

Henderson Institutional

Overseas Bond

Fund

Short Report

For the year ended 31 October 2012

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Fund Managers

Kevin Adams and Joanna Murdock

Investment objective and policy

To aim to provide a return by investing in fixed and floating rate securities in any area of the world, except the United Kingdom. The Fund will invest primarily in bonds issued by Governments, public authorities and international organisations.

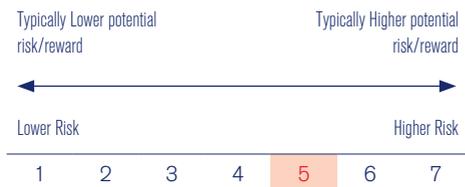
Other information

Effective from 24 September 2012, Henderson Overseas Bond Fund changed its name to Henderson Institutional Overseas Bond Fund.

On 25 October 2012, Henderson Global Bond Fund merged into Henderson Institutional Overseas Bond Fund.

Synthetic risk and reward profile

The Fund currently has 6 types of shares in issue; Class A Income, Class I Income, Class I accumulation and Class 3 gross accumulation, Class I gross accumulation and Class Z gross accumulation. Each type of share has the same risk and reward profile which is as follows:



The value of an investment in the Fund can go up and down. When you sell your shares, they may be worth less than what you paid for them.

The lowest category does not mean risk free.

The Fund's risk level reflects the following:

- As a category, bonds are less volatile than shares
- Fluctuations in exchange rates may cause the value of your investment to rise or fall

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events which could amplify everyday risk and trigger other risks such as:

Counterparty risk The Fund could lose money if an entity with which it interacts becomes unwilling or unable to meet its obligations to the Fund.

Default risk The issuers of certain bonds could become unable to make payments on their bonds.

Liquidity risk Certain securities could become hard to value or sell at a desired time and price.

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

The full list of the Fund's risks are contained in the "Risk Factors" section of the Fund's prospectus.

Managers' commentary

Over the year to 31 October 2012 the Fund produced a positive absolute return driven largely by rising prices of government bonds. At the start of the period our underweight position in European peripheral government bond markets performed poorly following action taken by the European Central Bank (ECB) to allow banks in the region to borrow directly from the central bank. This resulted in domestic banks in peripheral countries buying large amounts of their own country's government debt thereby boosting prices. The Fund recovered the majority of this underperformance in the first half of the period as weak economic data once again dominated investor sentiment, sending peripheral government bond prices lower.

Our allocation to corporate bonds performed well at the start of the period, benefiting from the positive risk environment fostered by the ECB's lending operations to European banks. Our investment strategy of being underweight the euro relative to the US dollar proved profitable over the course of the year as the ECB cut interest rates in Europe and the European economy continued to weaken. Positioning on the US yield curve also contributed positively over the course of the period as we took advantage of long-dated government bond supply events, as well as the changes to the Federal Reserve's (Fed) unconventional monetary policy measures.

However, the strategy of positioning for core government bond markets to underperform during the latter half of the period proved unprofitable overall, as investors' concern over the 'fiscal cliff' in the US and the faltering European economy overwhelmed their optimism around the prospects of a recovering US economy and reduced risks of a eurozone breakup.

During the year we positioned for the euro to underperform the US dollar on multiple occasions; based on our overall theme of a weaker euro driven by the uncertainty around the eurozone's future. In the first half of the period we positioned for the government bond markets of Italy and Spain to perform poorly as the economic fundamentals of these countries continued to weaken and politicians seemed unable to find a lasting solution to the European sovereign debt crisis. We did temporarily reduce this underweight on occasions where a solution to the crisis seemed possible, however, in each case we felt that politicians failed to address the key issues and thus restored the position.

We sold our entire allocation to corporate bonds towards the end of the first half of the period under

review in order to lock-in the strong performance of the asset class and reduce risk in the portfolio. This was based on our belief that there would be a resurgence in investor concern towards the European sovereign crisis, which would result in poor performance for riskier asset classes.

In the second half of the period we closed our underweight to European peripheral government debt markets as the ECB became more activist in their approach to the sovereign debt crisis. Instead we opted to position for Italian government debt to outperform Spanish government debt given Spain's increased economic vulnerability relative to Italy.

In other strategies, we repeatedly positioned (on a short-term basis) for a flatter yield curve in the US around times of long-dated government bond supply events, where historically there have been patterns of weakness in long-dated bond prices ahead of the supply, which are reversed afterwards.

We also positioned for a steeper yield curve in the US in May as we sought to anticipate the end of the Fed's Operation Twist program (where the Fed sells short-dated government bonds and purchases long-dated government bonds in a bid to lower long-term interest rates).

Towards the end of the period we positioned for government bond prices to fall in Germany and the US as we felt yields were excessively low given the improving prospects for the US economy and the increased commitment of the ECB to provide a backstop to European government bond markets.

We have used government bond futures and forward currency contracts to implement strategy where the strategy could be implemented more quickly, cheaply and efficiently than by transacting in physical bonds or currency.

Discrete annual performance

	01 Nov 11 - 31 Oct 12 %	01 Nov 10 - 31 Oct 11 %	01 Nov 09 - 31 Oct 10 %	01 Nov 08 - 31 Oct 09 %	01 Nov 07 - 31 Oct 08 %
Henderson Institutional Overseas Bond Fund	0.4	1.2	10.9	11.9	27.7
JP Morgan Global Bond Traded ex UK Index	2.3	2.5	11.4	13.4	34.5

Source : Morningstar - mid to mid (excluding initial charge) net revenue reinvested for basic rate taxpayer. 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.

Summary of Fund performance

Share class	Net asset value* 2012 p	Net asset value* 2011 p	Net asset value % change
Class A income	174.06	173.22	0.48
Class I income	174.23	173.38	0.49
Class I accumulation	224.80	222.13	1.20
Class 3 gross accumulation	99.30	n/a	n/a
Class I gross accumulation	235.46	231.61	1.66
Class Z gross accumulation	177.85	174.07	2.17

* The net asset value is calculated as at close of business on the last business day of the accounting period. The investments are valued at fair value which is generally deemed to be the bid market price.

Fund facts

Accounting dates

30 April, 31 October

Payment dates

31 March, 30 June, 30 September, 31 December

Ongoing charge figure*

	2012 %	TER 2011 %
Class A	1.20	1.20
Class I	0.55	0.55
Class Z	0.05	0.05
Class 3	0.23	n/a

The ongoing charge figure (OCF) of the Fund is the ratio of the total ongoing charges to the net asset value for twelve months.

*The OCF replaces the TER. It is calculated in accordance with guidelines issued by the Committee of European Securities Regulators (CESR) with the aim of ensuring a harmonised approach to the calculation of the OCF by all UCITS.

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class X income			
2007	1.82	121.70	110.60
2008	1.90	179.50	123.00
2009	2.13	183.70	147.90
2010#	-	163.30	160.40
Class A income			
2007	2.26	121.20	110.20
2008	2.39	178.70	122.50
2009	2.76	183.00	147.20
2010	1.81	177.50	159.70
2011	1.37	183.20	162.30
2012	0.73*	181.50+	170.20+
Class I income			
2007	2.50	121.50	110.70
2008	2.85	178.80	122.80
2009	3.39	183.10	147.40
2010	2.63	177.70	159.90
2011	2.10	183.50	162.50
2012	1.65*	181.80+	170.60+
Class I accumulation			
2007	2.95	145.00	130.70
2008	3.43	218.20	146.60
2009	4.16	223.40	182.00
2010	3.29	224.10	199.20
2011	2.66	234.50	206.40
2012	2.12*	234.00+	219.10+
Class 3 gross accumulation			
2012**	0.02*	99.75+	99.30+

Past performance is not a guide to future performance.

Performance record (continued)

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class I gross accumulation			
2007	4.03	148.30	132.90
2008	4.46	224.90	149.90
2009	5.37	230.30	187.70
2010	4.31	233.00	206.30
2011	3.74	244.40	214.60
2012	2.76*	244.30+	228.70+
Class Z gross accumulation			
2007	3.47	110.00	98.80
2008	3.88	166.70	110.60
2009	4.76	170.80	139.50
2010	4.04	174.20	153.60
2011	3.65	183.60	160.70
2012	2.97*	184.20+	172.20+

X share class merged with A share class on 11 January 2010.

* to 31 December

+ to 31 October

**Class 3 gross accumulation launched 26 August 2012

Net revenue distribution

Share class	2012 p	2011 p
Class A income	0.73	1.37
Class I income	1.65	2.10
Class I accumulation	2.12	2.66
Class 3 gross accumulation	0.02	n/a
Class I gross accumulation	2.76	3.74
Class Z gross accumulation	2.97	3.65

Total interest distributions for the year ended 31 October 2012, comparison is for the same period last year.

Past performance is not a guide to future performance.

Major holdings

as at 2012	%
US Treasury 4.5% 15/05/2017	13.27
Japan (Government of) 0.3% 20/03/2017	8.77
US Treasury 2.25% 31/05/2014	6.57
US Treasury 4% 15/02/2015	6.51
Italy (Rep of) 4.75% 01/05/2017	6.33
US Treasury 2.125% 15/08/2021	5.24
Japan (Government of) 0.9% 20/06/2022	4.61
Japan (Government of) 2.1% 20/12/2030	4.39
Japan (Government of) 1.1% 20/06/2021	4.17
France (Government of) 4.25% 25/10/2023	3.45

Asset allocation

as at 2012	%
United States	38.99
Japan	29.90
Europe	22.25
Canada	1.91
Sweden	1.67
Australia	0.48
Net other assets	4.80
Total	100.00

Major holdings

as at 2011	%
US Treasury 4.5% 15/05/2017	11.17
Japan (Government of) 1.1% 20/06/2021	8.08
US Treasury 2.25% 31/05/2014	7.41
Japan (Government of) 0.5% 20/12/2015	5.71
France (Government of) 0.75% 20/09/2012	5.68
Japan (Government of) 0.2% 15/01/2013	5.35
Japan (Government of) 0.4% 20/06/2015	4.78
US Treasury 2.125% 15/08/2021	4.72
Japan (Government of) 2.1% 20/12/2030	4.65
US Treasury 4.375% 15/08/2012	3.48

Asset allocation

as at 2011	%
United States	33.47
Japan	32.77
Europe	21.77
Canada	1.28
United Kingdom	0.54
Sweden	0.53
Australia	0.49
Derivatives	(0.06)
Net other assets	9.21
Total	100.00

Report and accounts

This document is a short report of the Henderson Institutional Overseas Bond Fund for the year ended 31 October 2012.

Copies of the annual and half yearly long form report and financial statements of this Fund are available on our website www.henderson.com or contact client services on the telephone number provided.

Other information

The information in this report is designed to enable you to make an informed judgement on the activities of the Fund during the year it covers and the results of those activities at the end of the year.

Issued by:

Henderson Investment Funds Limited

Registered office:

201 Bishopsgate,
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Member of the IMA and authorised and regulated by the Financial Services Authority.
Registered in England No 2678531

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Risk warning

Please remember that past performance is not a guide to future performance. The value of an investment and the revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

Auditor

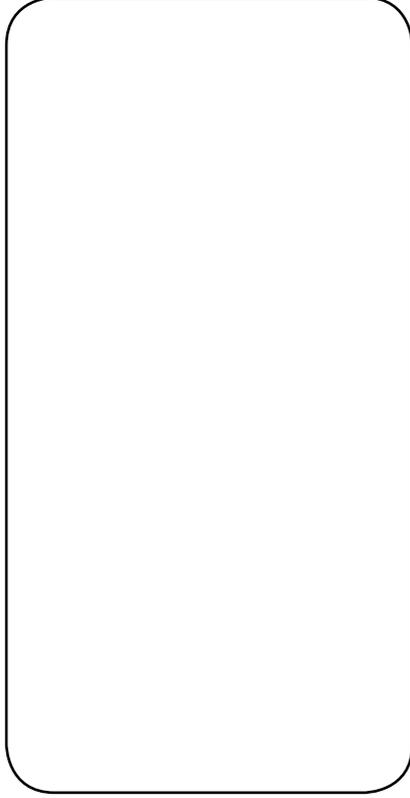
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Changes of address - regulatory requirements

FSA regulation requires us to send this report mailing to the address held on file on the accounting date of 31 October 2012. If you have confirmed a change of address with us since that date we will ensure all future correspondence will be sent to your new address.

Online valuations

You can value your Henderson Institutional Overseas Bond Fund at any time by logging on to www.henderson.com. Select 'Personal Investor' and then access 'Valuations' from the Tools Menu. Simply select the fund you hold and enter the appropriate number of shares.

Any questions?

Further information about the activities and performance of the fund for this and previous periods can be obtained from the Investment Manager. If you have any questions please call our Client Services Team on 0800 832 832 or email support@henderson.com.

Important information

Henderson Global Investors is the name under which Henderson Global Investors Limited (reg. no. 906355), Henderson Fund Management Limited (reg. no. 2607112), Henderson Investment Funds Limited (reg. no. 2678531), Henderson Investment Management Limited (reg. no. 1795354), Henderson Alternative Investment Advisor Limited (reg. no. 962757), Henderson Equity Partners Limited (reg. no. 2806646), 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 Services Authority to provide investment products and services. Telephone calls may be recorded and monitored.

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

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