



# ANNUAL SHORT REPORT

For the year ended  
30 June 2017

Janus Henderson  
— INVESTORS —

**Henderson Institutional UK Gilt Fund**

# Henderson Institutional UK Gilt Fund

## Short Report

For the year ended 30 June 2017

### Investment Fund Manager

Mitul Patel

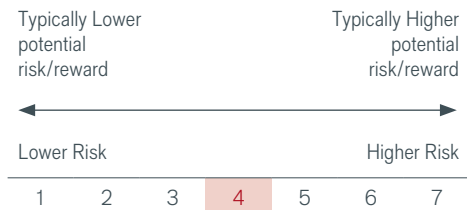
### Investment objective and policy

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.

### Risk and reward profile

The fund currently has 6 types of share class in issue; A income, I income, I accumulation, I accumulation gross, Z accumulation gross and 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 in the fund 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. Under normal market conditions the following risks may apply:

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

**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.

**Credit risk** The value of a bond or money market security may fall if the financial health of the issuer weakens, or the market believes it may weaken. This risk is greater the lower the credit quality of the bond.

**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.

**Interest rate risk** When interest rates rise (or fall), the prices of different securities will be affected differently. In particular, bond values generally fall when interest rates rise. This risk is generally greater the longer the maturity of a bond investment.

**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 Factors" 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

Government bond markets performed poorly during the year. Central banks stepped away from their ultra-accommodative monetary policy stances as expectations over future growth and inflation prospects improved. The election of Donald Trump as president of the United States led to a further boost to growth and inflation forecasts, and rate hikes from the Federal Reserve (Fed) led to substantial pressure on the US Treasury market. In the UK, the economy proved to be more resilient than expected following the vote on whether or not to leave the European Union (EU), and the Bank of England's (BoE's) Monetary Policy Committee moved to a more neutral stance. The European Central Bank (ECB) announced in December its intention to reduce the size of its quantitative easing (QE) programme (central bank liquidity measures). Further improvement in the economy led to speculation about the eventual tapering of asset purchases by the ECB, which put upwards pressure on European government bond yields at the end of the year.

The gilt market initially performed well during the summer months, as the BoE cut rates and restarted its QE programme. As sterling weakened, inflation expectations rose and led to lower expectations of further easing in November, particularly in light of the initial resilience of the economy. This led to gilt yields rising sharply during the fourth quarter, although index-linked gilts significantly outperformed due to a sharp increase in inflation expectations.

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 by positioning for US Treasuries to outperform UK gilts on several occasions during the year, as the yield spread was trading around its historic wides.

Taking relative value opportunities in the US market also proved profitable. We entered the year positioned for the 20-year/30-year sector to outperform the 10-year/20-year sector of the US swaps curve. The trade performed exceptionally well after the US election and was closed for a profit. Following the US election, we positioned for five-year Treasury yields to rise relative to two-year yields in the US. As the market moved to price in a tighter monetary policy outlook, we closed the trade for a profit. As we entered 2017, we structurally positioned for the seven-year sector to outperform the two-year and 12-year sectors.

In Europe, we profited by positioning for intermediate swap rates to decline relative to long-dated swap rates. As the European recovery gained momentum and the prospects for ECB tightening seemed less distant, we closed the existing position and began to position for 10-year yields to decline relative to five-year yields.

Our inflation strategies proved profitable, as we twice positioned for a decline in long-dated real yields, as well as declines in 10-year European and UK inflation expectations.

Currency strategies detracted during the year. Although the fund profited by positioning for a weaker Japanese yen versus the US dollar, this was offset by small losses on several other positions, most notably positions which looked for a strengthening in the Swedish krona and sterling.

We believe that government bond markets are likely to remain volatile. Although political risks have diminished, a removal of monetary policy stimulus could prove disruptive, though muted levels of inflation may stop government bond yields from rising significantly.

## Performance summary

	30 Jun 16- 30 Jun 17 %	30 Jun 15- 30 Jun 16 %	30 Jun 14- 30 Jun 15 %	30 Jun 13- 30 Jun 14 %	30 Jun 12- 30 Jun 13 %
Henderson Institutional UK Gilt Fund	(1.0)	11.0	6.2	0.5	(3.2)
FTSE Actuaries All Stocks Gilt Index	(0.9)	13.5	8.9	2.3	(2.4)

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 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

31 December, 30 June

### Payment dates

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

### Ongoing charge figure

	2017 %	2016 %
Class A	0.91	0.91
Class D	0.29	0.29
Class I	0.54	0.54
Class Z	0.04	0.04

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 30 June 2017

	Class A income			Class I income		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
<b>Change in net assets per share</b>						
Opening net asset value per share	212.62	191.94	181.88	210.93	190.33	180.89
Return before operating charges*	(1.81)	24.35	13.91	(1.89)	24.12	13.06
Operating charges	(1.92)	(1.79)	(2.20)	(1.13)	(1.06)	(1.03)
Return after operating charges*	(3.73)	22.56	11.71	(3.02)	23.06	12.03
Distributions on income shares	(1.44)	(1.88)	(1.65)	(2.13)	(2.46)	(2.59)
Closing net asset value per share	207.45	212.62	191.94	205.78	210.93	190.33
* after direct transaction costs of:	-	-	0.01	-	-	0.01
<b>Performance</b>						
Return after charges	(1.75%)	11.75%	6.44%	(1.43%)	12.12%	6.65%
<b>Other information</b>						
Closing net asset value (£000s)	948	1,381	2,564	2,881	3,316	1,824
Closing number of shares	456,962	649,431	1,335,866	1,400,192	1,571,973	958,310
Operating charges	0.91%	0.91%	1.15%	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Prices</b>						
Highest share price (pence)	222.80	211.90	204.30	221.10	210.40	202.70
Lowest share price (pence)	203.00	189.60	181.20	201.40	188.00	179.70

**Comparative tables** (continued)

	Class I accumulation			Class D accumulation gross		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
<b>Change in net assets per share</b>						
Opening net asset value per share	332.63	296.47	276.76	150.36	133.26	123.84
Return before operating charges*	(2.63)	38.78	22.44	(1.18)	17.50	9.80
Operating charges	(1.79)	(1.66)	(1.71)	(0.44)	(0.40)	(0.38)
Return after operating charges*	(4.42)	37.12	20.73	(1.62)	17.10	9.42
Distributions on accumulation shares	(3.76)	(4.80)	(5.02)	(2.08)	(2.51)	(2.57)
Retained distributions on accumulation shares <sup>^</sup>	3.37	3.84	4.00	2.08	2.51	2.57
Closing net asset value per share	327.82	332.63	296.47	148.74	150.36	133.26
* after direct transaction costs of:	-	0.01	0.01	-	-	-
<b>Performance</b>						
Return after charges	(1.33%)	12.52%	7.49%	(1.08%)	12.83%	7.61%
<b>Other information</b>						
Closing net asset value (£000s)	5,548	7,088	4,769	9,995	9,466	8,541
Closing number of shares	1,692,406	2,131,013	1,608,721	6,719,765	6,295,197	6,409,288
Operating charges	0.54%	0.54%	0.54%	0.29%	0.29%	0.29%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Prices</b>						
Highest share price (pence)	348.70	330.80	313.60	157.80	149.60	140.60
Lowest share price (pence)	318.40	292.90	276.20	144.30	131.70	123.40

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

## Comparative tables (continued)

	Class I accumulation gross			Class Z accumulation gross		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
<b>Change in net assets per share</b>						
Opening net asset value per share	358.77	318.76	296.95	216.65	191.53	177.54
Return before operating charges*	(2.82)	41.79	23.52	(1.71)	25.20	14.07
Operating charges	(1.93)	(1.78)	(1.71)	(0.09)	(0.08)	(0.08)
Return after operating charges*	(4.75)	40.01	21.81	(1.80)	25.12	13.99
Distributions on accumulation shares	(4.06)	(5.17)	(5.37)	(3.54)	(4.11)	(4.17)
Retained distributions on accumulation shares	4.06	5.17	5.37	3.54	4.11	4.17
Closing net asset value per share	354.02	358.77	318.76	214.85	216.65	191.53
* after direct transaction costs of:	-	0.01	0.01	-	-	0.01

### Performance

Return after charges	(1.32%)	12.55%	7.34%	(0.83%)	13.12%	7.88%
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### Other information

Closing net asset value (£000s)	25,501	26,204	31,637	274,408	250,549	225,861
Closing number of shares	7,203,015	7,303,922	9,924,857	127,719,944	115,648,951	117,927,329
Operating charges	0.54%	0.54%	0.54%	0.04%	0.04%	0.04%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

### Prices

Highest share price (pence)	376.40	356.80	336.70	227.50	215.50	201.90
Lowest share price (pence)	344.00	315.00	295.90	208.20	189.30	176.90

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.

## Past performance is not a guide to future performance

## Major holdings

as at 2017	%
UK Treasury 4.50% 07/09/2034	6.02
UK Treasury 1.50% 22/07/2026	5.38
UK Treasury 4.75% 07/12/2030	3.30
UK Treasury 5.00% 07/03/2018	3.28
UK Treasury 5.00% 07/03/2025	3.24
UK Treasury 4.25% 07/12/2055	3.11
UK Treasury 4.00% 07/03/2022	2.98
UK Treasury 4.50% 07/12/2042	2.85
UK Treasury 1.75% 22/07/2019	2.85
UK Treasury 4.25% 07/03/2036	2.76

## Asset allocation

as at 2017	%
Bonds	97.24
Collective Investment Schemes	0.08
Derivatives	0.04
Other net assets	2.64
<b>Total net assets</b>	<b>100.00</b>

## Major holdings

as at 2016	%
UK Treasury 3.50% Index-Linked 22/01/2045	5.19
UK Treasury 3.50% Index-Linked 22/07/2068	4.02
UK Treasury 4.25% 07/06/2032	3.57
UK Treasury 5.00% 07/03/2025	3.55
UK Treasury 4.75% 07/12/2030	3.54
UK Treasury 2.50% Index-Linked 26/07/2016	3.45
UK Treasury 4.00% 07/03/2022	3.31
UK Treasury 4.50% 07/09/2034	3.11
UK Treasury 4.50% 07/03/2019	3.07
UK Treasury 4.25% 07/12/2027	2.99

## Asset allocation

as at 2016	%
Bonds	98.21
Collective Investment Schemes	0.09
Derivatives	(0.05)
Other net assets	1.75
<b>Total net assets</b>	<b>100.00</b>



## Report and accounts

This document is a short report of the Henderson Institutional UK Gilt Fund for the year ended 30 June 2017.

Copies of the annual and half yearly long form reports of this fund are available on our website [www.janushenderson.com](http://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  
EC2M 3AE  
Member of The Investment Association and authorised and regulated by the Financial Conduct Authority.  
Registered in England No 2678531

### Shareholder Administrator

International Financial Data Services (UK) Limited  
IFDS House  
St Nicholas Lane  
Basildon  
Essex  
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.

### Depository

National Westminster Bank Plc  
135 Bishopsgate  
London  
EC2M 3UR

### Auditor

PricewaterhouseCoopers LLP  
141 Bothwell Street  
Glasgow  
G2 7EQ





## 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.

### Online valuations

You can value your Henderson Institutional UK Gilt Fund at any time by logging on to [www.janushenderson.com](http://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.