



Henderson  
GLOBAL INVESTORS

Henderson

# UK Strategic Capital

Unit Trust

**Short Report**

For the six months ended 31 March 2012

# Henderson

# UK Strategic Capital Unit Trust

## Short Report

For the six months ended 31 March 2012

### Fund Manager

Paul Craig

### Investment objective and policy

To achieve capital growth.

The Fund will invest principally in the UK in a managed portfolio of investment trust shares and other closed-ended vehicles. The Fund may also invest in exchange traded funds, unregulated collective investment schemes (which include limited partnerships), money market instruments and deposits.

### Risk profile

The Fund is able to invest in shares issued by investment trust companies, including split capital investment trusts. In pursuing its investment objectives the Fund may hold a number of financial instruments. The main risks arising from these are credit, foreign currency, liquidity and market price risks.

The shares of split capital investment trusts that have more than one class of share have different risk characteristics. The level of risk depends on both the share class and prevailing market conditions. Moreover, many split capital investment trusts employ gearing which can lead to considerable volatility in their asset values and share prices and therefore can increase the level of risk compared with those investment trusts that do not have a split capital structure and those that do not employ gearing. Furthermore, investors should be aware of the risk that in certain market conditions some split capital investment trust shares can lose their value.

Exposure to a single country or geographical area can increase potential volatility.

### Manager's commentary

UK equity markets rose sharply during the six months ended 31 March 2012 as investors welcomed more decisive action from the European Central Bank and European politicians to resolve the sovereign debt crisis, arguably the epicenter of last year's fears. The recovery in share prices initially lifted only the largest and more defensive companies. However, as the new year unfolded and economic and corporate news proved better than expected, the recovery broadened to include a wider range of sectors and market capitalisations.

Against this very strong backdrop, the UK Strategic Capital Fund appears to have been left out in the cold. Importantly, it has not been the case that the Fund had declined or proved more volatile than the broader index. On the contrary, rather the performance of many of our underlying managers has been somewhat lacklustre. Some of this discrepancy is attributable to a widening in discounts to net asset value. However, it is probably a greater reflection of their less liquid portfolios and more specialist investment strategy including, Hansa Trust, Hg Capital, Jupiter Second Split Trust and North Atlantic Smaller Companies. While this is both frustrating and disappointing in the short-term, it should be remembered that these managers have been among our strongest and most consistent performers over the longer term.

Significant purchases during the period included new holdings in Alcentra European Floating Rate Income Fund and 3i. The former provides access to European senior loans via one of the largest and most experienced managers in the sector while the latter provides private equity exposure at a discount to net asset value in excess of 30%. The Fund also took the opportunity to switch out of International Biotechnology Trust into Worldwide Healthcare Trust. The rationale was primarily to broaden our exposure to the healthcare sector. The only other purchase

included Henderson UK Equity Income Fund, which was added at the beginning of the period in anticipation of a market rally.

The rationale for sales was generally to meet unit holder redemptions, which involved top slicing a number of larger positions and/or holdings that had performed well including Alliance Trust, Finsbury Growth & Income, Montanaro European Smaller Companies and Monks Investment Trust. The holding in SR Europe was sold in its entirety following the loss of its continuation vote and subsequent contraction in the discount to net asset value as investors speculated as to when cash would be returned.

There were no significant changes to stocks or sectors other than to reduce concentration following strong returns and/or unit holder redemptions.

While a sense of calm has clearly returned to financial markets, there is still a significant risk that investor fears could return. European politicians appear to be playing for time while western central banks continue to flood the market with cash, thereby transferring personal and corporate debt to their own balance sheets. The necessary austerity measures throughout the western world raise the spectre of a continued slowdown from which the only escape may

be renewed and excessive inflation. For now investors seem content to let the politicians muddle through, only time will tell if this is a viable strategy.

The corollary of a less certain outlook is that equity valuations are far from discounting a future of economic prosperity. In addition, while western governments are laden with debt the reverse is true for companies, which appear to be in rude health.

With this in mind, we believe that equities provide the more compelling asset class but recognise that volatility is likely to remain high as investor confidence swings between greed and fear. Consequently, we continue to favour a broad selection of asset classes and investment strategies through closed-end funds, some of which continue to stand at wide discounts to net asset value. For example, the Fund's holding in Aseana Properties stands in excess of a 50% discount to net asset value while North Atlantic Smaller Companies stands at just over 30%. Both have creditable managers that are being unfairly recognised by their ratings, in our opinion. Furthermore, we believe that our underlying managers are well positioned to capture corporate earnings growth in a tough operating environment while discount contraction would provide the icing on the cake.

## Discrete annual performance

	1 Apr 11- 31 Mar 12 %	1 Apr 10- 31 Mar 11 %	1 Apr 09- 31 Mar 10 %	1 Apr 08- 31 Mar 09 %	1 Apr 07- 31 Mar 08 %
Henderson UK Strategic Capital Unit Trust	(4.3)	20.4	77.6	(50.0)	(20.5)
FTSE All-Share Total Return Index	1.4	8.7	52.3	(29.3)	(7.7)

Source: Morningstar, mid to mid, net income reinvested net of fees, GBP

Figures in brackets are negative.

Please remember that past performance is not a guide to future performance. The value of an investment and the revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

## Summary of Fund performance

	Net asset value 31/03/12 p	Net asset value 30/09/11 p	Net asset value % change
Accumulation units	288.74	273.58	5.54

## Fund facts

### Accounting dates

31 March, 30 September

### Payment dates

30 November

### Total expense ratio

	31/03/12	30/09/11
	%	%
Accumulation units	1.50	1.50

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

### Ongoing charge figure\*

	31/03/12
	%
Accumulation units	1.51

The ongoing charge figure (OCF) of the Fund is the ratio of the total ongoing charges to the average net asset value for twelve months.

\*The OCF replaces the TER. It is calculated in accordance with guidelines issued by the Committee of European Securities Regulators with the aim of ensuring a harmonised approach to the calculation of the OCF by all UCITS.

This Fund is a non-UCITs retail Fund and we have adopted this disclosure to enable comparison across our fund range.

## Performance record

Accumulation units	Net revenue per unit p	Highest offer price per unit p	Lowest bid price per unit p
2007	-	400.18	317.51
2008	-	338.28	153.79
2009	4.78	267.14	135.28
2010	0.73	307.80	236.35
2011	-	323.51	267.47
2012	-	307.10+	274.88+

+ to 31 March 2012

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

## Major holdings

as at 31/03/12	%
Henderson Private Equity Investment Trust*	9.43
Rights & Issues	8.37
HgCapital	6.85
North Atlantic Smaller Companies	5.54
City Natural Resources High Yield	5.42
Montanaro European Smaller Companies	5.06
Montanaro UK Smaller Companies	4.92
Hansa Trust	3.47
Fidelity Special Values	3.11
Finsbury Growth & Income Trust	3.09

\*Related party to the Fund.

## Major holdings

as at 30/09/11	%
Henderson Private Equity Investment Trust*	10.41
Rights & Issues	7.25
HgCapital	7.06
North Atlantic Smaller Companies	5.61
City Natural Resources High Yield	4.98
Montanaro European Smaller Companies	4.63
Montanaro UK Smaller Companies	4.56
SR Europe	4.02
Hansa Trust	3.47
Finsbury Growth & Income Trust	3.21

## Asset allocation

as at 31/03/12	%
Investment Trust Companies - Ordinary	95.01
Investment Trust Companies - Preference	1.55
Other - UK Equities	0.93
Collective Investment Schemes	0.80
Net other assets	1.71
<b>Total</b>	<b>100.00</b>

## Asset allocation

as at 30/09/11	%
Investment Trust Companies - Ordinary	97.58
Investment Trust Companies - Preference	2.89
Other - UK Equities	1.15
Net other liabilities	(1.62)
<b>Total</b>	<b>100.00</b>

## Report and accounts

This document is a short report of the Henderson UK Strategic Capital Unit Trust for the six months ended 31 March 2012.

Copies of the annual and half yearly long form report and financial statements of this fund are available on our website [www.henderson.com](http://www.henderson.com) or contact investor services on the telephone number provided.

## Other information

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

### Issued by:

Henderson Investment Funds Limited  
Registered office:  
201 Bishopsgate,  
London EC2M 3AE  
Member of the IMA and authorised and regulated  
by the Financial Services Authority.  
Registered in England No 2678531

### Trustee

The Royal Bank of Scotland Plc  
Trustee & Depositary Services  
The Broadstone  
50 South Gyle Crescent  
Edinburgh EH12 9UZ

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

## Risk warning

Please remember that past performance is not a guide to future performance. The value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

## Important information

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

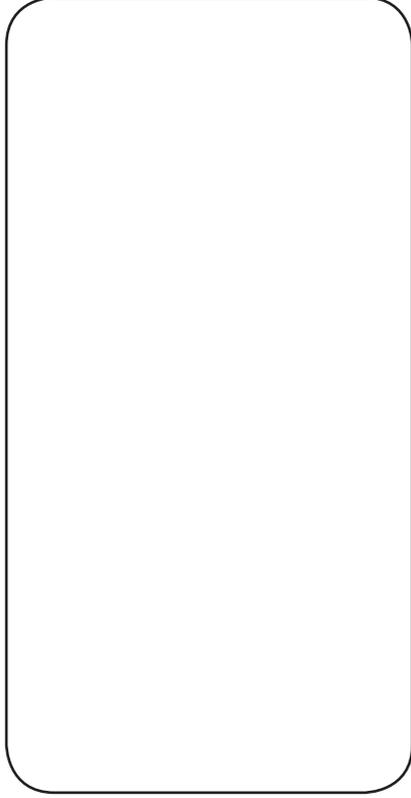
### Auditor

KPMG Audit Plc  
Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2EG

## Contact us

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### Changes of address - regulatory requirements

FSA regulation requires us to send this report mailing to the address held on file on the accounting date of 31 March 2012. If you have confirmed a change of address with us since that date we will ensure all future correspondence will be sent to your new address.

### Online valuations

You can value your Henderson UK Strategic Capital Unit Trust at any time by logging on to [www.henderson.com](http://www.henderson.com). Select 'Personal Investor' and then access 'Valuations' from the Tools Menu. Simply select the fund you hold and enter the appropriate number of shares.

### Any questions?

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

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