total revenue</b>	<b>5,507</b>	<b>5,254</b>

### 4 Expenses

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
Annual management charge	207	233
GAC*	73	74
	<u>280</u>	<u>307</u>
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary fees	28	33
Safe custody fees	11	9
	<u>39</u>	<u>42</u>
<b>Total expenses</b>	<b>319</b>	<b>349</b>

Irrecoverable VAT is included in the above expenses where relevant.

\* The current audit fee, which is levied through the GAC, is £10,017 (2017: £9,725).

## Notes to the financial statements (continued)

### 5 Taxation

#### a) Analysis of charge in the year

There is no tax charge for the current year (2017: nil).

#### b) Factors affecting tax charge for year

The tax assessed for each year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICS) of 20% (2017: 20%). The differences are explained below:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Net revenue before taxation	5,188	4,905
Corporation tax at 20% (2017: 20%)	1,038	981
Effects of:		
Relief for indexation movements on index-linked gilts	-	(1)
Revenue being paid as interest distributions	(1,038)	(980)
<b>Tax charge for the year (note 5a)</b>	<b>-</b>	<b>-</b>

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

#### c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2017: nil).

#### d) Factors that may affect future tax charges

There were no factors that may affect future tax charges at the current or prior year end.

### 6 Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Interim income	30	35
Interim accumulation	3,826	3,723
Final income	9	10
Final accumulation	1,227	1,203
Tax withheld on interest distributions	-	15
	5,092	4,986
Amounts deducted on cancellation of shares	140	233
Amounts received on issue of shares	(44)	(314)
<b>Total distributions</b>	<b>5,188</b>	<b>4,905</b>

Details of the distribution per share are set out in the distribution tables on pages 205 to 208.

## Notes to the financial statements (continued)

### 7 Debtors

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Accrued revenue	2,185	2,350
Amounts receivable for issue of shares	284	348
<b>Total debtors</b>	<b>2,469</b>	<b>2,698</b>

### 8 Cash and bank balances

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Amounts held at derivative clearing houses and brokers	1,396	161
Cash and bank balances	9,572	7,228
Cash pledged as collateral	230	-
<b>Total cash and bank balances</b>	<b>11,198</b>	<b>7,389</b>

### 9 Other creditors

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Accrued annual management charge	17	18
Accrued Depositary's fee	3	3
Accrued other expenses	13	7
Amounts payable for cancellation of shares	472	298
Derivative revenue payable	-	2
Purchases awaiting settlement	-	159
<b>Total other creditors</b>	<b>505</b>	<b>487</b>

### 10 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

### 11 Related party transactions

Henderson Investment Funds Limited as ACD to the fund is deemed to be a related party because it provides key management personnel services to the fund. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', the 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 192 and 193 and notes 4, 7, 8 and 9 on pages 194 to 196 including all issues and cancellations where the ACD acted as principal.

Transactions with the ACD are as follows:

- All issues and cancellations,
- Annual management charge
- GAC

HSBC Global Custody Nominee (UK) Ltd, as a material shareholder, is a related party holding shares comprising 70.62% of the total net assets of the fund as at the year end (2017: 73.16%).



## Notes to the financial statements (continued)

### 12 Shareholders' funds

The fund currently has 4 share classes available; Class A (Retail with front-end charges), Class D (Institutional), Class I (Institutional) and Class Z (Institutional). The annual management charge on each share class is as follows:

	<b>2018</b>	<b>2017</b>
	%	%
Class A	0.75	0.75
Class D	0.25	0.25
Class I	0.50	0.50
Class Z*	0.00	0.00

\* Charges for managing Z class shares are levied outside the fund and are agreed between the ACD and investors.

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative tables on pages 183 to 186. The distribution per share class is given in the distribution tables on pages 205 to 208. All share classes have the same rights on winding up.

### Shares reconciliation as at 30 June 2018

	<b>Class A income</b>	<b>Class D accumulation (formerly Class D accumulation gross)</b>	<b>Class I accumulation</b>
Opening number of shares	456,962	6,719,765	1,692,406
Issues during the year	15,023	606,905	2,090,774
Cancellations during the year	(61,038)	(638,355)	(2,225,720)
Shares converted during the year	(11,527)	513,254	7,748,848
<b>Closing shares in issue</b>	<b>399,420</b>	<b>7,201,569</b>	<b>9,306,308</b>
	<b>Class I income</b>	<b>Class X accumulation (formerly Class ZZ accumulation gross)</b>	<b>Class I accumulation gross</b>
Opening number of shares	1,400,192	127,719,944	7,203,015
Issues during the year	115,771	7,696,622	140,632
Cancellations during the year	(311,532)	(16,370,255)	(169,032)
Shares converted during the year	11,612	(354,955)	(7,174,615)
<b>Closing shares in issue</b>	<b>1,216,043</b>	<b>118,691,356</b>	<b>-</b>

## Notes to the financial statements (continued)

### 13 Financial derivatives

The fund may use financial derivatives for efficient portfolio management and meeting the investment objectives including risk reduction and implementation of investment policies.

Eligible collateral types are approved by the Investment Manager and are agreed with the relevant counterparty.

The counterparty exposure has been calculated using the positive marked-to-market value of the derivative contract with that counterparty.

At 30 June 2018 there was no collateral held in respect of derivatives (2017: nil) and there was cash of £230,000 pledged as collateral (2017: nil).

#### 2018

At 30 June 2018 the underlying exposure for each category of derivatives was as follows:

Counterparty	Forward foreign exchange contracts £000	Futures £000	Interest rate swaps £000
Barclays Bank	-	-	-
BNP Paribas	1	-	-
Citigroup	-	-	127
Goldman Sachs	-	-	69
JP Morgan	10	-	-
UBS	-	26	-
	<b>11</b>	<b>26</b>	<b>196</b>

Counterparty	Options £000	Swaptions £000	Total by counterparty £000
Barclays Bank	72	-	72
BNP Paribas	-	-	1
Citigroup	-	34	161
Goldman Sachs	-	-	69
JP Morgan	18	-	28
UBS	-	-	26
	<b>90</b>	<b>34</b>	<b>357</b>

#### 2017

At 30 June 2017 the underlying exposure for each category of derivatives held was as follows:

Counterparty	Forward foreign exchange contracts £000	Futures £000	Inflation index swaps £000
Barclays Bank	-	-	-
BNP Paribas	3	-	-
Citigroup	-	-	-
JP Morgan	28	-	15
UBS	10	49	-
	<b>41</b>	<b>49</b>	<b>15</b>

## Notes to the financial statements (continued)

### 13 Financial derivatives (continued)

2017 (continued)

Counterparty	Interest rate swaps £000	Total by counterparty £000
Barclays Bank	243	243
BNP Paribas	-	3
Citigroup	186	186
JP Morgan	76	119
UBS	-	59
	<b>505</b>	<b>610</b>

### 14 Stock lending

The fund and the Investment Manager have entered into a stock lending programme with BNP Paribas acting as the stock lending agent for the purposes of efficient portfolio management and to generate additional income.

Stock lending revenue is disclosed under 'Revenue' in the Statement of total return.

Eligible collateral types for Stock Lending and borrowing transactions are approved by the Investment Manager and may consist of securities issued or guaranteed by a Member State of the OECD or by their local authorities or supranational institutions and organisations with regional, EU and world-wide scope, generally subject to a minimum long term credit rating of at least A- by one or more major credit rating agency or listed equities on eligible markets. Collateral should be highly liquid and traded on a regulated market. Collateral is subject to a haircut on a sliding scale based on the combination of the underlying instrument being lent versus the asset being received as collateral. The value of collateral required will range from 102.50% to 110.00% of the value of the stock on loan.

2018 Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
Barclays Bank	1,352	1,423	Corporate Bond
Barclays Bank	58,313	60,860	Government Bond
	59,665	62,283	
Deutsche Bank	1,991	2,212	Equity
JP Morgan	2,708	2,859	Corporate Bond
JP Morgan	2,132	2,251	Government Bond
	4,840	5,110	
Natixis	58,611	65,761	Equity
	<b>125,107</b>	<b>135,366</b>	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	56	8	48

## Notes to the financial statements (continued)

### 13 Financial derivatives (continued)

2017 Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
Barclays Bank	490	526	Corporate Bond
Barclays Bank	20,610	22,146	Government Bond
	<u>21,100</u>	<u>22,672</u>	
Deutsche Bank	10,739	11,014	Government Bond
JP Morgan	8,395	8,605	Government Bond
Lloyds Bank	1,721	1,764	Government Bond
	<u>41,955</u>	<u>44,055</u>	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	51	8	43

### 15 Risk

#### Currency risk

The fund's net exposure to currency risk (including any instruments used to hedge foreign currencies) is considered insignificant. This is consistent with the exposure during the prior year.

#### Interest rate risk

The fund's exposure to interest rate risk is considered significant. The interest rate risk profile of the fund's financial assets and financial liabilities at the year end is set out in the following table:

	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
<b>2018</b>				
Australian dollar	134	-	26	160
Canadian dollar	-	-	55	55
Euro	246	-	28	274
Japanese yen	128	-	-	128
UK sterling	10,558	291,864	2,758	305,180
US dollar	328	-	34	362
<b>Total</b>	<u>11,394</u>	<u>291,864</u>	<u>2,901</u>	<u>306,159</u>
	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
<b>2017</b>				
Euro	51	-	2	53
Swedish krona	-	-	28	28
UK sterling	7,450	310,433	2,993	320,876
US dollar	408	-	35	443
<b>Total</b>	<u>7,909</u>	<u>310,433</u>	<u>3,058</u>	<u>321,400</u>

## Notes to the financial statements (continued)

### 15 Risk (continued)

#### Interest rate risk (continued)

	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing liabilities	Total
2018	£000	£000	£000	£000
Australian dollar	26	-	-	26
Canadian dollar	71	-	-	71
Czech koruna	-	-	22	22
Euro	39	-	75	114
Japanese yen	182	-	19	201
Norwegian krone	-	-	32	32
Polish zloty	-	-	9	9
UK sterling	822	-	525	1,347
US dollar	287	-	45	332
<b>Total</b>	<b>1,427</b>	<b>-</b>	<b>727</b>	<b>2,154</b>

	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing liabilities	Total
2017	£000	£000	£000	£000
Canadian dollar	83	-	-	83
Euro	100	-	-	100
UK sterling	1,229	-	497	1,726
US dollar	209	-	1	210
<b>Total</b>	<b>1,621</b>	<b>-</b>	<b>498</b>	<b>2,119</b>

#### Credit Ratings

	Market value £000	Percentage of net assets %
<b>2018</b>		
<b>Investments</b>		
Investment grade (AAA - BBB)	291,864	96.01
<b>Total debt securities</b>	<b>291,864</b>	<b>96.01</b>
Collective investment schemes	271	0.09
Derivatives	(362)	(0.12)
<b>Investment assets including investment liabilities</b>	<b>291,773</b>	<b>95.98</b>
Other net assets	12,232	4.02
<b>Total net assets</b>	<b>304,005</b>	<b>100.00</b>
	<b>Market value £000</b>	<b>Percentage of net assets %</b>
<b>2017</b>		
<b>Investments</b>		
Investment grade (AAA - BBB)	310,433	97.24
<b>Total debt securities</b>	<b>310,433</b>	<b>97.24</b>
Collective investment schemes	270	0.08
Derivatives	137	0.04
<b>Investment assets including investment liabilities</b>	<b>310,840</b>	<b>97.36</b>
Other net assets	8,441	2.64
<b>Total net assets</b>	<b>319,281</b>	<b>100.00</b>

## Notes to the financial statements (continued)

### 15 Risk (continued)

#### Sensitivity analysis

The actual VaR results, limits and utilisation of limits are summarised in the table below:

VaR Results	Global Exposure Calculation Basis	Actual Relative VaR for year			VaR limit	Utilisation of VaR limit		
		Minimum	Maximum	Average		Minimum	Maximum	Average
		%	%	%	%	%	%	%
2018	Relative VaR*	95.83	106.37	100.61	200	47.92	53.19	50.31
2017	Relative VaR*	91.29	102.83	99.27	200	45.65	51.42	49.64

\* Reference portfolio: FTSE Actuaries All Stock Gilt Index

#### Leverage

	Minimum	Maximum	Average
	%	%	%
2018	71.31	214.63	142.76
2017	24.14	74.42	45.53

#### Liquidity risk

The following table provides a maturity analysis of the fund's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
<b>2018</b>				
Amounts held at derivatives clearing houses and brokers	98	-	-	-
Bank overdrafts	823	-	-	-
Derivative financial liabilities	-	213	287	219
Distribution payable	-	9	-	-
Other creditors	-	505	-	-
<b>Total</b>	<b>921</b>	<b>727</b>	<b>287</b>	<b>219</b>
	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
<b>2017</b>				
Amounts held at derivatives clearing houses and brokers	48	-	-	-
Bank overdrafts	1,101	-	-	-
Derivative financial liabilities	-	1	-	472
Distribution payable	-	10	-	-
Other creditors	-	487	-	-
<b>Total</b>	<b>1,149</b>	<b>498</b>	<b>-</b>	<b>472</b>

## Notes to the financial statements (continued)

### 16 Fair value disclosure

#### Fair value measurement

The intention of a fair value measurement is to estimate the price at which an asset or a liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS 102 the fund classifies fair value measurement under the following levels:

#### Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

#### Level 2

Inputs other than quoted prices included within level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

#### Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

#### Fair value hierarchy

	2018		2017	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1	291,890*	89	310,481*	-
Level 2	602	630	832	473
Level 3	-	-	-	-
	<u>292,492</u>	<u>719</u>	<u>311,313</u>	<u>473</u>

\* Debt securities have been included in level 1, where their valuation is determined to be sufficiently close to a binding quoted price, amount to £291,863,655 as at 30 June 2018 (2017: £310,432,824).

### 17 Direct transaction costs

	Purchases		Sales	
	2018 £000	2017 £000	2018 £000	2017 £000
<b>Trades in the year</b>				
Debt securities	119,858	183,738	135,523	155,102
<b>Trades in the year before transaction costs</b>	<u>119,858</u>	<u>183,738</u>	<u>135,523</u>	<u>155,102</u>
<b>Transaction costs</b>				
<b>Commissions</b>				
Debt securities	-	-	-	-
<b>Total commissions</b>	-	-	-	-
<b>Taxes</b>				
Debt securities	-	-	-	-
<b>Total taxes</b>	-	-	-	-
<b>Other expenses</b>				
Debt securities	-	-	-	-
<b>Total other expenses</b>	-	-	-	-
<b>Total transaction costs</b>	-	-	-	-
<b>Total net trades in the year after transaction costs</b>	<u>119,858</u>	<u>183,738</u>	<u>135,523</u>	<u>155,102</u>

## Notes to the financial statements (continued)

### 17 Direct transaction costs (continued)

	Purchases		Sales	
	2018 %	2017 %	2018 %	2017 %
<b>Total transaction costs expressed as a percentage of asset type cost</b>				
<b>Commissions</b>				
Collective investment schemes	-	-	-	-
Debt securities	-	-	-	-
<b>Taxes</b>				
Collective investment schemes	-	-	-	-
Debt securities	-	-	-	-
<b>Other expenses</b>				
Collective investment schemes	-	-	-	-
Debt securities	-	-	-	-
	<b>2018</b>	<b>2017</b>		
	<b>%</b>	<b>%</b>		
<b>Total transaction costs expressed as a percentage of net asset value</b>				
Commissions	-	-		
Taxes	-	-		
Other expenses	-	-		
<b>Total costs</b>	<u>-</u>	<u>-</u>		

There were no in specie transfers during the year (2017: nil). There were no corporate actions during the year (2017: nil).

There were direct transaction costs associated with derivatives in the year of £5,566 (2017: £7,524) which is 0.00% of the average net asset value of the fund (2017: 0.00%).

Direct transaction costs are fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the fund. These exclude any differences between quoted bid and offer prices or internal administrative or holding costs.

Direct transaction costs related to bonds are not separately identifiable as with other financial instruments as the costs form part of the dealing spread and therefore are inherent within the purchase and sale prices of the trade.

The portfolio dealing spread as at 30 June 2018 was 0.00% (2017: 0.08%). The portfolio dealing spread is calculated at the fund's 12 noon valuation point.

### 18 Events after the Balance sheet date

There were no material post Balance sheet events which require disclosure within these financial statements.



## Distribution tables for the year ended 30 June 2018 (in pence per share)

### Interim interest distribution (accounting date 30 September 2017, paid on 30 November 2017)

Group 1 : shares purchased prior to 1 July 2017

Group 2 : shares purchased on or after 1 July 2017

	Distribution per share	Equalisation	Total distribution per share 30/11/17	Total distribution per share 30/11/16*
<b>Class A income</b>				
Group 1	0.3819	-	0.3819	0.3360
Group 2	-	0.3819	0.3819	0.3360
<b>Class D accumulation (formerly Class D accumulation gross)</b>				
Group 1	0.5070	-	0.5070	0.5399
Group 2	0.0775	0.4295	0.5070	0.5399
<b>Class I accumulation</b>				
Group 1	0.9093	-	0.9093	0.7840
Group 2	0.2197	0.6896	0.9093	0.7840
<b>Class I income</b>				
Group 1	0.5708	-	0.5708	0.4972
Group 2	0.0956	0.4752	0.5708	0.4972
<b>Class Z accumulation (formerly Class Z accumulation gross)</b>				
Group 1	0.8687	-	0.8687	0.9179
Group 2	0.3376	0.5311	0.8687	0.9179
<b>Class I accumulation gross</b>				
Group 1	0.9819	-	0.9819	1.0565
Group 2	0.9003	0.0816	0.9819	1.0565

\* Distributions on Class A income, Class I accumulation and Class I income prior to 6 April 2017 are shown net of 20% income tax.

## Distribution tables (continued)

### Interim interest distribution (accounting date 31 December 2017, paid on 28 February 2018)

Group 1 : shares purchased prior to 1 October 2017

Group 2 : shares purchased on or after 1 October 2017

	Distribution per share	Equalisation	Total distribution per share 28/02/18	Total distribution per share 28/02/17*
<b>Class A income</b>				
Group 1	0.4916	-	0.4916	0.3402
Group 2	0.2043	0.2873	0.4916	0.3402
<b>Class D accumulation (formerly Class D accumulation gross)</b>				
Group 1	0.5854	-	0.5854	0.5356
Group 2	0.1210	0.4644	0.5854	0.5356
<b>Class I accumulation</b>				
Group 1	1.0830	-	1.0830	0.7815
Group 2	0.8102	0.2728	1.0830	0.7815
<b>Class I income</b>				
Group 1	0.6779	-	0.6779	0.4944
Group 2	0.0120	0.6659	0.6779	0.4944
<b>Class Z accumulation (formerly Class Z accumulation gross)</b>				
Group 1	0.9817	-	0.9817	0.9066
Group 2	0.5717	0.4100	0.9817	0.9066
<b>Class I accumulation gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	1.0562
Group 2	n/a	n/a	n/a	1.0562

<sup>1</sup> Class I accumulation gross closed on 2 October 2017.

\* Distributions on Class A income, Class I accumulation and Class I income prior to 6 April 2017 are shown net of 20% income tax.

## Distribution tables (continued)

### Interim interest distribution (accounting date 31 March 2018, paid on 31 May 2018)

Group 1: shares purchased prior to 1 January 2018

Group 2: shares purchased on or after 1 January 2018

	Distribution per share	Equalisation	Total distribution per share 31/05/18	Total distribution per share 31/05/17
<b>Class A income</b>				
Group 1	0.4634	-	0.4634	0.3926
Group 2	-	0.4634	0.4634	0.3926
<b>Class D accumulation (formerly Class D accumulation gross)</b>				
Group 1	0.5609	-	0.5609	0.5062
Group 2	0.1791	0.3818	0.5609	0.5062
<b>Class I accumulation</b>				
Group 1	1.0325	-	1.0325	0.9119
Group 2	0.2334	0.7991	1.0325	0.9119
<b>Class I income</b>				
Group 1	0.6442	-	0.6442	0.5756
Group 2	0.1350	0.5092	0.6442	0.5756
<b>Class Z accumulation (formerly Class Z accumulation gross)</b>				
Group 1	0.9439	-	0.9439	0.8618
Group 2	0.2655	0.6784	0.9439	0.8618
<b>Class I accumulation gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	0.9898
Group 2	n/a	n/a	n/a	0.9898

<sup>1</sup> Class I accumulation gross closed on 2 October 2017.

## Distribution tables (continued)

### Final interest distribution (accounting date 30 June 2018, paid on 31 August 2018)

Group 1: shares purchased prior to 1 April 2018

Group 2: shares purchased on or after 1 April 2018

	Distribution per share	Equalisation	Total distribution per share 31/08/18	Total distribution per share 31/08/17
<b>Class A income</b>				
Group 1	0.4336	-	0.4336	0.3713
Group 2	0.0594	0.3742	0.4336	0.3713
<b>Class D accumulation (formerly Class D accumulation gross)</b>				
Group 1	0.5453	-	0.5453	0.4948
Group 2	0.1346	0.4107	0.5453	0.4948
<b>Class I accumulation</b>				
Group 1	0.9921	-	0.9921	0.8909
Group 2	0.6632	0.3289	0.9921	0.8909
<b>Class I income</b>				
Group 1	0.6172	-	0.6172	0.5607
Group 2	0.3425	0.2747	0.6172	0.5607
<b>Class Z accumulation (formerly Class Z accumulation gross)</b>				
Group 1	0.9228	-	0.9228	0.8506
Group 2	0.3409	0.5819	0.9228	0.8506
<b>Class I accumulation gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	0.9529
Group 2	n/a	n/a	n/a	0.9529

<sup>1</sup> Class I accumulation gross closed on 2 October 2017.

# Janus Henderson Preference & Bond Fund (formerly Henderson Preference & Bond Fund)

## Authorised Corporate Director's (ACD) report

### Investment Fund Managers

Jenna Barnard, John Pattullo and Rebecca Young

Please note that as of 29 March 2018, Rebecca Young also managed this fund.

### Investment objective and policy

To provide a return by investing primarily in preference shares, Government securities, corporate bonds, Eurobonds and other bonds. Where the fund invests in currencies other than sterling, the fund will always be hedged at least 80% to sterling in aggregate. The fund may invest in other transferable securities, money market instruments and forward transactions, deposits and units in collective investment schemes. The fund may use financial instruments, known as derivatives, to achieve the fund's investment objective and for the purpose of efficient portfolio management (or other equivalent description) which aims to reduce risk, reduce cost or generate additional capital or income with a level of risk consistent with that of the risk profile of the fund.

### Performance summary

	30 Jun 17 - 30 Jun 18	30 Jun 16 - 30 Jun 17	30 Jun 15 - 30 Jun 16	30 Jun 14 - 30 Jun 15	30 Jun 13 - 30 Jun 14
	%	%	%	%	%
<b>Janus Henderson Preference &amp; Bond Fund</b>	(0.7)	8.2	2.6	2.1	10.7

Source: Morningstar, bid to bid and net of fees as at valuation point, based on performance of Class A income. The fund is not running against a specific benchmark, for internal risk monitoring, the IA OE £ Strategic Bond Sector is used.

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.

### Significant portfolio changes for the year ended 30 June 2018

<b>Largest purchases</b>	<b>£000</b>	<b>Largest sales/maturities</b>	<b>£000</b>
Germany (Federal Republic of) 1.25% 15/08/2048	34,132	Germany (Federal Republic of) 1.25% 15/08/2048	34,284
UK Treasury 0.75% 22/07/2023	32,170	Australia (Commonwealth of) 2.75% 21/04/2024	11,494
Australia (Commonwealth of) 3.25% 21/04/2025	25,272	Unitymedia Hessen 3.75% 15/01/2027	10,991
US Treasury 2.75% 15/11/2023	24,488	HSBC Bank 5.844% Perpetual	9,858
Australia (Commonwealth of) 2.75% 21/04/2024	23,424	Iron Mountain 6.125% 15/09/2022	8,477
Canada (Government of) 1.00% 01/06/2027	16,611	Arqiva Broadcast Finance 9.50% 31/03/2020	8,286
Australia (Commonwealth of) 3.75% 21/04/2037	8,909	Ardagh Packaging Finance 6.75% 15/05/2024	8,055
Reynolds 7.00% 15/07/2024	8,799	Newell Rubbermaid 5.5% 01/04/2046	7,783
T-Mobile USA 4.75% 01/02/2028	8,599	AT&T 5.25% 01/03/2037	7,599
Bacardi 4.45% 15/05/2025	8,511	Reynolds American 6.15% 15/09/2043	7,563
<b>Total purchases</b>	<b>592,402</b>	<b>Total sales/maturities</b>	<b>481,296</b>

### Investment review

The year began with a macroeconomic backdrop characterised primarily by low volatility (meaning prices were relatively stable), both in government bond markets and risk assets. As a result, credit spreads (the difference in the yield of corporate bonds over equivalent government bonds) continued to compress over the first half of the year at a relatively steady pace, albeit with brief corrections in August and November. Beneath the surface there were some surprises, such as the Bank of England's signalling in September for a November rate hike, which caught the market off-guard; ongoing headlines regarding the UK's exit from the European Union; and political issues related to the Trump presidency. However, none of these events were large enough to move us out of the small trading ranges we had experienced for government bonds since the start of 2017.

Coming into 2018, equities and risk assets rallied significantly. The strength of equities almost pulled up bond yields (prices move inversely to yields) as the market priced in more growth and inflation, and hence more US interest rate rises. Equities experienced a significant correction going into February and the narrative of the market continued to evolve towards less concern about an overheating economy and inflation and more concern about tightening financial conditions and risk aversion. By May, the lagged impact of tighter US financial conditions around the world began to surface in earnest. The combination of higher US dollar funding rates and a stronger dollar exposed many political and economic vulnerabilities in countries such as Turkey, Argentina, Brazil and, of course, Italy. European Central Bank (ECB) President Mario Draghi announced a cautious exit from quantitative easing (central bank liquidity measures) while stating that European rates will not rise until through summer 2019. The ECB meeting in Sintra focused heavily on the puzzle of limited global wage growth and the fact it is not getting passed on, something we have highlighted many times. Growth in the US accelerated over the year, whereas UK growth faded and European growth looks to have peaked at the end of 2017.

For the full year, modest positive returns were delivered by high yield bond markets. Outside the US, both investment grade credit and government bond markets in the developed world ended the year with small positive returns. US Treasuries and US investment grade credit were the clear underperformers and lost money on the year; the latter saw spreads widen due to a barrage of late cycle M&A supply re-pricing secondary price levels.

The fund returned -0.7% over the year versus the IA £ Strategic Bond sector average, returning 0.4%. The underperformance of the fund was primarily driven by our holding in US investment grade credit. Key positive contributors to performance included our holding in long-dated Tesco bonds. The company announced two separate bond tenders and continued a solid deleveraging profile, leading to expectations of a return to investment grade over the next year or two. Long-dated legacy Tier 1 banking bonds were also strong contributors to performance, benefiting from capital uplift over the year and a benign environment for risk assets.

In terms of fund activity, we participated in a number of new issues including T-Mobile, Vodafone and Anheuser-Busch InBev – but only occasionally and when the new issue premium was meaningful. We sold our Altice holding, reflecting the weakness of the French business and its share price, now viewing this company as a victim of technological disruption and having a tainted capital structure in terms of the market's perception. This kind of action fits with our generalised sell discipline.

Derivatives remain an important tool for managing the interest rate sensitivity of the fund and we took an active approach during the year, as is our style. This contributed positively to performance. For example, given a continued upswing in growth and breakout in commodity and risk asset prices at the end of 2017, we used derivatives to hedge out some medium and long US duration allocation, concerned that the first quarter of 2018 would be perceived as a reflationary trade for many. The first quarter of the year is also often a seasonally weak period for government bonds, so we were happy to be patient and let duration run its course.

We believe we are in the late stages of the current business and market cycle, which began in early 2009. Indicators of this include: record levels of merger and acquisition and leveraged buyout activity; a flattening yield curve; a strong oil price; a strong dollar; and an increasingly narrow sector leadership in equity markets. We believe global growth has likely peaked and inflation is in the process of peaking. We are more concerned about a slowdown in growth and the impact that could have on risk assets, rather than an overheating US economy. We continue to see a world facing a number of structurally challenging forces that are weighing down on inflation and growth over the long term (such as technology, demographics and debt trauma).

Against this backdrop, we continue to have sympathy with a longer duration positioning, although we remain nimble with our duration management of the portfolio. We need to continue to hold a reasonable allocation to credit in order to generate the quarterly income for our investors. At this time in the cycle, this may involve a degree of capital volatility, but hopefully not destruction. With this in mind, we try to invest at sensible yields in predominately large cap, non-cyclical, reason to exist credits with sustainable cash flows. We believe the second half of 2018 could well present some interesting bond opportunities if growth slows as we expect.

## Comparative tables for the year ended 30 June 2018

	Class A income		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	53.72	51.92	52.68
Return before operating charges*	0.54	4.92	2.13
Operating charges	(0.76)	(0.76)	(0.74)
Return after operating charges*	(0.22)	4.16	1.39
Distributions on income shares	(2.29)	(2.36)	(2.15)
Closing net asset value per share	51.21	53.72	51.92
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	(0.41%)	8.01%	2.64%
<b>Other information</b>			
Closing net asset value (£000s)	131,832	142,653	144,318
Closing number of shares	257,427,871	265,532,975	277,976,365
Operating charges	1.41%	1.41%	1.41%
Direct transaction costs	0.01%	0.01%	0.00%
<b>Prices</b>			
Highest share price (pence)	54.67	54.79	53.55
Lowest share price (pence)	51.84	52.30	50.78

	Class I accumulation		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	142.06	130.42	126.12
Return before operating charges*	1.31	13.31	6.53
Operating charges	(1.00)	(0.95)	(0.90)
Return after operating charges*	0.31	12.36	5.63
Distributions on accumulation shares	(6.26)	(6.87)	(6.64)
Retained distributions on accumulation shares <sup>^</sup>	6.26	6.15	5.31
Closing net asset value per share	142.37	142.06	130.42
* after direct transaction costs of:	0.01	0.01	-
<b>Performance</b>			
Return after charges	0.22%	9.48%	4.46%
<b>Other information</b>			
Closing net asset value (£000s)	64,091	55,619	55,099
Closing number of shares	45,018,319	39,153,094	42,247,026
Operating charges	0.69%	0.69%	0.70%
Direct transaction costs	0.01%	0.01%	0.00%
<b>Prices</b>			
Highest share price (pence)	146.50	143.30	131.70
Lowest share price (pence)	142.40	131.40	124.60

<sup>^</sup> Retained distributions prior to 6 April 2017 are net of 20% income tax.

## Comparative tables (continued)

	Class I income		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	57.90	55.58	56.03
Return before operating charges*	0.56	5.30	2.26
Operating charges	(0.40)	(0.40)	(0.39)
Return after operating charges*	0.16	4.90	1.87
Distributions on income shares	(2.51)	(2.58)	(2.32)
Closing net asset value per share	55.55	57.90	55.58
* after direct transaction costs of:	-	-	-

### Performance

Return after charges	0.28%	8.82%	3.34%
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### Other information

Closing net asset value (£000s)	585,139	359,628	336,505
Closing number of shares	1,053,392,355	621,170,663	605,420,037
Operating charges	0.69%	0.69%	0.70%
Direct transaction costs	0.01%	0.01%	0.00%

### Prices

Highest share price (pence)	59.00	59.05	56.99
Lowest share price (pence)	56.22	56.00	54.23

	Class Z accumulation		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	214.87	196.01	188.29
Return before operating charges*	1.97	20.04	9.80
Operating charges	(0.09)	(0.08)	(0.08)
Return after operating charges*	1.88	19.96	9.72
Distributions on accumulation shares	(9.61)	(10.47)	(10.04)
Retained distributions on accumulation shares <sup>^</sup>	9.61	9.37	8.04
Closing net asset value per share	216.75	214.87	196.01
* after direct transaction costs of:	0.02	0.01	-

### Performance

Return after charges	0.87%	10.18%	5.16%
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### Other information

Closing net asset value (£000s)	20,032	20,987	19,229
Closing number of shares	9,242,240	9,766,960	9,810,214
Operating charges	0.04%	0.04%	0.04%
Direct transaction costs	0.01%	0.01%	0.00%

### Prices

Highest share price (pence)	222.40	216.70	197.90
Lowest share price (pence)	215.40	197.50	186.90

<sup>^</sup> Retained distributions prior to 6 April 2017 are net of 20% income tax.



## Comparative tables (continued)

	Class A income gross		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	54.39	52.56	53.33
Return before operating charges*	1.06	5.30	2.69
Operating charges	(0.20)	(0.77)	(0.75)
Return after operating charges*	0.86	4.53	1.94
Distributions on income shares	(0.60)	(2.70)	(2.71)
Final cancellation price	(54.65) <sup>1</sup>	-	-
Closing net asset value per share	-	54.39	52.56
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	1.58%	8.62%	3.64%
<b>Other information</b>			
Closing net asset value (£000s)	-	1,993	2,368
Closing number of shares	-	3,665,145	4,506,128
Operating charges	1.41%	1.41%	1.41%
Direct transaction costs	0.01%	0.01%	0.00%
<b>Prices</b>			
Highest share price (pence)	55.35 <sup>2</sup>	55.55	54.26
Lowest share price (pence)	54.46 <sup>2</sup>	52.95	51.46

<sup>1</sup> Class A income gross closed on 2 October 2017 and this is the final cancellation price.

<sup>2</sup> to 2 October 2017

	Class I income gross		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	58.73	56.38	56.84
Return before operating charges*	1.15	5.69	2.84
Operating charges	(0.11)	(0.40)	(0.40)
Return after operating charges*	1.04	5.29	2.44
Distributions on income shares	(0.66)	(2.94)	(2.90)
Final cancellation price	(59.11) <sup>3</sup>	-	-
Closing net asset value per share	-	58.73	56.38
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	1.77%	9.38%	4.29%
<b>Other information</b>			
Closing net asset value (£000s)	-	168,064	143,682
Closing number of shares	-	286,159,637	254,826,432
Operating charges	0.69%	0.69%	0.70%
Direct transaction costs	0.01%	0.01%	0.00%
<b>Prices</b>			
Highest share price (pence)	59.85 <sup>4</sup>	59.91	57.87
Lowest share price (pence)	58.83 <sup>4</sup>	56.81	55.08

<sup>3</sup> Class I income gross closed on 2 October 2017 and this is the final cancellation price.

<sup>4</sup> to 2 October 2017

## Comparative tables (continued)

	Class Z accumulation gross		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	253.10	229.51	218.10
Return before operating charges*	4.93	23.69	11.50
Operating charges	(0.03)	(0.10)	(0.09)
Return after operating charges*	4.90	23.59	11.41
Distributions on accumulation shares	(2.86)	(12.70)	(11.65)
Retained distributions on accumulation shares	2.86	12.70	11.65
Final cancellation price	(258.00) <sup>5</sup>	-	-
Closing net asset value per share	-	253.10	229.51
* after direct transaction costs of:	0.02	0.02	-
<b>Performance</b>			
Return after charges	1.94%	10.28%	5.23%
<b>Other information</b>			
Closing net asset value (£000s)	-	213	2
Closing number of shares	-	84,375	1,000
Operating charges	0.04%	0.04%	0.04%
Direct transaction costs	0.01%	0.01%	0.00%
<b>Prices</b>			
Highest share price (pence)	258.20 <sup>6</sup>	255.10	231.60
Lowest share price (pence)	253.60 <sup>6</sup>	231.30	218.00

<sup>5</sup> Class Z accumulation gross closed on 2 October 2017 and this is the final cancellation price.

<sup>6</sup> to 2 October 2017

Direct transaction costs incurred on securities transactions (including derivatives) are stated after deducting the proportion of the amounts collected from dilution adjustments that relate to direct transaction costs.

Performance values are at close of business and may differ from the performance summary.

### Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

### Share class launches and closures

There were no share classes launched during the year. The following share classes closed during the year:

Share class	Closure date
Class A income gross	2 October 2017
Class I income gross	2 October 2017
Class Z accumulation gross	2 October 2017

As there is no longer any difference between gross and net share classes, investors in Class A income gross, Class I income gross and Class Z accumulation gross have been combined into Class A income, Class I income and Class Z accumulation respectively. This removes the administration cost of running two separate share classes that are otherwise identical.

## Ongoing charge figure

The annualised ongoing charge figure (OCF) of the fund is calculated as the ratio of the total ongoing charges to the average net asset value for twelve months. Ongoing charges are all expenses deducted from the assets of the fund during the year, except for expenses that are explicitly excluded by regulation.

	<b>2018</b> %	<b>2017</b> %
<b>Class A</b>	1.41	1.41
<b>Class I</b>	0.69	0.69
<b>Class Z</b>	0.04	0.04

The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

## Risk and reward profile

The fund currently has 4 types of share class in issue; A income, I accumulation, I income and Z accumulation.

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 and any income from it 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 share classes appear at 3 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events.

The full list of the fund's risks are contained in the 'Risk Factors' section of the funds prospectus.

There have been no changes to the risk ratings in the year.

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

## Portfolio statement as at 30 June 2018

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Equities 1.82% (2017: 1.94%)</b>		
	<b>United Kingdom 1.82% (2017: 1.91%)</b>		
	<b>Consumer Goods 0.00% (2017: 0.00%)</b>		
310,000	Whitnash 6.5% Preference <sup>1</sup>	-	-
550,000	Whitnash 9% Preference <sup>1</sup>	-	-
		-	-
	<b>Financials 1.82% (2017: 1.91%)</b>		
95,700	Nationwide Building Society CDDS	14,554	1.82
	<b>United States 0.00% (2017: 0.03%)</b>		
	<b>Financials 0.00% (2017: 0.03%)</b>		
	<b>Bonds 95.48% (2017: 92.18%)</b>		
	<b>Australia 5.68% (2017: 0.00%)</b>		
	<b>Fixed Rate Bond 5.68% (2017: 0.00%)</b>		
AUD 20,000,000	Australia (Commonwealth of) 2.75% 21/04/2024	11,414	1.42
AUD 43,000,000	Australia (Commonwealth of) 3.25% 21/04/2025	25,226	3.15
AUD 14,200,000	Australia (Commonwealth of) 3.75% 21/04/2037	8,888	1.11
		45,528	5.68
	<b>Belgium 1.37% (2017: 0.00%)</b>		
	<b>Fixed Rate Bond 1.37% (2017: 0.00%)</b>		
USD 5,500,000	Anheuser-Busch InBev Finance 2.65% 01/02/2021	4,108	0.52
AUD 6,000,000	FBG Finance 4.10% 06/09/2027	3,393	0.42
USD 5,000,000	Telenet Finance Luxembourg 5.50% 01/03/2028	3,446	0.43
		10,947	1.37
	<b>Canada 2.94% (2017: 1.18%)</b>		
	<b>Fixed Rate Bond 2.94% (2017: 1.18%)</b>		
CAD 32,000,000	Canada (Government of) 1.00% 01/06/2027	16,708	2.08
USD 7,035,000	Cott 5.50% 01/04/2025	5,182	0.65
USD 2,344,000	1011778 BC / New Red Finance 5.00% 15/10/2025	1,680	0.21
		23,570	2.94
	<b>France 0.90% (2017: 2.22%)</b>		
	<b>Fixed Rate Bond 0.51% (2017: 0.67%)</b>		
USD 5,500,000	Orange 1.625% 03/11/2019	4,089	0.51
	<b>Secured Loans 0.00% (2017: 0.89%)<sup>2</sup></b>		
	<b>Variable Rate Bond 0.39% (2017: 0.66%)</b>		
USD 2,317,000	AXA 6.379% Perpetual	1,855	0.23
GBP 1,166,000	Orange 5.75% Perpetual	1,255	0.16
		3,110	0.39
	<b>Germany 0.88% (2017: 2.49%)</b>		
	<b>Fixed Rate Bond 0.88% (2017: 2.13%)</b>		
USD 5,800,000	Deutsche Telekom International Finance 1.95% 19/09/2021	4,188	0.53
EUR 267,000	Unitymedia Hessen 3.50% 15/01/2027	246	0.03
EUR 1,675,000	Unitymedia Hessen 3.75% 15/01/2027	1,544	0.19
EUR 650,000	Unitymedia Hessen 4.00% 15/01/2025	601	0.07
USD 650,000	Unitymedia 5.00% 15/01/2025	498	0.06
		7,077	0.88

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Secured Loans 0.00% (2017: 0.36%)<sup>2</sup></b>			
<b>Ireland 1.20% (2017: 2.68%)</b>			
<b>Fixed Rate Bond 1.20% (2017: 2.68%)</b>			
USD 1,165,000	Ardagh Packaging Finance 6.00% 15/02/2025	859	0.11
EUR 3,962,000	Ardagh Packaging Finance 6.75% 15/05/2024	3,763	0.47
USD 930,000	Ardagh Packaging Finance 7.25% 15/05/2024	733	0.09
USD 6,000,000	Bank of Ireland 4.125% 19/09/2027	4,278	0.53
		<u>9,633</u>	<u>1.20</u>
<b>Luxembourg 1.30% (2017: 1.77%)</b>			
<b>Fixed Rate Bond 1.01% (2017: 0.60%)</b>			
EUR 8,890,000	SIG Combibloc 7.75% 15/02/2023	8,129	1.01
<b>Secured Loans 0.29% (2017: 1.17%)<sup>2</sup></b>			
USD 1,670,034	Siemens Audiology FRN 17/01/2022	1,267	0.16
EUR 1,168,855	Siemens Audiology FRN 17/01/2022	1,033	0.13
		<u>2,300</u>	<u>0.29</u>
<b>Netherlands 2.22% (2017: 0.58%)</b>			
<b>Fixed Rate Bond 1.29% (2017: 0.58%)</b>			
USD 5,000,000	Heineken 3.50% 29/01/2028	3,644	0.46
EUR 3,700,000	Interxion 4.75% 15/06/2025	3,284	0.41
EUR 1,000,000	Sigma Holdco 5.75% 15/05/2026	825	0.10
USD 3,640,000	Sigma Holdco 7.875% 15/05/2026	2,592	0.32
		<u>10,345</u>	<u>1.29</u>
<b>Secured Loans 0.93% (2017: 0.00%)<sup>2</sup></b>			
USD 2,180,000	Flora Food FRN 07/03/2025	1,634	0.20
GBP 5,900,000	Flora Food FRN 07/03/2025 Term B	5,800	0.73
		<u>7,434</u>	<u>0.93</u>
<b>New Zealand 0.00% (2017: 0.68%)</b>			
<b>Fixed Rate Bond 0.00% (2017: 0.68%)</b>			
<b>Sweden 0.00% (2017: 0.73%)</b>			
<b>Fixed Rate Bond 0.00% (2017: 0.73%)</b>			
<b>Switzerland 3.35% (2017: 4.30%)</b>			
<b>Variable Rate Bond 3.35% (2017: 4.30%)</b>			
USD 3,700,000	Credit Suisse 6.25% Perpetual	2,740	0.34
USD 16,000,000	UBS 6.875% Perpetual	12,418	1.55
GBP 10,400,000	Zurich Finance UK 6.625% Perpetual	11,673	1.46
		<u>26,831</u>	<u>3.35</u>
<b>United Kingdom 40.39% (2017: 42.14%)</b>			
<b>Asset Backed 0.87% (2017: 0.85%)</b>			
GBP 4,330,000	Canary Wharf Finance II FRN 22/10/2037	3,900	0.49
GBP 9,969,144	DECO Series FRN 27/01/2036 <sup>3</sup>	-	-
GBP 2,627,407	Tesco Property Finance 5.744% 13/04/2040	3,046	0.38
		<u>6,946</u>	<u>0.87</u>

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Fixed Rate Bond 25.70% (2017: 23.91%)</b>			
USD 11,898,000	Bacardi 4.45% 15/05/2025	8,981	1.12
GBP 6,900,000	Barclays VAR Perpetual	7,081	0.88
USD 3,846,000	BAT Capital 2.764% 15/08/2022	2,793	0.35
GBP 7,000,000	Cattles 6.875% Perpetual <sup>3</sup>	-	-
GBP 2,000,000	CPUK Finance 2.666% 28/02/2020	2,032	0.25
GBP 5,500,000	CPUK Finance 4.25% 28/08/2022	5,527	0.69
GBP 1,100,000	CPUK Finance 4.875% 28/08/2025	1,103	0.14
GBP 6,507,000	Daily Mail & General Trust 5.75% 07/12/2018	6,620	0.83
GBP 4,856,000	Friends Life Holdings 12.00% 21/05/2021	6,178	0.77
GBP 1,140,000	Friends Life Holdings 8.25% 21/04/2022	1,380	0.17
GBP 6,300,000	Heathrow Funding 6.00% 20/03/2020	6,776	0.85
GBP 5,250,000	HSBC Bank 5.375% 22/08/2033	6,379	0.80
GBP 2,700,000	Imperial Tobacco Finance 9.00% 17/02/2022	3,358	0.42
USD 4,000,000	Nationwide Building Society 4.00% 14/09/2026	2,830	0.35
GBP 11,700,000	PGH Capital 6.625% 18/12/2025	12,883	1.61
GBP 4,750,000	Phoenix 4.125% 20/07/2022	4,860	0.61
USD 4,200,000	Prudential 4.375% Perpetual	2,482	0.31
USD 4,200,000	Prudential 4.875% Perpetual	2,728	0.34
GBP 3,000,000	Prudential 5.00% 20/07/2055	3,024	0.38
GBP 800,000	Prudential 6.125% 19/12/2031	974	0.12
USD 2,130,000	Royal Bank of Scotland 7.648% Perpetual	2,021	0.25
USD 4,651,000	Santander UK 4.75% 15/09/2025	3,440	0.43
GBP 6,000,000	Scottish Widows 5.50% 16/06/2023	6,569	0.82
GBP 2,260,000	Scottish Widows 7.00% 16/06/2043	2,719	0.34
GBP 2,500,000	Segro 5.625% 07/12/2020	2,736	0.34
USD 5,700,000	Standard Life Aberdeen 4.25% 30/06/2048	4,051	0.51
GBP 4,800,000	Tesco 5.20% 05/03/2057	5,673	0.71
GBP 5,200,000	Tesco 5.50% 13/01/2033	6,067	0.76
GBP 3,450,000	Tesco 6.125% 24/02/2022	3,912	0.49
GBP 3,800,000	TP ICAP 5.25% 26/01/2024	3,898	0.49
GBP 32,800,000	UK Treasury 0.75% 22/07/2023	32,358	4.03
GBP 20,000,000	UK Treasury 1.25% 22/07/2018	20,009	2.50
GBP 2,955,000	Virgin Media Finance 6.375% 15/10/2024	3,067	0.38
GBP 10,115,000	Virgin Media Secured Finance 6.25% 28/03/2029	10,558	1.32
USD 2,218,000	Vodafone 2.95% 19/02/2023	1,621	0.20
AUD 3,900,000	Vodafone 3.25% 13/12/2022	2,165	0.27
USD 4,929,000	Vodafone 4.125% 30/05/2025	3,719	0.46
GBP 2,864,000	WM Morrison Supermarkets 4.75% 04/07/2029	3,306	0.41
		<u>205,878</u>	<u>25.70</u>
<b>Secured Loans 1.24% (2017: 0.82%)<sup>2</sup></b>			
USD 5,904,240	Formula One FRN 01/02/2024	4,407	0.54
GBP 2,460,000	Froneri International FRN 31/01/2025	2,446	0.31
GBP 3,100,000	ZPG FRN 31/05/2025	3,085	0.39
		<u>9,938</u>	<u>1.24</u>
<b>Stepped Rate Bond 3.07% (2017: 2.99%)</b>			
GBP 12,182,000	Co-Operative Bank 7.50% 08/07/2026	14,609	1.82
GBP 4,900,000	Royal Bank of Scotland 5.625% Perpetual	5,331	0.67
GBP 4,372,000	Standard Life 6.546% Perpetual	4,672	0.58
		<u>24,612</u>	<u>3.07</u>

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Variable Rate Bond 7.69% (2017: 11.66%)</b>			
GBP 9,000,000	Aviva 6.125% Perpetual	9,802	1.22
USD 7,540,000	Barclays Bank 6.278% Perpetual	6,154	0.77
GBP 14,447,000	BUPA Finance 6.125% Perpetual	15,302	1.91
USD 1,000,000	HBOS Capital Funding 6.85% Perpetual	764	0.10
GBP 9,008,000	HBOS Sterling Finance Jersey 7.881% Perpetual	13,121	1.64
USD 5,558,000	Lloyds Banking 6.657% Perpetual	4,495	0.56
GBP 3,510,000	National Westminster Bank 7.125% Perpetual	4,004	0.50
USD 1,598,000	RBS Capital Trust II FRN Perpetual	1,440	0.18
GBP 3,000,000	RSA Insurance VAR 10/10/2045	3,225	0.40
GBP 3,000,000	Standard Life 5.50% 04/12/2042	3,308	0.41
		<u>61,615</u>	<u>7.69</u>
<b>United States 35.25% (2017: 33.41%)</b>			
<b>Asset Backed 0.01% (2017: 0.02%)</b>			
GBP 1,168,628	Lehman Brothers Holdings 7.875% 08/05/2018 <sup>3</sup>	<u>44</u>	<u>0.01</u>
<b>Fixed Rate Bond 30.94% (2017: 29.99%)</b>			
USD 9,000,000	Altria 2.85% 09/08/2022	6,656	0.83
USD 7,268,000	Amazon.com 3.15% 22/08/2027	5,272	0.66
USD 13,300,000	Apple 3.35% 09/02/2027	9,838	1.22
USD 5,904,000	Aramark 4.75% 01/06/2026	4,321	0.54
USD 705,000	Aramark 5.00% 01/04/2025	531	0.07
USD 2,114,000	Aramark 5.125% 15/01/2024	1,601	0.20
USD 5,550,000	AT&T 3.60% 17/02/2023	4,142	0.52
USD 873,000	Ball 5.25% 01/07/2025	674	0.08
USD 5,000,000	Bank of America 6.30% Perpetual	4,000	0.50
USD 5,590,000	Berry Global 5.50% 15/05/2022	4,272	0.53
USD 1,861,000	Berry Plastics 5.125% 15/07/2023	1,397	0.17
USD 1,190,000	Boyd Gaming 6.375% 01/04/2026	913	0.11
USD 810,000	Boyd Gaming 6.875% 15/05/2023	643	0.08
USD 9,984,000	Catalent Pharma Solutions 4.875% 15/01/2026	7,262	0.91
USD 3,324,000	CCO Capital 5.00% 01/02/2028	2,304	0.29
USD 2,300,000	CCO Capital 5.875% 01/05/2027	1,701	0.21
USD 4,140,000	Citigroup 5.95% Perpetual	3,163	0.39
USD 4,470,000	Constellation Brands 3.70% 06/12/2026	3,267	0.41
USD 2,296,000	Constellation Brands 4.75% 15/11/2024	1,805	0.23
USD 7,102,000	Crown Americas Capital VI 4.75% 01/02/2026	5,110	0.64
USD 5,500,000	Crown Castle International 3.40% 15/02/2021	4,161	0.52
USD 1,002,000	CVS Health 4.30% 25/03/2028	749	0.09
USD 5,899,000	CyrusOne 5.375% 15/03/2027	4,435	0.55
USD 9,770,000	Diamond 1 & 2 Finance 6.02% 15/06/2026	7,773	0.97
USD 5,730,000	Diamond 1 & 2 Finance 8.10% 15/07/2036	5,096	0.64
USD 2,710,000	Digital Realty Trust 4.75% 01/10/2025	2,115	0.26
USD 2,500,000	EMC 3.375% 01/06/2023	1,771	0.22
EUR 5,300,000	Equinix 2.875% 01/10/2025	4,414	0.55
USD 4,500,000	Equinix 5.375% 01/04/2023	3,489	0.44
USD 2,290,000	First Data 5.75% 15/01/2024	1,735	0.22
USD 1,700,000	First Data 7.00% 01/12/2023	1,341	0.17
USD 1,671,000	HCA Holdings 5.00% 15/03/2024	1,266	0.16



## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Fixed Rate Bond (continued)</b>			
USD 4,790,000	HCA 5.25% 15/06/2026	3,603	0.45
USD 5,620,000	HCA 5.50% 15/06/2047	3,906	0.49
USD 2,538,000	Hilton Worldwide Finance 4.875% 01/04/2027	1,855	0.23
USD 1,180,000	HSBC Bank USA 5.875% 01/11/2034	1,018	0.13
USD 3,330,000	IHS Markit 5.00% 01/11/2022	2,544	0.32
USD 3,500,000	IMS Health 5.00% 15/10/2026	2,581	0.32
GBP 5,900,000	Iron Mountain UK 3.875% 15/11/2025	5,582	0.70
USD 2,720,000	Iron Mountain 4.875% 15/09/2027	1,898	0.24
USD 4,606,000	Iron Mountain 5.25% 15/03/2028	3,228	0.40
USD 1,425,000	Iron Mountain 5.375% 01/06/2026	1,025	0.13
USD 2,782,000	KFC/Pizza Hut/Taco Bell America 4.75% 01/06/2027	1,991	0.25
USD 4,115,000	Lamb Weston Holdings 4.875% 01/11/2026	3,031	0.38
USD 5,660,000	Lamb Weston 4.625% 01/11/2024	4,169	0.52
USD 2,836,000	Lions Gate Capital 5.875% 01/11/2024	2,174	0.27
USD 3,206,000	Maple Escrow Subsidiary 4.057% 25/05/2023	2,434	0.30
USD 2,825,000	Match 5.00% 15/12/2027	1,990	0.25
USD 5,500,000	McDonalds 2.75% 09/12/2020	4,138	0.52
USD 4,800,000	Microsoft 3.30% 06/02/2027	3,580	0.45
USD 5,800,000	Philip Morris International 1.875% 25/02/2021	4,253	0.53
USD 5,590,000	Priceline 3.60% 01/06/2026	4,120	0.51
USD 4,000,000	Quintiles Transnational 4.875% 15/05/2023	3,060	0.38
USD 7,580,000	Reynolds 7.00% 15/07/2024	5,863	0.73
USD 3,883,000	Salesforce.com 3.70% 11/04/2028	2,920	0.36
USD 6,446,000	Service International 4.625% 15/12/2027	4,612	0.58
USD 4,855,000	Silgan 4.75% 15/03/2025	3,493	0.44
USD 4,650,000	SiriusXM Radio 5.375% 15/04/2025	3,474	0.43
USD 4,000,000	SiriusXM Radio 6.00% 15/07/2024	3,087	0.39
USD 4,413,000	Sysco 3.55% 15/03/2025	3,276	0.41
USD 10,709,000	T-Mobile USA 4.50% 01/02/2026	7,574	0.95
USD 12,079,000	T-Mobile USA 4.75% 01/02/2028	8,474	1.05
USD 4,008,000	Total System Services 4.00% 01/06/2023	3,042	0.38
USD 33,000,000	US Treasury 2.75% 15/11/2023	24,987	3.11
USD 5,550,000	Verizon Communications 2.45% 01/11/2022	4,008	0.50
USD 2,522,000	VMware 3.90% 21/08/2027	1,764	0.22
USD 2,550,000	Zayo 5.75% 15/01/2027	1,898	0.24
		<u>247,869</u>	<u>30.94</u>
<b>Secured Loans 2.71% (2017: 1.63%)<sup>2</sup></b>			
USD 10,100,000	First Data FRN 26/04/2024	7,599	0.96
USD 4,899,285	Hilton FRN 25/10/2023 Term B2	3,709	0.46
USD 4,565,500	McAfee FRN 30/09/2024	3,472	0.43
EUR 2,183,500	McAfee FRN 30/09/2024	1,929	0.24
USD 4,764,719	SS&C Technologies FRN 16/04/2025 B3	3,607	0.45
USD 1,802,556	SS&C Technologies FRN 16/04/2025 B4	1,365	0.17
		<u>21,681</u>	<u>2.71</u>
<b>Variable Rate Bond 1.59% (2017: 1.77%)</b>			
USD 17,095,000	Wachovia Capital Trust III 5.56975% Perpetual	12,770	1.59

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Derivatives (0.19%) (2017: 0.68%)</b>			
<b>Futures 0.10% (2017: 0.00%)</b>			
360	CBT US 10 Year Note September 2018	(13)	-
484	ICE Long Gilt September 2018	7	-
208	MSE Canada 10 Year Bond September 2018	(133)	(0.02)
870	SFE Australia 10 Year Bond September 2018	814	0.10
652	SFE Australia 3 Year Bond September 2018	146	0.02
		<u>821</u>	<u>0.10</u>
<b>Swaps (0.03%) (2017: 0.00%)<sup>2</sup></b>			
<b>Credit Default Swaps (0.03%) (2017: 0.00%)<sup>2</sup></b>			
950,000	CDS 5.00% 20/12/2022 ADT Pay USD	(66)	(0.01)
2,100,000	CDS 5.00% 20/12/2022 ADT Pay USD	(145)	(0.02)
		<u>(211)</u>	<u>(0.03)</u>
<b>Forward Foreign Exchange Contracts (0.26%) (2017: 0.68%)<sup>2</sup></b>			
	Buy AUD 468,800 : Sell GBP 261,603 July 2018 <sup>4</sup>	-	-
	Buy AUD 502,000 : Sell GBP 281,381 July 2018	(1)	-
	Buy AUD 503,100 : Sell GBP 281,130 July 2018 <sup>4</sup>	-	-
	Buy AUD 522,900 : Sell GBP 292,032 July 2018 <sup>4</sup>	-	-
	Buy EUR 1,817,760 : Sell GBP 1,602,515 July 2018	6	-
	Buy EUR 4,677,190 : Sell GBP 4,093,404 July 2018	46	0.01
	Buy EUR 795,757 : Sell GBP 704,149 July 2018 <sup>4</sup>	-	-
	Buy EUR 854,614 : Sell GBP 750,100 July 2018	6	-
	Buy EUR 9,219 : Sell GBP 8,080 July 2018 <sup>4</sup>	-	-
	Buy GBP 16,457,813 : Sell CAD 29,052,734 July 2018	(260)	(0.03)
	Buy GBP 19,644,902 : Sell AUD 34,915,518 July 2018	124	0.02
	Buy GBP 212,727 : Sell EUR 242,767 July 2018	(2)	-
	Buy GBP 21,805 : Sell EUR 24,917 July 2018 <sup>4</sup>	-	-
	Buy GBP 25,271,866 : Sell AUD 45,150,000 July 2018	30	-
	Buy GBP 29,280 : Sell USD 38,972 July 2018 <sup>4</sup>	-	-
	Buy GBP 297,665 : Sell AUD 533,300 July 2018 <sup>4</sup>	-	-
	Buy GBP 312,356 : Sell USD 415,107 July 2018	(2)	-
	Buy GBP 346,855 : Sell USD 454,700 July 2018	3	-
	Buy GBP 364,119 : Sell CAD 636,600 July 2018	(2)	-
	Buy GBP 398,601,385 : Sell USD 529,014,306 July 2018	(1,663)	(0.21)
	Buy GBP 40,488,665 : Sell EUR 46,234,903 July 2018	(427)	(0.05)
	Buy GBP 4,488,272 : Sell AUD 8,003,759 July 2018	14	-
	Buy GBP 542,577 : Sell USD 722,169 July 2018	(4)	-
	Buy GBP 815,020 : Sell USD 1,083,173 July 2018	(5)	-
	Buy GBP 85,419 : Sell USD 113,480 July 2018 <sup>4</sup>	-	-
	Buy USD 10,804,462 : Sell AUD 14,500,000 July 2018	68	0.01
	Buy USD 169,100 : Sell GBP 128,142 July 2018 <sup>4</sup>	-	-
	Buy USD 191,246 : Sell GBP 143,971 July 2018	1	-
	Buy USD 1,946,017 : Sell GBP 1,465,764 July 2018	7	-
	Buy USD 2,081,175 : Sell GBP 1,570,751 July 2018	4	-
	Buy USD 272,155 : Sell GBP 205,936 July 2018 <sup>4</sup>	-	-
	Buy USD 32,692 : Sell GBP 24,834 July 2018 <sup>4</sup>	-	-
	Buy USD 3,781,128 : Sell GBP 2,872,358 July 2018	(11)	-

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Forward Foreign Exchange Contracts</b> <small>(continued)</small>		
	Buy USD 5,399,329 : Sell GBP 4,097,898 July 2018	(13)	-
	Buy USD 7,603,586 : Sell GBP 5,800,722 July 2018	(48)	(0.01)
	Buy USD 998,625 : Sell GBP 756,809 July 2018	(1)	-
		<u>(2,130)</u>	<u>(0.26)</u>
	<b>Investment assets including investment liabilities</b>	<b>763,380</b>	<b>95.29</b>
	Other net assets	37,714	4.71
	<b>Total net assets</b>	<b><u>801,094</u></b>	<b><u>100.00</u></b>

<sup>1</sup> Suspended or delisted securities

<sup>2</sup> Unquoted securities

<sup>3</sup> Defaulted

<sup>4</sup> Due to rounding to nearest £1,000

All investments are listed on recognised stock exchanges and are "approved securities" within the meaning of FCA rules unless otherwise stated.

Prior year comparative percentages have changed for some sectors due to reclassification within these sectors.

## Statement of total return for the year ended 30 June 2018

	Note	2018		2017	
		£000	£000	£000	£000
Income					
Net capital (losses)/gains	2		(27,079)		35,294
Revenue	3	33,300		36,457	
Expenses	4	(6,258)		(6,018)	
Interest payable and similar charges	5	(7)		(5)	
Net revenue before taxation		27,035		30,434	
Taxation	6	(68)		(184)	
Net revenue after taxation			26,967		30,250
Total return before distributions			(112)		65,544
Distributions	7		(33,984)		(37,154)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(34,096)</b>		<b>28,390</b>

## Statement of change in net assets attributable to shareholders for the year ended 30 June 2018

	2018		2017	
	£000	£000	£000	£000
<b>Opening net assets attributable to shareholders</b>		<b>749,157</b>		<b>701,203</b>
Amounts receivable on issue of shares	108,784		66,597	
Amounts payable on cancellation of shares	(26,365)		(50,506)	
		82,419		16,091
Change in net assets attributable to shareholders from investment activities		(34,096)		28,390
Retained distributions on accumulation shares		3,599		3,458
Unclaimed distributions		15		15
<b>Closing net assets attributable to shareholders</b>		<b>801,094</b>		<b>749,157</b>

**Balance sheet** as at 30 June 2018

	Note	2018 £000	2017 £000
<b>Assets:</b>			
Investments		766,176	696,173
Current assets:			
Debtors	8	20,143	28,590
Cash and bank balances	9	49,346	69,276
<b>Total assets</b>		<b>835,665</b>	<b>794,039</b>
<b>Liabilities:</b>			
Investment liabilities		2,796	265
Creditors:			
Amounts held at derivative clearing houses and brokers		979	26
Bank overdrafts		6,196	4,550
Distributions payable		7,749	7,700
Other creditors	10	16,851	32,341
<b>Total liabilities</b>		<b>34,571</b>	<b>44,882</b>
<b>Net assets attributable to shareholders</b>		<b>801,094</b>	<b>749,157</b>

## Notes to the financial statements for the year ended 30 June 2018

### 1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 of the fund's aggregated notes to the financial statements.

### 2 Net capital (losses)/gains

Net capital (losses)/gains on investments during the year comprise:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Derivative securities	1,211	4,205
Forward currency contracts	(218)	(20,784)
Non-derivative securities	(27,514)	51,014
Other currency (losses)/gains	(544)	875
Transaction costs	(14)	(16)
<b>Net capital (losses)/gains</b>	<b>(27,079)</b>	<b>35,294</b>

### 3 Revenue

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Bank interest	130	21
Derivative revenue	37	420
Interest on debt securities	32,120	35,032
Overseas dividends	-	930
Stock lending revenue	32	54
UK Dividends	981	-
<b>Total revenue</b>	<b>33,300</b>	<b>36,457</b>

### 4 Expenses

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
Annual management charge	5,490	5,276
GAC*	668	640
	<u>6,158</u>	<u>5,916</u>
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary fees	51	57
Safe custody fees	49	45
	<u>100</u>	<u>102</u>
<b>Total expenses</b>	<b>6,258</b>	<b>6,018</b>

Irrecoverable VAT is included in the above expenses where relevant.

\* The current audit fee, which is levied through the GAC, is £10,017 (2017: £9,725).

## Notes to the financial statements (continued)

### 5 Interest payable and similar charges

The interest payable and similar charges comprise:

	2018 £000	2017 £000
Interest payable	7	5
<b>Total interest payable and similar charges</b>	<b>7</b>	<b>5</b>

### 6 Taxation

#### a) Analysis of charge in the year

The tax charge comprises:

	2018 £000	2017 £000
<b>Current tax</b>		
Overseas withholding tax	68	184
<b>Total tax (note 6b)</b>	<b>68</b>	<b>184</b>

#### b) Factors affecting tax charge for year

The tax assessed for each year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICs) of 20% (2017: 20%). The differences are explained below:

	2018 £000	2017 £000
Net revenue before taxation	27,035	30,434
Corporation tax at 20% (2017: 20%)	5,407	6,087
Effects of:		
Irrecoverable overseas tax	68	184
Revenue being paid as interest distributions	(5,211)	(6,050)
Tax effect of expensed double taxation relief	-	(37)
UK Dividends*	(196)	-
<b>Tax charge for the year (note 6a)</b>	<b>68</b>	<b>184</b>

\* As an OEIC this item is not subject to corporation tax.

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

#### c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2017: nil).

#### d) Factors that may affect future tax charges

There were no factors that may affect future tax charges at the current or prior year end.

## Notes to the financial statements (continued)

### 7 Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Interim income	23,039	22,853
Interim accumulation	2,695	2,592
Final income	7,749	7,700
Final accumulation	905	866
Tax withheld on interest distributions	-	3,226
	<u>34,388</u>	<u>37,237</u>
Amounts deducted on cancellation of shares	107	295
Amounts received on issue of shares	(511)	(378)
<b>Total distributions</b>	<u><b>33,984</b></u>	<u><b>37,154</b></u>
Net revenue after taxation	26,967	30,250
Annual management charge borne by the capital account	5,490	5,276
Effective yield coupon based adjustment	1,527	1,628
<b>Total distributions</b>	<u><b>33,984</b></u>	<u><b>37,154</b></u>

Details of the distribution per share are set out in the distribution tables on pages 237 to 240.

### 8 Debtors

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Accrued revenue	11,084	10,981
Amounts receivable for issue of shares	919	836
Currency transactions awaiting settlement	910	5,198
Income tax receivable	-	130
Overseas withholding tax reclaimable	4	-
Sales awaiting settlement	7,226	11,445
<b>Total debtors</b>	<u><b>20,143</b></u>	<u><b>28,590</b></u>

### 9 Cash and bank balances

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Amounts held at derivative clearing houses and brokers	3,811	25
Cash and bank balances	45,245	69,251
Cash pledged as collateral	290	-
<b>Total cash and bank balances</b>	<u><b>49,346</b></u>	<u><b>69,276</b></u>



## Notes to the financial statements (continued)

### 10 Other creditors

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Accrued annual management charge	464	443
Accrued Depository's fee	5	4
Accrued other expenses	75	59
Amounts payable for cancellation of shares	311	883
Currency transactions awaiting settlement	910	5,201
Derivative revenue payable	3	-
Purchases awaiting settlement	15,083	25,751
<b>Total other creditors</b>	<b>16,851</b>	<b>32,341</b>

### 11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

### 12 Related party transactions

Henderson Investment Funds Limited as ACD to the fund is deemed to be a related party because it provides key management personnel services to the fund. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', the 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 224 and 225 and notes 4, 7, 8 and 10 on pages 226 to 229 including all issues and cancellations where the ACD acted as principal.

Transactions with the ACD are as follows:

- All issues and cancellations,
- Annual management charge
- GAC

### 13 Shareholders' funds

The fund currently has 3 share classes available; Class A (Retail with front-end charges), Class I (Institutional) and Class Z (Institutional). The annual management charge on each share class is as follows:

	<b>2018</b>	<b>2017</b>
	<b>%</b>	<b>%</b>
Class A	1.25	1.25
Class I	0.60	0.60
Class Z*	0.00	0.00

\* Charges for managing Z class shares are levied outside the fund and are agreed between the ACD and investors.

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative tables on pages 211 to 216. The distribution per share class is given in the distribution tables on pages 237 to 240. All share classes have the same rights on winding up.

## Notes to the financial statements (continued)

### 13 Shareholders' funds (continued)

#### Shares reconciliation as at 30 June 2018

	<b>Class A income</b>	<b>Class I accumulation</b>	<b>Class I income</b>	<b>Class Z accumulation</b>
Opening number of shares	265,532,975	39,153,094	621,170,663	9,766,960
Issues during the year	10,931,447	8,472,317	143,742,883	1,125,352
Cancellations during the year	(19,928,409)	(2,596,921)	(13,285,619)	(1,752,046)
Shares converted during the year	891,858	(10,171)	301,764,428	101,974
<b>Closing shares in issue</b>	<b>257,427,871</b>	<b>45,018,319</b>	<b>1,053,392,355</b>	<b>9,242,240</b>
		<b>Class A income gross</b>	<b>Class I income gross</b>	<b>Class Z accumulation gross</b>
Opening number of shares		3,665,145	286,159,637	84,375
Issues during the year		869,462	8,273,406	-
Cancellations during the year		(136,723)	(222,461)	(1,000)
Shares converted during the year		(4,397,884)	(294,210,582)	(83,375)
<b>Closing shares in issue</b>		<b>-</b>	<b>-</b>	<b>-</b>

### 14 Financial derivatives

The fund may use financial derivatives for efficient portfolio management and meeting the investment objectives including risk reduction and implementation of investment policies.

Eligible collateral types are approved by the Investment Manager and are agreed with the relevant counterparty.

The counterparty exposure has been calculated using the positive marked-to-market value of the derivative contract with that counterparty.

At 30 June 2018 there was no collateral held in respect of derivatives (2017: bonds with a market value of £79,197 were held) and there was cash of £290,000 pledged as collateral (2017: nil).

#### 2018

At 30 June 2018 the underlying exposure for each category of derivatives held was as follows:

<b>Counterparty</b>	<b>Futures £000</b>	<b>Forward foreign exchange contracts £000</b>	<b>Total by counterparty £000</b>
BNP Paribas	-	241	241
JPM Chase	-	68	68
UBS	967	-	967
	<b>967</b>	<b>309</b>	<b>1,276</b>

#### 2017

At 30 June 2017 the underlying exposure for each category of derivatives held was as follows:

<b>Counterparty</b>	<b>Credit default swaps £000</b>	<b>Forward foreign exchange contracts £000</b>	<b>Total by counterparty £000</b>
BNP Paribas	-	5,301	5,301
Deutsche Bank	14	-	14
Morgan Stanley	8	-	8
	<b>22</b>	<b>5,301</b>	<b>5,323</b>

## Notes to the financial statements (continued)

### 15 Stock lending

The fund and the Investment Manager have entered into a stock lending programme with BNP Paribas acting as the stock lending agent for the purposes of efficient portfolio management and to generate additional income.

Stock lending revenue is disclosed under 'Revenue' in the Statement of total return.

Eligible collateral types for Stock Lending and borrowing transactions are approved by the Investment Manager and may consist of securities issued or guaranteed by a Member State of the OECD or by their local authorities or supranational institutions and organisations with regional, EU and world-wide scope, generally subject to a minimum long term credit rating of at least A- by one or more major credit rating agency or listed equities on eligible markets. Collateral should be highly liquid and traded on a regulated market. Collateral is subject to a haircut on a sliding scale based on the combination of the underlying instrument being lent versus the asset being received as collateral. The value of collateral required will range from 102.50% to 110.00% of the value of the stock on loan.

2018 Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral £000
Barclays Bank	119	126	Corporate Bond
Barclays Bank	5,148	5,373	Government Bond
	<u>5,267</u>	<u>5,499</u>	
BNP Paribas	165	203	Corporate Bond
Goldman Sachs	291	319	Government Bond
JP Morgan	1,912	2,018	Corporate Bond
JP Morgan	1,182	1,316	Equity
JP Morgan	1,505	1,589	Government Bond
	<u>4,599</u>	<u>4,923</u>	
Natixis	40,872	45,857	Equity
	<u>51,194</u>	<u>56,801</u>	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	38	6	32

2017 Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
Barclays Bank	48	52	Corporate Bond
Barclays Bank	2,033	2,184	Government Bond
	<u>2,081</u>	<u>2,236</u>	
Credit Suisse	1,128	1,211	Government Bond
JP Morgan	966	1,018	Corporate Bond
JP Morgan	2,337	2,409	Government Bond
	<u>3,303</u>	<u>3,427</u>	
	<u>6,512</u>	<u>6,874</u>	

## Notes to the financial statements (continued)

### 15 Stock lending (continued)

2017 (continued)

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	64	10	54

### 16 Risk

#### Currency risk

The fund's net exposure to currency risk (including any instruments used to hedge foreign currencies) is considered insignificant. This is consistent with the exposure during the prior year.

#### Interest rate risk

The fund's exposure to interest rate risk is considered significant. The interest rate risk profile of the fund's financial assets and financial liabilities at the year end is set out in the following table:

	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
<b>2018</b>				
Australian dollar	1,841	51,085	1,272	54,198
Canadian dollar	379	16,708	15	17,102
Euro	6,504	22,805	4,284	33,593
UK sterling	150,846	181,620	10,895	343,361
US dollar	74,623	307,836	4,952	387,411
<b>Total</b>	<b>234,193</b>	<b>580,054</b>	<b>21,418</b>	<b>835,665</b>

	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
<b>2017</b>				
Euro	21,671	51,510	3,476	76,657
UK sterling	201,475	195,185	18,242	414,902
US dollar	60,559	229,526	12,395	302,480
<b>Total</b>	<b>283,705</b>	<b>476,221</b>	<b>34,113</b>	<b>794,039</b>

	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Non-interest bearing liabilities £000	Total £000
<b>2018</b>				
Australian dollar	959	-	4,480	5,439
Canadian dollar	13	-	133	146
Euro	-	-	704	704
UK sterling	6,203	-	19,924	26,127
US dollar	-	211	1,944	2,155
<b>Total</b>	<b>7,175</b>	<b>211</b>	<b>27,185</b>	<b>34,571</b>

	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Non-interest bearing liabilities £000	Total £000
<b>2017</b>				
Euro	-	-	274	274
UK sterling	4,550	-	12,067	16,617
US dollar	26	-	27,965	27,991
<b>Total</b>	<b>4,576</b>	<b>-</b>	<b>40,306</b>	<b>44,882</b>

## Notes to the financial statements (continued)

### 16 Risk (continued)

#### Credit Ratings

	Market value £000	Percentage of net assets %
<b>2018</b>		
<b>Investments</b>		
Investment grade (AAA - BBB)	422,657	52.76
Below investment grade (BB and below)	320,922	40.06
Unrated	21,321	2.66
<b>Total debt securities</b>	<b>764,900</b>	<b>95.48</b>
Derivatives	(1,520)	(0.19)
<b>Investment assets including investment liabilities</b>	<b>763,380</b>	<b>95.29</b>
Other net assets	37,714	4.71
<b>Total net assets</b>	<b>801,094</b>	<b>100.00</b>
	<b>Market value £000</b>	<b>Percentage of net assets %</b>
<b>2017</b>		
<b>Investments</b>		
Investment grade (AAA - BBB)	301,992	40.31
Below investment grade (BB and below)	374,205	49.95
Unrated	14,431	1.92
<b>Total debt securities</b>	<b>690,628</b>	<b>92.18</b>
Derivatives	5,058	0.68
Equities	222	0.03
<b>Investment assets including investment liabilities</b>	<b>695,908</b>	<b>92.89</b>
Other net assets	53,249	7.11
<b>Total net assets</b>	<b>749,157</b>	<b>100.00</b>

#### Sensitivity analysis

The actual VaR results, limits and utilisation of limits are summarised in the table below:

VaR Results	Global Exposure Calculation Basis	Actual VaR in year			VaR limit	Utilisation of VaR limit		
		Minimum %	Maximum %	Average %		Minimum %	Maximum %	Average %
<b>2018</b>	Absolute VaR	1.34	2.89	2.05	20.00	6.70	14.45	10.27
<b>2017</b>	Absolute VaR	1.95	3.13	2.49	20.00	9.74	15.64	12.47

#### Leverage

	Minimum %	Maximum %	Average %
<b>2018</b>	49.12	219.86	100.59
<b>2017</b>	45.15	199.18	93.45

## Notes to the financial statements (continued)

### 16 Risk (continued)

#### Liquidity risk

The following table provides a maturity analysis of the fund's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
<b>2018</b>				
Amounts held at derivatives clearing houses and brokers	979	-	-	-
Bank overdrafts	6,196	-	-	-
Derivative financial liabilities	-	2,796	-	-
Distribution payable	-	7,749	-	-
Other creditors	-	16,851	-	-
<b>Total</b>	<b>7,175</b>	<b>27,396</b>	<b>-</b>	<b>-</b>
	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
<b>2017</b>				
Amounts held at derivatives clearing houses and brokers	25	-	-	-
Bank overdrafts	4,551	-	-	-
Derivative financial liabilities	-	265	-	-
Distribution payable	-	7,700	-	-
Other creditors	-	32,341	-	-
<b>Total</b>	<b>4,576</b>	<b>40,306</b>	<b>-</b>	<b>-</b>

### 17 Fair value disclosure

#### Fair value measurement

The intention of a fair value measurement is to estimate the price at which an asset or a liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS 102 the fund classifies fair value measurement under the following levels:

#### Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

#### Level 2

Inputs other than quoted prices included within level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

#### Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

## Notes to the financial statements (continued)

### 17 Fair value disclosure (continued)

#### Fair value hierarchy

	2018		2017	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1	95,027*	146	20,199*	25
Level 2	671,149	2,650	675,974	240
Level 3	-	-	-	-
	<u>766,176</u>	<u>2,796</u>	<u>696,173</u>	<u>265</u>

\* Debt securities included in the highest fair value hierarchy level, where their valuation is determined to be sufficiently close to a binding quoted price, amount to £94,061,572 as at 30 June 2018 (2017: £20,199,000).

### 18 Direct transaction costs

	Purchases		Sales	
	2018 £000	2017 £000	2018 £000	2017 £000
<b>Trades in the year</b>				
Debt securities	592,387	574,322	481,079	620,300
Equities	-	941	232	728
<b>Trades in the year before transaction costs</b>	<u>592,387</u>	<u>575,263</u>	<u>481,311</u>	<u>621,028</u>
<b>Transaction costs</b>				
<b>Commissions</b>				
Debt securities	-	-	-	-
Equities	-	-	-	-
<b>Total commissions</b>	-	-	-	-
<b>Taxes</b>				
Debt securities	-	-	-	-
Equities	-	-	-	-
<b>Total taxes</b>	-	-	-	-
<b>Other expenses</b>				
Debt securities	15	-	15	20
Equities	-	-	-	-
<b>Total other expenses</b>	<u>15</u>	<u>-</u>	<u>15</u>	<u>20</u>
<b>Total transaction costs</b>	<u>15</u>	<u>-</u>	<u>15</u>	<u>20</u>
<b>Total net trades in the year after transaction costs</b>	<u>592,402</u>	<u>575,263</u>	<u>481,296</u>	<u>621,008</u>

## Notes to the financial statements (continued)

### 18 Direct transaction costs (continued)

	Purchases		Sales	
	2018 %	2017 %	2018 %	2017 %
<b>Total transaction costs expressed as a percentage of asset type cost</b>				
<b>Commissions</b>				
Debt securities	-	-	-	-
Equities	-	-	-	-
<b>Taxes</b>				
Debt securities	-	-	-	-
Equities	-	-	-	-
<b>Other expenses</b>				
Debt securities	-	-	-	-
Equities	-	-	-	-
	<b>2018</b>	<b>2017</b>		
	<b>%</b>	<b>%</b>		
<b>Total transaction costs expressed as a percentage of net asset value</b>				
Commissions	-	-		
Taxes	-	-		
Other expenses	-	-		
<b>Total costs</b>	<b>-</b>	<b>-</b>		

There were no in specie transfers during the year (2017: nil). There were corporate actions during the year of £1,338,560 (2017: £6,582,672).

There were direct transaction costs associated with derivatives in the year of £35,073 (2017: £29,546) which is 0.01% of the average net asset value of the fund (2017: 0.01%).

Direct transaction costs are fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the fund. These exclude any differences between quoted bid and offer prices or internal administrative or holding costs.

Direct transaction costs related to bonds are not separately identifiable as with other financial instruments as the costs form part of the dealing spread and therefore are inherent within the purchase and sale prices of the trade.

The portfolio dealing spread as at 30 June 2018 was 0.51% (2017: 0.69%). The portfolio dealing spread is calculated at the fund's 12 noon valuation point.

### 19 Events after the Balance sheet date

There were no material post Balance sheet events which require disclosure within these financial statements.



## Distribution tables for the year ended 30 June 2018 (in pence per share)

### Interim interest distribution (accounting date 30 September 2017, paid on 30 November 2017)

Group 1 : shares purchased prior to 1 July 2017

Group 2 : shares purchased on or after 1 July 2017

	Distribution per share	Equalisation	Total distribution per share 30/11/17	Total distribution per share 30/11/16*
<b>Class A income</b>				
Group 1	0.5904	-	0.5904	0.5553
Group 2	0.2677	0.3227	0.5904	0.5553
<b>Class I accumulation</b>				
Group 1	1.5862	-	1.5862	1.4186
Group 2	0.7300	0.8562	1.5862	1.4186
<b>Class I income</b>				
Group 1	0.6465	-	0.6465	0.6046
Group 2	0.2585	0.3880	0.6465	0.6046
<b>Class Z accumulation</b>				
Group 1	2.4288	-	2.4288	2.1533
Group 2	1.2496	1.1792	2.4288	2.1533
<b>Class A income gross</b>				
Group 1	0.5978	-	0.5978	0.7066
Group 2	0.3422	0.2556	0.5978	0.7066
<b>Class I income gross</b>				
Group 1	0.6559	-	0.6559	0.7684
Group 2	0.3434	0.3125	0.6559	0.7684
<b>Class Z accumulation gross</b>				
Group 1	2.8605	-	2.8605	3.1820
Group 2	2.8605	-	2.8605	3.1820

\* Distributions on Class A income, Class I accumulation and Class I income prior to 6 April 2017 are shown net of 20% income tax.

## Distribution tables (continued)

### Interim interest distribution (accounting date 31 December 2017, paid on 28 February 2018)

Group 1 : shares purchased prior to 1 October 2017

Group 2 : shares purchased on or after 1 October 2017

	Distribution per share	Equalisation	Total distribution per share 28/02/18	Total distribution per share 28/02/17*
<b>Class A income</b>				
Group 1	0.6090	-	0.6090	0.5640
Group 2	0.2942	0.3148	0.6090	0.5640
<b>Class I accumulation</b>				
Group 1	1.6560	-	1.6560	1.4578
Group 2	0.8775	0.7785	1.6560	1.4578
<b>Class I income</b>				
Group 1	0.6675	-	0.6675	0.6148
Group 2	0.3387	0.3288	0.6675	0.6148
<b>Class Z accumulation</b>				
Group 1	2.5403	-	2.5403	2.2157
Group 2	1.4251	1.1152	2.5403	2.2157
<b>Class A income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	0.7027
Group 2	n/a	n/a	n/a	0.7027
<b>Class I income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	0.7654
Group 2	n/a	n/a	n/a	0.7654
<b>Class Z accumulation gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	3.2150
Group 2	n/a	n/a	n/a	3.2150

\* Distributions on Class A income, Class I accumulation and Class I income prior to 6 April 2017 are shown net of 20% income tax.

<sup>1</sup> Class A income gross, Class I income gross and Class Z accumulation gross closed 2 October 2017.

## Distribution tables (continued)

### Interim interest distribution (accounting date 31 March 2018, paid on 31 May 2018)

Group 1: shares purchased prior to 1 January 2018

Group 2: shares purchased on or after 1 January 2018

	Distribution per share	Equalisation	Total distribution per share 31/05/18	Total distribution per share 31/05/17
<b>Class A income</b>				
Group 1	0.5396	-	0.5396	0.6436
Group 2	0.2788	0.2608	0.5396	0.6436
<b>Class I accumulation</b>				
Group 1	1.4894	-	1.4894	1.6802
Group 2	0.8881	0.6013	1.4894	1.6802
<b>Class I income</b>				
Group 1	0.5936	-	0.5936	0.7010
Group 2	0.3363	0.2573	0.5936	0.7010
<b>Class Z accumulation</b>				
Group 1	2.2916	-	2.2916	2.5634
Group 2	1.2452	1.0464	2.2916	2.5634
<b>Class A income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	0.6507
Group 2	n/a	n/a	n/a	0.6507
<b>Class I income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	0.7103
Group 2	n/a	n/a	n/a	0.7103
<b>Class Z accumulation gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	3.0264
Group 2	n/a	n/a	n/a	3.0264

<sup>1</sup> Class A income gross, Class I accumulation gross and Class I income gross closed on 2 October 2017.

## Distribution tables (continued)

### Final interest distribution (accounting date 30 June 2018, paid on 31 August 2018)

Group 1: shares purchased prior to 1 April 2018

Group 2: shares purchased on or after 1 April 2018

	Distribution per share	Equalisation	Total distribution per share 31/08/18	Total distribution per share 31/08/17
<b>Class A income</b>				
Group 1	0.5465	-	0.5465	0.6013
Group 2	0.3582	0.1883	0.5465	0.6013
<b>Class I accumulation</b>				
Group 1	1.5269	-	1.5269	1.5949
Group 2	1.0118	0.5151	1.5269	1.5949
<b>Class I income</b>				
Group 1	0.6021	-	0.6021	0.6573
Group 2	0.4302	0.1719	0.6021	0.6573
<b>Class Z accumulation</b>				
Group 1	2.3488	-	2.3488	2.4425
Group 2	1.3606	0.9882	2.3488	2.4425
<b>Class A income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	0.6374
Group 2	n/a	n/a	n/a	0.6374
<b>Class I income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	0.6979
Group 2	n/a	n/a	n/a	0.6979
<b>Class Z accumulation gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	3.2796
Group 2	n/a	n/a	n/a	3.2796

<sup>1</sup> Class A income gross, Class I income gross and Class Z accumulation gross closed 2 October 2017.

# Janus Henderson Strategic Bond Fund (formerly Henderson Strategic Bond Fund)

## Authorised Corporate Director's (ACD) report

### Investment Fund Managers

Jenna Barnard, John Pattullo and Rebecca Young

Please note that as of 29 March 2018, Rebecca Young also managed this fund.

### Investment objective and policy

To provide a return by investing in higher yielding assets including high yield bonds, investment grade bonds, government bonds, preference shares and other bonds. The fund may also invest in equities. The fund will take strategic asset allocation decisions between countries, asset classes, sectors and credit ratings. The fund may invest in other transferable securities, money market instruments, derivatives and forward transactions, deposits and units in collective investment schemes.

### Performance summary

	30 Jun 17 - 30 Jun 18	30 Jun 16 - 30 Jun 17	30 Jun 15 - 30 Jun 16	30 Jun 14 - 30 Jun 15	30 Jun 13 - 30 Jun 14
	%	%	%	%	%
<b>Janus Henderson Strategic Bond Fund</b>	(0.7)	5.7	2.4	2.1	10.4

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 at close of business.

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.

### Significant portfolio changes for the year ended 30 June 2018

<b>Largest purchases</b>	<b>£000</b>	<b>Largest sales/maturities</b>	<b>£000</b>
Canada (Government of) 1.00% 01/06/2027	213,863	Canada (Government of) 1.00% 01/06/2027	132,476
Australia (Commonwealth of) 3.75% 21/04/2037	87,459	Germany (Federal Republic of) 1.25% 15/08/2048	87,411
Germany (Federal Republic of) 1.25% 15/08/2048	87,024	Australia (Commonwealth of) 2.75% 21/11/2027	57,768
UK Treasury 0.75% 22/07/2023	84,408	Australia (Commonwealth of) 3.25% 21/04/2029	56,560
Canada (Government of) 0.50% 01/03/2022	76,409	Sweden (Kingdom of) 0.75% 12/05/2028	56,379
US Treasury 2.75% 15/11/2023	64,560	UK Treasury 4.50% 07/03/2019	51,433
Sweden (Kingdom of) 0.75% 12/05/2028	59,158	Canada (Government of) 0.50% 01/03/2022	38,717
Australia (Commonwealth of) 2.75% 21/04/2024	58,513	UK Treasury 1.50% 22/07/2026	37,841
Australia (Commonwealth of) 2.75% 21/11/2027	58,203	US Treasury 1.625% 31/08/2022	36,023
Australia (Commonwealth of) 3.25% 21/04/2029	57,354	Germany (Federal Republic of) 4.00% 04/01/2037	29,855
<b>Total purchases</b>	<b>2,230,635</b>	<b>Total sales/maturities</b>	<b>1,697,048</b>

### Investment review

The year under review was somewhat challenging for bond markets in terms of capital generation. Government bond yields drifted higher (prices therefore moved lower) through to February 2018 as signs of stronger global growth caused investors to price in shallow rate hiking cycles in a number of economies. Indeed, the central banks of the US, Canada and the UK followed through with rate rises, but these were the exceptions rather than the rule. In the final months of the review year, however, fears of inflation and stronger growth peaked and investors began to focus on the surprising weakness in European and emerging market economies.

The Bank of England failed to hike rates in May 2018, despite the UK government bond market having priced in a rate hike for that month – a relatively rare occurrence, reflecting a string of weaker economic data. Despite government bond markets regaining their poise in the final months of the review year, an additional challenge arose: credit spreads (the extra yield over an equivalent government security) in developed markets began to widen meaningfully i.e. corporate bonds underperformed. By May, the lagged impact of tighter US financial conditions around the world began to surface in earnest. The combination of higher US dollar funding rates and a stronger dollar exposed many political and economic vulnerabilities in countries such as Turkey, Argentina, Brazil and of course Italy. European Central Bank (ECB) President Mario Draghi announced a cautious exit from quantitative easing (central bank liquidity measures), while stating that European rates will not rise until through summer 2019. The ECB meeting in Sintra focused heavily on the puzzle of low global wage growth despite record low unemployment in many countries, something we have highlighted many times but continues to perplex orthodox economists and central bankers.

For the full year, modest positive returns were delivered by high yield bond markets. Outside the US, both investment grade credit and government bond markets in the developed world ended the year with small positive returns. US treasuries and US investment grade credit were the clear underperformers and lost money on the year. The latter saw spreads widen due to a barrage of late cycle M&A supply re-pricing secondary price levels.

The fund returned -0.7% over the year versus the IA £ Strategic Bond sector average 0.4% return. The fund's underperformance was primarily driven by our holding in US investment grade corporate bonds. Key positive contributors to performance included active management of government bond allocation i.e. duration management (duration is a measure of interest rate sensitivity). Derivatives remained an important tool for managing the interest rate sensitivity of the fund and we took an active approach during the year, as is our style. For example, given a continued upswing in growth and breakout in commodity and risk asset prices at the end of 2017, we used derivatives to hedge out some of the fund's medium and long US duration positions, concerned that the first quarter of 2018 would be perceived as a reflationary trade for many. The first quarter of the year is also often a seasonally weak period for government bonds, so we were happy to be patient and let duration run its course. Once we judged that these inflationary fears had peaked in February 2018, we began adding back allocation to government bonds in favoured countries, including Australia, Canada and Germany.

In terms of positive corporate bond positions, our holdings in long-dated Tesco bonds were notable contributors to performance. The company announced two separate bond tenders and continued a solid deleveraging profile, leading to expectations of a return to investment grade over the next year or two. Long-dated legacy Tier 1 UK banking bonds were also strong contributors to performance, benefiting from capital uplift over the year.

There was meaningful change in asset allocation within the fund over the course of the year. We reduced the fund's credit position, with high yield corporate bond allocation moving down from 36% to 24% of the fund's assets. Meanwhile, we increased the fund's government bond allocation from 8% to 33%, with a particular focus on Australian, UK and Canadian government bond positions, which we find some of the most attractive regions to take interest rate allocation, reflecting both what is priced in in terms of rate hikes in those bond markets and our growth outlook in their economies. The move to reduce credit risk and increase government bond allocation also reflects a broader view that markets, and perhaps some economies, are in the late stages of the current business cycle.

A number of factors feed into this conclusion. We observe record levels of M&A and private equity activity, a rapidly flattening government bond yield curve in the US, a strong oil price, a strong dollar and an increasingly narrow sector leadership in equity markets, with investors favouring value over growth. In addition, we pay particular attention to money supply, something which went out of fashion among economists decades ago but which we are respectful of. The collapse in monetary aggregates in many economies in late 2017 and into 2018 gives us cause for concern about the outlook for economic growth more broadly. We continue to see a world facing a number of structurally challenging forces that are weighing down on inflation and growth over the long term (such as technology, demographics and debt trauma).

Against this backdrop, we continue to have sympathy with a longer duration positioning, although we remain nimble with our duration management of the portfolio. We need to continue to hold a reasonable allocation to credit in order to generate the quarterly income for our investors. With this in mind, we try to invest at sensible yields in predominately large cap, non-cyclical, reason to exist credits with sustainable cash flows. We believe the second half of 2018 could present some interesting bond opportunities if growth slows as we expect.

## Comparative tables for the year ended 30 June 2018

	Class A income		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	125.98	123.96	125.59
Return before operating charges*	1.06	8.74	4.85
Operating charges	(1.75)	(1.77)	(1.77)
Return after operating charges*	(0.69)	6.97	3.08
Distributions on income shares	(4.34)	(4.95)	(4.71)
Closing net asset value per share	120.95	125.98	123.96
* after direct transaction costs of:	0.01	0.01	-
<b>Performance</b>			
Return after charges	(0.55%)	5.62%	2.45%
<b>Other information</b>			
Closing net asset value (£000s)	128,296	141,182	145,165
Closing number of shares	106,071,549	112,064,232	117,101,951
Operating charges	1.40%	1.40%	1.41%
Direct transaction costs	0.01%	0.01%	0.00%
<b>Prices</b>			
Highest share price (pence)	127.90	130.00	127.60
Lowest share price (pence)	121.80	124.10	121.40

	Class I accumulation		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	326.20	306.46	296.77
Return before operating charges*	2.68	23.38	14.65
Operating charges	(2.27)	(2.20)	(2.08)
Return after operating charges*	0.41	21.18	12.57
Distributions on accumulation shares	(11.65)	(14.11)	(14.39)
Retained distributions on accumulation shares <sup>^</sup>	11.65	12.67	11.51
Closing net asset value per share	326.62	326.20	306.46
* after direct transaction costs of:	0.02	0.02	-
<b>Performance</b>			
Return after charges	0.13%	6.91%	4.24%
<b>Other information</b>			
Closing net asset value (£000s)	807,770	447,750	338,278
Closing number of shares	247,312,803	137,263,784	110,382,900
Operating charges	0.69%	0.69%	0.69%
Direct transaction costs	0.01%	0.01%	0.00%
<b>Prices</b>			
Highest share price (pence)	333.40	329.00	308.60
Lowest share price (pence)	326.00	309.00	293.80

<sup>^</sup> Retained distributions prior to 6 April 2017 are net of 20% income tax.

## Comparative tables (continued)

	Class I income		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	136.16	133.11	133.96
Return before operating charges*	1.16	9.41	5.19
Operating charges	(0.94)	(0.94)	(0.92)
Return after operating charges*	0.22	8.47	4.27
Distributions on income shares	(4.80)	(5.42)	(5.12)
Closing net asset value per share	131.58	136.16	133.11
* after direct transaction costs of:	0.01	0.01	-
<b>Performance</b>			
Return after charges	0.16%	6.36%	3.19%
<b>Other information</b>			
Closing net asset value (£000s)	1,186,020	750,378	669,598
Closing number of shares	901,363,675	551,106,085	503,058,250
Operating charges	0.69%	0.69%	0.69%
Direct transaction costs	0.01%	0.01%	0.00%
<b>Prices</b>			
Highest share price (pence)	138.40	139.70	136.20
Lowest share price (pence)	132.50	133.60	130.00
	Class Z accumulation		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	352.16	328.74	316.39
Return before operating charges*	2.89	25.12	15.59
Operating charges	(0.14)	(0.14)	(0.13)
Return after operating charges*	2.75	24.98	15.46
Distributions on accumulation shares	(12.82)	(15.35)	(15.55)
Retained distributions on accumulation shares <sup>^</sup>	12.82	13.79	12.44
Closing net asset value per share	354.91	352.16	328.74
* after direct transaction costs of:	0.02	0.02	-
<b>Performance</b>			
Return after charges	0.78%	7.60%	4.89%
<b>Other information</b>			
Closing net asset value (£000s)	11,158	11,496	12,603
Closing number of shares	3,143,862	3,264,424	3,833,723
Operating charges	0.04%	0.04%	0.04%
Direct transaction costs	0.01%	0.01%	0.00%
<b>Prices</b>			
Highest share price (pence)	361.00	355.10	330.90
Lowest share price (pence)	352.60	331.50	314.40

<sup>^</sup> Retained distributions prior to 6 April 2017 are net of 20% income tax.



## Comparative tables (continued)

	Class A income gross		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	127.55	125.50	127.13
Return before operating charges*	1.87	9.49	6.08
Operating charges	(0.46)	(1.80)	(1.79)
Return after operating charges*	1.41	7.69	4.29
Distributions on income shares	(1.16)	(5.64)	(5.92)
Final cancellation price	(127.80) <sup>1</sup>	-	-
Closing net asset value per share	-	127.55	125.50
* after direct transaction costs of:	0.01	0.01	-
<b>Performance</b>			
Return after charges	1.11%	6.13%	3.37%
<b>Other information</b>			
Closing net asset value (£000s)	-	6,808	7,648
Closing number of shares	-	5,337,006	6,093,869
Operating charges	1.40%	1.40%	1.41%
Direct transaction costs	0.01%	0.01%	0.00%
<b>Prices</b>			
Highest share price (pence)	129.50 <sup>2</sup>	131.80	129.30
Lowest share price (pence)	127.60 <sup>2</sup>	125.70	123.00

<sup>1</sup> Class A income gross closed on 2 October 2017 and this is the final cancellation price.

<sup>2</sup> to 2 October 2017

	Class I accumulation gross		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	380.71	355.92	341.60
Return before operating charges*	5.48	27.35	16.72
Operating charges	(0.69)	(2.56)	(2.40)
Return after operating charges*	4.79	24.79	14.32
Distributions on accumulation shares	(3.53)	(16.57)	(16.49)
Retained distributions on accumulation shares	3.53	16.57	16.49
Final cancellation price	(385.50) <sup>3</sup>	-	-
Closing net asset value per share	-	380.71	355.92
* after direct transaction costs of:	0.03	0.02	-
<b>Performance</b>			
Return after charges	1.26%	6.97%	4.19%
<b>Other information</b>			
Closing net asset value (£000s)	-	102,527	57,162
Closing number of shares	-	26,930,600	16,060,453
Operating charges	0.69%	0.69%	0.69%
Direct transaction costs	0.01%	0.01%	0.00%
<b>Prices</b>			
Highest share price (pence)	387.00 <sup>4</sup>	383.80	358.20
Lowest share price (pence)	381.00 <sup>4</sup>	358.90	340.10

<sup>3</sup> Class I accumulation gross closed on 2 October 2017 and this is the final cancellation price.

<sup>4</sup> to 2 October 2017

## Comparative tables (continued)

	Class I income gross		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	101.98	99.69	100.33
Return before operating charges*	1.46	7.55	4.81
Operating charges	(0.19)	(0.70)	(0.69)
Return after operating charges*	1.27	6.85	4.12
Distributions on income shares	(0.95)	(4.56)	(4.76)
Final cancellation price	(102.30) <sup>5</sup>	-	-
Closing net asset value per share	-	101.98	99.69
* after direct transaction costs of:	0.01	0.01	-
<b>Performance</b>			
Return after charges	1.25%	6.87%	4.11%
<b>Other information</b>			
Closing net asset value (£000s)	-	355,803	312,813
Closing number of shares	-	348,888,869	313,777,483
Operating charges	0.69%	0.69%	0.69%
Direct transaction costs	0.01%	0.01%	0.00%
<b>Prices</b>			
Highest share price (pence)	103.70 <sup>6</sup>	104.80	102.10
Lowest share price (pence)	102.10 <sup>6</sup>	100.20	97.48

<sup>5</sup> Class I income gross closed on 2 October 2017 and this is the final cancellation price.

<sup>6</sup> to 2 October 2017

	Class Z accumulation gross		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	387.88	360.31	343.55
Return before operating charges*	5.66	27.72	16.90
Operating charges	(0.04)	(0.15)	(0.14)
Return after operating charges*	5.62	27.57	16.76
Distributions on accumulation shares	(3.65)	(17.25)	(16.82)
Retained distributions on accumulation shares	3.65	17.25	16.82
Final cancellation price	(393.50) <sup>7</sup>	-	-
Closing net asset value per share	-	387.88	360.31
* after direct transaction costs of:	0.03	0.02	-
<b>Performance</b>			
Return after charges	1.45%	7.65%	4.88%
<b>Other information</b>			
Closing net asset value (£000s)	-	196	62
Closing number of shares	-	50,610	17,187
Operating charges	0.04%	0.04%	0.04%
Direct transaction costs	0.01%	0.01%	0.00%
<b>Prices</b>			
Highest share price (pence)	394.70 <sup>8</sup>	391.00	362.40
Lowest share price (pence)	388.20 <sup>8</sup>	363.30	343.40

<sup>7</sup> Class I accumulation gross closed on 2 October 2017 and this is the final cancellation price.

<sup>8</sup> to 2 October 2017

Performance values are at close of business and may differ from the performance summary.

## Comparative tables (continued)

### Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

### Share class launches and closures

There were no share classes launched in the year. The following share classes closed in the year:

Share class	Closure date
Class A income gross	2 October 2017
Class I accumulation gross	2 October 2017
Class I income gross	2 October 2017
Class Z accumulation gross	2 October 2017

As there is no longer any difference between gross and net share classes, investors in Class A income gross, Class I accumulation gross, Class I income gross and Class Z accumulation gross have been combined into Class A income, Class I accumulation, Class I income and Class Z accumulation respectively. This removes the administration cost of running two separate share classes that are otherwise identical.

## Ongoing charge figure

The annualised ongoing charge figure (OCF) of the fund is calculated as the ratio of the total ongoing charges to the average net asset value for twelve months. Ongoing charges are all expenses deducted from the assets of the fund during the year, except for expenses that are explicitly excluded by regulation.

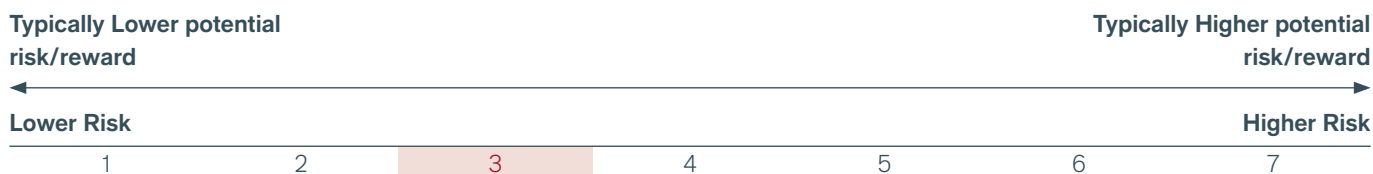
	<b>2018</b> %	<b>2017</b> %
<b>Class A</b>	1.40	1.40
<b>Class I</b>	0.69	0.69
<b>Class Z</b>	0.04	0.04

The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

## Risk and reward profile

The fund currently has 4 types of share class in issue; A income, I accumulation, I income and Z accumulation.

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 and any income from it 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 share classes appear at 3 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events.

The full list of the fund's risks are contained in the 'Risk Factors' section in the fund's prospectus.

There have been no changes to the risk ratings in the year.

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

## Portfolio statement as at 30 June 2018

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Equities 0.93% (2017: 1.10%)</b>		
	<b>United Kingdom 0.93% (2017: 1.07%)</b>		
	<b>Financials 0.93% (2017: 1.07%)</b>		
14,000	Lloyds Banking 9.25% Non-Cumulative Preference	21	-
GBP 130,350	Nationwide Building Society CDDS	19,824	0.93
		<u>19,845</u>	<u>0.93</u>
	<b>United States 0.00% (2017: 0.03%)</b>		
	<b>Financials 0.00% (2017: 0.03%)</b>		
	<b>Bonds 91.63% (2017: 85.47%)</b>		
	<b>Australia 12.37% (2017: 8.24%)</b>		
	<b>Fixed Rate Bond 12.37% (2017: 8.24%)</b>		
AUD 228,300,000	Australia (Commonwealth of) 1.75% 21/11/2020	126,923	5.96
AUD 49,491,000	Australia (Commonwealth of) 2.75% 21/04/2024	28,244	1.32
AUD 38,000,000	Australia (Commonwealth of) 3.00% 21/03/2047	20,858	0.98
AUD 140,200,000	Australia (Commonwealth of) 3.75% 21/04/2037	87,751	4.11
		<u>263,776</u>	<u>12.37</u>
	<b>Belgium 0.61% (2017: 0.00%)</b>		
	<b>Fixed Rate Bond 0.61% (2017: 0.00%)</b>		
CAD 10,000,000	Anheuser-Busch InBev 2.60% 15/05/2024	5,556	0.26
AUD 10,070,000	FBG Finance 3.25% 06/09/2022	5,667	0.27
AUD 3,090,000	FBG Finance 3.75% 06/09/2024	1,749	0.08
		<u>12,972</u>	<u>0.61</u>
	<b>Canada 11.73% (2017: 1.08%)</b>		
	<b>Fixed Rate Bond 11.73% (2017: 1.08%)</b>		
CAD 68,500,000	Canada (Government of) 0.50% 01/03/2022	37,333	1.75
CAD 70,000,000	Canada (Government of) 0.75% 01/05/2019	39,997	1.87
CAD 17,600,000	Canada (Government of) 0.75% 01/09/2020	9,878	0.46
CAD 160,000,000	Canada (Government of) 1.00% 01/06/2027	83,540	3.92
CAD 87,500,000	Canada (Government of) 1.75% 01/03/2023	49,674	2.33
CAD 35,000,000	Canada (Government of) 2.75% 01/12/2048	22,582	1.06
USD 9,793,000	Cott 5.50% 01/04/2025	7,214	0.34
		<u>250,218</u>	<u>11.73</u>
	<b>Denmark 0.28% (2017: 0.00%)</b>		
	<b>Secured Loans 0.28% (2017: 0.00%)<sup>1</sup></b>		
EUR 6,826,247	Nets FRN 29/11/2024	5,925	0.28
	<b>France 0.79% (2017: 1.33%)</b>		
	<b>Fixed Rate Bond 0.09% (2017: 0.38%)</b>		
USD 2,151,000	Pernod Ricard 5.50% 15/01/2042	1,839	0.09
	<b>Secured Loans 0.46% (2017: 0.83%)<sup>1</sup></b>		
EUR 11,309,840	Ceva Santé Animale FRN 30/06/2021	9,850	0.46
	<b>Variable Rate Bond 0.24% (2017: 0.12%)</b>		
USD 5,681,000	AXA 6.379% Perpetual	4,549	0.21
GBP 502,000	Orange 5.75% Perpetual	540	0.03
		<u>5,089</u>	<u>0.24</u>

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Germany 0.92% (2017: 2.36%)</b>		
	<b>Asset Backed 0.00% (2017: 0.00%)</b>		
EUR 1,231,147	Talisman Finance FRN 22/10/2016 <sup>2</sup>	-	-
	Fixed Rate Bond 0.92% (2017: 2.06%)		
USD 11,400,000	Deutsche Telekom International Finance 2.225% 17/01/2020	8,511	0.40
EUR 483,000	Unitymedia Hessen 3.50% 15/01/2027	445	0.02
EUR 2,656,000	Unitymedia Hessen 3.75% 15/01/2027	2,448	0.11
EUR 1,150,000	Unitymedia Hessen 4.00% 15/01/2025	1,063	0.05
USD 9,465,000	Unitymedia 5.00% 15/01/2025	7,259	0.34
		<u>19,726</u>	<u>0.92</u>
	<b>Secured Loans 0.00% (2017: 0.30%)</b>		
	<b>Ireland 1.34% (2017: 2.69%)</b>		
	<b>Asset Backed 0.00% (2017: 0.00%)</b>		
EUR 0	Titan Europe FRN 25/07/2016 2006-3X <sup>2</sup>	-	-
	<b>Fixed Rate Bond 1.34% (2017: 2.69%)</b>		
GBP 5,600,000	Ardagh Packaging Finance 4.75% 15/07/2027	5,355	0.25
USD 4,255,000	Ardagh Packaging Finance 6.00% 15/02/2025	3,138	0.15
USD 3,112,000	Ardagh Packaging Finance 6.00% 30/06/2021	2,384	0.11
USD 4,210,000	Ardagh Packaging Finance 7.25% 15/05/2024	3,316	0.16
GBP 4,080,000	Bank of Ireland 3.125% 19/09/2027	3,955	0.19
USD 14,700,000	Bank of Ireland 4.125% 19/09/2027	10,482	0.48
		<u>28,630</u>	<u>1.34</u>
	<b>Luxembourg 0.20% (2017: 2.01%)</b>		
	<b>Fixed Rate Bond 0.00% (2017: 0.97%)</b>		
	<b>Secured Loans 0.20% (2017: 1.04%)<sup>1</sup></b>		
USD 3,075,921	Siemens Audiology FRN 17/01/2022	2,332	0.11
EUR 2,153,867	Siemens Audiology FRN 17/01/2022	1,904	0.09
		<u>4,236</u>	<u>0.20</u>
	<b>Netherlands 1.76% (2017: 1.64%)</b>		
	<b>Fixed Rate Bond 1.04% (2017: 0.77%)</b>		
USD 12,220,000	Heineken 3.50% 29/01/2028	8,907	0.42
USD 6,110,000	Heineken 4.35% 29/03/2047	4,572	0.21
EUR 2,500,000	Sigma Holdco 5.75% 15/05/2026	2,062	0.10
USD 9,226,000	Sigma Holdco 7.875% 15/05/2026	6,569	0.31
		<u>22,110</u>	<u>1.04</u>
	<b>Secured Loans 0.72% (2017: 0.87%)<sup>1</sup></b>		
EUR 17,746,832	Fugue Finance FRN 02/09/2024	15,397	0.72

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>New Zealand 0.00% (2017: 0.64%)</b>		
	<b>Fixed Rate Bond 0.00% (2017: 0.64%)</b>		
	<b>Supranational 0.16% (2017: 0.00%)</b>		
	<b>Fixed Rate Bond 0.16% (2017: 0.00%)</b>		
AUD 6,230,000	European Investment Bank 3.10% 17/08/2026	3,474	0.16
	<b>Sweden 0.00% (2017: 0.56%)</b>		
	<b>Fixed Rate Bond 0.00% (2017: 0.56%)</b>		
	<b>Switzerland 0.81% (2017: 1.46%)</b>		
	<b>Fixed Rate Bond 0.00% (2017: 0.20%)</b>		
	<b>Variable Rate Bond 0.81% (2017: 1.26%)</b>		
USD 22,200,000	UBS 6.875% Perpetual	17,231	0.81
	<b>United Kingdom 27.20% (2017: 30.55%)</b>		
	<b>Asset Backed 0.34% (2017: 0.61%)</b>		
GBP 1,550,000	Canary Wharf Finance II FRN 22/10/2037	1,396	0.07
GBP 1,993,829	DECO Series FRN 27/01/2036 <sup>2</sup>	-	-
GBP 5,060,192	Tesco Property Finance 5.744% 13/04/2040	5,866	0.27
		7,262	0.34
	<b>Fixed Rate Bond 18.48% (2017: 17.69%)</b>		
GBP 9,000,000	Annington Funding 2.646% 12/07/2025	8,954	0.42
GBP 17,300,000	Annington Funding 3.685% 12/07/2034	17,661	0.83
USD 18,309,000	Bacardi 4.45% 15/05/2025	13,821	0.65
USD 9,384,000	BAT Capital 2.764% 15/08/2022	6,816	0.32
GBP 4,040,000	BAT International Finance 1.75% 05/07/2021	4,044	0.19
USD 10,500,000	BAT International Finance 3.95% 15/06/2025	7,772	0.36
GBP 6,100,000	BAT International Finance 6.00% 29/06/2022	7,050	0.33
GBP 1,000,000	Cattles 6.875% Perpetual <sup>2</sup>	-	-
GBP 13,100,000	CPUK Finance 4.25% 28/08/2022	13,164	0.62
GBP 2,500,000	CPUK Finance 4.875% 28/08/2025	2,506	0.12
GBP 19,626,000	Daily Mail & General Trust 5.75% 07/12/2018	19,966	0.94
GBP 4,136,000	Friends Life Holdings 12.00% 21/05/2021	5,262	0.25
GBP 3,840,000	Friends Life Holdings 8.25% 21/04/2022	4,650	0.22
GBP 3,560,000	Heathrow Funding 6.00% 20/03/2020	3,829	0.18
GBP 4,000,000	Heathrow Funding 6.25% 10/09/2018	4,037	0.19
GBP 5,000,000	Imperial Tobacco Finance 9.00% 17/02/2022	6,219	0.29
USD 3,960,000	Lloyds Banking 4.65% 24/03/2026	2,951	0.14
GBP 9,100,000	PGH Capital 6.625% 18/12/2025	10,020	0.47
GBP 20,500,000	Phoenix 4.125% 20/07/2022	20,976	0.98
USD 10,600,000	Prudential 4.875% Perpetual	6,885	0.32
GBP 608,000	Prudential 6.125% 19/12/2031	740	0.03
USD 19,790,000	Prudential 7.75% Perpetual	15,139	0.71
USD 10,315,000	Royal Bank of Scotland 7.648% Perpetual	9,786	0.46
GBP 5,000,000	Scottish Widows 5.50% 16/06/2023	5,474	0.26
GBP 2,515,000	Scottish Widows 7.00% 16/06/2043	3,026	0.14
USD 14,500,000	Standard Life Aberdeen 4.25% 30/06/2048	10,305	0.48
GBP 3,350,000	Tesco 5.20% 05/03/2057	3,959	0.19
GBP 10,400,000	Tesco 5.50% 13/01/2033	12,134	0.57



## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Fixed Rate Bond (continued)</b>			
GBP 11,500,000	Tesco 6.125% 24/02/2022	13,040	0.61
USD 4,866,000	Tesco 6.15% 15/11/2037	3,922	0.18
GBP 8,600,000	TP ICAP 5.25% 26/01/2024	8,823	0.41
GBP 86,060,000	UK Treasury 0.75% 22/07/2023	84,902	3.99
GBP 7,027,000	Virgin Media Finance 6.375% 15/10/2024	7,293	0.34
GBP 18,811,000	Virgin Media Secured Finance 6.25% 28/03/2029	19,634	0.92
USD 15,785,000	Vodafone 2.95% 19/02/2023	11,537	0.54
AUD 9,800,000	Vodafone 3.25% 13/12/2022	5,439	0.25
AUD 7,250,000	Vodafone 4.20% 13/12/2027	3,983	0.19
GBP 7,953,000	WM Morrison Supermarkets 3.50% 27/07/2026	8,425	0.39
		394,144	18.48
<b>Secured Loans 0.79% (2017: 0.40%)<sup>1</sup></b>			
USD 14,285,792	Formula One FRN 01/02/2024	10,665	0.50
GBP 6,170,000	Froneri International FRN 31/01/2025	6,134	0.29
		16,799	0.79
<b>Stepped Rate Bond 2.05% (2017: 1.94%)</b>			
GBP 13,125,000	Co-Operative Bank 6.875% 08/07/2020	14,185	0.66
GBP 14,819,000	Co-Operative Bank 7.50% 08/07/2026	17,771	0.84
GBP 3,800,000	Royal Bank of Scotland 5.625% Perpetual	4,134	0.19
GBP 7,122,000	Standard Life 6.546% Perpetual	7,611	0.36
		43,701	2.05
<b>Variable Rate Bond 5.54% (2017: 8.84%)</b>			
GBP 1,900,000	Aviva 4.375% Perpetual	1,845	0.09
GBP 5,000,000	Aviva 6.125% Perpetual	5,446	0.26
USD 29,680,000	Barclays Bank 6.278% Perpetual	24,223	1.13
GBP 14,289,000	BUPA Finance 6.125% Perpetual	15,133	0.71
GBP 17,002,000	HBOS Sterling Finance Jersey 7.881% Perpetual	24,764	1.15
USD 10,152,000	Lloyds Banking 6.657% Perpetual	8,211	0.38
GBP 5,190,000	National Westminster Bank 7.125% Perpetual	5,921	0.28
USD 7,456,000	RBS Capital Trust II FRN Perpetual	6,720	0.32
GBP 5,600,000	Standard Life 5.50% 04/12/2042	6,175	0.29
		98,438	4.61
<b>United States 33.46% (2017: 32.91%)</b>			
<b>Asset Backed 0.00% (2017: 0.00%)</b>			
GBP 895,119	Lehman Brothers Holdings 7.875% 08/05/2018 <sup>2</sup>	34	-
<b>Fixed Rate Bond 30.71% (2017: 29.29%)</b>			
USD 22,370,000	Alphabet 1.998% 15/08/2026	15,139	0.71
USD 14,200,000	Altria 2.625% 16/09/2026	9,794	0.46
USD 22,800,000	Altria 2.85% 09/08/2022	16,862	0.79
USD 17,740,000	Amazon.com 3.15% 22/08/2027	12,868	0.60
AUD 14,500,000	Apple 2.65% 10/06/2020	8,127	0.38
USD 7,095,000	Apple 3.35% 09/02/2027	5,248	0.25
AUD 15,650,000	Apple 3.70% 28/08/2022	9,040	0.42
USD 18,237,000	Aramark 4.75% 01/06/2026	13,347	0.63
USD 7,445,000	Aramark 5.125% 15/01/2024	5,639	0.26

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Fixed Rate Bond</b> (continued)			
USD 14,000,000	AT&T 2.45% 30/06/2020	10,444	0.49
CAD 16,500,000	Bank of America 3.407% 20/09/2025	9,462	0.44
AUD 7,850,000	Bank of America 4.25% 05/03/2020	4,500	0.21
USD 12,847,000	Berry Global 6.00% 15/10/2022	10,015	0.47
USD 4,237,000	Berry Plastics 5.125% 15/07/2023	3,181	0.15
USD 10,540,000	Boyd Gaming 6.375% 01/04/2026	8,083	0.38
USD 16,973,000	Catalent Pharma Solutions 4.875% 15/01/2026	12,345	0.58
USD 6,995,000	CCO Capital 5.875% 01/05/2027	5,172	0.24
USD 9,200,000	Constellation Brands 3.50% 09/05/2027	6,600	0.31
USD 5,979,000	Constellation Brands 4.75% 15/11/2024	4,702	0.22
USD 3,724,000	Crown Castle International 3.20% 01/09/2024	2,662	0.12
USD 14,394,000	Crown Castle International 3.65% 01/09/2027	10,141	0.48
USD 8,590,000	Crown Castle International 3.80% 15/02/2028	6,099	0.29
USD 2,562,000	CVS Health 4.30% 25/03/2028	1,914	0.09
USD 38,825,000	Diamond 1 & 2 Finance 5.45% 15/06/2023	30,779	1.43
USD 7,080,000	Digital Realty Trust 4.75% 01/10/2025	5,526	0.26
EUR 8,200,000	Equinix 2.875% 01/10/2025	6,830	0.32
USD 10,100,000	Equinix 5.375% 01/04/2023	7,831	0.37
USD 1,500,000	Equinix 5.75% 01/01/2025	1,144	0.05
USD 5,215,000	First Data 5.75% 15/01/2024	3,950	0.19
USD 3,433,000	HCA Holdings 5.00% 15/03/2024	2,600	0.12
USD 2,667,000	HCA Holdings 6.50% 15/02/2020	2,097	0.10
USD 11,810,000	HCA 5.25% 15/06/2026	8,884	0.42
USD 5,660,000	IHS Markit 5.00% 01/11/2022	4,325	0.20
GBP 10,000,000	Iron Mountain UK 3.875% 15/11/2025	9,461	0.44
USD 6,692,000	Iron Mountain 4.875% 15/09/2027	4,670	0.22
USD 11,476,000	Iron Mountain 5.25% 15/03/2028	8,044	0.38
USD 15,340,000	Iron Mountain 6.00% 15/08/2023	11,880	0.56
USD 6,699,000	KFC/Pizza Hut/Taco Bell America 4.75% 01/06/2027	4,795	0.22
USD 10,540,000	Lamb Weston Holdings 4.875% 01/11/2026	7,764	0.36
USD 7,010,000	Lions Gate Capital 5.875% 01/11/2024	5,374	0.25
USD 8,095,000	Maple Escrow Subsidiary 4.057% 25/05/2023	6,146	0.29
USD 9,960,000	Mastercard 3.80% 21/11/2046	7,348	0.34
CAD 17,820,000	McDonald's 3.125% 04/03/2025	10,172	0.48
USD 27,050,000	Microsoft 3.30% 06/02/2027	20,175	0.95
USD 6,450,000	Microsoft 3.45% 08/08/2036	4,677	0.22
USD 14,250,000	Philip Morris International 2.00% 21/02/2020	10,620	0.50
USD 10,000,000	Quintiles Transnational 4.875% 15/05/2023	7,650	0.36
USD 9,871,000	Salesforce.com 3.70% 11/04/2028	7,423	0.35
USD 16,068,000	Service International 4.625% 15/12/2027	11,496	0.54
USD 5,510,000	Silgan 4.75% 15/03/2025	3,965	0.19
USD 12,045,000	SiriusXM Radio 5.375% 15/04/2025	8,998	0.42
USD 10,000,000	SiriusXM Radio 6.00% 15/07/2024	7,716	0.36
USD 11,500,000	Sysco 3.55% 15/03/2025	8,536	0.40
USD 2,534,000	T-Mobile USA 4.50% 01/02/2026	1,792	0.08
USD 15,995,000	T-Mobile USA 4.75% 01/02/2028	11,222	0.53
USD 8,550,000	T-Mobile USA 6% 01/03/2023	6,690	0.31
USD 10,020,000	T-Mobile USA 6.50% 15/01/2026	7,827	0.37
USD 60,000,000	US Treasury 1.75% 30/11/2019	44,989	2.10
USD 87,000,000	US Treasury 2.75% 15/11/2023	65,872	3.08
USD 14,000,000	Verizon Communications 1.75% 15/08/2021	10,135	0.48

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Fixed Rate Bond (continued)</b>			
USD 10,000,000	Verizon Communications 3.125% 16/03/2022	7,471	0.35
AUD 10,580,000	Verizon Communications 3.50% 17/02/2023	5,926	0.28
AUD 9,000,000	Verizon Communications 4.50% 17/08/2027	5,112	0.24
USD 39,000,000	Visa 2.75% 15/09/2027	27,451	1.29
USD 6,119,000	VMware 3.90% 21/08/2027	4,280	0.20
USD 12,180,000	Walmart 4% 11/04/2043	9,079	0.43
USD 14,000,000	Wells Fargo 3.00% 22/01/2021	10,535	0.49
USD 6,300,000	Zayo 5.75% 15/01/2027	4,688	0.22
		<u>655,329</u>	<u>30.71</u>
<b>Secured Loans 1.21% (2017: 2.25%)<sup>1</sup></b>			
USD 11,165,625	McAfee FRN 30/09/2024	8,492	0.40
EUR 5,359,500	McAfee FRN 30/09/2024	4,734	0.22
USD 12,138,689	SS&C Technologies FRN 16/04/2025 B3	9,189	0.43
USD 4,592,226	SS&C Technologies FRN 16/04/2025 B4	3,476	0.16
		<u>25,891</u>	<u>1.21</u>
<b>Variable Rate Bond 1.54% (2017: 1.37%)</b>			
USD 43,920,000	Wachovia Capital Trust III 5.56975% Perpetual	<u>32,809</u>	<u>1.54</u>
<b>Derivatives (0.20%) (2017: 0.65%)</b>			
<b>Futures 0.10% (2017: 0.00%)</b>			
924	CBT US 10 Year Note September 2018	(33)	-
1,307	ICE Long Gilt September 2018	15	-
551	MSE Canada 10 Year Bond September 2018	(351)	(0.02)
2,240	SFE Australia 10 Year Bond September 2018	2,093	0.10
1,668	SFE Australia 3 Year Bond September 2018	374	0.02
		<u>2,098</u>	<u>0.10</u>
<b>Swaps (0.16%) (2017: (0.03%))<sup>1</sup></b>			
<b>Credit Default Swaps (0.16%) (2017: (0.03%))<sup>1</sup></b>			
13,800,000	CDS 1.00% 20/06/2023 Airbus Pay EUR	(331)	(0.02)
14,300,000	CDS 1.00% 20/06/2023 Kroger Pay USD	(106)	-
10,750,000	CDS 1.00% 20/12/2020 Host Hotels Pay USD	(159)	(0.01)
10,750,000	CDS 1.00% 20/12/2020 Host Hotels Pay USD	(159)	(0.01)
9,000,000	CDS 1.00% 20/12/2021 Renault Pay EUR	(70)	-
14,000,000	CDS 5.00% 20/12/2022 Ford Motor Pay USD	(1,676)	(0.08)
5,700,000	CDS 5.00% 20/12/2022 Peugeot Pay EUR	(798)	(0.04)
		<u>(3,299)</u>	<u>(0.16)</u>
<b>Forward Foreign Exchange Contracts (0.14%) (2017: 0.68%)<sup>1</sup></b>			
	Buy AUD 1,294,200 : Sell GBP 723,193 July 2018 <sup>3</sup>	-	-
	Buy AUD 482,100 : Sell GBP 269,025 July 2018	1	-
	Buy AUD 523,100 : Sell GBP 292,492 July 2018 <sup>3</sup>	-	-
	Buy AUD 588,300 : Sell GBP 328,557 July 2018 <sup>3</sup>	-	-
	Buy AUD 723,600 : Sell GBP 403,096 July 2018	1	-
	Buy EUR 1,602,314 : Sell GBP 1,406,361 July 2018	12	-
	Buy EUR 2,042,123 : Sell GBP 1,807,033 July 2018 <sup>3</sup>	-	-
	Buy EUR 2,887,031 : Sell GBP 2,545,171 July 2018	10	-
	Buy EUR 29,894 : Sell GBP 26,199 July 2018 <sup>3</sup>	-	-
	Buy GBP 11,568,363 : Sell AUD 20,629,407 July 2018	35	-

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Forward Foreign Exchange Contracts</b> <small>(continued)</small>			
	Buy GBP 20,895,893 : Sell AUD 37,418,980 July 2018	(24)	-
	Buy GBP 222,842,575 : Sell CAD 389,594,513 July 2018	(1,336)	(0.06)
	Buy GBP 2,244,191 : Sell USD 2,982,560 July 2018	(12)	-
	Buy GBP 272,085,602 : Sell AUD 487,875,885 July 2018	(674)	(0.03)
	Buy GBP 289,091 : Sell EUR 329,914 July 2018	(3)	-
	Buy GBP 297,163 : Sell AUD 532,400 July 2018 <sup>3</sup>	-	-
	Buy GBP 44,102,715 : Sell CAD 77,171,325 July 2018	(303)	(0.01)
	Buy GBP 466,319 : Sell AUD 839,000 July 2018	(3)	-
	Buy GBP 76,319,223 : Sell EUR 86,863,988 July 2018	(550)	(0.03)
	Buy GBP 811,968 : Sell USD 1,079,069 July 2018	(4)	-
	Buy GBP 890,288 : Sell USD 1,167,100 July 2018	7	-
	Buy GBP 923,324,532 : Sell USD 1,220,596,295 July 2018	(205)	(0.01)
	Buy GBP 964,462 : Sell CAD 1,686,200 July 2018	(6)	-
	Buy USD 1,368,464 : Sell GBP 1,037,007 July 2018	(2)	-
	Buy USD 1,390,086 : Sell GBP 1,053,478 July 2018	(2)	-
	Buy USD 2,609,082 : Sell GBP 1,977,759 July 2018	(4)	-
	Buy USD 2,632,487 : Sell GBP 1,986,849 July 2018	5	-
	Buy USD 2,672,348 : Sell GBP 2,012,844 July 2018	9	-
	Buy USD 27,569,636 : Sell AUD 37,000,000 July 2018	174	0.01
	Buy USD 286,869 : Sell GBP 215,957 July 2018	1	-
	Buy USD 383,431 : Sell GBP 291,263 July 2018	(1)	-
	Buy USD 47,729,689 : Sell GBP 36,258,161 July 2018	(145)	(0.01)
	Buy USD 6,174,202 : Sell GBP 4,647,794 July 2018	24	-
	Buy USD 654,694 : Sell GBP 495,398 July 2018 <sup>3</sup>	-	-
		<u>(2,995)</u>	<u>(0.14)</u>
	<b>Investment assets including investment liabilities</b>	<b>1,950,529</b>	<b>91.43</b>
	Other net assets	182,715	8.57
	<b>Total net assets</b>	<b><u>2,133,244</u></b>	<b><u>100.00</u></b>

<sup>1</sup> Unquoted securities

<sup>2</sup> Defaulted

<sup>3</sup> Due to rounding to nearest £1,000

All investments are listed on recognised stock exchanges and are "approved securities" within the meaning of FCA rules unless otherwise stated.

Prior year comparative percentages have changed for some sectors due to reclassification within these sectors.

## Statement of total return for the year ended 30 June 2018

	Note	2018		2017	
		£000	£000	£000	£000
Income					
Net capital (losses)/gains	2		(55,661)		47,803
Revenue	3	68,741		74,508	
Expenses	4	(14,431)		(12,638)	
Interest payable and similar charges	5	(19)		(8)	
Net revenue before taxation		54,291		61,862	
Taxation	6	(27)		(227)	
Net revenue after taxation			54,264		61,635
Total return before distributions			(1,397)		109,438
Distributions	7		(69,687)		(75,512)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(71,084)</b>		<b>33,926</b>

## Statement of change in net assets attributable to shareholders for the year ended 30 June 2018

	2018		2017	
	£000	£000	£000	£000
<b>Opening net assets attributable to shareholders</b>		<b>1,816,140</b>		<b>1,543,329</b>
Amounts receivable on issue of shares	427,835		314,023	
Amounts payable on cancellation of shares	(64,598)		(95,647)	
		363,237		218,376
Change in net assets attributable to shareholders from investment activities		(71,084)		33,926
Retained distributions on accumulation shares		24,947		20,503
Unclaimed distributions		4		6
<b>Closing net assets attributable to shareholders</b>		<b>2,133,244</b>		<b>1,816,140</b>

**Balance sheet** as at 30 June 2018

	Note	2018 £000	2017 £000
<b>Assets:</b>			
Investments		1,957,486	1,566,500
Current assets:			
Debtors	8	68,757	207,800
Cash and bank balances	9	167,605	204,676
<b>Total assets</b>		<b>2,193,848</b>	<b>1,978,976</b>
<b>Liabilities:</b>			
Investment liabilities		6,957	1,891
Creditors:			
Amounts held at derivative clearing houses and brokers		2,632	62
Bank overdrafts		13,395	8,611
Distributions payable		11,401	12,491
Other creditors	10	26,219	139,781
<b>Total liabilities</b>		<b>60,604</b>	<b>162,836</b>
<b>Net assets attributable to shareholders</b>		<b>2,133,244</b>	<b>1,816,140</b>

## Notes to the financial statements for the year ended 30 June 2018

### 1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 of the fund's aggregated notes to the financial statements.

### 2 Net capital (losses)/gains

Net capital (losses)/gains on investments during the year comprise:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Derivative securities	3,695	8,331
Forward currency contracts	9,301	(47,624)
Non-derivative securities	(70,669)	90,556
Other currency gains/(losses)	2,030	(3,435)
Transaction costs	(18)	(25)
<b>Net capital (losses)/gains</b>	<b>(55,661)</b>	<b>47,803</b>

### 3 Revenue

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Bank interest	347	133
Derivative revenue	(733)	249
Interest on debt securities	67,702	73,877
Interest on margin	5	2
Overseas dividends	-	116
Stock lending revenue	82	130
UK dividends	1,338	1
<b>Total revenue</b>	<b>68,741</b>	<b>74,508</b>

### 4 Expenses

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
Annual management charge	12,652	11,052
GAC*	1,562	1,360
	<u>14,214</u>	<u>12,412</u>
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary fees	79	123
Safe custody fees	138	103
	<u>217</u>	<u>226</u>
<b>Total expenses</b>	<b>14,431</b>	<b>12,638</b>

Irrecoverable VAT is included in the above expenses where relevant.

\* The current audit fee, which is levied through the GAC, is £12,426 (2017: £12,064).

## Notes to the financial statements (continued)

### 5 Interest payable and similar charges

The interest payable and similar charges comprise:

	2018 £000	2017 £000
Interest payable	19	8
<b>Total interest payable and similar charges</b>	<b>19</b>	<b>8</b>

### 6 Taxation

#### a) Analysis of charge in the year

The tax charge comprises:

	2018 £000	2017 £000
<b>Current tax</b>		
Overseas withholding tax	27	227
<b>Total tax (note 6b)</b>	<b>27</b>	<b>227</b>

#### b) Factors affecting tax charge for year

The tax assessed for each year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICs) of 20% (2017: 20%). The differences are explained below:

	2018 £000	2017 £000
Net revenue before taxation	54,291	61,862
Corporation tax at 20% (2017: 20%)	10,858	12,372
Effects of:		
Irrecoverable overseas tax	27	227
Revenue being paid as interest distributions	(10,591)	(12,372)
UK Dividends*	(267)	-
<b>Tax charge for the year (note 6a)</b>	<b>27</b>	<b>227</b>

\* As an OEIC this item is not subject to corporation tax.

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

#### c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2017: nil).

#### d) Factors that may affect future tax charges

There were no factors that may affect future tax charges at the current or prior year end.



## Notes to the financial statements (continued)

### 7 Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Interim income	34,890	37,473
Interim accumulation	17,891	14,971
Final income	11,401	12,491
Final accumulation	7,056	5,532
Tax withheld on interest distributions	-	6,114
	<u>71,238</u>	<u>76,581</u>
Amounts deducted on cancellation of shares	257	459
Amounts received on issue of shares	(1,808)	(1,528)
<b>Total distributions</b>	<b><u>69,687</u></b>	<b><u>75,512</u></b>
Net revenue after taxation	54,264	61,635
Annual management charge borne by the capital account	12,652	11,052
Effective yield coupon based adjustment	2,771	2,825
<b>Total distributions</b>	<b><u>69,687</u></b>	<b><u>75,512</u></b>

Details of the distribution per share are set out in the distribution tables on pages 270 to 273.

### 8 Debtors

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Accrued revenue	21,433	20,840
Amounts receivable for issue of shares	2,428	2,535
Currency transactions awaiting settlement	2,595	61,616
Overseas withholding tax reclaimable	10	-
Sales awaiting settlement	42,291	122,809
<b>Total debtors</b>	<b><u>68,757</u></b>	<b><u>207,800</u></b>

### 9 Cash and bank balances

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Amounts held at derivative clearing houses and brokers	8,826	61
Cash and bank balances	155,579	204,355
Cash pledged as collateral	3,200	260
<b>Total cash and bank balances</b>	<b><u>167,605</u></b>	<b><u>204,676</u></b>

## Notes to the financial statements (continued)

### 10 Other creditors

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Accrued annual management charge	1,119	974
Accrued Depositary's fee	8	7
Accrued other expenses	184	132
Amounts payable for cancellation of shares	660	758
Derivative revenue payable	35	7
Currency transactions awaiting settlement	2,595	61,622
Purchases awaiting settlement	21,618	76,281
<b>Total other creditors</b>	<b>26,219</b>	<b>139,781</b>

### 11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

### 12 Related party transactions

Henderson Investment Funds Limited as ACD to the fund is deemed to be a related party because it provides key management personnel services to the fund. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', the 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 257 and 258 and notes 4, 7, 8 and 10 on pages 259 to 262 including all issues and cancellations where the ACD acted as principal.

Transactions with the ACD are as follows:

- All issues and cancellations,
- Annual management charge
- GAC

There were no material shareholders at the year end (2017: nil).

### 13 Shareholders' funds

The fund currently has 3 share classes available; Class A (Retail with front-end charges), Class I (Institutional) and Class Z (Institutional). The annual management charge on each share class is as follows:

	<b>2018</b>	<b>2017</b>
	<b>%</b>	<b>%</b>
Class A	1.25	1.25
Class I	0.60	0.60
Class Z*	0.00	0.00

\* Charges for managing Z class shares are levied outside the fund and are agreed between the ACD and investors.

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative tables on pages 243 to 247. The distribution per share class is given in the distribution tables on pages 270 to 273. All share classes have the same rights on winding up.

## Notes to the financial statements (continued)

### 13 Shareholders' funds (continued)

Shares reconciliation as at 30 June 2018

	Class A income	Class I accumulation	Class I income	Class Z accumulation
Opening number of shares	112,064,232	137,263,784	551,106,085	3,264,424
Issues during the year	5,980,081	81,654,232	95,465,093	419,785
Cancellations during the year	(15,743,644)	(3,770,867)	(17,267,148)	(579,908)
Shares converted during the year	3,770,880	32,165,654	272,059,645	39,561
<b>Closing shares in issue</b>	<b>106,071,549</b>	<b>247,312,803</b>	<b>901,363,675</b>	<b>3,143,862</b>

	Class A income gross	Class I accumulation gross	Class I income gross	Class Z accumulation gross
Opening number of shares	5,337,006	26,930,600	348,888,869	50,610
Issues during the year	61,499	869,367	15,507,458	-
Cancellations during the year	(331,206)	(770,820)	(811,602)	(1,904)
Shares converted during the year	(5,067,299)	(27,029,147)	(363,584,725)	(48,706)
<b>Closing shares in issue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 14 Financial derivatives

The fund may use financial derivatives for efficient portfolio management and meeting the investment objectives including risk reduction and implementation of investment policies.

Eligible collateral types are approved by the Investment Manager and are agreed with the relevant counterparty.

At 30 June 2018 there was no collateral held in respect of derivatives (2017: bonds with a market value of £261,524 were held) and there was cash of £3,200,000 pledged as collateral (2017: £260,000).

The counterparty exposure has been calculated using the positive marked-to-market value of the derivative contract with that counterparty.

#### 2018

At 30 June 2018 the underlying exposure for each category of derivatives held was as follows:

Counterparty	Futures	Forward foreign exchange contracts	Total by counterparty £000
BNP Paribas	-	105	105
JP Morgan	-	174	174
UBS	2,482	-	2,482
	<b>2,482</b>	<b>279</b>	<b>2,761</b>

#### 2017

At 30 June 2017 the underlying exposure for each category of derivatives was as follows:

Counterparty	Credit default swaps £000	Forward foreign exchange contracts £000	Total by counterparty £000
BNP Paribas	-	13,632	13,632
Deutsche Bank	24	-	24
Morgan Stanley	14	-	14
	<b>38</b>	<b>13,632</b>	<b>13,670</b>

## Notes to the financial statements (continued)

### 15 Stock lending

The fund and the Investment Manager have entered into a stock lending programme with BNP Paribas acting as the stock lending agent for the purposes of efficient portfolio management and to generate additional income.

Stock lending revenue is disclosed under 'Revenue' in the Statement of total return.

Eligible collateral types for Stock Lending and borrowing transactions are approved by the Investment Manager and may consist of securities issued or guaranteed by a Member State of the OECD or by their local authorities or supranational institutions and organisations with regional, EU and world-wide scope, generally subject to a minimum long term credit rating of at least A- by one or more major credit rating agency or listed equities on eligible markets. Collateral should be highly liquid and traded on a regulated market. Collateral is subject to a haircut on a sliding scale based on the combination of the underlying instrument being lent versus the asset being received as collateral. The value of collateral required will range from 102.50% to 110.00% of the value of the stock on loan.

#### 2018

Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
BNP Paribas	161	198	Corporate Bond
Deutsche Bank	8	8	Equity
Goldman Sachs	1,427	1,565	Government Bond
JP Morgan	7,090	7,485	Corporate Bond
JP Morgan	8,202	9,194	Equity
JP Morgan	5,582	5,893	Government Bond
	<u>20,874</u>	<u>22,572</u>	
Natixis	100,844	113,147	Equity
	<u>123,314</u>	<u>137,490</u>	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	96	14	82

## Notes to the financial statements (continued)

### 15 Stock lending (continued) 2017

Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
Credit Suisse	413	444	Government Bond
Deutsche Bank	8	8	Government Bond
JP Morgan	3,602	3,794	Corporate Bond
JP Morgan	1,389	1,544	Equity
JP Morgan	8,712	8,981	Government Bond
	<u>13,703</u>	<u>14,319</u>	
Morgan Stanley	2,591	2,729	Government Bond
	<u>16,715</u>	<u>17,500</u>	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	153	23	130

### 16 Risk

#### Currency risk

The fund's net exposure to currency risk (including any instruments used to hedge foreign currencies) is considered insignificant. This is consistent with the exposure during the prior year.

#### Interest rate risk

The fund's exposure to interest rate risk is considered significant. The interest rate risk profile of the fund's financial assets and financial liabilities at the year end is set out in the following table:

	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
<b>2018</b>				
Australian dollar	4,351	316,794	4,069	325,214
Canadian dollar	1,005	268,195	762	269,962
Euro	46,364	12,847	28,957	88,168
UK sterling	278,445	321,854	26,869	627,168
US dollar	144,514	727,940	10,882	883,336
<b>Total</b>	<u>474,679</u>	<u>1,647,630</u>	<u>71,539</u>	<u>2,193,848</u>
	Floating rate financial assets £000	Fixed rate financial assets £000	Non-interest bearing assets £000	Total £000
<b>2017</b>				
Australian dollar	8,573	158,495	147,697	314,765
Euro	76,590	118,251	7,826	202,667
UK sterling	264,174	408,007	79,084	751,265
US dollar	75,822	597,870	36,587	710,279
<b>Total</b>	<u>425,159</u>	<u>1,282,623</u>	<u>271,194</u>	<u>1,978,976</u>

## Notes to the financial statements (continued)

### 16 Risk (continued)

#### Interest rate risk (continued)

	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing liabilities	Total
<b>2018</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Australian dollar	2,467	-	11,838	14,305
Canadian dollar	34	-	351	385
Euro	-	1,198	11,878	13,076
UK sterling	13,526	-	16,494	30,020
US dollar	-	2,101	717	2,818
<b>Total</b>	<b>16,027</b>	<b>3,299</b>	<b>41,278</b>	<b>60,604</b>
	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing liabilities	Total
<b>2017</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Australian dollar	-	-	235	235
Euro	-	127	68,706	68,833
UK sterling	8,611	-	65,606	74,217
US dollar	62	376	19,113	19,551
<b>Total</b>	<b>8,673</b>	<b>503</b>	<b>153,660</b>	<b>162,836</b>

#### Credit Ratings

	Market value £000	Percentage of net assets %
<b>2018</b>		
<b>Investments</b>		
Investment grade (AAA - BBB)	1,356,635	63.59
Below investment grade (BB and below)	561,157	26.31
Unrated	36,912	1.73
<b>Total debt securities</b>	<b>1,954,704</b>	<b>91.63</b>
Derivatives	(4,196)	(0.20)
Equities	21	-
<b>Investment assets including investment liabilities</b>	<b>1,950,529</b>	<b>91.43</b>
Other net assets	182,715	8.57
<b>Total net assets</b>	<b>2,133,244</b>	<b>100.00</b>
	Market value £000	Percentage of net assets %
<b>2017</b>		
<b>Investments</b>		
Investment grade (AAA - BBB)	769,985	42.40
Below investment grade (BB and below)	778,561	42.87
Unrated	3,760	0.20
<b>Total debt securities</b>	<b>1,552,306</b>	<b>85.47</b>
Derivatives	11,779	0.65
Equities	524	0.03
<b>Investment assets including investment liabilities</b>	<b>1,564,609</b>	<b>86.15</b>
Other net assets	251,531	13.85
<b>Total net assets</b>	<b>1,816,140</b>	<b>100.00</b>

## Notes to the financial statements (continued)

### 16 Risk (continued)

#### Sensitivity analysis

The actual VaR results, limits and utilisation of limits are summarised in the table below:

VaR Results	Global Exposure Calculation Basis	Actual VaR in year			VaR limit	Utilisation of VaR limit		
		Minimum %	Maximum %	Average %		Minimum %	Maximum %	Average %
2018	Absolute VaR	1.04	2.37	1.74	0	5.21	11.83	8.68
2017	Absolute VaR	1.54	2.93	2.22	20.00	7.68	14.64	11.12

#### Leverage

	Minimum %	Maximum %	Average %
2018	60.83	248.62	130.80
2017	61.71	246.86	125.93

#### Liquidity risk

The following table provides a maturity analysis of the fund's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
<b>2018</b>				
Amounts held at derivatives clearing houses and brokers	2,632	-	-	-
Bank overdrafts	13,395	-	-	-
Derivative financial liabilities	-	3,658	3,299	-
Distribution payable	-	11,401	-	-
Other creditors	-	26,219	-	-
<b>Total</b>	<b>16,027</b>	<b>41,278</b>	<b>3,299</b>	<b>-</b>
	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
<b>2017</b>				
Amounts held at derivatives clearing houses and brokers	62	-	-	-
Bank overdrafts	8,611	-	-	-
Derivative financial liabilities	-	1,388	503	-
Distribution payable	-	12,491	-	-
Other creditors	-	139,781	-	-
<b>Total</b>	<b>8,673</b>	<b>153,660</b>	<b>503</b>	<b>-</b>

## Notes to the financial statements (continued)

### 17 Fair value disclosure

#### Fair value measurement

The intention of a fair value measurement is to estimate the price at which an asset or a liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS 102 the fund classifies fair value measurement under the following levels:

#### Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

#### Level 2

Inputs other than quoted prices included within level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

#### Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

#### Fair value hierarchy

	2018		2017	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1	444,723*	384	524*	61
Level 2	1,512,763	6,573	1,565,976	1,830
Level 3	-	-	-	-
	<u>1,957,486</u>	<u>6,957</u>	<u>1,566,500</u>	<u>1,891</u>

\* Debt securities have been included in level 1, where their valuation is determined to be sufficiently close to a binding quoted price, amount to £442,241,340 as at 30 June 2018 (2017: nil).

### 18 Direct transaction costs

	Purchases		Sales	
	2018 £000	2017 £000	2018 £000	2017 £000
<b>Trades in the year</b>				
Debt securities	2,230,616	1,845,327	1,696,560	1,857,513
Equities	-	2,127	525	1,645
<b>Trades in the year before transaction costs</b>	<u>2,230,616</u>	<u>1,847,454</u>	<u>1,697,085</u>	<u>1,859,158</u>
<b>Transaction costs</b>				
<b>Commissions</b>				
Debt securities	-	-	-	-
Equities	-	-	-	-
<b>Total commissions</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Taxes</b>				
Debt securities	-	-	-	-
Equities	-	-	-	-
<b>Total taxes</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other expenses</b>				
Debt securities	19	25	37	20
Equities	-	-	-	-
<b>Total other expenses</b>	<u>19</u>	<u>25</u>	<u>37</u>	<u>20</u>
<b>Total transaction costs</b>	<u>19</u>	<u>25</u>	<u>37</u>	<u>20</u>
<b>Total net trades in the year after transaction costs</b>	<u>2,230,635</u>	<u>1,847,479</u>	<u>1,697,048</u>	<u>1,859,138</u>



## Notes to the financial statements (continued)

### 18 Direct transaction costs (continued)

	Purchases		Sales	
	2018 %	2017 %	2018 %	2017 %
<b>Total transaction costs expressed as a percentage of asset type cost</b>				
<b>Commissions</b>				
Collective investment schemes	-	-	-	-
Debt securities	-	-	-	-
Equities	-	-	-	-
<b>Taxes</b>				
Collective investment schemes	-	-	-	-
Debt securities	-	-	-	-
Equities	-	-	-	-
<b>Other expenses</b>				
Collective investment schemes	-	-	-	-
Debt securities	-	-	-	-
Equities	-	-	-	-
	<b>2018</b>	<b>2017</b>		
	<b>%</b>	<b>%</b>		
<b>Total transaction costs expressed as a percentage of net asset value</b>				
Commissions	-	-		
Taxes	-	-		
Other expenses	-	-		
<b>Total costs</b>	<u>-</u>	<u>-</u>		

There were no in specie transfers during the year (2017: nil). There were corporate actions during the year of £20,173,792 (2017: £25,918,061).

There were direct transaction costs associated with derivatives in the year of £95,892 (2017: £67,121) which is 0.01% of the average net asset value of the fund (2017: 0.01%).

Direct transaction costs are fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the fund. These exclude any differences between quoted bid and offer prices or internal administrative or holding costs.

Direct transaction costs related to bonds are not separately identifiable as with other financial instruments as the costs form part of the dealing spread and therefore are inherent within the purchase and sale prices of the trade.

The portfolio dealing spread as at 30 June 2018 was 0.37% (2017: 0.58%). The portfolio dealing spread is calculated at the fund's 12 noon valuation point.

### 19 Events after the Balance sheet date

There were no material post Balance sheet events which require disclosure within these financial statements.

## Distribution tables for the year ended 30 June 2018 (in pence per share)

### Interim interest distribution (accounting date 30 September 2017, paid on 30 November 2017)

Group 1 : shares purchased prior to 1 July 2017

Group 2 : shares purchased on or after 1 July 2017

	Distribution per share	Equalisation	Total distribution per share 30/11/17	Total distribution per share 30/11/16*
<b>Class A income</b>				
Group 1	1.1463	-	1.1463	1.1543
Group 2	0.5296	0.6167	1.1463	1.1543
<b>Class I accumulation</b>				
Group 1	3.0243	-	3.0243	2.9143
Group 2	1.5426	1.4817	3.0243	2.9143
<b>Class I income</b>				
Group 1	1.2624	-	1.2624	1.2658
Group 2	0.5405	0.7219	1.2624	1.2658
<b>Class Z accumulation</b>				
Group 1	3.3135	-	3.3135	3.1572
Group 2	1.2452	2.0683	3.3135	3.1572
<b>Class A income gross</b>				
Group 1	1.1605	-	1.1605	1.4728
Group 2	0.6411	0.5194	1.1605	1.4728
<b>Class I accumulation gross</b>				
Group 1	3.5296	-	3.5296	4.2408
Group 2	1.8588	1.6708	3.5296	4.2408
<b>Class I income gross</b>				
Group 1	0.9455	-	0.9455	1.1879
Group 2	0.4783	0.4672	0.9455	1.1879
<b>Class Z accumulation gross</b>				
Group 1	3.6487	-	3.6487	4.3450
Group 2	3.6487	-	3.6487	4.3450

\* Distributions on Class A income, Class I accumulation, Class I income and Class Z accumulation prior to 6 April 2017 are shown net of 20% income tax.

## Distribution tables (continued)

### Interim interest distribution (accounting date 31 December 2017, paid on 28 February 2018)

Group 1 : shares purchased prior to 1 October 2017

Group 2 : shares purchased on or after 1 October 2017

	Distribution per share	Equalisation	Total distribution per share 28/02/18	Total distribution per share 28/02/17*
<b>Class A income</b>				
Group 1	1.1552	-	1.1552	1.1104
Group 2	0.6284	0.5268	1.1552	1.1104
<b>Class I accumulation</b>				
Group 1	3.0812	-	3.0812	2.8457
Group 2	1.3984	1.6828	3.0812	2.8457
<b>Class I income</b>				
Group 1	1.2744	-	1.2744	1.2247
Group 2	0.6567	0.6177	1.2744	1.2247
<b>Class Z accumulation</b>				
Group 1	3.3822	-	3.3822	3.0723
Group 2	1.9512	1.4310	3.3822	3.0723
<b>Class A income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	1.4456
Group 2	n/a	n/a	n/a	1.4456
<b>Class I accumulation gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	4.2175
Group 2	n/a	n/a	n/a	4.2175
<b>Class I income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	1.1678
Group 2	n/a	n/a	n/a	1.1678
<b>Class Z accumulation gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	4.3289
Group 2	n/a	n/a	n/a	4.3289

\* Distributions on Class A income, Class I accumulation, Class I income and Class Z accumulation prior to 6 April 2017 are shown net of 20% income tax.

<sup>1</sup> Class A income gross, Class I accumulation gross, Class I income gross and Class Z accumulation gross closed on 2 October 2017.

## Distribution tables (continued)

### Interim interest distribution (accounting date 31 March 2018, paid on 31 May 2018)

Group 1: shares purchased prior to 1 January 2018

Group 2: shares purchased on or after 1 January 2018

	Distribution per share	Equalisation	Total distribution per share 31/05/18	Total distribution per share 31/05/17
<b>Class A income</b>				
Group 1	1.0121	-	1.0121	1.4581
Group 2	0.6087	0.4034	1.0121	1.4581
<b>Class I accumulation</b>				
Group 1	2.7342	-	2.7342	3.7250
Group 2	1.6191	1.1151	2.7342	3.7250
<b>Class I income</b>				
Group 1	1.1204	-	1.1204	1.5886
Group 2	0.6662	0.4542	1.1204	1.5886
<b>Class Z accumulation</b>				
Group 1	3.0106	-	3.0106	4.0738
Group 2	1.6015	1.4091	3.0106	4.0738
<b>Class A income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	1.4377
Group 2	n/a	n/a	n/a	1.4377
<b>Class I accumulation gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	4.2492
Group 2	n/a	n/a	n/a	4.2492
<b>Class I income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	1.1631
Group 2	n/a	n/a	n/a	1.1631
<b>Class Z accumulation gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	4.3692
Group 2	n/a	n/a	n/a	4.3692

<sup>1</sup> Class A income gross, Class I accumulation gross, Class I income gross and Class Z accumulation gross closed on 2 October 2017.

## Distribution tables (continued)

### Final interest distribution (accounting date 30 June 2018, paid on 31 August 2018)

Group 1: shares purchased prior to 1 April 2018

Group 2: shares purchased on or after 1 April 2018

	Distribution per share	Equalisation	Total distribution per share 31/08/18	Total distribution per share 31/08/17
<b>Class A income</b>				
Group 1	1.0311	-	1.0311	1.2228
Group 2	0.6583	0.3728	1.0311	1.2228
<b>Class I accumulation</b>				
Group 1	2.8136	-	2.8136	3.1874
Group 2	1.6750	1.1386	2.8136	3.1874
<b>Class I income</b>				
Group 1	1.1435	-	1.1435	1.3435
Group 2	0.6444	0.4991	1.1435	1.3435
<b>Class Z accumulation</b>				
Group 1	3.1141	-	3.1141	3.4851
Group 2	2.7382	0.3759	3.1141	3.4851
<b>Class A income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	1.2876
Group 2	n/a	n/a	n/a	1.2876
<b>Class I accumulation gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	3.8638
Group 2	n/a	n/a	n/a	3.8638
<b>Class I income gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	1.0456
Group 2	n/a	n/a	n/a	1.0456
<b>Class Z accumulation gross<sup>1</sup></b>				
Group 1	n/a	n/a	n/a	4.2089
Group 2	n/a	n/a	n/a	4.2089

<sup>1</sup> Class A income gross, Class I accumulation gross, Class I income gross and Class Z accumulation gross closed on 2 October 2017.

# Janus Henderson UK Equity Income & Growth Fund (formerly Henderson UK Equity Income & Growth Fund)

## Authorised Corporate Director's (ACD) report

### Investment Fund Managers

James Henderson and Laura Foll

### Investment objective and policy

The fund aims to provide dividend income with prospects for both income and capital growth over the medium to long term by investing primarily in United Kingdom companies. The fund may invest in fixed interest and convertible securities as well as ordinary shares. The fund may invest in other transferable securities, money market instruments, deposits and units in collective investment schemes. Derivatives and forward transactions may be used for the purposes of efficient portfolio management only.

### Performance summary

	30 Jun 17 - 30 Jun 18	30 Jun 16 - 30 Jun 17	30 Jun 15 - 30 Jun 16	30 Jun 14 - 30 Jun 15	30 Jun 13 - 30 Jun 14
	%	%	%	%	%
<b>Janus Henderson UK Equity Income &amp; Growth Fund</b>	2.4	22.2	(9.0)	4.4	21.5
<b>FTSE All-Share Index</b>	9.0	18.1	2.2	2.6	13.1

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 at close of business.

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.

## Significant portfolio changes for the year ended 30 June 2018

<b>Largest purchases</b>	<b>£000</b>	<b>Largest sales</b>	<b>£000</b>
National Grid	3,357	GKN	13,368
Ten Entertainment	3,167	Hiscox Insurance	10,758
Sabre Insurance	2,800	XP Power	6,610
Greene King	2,009	Elementis	6,559
Virgin Money	1,972	Marshalls	5,568
Severn Trent	1,735	Phoenix Holdings	5,281
4D Pharma	1,533	Senior	4,595
Allied Minds	1,198	Herald Investment Trust	4,013
Provident Financial	961	Virgin Money	3,622
Velocys	528	Henderson Opportunities Trust	3,169
<b>Total purchases</b>	<b>22,977</b>	<b>Total sales</b>	<b>103,088</b>

## Authorised Corporate Director's (ACD) report (continued)

### Investment review

During the year under review, the fund rose 2.4% on a total return basis, versus a 9.0% rise in the FTSE All Share Index.

The fund underperformed the UK market during the year as a result of stock-specific reasons and strong performance coming from lower yielding growth companies.

The best performer was aerospace and auto parts manufacturer GKN. The shares rose sharply following a takeover bid by Melrose. The bid was rebuffed by the GKN board on the view that the offer undervalued the company's potential. GKN's management subsequently released details of a new cost cutting, capital allocation and company separation plan that provided a roadmap to improving operating returns in the medium term. In our view, the new company strategy and takeover offer provided shareholders with two viable approaches to unlocking value after a period of underperformance. However, we sold our position, as we felt we were being paid now for the next three years' hard work and that it would probably be more difficult to realise the margin upside than was being guided.

The biggest hit to performance was drinks wholesaler Conviviality. The company was partially hurt by a difficult trading environment. However, the key issue was a series of internal control breakdowns. The company was unable to raise the necessary funds and management filed for administration. It is clear now that there was a lack oversight in the business; in fact, board members and management were purchasing shares shortly before the initial profit warning. We wrote the value of the company down to zero.

We sold holdings in some smaller companies as the valuation on them had become demanding and the running yield low. Examples of this would be XP Power and Marshalls, both of which we sold completely. We reduced other small companies for portfolio balance reasons, including A&J Mucklow REIT, Numis, Senior and Somero Enterprises. These stocks have been in the portfolio a number of years but their relative size made it prudent to reduce, putting the emphasis on finding new holdings. Sabre Insurance which underwrites car drivers who are high risk and therefore are shunned by most insurers, are the company's speciality. It prices the risk accordingly and achieves very good underwriting results. We also purchased Ten Entertainment, a ten pin bowling company that successfully expanded by offering very good value leisure pursuits. Among the large companies, we started a holding in Severn Trent as we believed investor concerns may be over discounted. Finally, we purchased Greene King as we believe the pub operator has a high class estate and is improving its food offering.

The UK economy is subdued as wages failed to keep up with inflation, which has reduced consumer demand. At the same time, corporate capital spend has been partially curtailed by the uncertainty caused by Brexit (the UK's exit from the European Union).

Many high street retailers have had a particularly difficult time, owing to the ongoing structural change going as online retailing is replacing some of the traditional retailers, while demand has been very subdued. This led to some of the weaker companies going into administration. The fund's retail weighting therefore remained low. The stocks we do hold are in specialist areas such as Halfords, a bicycle retailer, as these are the kind of products that consumers prefer to visit and look at in-store.

The weighting to the industrial sector remains relatively high, as we believe the companies we hold are very good at what they do. The fall in the value of sterling has helped make these companies more competitive, while also benefiting reported earnings.

Exporting companies and those with overseas operations are generally experiencing better trading conditions than domestically focused companies. However, valuations of UK-centric businesses are now usually lower than businesses operating overseas. Our investment approach will focus on seeing out real value in UK-orientated businesses that are dealing satisfactorily with the subdued conditions in the UK, as we believe that, eventually, the difficulties associated with Brexit will be resolved and confidence in the UK will rebuild.

## Comparative tables for the year ended 30 June 2018

	Class A accumulation		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	745.04	619.09	669.38
Return before operating charges*	32.51	137.95	(39.38)
Operating charges	(12.72)	(12.00)	(10.91)
Return after operating charges*	19.79	125.95	(50.29)
Distributions on accumulation shares	(26.86)	(26.35)	(24.65)
Retained distributions on accumulation shares	26.86	26.35	24.65
Closing net asset value per share	764.83	745.04	619.09
* after direct transaction costs of:	0.28	0.44	0.42
<b>Performance</b>			
Return after charges	2.66%	20.34%	(7.51%)
<b>Other information</b>			
Closing net asset value (£000s)	611	455	453
Closing number of shares	79,918	61,023	73,114
Operating charges	1.69%	1.70%	1.70%
Direct transaction costs	0.04%	0.06%	0.06%
<b>Prices</b>			
Highest share price (pence)	785.90	768.80	683.50
Lowest share price (pence)	715.80	602.90	573.50
	Class A income		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	642.29	553.56	622.42
Return before operating charges*	27.47	122.59	(36.10)
Operating charges	(10.84)	(10.61)	(10.08)
Return after operating charges*	16.63	111.98	(46.18)
Distributions on income shares	(22.86)	(23.25)	(22.68)
Closing net asset value per share	636.06	642.29	553.56
* after direct transaction costs of:	0.24	0.39	0.39
<b>Performance</b>			
Return after charges	2.59%	20.23%	(7.42%)
<b>Other information</b>			
Closing net asset value (£000s)	56,176	65,784	64,410
Closing number of shares	8,831,845	10,242,208	11,635,594
Operating charges	1.69%	1.70%	1.70%
Direct transaction costs	0.04%	0.06%	0.06%
<b>Prices</b>			
Highest share price (pence)	664.10	672.00	635.60
Lowest share price (pence)	603.00	539.10	525.00



## Comparative tables (continued)

	Class C income		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	181.75	156.64	176.12
Return before operating charges*	7.77	34.70	(10.23)
Operating charges	(3.07)	(3.01)	(2.84)
Return after operating charges*	4.70	31.69	(13.07)
Distributions on income shares	(6.47)	(6.58)	(6.41)
Closing net asset value per share	179.98	181.75	156.64
* after direct transaction costs of:	0.07	0.11	0.11

### Performance

Return after charges	2.59%	20.23%	(7.42%)
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### Other information

Closing net asset value (£000s)	134,198	140,562	126,327
Closing number of shares	74,561,211	77,339,115	80,647,230
Operating charges	1.69%	1.70%	1.70%
Direct transaction costs	0.04%	0.06%	0.06%

### Prices

Highest share price (pence)	187.90	190.10	179.90
Lowest share price (pence)	170.60	152.60	148.60

	Class I accumulation		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	1,369.70	1,128.37	1,209.51
Return before operating charges*	59.87	252.11	(71.34)
Operating charges	(11.51)	(10.78)	(9.80)
Return after operating charges*	48.36	241.33	(81.14)
Distributions on accumulation shares	(51.08)	(49.63)	(46.11)
Retained distributions on accumulation shares	51.08	49.63	46.11
Closing net asset value per share	1,418.06	1,369.70	1,128.37
* after direct transaction costs of:	0.51	0.80	0.76

### Performance

Return after charges	3.53%	21.39%	(6.71%)
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### Other information

Closing net asset value (£000s)	38,334	63,987	71,427
Closing number of shares	2,703,243	4,671,634	6,330,103
Operating charges	0.83%	0.84%	0.84%
Direct transaction costs	0.04%	0.06%	0.06%

### Prices

Highest share price (pence)	1,456.00	1,412.00	1,236.00
Lowest share price (pence)	1,324.00	1,099.00	1,042.00

## Comparative tables (continued)

	Class I income		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	721.71	617.37	688.96
Return before operating charges*	30.97	136.98	(40.18)
Operating charges	(6.00)	(5.86)	(5.52)
Return after operating charges*	24.97	131.12	(45.70)
Distributions on income shares	(26.55)	(26.78)	(25.89)
Closing net asset value per share	720.13	721.71	617.37
* after direct transaction costs of:	0.27	0.43	0.43
<b>Performance</b>			
Return after charges	3.46%	21.24%	(6.63%)
<b>Other information</b>			
Closing net asset value (£000s)	94,388	129,082	140,619
Closing number of shares	13,107,161	17,885,611	22,776,895
Operating charges	0.83%	0.84%	0.84%
Direct transaction costs	0.04%	0.06%	0.06%
<b>Prices</b>			
Highest share price (pence)	749.20	754.60	704.20
Lowest share price (pence)	681.50	601.30	583.90
	Class Z accumulation		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	220.84	180.54	192.02
Return before operating charges*	9.71	40.42	(11.37)
Operating charges	(0.11)	(0.12)	(0.11)
Return after operating charges*	9.60	40.30	(11.48)
Distributions on accumulation shares	(8.32)	(8.03)	(7.40)
Retained distributions on accumulation shares	8.32	8.03	7.40
Closing net asset value per share	230.44	220.84	180.54
* after direct transaction costs of:	0.08	0.13	0.12
<b>Performance</b>			
Return after charges	4.35%	22.32%	(5.98%)
<b>Other information</b>			
Closing net asset value (£000s)	21,807	22,996	20,986
Closing number of shares	9,463,157	10,412,825	11,624,119
Operating charges	0.05%	0.06%	0.06%
Direct transaction costs	0.04%	0.06%	0.06%
<b>Prices</b>			
Highest share price (pence)	236.40	227.60	196.40
Lowest share price (pence)	214.80	175.90	166.20

## Comparative tables (continued)

	Class Z income		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	223.41	189.67	210.07
Return before operating charges*	9.62	42.20	(12.29)
Operating charges	(0.11)	(0.13)	(0.12)
Return after operating charges*	9.51	42.07	(12.41)
Distributions on income shares	(8.32)	(8.33)	(7.99)
Closing net asset value per share	224.60	223.41	189.67
* after direct transaction costs of:	0.08	0.13	0.13
<b>Performance</b>			
Return after charges	4.26%	22.18%	(5.91%)
<b>Other information</b>			
Closing net asset value (£000s)	2,310	2,691	2,341
Closing number of shares	1,028,457	1,204,581	1,234,216
Operating charges	0.05%	0.06%	0.06%
Direct transaction costs	0.04%	0.06%	0.06%
<b>Prices</b>			
Highest share price (pence)	233.40	233.50	214.90
Lowest share price (pence)	212.20	184.80	178.90
	Class A accumulation (EUR hedged)		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	1,051.55	834.32	767.10
Return before operating charges*	42.19	233.90	80.34
Operating charges	(18.05)	(16.67)	(13.12)
Return after operating charges*	24.14	217.23	67.22
Distributions on accumulation shares	(37.87)	(36.93)	(31.50)
Retained distributions on accumulation shares	37.87	36.93	31.50
Closing net asset value per share	1,075.69	1,051.55	834.32
* after direct transaction costs of:	0.40	0.61	0.50
<b>Performance</b>			
Return after charges	2.30%	26.04%	8.76%
<b>Other information</b>			
Closing net asset value (£000s)	130	81	63
Closing number of shares	12,051	7,699	7,542
Operating charges	1.69%	1.70%	1.70%
Direct transaction costs	0.04%	0.06%	0.06%
<b>Prices</b>			
Highest share price (Euro cents)	1,251.00	1,237.00	1,105.00
Lowest share price (Euro cents)	1,141.00	977.60	926.90

## Comparative tables (continued)

	Class A accumulation (USD hedged)		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	941.31	755.44	688.51
Return before operating charges*	37.36	201.47	78.73
Operating charges	(15.60)	(15.60)	(11.80)
Return after operating charges*	21.76	185.87	66.93
Distributions on accumulation shares	(33.10)	(33.49)	(28.17)
Retained distributions on accumulation shares	33.10	33.49	28.17
Closing net asset value per share	963.07	941.31	755.44
* after direct transaction costs of:	0.34	0.57	0.45
<b>Performance</b>			
Return after charges	2.31%	24.60%	9.72%
<b>Other information</b>			
Closing net asset value (£000s)	258	211	247
Closing number of shares	26,811	22,413	32,750
Operating charges	1.69%	1.70%	1.70%
Direct transaction costs	0.04%	0.06%	0.06%
<b>Prices</b>			
Highest share price (USD cents)	1,304.00	1,260.00	1,106.00
Lowest share price (USD cents)	1,186.00	983.80	927.20

Performance values are at close of business and may differ from the performance summary.

### Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

### Share class launches and closures

There were no share classes launched or closed in the year.

### Hedged share classes

Class A accumulation (EUR hedged) and Class A accumulation (USD hedged) are hedged share classes. Hedged share classes allow the ACD to use currency hedging transactions to reduce the effect of fluctuations in the rate of exchange between the currency of shares in those classes and Sterling which is the base currency of the fund.

## Ongoing charge figure

The annualised ongoing charge figure (OCF) of the fund is calculated as the ratio of the total ongoing charges to the average net asset value for twelve months. Ongoing charges are all expenses deducted from the assets of the fund during the year, except for expenses that are explicitly excluded by regulation.

	<b>2018</b> %	<b>2017</b> %
<b>Class A</b>	1.69	1.70
<b>Class C</b>	1.69	1.70
<b>Class I</b>	0.83	0.84
<b>Class Z</b>	0.05	0.06
<b>Class A accumulation (EUR hedged)</b>	1.69	1.70
<b>Class A accumulation (USD hedged)</b>	1.69	1.70

The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

## Risk and reward profile

The fund currently has 9 types of share class in issue; A accumulation, A income, C income, I accumulation, I income, Z accumulation, Z income, A accumulation (EUR hedged) and A accumulation (USD hedged).

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<sup>1</sup>, 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 and any income from it 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 share classes appear at 5 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events.

The full list of the fund's risks are contained in the 'Risk Factors' section of the fund's prospectus.

There have been no changes to the risk ratings in the year.

<sup>1</sup> Class A accumulation gross was launched 22 April 2014 and both Class A accumulation ( EUR hedged, USD hedged) launched 18 November 2013, as these do not have a 5 year history, a synthetic history has been created using the fund's relevant sector average.

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

## Portfolio statement as at 30 June 2018

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Equities 100.32% (2017: 100.77%)</b>		
	<b>Ireland 1.18% (2017: 1.30%)</b>		
	<b>Financials 1.18% (2017: 1.23%)</b>		
6,000,000	Carador Income Fund 'C'	2,999	0.87
185,070	Malin	1,097	0.31
		<u>4,096</u>	<u>1.18</u>
	<b>Oil &amp; Gas 0.00% (2017: 0.07%)</b>		
	<b>Netherlands 6.51% (2017: 4.09%)</b>		
	<b>Oil &amp; Gas 6.51% (2017: 4.09%)</b>		
550,000	Royal Dutch Shell 'A' (UK Listing)	14,459	4.15
302,808	Royal Dutch Shell 'B' (UK Listing)	8,217	2.36
		<u>22,676</u>	<u>6.51</u>
	<b>Singapore 0.80% (2017: 1.87%)</b>		
	<b>Industrials 0.00% (2017: 1.14%)</b>		
	<b>Oil &amp; Gas 0.80% (2017: 0.73%)</b>		
8,407,349	Atlantis Resources	2,774	0.80
	<b>United Kingdom 90.86% (2017: 92.45%)</b>		
	<b>Basic Materials 3.18% (2017: 4.67%)</b>		
2,692,000	Acertec <sup>1</sup>	-	-
2,327,062	Carclo	1,880	0.54
186,197	Croda International	8,941	2.57
3,535,000	Itaconix	239	0.07
		<u>11,060</u>	<u>3.18</u>
	<b>Consumer Goods 1.66% (2017: 4.68%)</b>		
2,125,000	Finsbury Food	2,486	0.71
600,000	Headlam	2,928	0.84
849,046	UP Global Sourcing	369	0.11
		<u>5,783</u>	<u>1.66</u>
	<b>Consumer Services 7.37% (2017: 7.08%)</b>		
1,418,202	Conviviality <sup>1</sup>	-	-
7,231,657	Fastjet	615	0.18
3,931,657	FastJet (Warrants)	2	-
1,004,194	Findel	2,812	0.81
350,000	Greene King	2,015	0.58
1,294,601	Halfords	4,491	1.28
2,581,634	Marston's	2,569	0.74
625,000	McColl's Retail	1,306	0.38
500,000	Mirriad Advertising	170	0.05
300,000	Pearson	2,655	0.76
520,000	SafeStyle UK	276	0.08
2,340,000	Shoe Zone	4,328	1.24
1,312,500	Ten Entertainment	3,439	0.99
1,547,500	Topps Tiles	992	0.28
		<u>25,670</u>	<u>7.37</u>

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Financials 36.93% (2017: 37.90%)</b>			
510,000	A & J Mucklow REIT	2,851	0.82
3,591,500	ACHP	251	0.07
1,000,000	Allied Minds	1,050	0.30
500,000	Aviva	2,520	0.72
3,148,438	Chesnara	11,397	3.27
32,905,500	Cluff Natural Resources	658	0.19
1,763,199	Direct Line Insurance	6,046	1.74
967,217	EPE Special Opportunities	1,470	0.42
837,274	Henderson Alternative Strategies	2,328	0.67
383,335	Hiscox Insurance	5,846	1.68
2,281,683	HSBC Holdings	16,217	4.66
600,000	H&T	2,100	0.60
203,500,000	Hume Capital Securities <sup>1</sup>	-	-
5,820,823	Infrastructure India	151	0.04
1,557,401	International Personal Finance	3,174	0.91
1,409,091	IP	1,787	0.51
2,519,900	Numis	10,432	3.00
1,739,500	Palace Capital	6,227	1.79
4,398,533	Park	3,310	0.95
1,545,283	Phoenix Holdings	10,462	3.00
721,132	Phoenix (Rights)	1,168	0.34
538,123	Provident Financial	3,228	0.93
511,949	Prudential	8,880	2.55
3,882,300	Redde	6,833	1.96
1,186,120	Sabre Insurance	3,214	0.92
2,000,000	Sanditon Investment Trust	1,640	0.47
901,661	St. Modwen Properties	3,791	1.09
1,250,000	Standard Chartered	8,658	2.49
900,000	Standard Life Aberdeen	2,931	0.84
		<u>128,620</u>	<u>36.93</u>
<b>Health Care 2.89% (2017: 2.90%)</b>			
350,000	GlaxoSmithKline	5,354	1.54
300,000	Oxford Pharmascience <sup>2</sup>	-	-
16,696,500	Tissue Regenix	1,753	0.50
1,369,828	4D Pharma	2,966	0.85
		<u>10,073</u>	<u>2.89</u>
<b>Industrials 27.61% (2017: 26.60%)</b>			
270,000	Avon Rubber	3,861	1.11
698,076	Babcock International	5,709	1.64
800,000	BAE Systems	5,174	1.49
1,803,531	Balfour Beatty	5,117	1.47
1,900,965	Carillion <sup>1</sup>	-	-
1,358,805	Castings	5,564	1.60
2,522,275	Epwin	1,954	0.56
712,500	Flowtech Fluidpower	1,192	0.34
327,425	Hill & Smith Holdings	4,843	1.39
4,230,000	iEnergizer	2,538	0.73
194,266	IMI	2,199	0.63



## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Industrials (continued)</b>			
1,095,395	Interserve	696	0.20
3,962,333	Johnson Service	5,460	1.57
3,611,535	Low & Bonar	1,752	0.50
4,150,000	Macfarlane	4,441	1.28
736,411	Meggitt	3,633	1.04
3,436,563	Metalrax <sup>1</sup>	-	-
2,000,000	Modern Water	144	0.04
2,000,000	Morgan Advanced Materials	6,532	1.88
9,945,274	Renold	2,854	0.82
53,607,485	Rolls-Royce (bonus issue)	54	0.02
755,035	Rolls-Royce Holdings	7,461	2.14
1,150,000	Royal Mail	5,812	1.67
3,900,000	Senior	11,847	3.39
3,003,153	Shanks	2,342	0.67
2,050,000	TT Electronics	4,971	1.43
		96,150	27.61
<b>Oil &amp; Gas 6.02% (2017: 5.12%)</b>			
2,964,254	BP	17,142	4.92
8,000,000	Ilika	1,840	0.53
180,000	Indus Gas	641	0.18
11,426,955	Velocys	1,354	0.39
		20,977	6.02
<b>Telecommunications 2.01% (2017: 2.02%)</b>			
262,760	Inmarsat Ventures	1,445	0.42
3,013,235	Vodafone	5,539	1.59
		6,984	2.01
<b>Utilities 3.19% (2017: 1.48%)</b>			
2,707,616	Aggregated Micro Power	2,843	0.82
1,850,000	Centrica	2,917	0.84
400,000	National Grid	3,353	0.96
100,000	Severn Trent	1,980	0.57
		11,093	3.19
<b>United States 0.97% (2017: 1.06%)</b>			
<b>Industrials 0.97% (2017: 1.06%)</b>			
911,980	Somero Enterprises	3,374	0.97
<b>Collective Investment Schemes 0.03% (2017: 0.00%)</b>			
7,500,000	Abaco Capital	113	0.03

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Derivatives 0.00% (2017: 0.00%)</b>			
<b>Forward Foreign Exchange Contracts (Hedged share classes) 0.00% (2017: 0.00%)</b>			
	Buy EUR 149,468 : Sell GBP 131,037 July 2018	1	-
	Buy GBP 1,689 : Sell EUR 1,917 July 2018 <sup>2</sup>	-	-
	Buy GBP 3,349 : Sell USD 4,440 July 2018 <sup>2</sup>	-	-
	Buy GBP 698 : Sell EUR 797 July 2018 <sup>2</sup>	-	-
	Buy USD 337,774 : Sell GBP 254,691 July 2018	1	-
	Buy USD 8,383 : Sell GBP 6,321 July 2018 <sup>2</sup>	-	-
		2	-
	<b>Investment assets</b>	<b>349,445</b>	<b>100.35</b>
	Other net liabilities	(1,233)	(0.35)
	<b>Total net assets</b>	<b>348,212</b>	<b>100.00</b>

Geographical classifications are based on country of risk.

<sup>1</sup> Suspended, delisted or unquoted securities

<sup>2</sup> Due to rounding to nearest £1,000

All investments are listed on recognised stock exchanges and are "approved securities" within the meaning of FCA rules unless otherwise stated.

## Statement of total return for the year ended 30 June 2018

	Note	2018		2017	
		£000	£000	£000	£000
Income					
Net capital gains	2		2,339		77,223
Revenue	3	14,375		17,989	
Expenses	4	(4,730)		(5,497)	
Interest payable and similar charges	5	(3)		(3)	
Net revenue before taxation		9,642		12,489	
Taxation	6	(106)		(112)	
Net revenue after taxation			9,536		12,377
Total return before distributions			11,875		89,600
Distributions	7		(13,728)		(17,253)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(1,853)</b>		<b>72,347</b>

## Statement of change in net assets attributable to shareholders for the year ended 30 June 2018

	2018		2017	
	£000	£000	£000	£000
<b>Opening net assets attributable to shareholders</b>		<b>425,849</b>		<b>426,873</b>
Amounts receivable on issue of shares	14,009		71,944	
Amounts payable on cancellation of shares	(92,390)		(149,601)	
		(78,381)		(77,657)
Change in net assets attributable to shareholders from investment activities		(1,853)		72,347
Retained distributions on accumulation shares		2,568		4,257
Unclaimed distributions		29		29
<b>Closing net assets attributable to shareholders</b>		<b>348,212</b>		<b>425,849</b>

**Balance sheet** as at 30 June 2018

	Note	2018 £000	2017 £000
<b>Assets:</b>			
Investments		349,445	429,127
Current assets:			
Debtors	8	1,768	1,737
Cash and bank balances	9	3,216	4,822
<b>Total assets</b>		<b>354,429</b>	<b>435,686</b>
<b>Liabilities:</b>			
Investment liabilities		-	5
Creditors:			
Bank overdrafts		-	3,882
Distributions payable		3,752	4,735
Other creditors	10	2,465	1,215
<b>Total liabilities</b>		<b>6,217</b>	<b>9,837</b>
<b>Net assets attributable to shareholders</b>		<b>348,212</b>	<b>425,849</b>

## Notes to the financial statements for the year ended 30 June 2018

### 1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 of the fund's aggregated notes to the financial statements.

### 2 Net capital (losses)/gains

Net capital gains on investments during the year comprise:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Forward currency contracts	1	(9)
Forward currency contracts on hedged share classes	1	7
Non-derivative securities	2,350	77,230
Other currency gains	-	8
Transaction costs	(13)	(13)
<b>Net capital gains</b>	<b>2,339</b>	<b>77,223</b>

### 3 Revenue

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Bank interest	5	6
Overseas dividends	2,779	3,345
Stock dividends	-	203
Stock lending revenue	143	102
UK dividends	11,250	14,081
UK REIT revenue - PID	157	186
Underwriting commission	41	66
<b>Total revenue</b>	<b>14,375</b>	<b>17,989</b>

### 4 Expenses

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
Annual management charge	4,192	4,876
GAC*	490	561
	<u>4,682</u>	<u>5,437</u>
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary fees	32	46
Safe custody fees	14	14
	<u>46</u>	<u>60</u>
<b>Other expenses:</b>		
Legal fees	2	-
	<u>2</u>	<u>-</u>
<b>Total expenses</b>	<b>4,730</b>	<b>5,497</b>

Irrecoverable VAT is included in the above expenses where relevant.

\* The current audit fee, which is levied through the GAC, is £10,017 (2017: £9,725).

## Notes to the financial statements (continued)

### 5 Interest payable and similar charges

The interest payable and similar charges comprise:

	2018 £000	2017 £000
Interest payable	3	3
<b>Total interest payable and similar charges</b>	<b>3</b>	<b>3</b>

### 6 Taxation

#### a) Analysis of charge in the year

The tax charge comprises:

	2018 £000	2017 £000
<b>Current tax</b>		
Overseas withholding tax	106	112
<b>Total tax (note 6b)</b>	<b>106</b>	<b>112</b>

#### b) Factors affecting tax charge for year

The tax assessed for each year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICS) of 20% (2017: 20%). The differences are explained below:

	2018 £000	2017 £000
Net revenue before taxation	9,642	12,489
Corporation tax at 20% (2017: 20%)	1,928	2,498
Effects of:		
Irrecoverable overseas tax	106	112
Overseas dividends*	(555)	(675)
UK dividends**	(2,250)	(2,851)
Unused management expenses	877	1,028
<b>Tax charge for the year (note 6a)</b>	<b>106</b>	<b>112</b>

\* Certain overseas dividends are not subject to corporation tax from 1 July 2009 due to changes enacted in the Finance Act 2009.

\*\*As an OEIC this item is not subject to corporation tax.

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

#### c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2017: nil).

#### d) Factors that may affect future tax charges

At the year end, after claiming relief against revenue taxable on receipt, there is a potential deferred tax asset of £22,381,888 (2017: £21,504,557) in relation to surplus management expenses. It is unlikely that the fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised at the current or prior year end.

## Notes to the financial statements (continued)

### 7 Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Interim income	7,182	7,937
Interim accumulation	1,769	3,032
Final income	3,752	4,735
Final accumulation	799	1,225
	<u>13,502</u>	<u>16,929</u>
Amounts deducted on cancellation of shares	295	557
Amounts received on issue of shares	(69)	(233)
<b>Total distributions</b>	<b><u>13,728</u></b>	<b><u>17,253</u></b>
Net revenue after taxation	9,536	12,377
Annual management charge borne by the capital account	4,192	4,876
<b>Total distributions</b>	<b><u>13,728</u></b>	<b><u>17,253</u></b>

Details of the distribution per share are set out in the distribution tables on pages 299 to 302.

### 8 Debtors

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Accrued revenue	1,357	1,382
Amounts receivable for issue of shares	45	247
Overseas withholding tax reclaimable	134	105
Sales awaiting settlement	232	3
<b>Total debtors</b>	<b><u>1,768</u></b>	<b><u>1,737</u></b>

### 9 Cash and bank balances

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Cash and bank balances	3,216	4,822
<b>Total cash and bank balances</b>	<b><u>3,216</u></b>	<b><u>4,822</u></b>

## Notes to the financial statements (continued)

### 10 Other creditors

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Accrued annual management charge	328	387
Accrued Depository's fee	3	3
Accrued other expenses	47	47
Amounts payable for cancellation of shares	611	655
Purchases awaiting settlement	1,476	123
<b>Total other creditors</b>	<b>2,465</b>	<b>1,215</b>

### 11 Contingent liabilities and commitments

The outstanding commitments at the balance sheet date are as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Phoenix (Rights)	3,735	-
<b>Total commitments</b>	<b>3,735</b>	<b>-</b>

There were no contingent liabilities at the current or prior year end.

### 12 Related party transactions

Henderson Investment Funds Limited as ACD to the fund is deemed to be a related party because it provides key management personnel services to the fund. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', the 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 287 and 288 and notes 4, 7, 8 and 10 on pages 289 to 292 including all issues and cancellations where the ACD acted as principal.

Transactions with the ACD are as follows:

- All issues and cancellations,
- Annual management charge
- GAC

There were no material shareholders at the year end (2017: nil).

### 13 Shareholders' funds

The fund currently has 4 share classes available; Class A (Retail with front-end charges), Class C (Institutional), Class I (Institutional and Class Z (Institutional). The annual management charge on each share class is as follows:

	<b>2018</b>	<b>2017</b>
	<b>%</b>	<b>%</b>
Class A	1.50	1.50
Class C	1.50	1.50
Class I	0.75	0.75
Class Z*	0.00	0.00

\* Charges for managing Z class shares are levied outside the fund and are agreed between the ACD and investors.

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative tables on pages 276 to 280. The distribution per share class is given in the distribution tables on pages 299 to 302. All share classes have the same rights on winding up.



## Notes to the financial statements (continued)

### 13 Shareholders' funds (continued)

Shares reconciliation as at 30 June 2018

	<b>Class A accumulation</b>	<b>Class A income</b>	<b>Class C income</b>	<b>Class I accumulation</b>
Opening number of shares	61,023	10,242,208	77,339,115	4,671,634
Issues during the year	26,018	170,676	2,635,224	59,078
Cancellations during the year	(14,121)	(1,049,196)	(5,396,260)	(2,021,846)
Shares converted during the year	6,998	(531,843)	(16,868)	(5,623)
<b>Closing shares in issue</b>	<b>79,918</b>	<b>8,831,845</b>	<b>74,561,211</b>	<b>2,703,243</b>
	<b>Class I income</b>	<b>Class Z accumulation</b>	<b>Class Z income</b>	<b>Class A accumulation (EUR hedged)</b>
Opening number of shares	17,885,611	10,412,825	1,204,581	7,699
Issues during the year	772,603	319,954	291,841	10,208
Cancellations during the year	(6,030,458)	(1,269,622)	(467,965)	(5,856)
Shares converted during the year	479,405	-	-	-
<b>Closing shares in issue</b>	<b>13,107,161</b>	<b>9,463,157</b>	<b>1,028,457</b>	<b>12,051</b>
	<b>Class A accumulation (USD hedged)</b>			
Opening number of shares	22,413			
Issues during the year	4,398			
Cancellations during the year	-			
Shares converted during the year	-			
<b>Closing shares in issue</b>	<b>26,811</b>			

### 14 Financial derivatives

The fund may use financial derivatives for efficient portfolio management only.

Eligible collateral types are approved by the Investment Manager and are agreed with the relevant counterparty.

The counterparty exposure has been calculated using the positive marked-to-market value of the derivative contract with that counterparty.

There was no collateral pledged or collateral held in respect of derivatives as at 30 June 2018 (2017: nil).

#### 2018

At 30 June 2018 the underlying exposure for the derivatives held was as follows:

<b>Counterparty</b>	<b>Forward foreign exchange contracts £000</b>	<b>Total by counterparty £000</b>
BNP Paribas	2	2
	<u>2</u>	<u>2</u>

#### 2017

The fund had no exposure to derivatives as at 30 June 2017.

## Notes to the financial statements (continued)

### 15 Stock lending

The fund and the Investment Manager have entered into a stock lending programme with BNP Paribas acting as the stock lending agent for the purposes of efficient portfolio management and to generate additional income.

Stock lending revenue is disclosed under 'Revenue' in the Statement of total return.

Eligible collateral types for Stock Lending and borrowing transactions are approved by the Investment Manager and may consist of securities issued or guaranteed by a Member State of the OECD or by their local authorities or supranational institutions and organisations with regional, EU and world-wide scope, generally subject to a minimum long term credit rating of at least A- by one or more major credit rating agency or listed equities on eligible markets. Collateral should be highly liquid and traded on a regulated market. Collateral is subject to a haircut on a sliding scale based on the combination of the underlying instrument being lent versus the asset being received as collateral. The value of collateral required will range from 102.50% to 110.00% of the value of the stock on loan.

### 2018

Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
ABN Amro	11,649	12,943	Equity
Bank of Nova Scotia	2,853	3,175	Equity
Citigroup	623	692	Equity
Deutsche Bank	5,623	6,248	Equity
HSBC	1	1	Equity
JP Morgan	1,969	2,198	Equity
Merrill Lynch	4,978	5,241	Government Bond
Morgan Stanley	2,082	2,242	Government Bond
Natixis	2,442	2,739	Equity
Société Générale	2,033	5,599	Equity
<b>Total</b>	<b>34,253</b>	<b>41,078</b>	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	168	25	143

## Notes to the financial statements (continued)

### 15 Stock lending (continued) 2017

Counterparty	Total market value of stock on loan £000	Amount of collateral received £000	Type of collateral
ABN Amro	3,625	3,807	Cash
ABN Amro	165	184	Equity
	<u>3,790</u>	<u>3,991</u>	
Bank of Nova Scotia	3,875	4,306	Equity
Citigroup	285	334	Equity
Citigroup	1,728	1,931	Government Bond
	<u>2,013</u>	<u>2,265</u>	
Deutsche Bank	8	9	Equity
Deutsche Bank	1,129	1,187	Government Bond
	<u>1,137</u>	<u>1,196</u>	
JP Morgan	3,566	3,967	Equity
Merrill Lynch	489	515	Government Bond
Natixis	11,951	13,279	Equity
Société Générale	5,329	5,921	Equity
	<u>32,150</u>	<u>35,440</u>	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	120	18	102

### 16 Risk

#### Currency risk

The fund's net exposure to currency risk (including any instruments used to hedge foreign currencies) is considered insignificant. This is consistent with the exposure during the prior year.

#### Interest rate risk

The fund's exposure to interest rate risk is considered insignificant. This is consistent with the exposure during the prior year.

#### Other market price risk

An increase or decrease in market values will have a direct effect on the value of the investment assets in the portfolio and therefore a proportionate effect on the value of the fund.

#### Leverage

The fund has not employed significant leverage in the current or prior year.

## Notes to the financial statements (continued)

### 16 Risk (continued)

#### Liquidity risk

The following table provides a maturity analysis of the fund's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
<b>2018</b>				
Distribution payable	-	3,752	-	-
Other creditors	-	2,465	-	-
<b>Total</b>	<b>-</b>	<b>6,217</b>	<b>-</b>	<b>-</b>
	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
<b>2017</b>				
Bank overdrafts	3,882	-	-	-
Derivative financial liabilities	-	5	-	-
Distribution payable	-	4,735	-	-
Other creditors	-	1,215	-	-
<b>Total</b>	<b>3,882</b>	<b>5,955</b>	<b>-</b>	<b>-</b>

### 17 Fair value disclosure

#### Fair value measurement

The intention of a fair value measurement is to estimate the price at which an asset or a liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS 102 the fund classifies fair value measurement under the following levels:

#### Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

#### Level 2

Inputs other than quoted prices included within level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

#### Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

## Notes to the financial statements (continued)

### 17 Fair value disclosure (continued)

#### Fair value hierarchy

	2018		2017	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1	349,443	-	428,127	-
Level 2	2	-	846	5
Level 3	-	-	154	-
	<b>349,445</b>	<b>-</b>	<b>429,127</b>	<b>5</b>

Where a price is unavailable or the price provided is not thought to be a fair reflection of the current market value of the asset, the Investment Manager, at its discretion, may permit some other method of valuation to be used if they consider that it better reflects value and is in accordance with good accounting practice. A Global Fair Value Pricing Committee (GFVPC) of the Investment Manager is responsible for determining or approving unquoted prices. Where deemed necessary, the GFVPC will seek ratification of decisions from the Janus Henderson Investment Performance and Risk Committee. The GFVPC meets on a monthly basis and consists of representatives from various parts of the Investment manager who act as an independent party, segregated from the fund management function, to review and approve fair value pricing decisions and pricing models on a regular basis. The assets included within level 3 at the end of the prior year were warrants which had been valued by the GFVPC using Black Scholes model.

### 18 Direct transactions costs

	Purchases		Sales	
	2018 £000	2017 £000	2018 £000	2017 £000
<b>Trades in the year</b>				
Equities	22,885	56,103	103,138	134,443
<b>Trades in the year before transaction costs</b>	<b>22,885</b>	<b>56,103</b>	<b>103,138</b>	<b>134,443</b>
<b>Transaction costs</b>				
<b>Commissions</b>				
Equities	9	32	50	93
<b>Total commissions</b>	<b>9</b>	<b>32</b>	<b>50</b>	<b>93</b>
<b>Taxes</b>				
Equities	83	164	-	-
<b>Total taxes</b>	<b>83</b>	<b>164</b>	<b>-</b>	<b>-</b>
<b>Other expenses</b>				
Equities	-	-	-	-
<b>Total other expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total transaction costs</b>	<b>92</b>	<b>196</b>	<b>50</b>	<b>93</b>
<b>Total net trades in the year after transaction costs</b>	<b>22,977</b>	<b>56,299</b>	<b>103,088</b>	<b>134,350</b>

## Notes to the financial statements (continued)

### 18 Direct transactions costs (continued)

	Purchases		Sales	
	2018 %	2017 %	2018 %	2017 %
<b>Total transaction costs expressed as a percentage of asset type cost</b>				
<b>Commissions</b>				
Equities	0.04	0.06	0.05	0.07
<b>Taxes</b>				
Equities	0.36	0.29	-	-
<b>Other expenses</b>				
Equities	-	-	-	-
	<b>2018 %</b>	<b>2017 %</b>		
<b>Total transaction costs expressed as a percentage of net asset value</b>				
Commissions	0.02	0.03		
Taxes	0.02	0.03		
Other expenses	-	-		
<b>Total costs</b>	<b>0.04</b>	<b>0.06</b>		

There were no specie transfers during the year (2017: nil). There were corporate actions during the year of £1,888,026 (2017: £1,008,343).

There were no transaction costs associated with derivatives in the year (2017: nil).

Direct transaction costs are fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the fund. These exclude any differences between quoted bid and offer prices or internal administrative or holding costs.

The portfolio dealing spread as at 30 June 2018 was 0.96% (2017: 1.05%). The portfolio dealing spread is calculated at the fund's 12 noon valuation point.

### 19 Events after the Balance sheet date

There were no material post Balance sheet events which require disclosure within these financial statements.

## Distribution tables for the year ended 30 June 2018 (in pence per share)

### Interim dividend distribution (accounting date 30 September 2017, paid on 30 November 2017)

Group 1 : shares purchased prior to 1 July 2017

Group 2 : shares purchased on or after 1 July 2017

	Distribution per share	Equalisation	Total distribution per share 30/11/17	Total distribution per share 30/11/16
<b>Class A accumulation</b>				
Group 1	6.4141	-	6.4141	6.2964
Group 2	2.5722	3.8419	6.4141	6.2964
<b>Class A income</b>				
Group 1	5.5290	-	5.5290	5.6303
Group 2	2.4886	3.0404	5.5290	5.6303
<b>Class C income</b>				
Group 1	1.5645	-	1.5645	1.5932
Group 2	0.6507	0.9138	1.5645	1.5932
<b>Class I accumulation</b>				
Group 1	12.1669	-	12.1669	11.8107
Group 2	6.5215	5.6454	12.1669	11.8107
<b>Class I income</b>				
Group 1	6.4108	-	6.4108	6.4621
Group 2	3.3315	3.0793	6.4108	6.4621
<b>Class Z accumulation</b>				
Group 1	1.9796	-	1.9796	1.9062
Group 2	0.4281	1.5515	1.9796	1.9062
<b>Class Z income</b>				
Group 1	2.0035	-	2.0035	2.0028
Group 2	0.8535	1.1500	2.0035	2.0028
<b>Class A accumulation (EUR hedged)<sup>1</sup></b>				
Group 1	10.2866	-	10.2866	10.2729
Group 2	7.7520	2.5346	10.2866	10.2729
<b>Class A accumulation (USD hedged)<sup>2</sup></b>				
Group 1	10.6106	-	10.6106	9.7079
Group 2	10.6106	-	10.6106	9.7079

<sup>1</sup> in Euro cents per share

<sup>2</sup> in USD cents per share

## Distribution tables (continued)

### Interim dividend distribution (accounting date 31 December 2017, paid on 28 February 2018)

Group 1 : shares purchased prior to 1 October 2017

Group 2 : shares purchased on or after 1 October 2017

	Distribution per share	Equalisation	Total distribution per share 28/02/18	Total distribution per share 28/02/17
<b>Class A accumulation</b>				
Group 1	5.0090	-	5.0090	4.4219
Group 2	2.1793	2.8297	5.0090	4.4219
<b>Class A income</b>				
Group 1	4.2828	-	4.2828	3.9191
Group 2	1.7368	2.5460	4.2828	3.9191
<b>Class C income</b>				
Group 1	1.2117	-	1.2117	1.1090
Group 2	0.3858	0.8259	1.2117	1.1090
<b>Class I accumulation</b>				
Group 1	9.6028	-	9.6028	8.4209
Group 2	5.0914	4.5114	9.6028	8.4209
<b>Class I income</b>				
Group 1	5.0156	-	5.0156	4.5640
Group 2	2.7987	2.2169	5.0156	4.5640
<b>Class Z accumulation</b>				
Group 1	1.5645	-	1.5645	1.3665
Group 2	0.5819	0.9826	1.5645	1.3665
<b>Class Z income</b>				
Group 1	1.5734	-	1.5734	1.4221
Group 2	0.8233	0.7501	1.5734	1.4221
<b>Class A accumulation (EUR hedged)<sup>1</sup></b>				
Group 1	7.9976	-	7.9976	7.2838
Group 2	3.0626	4.9350	7.9976	7.2838
<b>Class A accumulation (USD hedged)<sup>2</sup></b>				
Group 1	8.3448	-	8.3448	7.3218
Group 2	8.3448	-	8.3448	7.3218

<sup>1</sup> in Euro cents per share

<sup>2</sup> in USD cents per share



## Distribution tables (continued)

### Interim dividend distribution (accounting date 31 March 2018, paid on 31 May 2018)

Group 1: shares purchased prior to 1 January 2018

Group 2: shares purchased on or after 1 January 2018

	Distribution per share	Equalisation	Total distribution per share 31/05/18	Total distribution per share 31/05/17
<b>Class A accumulation</b>				
Group 1	5.6376	-	5.6376	5.4198
Group 2	4.6893	0.9483	5.6376	5.4198
<b>Class A income</b>				
Group 1	4.7887	-	4.7887	4.7718
Group 2	2.8511	1.9376	4.7887	4.7718
<b>Class C income</b>				
Group 1	1.3549	-	1.3549	1.3503
Group 2	0.7521	0.6028	1.3549	1.3503
<b>Class I accumulation</b>				
Group 1	10.7826	-	10.7826	10.2781
Group 2	7.8136	2.9690	10.7826	10.2781
<b>Class I income</b>				
Group 1	5.5933	-	5.5933	5.5342
Group 2	3.7274	1.8659	5.5933	5.5342
<b>Class Z accumulation</b>				
Group 1	1.7582	-	1.7582	1.6689
Group 2	1.1419	0.6163	1.7582	1.6689
<b>Class Z income</b>				
Group 1	1.7571	-	1.7571	1.7256
Group 2	0.7261	1.0310	1.7571	1.7256
<b>Class A accumulation (EUR hedged)<sup>1</sup></b>				
Group 1	9.0337	-	9.0337	8.6774
Group 2	9.0337	-	9.0337	8.6774
<b>Class A accumulation (USD hedged)<sup>2</sup></b>				
Group 1	9.3644	-	9.3644	8.9495
Group 2	9.3644	-	9.3644	8.9495

<sup>1</sup> in Euro cents per share

<sup>2</sup> in USD cents per share

## Distribution tables (continued)

### Final dividend distribution (accounting date 30 June 2018, paid on 31 August 2018)

Group 1: shares purchased prior to 1 April 2018

Group 2: shares purchased on or after 1 April 2018

	Distribution per share	Equalisation	Total distribution per share 31/08/18	Total distribution per share 31/08/17
<b>Class A accumulation</b>				
Group 1	9.8023	-	9.8023	10.2135
Group 2	2.9079	6.8944	9.8023	10.2135
<b>Class A income</b>				
Group 1	8.2603	-	8.2603	8.9307
Group 2	2.0413	6.2190	8.2603	8.9307
<b>Class C income</b>				
Group 1	2.3372	-	2.3372	2.5269
Group 2	0.3556	1.9816	2.3372	2.5269
<b>Class I accumulation</b>				
Group 1	18.5241	-	18.5241	19.1192
Group 2	9.0042	9.5199	18.5241	19.1192
<b>Class I income</b>				
Group 1	9.5316	-	9.5316	10.2162
Group 2	5.8692	3.6624	9.5316	10.2162
<b>Class Z accumulation</b>				
Group 1	3.0211	-	3.0211	3.0877
Group 2	0.7085	2.3126	3.0211	3.0877
<b>Class Z income</b>				
Group 1	2.9862	-	2.9862	3.1765
Group 2	0.4098	2.5764	2.9862	3.1765
<b>Class A accumulation (EUR hedged)<sup>1</sup></b>				
Group 1	15.5859	-	15.5859	16.3986
Group 2	3.5208	12.0651	15.5859	16.3986
<b>Class A accumulation (USD hedged)<sup>2</sup></b>				
Group 1	16.2902	-	16.2902	16.8010
Group 2	1.0269	15.2633	16.2902	16.8010

<sup>1</sup> in Euro cents per share

<sup>2</sup> in USD cents per share

# Janus Henderson UK Smaller Companies Fund (formerly Henderson UK Smaller Companies Fund)

## Authorised Corporate Director's (ACD) report

### Investment Fund Manager

Neil Hermon

### Investment objective and policy

To aim to provide capital growth by investing primarily in United Kingdom smaller companies.

### Performance summary

	30 Jun 17 - 30 Jun 18	30 Jun 16 - 30 Jun 17	30 Jun 15 - 30 Jun 16	30 Jun 14 - 30 Jun 15	30 Jun 13 - 30 Jun 14
	%	%	%	%	%
<b>Janus Henderson UK Smaller Companies Fund (formerly Henderson UK Smaller Companies Fund)</b>	16.1	36.5	(9.7)	18.4	17.4
<b>Numis Smaller Companies (ex Investment Trusts) Index</b>	7.6	29.1	(6.6)	10.4	20.3

Source: Morningstar, bid to bid and net of fees as at 12 noon valuation point, based on performance of Class A accumulation. Benchmark values are at close of business.

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.

## Significant portfolio changes for the year ended 30 June 2018

<b>Largest purchases</b>	<b>£000</b>	<b>Largest sales</b>	<b>£000</b>
Ultra Electronics Holdings	2,437	NMC Health	7,085
TI Fluid Systems	2,110	Optimal Payments	2,477
Cineworld	1,641	Fenner	2,463
Spire Healthcare	1,586	Zoopla Property	2,416
Victoria	1,554	Aldermore	2,122
Just Retirement	1,485	Supergroup	1,140
Arrow Global	1,178	Sevelec	1,049
SIG	1,146	Go-Ahead	1,033
Team17	1,087	Arrow Global	966
Alpha Financial Markets Consulting	1,062	Dunelm	816
<b>Total purchases</b>	<b>43,015</b>	<b>Total sales</b>	<b>35,779</b>

### Investment review

Global equity markets were positive during the year under review. Global economic conditions improved, with stronger growth around the world. Monetary conditions remained benign, with supportive monetary policies from developed world central banks. However, quantitative easing (central bank liquidity measures) began to unwind and interest rates started to rise. Geopolitical concerns remained heightened, with conflict in the Middle East, a deterioration of relations between Russia and the West and increased tensions on the Korean peninsula. Commodity prices rebounded, as robust global economic growth and production cutbacks aided a recovery in oil and metal prices.

In the UK, the Conservative Government failed to gain a majority in the general election and is now reliant on a 'confidence and supply' arrangement with the Democratic Unionist Party. Meanwhile, negotiations for the UK's exit from the European Union (EU) (Brexit) made patchy progress.

The fundamentals of the corporate sector remained robust. Companies continued to grow their dividends, while balance sheets remained strong. UK corporate earnings were strong, helped by improving economic conditions and the weakness of sterling increasing the value of overseas earnings for UK companies.

Smaller companies underperformed larger companies over the year, with the Numis Smaller Companies ex Investment Companies Index gaining 7.6% compared to a rise of 9.0% in the FTSE All-Share Index.

The fund outperformed the benchmark over the year, rising by 16.1%.

Positive contributors to performance included NMC Health (Middle East healthcare operator). The shares rose 64.4% as the company expanded quickly through a combination of organic expansion and acquisitions. The group's profitability is growing fast and the outlook remains strong. Victrex (speciality chemicals) rose 62.9% after it delivered a strong financial performance in the year and paid a special dividend as capital investment requirements peaked.

Negative contributors included Alfa Financial Software (software for the leasing industry), which fell 62.1% following a profits warning caused by pipeline delays and one of its largest customers pausing an implementation. Short-term profitability will be hurt due to an inflexible cost base. We believe industry demand remains strong but concede that there is a risk around when contracts will be signed. SafeStyle UK (provider of windows, doors and conservatories) fell 82.5%. Market demand softened due to a decline in consumer spending, particularly in large ticket items such as replacement double glazing. In addition, the company was targeted by a new competitor that was set up by the original founder of SafeStyle UK. Although market conditions remain difficult, SafeStyle UK benefits from a well-invested manufacturing facility and a strong balance sheet. We believe that when market conditions recover, the company will be well placed for a sharp rebound in profitability.

In the first half of the year we invested in Victoria, a floor coverings manufacturer. The company is looking to consolidate a fragmented industry in the UK and Europe while driving out significant cost and revenue synergies. Execution has been flawless so far and we believe the acquisitive move into ceramics in Europe gives a new angle for growth. We also invested in Alpha Financial Markets Consulting. The company provides consultancy services to the global asset management industry and is well placed to grow given increased regulation and its competitive advantage over larger players.

We disposed of our positions in Paysafe, Imagination Technologies, Aldermore and Servelec as the share prices of these companies already reflected the recommended offer price of agreed bids from acquirers. We disposed of our position in Dunelm as we felt the share price surge after a strong trading statement in the first quarter was overdone, as this trading period benefited from favourable weather. The company is under pressure from increased competition and a weak UK consumer. We also disposed of our position in Vectura after its partner Hikma announced a delay to the likely approval of generic Advair.

In the second half of the year, we initiated a position in Impax Asset Management, an ethical and SRI-focused fund manager. The company is seeing exceptional growth in funds under management as performance is strong and its products are strongly differentiated. We also initiated a position in Integrafina, a financial services platform business. It is a fast growing, highly cash generative and high margin business with strong prospects. We bought a position in Computacenter, an IT re-seller, as it is trading well and benefiting from improving European economies. We also initiated a position in Spire Healthcare, a UK hospital group. With a new management team and strategic plan in place, we believe the company is set to grow again. Additionally, its largest shareholder, Mediclinic, is free to bid for the company. We bought a position in Team17, a software games developer. The company is growing very quickly and is set to continue on this path, driven by an acceleration in the number of new game launches.

To finance these purchases we disposed of our position in Superdry, a fashion retailer, as we took profits after a very strong run into the end of 2017. We also sold our position in NMC Health as the company grew to a market cap where it no longer fitted a UK smaller companies' portfolio. We disposed of our position in Go-Ahead, a bus and rail group, as we fear the company will struggle to hit targets due to the disruption on its rail franchises. We also sold our position in Fenner, a diversified engineering group, after it received an agreed bid from Michelin.

## Authorised Corporate Director's (ACD) report (continued)

The UK economy is showing anaemic growth. Brexit negotiations are stumbling on, with intermittent progress. The date for the UK leaving the EU is looming into view. There is a range of possible outcomes but what deal the UK will end up with is, at this point, unclear. Extra complication is added by the weak position of the minority Conservative Government led by Prime Minister Theresa May, who is struggling to deal with the conflicting demands of her MPs on Brexit.

This political uncertainty has made UK consumers cautious. Although unemployment is historically low, net disposable income growth has been constrained by the rising cost of living. Weakness in consumer spending and low consumer confidence is demonstrated by a moribund second-hand housing market and weak sales of high ticket items such as cars, carpets and double glazing.

Outside the UK, economic conditions improved, particularly in the US and Europe. However, we believe escalating trade tensions do provide a threat to this. The recent rises in US interest rates flagged to investors that loose global monetary conditions are reversing. However, the 'normalisation' of monetary policy will probably be a slow and measured process.

In the corporate sector, conditions are intrinsically stronger than they were during the financial crisis of 2008–9. Balance sheets are more robust and dividends are growing. In addition, a large proportion of UK corporate earnings comes from overseas, even among smaller companies, and should be boosted by the strength of the global economy and the relative weakness of sterling.

In terms of valuations, the equity market is roughly in line with long term averages. Mergers and acquisitions activity (M&A) remains a supportive feature for the smaller companies area. We believe that as corporate confidence improves, M&A will increase, especially as little or no return can currently be generated from cash and the cost of debt is historically low. We have seen increased interest in UK corporates from abroad, and given the relatively low valuation of UK equities and a weak currency, we expect this trend to continue.

## Comparative tables for the year ended 30 June 2018

	Class A accumulation		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	718.31	533.13	583.80
Return before operating charges*	128.99	196.04	(40.95)
Operating charges	(13.29)	(10.86)	(9.72)
Return after operating charges*	115.70	185.18	(50.67)
Distributions on accumulation shares	(5.26)	(4.98)	(4.53)
Retained distributions on accumulation shares	5.26	4.98	4.53
Closing net asset value per share	834.01	718.31	533.13
* after direct transaction costs of:	0.75	0.67	0.83
<b>Performance</b>			
Return after charges	16.11%	34.73%	(8.68%)
<b>Other information</b>			
Closing net asset value (£000s)	63,227	58,115	45,989
Closing number of shares	7,581,071	8,090,545	8,626,113
Operating charges	1.70%	1.70%	1.70%
Direct transaction costs	0.10%	0.10%	0.15%
<b>Prices</b>			
Highest share price (pence)	856.10	739.10	595.30
Lowest share price (pence)	715.40	505.70	508.60
	Class I accumulation		
	2018 (pence per share)	2017 (pence per share)	2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	834.60	614.18	666.89
Return before operating charges*	150.54	226.69	(47.14)
Operating charges	(7.77)	(6.27)	(5.57)
Return after operating charges*	142.77	220.42	(52.71)
Distributions on accumulation shares	(13.08)	(12.80)	(10.63)
Retained distributions on accumulation shares	13.08	12.80	10.63
Closing net asset value per share	977.37	834.60	614.18
* after direct transaction costs of:	0.88	0.78	0.95
<b>Performance</b>			
Return after charges	17.11%	35.89%	(7.90%)
<b>Other information</b>			
Closing net asset value (£000s)	82,331	61,245	53,723
Closing number of shares	8,423,740	7,338,149	8,747,077
Operating charges	0.85%	0.85%	0.85%
Direct transaction costs	0.10%	0.10%	0.15%
<b>Prices</b>			
Highest share price (pence)	1,003.00	858.20	680.80
Lowest share price (pence)	831.30	582.70	585.90

## Comparative tables (continued)

	Class Z accumulation		
	2018	2017	2016
	(pence per share)	(pence per share)	(pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	571.76	417.50	449.78
Return before operating charges*	103.42	154.61	(31.97)
Operating charges	(0.38)	(0.35)	(0.31)
Return after operating charges*	103.04	154.26	(32.28)
Distributions on accumulation shares	(13.85)	(11.89)	(11.14)
Retained distributions on accumulation shares	13.85	11.89	11.14
Closing net asset value per share	674.80	571.76	417.50
* after direct transaction costs of:	0.61	0.53	0.64
<b>Performance</b>			
Return after charges	18.02%	36.95%	(7.18%)
<b>Other information</b>			
Closing net asset value (£000s)	26,664	22,675	14,957
Closing number of shares	3,951,443	3,965,863	3,582,559
Operating charges	0.06%	0.07%	0.07%
Direct transaction costs	0.10%	0.10%	0.15%
<b>Prices</b>			
Highest share price (pence)	692.20	587.60	459.90
Lowest share price (pence)	569.50	396.20	398.30

Performance values are at close of business and may differ from the performance summary.

### Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

### Share class launches and closures

There were no share classes launched or closed in the year.

## Ongoing charge figure

The annualised ongoing charge figure (OCF) of the fund is calculated as the ratio of the total ongoing charges to the average net asset value for twelve months. Ongoing charges are all expenses deducted from the assets of the fund during the year, except for expenses that are explicitly excluded by regulation.

	<b>2018</b> %	<b>2017</b> %
<b>Class A</b>	1.70	1.70
<b>Class I</b>	0.85	0.85
<b>Class Z</b>	0.06	0.07

The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).



## Risk and reward profile

The fund currently has 3 types of share class in issue; A accumulation, I accumulation and Z accumulation.

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 and any income from it 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 share class appears at 5 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events.

There have been no changes to risk ratings during the year.

The full list of the fund's risks are contained in the 'Risk Factors' section in the fund's prospectus.

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

## Portfolio statement as at 30 June 2018

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Equities 97.24% (2017: 100.83%)</b>		
	<b>Germany 0.00% (2017: 0.34%)</b>		
	<b>Technology 0.00% (2017: 0.34%)</b>		
	<b>Ireland 0.70% (2017: 0.83%)</b>		
	<b>Consumer Services 0.70% (2017: 0.83%)</b>		
420,000	Tarsus	1,197	0.70
	<b>Singapore 0.59% (2017: 0.53%)</b>		
	<b>Industrials 0.59% (2017: 0.53%)</b>		
29,000	XP Power	1,024	0.59
	<b>United Arab Emirates 0.00% (2017: 3.46%)</b>		
	<b>Health Care 0.00% (2017: 3.46%)</b>		
	<b>United Kingdom 93.86% (2017: 95.83%)</b>		
	<b>Basic Materials 5.05% (2017: 4.71%)</b>		
275,000	Elementis	695	0.40
480,000	Scapa	2,087	1.21
127,000	Victrix	3,701	2.15
420,000	Yule Catto	2,213	1.29
		<u>8,696</u>	<u>5.05</u>
	<b>Consumer Goods 7.16% (2017: 7.40%)</b>		
158,000	Bellway	4,746	2.75
353,956	Codemasters	789	0.46
515,000	Countryside Properties	1,772	1.03
255,000	Crest Nicholson Holding	994	0.58
658,000	Team17	1,553	0.90
40,000	Ted Baker	862	0.50
200,000	Victoria	1,624	0.94
		<u>12,340</u>	<u>7.16</u>
	<b>Consumer Services 11.34% (2017: 13.95%)</b>		
415,000	Ascential	1,879	1.09
1,380,000	Cineworld	3,666	2.12
405,000	DFS Furniture	832	0.48
141,000	Euromoney Institutional Investor	1,893	1.10
530,910	Footasylum	372	0.22
10,545	Go-Ahead	167	0.10
820,000	GoCompare.com	1,074	0.62
85,490	GVC	898	0.52
460,000	Hollywood Bowl	1,049	0.61
545,000	ITE	436	0.25
953,750	ITE (Rights)	228	0.13
230,000	Joules	860	0.50
980,000	Lookers	1,062	0.62
400,000	Marshall Motor	652	0.38
300,695	N Brown	509	0.30
167,059	Next Fifteen Communications	820	0.48
210,000	Playtech	1,581	0.92

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Consumer Services (continued)</b>			
700,000	SafeStyle UK	371	0.22
428,753	The Gym	1,179	0.68
		<u>19,528</u>	<u>11.34</u>
<b>Financials 20.27% (2017: 18.07%)</b>			
280,000	Amigo	802	0.47
465,000	Brewin Dolphin	1,652	0.96
170,854	Burford Capital	2,556	1.48
1,640,000	Capital & Regional Property	835	0.48
625,000	CLS Holdings	1,428	0.83
435,000	Grainger Trust	1,340	0.78
300,000	Helical Bar	1,017	0.59
560,000	Impax Asset Management	1,120	0.65
453,151	IntegraFin	1,631	0.95
375,000	Intermediate Capital	4,132	2.41
980,189	John Laing	2,701	1.57
430,000	Jupiter Fund Management	1,918	1.11
1,051,028	Just Retirement	1,419	0.82
540,000	OneSavings Bank	2,217	1.29
702,433	Paragon	3,369	1.96
160,000	Safestore Holdings	879	0.51
950,000	Sherborne Investors	903	0.52
750,000	Sherborne Investors Guern 'B'	176	0.10
500,000	St. Modwen Properties	2,102	1.22
110,734	Unite	953	0.55
245,000	Urban & Civic	845	0.49
499,417	Xafinity	919	0.53
		<u>34,914</u>	<u>20.27</u>
<b>Health Care 5.96% (2017: 5.94%)</b>			
623,316	Alliance Pharma	610	0.35
386,203	Clinigen	3,548	2.06
132,361	Consort Medical	1,578	0.92
100,000	Dechra Pharmaceuticals	2,782	1.62
695,000	Spire Healthcare	1,742	1.01
		<u>10,260</u>	<u>5.96</u>
<b>Industrials 30.67% (2017: 34.36%)</b>			
870,000	AA	1,080	0.63
93,000	Avon Rubber	1,330	0.77
820,000	Balfour Beatty	2,326	1.35
124,000	Bodycote	1,215	0.71
213,000	Charles Taylor Consulting	669	0.39
188,000	Costain	827	0.48
450,000	Equiniti	1,112	0.65
515,000	Eurocell	1,349	0.78
2,063,154	Guinness Peat	1,603	0.93
210,000	Howden Joinery	1,126	0.65
800,000	Ibstock	2,394	1.39
1,557,761	Learning Technologies	1,745	1.01

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Industrials (continued)</b>			
514,989	Luceco	257	0.15
1,615,000	Melrose Industries	3,434	1.99
276,000	Midwich	1,794	1.04
455,000	Northgate	1,851	1.07
200,000	Oxford Instruments	2,000	1.16
255,000	Polypipe	982	0.57
75,500	Renishaw	4,001	2.33
210,000	ReStore	1,075	0.62
107,000	Ricardo	1,027	0.60
430,000	Rotork	1,439	0.84
515,000	RWS	2,209	1.28
300,000	Sanne	2,022	1.17
720,000	Severfield-Rowen	618	0.36
1,400,000	SIG	1,956	1.14
123,000	Smart Metering Systems	957	0.56
78,000	Spectris	2,036	1.18
316,975	Sthree	1,157	0.67
440,363	Tekmar	639	0.37
1,197,857	Thruvision	171	0.10
345,000	Tyman	1,137	0.66
134,999	Ultra Electronics Holdings	2,227	1.29
355,000	Vesuvius	2,123	1.23
763,124	WYG	412	0.24
220,000	Xaar	527	0.31
		<u>52,827</u>	<u>30.67</u>
<b>Oil &amp; Gas 4.16% (2017: 2.32%)</b>			
890,000	Cairn Energy	2,225	1.29
686,517	Faroe Petroleum	1,006	0.58
300,000	Hunting	2,328	1.36
1,250,000	Premier Oil	1,609	0.93
		<u>7,168</u>	<u>4.16</u>
<b>Technology 8.34% (2017: 7.95%)</b>			
68,000	Accesso	1,612	0.94
460,000	Alfa Financial Software	807	0.47
85,000	Aveva	2,282	1.32
38,332	Blue Prism	699	0.41
90,000	Computacenter	1,301	0.76
320,000	GBG	1,910	1.10
745,000	NCC	1,526	0.89
375,000	Regeneris	278	0.16
283,732	RM	633	0.37
200,000	SDL International	864	0.50
200,000	Softcat	1,532	0.89
1,110,000	Tribal	914	0.53
		<u>14,358</u>	<u>8.34</u>

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Telecommunications 0.91% (2017: 0.97%)</b>		
207,000	Gamma Communications	1,561	0.91
	<b>United States 2.09% (2017: 0.00%)</b>		
	<b>Consumer Goods 1.19% (2017: 0.00%)</b>		
826,494	TI Fluid Systems	2,050	1.19
	<b>Industrials 0.90% (2017: 0.00%)</b>		
650,000	Alpha Financial Markets Consulting	1,547	0.90
	<b>Investment assets</b>	<b>167,470</b>	<b>97.24</b>
	Other net assets	4,752	2.76
	<b>Total net assets</b>	<b>172,222</b>	<b>100.00</b>

All investments are listed on recognised stock exchanges and are "approved securities" within the meaning of FCA rules

## Statement of total return for the year ended 30 June 2018

	Note	2018		2017	
		£000	£000	£000	£000
Income					
Net capital gains	2		22,155		37,243
Revenue	3	3,683		3,221	
Expenses	4	(1,633)		(1,402)	
Interest payable and similar charges	5	(2)		(4)	
Net revenue before taxation		2,048		1,815	
Taxation	6	-		(2)	
Net revenue after taxation			2,048		1,813
Total return before distributions			24,203		39,056
Distributions	7		(2,048)		(1,813)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>22,155</b>		<b>37,243</b>

## Statement of change in net assets attributable to shareholders for the year ended 30 June 2018

	2018		2017	
	£000	£000	£000	£000
<b>Opening net assets attributable to shareholders</b>		<b>142,035</b>		<b>114,669</b>
Amounts receivable on issue of shares	19,833		19,677	
Amounts payable on cancellation of shares	(13,849)		(31,367)	
		5,984		(11,690)
Change in net assets attributable to shareholders from investment activities		22,155		37,243
Retained distributions on accumulation shares		2,048		1,813
<b>Closing net assets attributable to shareholders</b>		<b>172,222</b>		<b>142,035</b>

**Balance sheet** as at 30 June 2018

	Note	2018 £000	2017 £000
<b>Assets:</b>			
Investments		167,470	143,218
Current assets:			
Debtors	8	1,777	1,899
Cash and bank balances	9	4,606	1,628
<b>Total assets</b>		<b>173,853</b>	<b>146,745</b>
<b>Liabilities:</b>			
Creditors:			
Bank overdrafts		-	4,003
Other creditors	10	1,631	707
<b>Total liabilities</b>		<b>1,631</b>	<b>4,710</b>
<b>Net assets attributable to shareholders</b>		<b>172,222</b>	<b>142,035</b>

## Notes to the financial statements for the year ended 30 June 2018

### 1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 of the fund's aggregated notes to the financial statements.

### 2 Net capital gains

Net capital gains on investments during the year comprise:

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Non-derivative securities	22,163	37,252
Transaction costs	(8)	(9)
<b>Net capital gains</b>	<b>22,155</b>	<b>37,243</b>

### 3 Revenue

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Bank interest	5	1
Overseas dividends	242	352
UK dividends	3,286	2,709
UK REIT revenue - PID	113	70
UK REIT revenue - non PID	10	53
Underwriting commission	27	36
<b>Total revenue</b>	<b>3,683</b>	<b>3,221</b>

### 4 Expenses

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
Annual management charge	1,440	1,236
GAC*	173	148
	<u>1,613</u>	<u>1,384</u>
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary fees	14	14
Safe custody fees	6	4
	<u>20</u>	<u>18</u>
<b>Total expenses</b>	<b>1,633</b>	<b>1,402</b>

Irrecoverable VAT is included in the above expenses where relevant.

\* The current audit fee, which is levied through the GAC, is £7,681 (2017: £7,458).



## Notes to the financial statements (continued)

### 5 Interest payable and similar charges

The interest payable and similar charges comprise:

	2018 £000	2017 £000
Interest payable	2	4
<b>Total interest payable and similar charges</b>	<b>2</b>	<b>4</b>

### 6 Taxation

#### a) Analysis of charge in the year

The tax charge comprises:

	2018 £000	2017 £000
<b>Current tax</b>		
Overseas withholding tax	-	2
<b>Total tax (note 6b)</b>	<b>-</b>	<b>2</b>

#### b) Factors affecting tax charge for year

The tax assessed for each year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICS) of 20% (2017: 20%). The differences are explained below:

	2018 £000	2017 £000
Net revenue before taxation	2,048	1,815
Corporation tax at 20% (2017: 20%)	410	363
Effects of:		
Irrecoverable overseas tax	-	2
Overseas dividends*	(49)	(71)
UK dividends**	(659)	(552)
Unused management expenses	298	260
<b>Tax charge for the year (note 6a)</b>	<b>-</b>	<b>2</b>

\* Certain overseas dividends are not subject to corporation tax from 1 July 2009 due to changes enacted in the Finance Act 2009.

\*\*As an OEIC this item is not subject to corporation tax.

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

#### c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2017: nil).

#### d) Factors that may affect future tax charges

At the year end, after claiming relief against revenue taxable on receipt, there is a potential deferred tax asset of £6,455,268 (2017: £6,157,230) in relation to surplus management expenses. It is unlikely that the fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised at the current or prior year end.

The movement in the potential tax asset identified in note (d) may not match the movement shown in 'Unused management expenses' in note (b) due to filing adjustments.

## Notes to the financial statements (continued)

### 7 Distributions

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Final accumulation	2,048	1,813
<b>Total distributions</b>	<b>2,048</b>	<b>1,813</b>

Details of the distribution per share are set out in the distribution table on page 322.

### 8 Debtors

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Accrued revenue	443	530
Amounts receivable for issue of shares	1,102	1,311
Income tax recoverable	3	2
Overseas withholding tax reclaimable	4	4
Sales awaiting settlement	225	52
<b>Total debtors</b>	<b>1,777</b>	<b>1,899</b>

### 9 Cash and bank balances

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Cash and bank balances	4,606	1,628
<b>Total cash and bank balances</b>	<b>4,606</b>	<b>1,628</b>

### 10 Other creditors

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Accrued annual management charge	130	112
Accrued Depositary's fee	1	1
Accrued other expenses	36	14
Amounts payable for cancellation of shares	229	157
Purchases awaiting settlement	1,235	423
<b>Total other creditors</b>	<b>1,631</b>	<b>707</b>

### 11 Contingent liabilities and commitments

The outstanding commitments at the balance sheet date are as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
ITE (Rights)	536	-
<b>Total commitments</b>	<b>536</b>	<b>-</b>

There were no contingent liabilities at the current or prior year end.

## Notes to the financial statements (continued)

### 12 Related party transactions

Henderson Investment Funds Limited as ACD to the fund is deemed to be a related party because it provides key management personnel services to the fund. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', the 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 314 and 315 and notes 4, 8, and 10 on pages 316 to 318 including all issues and cancellations where the ACD acted as principal.

Transactions with the ACD are as follows:

- All issues and cancellations,
- Annual management charge
- GAC

There were no material shareholders at the year end (2017: nil).

### 13 Shareholders' funds

The fund currently has 3 share classes available; Class A (Retail with front-end charges), Class I (Institutional) and Class Z (Institutional). The annual management charge on each share class is as follows:

	2018	2017
	%	%
Class A	1.50	1.50
Class I	0.75	0.75
Class Z*	0.00	0.00

\* Charges for managing Z class shares are levied outside the fund and are agreed between the ACD and investors.

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative tables on pages 306 and 307. The distribution per share class is given in the distribution table on page 322. All share classes have the same rights on winding up.

### Shares reconciliation as at 30 June 2018

	Class A accumulation	Class I accumulation	Class Z accumulation
Opening number of shares	8,090,545	7,338,149	3,965,863
Issues during the year	73,445	1,846,511	351,848
Cancellations during the year	(433,235)	(889,503)	(366,268)
Shares converted during the year	(149,684)	128,583	-
<b>Closing shares in issue</b>	<b>7,581,071</b>	<b>8,423,740</b>	<b>3,951,443</b>

### 14 Risk

#### Currency risk

The fund's exposure to currency risk is considered insignificant. This is consistent with the exposure during the prior year.

#### Interest rate risk

The fund's exposure to interest rate risk is considered insignificant. This is consistent with the exposure during the prior year.

#### Other market price risk

An increase or decrease in market values will have a direct effect on the value of the investment assets in the portfolio and therefore a proportionate effect on the value of the fund."

#### Leverage

The fund has not employed significant leverage in the current or prior year.

## Notes to the financial statements (continued)

### 14 Risk (continued)

#### Liquidity risk

The following table provides a maturity analysis of the fund's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
<b>2018</b>				
Other creditors	-	1,631	-	-
<b>Total</b>	<b>-</b>	<b>1,631</b>	<b>-</b>	<b>-</b>
	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
<b>2017</b>				
Bank overdrafts	4,003	-	-	-
Other creditors	-	707	-	-
<b>Total</b>	<b>4,003</b>	<b>707</b>	<b>-</b>	<b>-</b>

### 15 Fair value disclosure

#### Fair value measurement

The intention of a fair value measurement is to estimate the price at which an asset or a liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS 102 the fund classifies fair value measurement under the following levels:

#### Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

#### Level 2

Inputs other than quoted prices included within level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

#### Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

#### Fair value hierarchy

	2018		2017	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1	167,470	-	143,218	-
Level 2	-	-	-	-
Level 3	-	-	-	-
	<b>167,470</b>	<b>-</b>	<b>143,218</b>	<b>-</b>

## Notes to the financial statements (continued)

### 16 Direct transaction costs

	Purchases		Sales	
	2018 £000	2017 £000	2018 £000	2017 £000
<b>Trades in the year</b>				
Equities	42,886	29,326	35,800	31,717
<b>Trades in the year before transaction costs</b>	<b>42,886</b>	<b>29,326</b>	<b>35,800</b>	<b>31,717</b>
<b>Transaction costs</b>				
<b>Commissions</b>				
Equities	16	19	21	25
<b>Total commissions</b>	<b>16</b>	<b>19</b>	<b>21</b>	<b>25</b>
<b>Taxes</b>				
Equities	113	93	-	-
<b>Total taxes</b>	<b>113</b>	<b>93</b>	<b>-</b>	<b>-</b>
<b>Other expenses</b>				
Equities	-	-	-	1
<b>Total other expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>Total transaction costs</b>	<b>129</b>	<b>112</b>	<b>21</b>	<b>26</b>
<b>Total net trades in the year after transaction costs</b>	<b>43,015</b>	<b>29,438</b>	<b>35,779</b>	<b>31,691</b>

	Purchases		Sales	
	2018 %	2017 %	2018 %	2017 %
<b>Total transaction costs expressed as a percentage of asset type cost</b>				
<b>Commissions</b>				
Equities	0.04	0.06	0.06	0.08
<b>Taxes</b>				
Equities	0.26	0.32	-	-
<b>Other expenses</b>				
Equities	-	-	-	-
	<b>2018 %</b>	<b>2017 %</b>		

### Total transaction costs expressed as a percentage of net asset value

Commissions	0.03	0.03
Taxes	0.07	0.07
Other expenses	-	-
<b>Total costs</b>	<b>0.10</b>	<b>0.10</b>

There were no in specie transfers during the year (2017: nil). There were corporate actions during the year of £5,370,583 (2017: £3,434,192).

Direct transaction costs are fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the fund. These exclude any differences between quoted bid and offer prices or internal administrative or holding costs.

The portfolio dealing spread as at 30 June 2018 was 0.64% (2017: 0.58%). The portfolio dealing spread is calculated at the fund's 12 noon valuation point.

### 17 Events after the Balance sheet date

There were no material post Balance sheet events which require disclosure within these financial statements.

## Distribution table for the year ended 30 June 2018 (in pence per share)

### Final dividend distribution (accounting date 30 June 2018, paid on 31 August 2018)

Group 1 : shares purchased prior to 1 July 2017

Group 2 : shares purchased on or after 1 July 2017

	Distribution per share	Total distribution per share 31/08/18	Total distribution per share 31/08/17
<b>Class A accumulation</b>			
Group 1	5.2587	5.2587	4.9751
Group 2	5.2587	5.2587	4.9751
<b>Class I accumulation</b>			
Group 1	13.0846	13.0846	12.7961
Group 2	13.0846	13.0846	12.7961
<b>Class Z accumulation</b>			
Group 1	13.8472	13.8472	11.8861
Group 2	13.8472	13.8472	11.8861

## Appendix - additional information (unaudited)

### Securities financing transactions

The funds engage in securities financing transactions (SFTs) (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the funds' involvement in and exposures related to securities lending for the year ended 30 June 2018 are detailed below.

### Global data

The table lists the amount of securities on loan as a proportion of total lendable assets and the funds' assets under management (AUM) as at 30 June 2018:

Fund	Market value of securities on loan £000	% of lendable assets	% of AUM
Janus Henderson All Stocks Credit Fund	121,087	10.89%	10.58%
Janus Henderson Institutional Long Dated Credit Fund	75,852	18.88%	18.50%
Janus Henderson Institutional Long Dated Gilt Fund	3,561	8.68%	8.51%
Janus Henderson Institutional UK Gilt Fund	125,107	42.83%	41.15%
Janus Henderson Preference & Bond Fund	51,194	6.69%	6.39%
Janus Henderson Strategic Bond Fund	123,314	6.31%	5.78%
Janus Henderson UK Equity Income & Growth Fund	34,253	9.80%	9.84%

### Concentration data

The following table lists the ten largest collateral issuers by value of collateral received (across all SFTs) for each fund as at 30 June 2018:

Issuer	Market value of collateral received £000	Issuer	Market value of collateral received £000
<b>Janus Henderson All Stocks Credit Fund</b>		<b>Janus Henderson Institutional Long Dated Credit Fund</b>	
KFW	28,068	KFW	18,447
Government of France	27,751	Government of France	16,226
UK Treasury	26,283	UK Treasury	13,885
Commonwealth of Australia	20,664	Commonwealth of Australia	13,320
Government of Japan	5,139	Government of Japan	3,200
Kingdom of Netherlands	5,026	European Investment Bank	3,156
Government of Germany	4,417	Kingdom of Netherlands	2,939
Government of Ireland	1,899	Government of Germany	1,877
Grand Duchy of Luxembourg	1,696	Government of Ireland	1,224
European Union	1,394	Grand Duchy of Luxembourg	992

## Appendix - additional information (unaudited) (continued)

### Securities financing transactions (continued)

#### Concentration data (continued)

Issuer	Market value of collateral received £000	Issuer	Market value of collateral received £000
<b>Janus Henderson Institutional Long Dated Gilt Fund</b>		<b>Janus Henderson Institutional UK Gilt Fund</b>	
Ingersoll-Rand	400	Government of France	27,937
Philip Morris International	396	UK Treasury	20,952
Waste Management	346	Banco Santander Central Hispano	6,583
Alliant Energy	212	Alliant Energy	6,046
A2A SPA	161	Kingdom of Netherlands	5,060
Davide Campari	148	Microsoft	4,661
Safran	140	Apple	4,369
Siemens	133	Deutsche Telekom	4,149
Kering	112	British Sky Broadcasting	3,440
Eni	112	Anheuser-Busch InBev	3,409
<b>Janus Henderson Preference &amp; Bond Fund</b>		<b>Janus Henderson Strategic Bond Fund</b>	
Banco Santander Central Hispano	4,585	Banco Santander Central Hispano	11,314
Alliant Energy	4,134	Alliant Energy	10,200
Microsoft	3,250	Microsoft	8,020
Apple	3,032	Apple	7,482
Deutsche Telekom	2,893	KFW	7,332
Government of France	2,466	Deutsche Telekom	7,139
British Sky Broadcasting	2,399	British Sky Broadcasting	5,918
Anheuser-Busch InBev	2,377	Anheuser-Busch InBev	5,865
UK Treasury	2,168	Commonwealth of Australia	5,385
KFW	1,990	Rockwell Collins	4,701
<b>Janus Henderson UK Equity Income &amp; Growth Fund</b>			
Government of Japan	7,483		
Microsoft	1,487		
BP	1,365		
Apple	1,331		
Rolls-Royce Holdings	1,296		
British Sky Broadcasting	1,219		
Terna	1,206		
Iberdrola	1,198		
Deutsche Post	1,134		
Vinci	922		



## Appendix - additional information (unaudited) (continued)

### Securities financing transactions (continued)

#### Concentration data (continued)

The following table details the top ten counterparties of each type of SFTs (based on gross volume of outstanding transactions), for each fund as at 30 June 2018:

Counterparty	Market value of securities on loan £000	Settlement basis	Counterparty	Market value of securities on loan £000	Settlement basis
<b>Janus Henderson All Stocks Credit Fund</b>			<b>Janus Henderson Institutional Long Dated Credit Fund</b>		
Barclays	59,267	Triparty	Barclays	34,653	Triparty
JP Morgan	50,172	Triparty	JP Morgan	33,176	Triparty
RBS	4,879	Triparty	BNP Paribas	3,420	Triparty
Lloyds Bank	2,706	Triparty	RBS	3,038	Triparty
Goldman Sachs	2,425	Triparty	Goldman Sachs	1,565	Triparty
Credit Suisse	1,638	Triparty		<b>75,852</b>	
	<b>121,087</b>				
<b>Janus Henderson Institutional Long Dated Gilt Fund</b>			<b>Janus Henderson Institutional UK Gilt Fund</b>		
Deutsche Bank	3,561	Triparty	Barclays	59,665	Triparty
	<b>3,561</b>		Natixis	58,611	Triparty
			JP Morgan	4,840	Triparty
			Deutsche Bank	1,991	Triparty
				<b>125,107</b>	
<b>Janus Henderson Preference &amp; Bond Fund</b>			<b>Janus Henderson Strategic Bond Fund</b>		
Natixis	40,872	Triparty	Natixis	100,844	Triparty
Barclays	5,267	Triparty	JP Morgan	20,874	Triparty
JP Morgan	4,599	Triparty	Goldman Sachs	1,427	Triparty
Goldman Sachs	291	Triparty	BNP Paribas	161	Triparty
BNP Paribas	165	Triparty	Deutsche Bank	8	Triparty
	<b>51,194</b>			<b>123,314</b>	
<b>Janus Henderson UK Equity Income &amp; Growth Fund</b>					
ABN Amro	11,649	Triparty			
Deutsche Bank	5,623	Triparty			
Merrill Lynch	4,978	Triparty			
Bank of Nova Scotia	2,853	Triparty			
Natixis	2,442	Triparty			
Morgan Stanley	2,082	Triparty			
Société Générale	2,033	Triparty			
JP Morgan	1,969	Triparty			
Citigroup	623	Triparty			
HSBC	1	Triparty			
	<b>34,253</b>				

All counterparties have been included

## Appendix - additional information (unaudited) (continued)

### Securities financing transactions (continued)

#### Aggregate transaction data

The following tables provide an analysis of the collateral received by each fund in respect of each type of SFTs as at 30 June 2018:

Counterparty	Counterparty country of origin	Type	Quality	Collateral CCY	Settlement basis	Custodian	Market value of collateral received £000
<b>Janus Henderson All Stocks Credit Fund</b>							
Barclays	United Kingdom	Corporate Bond	Investment grade	EUR	Triparty	BNP Paribas	1,394
Barclays	United Kingdom	Corporate Bond	Investment grade	GBP	Triparty	BNP Paribas	20
Barclays	United Kingdom	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	39,641
Barclays	United Kingdom	Government Bond	Investment grade	GBP	Triparty	BNP Paribas	20,813
Credit Suisse	Switzerland	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	1,206
Credit Suisse	Switzerland	Government Bond	Investment grade	USD	Triparty	BNP Paribas	581
Goldman Sachs	United States	Government Bond	Investment grade	GBP	Triparty	BNP Paribas	2,659
JP Morgan	United States	Corporate Bond	Investment grade	EUR	Triparty	BNP Paribas	28,719
JP Morgan	United States	Equity	Main market listing	CHF	Triparty	BNP Paribas	264
JP Morgan	United States	Equity	Main market listing	DKK	Triparty	BNP Paribas	2
JP Morgan	United States	Equity	Main market listing	EUR	Triparty	BNP Paribas	800
JP Morgan	United States	Equity	Main market listing	GBP	Triparty	BNP Paribas	136
JP Morgan	United States	Equity	Main market listing	HKD	Triparty	BNP Paribas	349
JP Morgan	United States	Equity	Main market listing	JPY	Triparty	BNP Paribas	92
JP Morgan	United States	Equity	Main market listing	NOK	Triparty	BNP Paribas	8
JP Morgan	United States	Equity	Main market listing	SEK	Triparty	BNP Paribas	1
JP Morgan	United States	Equity	Main market listing	USD	Triparty	BNP Paribas	73
JP Morgan	United States	Government Bond	Investment grade	AUD	Triparty	BNP Paribas	20,664
JP Morgan	United States	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	1,949
Lloyds Bank	United Kingdom	Government Bond	Investment grade	GBP	Triparty	BNP Paribas	2,811
RBS	United Kingdom	Government Bond	Investment grade	JPY	Triparty	BNP Paribas	5,139
							<b>127,321</b>
<b>Janus Henderson Institutional Long Dated Credit Fund</b>							
Barclays	United Kingdom	Corporate Bond	Investment grade	EUR	Triparty	BNP Paribas	815
Barclays	United Kingdom	Corporate Bond	Investment grade	GBP	Triparty	BNP Paribas	12
Barclays	United Kingdom	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	23,178
Barclays	United Kingdom	Government Bond	Investment grade	GBP	Triparty	BNP Paribas	12,169
BNP Paribas	France	Corporate Bond	Investment grade	BRL	Triparty	BNP Paribas	38
BNP Paribas	France	Corporate Bond	Investment grade	EUR	Triparty	BNP Paribas	3,738
BNP Paribas	France	Corporate Bond	Investment grade	GBP	Triparty	BNP Paribas	209
BNP Paribas	France	Corporate Bond	Investment grade	USD	Triparty	BNP Paribas	203
BNP Paribas	France	Money Market	Investment grade	EUR	Triparty	BNP Paribas	10
Goldman Sachs	United States	Government Bond	Investment grade	GBP	Triparty	BNP Paribas	1,716
JP Morgan	United States	Corporate Bond	Investment grade	EUR	Triparty	BNP Paribas	18,512
JP Morgan	United States	Equity	Main market listing	CHF	Triparty	BNP Paribas	312
JP Morgan	United States	Equity	Main market listing	DKK	Triparty	BNP Paribas	3
JP Morgan	United States	Equity	Main market listing	EUR	Triparty	BNP Paribas	950
JP Morgan	United States	Equity	Main market listing	GBP	Triparty	BNP Paribas	161
JP Morgan	United States	Equity	Main market listing	HKD	Triparty	BNP Paribas	413
JP Morgan	United States	Equity	Main market listing	JPY	Triparty	BNP Paribas	109
JP Morgan	United States	Equity	Main market listing	NOK	Triparty	BNP Paribas	10
JP Morgan	United States	Equity	Main market listing	SEK	Triparty	BNP Paribas	1
JP Morgan	United States	Equity	Main market listing	USD	Triparty	BNP Paribas	87
JP Morgan	United States	Government Bond	Investment grade	AUD	Triparty	BNP Paribas	13,320
JP Morgan	United States	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	1,256
RBS	United Kingdom	Government Bond	Investment grade	JPY	Triparty	BNP Paribas	3,200
							<b>80,422</b>

## Appendix - additional information (unaudited) (continued)

### Securities financing transactions (continued)

#### Aggregate transaction data (continued)

Counterparty	Counterparty country of origin	Type	Quality	Collateral CCY	Settlement basis	Custodian	Market value of collateral received £000
<b>Janus Henderson Institutional Long Dated Gilt Fund</b>							
Deutsche Bank	Germany	Equity	Main market listing	CHF	Triparty	BNP Paribas	315
Deutsche Bank	Germany	Equity	Main market listing	EUR	Triparty	BNP Paribas	1,887
Deutsche Bank	Germany	Equity	Main market listing	GBP	Triparty	BNP Paribas	264
Deutsche Bank	Germany	Equity	Main market listing	HKD	Triparty	BNP Paribas	111
Deutsche Bank	Germany	Equity	Main market listing	JPY	Triparty	BNP Paribas	140
Deutsche Bank	Germany	Equity	Main market listing	USD	Triparty	BNP Paribas	1,240
							<b>3,957</b>
<b>Janus Henderson Institutional UK Gilt Fund</b>							
Barclays	United Kingdom	Corporate Bond	Investment grade	EUR	Triparty	BNP Paribas	1,403
Barclays	United Kingdom	Corporate Bond	Investment grade	GBP	Triparty	BNP Paribas	20
Barclays	United Kingdom	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	39,908
Barclays	United Kingdom	Government Bond	Investment grade	GBP	Triparty	BNP Paribas	20,952
Deutsche Bank	Germany	Equity	Main market listing	CHF	Triparty	BNP Paribas	175
Deutsche Bank	Germany	Equity	Main market listing	EUR	Triparty	BNP Paribas	1,055
Deutsche Bank	Germany	Equity	Main market listing	GBP	Triparty	BNP Paribas	148
Deutsche Bank	Germany	Equity	Main market listing	HKD	Triparty	BNP Paribas	62
Deutsche Bank	Germany	Equity	Main market listing	JPY	Triparty	BNP Paribas	78
Deutsche Bank	Germany	Equity	Main market listing	USD	Triparty	BNP Paribas	694
JP Morgan	United States	Corporate Bond	Investment grade	EUR	Triparty	BNP Paribas	2,859
JP Morgan	United States	Government Bond	Investment grade	AUD	Triparty	BNP Paribas	2,057
JP Morgan	United States	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	194
Natixis	France	Equity	Main market listing	CHF	Triparty	BNP Paribas	464
Natixis	France	Equity	Main market listing	EUR	Triparty	BNP Paribas	37,201
Natixis	France	Equity	Main market listing	GBP	Triparty	BNP Paribas	12,953
Natixis	France	Equity	Main market listing	USD	Triparty	BNP Paribas	15,143
							<b>135,366</b>

## Appendix - additional information (unaudited) (continued)

### Securities financing transactions (continued)

#### Aggregate transaction data (continued)

Counterparty	Counterparty country of origin	Type	Quality	Collateral CCY	Settlement basis	Custodian	Market value of collateral received £000
<b>Janus Henderson Preference &amp; Bond Fund</b>							
Barclays	United Kingdom	Corporate Bond	Investment grade	EUR	Triparty	BNP Paribas	124
Barclays	United Kingdom	Corporate Bond	Investment grade	GBP	Triparty	BNP Paribas	2
Barclays	United Kingdom	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	3,523
Barclays	United Kingdom	Government Bond	Investment grade	GBP	Triparty	BNP Paribas	1,850
BNP Paribas	France	Corporate Bond	Investment grade	BRL	Triparty	BNP Paribas	2
BNP Paribas	France	Corporate Bond	Investment grade	EUR	Triparty	BNP Paribas	181
BNP Paribas	France	Corporate Bond	Investment grade	GBP	Triparty	BNP Paribas	10
BNP Paribas	France	Corporate Bond	Investment grade	USD	Triparty	BNP Paribas	10
Goldman Sachs	United States	Government Bond	Investment grade	GBP	Triparty	BNP Paribas	319
JP Morgan	United States	Corporate Bond	Investment grade	EUR	Triparty	BNP Paribas	2,018
JP Morgan	United States	Equity	Main market listing	CHF	Triparty	BNP Paribas	199
JP Morgan	United States	Equity	Main market listing	DKK	Triparty	BNP Paribas	2
JP Morgan	United States	Equity	Main market listing	EUR	Triparty	BNP Paribas	612
JP Morgan	United States	Equity	Main market listing	GBP	Triparty	BNP Paribas	104
JP Morgan	United States	Equity	Main market listing	HKD	Triparty	BNP Paribas	266
JP Morgan	United States	Equity	Main market listing	JPY	Triparty	BNP Paribas	71
JP Morgan	United States	Equity	Main market listing	NOK	Triparty	BNP Paribas	6
JP Morgan	United States	Equity	Main market listing	USD	Triparty	BNP Paribas	56
JP Morgan	United States	Government Bond	Investment grade	AUD	Triparty	BNP Paribas	1,452
JP Morgan	United States	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	137
Natixis	France	Equity	Main market listing	CHF	Triparty	BNP Paribas	324
Natixis	France	Equity	Main market listing	EUR	Triparty	BNP Paribas	25,941
Natixis	France	Equity	Main market listing	GBP	Triparty	BNP Paribas	9,033
Natixis	France	Equity	Main market listing	USD	Triparty	BNP Paribas	10,559
							<b>56,801</b>

## Appendix - additional information (unaudited) (continued)

### Securities financing transactions (continued)

#### Aggregate transaction data (continued)

Counterparty	Counterparty country of origin	Type	Quality	Collateral CCY	Settlement basis	Custodian	Market value of collateral received £000
<b>Janus Henderson Strategic Bond Fund</b>							
BNP Paribas	France	Corporate Bond	Investment grade	BRL	Triparty	BNP Paribas	2
BNP Paribas	France	Corporate Bond	Investment grade	EUR	Triparty	BNP Paribas	176
BNP Paribas	France	Corporate Bond	Investment grade	GBP	Triparty	BNP Paribas	10
BNP Paribas	France	Corporate Bond	Investment grade	USD	Triparty	BNP Paribas	10
Deutsche Bank	Germany	Equity	Main market listing	CHF	Triparty	BNP Paribas	2
Deutsche Bank	Germany	Equity	Main market listing	EUR	Triparty	BNP Paribas	3
Deutsche Bank	Germany	Equity	Main market listing	USD	Triparty	BNP Paribas	3
Goldman Sachs	United States	Government Bond	Investment grade	GBP	Triparty	BNP Paribas	1,565
JP Morgan	United States	Corporate Bond	Investment grade	EUR	Triparty	BNP Paribas	7,485
JP Morgan	United States	Equity	Main market listing	CHF	Triparty	BNP Paribas	1,432
JP Morgan	United States	Equity	Main market listing	DKK	Triparty	BNP Paribas	13
JP Morgan	United States	Equity	Main market listing	EUR	Triparty	BNP Paribas	4,255
JP Morgan	United States	Equity	Main market listing	GBP	Triparty	BNP Paribas	723
JP Morgan	United States	Equity	Main market listing	HKD	Triparty	BNP Paribas	1,848
JP Morgan	United States	Equity	Main market listing	JPY	Triparty	BNP Paribas	489
JP Morgan	United States	Equity	Main market listing	NOK	Triparty	BNP Paribas	43
JP Morgan	United States	Equity	Main market listing	SEK	Triparty	BNP Paribas	3
JP Morgan	United States	Equity	Main market listing	USD	Triparty	BNP Paribas	388
JP Morgan	United States	Government Bond	Investment grade	AUD	Triparty	BNP Paribas	5,385
JP Morgan	United States	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	508
Natixis	France	Equity	Main market listing	CHF	Triparty	BNP Paribas	799
Natixis	France	Equity	Main market listing	EUR	Triparty	BNP Paribas	64,007
Natixis	France	Equity	Main market listing	GBP	Triparty	BNP Paribas	22,286
Natixis	France	Equity	Main market listing	USD	Triparty	BNP Paribas	26,055
							<b>137,490</b>

## Appendix - additional information (unaudited) (continued)

### Securities financing transactions (continued)

#### Aggregate transaction data (continued)

Counterparty	Counterparty country of origin	Type	Quality	Collateral CCY	Settlement basis	Custodian	Market value of collateral received £000
<b>Janus Henderson UK Equity Income &amp; Growth Fund</b>							
ABN Amro	Netherlands	Equity	Main market listing	CHF	Triparty	BNP Paribas	16
ABN Amro	Netherlands	Equity	Main market listing	EUR	Triparty	BNP Paribas	6,835
ABN Amro	Netherlands	Equity	Main market listing	GBP	Triparty	BNP Paribas	3,191
ABN Amro	Netherlands	Equity	Main market listing	USD	Triparty	BNP Paribas	2,901
Bank of Nova Scotia	Canada	Equity	Main market listing	AUD	Triparty	BNP Paribas	348
Bank of Nova Scotia	Canada	Equity	Main market listing	CAD	Triparty	BNP Paribas	1,113
Bank of Nova Scotia	Canada	Equity	Main market listing	EUR	Triparty	BNP Paribas	68
Bank of Nova Scotia	Canada	Equity	Main market listing	GBP	Triparty	BNP Paribas	1,286
Bank of Nova Scotia	Canada	Equity	Main market listing	HKD	Triparty	BNP Paribas	93
Bank of Nova Scotia	Canada	Equity	Main market listing	USD	Triparty	BNP Paribas	267
Citigroup	United States	Equity	Main market listing	DKK	Triparty	BNP Paribas	59
Citigroup	United States	Equity	Main market listing	EUR	Triparty	BNP Paribas	532
Citigroup	United States	Equity	Main market listing	GBP	Triparty	BNP Paribas	84
Citigroup	United States	Equity	Main market listing	JPY	Triparty	BNP Paribas	9
Citigroup	United States	Equity	Main market listing	USD	Triparty	BNP Paribas	8
Deutsche Bank	Germany	Equity	Main market listing	CHF	Triparty	BNP Paribas	498
Deutsche Bank	Germany	Equity	Main market listing	EUR	Triparty	BNP Paribas	2,981
Deutsche Bank	Germany	Equity	Main market listing	GBP	Triparty	BNP Paribas	418
Deutsche Bank	Germany	Equity	Main market listing	HKD	Triparty	BNP Paribas	175
Deutsche Bank	Germany	Equity	Main market listing	JPY	Triparty	BNP Paribas	221
Deutsche Bank	Germany	Equity	Main market listing	USD	Triparty	BNP Paribas	1,955
HSBC	United Kingdom	Equity	Main market listing	EUR	Triparty	BNP Paribas	1
JP Morgan	United States	Equity	Main market listing	CHF	Triparty	BNP Paribas	336
JP Morgan	United States	Equity	Main market listing	DKK	Triparty	BNP Paribas	3
JP Morgan	United States	Equity	Main market listing	EUR	Triparty	BNP Paribas	1,020
JP Morgan	United States	Equity	Main market listing	GBP	Triparty	BNP Paribas	174
JP Morgan	United States	Equity	Main market listing	HKD	Triparty	BNP Paribas	444
JP Morgan	United States	Equity	Main market listing	JPY	Triparty	BNP Paribas	117
JP Morgan	United States	Equity	Main market listing	NOK	Triparty	BNP Paribas	10
JP Morgan	United States	Equity	Main market listing	SEK	Triparty	BNP Paribas	1
JP Morgan	United States	Equity	Main market listing	USD	Triparty	BNP Paribas	93
Merrill Lynch	United States	Government Bond	Investment grade	JPY	Triparty	BNP Paribas	5,241
Morgan Stanley	United States	Government Bond	Investment grade	JPY	Triparty	BNP Paribas	2,242
Natixis	France	Equity	Main market listing	CHF	Triparty	BNP Paribas	19
Natixis	France	Equity	Main market listing	EUR	Triparty	BNP Paribas	1,549
Natixis	France	Equity	Main market listing	GBP	Triparty	BNP Paribas	540
Natixis	France	Equity	Main market listing	USD	Triparty	BNP Paribas	631
Société Générale	France	Equity	Main market listing	CHF	Triparty	BNP Paribas	75
Société Générale	France	Equity	Main market listing	EUR	Triparty	BNP Paribas	126
Société Générale	France	Equity	Main market listing	GBP	Triparty	BNP Paribas	2,612
Société Générale	France	Equity	Main market listing	JPY	Triparty	BNP Paribas	969
Société Générale	France	Equity	Main market listing	USD	Triparty	BNP Paribas	1,817
							<b>41,078</b>

All collateral is held in segregated accounts.

The lending and collateral transactions are on an open basis and can be recalled on demand.

## Appendix - additional information (unaudited) (continued)

### Securities financing transactions (continued)

#### Re-use of collateral

The funds do not engage in any re-use of collateral.

### Return and cost on securities lending activities

The following table details the funds' return and costs for each type of SFTs for the year ending 30 June 2018:

	<b>Total gross amount of stock lending revenue £000</b>	<b>Direct and indirect costs and fees deducted by securities lending agent £000</b>	<b>% return of the securities lending agent</b>	<b>Net stock lending revenue retained by the fund £000</b>	<b>% return of the fund</b>
Janus Henderson All Stocks Credit Fund	121	18	15%	103	85%
Janus Henderson Institutional Long Dated Credit Fund	75	11	15%	64	85%
Janus Henderson Institutional Long Dated Gilt Fund	7	1	15%	6	85%
Janus Henderson Institutional UK Gilt Fund	56	8	15%	48	85%
Janus Henderson Preference & Bond Fund	38	6	15%	32	85%
Janus Henderson Strategic Bond Fund	96	14	15%	82	85%
Janus Henderson UK Equity Income Fund	168	25	15%	143	85%

## Appendix - additional information (unaudited) (continued)

### Remuneration policy

Following the implementation of the UCITS V in the UK from 18 March 2016, all authorised UCITS Management Companies are required to comply with the UCITS Remuneration Code. Under the Code, the Remuneration Committee of Janus Henderson Group plc in its oversight of Henderson Investment Funds Limited ('HIFL') must make relevant remuneration disclosures in the first full performance year following the implementation date.

The disclosures must split remuneration between fixed and variable remuneration and must break down remuneration for categories of UCITS Code Staff (defined as all staff whose professional activities have a material impact on the risk profiles of the funds it manages). The Janus Henderson Group plc Remuneration Committee approves the list of UCITS Code Staff annually. In addition, identified UCITS Code Staff are notified of their status and the associated implications annually.

Janus Henderson UK & Europe Funds is managed by HIFL, which is a subsidiary of Janus Henderson Group plc.

The Remuneration Committee of Janus Henderson Group plc has established a Remuneration Policy, one of the guiding principles of which is to ensure that the remuneration of its employees is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of each AFM and the funds they manage. This policy applies to HIFL and Janus Henderson UK & Europe Funds.

Further information with respect to Janus Henderson Group plc's Remuneration Policy is available in Janus Henderson Group plc's annual report as at 31 December 2017.

	Headcount (1)	Total Remuneration (£000s) (2,3)
<b>Janus Henderson All Stocks Credit Fund</b>	828	1,474
<b>of which</b>		
Fixed Remuneration	828	787
Variable Remuneration	821	687
Carried Interest	n/a	-
<b>Janus Henderson All Stocks Credit Fund Remuneration Code Staff</b>	33	449
<b>of which</b>		
Senior Management (4)	18	215
Other Code Staff (5)	15	234
<b>Janus Henderson European Smaller Companies Fund</b>	829	130
<b>of which</b>		
Fixed Remuneration	829	61
Variable Remuneration	822	69
Carried Interest	n/a	-
<b>Janus Henderson European Smaller Companies Fund Remuneration Code Staff</b>	34	67
<b>of which</b>		
Senior Management (4)	18	14
Other Code Staff (5)	16	53
<b>Janus Henderson Index Linked Bond Fund</b>	828	306
<b>of which</b>		
Fixed Remuneration	828	168
Variable Remuneration	821	138
Carried Interest	n/a	-
<b>Janus Henderson Index Linked Bond Fund Remuneration Code Staff</b>	33	95
<b>of which</b>		
Senior Management (4)	18	44
Other Code Staff (5)	15	51
<b>Janus Henderson Institutional Long Dated Credit Fund</b>	828	549
<b>of which</b>		
Fixed Remuneration	828	293
Variable Remuneration	821	256
Carried Interest	n/a	-



## Appendix - additional information (unaudited) (continued)

### Remuneration policy (continued)

	Headcount (1)	Total Remuneration (£000s) (2,3)
<b>Janus Henderson Institutional Long Dated Credit Fund Remuneration Code Staff</b>	33	167
<b>of which</b>		
Senior Management (4)	18	80
Other Code Staff (5)	15	87
<b>Janus Henderson Institutional Long Dated Gilt Fund</b>	828	58
<b>of which</b>		
Fixed Remuneration	828	32
Variable Remuneration	821	26
Carried Interest	n/a	
<b>Janus Henderson Institutional Long Dated Gilt Fund Remuneration Code Staff</b>	33	18
<b>of which</b>		
Senior Management (4)	18	8
Other Code Staff (5)	15	10
<b>Janus Henderson Institutional Short Duration Bond Fund</b>	828	1,764
<b>of which</b>		
Fixed Remuneration	828	959
Variable Remuneration	821	805
Carried Interest	n/a	
<b>Janus Henderson Institutional Short Duration Bond Fund Remuneration Code Staff</b>	33	606
<b>of which</b>		
Senior Management (4)	18	244
Other Code Staff (5)	15	362
<b>Janus Henderson Institutional UK Gilt Fund</b>	828	352
<b>of which</b>		
Fixed Remuneration	828	194
Variable Remuneration	821	158
Carried Interest	n/a	
<b>Janus Henderson Institutional UK Gilt Fund Remuneration Code Staff</b>	33	109
<b>of which</b>		
Senior Management (4)	18	51
Other Code Staff (5)	15	58
<b>Janus Henderson Preference &amp; Bond Fund</b>	829	1,065
<b>of which</b>		
Fixed Remuneration	829	450
Variable Remuneration	822	615
Carried Interest	n/a	
<b>Janus Henderson Preference &amp; Bond Fund Remuneration Code Staff</b>	34	499
<b>of which</b>		
Senior Management (4)	18	119
Other Code Staff (5)	16	380
<b>Janus Henderson Strategic Bond Fund</b>	829	2,409
<b>of which</b>		
Fixed Remuneration	829	1,018
Variable Remuneration	822	1,391
Carried Interest	n/a	
<b>Janus Henderson Strategic Bond Fund Remuneration Code Staff</b>	34	1,130
<b>of which</b>		
Senior Management (4)	18	269
Other Code Staff (5)	16	861

## Appendix - additional information (unaudited) (continued)

### Remuneration policy (continued)

	Headcount (1)	Total Remuneration (£000s) (2,3)
<b>Janus Henderson UK Equity Income &amp; Growth Fund</b>	829	862
<b>of which</b>		
Fixed Remuneration	829	401
Variable Remuneration	822	461
Carried Interest	n/a	
<b>Janus Henderson UK Equity Income &amp; Growth Fund Remuneration Code Staff</b>	34	508
<b>of which</b>		
Senior Management (4)	18	75
Other Code Staff (5)	16	433
<b>Janus Henderson UK Smaller Companies Fund</b>	828	202
<b>of which</b>		
Fixed Remuneration	828	88
Variable Remuneration	821	114
Carried Interest	n/a	
<b>Janus Henderson UK Smaller Companies Fund Remuneration Code Staff</b>	33	105
<b>of which</b>		
Senior Management (4)	18	21
Other Code Staff (5)	15	84

1. This is the actual number of employees who are fully or partly involved in the activities of Janus Henderson UK & Europe Funds – no attempt has been made to apportion the time spent specifically in support of each fund within Janus Henderson UK & Europe Funds as this data is not captured as part of Janus Henderson Group plc's normal processes.
2. Please note that due to the employment structure and resourcing of Janus Henderson Group plc, the staff indicated in this table may provide services to other companies in Janus Henderson Group plc.
3. The remuneration disclosed is only in respect of the provision of services to Janus Henderson UK & Europe Funds for the year, rather than the total remuneration for the year – for this purpose, remuneration has been apportioned between the provision of services to Janus Henderson UK & Europe Funds and to other entities in Janus Henderson Group plc, as follows:
  - in respect of fixed pay and annual/long term incentive bonuses:
    - where fixed pay is directly attributable to each of the funds of Janus Henderson UK & Europe Funds (for example, fees for HIFL), 100% of those fees;
    - for Investment Fund Managers, pro-rated using the average assets under management (AUM) of Janus Henderson UK & Europe Funds managed by the relevant Investment Fund Manager (as a proportion of the total AUM managed by that individual) as a proxy.
    - for other individuals, pro-rated using the average AUM of each of the funds of Janus Henderson UK & Europe Funds (as a proportion of the aggregate average AUM of Janus Henderson Group plc) as a proxy.
4. Senior Management includes the Janus Henderson Executive Committee and other Group Board members and the Board of HIFL.
5. Other Code Staff includes all other UCITS Code Staff not covered by the above, including Investment Fund Managers who manage AUM within each of the funds of Janus Henderson UK & Europe Funds.

## Further information

### Shareholder enquiries

If you have any queries about your fund holding, either contact your professional adviser or telephone us on one of the numbers below:

For dealing enquiries including buying and selling shares please telephone at local rate: **0845 608 8703**

The following line is also available:

Client Services: **0800 832 832**

or you can contact us via e-mail at **[support@janushenderson.com](mailto:support@janushenderson.com)**

We may record telephone calls for our mutual protection and to improve customer service.



We may record telephone calls for our mutual protection, to improve customer service and for regulatory record keeping purposes.

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