



ANNUAL SHORT REPORT

For the year ended
31 March 2017

Janus Henderson
— INVESTORS —

Henderson UK Strategic Income Unit Trust

Henderson UK Strategic Income Unit Trust

Short Report

For the year ended 31 March 2017

Investment Fund Manager

Henderson Multi-Asset Team

Other information

Henderson Group plc and Janus Capital group merged on 30 May 2017 to form Janus Henderson Group plc.

Janus Henderson is considering the future viability of the fund given its current size and the persistent outflows. Due to the uncertainty of the continuation of the fund, the financial statements have been prepared on a basis other than going concern.

Investment objective and policy

To achieve a high level of income.

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 and reward profile

The fund currently has 1 unit class in issue; Income units. The risk and reward profile is as follows:



The Synthetic Risk and Reward Indicator (SRRRI) 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 SRRRI level. The SRRRI is an indicator and may not accurately reflect future volatility and market conditions.

The value of an investment in the fund can go up or down. When you sell your units 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 following risks apply to investments in the fund. These could be triggered or made worse by unusual market conditions or unpredictable market events.

Active management risk Active management techniques that have worked well in normal market conditions could prove ineffective or detrimental at other times.

Collective investment scheme risk The fund may invest in other types of collective investment schemes which can involve different risks to investing directly in the underlying assets. Such schemes may increase risk due to investment in risky assets such as property or commodities, restrictions on withdrawals, less strict regulation and use of derivatives. The value of your investment may fall as a result.

Counterparty risk The fund could lose money if a counterparty with which it trades becomes unwilling or unable to meet its obligations to the fund.

Derivatives risk Derivatives use exposes the fund to risks different from, and potentially greater than, the risks associated with investing directly in securities and may therefore result in additional loss, which could be significantly greater than the cost of the derivative.

Hedging risk Measures designed to reduce the impact of certain risks may not be available or may be ineffective.

Liquidity risk Any security could become hard to value or to sell at a desired time and price, increasing the risk of investment losses.

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

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

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

Investment review

Global equity markets rose during the year under review (the MSCI World Total Return Index increased by 32.5% in sterling terms). Markets fell in early 2016 on global growth scares but rallied for the remainder of the year and in early 2017 as world growth recovered. During the year under review, political events took centre stage. In June, the UK's decision to leave the European Union initially shocked market participants. However, investors quickly began to focus on the competitive advantage that UK companies had gained due to a depreciating exchange rate, and the market recovered quickly, with large export-focussed companies outperforming. The FTSE 100 Total Return Index returned 16.9% during the year. UK companies were supported by a resilient performance from the UK, as well as the depreciating exchange rate.

In the US, President Trump was elected in November 2016 and inaugurated in January 2017. Markets largely focussed on the positive aspects of his campaign and rallied strongly after his election, despite an initial period of volatility. Investors concentrated on President Trump's campaign promises to overhaul corporate and personal tax systems, reduce regulation and increase fiscal spending. The S&P 500 returned 17.1% during the year. Trump's promise to "make America great again" supported outperformance of smaller market capitalisation companies that tend to be more domestically focussed. The Russell 2000 Total Return Index returned 26.2%, highlighting this.

US government bond yields increased during the year under review. In the US, President Trump's policies were largely perceived to be inflationary. The Federal Reserve increased interest rates twice in the year, further supporting an increase in yields. The 10-year US government bond yield increased from 1.8% to 2.4% during the year. Ten-year German bund yields increased 0.2% during the year as European growth improved and the European Central Bank announced a reduction in the level of its quantitative easing. In the UK, 10-year gilt yields fell 0.3%. In the aftermath of the UK referendum, yields fell significantly as investors looked for safe-havens over concerns about a UK growth slowdown. UK borrowing costs increased in the latter part of 2016 and the early months of 2017, as economic data continued to be resilient.

Against this market backdrop, the Henderson UK Strategic Income Fund returned 18.1% on a net of fees basis, compared with a return of 22.0% for the FTSE All Share Total Return Index.

The fund primarily invests in UK-focussed investments and generated strong returns from these holdings. Positions in F&C Investment Trust and Temple Bar Investment Trust were the two best performing investments, both returning in excess of 25.0% during the year. On a more negative note, the Perpetual Income & Growth Investment Trust underperformed due to having less correlation with large capitalisation companies and the mining sector.

Due to the depreciation of sterling, the fund's global investments performed extremely well. Murray International Trust was the largest contributor, adding 2.2% to overall performance after returning 43.2% during the year.

The fund's underperformance of the FTSE All Share Index was caused by an allocation to alternative asset classes. While allocations to infrastructure and renewable energy investments produced very consistent returns with lower volatility than equity markets, they underperformed.

During the year, we took the opportunity to sell Alliance Trust due to strong performance, a narrowing of the discount and the fact that the Trust's strategy changed during the year under review. We reinvested some of the sales proceeds into NB Private Equity Partners Fund, which offered strong growth characteristics, an attractive discount and a strong yield.

Fidelity Special Values Investment Trust also performed well. We chose to reduce our position prior to the referendum to reduce our holdings within UK small capitalisation companies that could be adversely impacted by a slowdown in UK economic growth. After the election, we continued to sell down our position, with some proceeds reinvested into renewable energy opportunities, including Foresight Solar Fund and Renewables Infrastructure.

During the year, we took profits on a number of other strongly performing investments, including Finsbury Growth & Income Trust, Murray Income Trust and Murray International Trust. We reinvested these proceeds in the London (City of) Investment Trust, Perpetual Income & Growth Investment Trust, John Laing Infrastructure Fund and HICL Infrastructure.

Looking ahead, we believe that it will be harder to generate returns from traditional markets due to the high valuations at which they trade compared with history. Political risks are also running high, with elections to be held in the UK, Germany and France during 2017. We believe that we are well placed to navigate this difficult investment environment.

Performance summary

	31 Mar 16- 31 Mar 17 %	31 Mar 15- 31 Mar 16 %	31 Mar 14- 31 Mar 15 %	31 Mar 13- 31 Mar 14 %	31 Mar 12- 31 Mar 13 %
Henderson UK Strategic Income Unit Trust	18.1	(1.8)	8.0	7.3	13.6
FTSE All-Share Total Return Index	22.0	(3.9)	6.6	8.8	16.8

Source: Morningstar, bid to bid and net of fees as at 12 noon valuation point, based on performance of income units. 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.

Fund facts

Accounting dates

30 September, 31 March

Payment dates

31 August, 30 November, last day of February, 31 May

Ongoing charge figure*

	2017 %	2016 %
Income units	1.74	1.71

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.

The OCF includes a synthetic element of 0.06% (2016: 0.04%) to incorporate the OCF of underlying funds.

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

The fund is a non-UCITS fund and we have used this disclosure to enable comparison across our fund range.

	Income units		
	2017 (pence per unit)	2016 (pence per unit)	2015 (pence per unit)
Change in net assets per unit			
Opening net asset value per unit	10.42	10.88	10.44
Return before operating charges*	2.06	0.05	0.95
Operating charges	(0.19)	(0.18)	(0.18)
Return after operating charges*	1.87	(0.13)	0.77
Distributions on income units	(0.39)	(0.33)	(0.33)
Closing net asset value per unit	11.90	10.42	10.88
* after direct transaction costs of:	0.01	-	0.01
Performance			
Return after charges	17.95%	(1.19%)	7.38%
Other information			
Closing net asset value (£000s)	11,630	11,376	13,980
Closing number of units	97,765,113	109,164,108	128,443,677
Operating charges	1.74%	1.71%	1.71%
Direct transaction costs	0.09%	0.01%	0.12%
Prices			
Highest unit price (pence)	12.72	12.02	11.73
Lowest unit price (pence)	10.10	9.65	9.68

Performance is at close of business which 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 unit class.

Past performance is not a guide to future performance.

Major holdings

as at 2017	%
Perpetual Income & Growth Investment Trust	8.26
London (City of) Investment Trust	8.16
Murray Income Trust	8.05
Troy Income & Growth Trust	7.36
Temple Bar Investment Trust	7.03
Murray International Trust	6.24
RWC Enhanced Income Fund	6.23
NB Private Equity Partners Fund	6.04
Edinburgh Investment Trust	6.00
Henderson High Income Trust	5.64

Major holdings

as at 2016	%
Edinburgh Investment Trust	7.70
Fidelity Special Values Investment Trust	6.96
Troy Income & Growth Trust	6.87
Perpetual Income & Growth Investment Trust	6.84
Alliance Trust	6.28
RIT Capital Partners	6.27
F&C Investment Trust	6.00
London (City of) Investment Trust	5.99
Finsbury Growth & Income Investment Trust	5.66
Temple Bar Investment Trust	5.43

Asset allocation

as at 2017	%
UK Equity	56.00
Global Equity	15.39
Alternatives	13.73
Specialist Equity	6.24
Private Equity	6.04
Other net assets	2.60
Total net assets	100.00

Asset allocation

as at 2016	%
UK Equity	52.02
Global Equity	29.83
Specialist Equity	11.64
Europe ex UK Equity	4.64
Property	2.71
Private Equity	0.07
Other net liabilities	(0.91)
Total net assets	100.00

Prior year comparative percentages have changed for some sectors due to reclassification within these sectors.

Report and accounts

This document is a short report of the Henderson UK Strategic Income Unit Trust for the year ended 31 March 2017.

Copies of the annual and half yearly long form reports of this fund are available on our website www.janushenderson.com or contact client services on the telephone number provided.

Other information

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

Issued by:

Henderson Investment Funds Limited
Registered office:
201 Bishopsgate
London
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Member of The Investment Association and authorised and regulated by the Financial Conduct Authority.
Registered in England No 2678531

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SS15 5FS

Risk warning

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

Trustee and Depositary

National Westminster Bank Plc
135 Bishopsgate
London
EC2M 3UR

Auditor

PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow
G2 7EQ

Further information

Unitholder 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 units 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

We may record telephone calls for our mutual protection and to improve customer service.

Online valuations

You can value your Henderson UK Strategic Income Unit Trust at any time by logging on to www.jaunshenderson.com. Select 'UK Private Investor' and then access 'Valuations' from the Tools Menu. Simply select the fund you hold and enter the appropriate number of shares.

Important Information

Janus Henderson Investors is the name under which Janus Capital International Limited (reg no. 3594615), Henderson Global Investors Limited (reg. no. 906355), Henderson Investment Funds Limited (reg. no. 2678531), Henderson Investment Management Limited (reg. no. 1795354), AlphaGen Capital Limited (reg. no. 962757), Henderson Equity Partners Limited (reg. no. 2606646), Gartmore Investment Limited (reg. no. 1508030), (each incorporated and registered in England and Wales with registered office 201 Bishopsgate, London EC2M 3AE) are authorised and regulated by the Financial Conduct Authority to provide investment products and services. Telephone calls may be recorded and monitored.

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

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