



ANNUAL SHORT REPORT

For the year ended
1 March 2017

Henderson
GLOBAL INVESTORS

**Henderson Fixed Interest
Monthly Income Fund**

Henderson Fixed Interest Monthly Income Fund

Short Report

For the year ended 1 March 2017

Investment Fund Managers

John Pattullo, Jenna Barnard and Nicholas Ware

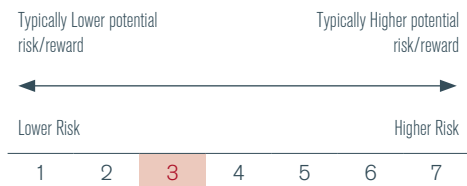
Investment objective and policy

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 accumulation¹, Z accumulation and Euro hedge income.

The risk and reward profile is the same for each type of share class and 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 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 classes appear at 3 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 which could amplify everyday risk and trigger other risks such as:

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.

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

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 Warnings" section of the Fund's prospectus.

There has been no change to the risk rating in the year for all share classes except class I accumulation, the risk rating changed from 4 to 3.

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

¹ As the unit class does not have a 5 year history, a synthetic history has been created using the fund's relevant sector average.

Investment review

The year under review was a very favourable one for bond investors. Political events caused volatility (sharper fluctuations in prices) and posed threats, but we managed to exploit the opportunities that such unexpected events present. The first half of the year reflected the deflationary scare experienced in winter 2015 and beyond. A collapsing oil price, weak Chinese growth and a European banking wobble centred around the solvency of Deutsche Bank all led to favourable starting yields. The collapsing oil price exaggerated the weakness in headline inflation, giving the deflationist bond community the upper hand as the summer began. US 10-year yields equalled the previous low of approximately 1.32% from four years earlier – a significant technical milestone. The subsequent doubling of the oil price gave the reflationists more credence for the second half of the period. Moreover, the global economy started to experience a synchronised pickup in economic activity from the summer onwards – this may have been due to a delayed stimulus to the Chinese economy nine months previously. Another surprise was the uptick in European confidence and activity. In March, the European Central Bank (ECB) announced an expansion of its quantitative easing programme (central bank liquidity measures, or 'QE') to include corporate bonds – this was a massive boost to bond prices. The relative weakness of the euro has also loosened financial conditions. There was a general lack of bonds globally as central banks "hoovered" them up, thereby crushing volatility. As yields fell, even marginal credit got refinanced. The dynamic was not as strong in American markets, as they experienced more mergers and acquisitions driven issuance. However, international

demand for US credit from Japanese/Asian credit really grew. These Asian investors diversified as Japanese sovereign bond yields became negative and experienced further central bank intervention. Finally, the surprise Brexit vote led to a collapse in sterling; however, we were hedged, and this was followed by a cut in UK interest rates and re-establishment of the Bank of England gilt and corporate asset purchase programme. We extended UK duration sensitivity accordingly. Credit was weak for a few days after the Brexit vote, but, again, international investors started buying cheap assets and it rallied significantly. In November, the surprise Trump victory led us to actively hedge out some of the dollar duration risk, using interest rate futures. Again, we did not predict these results but they presented opportunistic and profitable trades.

The fund outperformed the peer group in this very strong year. This was driven by having a decent and invested carry book to generate the monthly income for our investors. This was skewed towards high yield bonds, and junior banking and insurance bonds, which all performed very well. Investment grade was also very strong, but faded in the US after the presidential election. Sterling investment grade held up very well in contrast, especially after Brexit and the QE programme's amendment. Financial sector bonds delivered strong returns, given the more favourable climate. Gilts lagged high yield and investment grade, but were still reasonable given the UK's change in monetary policy. We broadly increased our weighting to US high yield over the year and particularly following Trump's election – this was at the expense of the longer duration, but less yield-focused, investment grade book. Example of high yield bonds we purchased in the secondary market include Post Holdings, Cott Beverages, Crown, Reynolds and AMC Entertainment. Notable primary deals include Ardagh Packaging, RAC, Aramark, Crown and Eircom. We also managed to exploit a good run in American investment grade credit in the spring and summer, which enhanced performance. Examples of the US credit issues that we bought include Kraft Heinz, Walgreens Boots and Philip Morris. We experienced very few problematic credits during the year. The UK and select European banks continue to make steady progress as they reduce leverage on their balance sheets and build regulatory capital. All the UK insurers reported decent results with good capital positions under the Solvency 2 regulations. We trimmed some of the insurers and banks before the Brexit vote in issues such as Generali and Coventry Building Society.

We remain biased towards large cap, non-cyclical industrial businesses, and junior banking and insurer bonds. We are focused on generating a reliable, consistent, sustainable and dependable yield for our predominately retired/elderly investor base. We hold a material weighting to financial sector bonds and high yield bonds to generate this cash flow.

We continue to have significant concerns about the viability of the "European project", and expect more political volatility. With this in mind, we are highly selective about the industries, jurisdictions and sectors in which we invest. Over time, the book has become more international, with a reasonable bias to the US. Barring persistent concerns about the "European project", the backdrop remains favourable for bond investing, with modest growth, modest inflation, suppressed volatility and low default rates.

Performance summary

	1 Mar 16- 1 Mar 17 %	1 Mar 15- 1 Mar 16 %	1 Mar 14- 1 Mar 15 %	1 Mar 13- 1 Mar 14 %	1 Mar 12- 1 Mar 13 %
Henderson Fixed Interest Monthly Income Fund	10.7	(2.3)	6.4	7.3	12.7
IA £ Strategic Bond Sector average	9.4	(2.8)	6.3	3.7	10.2

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

1 March, 1 September

Payment dates

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

	2017 %	2016 %
Income and Accumulation	1.41	1.41
Class I	0.69	0.70
Class Z	0.03	0.03
Euro hedge 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).

Comparative tables

	Accumulation			Class I Accumulation	
	2016 (pence per unit)	2015 (pence per unit)	2014 (pence per unit)	2017 (pence per unit)	2016 (pence per unit)
Change in net assets per unit					
Opening net asset value per unit	25.07	25.68	24.09	98.21	99.32 ¹
Return before operating charges*	3.27	0.03	2.23	12.87	0.36
Operating charges	(0.38)	(0.36)	(0.35)	(0.73)	(0.69)
Return after operating charges*	2.89	(0.33)	1.88	12.14	(0.33)
Distributions on accumulation units	(1.44)	(1.40)	(1.44)	(5.73)	(3.90)
Retained distributions on accumulation units	1.15	1.12	1.15	4.58	3.12
Closing net asset value per unit	27.67	25.07	25.68	109.20	98.21
* after direct transaction costs of:	-	-	-	-	-
Performance					
Return after charges	11.53%	(2.38%)	6.60%	12.36%	(1.12%)
Other information					
Closing net asset value (£000s)	30,708	24,535	30,843	87,660	24,376
Closing number of units	110,986,979	97,857,488	120,111,200	80,277,876	24,820,633
Operating charges	1.41%	1.41%	1.41%	0.69%	0.70%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%	0.00%
Prices					
Highest unit price (pence)	29.04	27.39	27.07	109.94	101.68
Lowest unit price (pence)	25.15	24.90	24.31	98.54	97.55

¹ Class I accumulation launched on 22 June 2015 and this is the first published price

Comparative tables (continued)

	Income			Class I income		
	2017 (pence per unit)	2016 (pence per unit)	2015 (pence per unit)	2017 (pence per unit)	2016 (pence per unit)	2015 (pence per unit)
Change in net assets per unit						
Opening net asset value per unit	20.89	22.47	22.16	101.46	108.33	106.16
Return before operating charges*	2.45	(0.27)	1.71	11.86	(1.21)	8.17
Operating charges	(0.31)	(0.31)	(0.31)	(0.73)	(0.74)	(0.74)
Return after operating charges*	2.14	(0.58)	1.40	11.13	(1.95)	7.43
Distributions on income units	(0.95)	(1.00)	(1.09)	(4.70)	(4.92)	(5.26)
Closing net asset value per unit	22.08	20.89	22.47	107.89	101.46	108.33
* after direct transaction costs of:	-	-	-	-	-	-
Performance						
Return after charges	10.24%	(2.58%)	6.32%	10.97%	(1.80%)	7.00%
Other information						
Closing net asset value (£000s)	397,089	389,679	593,865	283,998	246,898	72,747
Closing number of units	1,798,560,148	1,865,024,113	2,643,431,657	263,228,896	243,354,709	67,151,286
Operating charges	1.41%	1.41%	1.41%	0.69%	0.70%	0.69%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Prices						
Highest unit price (pence)	23.58	23.76	23.73	110.22	110.06	109.60
Lowest unit price (pence)	20.96	20.87	21.79	101.79	101.34	104.81

Comparative tables (continued)

	Class Z 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	129.12	130.76	121.27
Return before operating charges*	16.91	(0.06)	11.08
Operating charges	(0.04)	(0.04)	(0.04)
Return after operating charges*	16.87	(0.10)	11.04
Distributions on accumulation units	(7.74)	(7.68)	(7.77)
Retained distributions on accumulation units	6.19	6.14	6.22
Closing net asset value per unit	144.44	129.12	130.76
* after direct transaction costs of:	-	-	-
Performance			
Return after charges	13.07%	(1.25%)	7.83%
Other information			
Closing net asset value (£000s)	2	2	2
Closing number of units	1,500	1,500	1,500
Operating charges	0.03%	0.03%	0.03%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest unit price (pence)	145.42	133.46	131.69
Lowest unit price (pence)	129.55	128.18	121.48

Comparative tables (continued)

	Class Euro hedged 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	232.82	234.42	263.29
Return before operating charges*	52.71	14.47	(10.12)
Operating charges	(3.62)	(3.19)	(3.55)
Return after operating charges*	49.09	11.28	(13.67)
Distributions on income units	(13.89)	(12.88)	(15.20)
Closing net asset value per unit	268.02	232.82	234.42
* after direct transaction costs of:	-	-	0.01
Performance			
Return after charges	21.08%	4.81%	(5.19%)
Other information			
Closing net asset value (£000s)	21,032	17,092	12,596
Closing number of units	7,847,251	7,341,089	5,373,434
Operating charges	1.39%	1.39%	1.39%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest unit price (Euro cent)	338.78	343.16	344.22
Lowest unit price (Euro cent)	299.35	300.72	315.20

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	%
Co-Operative Bank 6.25% 08/07/2026	1.76
UBS 6.875% Perpetual	1.76
Diamond 1 & 2 Finance 8.1% 15/07/2036	1.74
CSC Holdings 6.625% 15/10/2025	1.73
Wachovia Capital Trust III 5.56975% Perpetual	1.73
Nationwide Building Society VAR Perpetual	1.72
Reynolds 7% 15/07/2024	1.56
Unitymedia 3.75% 15/01/2027	1.55
Ardagh Packaging Finance 4% 15/05/2024	1.50
SIG Combibloc 7.75% 15/02/2023	1.47

Major holdings

as at 2016	%
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 2017	%
Bonds	
United States	37.82
United Kingdom	33.24
Luxembourg	4.49
Switzerland	4.44
Germany	4.10
France	3.39
Ireland	3.03
New Zealand	1.56
Netherlands	1.02
Sweden	0.97
Italy	0.92
Spain	0.85
Canada	0.69
Belgium	0.59
Equities	0.14
Derivatives	(0.65)
Other net assets	3.40
Total net assets	100.00

Asset allocation	
as at 2016	%
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 year ended 1 March 2017.

Copies of the annual and half yearly long and short 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 year it covers and the results of those activities at the end of the year.

Issued by:

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201 Bishopsgate,
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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.

Trustee

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PricewaterhouseCoopers LLP
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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@henderson.com**

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

Online valuations

You can value your Henderson Fixed Interest Monthly Income Fund at any time by logging on to **www.henderson.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

Henderson Global Investors is the name under which Henderson Global Investors Limited (reg. no. 906355), Henderson Fund Management Limited (reg. no. 2607112), 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 at 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. Ref: 34V

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

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