



Henderson

# Multi-Manager Distribution

Fund



# Who are **Henderson Global Investors?**

**Established in 1934 to administer the estates of Alexander Henderson, the first Lord Faringdon, Henderson Global Investors (Henderson) is a leading independent global asset management firm. The company provides its institutional, retail and high net-worth clients with access to skilled investment professionals representing a broad range of asset classes, including equities, fixed income, property and private equity. With its principal place of business in London, Henderson is one of Europe's largest investment managers, with £65.4 billion<sup>†</sup> assets under management (as at 30 September 2011) and employs around 1,100 people worldwide.**

In Europe, Henderson has offices in Amsterdam, Frankfurt, Luxembourg, Madrid, Milan, Paris, Vienna, Zurich and London. Henderson has had a presence in North America since 1999, when it acquired US real estate investment manager Phoenix Realty Advisers, and has offices in Chicago and Hartford. In Asia, Henderson has offices in New Delhi, Singapore (Asia headquarters), Hong Kong, Tokyo and Sydney. In April 2009 New Star Asset Management Group PLC was acquired by Henderson Group plc. In April 2011 Gartmore Group Limited was also acquired by Henderson Group plc.

With investment expertise across every asset class, Henderson's skillful investment managers invest in every major market around the globe. They are supported by a global team of researchers and economists who have a keen understanding of the economic forces driving the security markets and who undertake rigorous sector and theme analysis. Underpinning this process is a comprehensive risk-control framework to ensure that investment views are translated into portfolios managed in line with investors risk and return requirements.

## **What do we do?**

At Henderson Global Investors we do one thing and we do it really well - investment management. As a company, we are totally focused on this core activity and it underpins everything we do.

We do this by providing a range of investment products and services including:

- Open ended funds - offshore funds, unit trusts, OEICs
- Investment trusts
- Individual Savings Accounts
- Pension fund management
- Management of portfolios for UK and international institutional clients

<sup>†</sup>Source: Henderson Global Investors

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## Manager's report

We are pleased to present the report and financial statements for Henderson Multi-Manager Distribution Fund for the year ended 23 November 2011.

### Authorised Status

This Fund is an authorised unit trust scheme under Section 243 of the Financial Services and Markets Act 2000. It is a Non UCITS Retail Scheme governed by Chapter 5 (Investment and Borrowing Powers) of the Collective Investment Schemes Sourcebook.

### Advisers

	Name	Address	Regulator
<b>Manager and Dealing</b>	<b>Henderson Investment Funds Limited which is the sole Director</b> Member of IMA The ultimate controlling party is Henderson Group Plc.	Registered Office: 201 Bishopsgate, London EC2M 3AE. Registered in England No 2678531. Telephone - 020 7818 1818 Dealing - 08459 46 46 46 Enquiries - 0800 832 832	Authorised and regulated by the Financial Services Authority.
<b>Investment Adviser</b>	<b>Henderson Global Investors Limited</b> The ultimate controlling party is Henderson Group Plc.	201 Bishopsgate, London EC2M 3AE	Authorised and regulated by the Financial Services Authority.
<b>Registrar</b>	<b>International Financial Data Services (UK) Limited</b>	IFDS House St Nicholas Lane Basildon Essex SS15 5FS	Authorised and regulated by the Financial Services Authority.
<b>Trustee</b>	<b>Royal Bank of Scotland</b>  From 1 October 2011 <b>National Westminster Bank plc</b>	The Broadstone, 50 South Gyle Crescent, Edinburgh EH12 9UZ  135 Bishopsgate London EC2M 3UR	Authorised and regulated by the Financial Services 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

## **Market review** for the year ended 23 November 2011

Returns are sterling total returns unless otherwise stated

### **Overview**

Global equities encountered significant headwinds over the period under review. These included continuing concerns over sovereign debt in the eurozone peripheral countries, and building inflationary pressures across the globe, which precipitated monetary tightening in a number of countries. Surging oil prices, ignited by the political turbulence that swept across the Middle East and North Africa, as well as the Japanese earthquake and tsunami provided further market shocks. Nevertheless, the decision by the US Federal Reserve in November to provide further stimulus through a second round of quantitative easing (QE2) provided liquidity to the markets. The positive momentum was further driven by a series of largely buoyant corporate earnings results. Most equity markets followed the template of hitting a high in April but struggled to make further headway from then on as fresh fears surrounding Greece and the strength of the global economy resurfaced. Among commodities, the oil price soared, with Brent Crude oil reaching US\$120 a barrel in April, June and July as demand from the recovering global economy ran up against supply constraints.

Markets fell sharply in August when it became clear that the Greek and Euro crises and the US debt ceiling debate began to spill over and have an effect on the real economy and real demand. Contagion reached Italy and Spain and government debt yields surged. EU leaders passed a multi-faceted bailout (including secondary purchases and bank recapitalisations) and easier loan terms for Ireland, Portugal and Greece. On 5 August, S&P downgraded the US long-term credit rating from AAA to AA+ with a 'negative outlook'. This added to the panic of a slowdown in the US economy. Investors pinning their hopes on a recovery in equity markets in September were to be sorely disappointed. The US Federal Reserve's decision to undertake 'Operation Twist', which should help to lower financing costs further along the yield curve, failed to inspire investors.

In general, global equity markets rallied during October with investors switching from 'risk-off' to 'risk-on' positions as sentiment improved and volatility fell back. Europe was the key driver of the recovery as the markets became increasingly confident that politicians could find a solution to the eurozone debt crisis. US economic statistics also helped, appearing to show the country moving away from recession territory as the pace of growth accelerated faster than expected in the third quarter of 2011. The rollercoaster ride that is the eurozone crisis continued on its way in November 2011. The Greek Prime Minister proposed a surprise referendum on Greece's newly-agreed rescue package and bond markets took fright causing yields on Italian and Spanish debt to spike. The European Central Bank's (ECB) decision to cut interest rates and the resignation of Italian prime minister Silvio Berlusconi only provided temporary relief.

The MSCI World Index fell 4.2% over the period.

### **Europe**

In November 2010, Ireland was forced to accept a bailout from the European Union and the International Monetary Fund. Stocks rallied in December and a successful debut debt issuance by the European Financial Stability Facility also cheered investors in January. Rising inflation ignited concerns that the ECB would tighten monetary policy, particularly as the rhetoric from ECB President Jean-Claude Trichet had turned increasingly hawkish. Stocks slid in March following the Japanese earthquake but rebounded in April on strong corporate earnings; even Portugal becoming the third eurozone country to require a bailout and the ECB pressing ahead with an interest rate rise failed to dampen risk appetite. Renewed concerns about Greece's debt returned to haunt markets, although shares rallied sharply at the end of June after the Greek parliament passed austerity measures that released fresh bailout funds to stave off a default.

Equities fell sharply in August 2011 because of a combination of a deteriorating economic outlook and the deepening European sovereign debt crisis as investors looked for safety in gold and selected government bonds. Fresh fears about the capacity for eurozone countries to fund their deficits saw yields on peripheral bonds rise. The ECB was forced to resume its securities purchasing, extending this to Spanish and Italian debt as confidence collapsed. There were also signs of a slowdown in German economic growth. In September, the ECB extended liquidity to European banks to ease funding pressures and kept interest rates at 1.5%. October saw a sharp equity rally on hopes of more decisive political action to address the eurozone sovereign debt crisis, with a more realistic approach to Greece and moves to recapitalise banks and stabilise Spain and Italy. After October's sharp rally, European equities gave back part of these gains in November as the principal focus was on rising borrowing costs for Italy and Spain. These fears were compounded by the inability of banks to raise unsecured debt, leading to concerns about an economically damaging squeeze on bank lending.

The FTSE World Europe excluding UK Index shed 15.8% over the period.

### UK

UK equities advanced over the final months of 2010 despite succumbing to temporary selling in mid-November as Ireland's debt troubles reignited sovereign debt fears. Stocks slid in January on news that the UK economy had contracted 0.5% in the final quarter of 2010. Poor economic data, particularly weaker manufacturing figures and declining consumer confidence, affected share prices in May and June. Second quarter UK economic growth was a disappointing 0.1% quarter-on-quarter.

In August, the UK reeled from several days of unrest but calm was restored to the streets. An escalation in the eurozone sovereign debt crisis and deterioration in global economic data caused investors to turn more risk averse. In stark contrast to the European Central Bank (ECB), the Bank of England appeared to be setting the stage for a resumption of quantitative easing as its September minutes revealed a very dovish tone. Lower manufacturing and services Purchasing Managers Indices (PMIs) readings were among datasets that suggested the UK economy was stalling. In response to the euro crisis and a deteriorating outlook for growth, the Bank of England announced a second round of quantitative easing. October saw a significant recovery in equities in the run-up to and after the European Union (EU) summit on 27 October, which revealed plans for how the EU intended to deal with the three key issues of Greek debt write-downs, European Financial Stability Facility (EFSF) leverage and European bank recapitalisations. November saw improving investor sentiment driven by better US economic data and a concerted effort by global central banks to improve bank liquidity.

The FTSE All-Share Index lost 5.1% over the period.

### US

At the start of the period, US equities continued to strengthen as economic data improved and the Federal Reserve (Fed) sparked speculation of a second round of quantitative easing. This was confirmed in November when the Fed announced it would purchase \$US600 billion in US Treasuries. The upward momentum continued into the year end, buoyed by President Obama's decision to extend his predecessor's tax cuts. Concerns over the US's significant budget deficit were heightened, however, when Moody's, the credit rating agency, placed the nation's AAA credit rating on negative watch. In spring, US markets were affected by global events but initially improving job numbers – 216,000 jobs were created in March – together with a decent start to the earnings results season lifted investor sentiment.

The mood soon reversed, however, following weakness in key purchasing manager surveys and the failure of the labour market to maintain the buoyancy it had exhibited in March and April, causing equities to retreat for much of May and June. Second quarter GDP growth came in at a stronger 1.3% annualised compared to 0.4% in the previous quarter. The US set the tone for the markets in August with Standard & Poor's historic downgrading of US debt. Investors hoping that the US Federal Reserve would embark on a third round of quantitative easing were left disappointed; instead of an outright balance sheet expansion it opted for 'Operation Twist' in which it would buy longer-dated Treasuries with the proceeds of shorter-dated Treasuries to help anchor lower yields further along the maturity curve using \$400 billion of its existing portfolio. Whilst helpful for the mortgage market, it did not excite equity markets. October brought some much-needed relief to equity investors after five consecutive monthly declines. The S&P 500 Index had its best single month since 1991. Investors were cheered by signs that eurozone leaders were making progress in devising a bail out plan for Greece and that it could be possible to prevent the European crisis from becoming a more systemic problem. Towards the end of the period US economic data releases were encouraging and the US appeared to be moving away from recession territory as discretionary spending edged higher and consumer confidence rose, accompanied by another round of solid corporate profit reports. Nonetheless, concerns about Europe weighed heavily on investor sentiment and US equities weakened.

The S&P 500 Composite Index rose 2.8% over the period.

### Japan

Japanese equities advanced strongly in the final months of 2010 as a weakening yen provided relief, while strong economic growth figures and the approval of an economic stimulus package lifted sentiment. Dominating events in Japan, however, was the impact of the earthquake and tsunami, which devastated parts of North East Japan on 11 March 2011. The yen surged but equities sank, causing the Bank of Japan to deploy cash to stabilise asset markets. The equity market recovered some of its losses in the final weeks of March but struggled to make headway in the second quarter of 2011. Critical damage at the Fukushima nuclear power plant triggered fears about a possible nuclear meltdown but this was subsequently contained and the disruption to supply chains wreaked by the earthquake and tsunami, whilst damaging, was not as bad as first feared, with industrial production rebounding sharply in May.

## Market review (continued)

In the second quarter of 2011, Japan's economy contracted more than initially estimated, shrinking at an annual rate of 2.1%. Companies made the decision to cut back spending due to concerns about a slowing global economy and a rising yen. Against the backdrop of global macro uncertainty, the Japanese yen strengthened rapidly since the summer with other derisking defaults such as gold and the Swiss franc. Second quarter economic growth was revised down to -2.1% annualised, from an earlier estimate of -1.3% prompting the government to propose a series of measures aimed at softening the blow that the soaring yen has dealt to its export-driven economy. October saw Japan's third foray into the foreign exchange markets to weaken the yen this year. This was prompted after the currency rose to a new high versus the dollar, with the US currency falling as low as 75.35. Japanese stocks fell at the end of the period, with sector performance reflecting continued risk aversion.

The FTSE Japan Index lost 9.4% over the period.

### Asia Pacific (excluding Japan) and emerging markets

Supportive liquidity conditions and strong earnings boosted emerging markets and Asian equities in the final stages of 2010, buoyed by the additional liquidity provided by the second round of quantitative easing from the US. However, this soon gave way to worries about overheating and the potential inflationary impact of the move. Such fears were realised when data released in January revealed that the Chinese economy had grown by a faster-than-expected 9.8% annualised in the final quarter of 2010. Global anxiety over the European sovereign debt crises remained at elevated levels during the second quarter of 2011; oil prices eased a little although strong food prices and wage growth continued to drive monetary policy in emerging markets. EMEA (Europe, Middle East and Africa) was the best performing region during the quarter, while the commodity exporting regions of Latin America produced a drag on performance.

Global emerging markets fell sharply in August and September 2011 as global risk aversion accelerated and speculation that the Chinese economy is decelerating more quickly than expected. The Reserve Bank of India (RBI) increased the key benchmark rate at which banks borrow from the RBI to 8.25% in order to rein in inflation. Asian markets rebounded strongly in October from highly oversold levels. The main fundamental development was the growing evidence that the Chinese authorities have started to selectively ease monetary policy in response to the eurozone crisis, increased evidence of distress in short-term funding markets in China, and indications that domestic inflation is peaking. In November emerging markets gave up much of the previous month's gains due to renewed fears of a euro break up.

The FTSE World Asia Pacific excluding Japan Index fell 9.1%, whilst the MSCI Emerging Markets Index lost 14.6% over the period.

### Fixed Income

Sharp swings in risk appetite characterised the fourth quarter of 2010 as the fluctuating fortunes of the peripheral countries of the eurozone and contrasting news on the global recovery caused demand for government bonds to rise and fall. Strong risk appetite going into the end of 2010 boosted high yield bond markets as investors favoured credit-sensitive bonds over interest-rate sensitive bonds. A positive reception to Credit Suisse's hybrid bond further lifted sentiment for riskier assets in February, although increasing political unrest in North Africa and the Middle East caused a subsequent flight to quality and government bonds returned to favour, compounded in late April by some weak economic data. Government bonds outside the eurozone periphery performed well in May, but performed less well in June as nervousness over the possibility of a Greek sovereign default grew. There was a sharp rise in benchmark Greek 10-year government bond yields as investors demanded more compensation in terms of income to reflect the rising possibility of a default. The US and the UK kept interest rates on hold despite building inflationary pressures, but the European Central Bank lifted its policy rate in April.

In October, high yield and subordinated financial bonds significantly outperformed investment grade and government bonds, this was a welcome relief after high yield bonds had fallen for the previous four months. November 2011 was an extremely poor month for credit markets. Equities rallied towards the end of the month on news of coordinated global central bank support for the European banking system. Bond markets were far less impressed with this news, and did not rally on expectation of a "comprehensive solution" from European policymakers at their upcoming summit on 9 December.

Source for all index performance is Datastream.

## Manager's report for the year ended 23 November 2011

### Investment Objective

The investment objective of the Henderson Multi-Manager Distribution Fund is to aim to provide an income significantly in excess of the yield of the FTSE All Share Index with the prospect for some capital growth mainly through investment in a spread of authorised unit trusts and/or authorised companies which may be selected from those available in the whole market. The Scheme may invest in funds investing outside the UK, while maintaining a core exposure to funds investing in the UK. The Scheme may also invest in transferable securities including investment trusts, money market instruments, deposits, derivatives and forward transactions and unregulated collective investment schemes.

### Performance Summary

During the year, the Fund dropped by 3.1%, compared with a 0.9% decrease in the Sector Average (Cautious Managed).

### Discrete annual performance

	24 Nov 10- 23 Nov 11	24 Nov 09- 23 Nov 10	24 Nov 08- 23 Nov 09	24 Nov 07- 23 Nov 08	24 Nov 06- 23 Nov 07
	%	%	%	%	%
<b>Henderson Multi-Manager Distribution Fund</b>	(3.1)	9.7	26.0	(12.2)	0.6
<b>Sector Average (Cautious Managed)</b>	(0.9)	7.8	21.2	(18.9)	0.1

Source: Morningstar - bid to bid with net income reinvested, net of fees, GBP.

Figures in brackets are negative.

Please remember that past performance is not a guide to future performance. The value of an investment and the income 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 year ended 23 November 2011

<b>Purchases</b>	<b>£000</b>	<b>Sales</b>	<b>£000</b>
Deutsche Global Liquidity Managed Platinum	90,640	Deutsche Global Liquidity Managed Platinum	93,996
Henderson Strategic Bond +	35,967	Henderson Strategic Bond +	17,164
Pictet Emerging Local Currency	14,260	Legg Mason Global Asian Opportunities Fund	12,825
M&G Securities Corporate Bond Fund	13,324	Legal & General Dynamic Bond	11,013
Thames River Global Bond	13,095	AXA US Short Duration High Yield	10,728
AXA US Short Duration High Yield Income	12,567	Metal Securities Physical Gold	9,286
Henderson Strategic Bond Fund +	10,733	Henderson UK Equity Income +	8,397
AXA US Short Duration High Yield	10,726	Henderson Strategic Bond Fund +	7,767
Old Mutual Dynamic Bond	10,298	Henderson Horizon Asian Dividend Income II +	7,431
Artemis Income	10,243	Pictet Emerging Local Currency	6,763

+ A related party to the Fund.

## Manager's report (continued)

Global markets encountered significant headwinds over the period under review. These included continuing concerns over sovereign debt in the Eurozone countries, building inflationary pressures around the globe, social unrest across the Middle East and North Africa, a large scale natural disaster in Japan and political impasse within the US. In addition macroeconomic data globally was also slowing and in some cases collapsing. All of this resulted in heightened market volatility over the period.

Markets fell sharply when it became clear that the ongoing Greek and wider Euro zone crisis, as well as the politicisation of the US debt ceiling debate began to spill over and have an effect on the real economy and real demand. Contagion reached Italy and Spain, causing government debt yields to surge. European Union (EU) leaders passed a multi-faceted bailout (including secondary purchases and bank recapitalisations) and easier loan terms. The euro came under heavy selling pressure as heightened contagion concerns widened peripheral bond spreads to new records. On 5 August, the Standard & Poor's (S&P) rating agency downgraded the US long-term credit rating from AAA to AA+ with a negative outlook. This added to the panic of a slowdown in the US economy. The much-awaited Sarkozy-Merkel meeting failed to meet market expectations. Key announcements were about furthering economic integration between France and Germany, with a view to potentially setting the example for the rest of the euro area over the medium term. September saw the Federal Open Markets Committees embark on another form of stimulus – a programme entitled Operation Twist. The target amount announced was US\$400 billion, with the aim of reducing long-term financing costs through the purchase of long-dated bonds, while at the same time selling short-dated bonds so as not to be both inflationary and cause further dollar weakness – as with past initiatives. This new programme failed to generate the investor response of the previous two. Equities though rallied sharply during October as US economic data gradually improved, alongside renewed hope that European politicians could develop a credible response to the sovereign debt crisis. Nonetheless, concerns about Europe weighed heavily on investor sentiment once again in November and US equities delivered their worst performance for a Thanksgiving week since 1932.

The main focus of portfolio activity came midway through the period under review, when the managers repositioned the portfolio in light of a deterioration in their view of the global economy going forward. This was prompted in part by the US downgrade as well as the continued failure of European politicians to grasp the breadth and magnitude of the problems facing the Eurozone. As a result the managers shifted the portfolio to being underweight risk assets (equities), neutral fixed income and overweight cash at the aggregate levels. In addition the composition of the holdings also changed in-line with their more defensive stance. This saw a number of positions fully divested such as M&G UK Inflation Linked Corporate Bond (amid diminishing inflation expectations) and L&G Dynamic Bond within fixed income. Within equities those holdings of a more cyclical and higher beta nature such as iShares Euro Stoxx Select Dividend 30, Henderson Horizon Asian Dividend and Henderson UK Equity Income were divested in full. Elsewhere exposure to other risk assets such as high yield, Asian, mid and smaller company equities were also reduced through Henderson Strategic Bond, Invesco European High Yield, First State Asia Pacific Leaders and Franklin UK Mid Cap. Proceeds from these sales were channelled into holdings of a more defensive nature such as Thames River Global Bond (providing USD exposure), Veritas Global Equity Income, Invesco Income, Cullen North American Dividend Value, Artemis Income, (all providing high quality, blue chip defensive equity exposure), M&G Corporate Bond (high quality corporate credit exposure) and US Treasuries. In addition the managers also utilised some derivatives (exchange traded futures) to help mitigate some of the volatility within markets over the course of the year.

Investor concerns about European sovereign debt and the possibility of a double-dip recession in western economies has caused investor sentiment and risk appetites to fall and volatility to increase sharply. This period of uncertainty we expect will persist until there is greater clarity of action from policymakers. Underlying fundamentals of companies though remain strong, so we continue to see value in risk assets such as equities. We are, however, cognisant that the global economy is at a critical juncture and we remain vigilant to the ever-changing economic landscape and will respond accordingly.

Bill McQuaker  
15 December 2011

## Statement of Manager's responsibilities

The Financial Services Authority's Collective Investment Schemes Sourcebook requires the Manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial affairs of the Fund and of its income/expenditure and gains/losses for the period. In preparing the financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the Statement of Recommended Practice for Authorised Funds issued by the IMA in October 2010;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which enable it to demonstrate that the financial statements, as prepared, comply with the above requirements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in operation for the foreseeable future.

The Manager is responsible for the management of the Fund in accordance with its Trust Deed, Scheme Particulars and the Regulations. The Manager is also responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Statement of Trustee's responsibilities in respect of the Fund and report of the Trustee to the unitholders of the Henderson Multi-Manager Distribution Fund ("the Fund")

for the year ended 23 November 2011

The Trustee is responsible for the safekeeping of all the property of the Fund (other than tangible moveable property) which is entrusted to it and for the collection of income that arises from that property.

It is the duty of the Trustee to take reasonable care to ensure that the Fund is managed in accordance with the Financial Services Authority's Collective Investment Schemes Sourcebook (COLL) as amended, the Fund's Trust Deed and Prospectus, in relation to the pricing of, and dealings in, units in the Fund; the application of income of the Fund; and the investment and borrowing powers of the Fund.

Having carried out such procedures as we considered necessary to discharge our responsibilities as Trustee of the Fund, it is our opinion, based on the information available to us and the explanations provided, that, in all material respects, the Manager:

- has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Fund's units and the application of the Fund's income in accordance with the Sourcebook, the Trust Deed and Prospectus, and
- has observed the investment and borrowing powers and restrictions applicable to the Fund.

The Royal Bank of Scotland plc (RBS), the Trustee of the Fund has transferred its Trustee role in respect of the Funds to National Westminster Bank on 1 October 2011. National Westminster Bank plc is a subsidiary company of RBS and as such The Royal Bank of Scotland Group plc will remain as the ultimate holding company of the Trustee.

As Trustee, National Westminster Bank plc will have the same duties and responsibilities as the Royal Bank of Scotland plc and the change of Trustee will have no impact on the way the Fund is operated.

National Westminster Bank plc  
London  
12 March 2012

# Independent Auditors' report to the unitholders of Henderson Multi-Manager Distribution Fund

We have audited the financial statements of Henderson Multi-Manager Distribution Fund (the "Fund") for the year ended 23 November 2011 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet and related notes and the distribution tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds").

## Respective responsibilities of director and auditors

As explained more fully in the Authorised Fund Manager's Responsibilities Statement the Authorised Fund Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report, including the opinions, has been prepared for and only for the Fund's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authorised Fund Manager; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Fund at 23 November 2011 and of the net revenue and the net losses of the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

## Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Authorised Fund Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# Independent Auditors' report to the unitholders of Henderson Multi-Manager Distribution Fund

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the Fund have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Glasgow  
12 March 2012

## Notes:

- (a) The maintenance and integrity of the Henderson Global Investors website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Comparative tables as at 23 November 2011

### Net asset value per unit

	<b>Net asset value of Fund (£)</b>	<b>Number of units in issue</b>	<b>Net asset value per unit (pence)</b>
<b>Income units</b>			
23/11/2009	30,771,079	27,861,566	110.44
23/11/2010	108,998,653	93,322,515	116.80
23/11/2011	179,709,699	162,861,932	110.34

### Performance record

<b>Calendar year</b>	<b>Net revenue (pence per unit)</b>	<b>Highest offer price (pence per unit)</b>	<b>Lowest bid price (pence per unit)</b>
<b>Income units</b>			
2007	3.58	115.50	106.70
2008	4.66	110.50	88.71
2009	3.35	113.70	87.00
2010	3.02	121.40	109.90
2011	3.22	122.10+	108.50+
2012	0.93*	-	-

+ to 23 November 2011

\* to 23 January 2012

## Total expense ratio

The annualised total expense ratio (TER) of the Fund, based on the total expenses included within the financial statements for the year as indicated below:

	<b>2011</b>	<b>2010</b>
	<b>%</b>	<b>%</b>
<b>Income units</b>	2.40	2.32

The TER includes a synthetic element of 0.99% ( 2010:1.01%) to incorporate the TER of underlying funds.

The TER of the Fund is the ratio of the Fund's total operating costs to its average net assets for twelve months.

## Portfolio statement as at 23 November 2011

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Collective investment schemes 99.91% (2010: 99.51%)</b>			
<b>United Kingdom fixed interest 5.16% (2010: 14.43%)</b>			
5,160,899	Henderson Strategic Bond +	6,172	3.43
8,575,618	Old Mutual Dynamic Bond	3,109	1.73
		<u>9,281</u>	<u>5.16</u>
<b>Global bonds 13.14% (2010: 6.69%)</b>			
2,910,452	Invesco Perpetual European High Yield	3,593	2.00
79,825	Pictet Emerging Local Currency	7,010	3.90
914,435	Thames River Global Bond	13,003	7.24
		<u>23,606</u>	<u>13.14</u>
<b>Asia 2.33% (2010: 9.03%)</b>			
3,570,375	First State Asia Pacific Leaders 'B'	4,195	2.33
<b>Cash 11.53% (2010: 4.84%)</b>			
20,721,297	Deutsche Global Liquidity Managed Platinum	20,721	11.53
<b>European 2.37% (2010: 0.00%)</b>			
4,330,149	Henderson European Special Situations +	4,259	2.37
<b>Japan 4.28% (2010: 3.46%)</b>			
3,571,296	Capita Morant Wright Nippon Yield	6,058	3.37
3,465,153	Jupiter Japan Income	1,634	0.91
		<u>7,692</u>	<u>4.28</u>
<b>North America 8.44% (2010: 3.11%)</b>			
542,597	Brown Advisory US Equity Value	6,066	3.38
1,419,813	Cullen North American High Dividend Value	9,096	5.06
		<u>15,162</u>	<u>8.44</u>
<b>Specialist 8.17% (2010: 18.76%)</b>			
232,073	BlackRock Gold & General	3,307	1.84
17,283	ETFS Physical Gold	1,836	1.02
72,718	Veritas Asset Management Global Income	9,536	5.31
		<u>14,679</u>	<u>8.17</u>
<b>United Kingdom 44.49% (2010: 39.19%)</b>			
6,279,078	Artemis Income	9,302	5.18
12,386,666	AXA US Short Duration High Yield Income	12,486	6.95
4,867,251	CF Lindsell Train UK Equity	5,989	3.33
1,108,895	Franklin Templeton UK Mid Cap	2,890	1.61
966,370	Invesco Perpetual Income	11,510	6.40
7,112,499	M&G Investment Management Global Dividend	8,918	4.96
37,912,433	M&G Securities Corporate Bond Fund	13,345	7.43
5,638,865	Royal London Unit Trust Managers	6,203	3.45
16,326,691	Schroder Income Maximiser	5,716	3.18

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>United Kingdom 44.49%</b> (continued)		
6,735,267	Threadneedle UK Monthly Income Fund	3,600	2.00
		<u>79,959</u>	<u>44.49</u>
	<b>Derivatives 0.96% (2010: 0.05%)</b>		
	<b>Futures 0.96% (2010: 0.05%)</b>		
93	CBT US 10 Year Note December 2011	155	0.09
(27)	CME S&P 500 December 2011	287	0.16
(233)	EUX Euro STOXX50 December 2011	562	0.31
(269)	LIFFE FTSE 100 Index December 2011	730	0.41
28	LIFFE Long Gilt December 2011	(13)	(0.01)
		<u>1,721</u>	<u>0.96</u>
	<b>Investment assets including investment liabilities</b>	<b><u>181,275</u></b>	<b><u>100.87</u></b>
	Net other liabilities	(1,565)	(0.87)
	<b>Net assets</b>	<b><u>179,710</u></b>	<b><u>100.00</u></b>

+ A related party to the Fund (see note 11)

## Statement of total return for the year ended 23 November 2011

	Notes	2011		2010	
		£000	£000	£000	£000
Income					
Net capital (losses)/gains	2		(9,399)		5,342
Revenue	4	4,834		2,697	
Expenses	5	(2,651)		(1,220)	
Finance costs: Interest	7	(2)		(1)	
Net revenue before taxation		2,181		1,476	
Taxation	6	(7)		(40)	
Net revenue after taxation			2,174		1,436
<b>Total return before distributions</b>			(7,225)		6,778
Finance costs: Distributions	7		(4,088)		(2,273)
<b>Change in net assets attributable to unitholders from investment activities</b>			<b>(11,313)</b>		<b>4,505</b>

## Statement of change in net assets attributable to unitholders for the year ended 23 November 2011

	2011		2010	
	£000	£000	£000	£000
<b>Opening net assets attributable to unitholders</b>		<b>108,999</b>		<b>30,771</b>
Amounts receivable on issue of units	83,950		49,305	
Amounts receivable on in specie transfers*	-		25,083	
Amounts payable on cancellation of units	(1,865)		(490)	
		82,085		73,898
Stamp duty reserve tax		(61)		(175)
Change in net assets attributable to unitholders from investment activities (see above)		(11,313)		4,505
<b>Closing net assets attributable to unitholders</b>		<b>179,710</b>		<b>108,999</b>

\*Transfer received from Henderson UK Extra Income Fund.

## Balance sheet as at 23 November 2011

		2011		2010	
	Notes	£000	£000	£000	£000
<b>Assets</b>					
Investment assets			181,288		108,533
Debtors	8	3,170		2,112	
Cash and bank balances	9	1,030		851	
Total other assets			4,200		2,963
<b>Total assets</b>			<u>185,488</u>		<u>111,496</u>
<b>Liabilities</b>					
Investment liabilities			13		10
Creditors	10	4,254		1,415	
Distribution payable on income units		1,511		1,072	
Total other liabilities			5,765		2,487
<b>Total liabilities</b>			5,778		2,497
<b>Net assets attributable to unitholders</b>			<u>179,710</u>		<u>108,999</u>

## Certification of financial statements by Directors of the Manager

In accordance with the requirements of the Financial Services 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.



Andrew Formica  
(Chief Executive)



David Jacob  
(Chief Investment Officer)

12 March 2012

## **1 Accounting policies**

### **(a) Basis of accounting**

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds (SORP) issued by the Investment Management Association (IMA) in October 2010.

### **Change in accounting policy**

The Statement of Recommended Practice (October 2010) supersedes the previous version (November 2008) and applies to accounting periods beginning on or after 1 January 2010. As a result of this change Portfolio Turnover Ratios have been removed from the Report and Accounts.

### **(b) Revenue recognition**

Distributions from collective investment schemes and dividends receivable from quoted equity and non equity units are credited to revenue, net of attributable tax credits, when the security is quoted ex-dividend before the period end. Dividends on unquoted stocks are credited to revenue when the dividend is announced.

Bank interest and revenue earned on other securities are recognised on an accruals basis.

Management fee rebates received from management companies are recognised when the entitlement arises, and are recognised as either income or capital in accordance with the treatment of the management fee charged on the underlying collective investment scheme.

Accumulation of revenue relating to accumulation units or units held in underlying funds is recognised as revenue and included in the amount available for distribution.

Equalisation received and accrued from distributions or accumulations on units or shares in underlying investments is treated as capital and deducted from the cost of the investment.

If any revenue receivable at the balance sheet date is not considered recoverable, a provision is made for the relevant amount.

### **(c) Treatment of derivatives**

In pursuing its investment objectives, the Fund may hold a number of financial instruments.

Any positions open at year end, are reflected in the Balance Sheet at their market value, either by using available market prices or an assessment of fair value based on counterparty valuations and appropriate pricing models.

### **Futures contracts**

Open futures contracts are shown in the Portfolio statement at fair value and the net gains/(losses) are reflected within derivative contracts in net gains/(losses) on investments.

Cash held at future brokers as margin is reflected separately within cash and bank balances.

Derivative transactions are accounted for on a trade date basis. Where such transactions are used to protect or enhance revenue, the revenue derived there from are included in 'Revenue' in the Statement of total return on an accruals basis. Where such transactions are used to protect or enhance capital, the gains and losses derived there from are included in 'Net capital gains/losses' in the Statement of total return.

### **(d) Treatment of expenses (including Manager's periodic charges)**

All expenses (other than those relating to the purchase and sale of investments) are charged against revenue on an accruals basis.

The Manager's periodic charge is calculated daily on the total net assets by Henderson Investment Funds Limited and taken to capital.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### (d) Treatment of expenses (including Manager's periodic charges) (continued)

##### Introduction of General Administration Charge

All fees with the exception of the Manager's periodic charge, Trustee and Safe Custody fees, are included within a single ad valorem charge, the General Administrative Charge (GAC), which was introduced in January 2010. The Manager believe that this creates more efficiency around the charging process than more traditional methods.

For further details please refer to the prospectus.

#### (e) Distribution policy

The distribution policy of the Fund is to distribute all available revenue, after deduction of expenses properly chargeable against revenue, subject to any of the Manager's periodic charge or other expense which may currently be transferred to capital for the purpose of calculating the distribution.

Gains and losses on investments and currencies, whether realised or unrealised, are taken to capital and are not available for distribution.

#### (f) Basis of valuation of investments

The expected change to the valuation point and dealing cut off as previously notified did not take place.

The valuation point is close of business on the last business day of the accounting period. Listed investments are valued at fair value which is generally deemed to be bid market price.

Unlisted, unapproved, illiquid or suspended securities are valued at the Manager's best estimate of the amount that would be received from an immediate transfer at arm's length.

Authorised unit trusts are valued at the cancellation prices for trusts managed by the Manager and at the bid prices for other trusts.

OEIC funds are valued at the quoted price for those managed by the Manager and at contractual prices for any other funds.

Where applicable, investment valuations exclude any element of accrued revenue.

#### (g) Exchange rates

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at close of business on the last business day of the accounting period.

Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions.

Exchange differences on such transactions follow the same treatment as the principal amounts.

#### (h) Taxation

Provision is made for tax at the current rates on the excess of taxable revenue over allowable expenses, with relief for overseas taxation taken where appropriate.

In general, the tax accounting treatment follows that of the principal amount.

Deferred tax is provided on all timing differences that have originated but not reversed at the balance sheet date other than those recorded as permanent differences. Deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

Deferred tax assets are only recognised to the extent it is regarded as more likely than not that there will be taxable profits against which the future reversal of underlying timing differences can be offset.

## Notes to the financial statements (continued)

### 2 Net capital (losses)/gains

Net capital gains on investments during the year comprise:

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Derivative contracts	2,120	(369)
Forward currency contracts	(196)	(12)
Non-derivative securities	(11,498)	5,837
Other currency gains/(losses)	7	(109)
Transaction costs	(5)	(5)
Capital management fee rebates	173	-
<b>Net capital (losses)/gains</b>	<b>(9,399)</b>	<b>5,342</b>

### 3 Portfolio transaction costs

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Purchases in year before transaction costs	320,904	186,383
Commissions	4	8
Total purchase transaction costs*	4	8
<b>Purchases including transaction costs</b>	<b>320,908</b>	<b>186,391</b>
Sales in year before transaction costs	238,193	114,336
Commissions	(9)	(4)
Total sale transaction costs*	(9)	(4)
<b>Sales net of transaction costs</b>	<b>238,184</b>	<b>114,332</b>
<b>Transaction handling charges*</b>	<b>5</b>	<b>5</b>

\* These amounts have been deducted in determining net capital (losses)/gains.

## Notes to the financial statements (continued)

### 4 Revenue

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Bank interest	2	2
Distributions from regulated collective investment schemes:		
Franked investment revenue	2,380	751
Unfranked investment revenue	186	124
Interest distributions	1,688	1,070
Interest on margin	3	-
Management fee rebate	261	254
Overseas dividends	314	496
<b>Total revenue</b>	<b>4,834</b>	<b>2,697</b>

### 5 Expenses

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>Payable to the Manager, associates of the Manager and agents of either of them:</b>		
Manager's periodic charge	2,349	1,082
General administration charge*	281	125
Sub registration fees	-	1
	<u>2,630</u>	<u>1,208</u>
<b>Payable to the Trustee, associates of the Trustee and agents of either of them:</b>		
Trustee fees	18	8
Safe custody fees	6	3
	<u>24</u>	<u>11</u>
Audit fees	-	1
Prior year adjustment	(3)	-
	<u>(3)</u>	<u>1</u>
<b>Total expenses</b>	<b>2,651</b>	<b>1,220</b>

Irrecoverable VAT is included in the above expenses where relevant.

\*The current audit fee is £9,240 (2010: £9,086). The audit fee levied through the GAC charge is £9,240 (2010: £7,578).

## Notes to the financial statements (continued)

### 6 Taxation

#### (a) Analysis of charge in the year

The tax charge comprises:

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
UK corporation tax	1	40
Adjustments in respect of prior years	6	-
<b>Total current tax (note 6b)</b>	<b>7</b>	<b>40</b>

#### (b) Factors affecting current tax charge for year

The tax assessed for the year is different to the standard rate of corporation tax in the UK for funds of an authorised unit trust of 20%. The differences are explained below.

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Net revenue before taxation	2,181	1,476
Corporation tax at 20% (2010: 20%)	436	295
Effects of:		
Adjustments in respect of prior years	6	-
Expenses not deductible for tax purposes	-	(6)
Non-taxable overseas dividends **	(177)	(99)
UK dividends*	(293)	(150)
Management fee rebates in capital	35	-
<b>Current tax charge for the year (note 6a)</b>	<b>7</b>	<b>40</b>

\* As an authorised unit trust this item is not subject to corporation tax.

\*\* Overseas dividends are not subject to corporation tax from 1 July 2009 due to changes enacted in the Finance Act 2009.

Unit trusts are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

#### (c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2010: nil).

#### (d) Factors that may affect future tax charges

There were no factors that may affect future tax charges at the current or prior accounting year end.

## Notes to the financial statements (continued)

### 7 Finance costs

#### Distributions and interest

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units, and comprise:

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Interim income	2,915	1,459
Final income	1,511	1,072
	<u>4,426</u>	<u>2,531</u>
Amounts deducted on cancellation of units	8	3
Amounts received on issue of units	(346)	(261)
	<u>4,088</u>	<u>2,273</u>
Finance costs: Distributions	2	1
Finance costs: Interest	2	1
	<u>4,090</u>	<u>2,274</u>
<b>Total finance cost</b>	<b>4,090</b>	<b>2,274</b>
Net revenue after taxation	2,174	1,436
Manager's periodic charge paid from capital	2,349	1,082
Management fee rebate paid to capital	-	(29)
Sub Registration fees paid from capital	-	1
Tax relief on capital expenses	(435)	(217)
	<u>4,088</u>	<u>2,273</u>
<b>Finance cost: Distributions</b>	<b>4,088</b>	<b>2,273</b>

Details of the distribution per unit are set out in the distribution table on page 26.

### 8 Debtors

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Accrued revenue	817	634
Amounts receivable for issue of units	410	1,378
Currency transactions awaiting settlement	-	6
Income tax recoverable	334	84
Management fee rebates	298	-
Sales awaiting settlement	1,311	10
	<u>3,170</u>	<u>2,112</u>
<b>Total debtors</b>	<b>3,170</b>	<b>2,112</b>

### 9 Cash and bank balances

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Amounts held at futures clearing houses and brokers	788	453
Cash and bank balances	242	398
	<u>1,030</u>	<u>851</u>
<b>Total cash and bank balances</b>	<b>1,030</b>	<b>851</b>

## Notes to the financial statements (continued)

### 10 Creditors

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Accrued Manager's periodic charge	227	99
Accrued Trustee's fee	1	1
Accrued other expenses	48	33
Amounts payable for cancellation of units	367	-
Corporation tax payable	11	11
Currency transactions awaiting settlement	-	6
Purchases awaiting settlement	3,600	1,265
<b>Total creditors</b>	<b>4,254</b>	<b>1,415</b>

### 11 Related party transactions

The Financial Reporting Standard number 8 (FRS 8) on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS the Manager and the Trustee are deemed to be related parties. All transactions and balances associated with the Manager and the Trustee are disclosed within the 'Statement of total return', 'Statement of change in net assets attributable to Unitholders' and the 'Balance sheet' on pages 14 and 15 and notes 5, 8 and 10 on pages 19 to 22 including all creations and cancellations where the Manager acted as principal.

Henderson Investment Funds Limited, as Manager to the Fund is a related party. The ultimate controlling party of Henderson Investment Funds Limited is Henderson Group plc. Aggregate value of purchases and sales transactions in, and revenue receivable from Henderson Group plc and its subsidiaries for the year amounts to £99,243,075 (2010: £160,094,447).

FIL (Luxembourg) SA and Cofunds Nominees Limited, as material unitholders, are related parties holding shares comprising 11.12% (2010: 14.71%) and 54.30% (2010: 38.74%) respectively, of the net assets of the Fund as at 30 November 2011.

Material transactions throughout the year such as creations and cancellations for these unitholders are included in the Statement of change in net assets attributable to unitholders.

### 12 Dilution adjustment

Pricing by the Fund is on a swinging single priced basis. The Fund's policy is to apply a dilution adjustment which is intended to cover certain dealing charges which could have a diluting effect on the performance of the Fund when there is a large volume of deals. Normally the Fund will only apply such an adjustment in the following circumstances:

- (a) if the Fund is experiencing large levels of net purchases (i.e. purchases less redemptions), relative to its size;
- (b) where the Fund is experiencing large levels of net redemptions (i.e. redemptions less purchases) relative to its size;
- (c) in any other case where the Authorised Fund Manager is of the opinion that the interests of existing or continuing unitholders and potential investors require the composition of a dilution adjustment.

The adjustment, where applied, is included within the dealing price available to unitholders and is not disclosed separately in the financial statements.

### 13 Unitholder funds

The Fund currently has 1 unit class available - Class A (Retail with front-end charges). The annual management charge on this unit class is as follows:

Class A 1.50%

The net asset value of the unit class, the net asset value per unit and the number of units in the unit class are given in the comparative table on page 10. The distribution of the unit class is given in the distribution table on page 26.

## Notes to the financial statements (continued)

### 14 Risk

In pursuing its investment objective the Fund holds a number of financial instruments. These financial instruments comprise securities and other investments, cash balances and debtors and creditors that arise directly from the Fund's operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued revenue.

The Fund may also enter into derivative transactions. The purpose of these financial instruments is efficient portfolio management. The main risks arising from financial instruments are credit, liquidity and market risks.

#### (a) Market risk

Market risk is the risk that the value of the Fund's investments or the benefits arising thereon will fluctuate because of changes in market prices. Market risk comprises three types of risk; foreign currency risk, interest rate risk and other price risk.

#### Foreign currency risk

Foreign currency risk is the risk that the value of the Funds' investments will fluctuate as a result of changes in foreign currency exchange rates.

Net currency monetary assets and liabilities consist of:

	<b>Investment assets including derivative liabilities</b>	<b>Net other assets/liabilities</b>	<b>Net assets</b>
<b>Currency</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>2011</b>			
Euro	562	684	1,246
UK sterling	164,166	(2,870)	161,296
US dollar	16,547	621	17,168
<b>Total</b>	<b>181,275</b>	<b>(1,565)</b>	<b>179,710</b>
<b>2010</b>			
Euro	(10)	424	414
Japanese yen	40	48	88
UK sterling	97,378	(23)	97,355
US dollar	11,115	27	11,142
<b>Total</b>	<b>108,523</b>	<b>476</b>	<b>108,999</b>

## Notes to the financial statements (continued)

### 14 Risk (continued)

#### Interest rate risk

The Fund can be indirectly exposed to interest rate risk through holding collective investment schemes which are themselves directly invested in interest bearing securities. Bond yields (and as a consequence bond prices) are determined by market perception as to the appropriate level of yields given the economic background. Key determinants include economic growth prospects, inflation, the government's fiscal position, short-term interest rates and international market comparisons. This is consistent with the exposure during the prior year.

Interest earned and paid on bank balances during the year was at a variable rate. The interest rates on sterling bank accounts at the end of the year were 0.28% on credit balances (2010: 0.20%) and 1.78% on overdraft balances (2010: 1.70%).

#### Other price risk

Other price risk is the risk that the value of the Fund's investments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Other price risk arises mainly from uncertainty about future prices of financial instruments the Fund might hold. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Fund's investment portfolios are exposed to market price fluctuations, which are monitored by the Manager in pursuance of their investment objectives and policies as set out in the Prospectus.

Adherence to investment guidelines and to investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the Financial Services Authorities Collective Investment Schemes Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

#### (b) Liquidity risk

The primary source of this risk to the Fund is the liability to unitholders for any cancellation of units. This risk is minimised by holding cash, readily realisable securities and access to overdraft facilities.

All of the Fund's financial assets are considered to be readily realisable in accordance with the market practices of the exchange on which they are traded. In general, the Fund Manager manages the Fund's cash to ensure it can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement.

All of the Fund's financial liabilities are payable on demand or in less than one year.

## Notes to the financial statements (continued)

### 14 Risk (continued)

#### (c) Credit and counterparty risk

Credit risk is the risk that a Fund will suffer a financial loss as a result of counterparty failing to discharge an obligation. The Fund only buys and sells investments through brokers which have been approved by the Manager as an acceptable counterparty.

The Fund's assets held with banks and with the Trustee are also exposed to credit risk. Assets held with the Trustee are ring fenced. The banks used by the Fund and the Manager are subject to regular reviews.

#### (d) Sensitivity analysis

In the opinion of the Manager, the use of derivative instruments within the Fund does not have a significant effect on the Fund's operations and, as such, a sensitivity analysis is not deemed appropriate.

## Distribution table for the year ended 23 November 2011 (in pence per unit)

### Interim dividend distribution (xd date 23 February 2011, paid on 22 April 2011)

Group 1: units purchased prior to 24 November 2010

Group 2: units purchased on or after 24 November 2010

	Net revenue	Equalisation	Distribution paid 22/04/11	Distribution paid 23/04/10
<b>Income units</b>				
Group 1	0.3506	-	0.3506	0.4585
Group 2	0.0020	0.3486	0.3506	0.4585

### Interim dividend distribution (xd date 23 May 2011, paid on 22 July 2011)

Group 1: units purchased prior to 24 February 2011

Group 2: units purchased on or after 24 February 2011

	Net revenue	Equalisation	Distribution paid 22/07/11	Distribution paid 23/07/10
Group 1	0.8616	-	0.8616	0.9792
Group 2	0.3187	0.5429	0.8616	0.9792

### Interim dividend distribution (xd date 23 August 2011, paid on 21 October 2011)

Group 1: units purchased prior to 24 May 2011

Group 2: units purchased on or after 24 May 2011

	Net revenue	Equalisation	Distribution paid 22/10/11	Distribution paid 23/10/10
Group 1	0.8630	-	0.8630	0.7565
Group 2	0.3139	0.5491	0.8630	0.7565

### Final dividend distribution (xd date 23 November 2011, paid on 23 January 2012)

Group 1: units purchased prior to 24 August 2011

Group 2: units purchased on or after 24 August 2011

	Net revenue	Equalisation	Distribution paid 21/01/12	Distribution paid 22/01/11
Group 1	0.9276	-	0.9276	1.1491
Group 2	0.3245	0.6031	0.9276	1.1491

### Equalisation

This applies only to units purchased during the distribution period (group 2 units). It is the average amount of revenue included in the purchase price of group 2 units and is refunded to the holders of these units as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

## 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: **08459 46 46 46**

The following lines are also available:

Investor Services: **0800 832 832**

or you can contact us via e-mail at **[support@henderson.com](mailto:support@henderson.com)**.

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



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