



ANNUAL SHORT REPORT

For the year ended
15 April 2017

Janus Henderson
— INVESTORS —

Henderson Sterling Bond Unit Trust

Leverage risk Leverage arises from entering into contracts or derivatives whose terms have the effect of magnifying an outcome, meaning profits and losses from investment can be greater.

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

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

Investment review

The fund performed well over the review year, as it benefited from a 36 basis point (bps) tightening in sterling corporate credit spreads and a 37bps fall in UK government bond yields. Monetary policy easing measures announced by the Bank of England following the UK's vote to leave the European Union included a new £10bn Corporate Bond Purchase Scheme (CBPS), which helped drive valuations higher. For the fund, the outperforming sectors were utilities, financials and retail; a bias towards lower-rated investment grade bonds also contributed materially.

Utilities were the strongest sector contributor, as they benefited from both idiosyncratic news and the sector's long duration position (duration is a measure of interest rate sensitivity). German utilities RWE and E.ON provided the strongest returns. RWE, the fund's top performer, benefited from a corporate restructuring in which bonds moved to a new spin-off company called innogy Finance, shielding bond investors from the nuclear liabilities. Additionally, RWE benefited from positive ratings action and a ruling by the Federal Constitutional Court of Germany that stated that utility companies are entitled to compensation following the shutdown of nuclear plants in 2011. Rival E.ON performed well following a positive restructuring and inclusion in the CBPS. Elsewhere in non-financials, positioning in the retail sector benefited, with Wal-Mart, Morrison and Tesco performing well; the UK retailers benefited from positive earnings updates and improving sales. In terms of non-financial detractors, a position in Vodafone was the biggest hindrance to performance, reflecting the increase in corporate issuance and rise in merger & acquisition activity in the telecommunications sector. A position in AT&T also hindered returns, as performance struggled after the company announced a deal to acquire

Time Warner. As such, the holding was reduced. Finally, limited positioning in basic resources hurt, as the recovery in the sector continued through the review period.

Financials contributed to performance, as the sector benefited from the reflationary (pro-growth) environment seen through the second half of 2016, an upshot of the Trump administration. Trump's market-supportive rhetoric helped spur risk-on sentiment, where higher beta sectors (those more sensitive to market movements) such as financials were the beneficiaries. Stock selection in banks was positive, with HSBC, Lloyds and Barclays all contributing materially. HSBC performed best due to solid earnings and a continued belief that it will tender for its longer-dated bonds due to a change in capital treatment. Lloyds and Barclays also had solid earnings. A holding in West Bromwich Building Society detracted after the surprise loss of a Court of Appeal ruling over a mortgage interest charges case, where the society was ordered to pay circa £27.5m. A holding in BNP also detracted due to weakness in French risk assets in the run up to the French elections; the fund therefore exited this position. Insurers were strong, with positions in Aviva and RSA performing well; the latter benefited from the company tendering for some of its subordinated bonds. Holdings in real estate aided performance; the best returns came through Welltower, Kennedy Wilson and Scentre Group. Positioning in this sector was increased during the period through participation in new issues from A2Dominion, Places for People and Westfield.

The biggest change to positioning over the year was a reduction in utilities holdings; we took profits on a sector which has been a large beneficiary of the CBPS. The largest reductions came through PPL, Enel and EDF. Telecommunications was the other material sector reduction (for aforementioned reasons) via decreased holdings in Orange, America Movil and Verizon. Overall positioning in financials stayed relatively flat, as the fund reduced positioning in subordinated insurance (which performed well), namely though Legal & General and SwissRe, and increased banking holdings, where new issuance has been focused and valuations remain attractive. The fund participated in numerous bank issues, including Barclays and Wells Fargo. The fund also participated in a bond exchange and new issue from the AA, where we hold a material position.

We continue to favour financials due to their more favourable valuations compared with the broader sterling market. We see the risk that non-financial sectors, which have benefited from the CBPS,

may experience pressure on valuations as the programme comes to an end. Politics remains one of the biggest risks to corporate bonds over the coming months, with presidential elections in France the main point of focus.

The improving global outlook and further interest rate hike by the US Federal Reserve in March is also bringing the removal of accommodative monetary policy back into focus. This is unlikely to be a smooth process and may lead to periods of near-term volatility (sharper fluctuations in price).

Performance summary

	15 Apr 16- 15 Apr 17 %	15 Apr 15- 15 Apr 16 %	15 Apr 14- 15 Apr 15 %	15 Apr 13- 15 Apr 14 %	15 Apr 12- 15 Apr 13 %
Henderson Sterling Bond Unit Trust	9.8	(2.1)	10.8	0.1	13.3
IA £ Corporate Bond average	8.9	(1.1)	9.9	1.1	12.6

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

Fund facts

Accounting dates

15 October, 15 April

Payment date

15 September, 15 December, 15 March, 15 June

Ongoing charge figure

	2017 %	2016 %
Accumulation units	1.38 [^]	1.41
Income units	1.38 [^]	1.41
Class I	0.70	0.70

[^] The annual management charge was reduced from 1.25% to 1.10% with effect from 1 February 2017.

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

Comparative tables for the year ended 15 April 2017

	Accumulation		
	2017	2016	2015
	(pence per unit)	(pence per unit)	(pence per unit)
Change in net assets per unit			
Opening net asset value per unit	199.09	202.84	183.72
Return before operating charges*	22.99	0.13	22.95
Operating charges	(2.98)	(2.76)	(2.71)
Return after operating charges*	20.01	(2.63)	20.24
Distributions on accumulation units [^]	(4.99)	(5.60)	(5.59)
Retained distributions on accumulation units	4.24	4.48	4.47
Closing net asset value per unit	218.35	199.09	202.84
* after direct transaction costs of:	-	-	-
Performance			
Return after charges	10.05%	(1.30%)	11.02%
Other information			
Closing net asset value (£000s)	173,735	174,970	249,001
Closing number of units	79,566,440	87,883,441	122,755,637
Operating charges	1.38%	1.41%	1.41%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest unit price (pence)	232.61	212.83	216.68
Lowest unit price (pence)	198.08	190.25	183.32

Comparative tables for the year ended 15 April 2017

	Income units		
	2017	2016	2015
	(pence per unit)	(pence per unit)	(pence per unit)
Change in net assets per unit			
Opening net asset value per unit	61.02	63.93	59.35
Return before operating charges*	6.79	(0.66)	6.86
Operating charges	(0.91)	(0.86)	(0.86)
Return after operating charges*	5.88	(1.52)	6.00
Closing net asset value per unit	(1.29)	(1.39)	(1.42)
Retained distributions on accumulation units	65.61	61.02	63.93
* after direct transaction costs of:	-	-	-
Performance			
Return after charges	9.64%	(2.38%)	10.11%
Other information			
Closing net asset value (£000s)	101,644	102,246	148,809
Closing number of units	154,918,997	167,558,974	232,762,694
Operating charges	1.38%	1.41%	1.41%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest unit price (pence)	70.86	66.73	68.29
Lowest unit price (pence)	60.71	58.63	58.84

Comparative tables for the year ended 15 April 2017

	Class I accumulation		
	2017 (pence per unit)	2016 (pence per unit)	2015 (pence per unit)
Change in net assets per unit			
Opening net asset value per unit	117.59	119.17	107.27
Return before operating charges*	13.58	0.05	13.51
Operating charges	(0.88)	(0.81)	(0.79)
Return after operating charges*	12.70	(0.76)	12.72
Distributions on accumulation units [^]	(3.82)	(4.12)	(4.12)
Retained distributions on accumulation units	3.24	3.30	3.30
Closing net asset value per unit	129.71	117.59	119.17
* after direct transaction costs of:	-	-	-
Performance			
Return after charges	10.80%	(0.64%)	11.86%
Other information			
Closing net asset value (£000s)	211,897	215,393	187,953
Closing number of units	163,357,075	183,168,705	157,723,236
Operating charges	0.70%	0.70%	0.70%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest unit price (pence)	132.04	119.90	121.92
Lowest unit price (pence)	117.01	112.28	107.06

Comparative tables for the year ended 15 April 2017

	Class I income		
	2017 (pence per unit)	2016 (pence per unit)	2015 (pence per unit)
Change in net assets per unit			
Opening net asset value per unit	105.13	110.34	102.38
Return before operating charges*	11.57	(1.48)	11.79
Operating charges	(0.78)	(0.73)	(0.74)
Return after operating charges*	10.79	(2.21)	11.05
Distributions on income units	(2.87)	(3.00)	(3.09)
Closing net asset value per unit	113.05	105.13	110.34
* after direct transaction costs of:	-	-	-
Performance			
Return after charges	10.26%	(2.00%)	10.79%
Other information			
Closing net asset value (£000s)	53,508	79,402	58,613
Closing number of units	47,332,013	75,525,079	53,119,114
Operating charges	0.70%	0.70%	0.70%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest unit price (pence)	117.18	110.30	112.89
Lowest unit price (pence)	104.61	101.07	101.38

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 unit class.

Past performance is not a guide to future performance

Major holdings	
as at 2017	%
BAA Funding 6.75% 03/12/2026	1.48
UK Treasury 4.5% 07/09/2034	1.36
Wal-Mart Stores 4.875% 19/01/2039	1.19
Deutsche Telekom International Finance 6.5% 08/04/2022	1.13
Santander UK 1.875% 17/02/2020	1.13
GE Capital UK Funding 5.875% 18/01/2033	1.13
Bank of America 7% 31/07/2028	1.05
Goldman Sachs 4.25% 29/01/2026	1.05
BAT International Finance 6.375% 12/12/2019	1.01
UK Treasury 3.75% 07/09/2044	0.92

Asset allocation	
as at 2017	%
United Kingdom	60.57
United States	19.72
Germany	5.06
France	3.02
Australia	2.64
Switzerland	1.10
Netherlands	0.98
Italy	0.83
Belgium	0.36
Spain	0.31
Hong Kong	0.28
Canada	0.24
Sweden	0.22
Ireland	0.02
Other net assets	4.65
Total net assets	100.00

Major holdings	
as at 2016	%
UK Treasury 4.5% 07/12/2042	2.11
Électricité de France 5.5% 17/10/2041	1.18
Western Power Distribution West 5.75% 16/04/2032	1.16
Deutsche Telekom International Finance 6.5% 08/04/2022	1.08
Abbey National Treasury Services 1.875% 17/02/2020	1.05
Verizon Communications 4.75% 17/02/2034	1.03
Wal-Mart Stores 4.875% 19/01/2039	1.01
BAT International Finance 6.375% 12/12/2019	0.98
GE Capital UK Funding 5.875% 18/01/2033	0.98
Goldman Sachs 4.25% 29/01/2026	0.95

Asset allocation	
as at 2016	%
United Kingdom	58.50
United States	15.67
France	7.61
Germany	3.49
Australia	2.85
Netherlands	2.58
Italy	2.37
Switzerland	1.58
Mexico	1.04
Portugal	0.50
Belgium	0.36
Canada	0.21
Other net assets	3.24
Total net assets	100.00

Report and accounts

This document is a short report of the Henderson Sterling Bond Unit Trust for the year ended 15 April 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:

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Member of The Investment Association and authorised and regulated by the Financial Conduct Authority.

Registered in England No 2678531

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Risk warning

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

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135 Bishopsgate

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Auditor

PricewaterhouseCoopers LLP

141 Bothwell Street

Glasgow

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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 Sterling Bond Unit Trust at any time by logging on to www.janushenderson.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.

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.