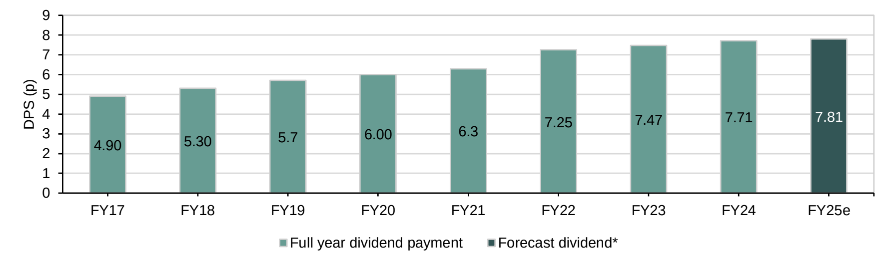
Henderson International Income Trust

A HINT of better returns ahead

Henderson International Income Trust (HINT) has consistently met its income objective since inception, delivering dividend growth every year since 2011. However, a lag in relative performance in recent years due to the outperformance of low and zero dividend-paying growth stocks prompted a recent investment review by HINT's board, including extensive consultations with shareholders. These discussions reinforced shareholders' desire for both income and capital returns and as a result the board reconfirmed its commitment, first made in 2021, to use of the company's ample reserves to support its progressive dividend policy, and stated its intention to be more flexible in the application of this policy. This significantly broadens HINT's investable universe to include lower or zero dividend-paying stocks with the potential for capital growth, and the board expects the greater freedom this bestows on the manager, Ben Lofthouse, to improve capital returns. Lofthouse has used this additional flexibility to shift the portfolio towards some lower-yielding investment opportunities, although he insists he will not 'chase growth for growth's sake'; instead, he is striving to strike a balance between income and growth to ensure the trust continues to meet its twin objectives of rising dividends and capital appreciation.

Exhibit 1: Dividend payment history



Source: LSEG Data & Analytics, HINT, Edison Investment Research. Note: *The estimated dividend for FY25 will be at least 7.81p.

HINT's generous, predictable and growing dividend, backed by reserves, if necessary, is likely to attract investors seeking a diversified and rising income sourced from outside the UK, where dividend income is relatively concentrated.

There are signs HINT's recent strategic enhancement may already be having a positive impact on total returns. Performance has improved in absolute returns over the past year (see Performance section). The portfolio's exposure to structural growth in areas such as technology, energy infrastructure, electrification and renewables should support returns over the longer term.

HINT remains attractively valued by historical measures, as its discount is much wider than its 10-year average of 2.5%. This offers investors a potentially attractive entry level, with scope for some narrowing of the discount if the trust's strategic enhancement is successful in improving performance.

Investment companies
Global ex-UK equity income

23 January 2025

Price		**170.00p**
Market cap		**£332m**
Total assets		**£397m**
NAV		192.2
Discount to NAV		11.6%

[1]Including income, as at 21 January 2025

Current yield		4.6%
Shares in issue		196.0m
Code/ISIN		HINT/GB00B3PHCS86
Primary exchange		LSE
AIC sector		Global Equity Income
52-week high/low	170.5p	149.2p
NAV high/low	192.7	177.7
Net gearing		0.0%

[1] -

Fund objective

Henderson International Income Trust seeks to provide shareholders with a growing total annual dividend and capital appreciation, by investing in a focused and internationally diversified portfolio of c 70 stocks that are either listed in, or whose principal business is in, countries outside the UK. The portfolio is diversified by geography, industry and investment size.

Bull points

- HINT offers exposure to structural growth that should support earnings, dividends and portfolio returns over the medium/long term.
- Long track record of dividend growth, strong capital gains and outperformance of UK equities in varied market conditions attests to the manager's stock selection skills.
- Attractive and competitive 4.8%. dividend yield, the highest in its AIC sector.

Bear points

- Longstanding US underweight and focus on income and value means the portfolio tends to underperform in a growth-driven market.
- Unlike many of its investment company peers, HINT's board has been reticent to use share buybacks to support the share price.
- Greater flexibility bestowed on manager may take some time to lift capital performance and improve relative returns.

Analysts

Milosz Papst	+44 (0)20 3077 5700
Joanne Collins	+44 (0)20 3077 5700

investmenttrusts@edisongroup.com

Edison profile page

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NOT INTENDED FOR PERSONS IN THE EEA

HINT: A more flexible approach targeting better returns

Strategic enhancement broadens investment universe

In 2021, HINT's chairman at that time, Simon Jeffreys, announced the board's intention to increase dividend payments, in recognition of shareholders' stated preference to receive a greater proportion of HINT's total return by way of an increased dividend and lower retained earnings. At that time, the board also announced its intention to use reserves to support the company's progressive dividend policy in years when the dividend is not fully covered by underlying revenue.

The trust's persistent focus on dividends has ensured that HINT has consistently met its income objective since inception, delivering dividend growth every year since 2011. However, in its recently published annual report, HINT's current chairman, Richard Hills, noted that total annual returns have slowed over recent years when compared to earlier periods and have lagged the company's comparator and the wider global equity market. He ascribed this in significant part to the fact that low and non-dividend paying stocks, especially the US market's so-called 'magnificent seven' AI-related tech stocks, have outperformed the higher dividend stocks favoured by HINT over this period.

This performance prompted a board review of HINT's investment strategy. As part of this process, the board once again consulted widely with shareholders and these discussions confirmed that shareholders remain strongly supportive of HINT's equity income strategy and still want to receive dividend payments, even in the higher interest rate environment. However, they were also keen to see the trust utilise its investment trust structure more fully, to enhance performance.

The board's 2021 decision to use reserves to supplement dividends, if necessary, opened the way for the manager to consider a broader range of potential investments, including lower-yielding, attractively priced stocks offering the prospect of dividend or capital growth over the longer term. In addition, the recent consultation with shareholders revealed that they wanted the company to make greater use of this flexibility.

HINT's board has responded by adopting an 'enhancement to the company's investment strategy' that reflects shareholders' wishes for both income and better capital returns. The chairman stressed that 'dividends from the portfolio will remain the primary contributor to the company's distributions, but where there are compelling opportunities in stocks, regions or sectors that would otherwise be excluded due to their yield, the board is willing to utilise distributable reserves to supplement dividends paid to investors'. Hill said this enhancement should deliver better capital performance, as desired by shareholders, by allowing the manager, Ben Lofthouse, to be more opportunistic and flexible through the cycle, as he will not need to tie the portfolio to high dividend-paying stocks. This greater flexibility represents a further broadening of HINT's investable universe of stocks to include lower or even zero dividend paying names with the potential for capital growth.

However, HINT's manager is keen to emphasise that this enhancement to the company's strategy does not mean that he will 'chase growth for growth's sake', or dramatically restructure the portfolio into zero yielders. He intends to maintain his focus on identifying industry leaders at attractive valuations, although he envisages that emerging opportunities will sometimes be in high-yielding, value-oriented sectors and sometimes in more growth-focused sectors paying more moderate or zero dividends.

Resultant shift towards growth stocks has been gradual

Consistent with this tempered approach, the portfolio changes Lofthouse has made over the past year have been gradual, although the current market environment, especially the rapidly spreading influence of artificial intelligence (AI), means that in broad terms, the manager has repositioned the portfolio more towards growth stocks. This shift began in Q423, when he restructured the Asia portfolio to focus on the beneficiaries of structural growth, as discussed in our last note. This has already had a favourable performance impact (see Performance section for details).

Since then, Lofthouse has maintained HINT's holdings in some lower-yielding stocks such as Microsoft, and added several other low-yielding tech names, including two US stocks, Oracle, a world leader in databases seeing increased demand from businesses, and Qualcomm, which produces smart phones. Unlike Microsoft, these companies are not obvious AI winners yet, but they are nonetheless benefiting from their exposure to AI and tech more generally. Both these stocks have contributed to performance since acquisition. Indeed, Qualcomm has done so well that the manager felt that further near-term upside was limited and decided to take profits and close the position. Lofthouse also opened positions in two German companies, Infineon, which produces semiconductors, and Siemens, a global leader in software solutions that are supporting businesses in their transition to automation and digitalisation.

The manager has also responded to opportunities that have emerged in other areas, including American Tower, a US REIT. HINT has avoided REITs for some years as he believed they were too expensive. However, the rapid rise in interest rates in 2022 and 2023 eroded the valuations of their portfolio assets, creating potential investment opportunities which have become even more interesting now that rates are declining, as this will lift property valuations.

Lofthouse has also added some Japanese financial names, including taking some opportunities created by the sharp sell-off in the Japanese market in August 2024. Japanese companies have been increasing their dividend payments as part of a broader, government-driven push to improve corporate governance practices. Japanese banks have been leading the way in lifting shareholder returns in this way, and they should also benefit as Japanese interest rates normalise, after a protracted period spent hovering around zero.

Exhibit 2: Balancing income and caital growth dynamics - Portfolio composition by yield

Capital appreciation (0% yield)	Income and growth (1–2 % yield)	Income engine	
		2–4%	>4%
		42%	
		Lenovo Group	
		Pernod Ricard	
		Sanofi	
		Iberdrola	32%
		Nestle	Bff Bank
		Novartis	Astra
		Cisco Systems	Swire Properties
		Medtronic	Telus Corp
		Pepsico	Hyundai Motor
		Anta Sports Products	Verizon Communications
		Deutsche Telekom	Enel
		Johnson & Johnson	Amundi
	18%	Macquarie	Tele2
	Tokyo Electron	Hon Hai Precision Industry	OCBC
	Infosys	Dai-Ichi Life Holdings	Axa
	Qualcomm	American Tower	Daimler Truck
	Samsung Electronics	Siemens	Swiss
	Travelers Cos	Coca-Cola	Totalenergies
8%	Te Connectivity	Merck & Co	Bank Mandiri Persero
Goodman	Taiwan Semiconductor	Air Products & Chemicals	Upm-Kymmene
Microsoft Corp	Hdfc Bank	Home Depot	Bristol-Myers Squibb
Nari Technology	Oracle Corp	Resona Holdings	Midea Group
Sony Group	Nvent Electric	CME Group	Samsung Fire & Marine Ins
Aptiv	Infineon Technologies	Honeywell International	Arkema
Pilbara Minerals	Novo Nordisk	Richemont	Samsonite

Source: Janus Henderson Investors

Exhibit 2 illustrates the gradual nature of these portfolio adjustments and the way in which the manager has maintained a balance between growth and income. At end August 2024, 74% of the portfolio was still dedicated to income-generating stocks, down from 79% in February 2024, while 18% of holdings represented a mix of income and growth, up from 13% previously. Only 8% of holdings were zero-yielding stocks held solely for their strong capital appreciation potential. This weighting has not changed between February and August.

Greater flexibility expected to improve performance

HINT's board and manager are confident the increased flexibility bestowed by the strategy enhancement will help improve the company's total return. Indeed, there are signs this may already be underway, as HINT's performance has improved in absolute returns over the past year (see Performance section for details). The portfolio's exposure to structural growth in areas such as technology, energy infrastructure, electrification and renewables should support performance over the longer term. In the manager's view, generative AI has not only 'turbo-charged' demand for tech solutions and data centres, as mentioned above, but also for related infrastructure to connect and run them, the energy to power them and air conditioning systems to cool them. In addition to the recent purchases of tech stocks discussed above, the portfolio has exposure to these developments via a selection of other holdings across various sectors. Microsoft, HINT's largest holding, is one of world's major cloud operators, offering businesses an AI-driven range of software to enhance productivity. Lofthouse believes the company has 'decades of growth ahead'. Other key holdings with exposure to the tech revolution include Taiwanese chipmaker TSMC, consumer electronics giants Sony and Samsung, nVent Electrics, a supplier of electrical connections and electricity and gas suppliers Enel and Iberdrola. These latter three businesses will also benefit from the inexorable move to electrification as countries transition to renewable energy sources.

Looking ahead to possible future changes in portfolio structure, Lofthouse expects exposure to US to rise further. While some areas of the US market are presently very expensive, other areas look very cheap in his view. In addition, he believes the economic policies of the incoming US president are all aimed at attracting investment into the US, to re-build its manufacturing sector and shorten supply chains and if successful, these efforts will support growth across the US economy. Recent developments in China are also on Lofthouse's radar. If the Chinese authorities' latest measures to stimulate domestic demand prove effective, the range of potentially attractive opportunities on offer in this market will expand considerably.

Progressive dividend policy is still the key focus

The enhancement to HINT's strategy have not altered the company's commitment to providing shareholders with a growing total annual dividend, diversified across sectors and regions. Indeed, as mentioned above, consultations with shareholders during the strategic review reinforced to the board that HINT's dividend policy remains a key attraction for shareholders.

Total dividends paid in respect of the financial year ended 31 August 2024 (FY24) amounted to 7.71p per share (FY23: 7.47p), a rise of 3.2% over the year. With respect to FY25, if dividends follow their established pattern, the first three dividend payments will each be 1.95p, the same as the final quarterly dividend for FY24. If the fourth dividend for FY25, to be paid in November 2025, follows the example of recent years, it is likely to be at least a little higher than the first three quarterly dividends, which implies a total dividend for FY25 of at least 7.81p, a 1.3% increase on FY24 (see chart above). This represents a prospective yield of 4.6% based on the current share price – the highest yield amongst its peers.

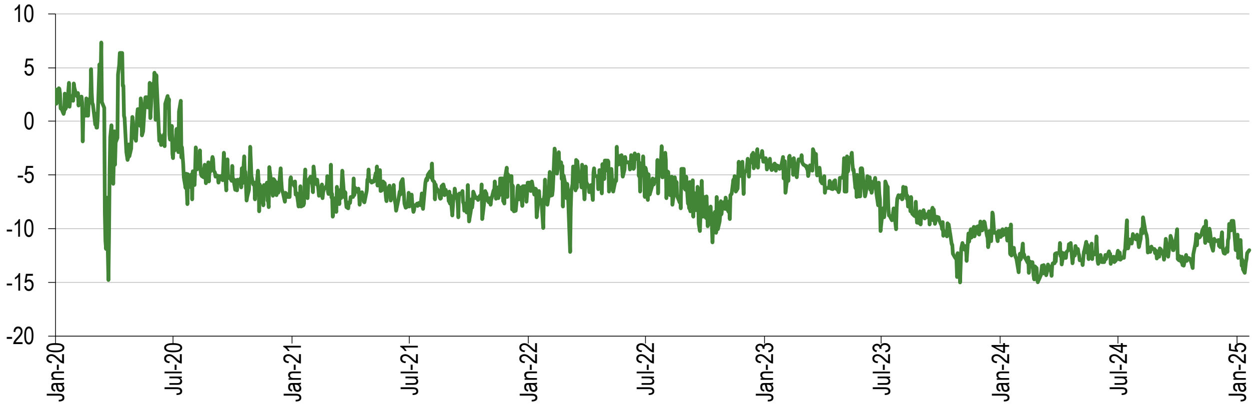
FY24 revenues were £13.2m, 7.5% lower than the previous year, in part due to a decline in special dividend payments, which were one-off catch-up payments once the uncertainties generated by the pandemic dissipated. The managers' decisions, consistent with the past year's strategic enhancement, to pursue more opportunities in lower yielding areas of the market, with greater capital upside potential, also resulted in a decline in portfolio income, as is to be expected given the driver of the change. Portfolio revenues covered 87% of the FY24 dividend – £1.9m was drawn down from reserves. This compares to FY23, when the dividend was fully covered. However, the board's more flexible approach to the use of reserves means that Lofthouse is not aiming to cover all dividends in the short term, as the trust's reserves are more than sufficient to supplement dividends if required. Distributable reserves stood at £97.6m at end FY24. This represents more than 7x dividend cover for FY24 as a whole – a substantial cushion to support continued dividend growth, which affords the manager greater flexibility to capitalise on opportunities amongst lower-yielding stocks.

Despite the decline in portfolio revenues over FY24, Lofthouse is positive on the outlook for underlying dividend growth from portfolio companies. Dividend growth is exceeding expectations, especially in Japan and South Korea. For example, portfolio companies such as Hyundai, Samsung Fire and Marine Insurance, Dai-ichi Life and Sony all increased their dividends by over 10% during the year. The manager also observes that while the tech sector is not known for paying dividends, it is in fact now the sector seeing fastest dividend growth, and this is reflected in the portfolio's holdings. For instance, Microsoft has been growing its dividend for many years and the 10% increase in its dividend this year reflects the company's confidence in its future earnings growth.

Discount remains above historical levels

The discount at which HINT's shares trade relative to its NAV has remained relatively stable, trading in a range around 12% in recent months – well above its long-term average of around 6% over five years and 2.5% over the past 10 years. HINT's board does not have a specific share buyback policy to support the share price, and it has not undertaken any share repurchases in recent years, as it believes its ability to influence the discount beyond the short term is very limited. However, the board believes it is sensible to maintain flexibility on this matter and has stated that, subject to market conditions, it will consider appropriate action if the discount moves out of line with the company's peer group. Regardless of this policy, we see scope for HINT's discount to narrow further as interest rates continue to fall or if HINT's performance and/or investor sentiment towards investment companies continue to improve.

Exhibit 3: Share price discount to NAV (including income) over one year (%)



Source: LSEG & Analytics, Edison Investment Research

Performance

In the 12 months to end December 2024, HINT delivered an absolute return of 5.1% in both NAV and share price terms. This result is notably better than the previous year, when the NAV rose by 2.8% (see Exhibit 4), although performance lagged the benchmark return of 10.2% during the past year, due to the ongoing underperformance of the value stocks preferred by the managers. Nonetheless, HINT has met the company's goal of delivering capital appreciation over the long term. The company has realised an average annualised return of 8.1% per year in NAV terms in the 10 years ended 31 December 2024, albeit somewhat below the average benchmark return of 9.3%. Its share price rose by an average 6.9% per year over the same period.

Stock selection was the main detractor from relative performance over FY24. Overweights to Air Products and Chemicals, a US producer of specialist chemicals and US pharma Bristol-Myers Squibb were two of the most significant detractors. These two names are undergoing transformations, increasing investments to maintain their competitive positions and accelerate future earnings growth, but the market is not giving these companies credit for their improving earnings growth. For example, Air Products is investing heavily in low cardon hydrogen projects, but these projects will take several years to complete, and the market is unwilling to give the company credit until the associated increase in demand for these so-called green and blue hydrogen technologies is clear. Bristol-Myers, along with Swiss pharmaceutical company Roche, has also hurt by disappointing drug trial data. The managers continue to hold Bristol-Myers due to its positive medium-term earnings prospects, but Roche has been sold.

Exhibit 4: Five-year discrete performance data

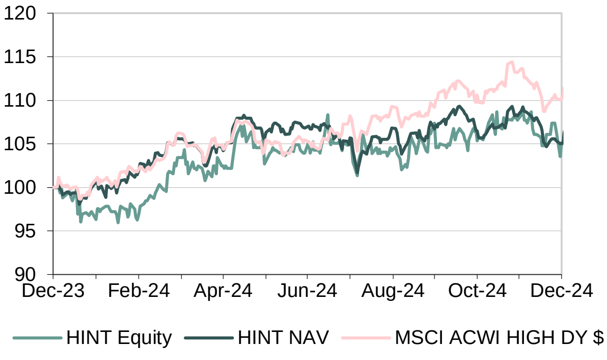
12 months ending	Total share price return (%)	Total NAV return (%)	MSCI ACWI HIGH DY $ (%)	MSCI World ex-UK (%)	CBOE UK All Companies (%)	MSCI World (%)
31/12/20	(8.1)	0.2	(0.5)	14.5	(10.9)	12.9
31/12/21	18.4	18.2	16.3	20.2	18.4	23.5
31/12/22	6.4	4.0	5.0	(8.2)	1.6	(7.4)
31/12/23	(3.8)	2.8	4.1	16.2	7.6	17.4
31/12/24	5.1	5.1	10.2	20.5	9.9	21.3

Source: Source: LSEG Data & Analytics. Note: All % on a total return basis in pounds sterling

The adverse performance impact of these holdings was partially offset by positive contributors from overweights to major IT performers TSMC, and Microsoft, along with an overweight to the Swedish telecommunications company Tele2. Decisions not to hold US oil and gas producer Chevron and Pfizer, the US drug manufacturer, also enhance returns. Chevron was hurt by volatile oil prices and concerns about weakening demand, while investors are worried about Pfizer's drug pipeline and its failure to devise an anti-obesity treatment capable of competing with those of Novo Nordisk and Eli Lily.

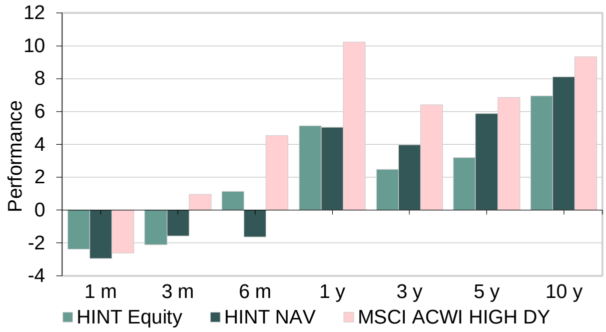
At the regional level, all regions generated positive returns in FY24, although these stock-specific factors were a drag on the performance of the US portfolio, which returned 7.1% over the period. Lofthouse notes the turnaround in the performance of the Asia Pacific (ex-Japan) portfolio since exposure was changed early in the financial year, to gain exposure to structural growth and reduce exposure to the domestic Chinese economy. Returns from the region improved from 3.9% in the HY24 to 13.9% by year-end. European returns of a similar magnitude came from a broad range of sectors and stocks. The Japanese portfolio did even better, returning 20.3%, thanks mainly to the improvement in dividend payouts in that market.

Exhibit 5: Price, NAV and index total return performance



Source: LSEG Data & Analytics, Edison Investment Research. Note: Performance to 31 December 2024, one-year rebased

Exhibit 6: Price, NAV and index TR perfromance (%)



Source: LSEG Data & Analytics, Edison Investment Research. Note: Performance to 31 December 2024. Three-, five- and 10-year performance figures annualised

For UK investors, it is worth noting that HINT continues to outperform the UK market on an NAV basis on both a five- and 10-year basis (Exhibit 7). So, in addition to diversifying their income sources away from the highly concentrated UK market, HINT's shareholders have also enjoyed superior total returns by investing abroad.

Exhibit 7: Share price and NAV total return performance, relative to indices (%)

	1 month	3 months	6 months	1 year	3 years	5 years	10 years
Price relative to MSCI ACWI HIGH DY	0.2	(3.1)	(3.3)	(4.6)	(10.7)	(16.0)	(19.9)
NAV relative to MSCI ACWI HIGH DY	(0.3)	(2.5)	(5.9)	(4.7)	(6.8)	(4.5)	(10.7)
Price relative to MSCI World ex-UK	(1.5)	(8.0)	(5.4)	(12.8)	(16.3)	(33.9)	(40.0)
NAV relative to MSCI World ex-UK	(2.1)	(7.5)	(8.0)	(12.8)	(12.6)	(24.8)	(33.2)
Price relative to CBOE UK All Companies	(0.9)	(1.8)	(1.2)	(4.3)	(10.5)	(7.7)	7.0
NAV relative to CBOE UK All Companies	(1.5)	(1.3)	(3.9)	(4.4)	(6.5)	4.9	19.3
Price relative to MSCI World	(1.3)	(8.5)	(5.8)	(13.4)	(18.4)	(36.3)	(42.3)
NAV relative to MSCI World	(1.8)	(8.0)	(8.4)	(13.4)	(14.8)	(27.6)	(35.6)

Source: LSEG Data & Analytics, Edison Investment Research. Note: Data to 31 December 2024. Geometric calculation.

Peer comparison

Like HINT, some of its peers, such as Scottish American (SAIN) and Murray International Income (MYI), have significant structural underweights to the US, but most lack HINT's focus on capital growth, as well as income. STS Global Income and Growth Trust has a larger allocation to the US, but its main focus is on income and capital preservation. HINT is also distinguished from its global equity income peers by the focused nature of its strategy, which totally excludes stocks from the UK and usually excludes bond investments. HINT is further differentiated from its peers by the fact that it offers a combination of a higher yield with a progressive dividend policy, as discussed above. Its dividend yield is currently the highest among its AIC global equity income peers.

HINT's longstanding underweights to the US and to technology, combined with its value and income tilts, account for its underperformance of its peers over the time periods set out in Exhibit 8, as US growth stocks, especially those with exposure to the AI revolution, have dominated indices and outperformed other markets for several years. However, HINT's recent portfolio enhancements have increased exposure to stocks with greater capital growth potential, including in the US and in technology names, and these may lift HINT's performance and peer rankings.

Exhibit 8: AIC Global Equity Income sector (at 15 January 2025)

Group/Investment	Latest Market Capitalisation	1 year NAV TR (Cumulative)	3 year NAV TR (Cumulative)	5 year NAV TR (Cumulative)	10 year NAV TR (Cumulative)	Latest Ongoing Charge Ex Perf Fee	Performance Fee	Latest Discount (Cum Fair)	Latest Net Gearing (Ex Par)	Income Only Yield (Price) - UK
Henderson International Income Ord	327	10.1	15.1	38.8	120.7	0.78	No	(10.3)	104	4.6
Invesco Global Equity Income Trust ord	188	20.7	40.6	82.0	196.6	1.13	No	(10.8)	101	4.2
JPMorgan Global Growth & Income Ord	2,940	24.4	44.1	111.5	260.8	0.42	No	1.3	100	3.9
Murray International Ord	1,544	11.7	31.3	50.2	112.8	0.54	No	(8.4)	107	4.5
Scottish American Ord	896	9.4	16.7	64.0	208.8	0.58	No	(10.1)	109	2.8
STS Global Income & Growth Trust Ord	294	10.9	12.9	35.6	116.1	0.96	No	(0.1)	105	2.9
Simple average	**1,032**	**14.5**	**26.8**	**63.7**	**169.3**	**0.74**		**(6.4)**	**104**	**3.8**
Rank	4	5	5	5	4	3		5	4	1

Source: Morningstar, Edison Investment Research. Note: Performance to 31 December 2024, based on cum-fair NAV. TR, total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

Current portfolio positioning

Given the general portfolio shift towards growth over 2024 and the opportunities the manager has seized amongst tech names, it is not surprising that the most significant increase in portfolio exposure over this period has been to technology stocks (Exhibit 9). The second-largest increase has been in financials, due in large part to the appeal of Japanese banks now that they are paying larger dividends and Japanese interest rates are set to normalise.

Exhibit 9: Portfolio sector exposure (% unless stated)

ICB Industry	Portfolio weight 31 December 2024	Portfolio weight 31 December 2023	Change
Financials	21.8	17.3	4.6
Technology	17.4	11.6	5.8
Healthcare	12.7	17.8	-5.1
Industrials	10.8	10.5	0.3
Consumer discretionary	10.2	8.4	1.8
Telecommunications	8.4	9.2	-0.8
Consumer staples	7.4	9.6	-2.2
Basic materials	4.2	4.5	-0.3
Utilities	4.1	3.3	0.8
Real Estate	3.0	3.9	-0.9
Energy	0.0	4.0	-4.0
Total incl. cash	**100.0**	**100.0**	

Source: Henderson International Income Trust, Edison Investment Research

The acquisitions made over the past year have been funded by reductions in exposure to sectors and stocks with less upside potential. The most notable reductions in exposure are to healthcare, in part due to the sale of Swiss pharma company Roche, energy and consumer staples, where the manager sold US confectioner Mondelez and Ambev, a Brazilian drinks company. Lofthouse views both these as 'good companies', but their growth prospects lag those of their peers.

At a regional level, the US remains by far HINT's largest position. Exposure has risen this year, and the manager expects it to increase further, as discussed above (Exhibit 10). The other notable increase in regional exposure is to Japan, due to the improvement to shareholder returns in that market, and to Taiwan, due to the growth potential of its tech names. Following the manager's decision to reduce exposure to China in late 2023 and early 2024, exposure has remained almost unchanged over the past year, although exposure to Hong Kong has increased in recent months. The Asian portfolio retains its exposure to structural global growth in areas such as tech innovation via holdings like China's Nari Technology and India's Infosys Technologies.

The portfolio had a net gearing position of zero at end December 2024, from a net gearing position of 5% at end FY24, which gives the manager scope to add to potentially interesting, well priced opportunities, as they emerge.

Exhibit 10: Portfolio geographic exposure (% unless stated)

Country/Region	Portfolio weight 31 December 2024	Portfolio weight 31 December 2023	Change
United States	43.8	37.4	6.4
Japan	6.9	2.7	4.2
Switzerland	6.9	12.2	-5.3
Germany	6.9	4.2	2.7
France	5.0	10.0	-5.0
Taiwan	4.0	N/A	N/A
Finland	3.6	N/A	N/A
South Korea	3.3	3.7	-0.4
India	3.0	N/A	N/A
Italy	2.9	N/A	N/A
Other	13.7	N/A	N/A
Total incl. cash	**100.0**	**100.0**	

Source: Henderson International Income Trust, Edison Investment Research. Note: *N/A where not in end December 2023 top 10 country exposures.

Exhibit 11: Top 10 holdings

Company	Country	Industry	Portfolio weight 31-Dec-24	Portfolio weight 31-Dec-23
Microsoft	US	Technology	4.7	4.4
Home Depot	US	Consumer discretionary	3.0	2.6
TSCM	Taiwan	Semiconductors	2.9	N/A
Sony Group	Japan	Consumer electronics	2.9	N/A
CME Group	US	Stock exchanges	2.7	N/A
nVent Electric	UK	Electrical equipment	2.7	3.0
Coca-Cola	US	Beverages	2.6	2.4
Nordea Bank	Finland	Banking	2.5	2.6
Honeywell International	US	Industrial	2.3	N/A
American Tower	US	Speciality REIT	2.2	N/A
Top 10 (% of holdings)			**28.5**	**29.7**

Source: Henderson International Income Trust, Edison Investment Research. Note: * N/A where not in end-December 2023 top 10.

Fund profile: A unique focus on non-UK equity income

HINT was launched more than 13 years ago, in April 2011. Its objective is to provide a high and rising level of income, as well as capital appreciation over the long term, from a focused and internationally diversified portfolio of non-UK securities. The trust is specifically designed as a complementary fund for UK income-driven investors wishing to diversify their portfolios outside the UK. It is the only trust in the Association of Investment Companies' (AIC's) Global Equity Income sector to invest solely in companies listed or operating mainly in countries outside the UK. This approach is intended to give investors real stock-specific diversification, while also taking advantage of the fact that global equity dividends are much less concentrated than dividends from the top-paying UK companies.

Portfolio manager, Ben Lofthouse has managed the trust since inception. Faizan Baig was recently appointed deputy fund manager, having already worked closely with Lofthouse. Baig has 17 years' industry experience and has particular expertise in technology and industrials.

The managers adopt a bottom-up, value-driven, income-seeking approach to build a portfolio of around 50–80 stocks, diversified by geographical region and industry sector. HINT principally invests in developed companies in North America, Europe and Asia and its strategy uses Janus Henderson's broad and deep regional market expertise. The trust is limited to investing a maximum 50% of portfolio value in any one region, to ensure global diversification. The mandate is flexible, but targets companies with attractive valuations, strong balance sheet fundamentals and high barriers to entry, that can pay a dividend yield of more than 2% and have growth potential. The trust also has the capacity to invest up to 25% in fixed income assets.

Until April 2022, HINT was benchmarked against the MSCI World ex-UK Index, although it produces a significantly higher yield than this benchmark. Effective from April 2022, HINT adopted the MSCI ACWI (ex UK) High Dividend Yield Index as its new benchmark to provide investors with a more appropriate benchmark by which to measure the trust's income objective and relative performance.

The trust informally targets a yield close to that of the UK stock market, although its prospective yield of 4.6% is above that of the broad UK stock market index (3.6% at 6 December 2024). The trust has scope to use option writing to enhance income, which it does sparingly. Currency exposure may be hedged.

Capital structure and fees

HINT is structured as an investment trust with one class of share. It had 196.0m shares in issue at 6 December 2024. The board has not issued or repurchased any shares since FY20, when it issued 8.4m shares in response to investor demand.

Gearing is permitted up to 25% of net assets. In April 2019 HINT issued €30m of 25-year loan notes (due in 2044), with a coupon of 2.43%, which the board believes provides low-cost debt financing that has helped insulate shareholders from rising interest rates over recent years. The trust also has scope to use derivatives as a further means of increasing market exposure. However, at end October 2024, the company held net cash of £3m, down from a net gearing position of 5.0% at end August 2024.

HINT has no performance fee. Effective from 1 September 2022, Janus Henderson has agreed to a reduction in its annual management fee to a single rate of 0.575% from a tiered structure of 0.65% on net assets up to £250m, falling to 0.60% above this level. The increasing size of the trust, combined with management fee reductions, has seen the trust's ongoing charge decline from 1.38% (end August 2012) to 0.77% end August 2024. This was up slightly from 0.72% in FY23, due to an increase in administration costs for the year. The spend on marketing and advertising increased and total directors' fees were higher in FY24, as there was a period in the previous year when there were only four directors on the board.

The board

Exhibit 12: HINT's board of directors

Board member	Date of appointment	Remuneration FY25	Shareholdings at end-FY24
Richard Hills (chairman)	25-Apr-16	48,500	39,604
Jo Parfrey (audit committee chair)	01-Jan-21	38,500	37,500
Lucy Walker (senior independent director)	01-Sep-20	33,500	12,307
Aidan Lisser	25-Apr-16	30,500	26,148
Mai Fenton	01-Jun-23	30,500	6,262

Source: Henderson International Income Trust

Lucy Walker has indicated that due to the increasing demands of her other business commitments, she will retire from the board at the AGM scheduled for 10 December 2024. On her retirement, Jo Parfrey will become the senior independent director.

The chairman, Richard Hills and Aidan Lisser, will both reach nine years of service in 2025. To provide an orderly succession, it is proposed that Aidan Lisser will retire after the publication of the company's half year results, due in April 2025, and the chairman will retire at the conclusion of the 2025 AGM, next December.

The board considers that five directors remain the optimal number for the company and a search has been initiated to recruit three new directors, with recruitment to be staggered over the next 12–18 months. The intention is to allow each new board member a settlement period before the next appointment and to provide the opportunity to consider the desired background and experience of the next director, to ensure the board remains balanced, with an appropriate spread of skills and experience.

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United Kingdom

United States

London | New York | Frankfurt
20 Red Lion Street
London, WC1R 4PS
United Kingdom