

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.  
IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN PLEASE CONSULT  
YOUR FINANCIAL ADVISER IMMEDIATELY**

---

**PROPOSALS RELATING TO THE  
HENDERSON STERLING BOND UNIT TRUST**

---

This document contains a notice of meeting of unitholders which is being convened in respect of the Henderson Sterling Bond Unit Trust. The meeting is to be held at the office of Henderson Investment Funds Limited, 201 Bishopsgate, London EC2M 3AE at 12 noon on 24 May 2010. You are requested to either complete and return the enclosed Form of Proxy (and the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof)) in the reply-paid envelope provided or to complete and submit the Form of Proxy online by following the instructions and using the unique username and password provided in the covering letter to be received no later than 72 hours before the time appointed for the meeting, and hence by 12 noon on 21 May 2010.

## TIMETABLE FOR THE PROPOSALS

	Date	Time
Qualification date for unitholder voting	29 April 2010	
Despatch of proposal and Forms of Proxy to unitholders	6 May 2010	
Last time for receipt of Forms of Proxy	21 May 2010	12 noon
Meeting of unitholders	24 May 2010	12 noon.
Cut off point for free transfer into another Henderson fund	18 June 2010	12 noon
Effective date of change of investment policy (including widening the investment powers to allow derivatives to be used for investment)	21 June 2010	9.00 a.m.



6 May 2010

Dear Investor

**PROPOSALS RELATING TO THE HENDERSON STERLING BOND UNIT TRUST (“the Fund”)**

I am writing to you as a unitholder in the Fund to inform you of a number of proposals in respect of the Fund.

As you are aware the Fund is an authorised unit trust and the manager of the Fund changed to Henderson Investment Funds Limited (“Henderson”) on 6 April 2010. The changes we propose to make to the Henderson Sterling Bond Unit Trust are as follows and require unitholder approval:

- to change the Fund’s investment policy giving it the power to utilise derivatives for investment purposes as well as efficient portfolio management (which will include expansion of the investment and borrowing powers of the Fund to permit investment in derivatives).

This circular serves as the formal notification to unitholders of the above proposal. The purpose of this document is to give you details of the changes and to describe the benefits and implications for unitholders. It also explains the mechanics of the proposal and any action you should take.

## **Details of the proposed changes**

### **Changes to the investment policy of the Fund**

#### ***Current investment policy of the Fund***

The current investment policy of the Fund as described in the Fund's Prospectus reads as follows: -

**Policy:** The Fund will invest principally in sterling denominated fixed interest securities including preference shares. The Fund may also invest in securities acquired on the conversion of convertible securities held within the portfolio, warrants originally acquired with fixed interest investments, or under a scheme of reconstruction affecting securities in the fund, money-market instruments, deposits and any other permitted asset type deemed appropriate to meet the investment objective. The fund concentrates on investment grade corporate bonds.

#### ***Proposed investment policy of the Fund***

To achieve the proposal we would like to replace the current policy with the following. The investment objective would remain as currently to achieve a high and stable income.

**Policy:** The Fund will invest principally in sterling denominated fixed interest securities including preference shares. The Fund may also invest in securities acquired on the conversion of convertible securities held within the portfolio, derivatives and forward transactions, warrants originally acquired with fixed interest investments, or under a scheme of reconstruction affecting securities in the fund, money-market instruments and deposits. The fund concentrates on investment grade corporate bonds.  
**Derivatives may be used for meeting the investment objective of the Fund and for efficient portfolio management.**

#### **Rationale and benefit to unitholders of the proposed change**

Derivatives are an investment instrument derived from a security, currency, commodity, index or economic indicator, the price of which will move in relationship to the underlying security or index; examples include futures contracts or swaps. Currently the Fund is only permitted to use derivatives for the purposes of efficient portfolio management or "EPM". EPM is an investment technique which allows derivatives and forward transactions to be used for the reduction of risk, reduction of cost, or the generation of additional capital or income with no or an acceptably low level of risk. The fund managers believe that this limits the investment opportunities available to the Fund, denying the Fund from being able to take advantage of potentially profitable investment opportunities, as well as restricting certain means of dampening volatility.

Subject to unitholder approval and in addition to the ability to use derivatives for EPM purposes, Henderson proposes that the Fund will widen its investment and borrowing powers to be able to use derivatives to a greater extent in trying to achieve its investment objective. The inclusion of wider investment powers under the UCITS III sophisticated portfolio rules means that the ACD is able to further enhance income and protect capital with the use of derivatives such as buying or selling protection on credit default swaps, interest rate futures.

In being able to use derivatives for investment purposes the Fund would be brought more in line with the investment opportunities afforded to other funds managed by the Fixed Income Team. Whilst the change to the Fund's investment policy would confer wider investment powers, the mainstay of investment activity in the Fund would remain in ordinary fixed income and equity securities. The use of derivatives for investment purposes is not likely to materially increase the risk profile or volatility of the Fund.

We have put in place a risk management process, as reviewed by the depositary of the Fund, enabling us to monitor and measure as frequently as appropriate the risk of the Fund's derivative and forward positions and their contribution to the overall risk profile of the Fund. This includes the methods for estimating the risks and the types of derivatives and forwards to be used within the Fund together with their underlying risks and any relevant quantitative limits. This risk management process is kept under review, is regularly updated and is available on request to unitholders.

**If this change is approved, the Prospectus of the Fund will be amended to include new Fund specific risk warnings relating to the use of derivatives. These can be found at Appendix 2.**

### **Procedure**

Implementation of the proposal to change the investment policy of Fund and the expansion of the investment and borrowing powers of the Fund to allow the use of derivatives and forward transactions for investment purposes is conditional upon the passing of an extraordinary resolution of unitholders at a meeting of unitholders. We would encourage unitholders to vote in favour of the proposal.

Details of the resolution and the notice of meeting of unitholders to consider the proposal are set out in Appendix 3.

The procedure for the meeting to approve the changes detailed above, including details of the various consents and a list of the documents relating to the proposal which are available for inspection, is set out in Appendix 1. We will pay the costs of convening and holding the meeting and of any adjourned meeting.

If the proposal is approved the changes will be effective from 9.00 a.m. on 21 June 2010 and you will receive confirmation that the changes have been made within 14 days of this date.

Revisions to the Prospectus of the Fund to reflect the changes outlined in this circular will be effective from 9.00 a.m. on 21 June 2010.

As detailed above if the proposal is approved the Fund will be able to invest in derivatives. Where unitholders wish to remain invested in a fund which is not able to use derivatives in this way we are offering unitholders the option of transferring their investment into another Henderson fund. No initial fee will be charged on such a transfer prior to 12.00 noon on 18 June 2010. The transfer of your investment to another fund will constitute a redemption of your holding in the Fund and a purchase of shares/units in the relevant fund. The redemption and purchase may not take place at the same fund valuation point and as such, depending on market movements, you might not receive the same number of shares/units that you may have expected to receive in the relevant fund at the time of the redemption of your holding in the Fund.

Please contact Henderson on 0800 832 832 for further details on Henderson funds or visit our website at [www.henderson.com](http://www.henderson.com). Whichever option you choose you need to give us your instructions prior to 12.00 noon on 18 June 2010. Please note that if your anti-money laundering documents are still outstanding your transfer may be delayed. The option to transfer into another fund does not constitute investment advice and you should consult a professional financial adviser for advice if you are uncertain about whether to transfer your investment to another fund.

Please note that if you do transfer your investment to another fund this will constitute a disposal of units for capital gains tax purposes and may give rise to a tax liability. This of course depends on your individual circumstances and if you are unsure of how this may affect you please contact your financial adviser or your tax adviser.

### **Action to be taken**

We urge you to vote in favour of the proposal to change the investment policy of the Fund including expansion of the investment and borrowing powers of the Fund to allow the use of derivatives and forward transactions for investment purposes. To be passed, an extraordinary resolution requires a majority in favour of not less than 75% of the votes validly cast for and against the resolution so it is important that you exercise your right to vote.

Whether you are investing directly in the Fund or are investing via a Henderson ISA please either complete and return the enclosed Form of Proxy in the reply-paid envelope provided to Henderson Investment Funds Limited, c/o Corporate Mailing Solutions Limited, Unit 4b, Chelmsford Road Industrial Estate, Great Dunmow, Essex CM6 1HD or

complete and submit the Form of Proxy online by following the instructions and using the unique username and password in the covering letter. Your Form of Proxy must be received no later than 72 hours before the time appointed for the meeting, being no later than 12 noon on 21 May 2010.

Completion and return of the Form of Proxy will not preclude you from attending and voting at the meeting (and any adjourned meeting) in person if you so wish.

If you are uncertain as to how to respond to this document, you should consult a professional financial adviser for advice.

If you have any queries about the proposal or require any further information, please contact us on 0800 832 832 between 9.00 a.m. and 5.00 p.m. (Monday to Friday).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'David Jacob', with a long horizontal flourish extending to the right.

David Jacob

For and on behalf of Henderson Investment Funds Limited  
(Unit Trust Manager of the Fund)

## **APPENDIX 1**

### **PROCEDURE FOR THE UNITHOLDER MEETING**

The Notice convening the meeting of unitholders in the Fund setting out the resolution to approve the proposal to change the investment policy of the Fund and to expand the investment and borrowing powers of the Fund to use derivatives and forward transactions for investment purposes is set out in Appendix 3.

#### **Quorum**

The quorum for the meeting is two unitholders present in person or by proxy. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting will be adjourned to a day and time at least seven days later. Notice will be given of any adjourned meeting. At an adjourned meeting if a quorum is not present within fifteen minutes from the time appointed for the meeting one person entitled to be counted in a quorum present at the meeting shall be a quorum.

#### **Chairman**

The Royal Bank of Scotland plc, the trustee of the Fund, has appointed James Bowers or, failing him any duly appointed representative of Henderson Group plc, to be the chairman of the meeting and any adjourned meeting.

#### **Voting**

The resolution will be proposed as an "extraordinary resolution" and must be carried by a majority in favour of not less than 75% of the votes validly cast for or against the resolution at the meeting. Persons who are unitholders on the date seven days before the Notice is sent out, but excluding persons who are known to Henderson not to be unitholders at the time of the meeting, are entitled to vote. If passed, an extraordinary resolution is binding on all unitholders in the Fund, whether or not they voted in favour or in fact voted at all.

In view of the importance of the proposal the chairman of the meeting will call for a poll to be taken in respect of the resolution. On a poll, each unitholder present in person or by proxy has one vote for every complete unit (including fractions of units) of which he is the holder. A unitholder is entitled to more than one vote on a poll and need not, if he votes, use all his votes or cast all the votes he uses in the same way.

Henderson is only entitled to be counted in the quorum and vote at the meeting in respect of units it holds on behalf of or jointly with another person who, if himself the registered unitholder, would be entitled to vote and from whom Henderson has received voting instructions.

Associates of Henderson are entitled to be counted in a quorum. They may not vote at the meeting save in respect of units which they hold on behalf of or jointly with another

person who, if himself the registered unitholder, would be entitled to vote and from whom they have received voting instructions.

## **CONSENTS AND CLEARANCES**

### **The Trustee**

In accordance with normal practice, The Royal Bank of Scotland plc, the trustee of the Fund, whilst neither recommending nor offering an opinion on the merits of the proposal, which is a matter for each unitholder's judgement, has informed Henderson by letter that it has no objection to the proposal being placed before unitholders for their consideration. The trustee has approved the form of the Form of Proxy and the place for the meeting and the lodging of Forms of Proxy.

The Royal Bank of Scotland plc has also informed Henderson by letter that it consents to the references made to it in this document in the form and context in which they appear.

### **Financial Services Authority**

The Financial Services Authority has confirmed by letter to Eversheds LLP, solicitors to Henderson that implementation of the proposal will not affect the authorisation of the Fund under the Financial Services and Markets Act 2000.

## **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the offices of Henderson Investment Funds Limited, 201 Bishopsgate, London EC2M 3AE during normal business hours on weekdays (excluding bank holidays) until the date of the meeting or of any adjourned meeting:

1. The letter from The Royal Bank of Scotland plc to Henderson referred to under "Consents and Clearances" above;
2. The letter from the Financial Services Authority to Eversheds LLP, solicitors to Henderson, referred to under "Consents and Clearances" above;
3. A copy of the short report for the Fund;
4. The current and a draft of the amended Prospectus of the Fund; and
5. The draft Supplemental Trust Deed of the Fund and the Trust Deed of the Fund.

## **APPENDIX 2**

### **FUND SPECIFIC RISK WARNINGS RELATED TO DERIVATIVES AS SET OUT IN THE PROSPECTUS**

#### **Derivatives:**

In respect of the Fund, derivatives and forward transactions may be used for the purposes of investment. Where the Manager invests in derivatives and forward transactions in the pursuit of the Fund's objective, the net asset value of the Fund may at times be volatile (in the absence of compensating investment techniques).

While the prudent use of derivatives can be beneficial, derivatives also involve risks different from, and, in certain cases, greater than, the risks presented by more traditional investments. The Fund may engage various strategies in view of reducing certain of its risks and for attempting to enhance return. These strategies may include the use of derivatives instruments such as options, warrants, swaps and/or futures. Such strategies may be unsuccessful and incur losses for the Fund, due to market conditions. The following is a general discussion of important risk factors and issues concerning the use of derivatives that investors should understand before investing.

#### **Market Risk**

This is a general risk that applies to all investments meaning that the value of a particular derivative may change in a way which may be detrimental to the Fund's interests.

#### **Control and Monitoring**

Derivative products are highly specialised instruments that require investment techniques and risk analysis which are different from those associated with equity and fixed income securities. The use of derivative techniques requires an understanding not only of the underlying assets of the derivative but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions. In particular, the use and complexity of derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the Fund and the ability to forecast the relative price, interest rate or currency rate movements correctly.

#### **Liquidity Risk**

Liquidity risk exists when a particular instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid, it may not be possible to initiate a transaction or liquidate a position at an advantageous price (however, the Fund will only enter into over the counter derivatives "OTC derivatives" if it is allowed to liquidate such transactions, at any time, at fair value).

## **Counterparty Risk**

The Fund may enter into transactions in OTC markets, which will expose the Fund to the credit of its counterparties and their ability to satisfy the terms of such contracts. In the event of a bankruptcy or insolvency of a counterparty, the Fund could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the period in which the Fund seeks to enforce its rights, inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights. There is also a possibility that the above agreements and derivative techniques are terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those at the time the agreement was originated.

## **Other Risks**

Other risks in using derivatives include the risk of differing valuations of derivatives arising out of different permitted valuation methods and the inability of derivatives to correlate perfectly with underlying securities, rates and indices. Many derivatives, in particular OTC derivatives, are complex and often valued subjectively. Inaccurate valuations can result in increased cash payment requirements to counterparties or a loss of value to the Fund. However, this risk is limited as the valuation method used to value OTC derivatives must be verifiable by an independent auditor.

Derivatives do not always closely track the value of the underlying securities, rates or indices they are designed to track.

### APPENDIX 3

#### Henderson Sterling Bond Unit Trust

#### Notice of Extraordinary General Meeting

Notice is hereby given that an Extraordinary General Meeting of the unitholders of the Henderson Sterling Bond Unit Trust (the "Fund") will be held at 201 Bishopsgate, London EC2M 3AE at 12 noon on 24 May 2010 for the purpose of transacting the following business:

To consider and, if thought fit, to pass the following resolution which will be proposed as an Extraordinary Resolution:

- (a) The widening of the Fund's investment and borrowing powers to permit the use of derivatives and forward transactions for the purposes of meeting the investment objective of the Fund;
- (b) To delete the present statement of investment policy of the Fund in the Prospectus of the Fund and replace it with the following statement:

**"Policy:** The Fund will invest principally in sterling denominated fixed interest securities including preference shares. The Fund may also invest in securities acquired on the conversion of convertible securities held within the portfolio, derivatives and forward transactions, warrants originally acquired with fixed interest investments, or under a scheme of reconstruction affecting securities in the fund, money-market instruments and deposits. The fund concentrates on investment grade corporate bonds. **Derivatives may be used for meeting the investment objective of the Fund and for efficient portfolio management."**

and the Prospectus of the Fund be updated accordingly.

By Order of the Board



David Jacob  
For and on behalf of Henderson Investment Funds Limited  
(Unit Trust Manager of the Fund)

201 Bishopsgate, London EC2M 3AE

6 May 2010

**Notes:**

1. A unitholder entitled to attend and vote may appoint a proxy, who need not be another unitholder of the Fund, to attend and vote on their behalf. Forms of Proxy and the power of attorney or another authority (if any) under which they are signed (or a notarially certified copy thereof) must be deposited with Henderson Investment Funds Limited, c/o Corporate Mailing Solutions Limited, Unit 4b, Chelmsford Road Industrial Estate, Great Dunmow, Essex CM6 1HD not later than 72 hours before the time of the meeting. Please use the reply-paid envelope provided.
2. To be passed, an extraordinary resolution must be carried by a majority of 75% in favour of the votes validly cast for and against the resolution at the meeting.
3. On a poll, votes may be given personally or by proxy, and the voting rights attached to each unit shall be such proportion of the voting rights attached to all of the units in issue as the price of the unit bears to the aggregate price(s) of all the units in issue on the date seven days before the notice of meeting is sent out.
4. The quorum for the meeting is two unitholders present in person or by proxy. If a quorum is not present within half an hour after the time appointed for the meeting, the meeting will be adjourned to a date and time at least seven days later. Notice will be given of the adjourned meeting and if at such adjourned meeting a quorum is not present within 15 minutes from the time appointed for the meeting, one person entitled to be counted in a quorum at the meeting shall be a quorum.

In notes 1 to 4 above the expression "unitholder" means persons who were unitholders in the Fund on the date seven days before the Notice concerning the meeting is sent out but excluding persons who are known to Henderson not to be unitholders in the Fund at the time of the meeting and the expression "unitholder" should be construed accordingly.





