Henderson
GLOBAL INVESTORS

INTERIM SHORT REPORT

For the six months ended
1 September 2016

Henderson Fixed Interest Monthly Income Fund

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Short Report

For the six months ended 1 September 2016

Investment Fund Managers

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Investment objective and policy

To achieve a high yield. The fund will invest principally in fixed interest securities including preference shares. The fund may also invest in securities acquired on the conversion of convertible securities held within the portfolio (or pursuant to schemes of reconstruction), derivatives and forward transactions, warrants, money-market instruments and deposits. Derivatives may be used for meeting the investment objective of the fund and for efficient portfolio management.

Risk and reward profile

The fund currently has 6 unit classes in issue; income, accumulation, I income, I accumulation, Z accumulation and Euro hedge income.

Income, accumulation, I income, Z accumulation and Euro hedge income have a risk and reward profile as follows:

Typically Lower potential risk/reward — Typically Higher potential risk/reward

Lower Risk — Higher Risk

1	2	**3**	4	5	6	7

I accumulation has a risk and reward profile as follows:

Typically Lower potential risk/reward — Typically Higher potential risk/reward

Lower Risk — Higher Risk

1	2	3	**4**	5	6	7

The synthetic risk and reward indicator (SRRI) is calculated based on historical volatility over a rolling 5 year period; it is reviewed monthly and updated if volatility has changed materially to cause a movement in the SRRI level. The SRRI is an indicator and may not accurately reflect future volatility and market conditions. The value of an investment in the fund can go up or down. When you sell your 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 lowest category does not mean risk free.

The fund's risk level reflects the following:

- As a category, bonds are less volatile than shares
- Fluctuations in exchange rates may cause the value of your investment to rise or fall

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events which could amplify everyday risk and trigger other risks such as:

Counterparty risk The fund could lose money if an entity with which it transacts becomes unwilling or unable to meet its obligations to the fund.

Default risk The issuers of certain bonds could become unable to make payments on their bonds. The risk of default may be higher where the fund invests in sub-investment grade bonds.

Derivatives risk Using derivatives can involve a higher level of risk. A small movement in the price of an underlying investment may result in a disproportionately large movement in the price of the derivative instrument.

Focus risk The fund's value may fall where it has concentrated exposure to an issuer or type of security that is heavily affected by an adverse event.

Liquidity risk Certain securities could become hard to value or sell at a desired time and price.

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

Exchange rate risk Fluctuations in exchange rates may cause the value of your investment and any income from it to rise or fall.

High yield bond risk High yield bonds (normally with a lower credit rating or unrated) generally carry greater market, default and liquidity risk.

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 period.

Investment review

The global economic outlook was already concerning before the UK's European Union (EU) referendum. The backdrop appeared remarkably deflationary, and growth and inflation were hard to find. As we entered the period under review, the markets were recovering from the Chinese growth shock in February.

The beginning of the period was a strong month for the corporate bond markets. This was stimulated by the European Central Bank's (ECB) announcement that it would be purchasing euro corporate bonds as part of its quantitative easing (QE, central bank liquidity measures) programme. This unexpected step represented a shift from ever more negative interest rates to a broader package of credit easing, which targeted risk premia and corporate lending rates.

Indeed, the other strand of this policy package was the provision of long-term liquidity to the banks at negative interest rates (ie paying the banks to borrow from the ECB in order to lend into the real economy). Given the potential for the ECB to overwhelm the specific area of the corporate bond market that it was focusing on, investors bought bonds ahead of this event. In this sense, the policy has provided a welcome boost to investor risk appetite, although it is doubtful that it will have any real economic impact given the rock-bottom borrowing levels already evident in the eurozone prior to the announcement.

Most of the action was during mid-summer. The shock Brexit result caused significant reverberations in European capital markets. Sterling fell heavily and caused huge rotation within equity sectors. The resignation of David Cameron, and subsequent political manoeuvres in the UK, spooked markets further. However, equities bounced back faster than expected, as the political situation resolved itself.

July was a remarkably strong month for a range of bond markets, including government, investment grade and high yield bonds. The sterling market proved a stand-out performer, driven by expectations of policy easing from the Bank of England. In August, its precautionary policy response to Brexit was profound, as base rates were cut to 0.25% with a further cut promised if required.

The UK QE scheme was expanded by £60bn, plus a £10bn scheme was initiated to purchase UK industrial investment grade corporate bonds. In addition, a new bank-term funding programme was initiated to offset the interest rate cut compressing bank margins. Overall, this comprehensive package was a surprise to the market. This compounded, and indeed mirrored, the already aggressive buying of European government and corporate bonds by the ECB. The theme of central banks exaggerating the bond drought while suppressing volatility (sharper fluctuations in prices) was remarkable given how far we are into this monetary experiment. Furthermore, the UK has engineered a post-Brexit stimulus by lowering interest rates and devaluing sterling. Some of the fund's holdings are in dollars and euros, thereby flattering the income account as the coupons are converted back to sterling.

The fund outperformed the sector during this very unusual period in the bond markets' history. Our duration (a measure of interest rate sensitivity) positioning was reasonable but not as long as some of the pure investment grade funds which sit in our peer group. All bonds performed strongly. The high yield industrial and longer-dated (longer duration) investment grade industrial bonds were very strong. Financial bonds were softer going into Brexit but rallied hard after the vote due to the new international bid for sterling assets. Over the period, we continued to add large-cap, non-cyclical US investment grade credit such as Walgreens Boots, Newell Brands and Molson Coors. We also added the occasional high yield name, but only very selectively, in issuers such as Eircom, RAC, Ardagh Packaging, Aramark and Cott Beverages. Again, all these industries tend to be consumer facing and non-cyclical – themes we have been running for many years. At the margin, we have trimmed some of our financial holdings given the tougher earnings outlook for this sector.

Bond yields have fallen significantly this year, causing a big rise in bond prices. We continue to expect a subdued default environment. However, the bulk of the return is expected to come from income, rather than capital. We will wait to see if the central bank bond buying programmes will be swamped by extra supply, although we very much doubt it. We will continue to lend to large-cap non-cyclical businesses and select financials, and we remain focused on delivering a reliable, sustainable and consistent monthly income for our unit holders.

Performance summary

Cumulative performance	Six months 1 Mar 16- 1 Sep 16 %	One year 1 Sep 15- 1 Sep 16 %	Five years 1 Sep 11- 1 Sep 16 %	Since launch 1 May 1979- 1 Sep 15 %
Henderson Fixed Interest Monthly Income Fund	9.0	6.9	41.2	1,382.6
IA OE £ Strategic Bond Sector Average	8.9	7.6	35.1	1,011.5

Discrete performance

	1 Sep 15- 1 Sep 16 %	1 Sep 14- 1 Sep 15 %	1 Sep 13- 1 Sep 14 %	1 Sep 12- 1 Sep 13 %	1 Sep 11- 1 Sep 12 %
Henderson Fixed Interest Monthly Income Fund	6.9	2.6	9.9	6.2	10.3

Source: Morningstar - bid to bid and net of fees as at valuation point, based on performance of Income unit class.

Benchmark values are as at close of business.
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

Unit class	Net asset value* 01/09/16 p	Net asset value* 01/03/16 p	Net asset value % change
Accumulation	27.36	25.07	9.15
Income	22.33	20.89	6.89
Class I accumulation	107.62	98.21	9.58
Class I income	108.78	101.46	7.22
Class Z accumulation	141.93	129.13	9.92
Euro hedge income	267.02	232.82	14.69

*The net asset value is calculated as at close of business on the last business day of the accounting period. The investments are valued at fair value which is generally deemed to be the bid market price.

Net revenue distribution

Unit class	01/09/16 p	01/09/15 p
Accumulation	0.55	0.53
Income	0.46	0.49
Class I accumulation	2.19	0.98
Class I income	2.26	2.36
Class Z accumulation	2.92	2.80

	01/09/16 Euro cents	01/09/15 Euro cents
Euro hedged income	8.48	8.79

Total interest distributions for the six months ended 1 September 2016, comparison is for the same period last year.

Fund facts

Accounting dates	Payment dates
1 March, 1 September	Class A, I and Z: Last working day of every month Euro hedge income: 31 March, 30 June, 30 September and 31 December

Ongoing charge figure

	01/09/16 %	01/03/16 %
Income and accumulation	1.41	1.41
Class I	0.70	0.70
Class Z	0.03	0.03
Euro hedged income	1.39	1.39

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

Performance record

Calendar year	Net revenue (pence per unit)	Highest price (pence per unit)	Lowest price (pence per unit)
Accumulation			
2012[1]	0.58	22.57	20.28
2013	1.10	24.97	22.31
2014	1.23	26.32	23.75
2015	1.11	27.39	25.07
2016	0.87 +	28.80 +	24.90+
Income			
2011	1.19	22.87	19.29
2012	1.01	21.96	19.63
2013	1.06	23.41	21.18
2014	1.16	23.73	21.79
2015	1.01	23.26	21.58
2016	0.74 *	23.58	20.87+
Class I accumulation			
2015[2]	2.09	101.43	99.19
2016	3.22 *	108.67 +	97.55+
Class I income			
2012[1]	2.74	103.82	95.98
2013	5.12	107.33	101.04
2014	5.62	109.28	104.81
2015	4.92	110.06	104.51
2016	3.64 *	110.22 +	101.34+
Class Z accumulation			
2012[1]	2.80	110.92	99.49
2013	5.68	119.43	109.82
2014	6.33	127.71	118.40
2015	6.02	133.46	126.86
2016	4.86 *	143.28 +	128.18+

Calendar year	Net revenue (Euro cents per unit)	Highest price (Euro cents per unit)	Lowest price (Euro cents per unit)
Euro hedge income			
2012	11.27	319.00	294.00
2013	19.20	341.87	306.29
2014	20.05	344.22	315.20
2015	18.01	344.14	309.00
2016	12.90*	338.78 +	300.72+

* to 30 September
\+ 1 September
[1] Accumulation, I income, Z accumulation and Euro hedge income unit classes were launched on 4 May 2012
[2] Launched on 22 June 2015

Past performance is not a guide to future performance

Major holdings

as at 01/09/16	%
Charter Communications 6.484% 23/10/2045	1.82
Co-Operative Bank 6.25% 08/07/2026	1.74
Nationwide Building Society VAR Perpetual	1.63
Wachovia Capital Trust III 5.56975% Perpetual	1.59
AT&T 4.75% 15/05/2046	1.59
UBS 6.875% Perpetual	1.56
Unitymedia 3.75% 15/01/2027	1.53
Ardagh Packaging Finance 4% 15/05/2024	1.44
Orange 5.75% Perpetual	1.43
BNP Paribas FRN Perpetual	1.42

Major holdings

as at 01/03/16	%
US Treasury 1.625% 15/02/2026	3.06
US Treasury 2.5% 15/02/2046	3.00
Nationwide Building Society Preference Shares	1.63
Scottish Widows 7% 16/06/2043	1.60
BNP Paribas FRN Perpetual	1.52
AT&T 4.75% 15/05/2046	1.51
Lloyds Banking 6.657% Perpetual	1.49
Tullet Prebon 7.04% 06/07/2016	1.48
Dresdner Funding Trust 8.151% 30/06/2031	1.45
Arqiva Broadcast Finance 9.5% 31/03/2020	1.35

Asset allocation

as at 01/09/16	%
United Kingdom	33.62
United States	30.66
France	7.50
Germany	4.23
Switzerland	4.05
Ireland	3.33
Luxembourg	3.15
Netherlands	2.90
Spain	1.00
Norway	0.98
Italy	0.93
Sweden	0.70
New Zealand	0.53
Canada	0.16
Derivatives	1.95
Other net assets	4.31
Total net assets	**100.00**

Asset allocation

as at 01/03/16	%
Bonds	
United Kingdom	44.09
United States	26.64
France	9.19
Germany	5.49
Ireland	1.91
Netherlands	1.90
Italy	1.87
Switzerland	1.77
Spain	1.09
Luxembourg	0.95
Sweden	0.73
Norway	0.29
Equities	2.09
Derivatives	(1.40)
Other net assets	3.39
Total net assets	**100.00**

Report and accounts

This document is a short report of the Henderson Fixed Interest Monthly Income Fund for the six months ended 1 September 2016.

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

Other information

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

Risk warning

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

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Changes of address - regulatory requirements
FCA regulation requires us to send this report mailing to the address held on file on the accounting date of 1 September 2016. If you have confirmed a change of address with us since that date we will ensure all future correspondence will be sent to your new address.

Online valuations
You can value your Henderson Fixed Interest Monthly Income Fund at any time by logging on to www.henderson.com. Select 'Personal Investor' and then access 'Valuations' from the Tools Menu. Simply select the fund you hold and enter the appropriate number of shares.

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

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