

# INTERIM REPORT & ACCOUNTS

for the six months ended  
30 September 2017

Henderson UK Strategic Income Unit Trust



# Who are Janus Henderson Investors?

**Formed in 2017 from the merger between Janus Capital Group and Henderson Group, we are committed to adding value through active management. For us, active is more than our investment approach – it is the way we translate ideas into action, how we communicate our views and the partnerships we build in order to create the best outcomes for clients.**

We are proud to offer a highly diversified range of products, harnessing the intellectual capital of some of the industry's most innovative and formative thinkers. Our expertise encompasses the major asset classes, we have investment teams situated around the world and we serve intermediary, institutional and individual investors globally. As at 30 September 2017, we had approximately US\$360.5bn (£265.5bn) in assets under management, more than 2,000 employees and offices in 27 cities worldwide. Headquartered in London, we are an independent asset manager that is dual-listed on the New York Stock Exchange and the Australian Securities Exchange.

At Janus Henderson, we believe in the sharing of expert insight for better investment and business decisions. We call this ethos *Knowledge. Shared.* *Knowledge. Shared* is reflected both in how our investment teams interact and in our commitment to empowering clients in their decision-making. In our view, knowledge is powerful when it is shared.

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\* These collectively comprise the Authorised Fund Manager's report.

## Henderson UK Strategic Income Unit Trust Authorised Fund Manager's report

We are pleased to present the Interim Report and Accounts for Henderson UK Strategic Income Unit Trust (the "fund") for the six months ended 30 September 2017.

### Authorised status

The fund is an authorised unit trust scheme under Section 243 of the FSMA 2000 Act and is a non-UCITS Retail Scheme (NURS) operating under Chapter 5 of the Collective Investment Schemes sourcebook (COLL) issued by the Financial Conduct Authority (FCA).

The fund is an alternative investment scheme for the purpose of the Alternative Investment Funds Marketing Directive (AIFMD) Regulations.

Unitholders are not liable for the debts of the fund.

### Service providers

	Name	Address	Regulator
<b>Authorised Fund Manager and Alternative Investment Fund Manager (AIFM)</b>	<b>Henderson Investment Funds Limited</b> Member of The Investment Association The ultimate holding company is Janus Henderson Group plc	Registered Office: 201 Bishopsgate London EC2M 3AE Registered in England No 2678531 Telephone - 020 7818 1818 Dealing - 0845 608 8703 Enquiries - 0800 832 832	Authorised and regulated by the Financial Conduct Authority
<b>Directors of the Authorised Fund Manager and AIFM</b>	C Chaloner G Foggin G Kitchen H J de Sausmarez M Skinner (to 29.06.17) P Wagstaff		
<b>Investment Adviser</b>	<b>Henderson Global Investors Limited</b> The ultimate holding company is Janus Henderson Group plc	201 Bishopsgate London EC2M 3AE	Authorised and regulated by the Financial Conduct Authority
<b>Unitholder Administrator</b>	<b>DST Financial Services Europe Limited</b>	DST House St Nicholas Lane Basildon Essex SS15 5FS	Authorised and regulated by the Financial Conduct Authority
<b>Trustee and Depositary</b>	<b>National Westminster Bank plc</b> The ultimate holding company is the Royal Bank of Scotland Group plc	135 Bishopsgate London EC2M 3UR	Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority
<b>Independent Auditors</b>	<b>PricewaterhouseCoopers LLP</b>	141 Bothwell Street Glasgow G2 7EQ	Institute of Chartered Accountants in England and Wales
<b>Legal Adviser</b>	<b>Eversheds LLP</b>	One Wood Street London EC2V 7WS	The Law Society

## Authorised Fund Manager's report (continued)

### Investment Fund Manager

Henderson Multi-Asset Team

### 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.

### Performance summary

#### Cumulative performance

	Six months	One year	Five years	Since launch
	31 Mar 17 - 30 Sep 17	30 Sep 16 - 30 Sep 17	30 Sep 12 - 30 Sep 17	29 Apr 88 - 30 Sep 17
	%	%	%	%
<b>Henderson UK Strategic Income Unit Trust</b>	1.9	8.8	53.6	160.9
<b>FTSE All Share Total Return Index</b>	3.6	11.9	61.2	1,174.9

#### Discrete performance

	30 Sep 16 - 30 Sep 17	30 Sep 15 - 30 Sep 16	30 Sep 14 - 30 Sep 15	30 Sep 13 - 30 Sep 14	30 Sep 12 - 30 Sep 13
	%	%	%	%	%
<b>Henderson UK Strategic Income Unit Trust</b>	8.8	12.7	3.4	3.8	16.8
<b>FTSE All Share Total Return Index</b>	11.9	16.8	(2.3)	6.1	18.9

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.

### Significant portfolio changes for the six months ended 30 September 2017

<b>Largest purchases</b>	<b>£000</b>	<b>Largest sales</b>	<b>£000</b>
Henderson High Income Trust	350	Perpetual Income & Growth Investment Trust	176
		Murray Income Trust	174
		JPMorgan Mercantile Investment Trust	122
		Renewables Infrastructure	54
		Utilico Emerging Markets	48
		RWC Enhanced Income Fund	31
		Polar Capital Financials Income Fund	28
<b>Total purchases</b>	<b>350</b>	<b>Total sales</b>	<b>633</b>

All purchases and sales have been included.

### Investment review

Global equity markets rose during the period under review (the MSCI World Total Return Index increased by 9.4% in US Dollar terms). Markets were supported by a synchronised upswing in global growth. The US market has outperformed other markets in recent years, reflecting higher growth and an earlier and more advanced recovery since the financial crisis. It has been encouraging to see other regions reporting improved growth. This helped other markets to outperform the US more recently. The Euro Stoxx 50 Total Return Index rose 16.0% in US dollar terms during the six months ending 30 September 2017, while the S&P 500 Total Return Index returned 7.7%. Much of this outperformance by European equities was driven by a recovery in the euro relative to the US dollar.

While economic growth has recovered since the growth slowdown of early 2016, we still have not seen inflationary pressure, despite very low levels of unemployment in many areas. In this low inflation environment, central bankers do not feel under pressure to increase interest rates, and continued low interest rates have supported bond prices. During the period, the yield on US 10-year treasuries fell from 2.39% to 2.33% (prices move inversely to yields). Improving economic growth and little sign of a speedy removal of monetary policy provided strong support for credit markets during the period. The spread of investment grade credit in the US to sovereign debt fell from 1.2% to 1.0%.

In the UK, the FTSE 100 underperformed the FTSE 250 on a total return basis, with returns of 2.8% and 6.6% respectively in sterling terms. Unlike in many developed markets, inflation in the UK continued to be above the target set by central bankers. This was caused in large part by the impact of higher import costs due to the depreciation of sterling since the result of the UK referendum on membership of the European Union (known as 'Brexit'). Comments by the Bank of England regarding a potential interest rate increase, despite economic growth downgrades from independent bodies, led the yield on 10-year UK government debt to increase from 1.1% to 1.4% during the period.

### Fund performance and activity

Against this market backdrop, the Henderson UK Strategic Income Fund returned 1.9% on a net of fees basis, compared with a return of 3.6% for the FTSE All Share Total Return Index.

The fund's investment in UK-focused investment trusts performed well. The UK equity-focused holdings contributed 1.7% during the period, broadly performing in line with the FTSE All Share Index. The UK equity-focused holdings represented 57% of the portfolio (on average) during the period. The best-performing position was Temple Bar Investment Trust, which returned 8.3% during the period and contributed 0.6% to performance.

The fund has holdings in infrastructure-focused investment trusts. During the period, these investments saw their premiums to net asset value (NAV) erode as they undertook capital raisings at discounts to the traded price. HICL Infrastructure and John Laing Infrastructure Fund detracted 0.25% from performance during the period. We continue to see value in these positions and believe that their premiums to NAV will recover in the coming months.

The largest individual detractor from performance was NB Private Equity Partners, which suffered due to its high allocation to US dollar-denominated assets. The position fell 4.2% during the period.

During the period, we reduced the fund's position in Renewables Infrastructure to take profits while the investment was trading at a high premium to NAV.

At the end of June, we reduced the holdings in both Perpetual Income & Growth Investment Trust and Murray Income Trust in favour of the higher yielding Henderson High Income Trust.

## Comparative tables for the six months ended 30 September 2017

		Income units		
	30/09/17	31/03/17	31/03/16	31/03/15
	(pence per unit)	(pence per unit)	(pence per unit)	(pence per unit)
<b>Change in net assets per unit</b>				
Opening net asset value per unit	11.90	10.42	10.88	10.44
Return before operating charges*	0.32	2.06	0.05	0.95
Operating charges	(0.11)	(0.19)	(0.18)	(0.18)
Return after operating charges*	0.21	1.87	(0.13)	0.77
Distributions on income units	(0.27)	(0.39)	(0.33)	(0.33)
Closing net asset value per unit	11.84	11.90	10.42	10.88
* after direct transaction costs of:	-	0.01	-	0.01
<b>Performance</b>				
Return after charges	1.76%	17.95%	(1.19%)	7.38%
<b>Other information</b>				
Closing net asset value (€000s)	11,004	11,630	11,376	13,980
Closing number of units	92,948,032	97,765,113	109,164,108	128,443,677
Operating charges (annualised)	1.74%	1.74%	1.71%	1.71%
Direct transaction costs	0.00%	0.09%	0.01%	0.12%
<b>Prices</b>				
Highest unit price (pence)	13.23	12.72	12.02	11.73
Lowest unit price (pence)	11.82	10.10	9.65	9.68

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.

### Unit class launches and closures

There were no unit classes launched or closed in the period.



## Ongoing charge figure

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. Ongoing charges are all expenses deducted from the assets of the fund during the period, except for expenses that are explicitly excluded by regulation.

	30/09/17	31/03/17
	%	%
<b>Income units</b>	1.74	1.74

The OCF includes a synthetic element of 0.07% (31/03/17: 0.06%) to incorporate the OCF of underlying funds.

The OCF is calculated 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.

## Risk and reward profile

The fund currently has 1 type of unit class in issue: Income units.

The risk and reward profile 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 unit class appears at 5 out of 7. Unit classes in higher categories have shown greater and/or more frequent variations in unit 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 change to the risk rating in the period.

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

## Portfolio statement as at 30 September 2017

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Alternatives 13.70% (31/03/2017: 13.73%)</b>			
1,500,000	Develica Deutschland~	-	-
334,525	Foresight Solar Fund	368	3.34
292,386	HICL Infrastructure	457	4.16
274,382	John Laing Infrastructure	355	3.23
2,500,000	Premier Equity Income & Bond~	-	-
300,710	Renewables Infrastructure	327	2.97
2,000,000	Speymill Deutsche Immobilien~	-	-
		<u>1,507</u>	<u>13.70</u>
<b>Global Equity 14.36% (31/03/2017: 15.39%)</b>			
100,702	Murray Income Trust	778	7.07
152,516	Polar Capital Financials Income Fund	336	3.05
214,579	Utilico Emerging Markets	467	4.24
		<u>1,581</u>	<u>14.36</u>
<b>North America Equity 0.00% (31/03/2017: 0.00%)</b>			
250,000	Promethean~	-	-
<b>Private Equity 6.01% (31/03/2017: 6.04%)</b>			
29,128	Henderson Private Equity Investment Trust~	-	-
66,593	NB Private Equity Partners 'A'	661	6.01
		<u>661</u>	<u>6.01</u>
<b>Specialist Equity 6.96% (31/03/2017: 6.24%)</b>			
59,894	Murray International Trust	765	6.96
<b>UK Equity 59.81% (31/03/2017: 56.00%)</b>			
186,403	Dunedin Income Growth Investment Trust	477	4.33
97,752	Edinburgh Investment Trust	680	6.18
520,778	Henderson High Income Trust	979	8.89
14,514	JPMorgan Mercantile Investment Trust	292	2.66
228,196	London (City of) Investment Trust	973	8.84
210,821	Perpetual Income & Growth Investment Trust	803	7.30
8,017	RWC Enhanced Income Fund	671	6.10
66,515	Temple Bar Investment Trust	875	7.95
1,074,033	Troy Income & Growth Trust	832	7.56
		<u>6,582</u>	<u>59.81</u>
<b>Investment assets</b>		<b>11,096</b>	<b>100.84</b>
Other net liabilities		(92)	(0.84)
<b>Total net assets</b>		<b>11,004</b>	<b>100.00</b>

All investments are listed on recognised stock exchanges and are "approved securities" within the meaning of the FCA rules unless otherwise stated.

~ Suspended or delisted securities

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

## Portfolio statement (continued)

### Composition of portfolio

	<b>Market value £000</b>	<b>Percentage of net assets %</b>
<b>30/09/17</b>		
<b>Investments</b>		
Total equities	10,089	91.69
Total collective investment schemes	1,007	9.15
<b>Investment assets</b>	<b>11,096</b>	<b>100.84</b>
Other net liabilities	(92)	(0.84)
<b>Total net assets</b>	<b>11,004</b>	<b>100.00</b>

	<b>Market value £000</b>	<b>Percentage net assets %</b>
<b>31/03/17</b>		
<b>Investments</b>		
Total equities	10,257	88.20
Total collective investment schemes	1,070	9.20
<b>Investment assets</b>	<b>11,327</b>	<b>97.40</b>
Other net assets	303	2.60
<b>Total net assets</b>	<b>11,630</b>	<b>100.00</b>

The collective investment schemes held are approved regulated collective investment schemes within the meaning of the FCA rules. Exchange traded funds are listed on recognised stock exchanges.

## Statement of total return (unaudited) for the six months ended 30 September 2017

	30/09/17		30/09/16	
	£000	£000	£000	£000
Income				
Net capital gains		39		1,054
Revenue	260		220	
Expenses	<u>(96)</u>		<u>(96)</u>	
Net revenue before taxation	164		124	
Taxation	<u>-</u>		<u>(1)</u>	
Net revenue after taxation		<u>164</u>		<u>123</u>
<b>Total return before distributions</b>		203		1,177
Distributions		(251)		(210)
<b>Change in net assets attributable to unitholders from investment activities</b>		<u>(48)</u>		<u>967</u>

## Statement of change in net assets attributable to unitholders

(unaudited) for the six months ended 30 September 2017

	30/09/17		Restated 30/09/16	
	£000	£000	£000	£000
<b>Opening net assets attributable to unitholders*</b>		<b>11,630</b>		<b>11,376</b>
Amounts receivable on issue of units <sup>^</sup>	92		218	
Amounts payable on cancellation of units <sup>^</sup>	<u>(675)</u>		<u>(774)</u>	
		(583)		(556)
Dilution adjustment <sup>^</sup>		3		4
Change in net assets attributable to unitholders from investment activities		(48)		967
Unclaimed distributions		2		2
<b>Closing net assets attributable to unitholders</b>		<u><b>11,004</b></u>		<u><b>11,793</b></u>

\* The opening net assets attributable to unitholders for the current period do not equal the closing net assets attributable for the comparative period as they are not consecutive periods.

<sup>^</sup> Prior period restated, see page 11 for details

## Balance sheet (unaudited) as at 30 September 2017

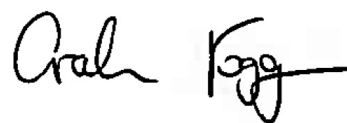
	30/09/17 £000	31/03/17 £000
<b>Assets:</b>		
Investments	11,096	11,327
Current assets:		
Debtors	54	20
Cash and bank balances	89	413
<b>Total assets</b>	<b>11,239</b>	<b>11,760</b>
<b>Liabilities:</b>		
Creditors:		
Bank overdrafts	82	-
Distribution payable	127	93
Other creditors	26	37
<b>Total liabilities</b>	<b>235</b>	<b>130</b>
<b>Net assets attributable to unitholders</b>	<b>11,004</b>	<b>11,630</b>

## Directors' statement

In accordance with the requirements of the Financial Conduct Authority's Collective Investment Schemes Sourcebook, we hereby certify the investment report and financial statements on behalf of the Directors of Henderson Investment Funds Limited.



C Chaloner  
(Director)



G Foggin  
(Director)

22 November 2017

## **Notes to the financial statements** (unaudited) for the six months ended 30 September 2017

### **Accounting policies**

The accounting policies, distribution policy and potential risks are consistent with those of the financial statements for the year ended 31 March 2017 and are described in those annual accounts with the exception of the policy below.

A prior period adjustment has been made to the Statement of change in net asset attributable to unit holders on page 9 to show Dilution adjustments of £4,433 charged on the issue and cancellation of units separately. Of the £4,433 adjustment, £1,752 was previously included in Amounts receivable on issue of units and £2,681 was previously included in Amounts payable on cancellation of units in the Statement of change in net assets attributable to unitholders.

### **Distribution policy**

With effect from 1 April 2017, marginal tax relief is no longer taken into account when determining the amount available for distribution.

## Distribution tables for the six months ended 30 September 2017 (in pence per unit)

### Interim dividend distribution (accounting date 30 June 2017 , paid on 31 August 2017)

Group 1 : units purchased prior to 1 April 2017

Group 2 : units purchased on or after 1 April 2017

	Distribution per unit	Equalisation	Total distribution per unit 31/08/17	Total distribution per unit paid 28/08/16
<b>Income units</b>				
Group 1	0.1287	-	0.1287	0.1087
Group 2	0.0618	0.0669	0.1287	0.1087

### Interim dividend distribution (accounting date 30 September 2017, paid on 30 November 2017)

Group 1 : units purchased prior to 1 July 2017

Group 2 : units purchased on or after 1 July 2017

	Distribution per unit	Equalisation	Total distribution per unit 30/11/17	Total distribution per unit 30/11/16
<b>Income units</b>				
Group 1	0.1363	-	0.1363	0.0877
Group 2	0.0821	0.0542	0.1363	0.0877



## 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](mailto:support@janushenderson.com)**

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





## 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.