

# **HENDERSON FAR EAST INCOME LIMITED**

**Report for the half-year ended  
29 February 2020**  
*(unaudited)*

**HENDERSON FAR EAST INCOME LIMITED****Unaudited results for the half-year ended 29 February 2020****Investment Objective**

The Company seeks to provide shareholders with a growing total annual dividend per share, as well as capital appreciation from a diversified portfolio of investments from the Asia Pacific region.

**Performance highlights for the six months to 29 February 2020**

- Net Asset Value (NAV) per share total return was -8.0% compared to a total return of the FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) of -1.2% and MSCI AC Asia Pacific ex Japan High Dividend Yield Index (sterling adjusted) of -5.4%
- Share price total return was -11.4%
- Shares trading at a discount of 3.0% at the period end
- Share issuance in the period totalling 7,630,000 shares raising £27.4m
- Two quarterly dividends paid during the period amounting to 11.4p, a 3.6% increase on the same period in the prior year

**Financial Highlights**

	At 29 February 2020	At 31 August 2019
<b>NAV per ordinary share<sup>1</sup></b>	<b>319.60p</b>	358.99p
<b>Share price</b>	<b>310.00p</b>	361.00p
<b>Net assets</b>	<b>£442,035,000</b>	£469,121,000
<b>(Discount)/Premium<sup>2</sup></b>	<b>(3.0%)</b>	0.6%
<b>Dividend yield</b>	<b>7.3%<sup>3</sup></b>	6.2% <sup>4</sup>

**Total return performance** (including dividends reinvested and excluding transaction costs)

	6 months %	1 year %	3 years %	5 years %	10 years %
NAV <sup>5</sup>	-8.0	1.4	9.1	32.4	96.1
Share price <sup>6</sup>	-11.4	-3.8	5.5	25.6	81.4
AIC sector average <sup>7</sup>	-4.9	2.0	14.1	43.4	134.9
FTSE All-World Asia Pacific ex Japan Index	-1.2	4.3	13.8	45.1	109.6
MSCI AC Pacific ex Japan High Dividend Yield Index	-5.4	-1.2	4.7	27.2	100.2

The Company does not have a formal benchmark. It uses the FTSE All-World Asia Pacific ex Japan and MSCI AC Asia Pacific ex Japan High Dividend Yield indices (sterling adjusted with dividends reinvested) for reference purposes only.

1. NAV per ordinary share is the value of the Company's assets less liabilities divided by the number of shares in issue
2. The amount by which the market price per share is higher (premium) or lower (discount) than the NAV per ordinary share
3. Dividend yield based on a share price of 310.00p and dividends for the twelve months to 29 February 2020 totalling 22.6p per ordinary share
4. Dividend yield based on a share price of 361.00p and dividends for the twelve months to 31 August 2020 totalling 22.4p per ordinary share
5. NAV total return (including dividends reinvested and excluding transaction costs)
6. Share price total return (including dividends reinvested)
7. The AIC sector is the Asia Pacific Income Sector

Sources: Morningstar for the AIC, Refinitiv Datastream

# INTERIM MANAGEMENT REPORT

## CHAIRMAN'S STATEMENT

### Performance

In these unprecedented times your Company has had an interesting start to the current financial year. Before the coronavirus hit, share issuance at a premium to net asset value had been at an all-time high. However, the discount slid out to 8.6% in March as coronavirus took hold and moved from an Asian to a global pandemic. At the share price low, the yield on the shares climbed to 9.2% on a rolling twelve month basis.

The NAV total return performance for the six months to 29 February 2020 was negative 8.0%, with the FTSE All-World Asia Pacific ex Japan Index negative 1.2% and the MSCI AC Asia Pacific ex Japan High Dividend Yield Index negative 5.4%.

### Dividends

The Company continues to pay four quarterly dividends in each financial year. The Board has declared a second interim dividend for the year ending 31 August 2020 of 5.70p per ordinary share. This brings the dividend payments in the financial year-to-date to 11.40p per ordinary share, an increase of 3.6% on the dividends paid in the same period last year.

The second interim dividend will be paid on 29 May 2020 to shareholders on the register on 1 May 2020. The shares will trade ex-dividend on 30 April 2020.

### Share issues

Once again, the strong demand for the Company's shares has led to the issue of 7,630,000 shares in the six months to 29 February 2020. This has raised a total of £27,386,000 for further investment.

As ever, all shares have been issued at a premium to net asset value.

### Outlook

We are experiencing the most severe economic shock in living memory. The most recent forecast from the IMF suggests global growth in 2020 will be minus 3%, signalling the worst recession since the Great Depression.

As expected, stock markets have fallen but the speed of the fall has been truly frightening. We have not seen anything like this since October 1987 ('Black Monday') when markets in both the US and UK fell 23% in the first two days while Australia, one of the worst affected markets, fell 40%. By comparison in 2008 the S&P 500 fell 30% but over a twelve month period. This time it took just one month. Is it any wonder investors have succumbed to blind panic?

In 1987 markets were recovering in a sustained way by November - just one month later. Usually markets recover more slowly and with higher volatility. What can we reasonably expect this time?

The current decline in economic activity is not the result of a collapse in demand but an intentional business shutdown and a collapse in supply. Companies today are much healthier than in the global financial crisis of 2008/9 with strong balance sheets and robust businesses. While unfortunately some companies in the worst affected areas; travel, pubs, entertainment, will not survive, the bulk of the business establishment is ready to restart when given the go ahead. Things could get worse but environments of real panic, of the sort we are currently witnessing, can often create real opportunities for disciplined long-term investors.

Monetary easing and rapid fiscal expansion is now happening almost everywhere as central banks improve liquidity and limit the damage. Interest rates have fallen to a level causing real problems for insurance companies and pension funds trying to match returns with their guarantees to policy holders and pensioners. The hunt for dividends is on again and this is encouraging news for our shareholders invested in an Asia Pacific equity income fund.

Over the decade to December 2019, 56% of total equity return in Asia Pacific came from dividends and this is our investment focus. This may seem counter intuitive as many investors rightly perceive Asia as a region of high growth, rising middle class, high consumption growth rates and a vibrant tech sector. Why, they ask, in this environment should investors seek companies paying out high dividends which they also equate with low growth? In reality, companies paying out high dividends are often growth companies whose management teams are confident in the outlook for their company and their ability to sustain the dividend going forward and respond accordingly.

As a guide to the outlook for Asian dividends the experience of 2008 is useful. As the money dried up and the whole financial system went into lockdown companies in the MSCI Asia Pacific ex Japan Index responded accordingly - while 45% of companies cut their dividend, 32% increased the dividend and 23% stayed the same.

Your Board knows very well the expectations of our shareholders and their priorities. Dividends are of paramount importance and this will guide us through these difficult times. The report from Mike Kerley and Sat Duhra sets out the strategy. We have been adding to our revenue reserve every year since we moved to Jersey in 2007. This is revenue we

have not paid out to shareholders but held back to smooth out dividends in extraordinary times. These are extraordinary times and your Board is ready to draw on these reserves to help meet our dividend objectives if necessary.

As we go through the crisis we can expect enhanced volatility and perhaps further instances of panic. However, in a world of ultra low interest rates the case for equity income investment remains strong and Asia Pacific provides opportunity.

**John Russell**  
**Chairman**

## FUND MANAGER'S REPORT

### Overview

The weakness in Asia markets over the six month reporting period was fairly modest and in fact was positive in local currency terms as the strength of sterling reversed gains for UK based investors. The end of February, however, only marked the start of a period of volatility which is unprecedented in our history and as a result this commentary will include an unusual amount of content covering developments after the period end.

Although the six months to the end of February was a volatile period for markets with US - China trade negotiations and political posturing filling most headlines the trend was generally positive. The thawing of relations between the US and China, culminating in the signing of a phase one trade agreement in January, helped markets post healthy gains between the end of August and the middle of January. The first case of Covid-19 was officially reported in December 2019 in Wuhan, China with the gravity of the situation acknowledged when the city and the province of Hubei was locked down on 21 January, while the World Health Organisation categorised the outbreak a 'public health emergency of international concern' on 30 January. Although the initial weakness in markets was confined primarily to China and less so to the rest of Asia, the voracious spread of the virus to every corner of the globe has had a significant impact on equity and bond markets globally. At the time of writing equity markets have fallen at a faster rate than during the global financial crisis while volatility has reached unprecedented levels. Ironically the best performing market in 2020 is China, which witnessed a peak of new virus cases in the middle of March and is now slowly lifting some of the draconian lockdown measures allowing manufacturing and industrial activity to begin to return to a degree of normality. Other Asian countries are beginning to show tentative signs that the worst is now behind them but in the case of Korea and Taiwan the lack of global demand is impacting the recovery of these export orientated economies. From the end of February 2020, Asian markets<sup>1</sup> fell almost 25% in sterling terms reflecting the significant damage inflicted on economic activity and investor confidence by the Covid-19 virus. Markets have rallied subsequently, but at the date of publication are still down 9.8% since the end of the reporting period.

In response to the economic shock caused by the virus, central banks and governments globally have responded with interest rate cuts and fiscal stimuli designed to alleviate the impact. These measures have been replicated in Asia with interest rate cuts in most of the major economies while packages of support have been initiated by governments to shore up domestic manufacturing and services and alleviate worker distress.

The impact on corporate earnings will be significant and although a consensus of analysts is still expecting Asian earnings to grow in 2020 this forecast is constantly being revised lower. The outlook for dividends is expected to be more resilient. Asian corporates are in a much healthier state than they were in 2008. Balance sheets are strong, cash flow generation is high, debt is low and the large gap between earnings per share and dividend per share allows some flexibility with dividends if/when earnings come under pressure. In addition, some markets in Asia – China, Korea, Taiwan - only pay dividends once a year based on the previous year's profitability. What this effectively means is that the results and dividends which are being announced now are based on results for the year ending December 2019, before the virus had any significant impact. As these three markets account for over 45% of the portfolio we are reasonably confident of receiving a large portion of this financial year's revenue from dividends. In 2008, 45% of Asian companies cut dividends so there will inevitably be a number of disappointments but the analysis we have undertaken on the companies we own in the portfolio gives us confidence that their dividends are comfortably affordable. It is also fair to say that dividend growth will be more difficult to come by and that the windfall of special dividends that we have enjoyed in previous years will be less prevalent.

### Performance

For the six months to the end of February, Asia Pacific markets fell 1.2% in sterling terms as measured by the FTSE All-World Asia Pacific ex Japan Total Return Index. The MSCI Asia Pacific ex Japan High Yield Total Return Index fell 5.4% – a reflection of the fact that dividend yield as a theme did not perform well over the period. The performance of your Company reflected this trend with the NAV total return declining 8.1% in sterling terms, some way behind the two previously mentioned indices and reversing some of the outperformance over the previous twelve month period. Clearly companies with higher dividend yields in sectors such as telecoms, property and materials were disappointing but the strong performance of high valued growth stocks in areas such as the internet, healthcare and consumption, where the portfolio has minimal exposure, was detrimental on a relative basis. There were positive contributions from our technology hardware companies in Taiwan and Korea and strong performance from property, construction and cement companies in China, but these were not enough to offset the trends mentioned earlier. More recently the indiscriminate nature of some of the sell offs has seen your Company drop to a discount to net asset value. Performance has also proved less resilient than we would have expected as the sell-off has been as much about liquidity and positioning than it has about fundamentals.

### Revenue

The income from dividends fell 1.8% over the same period last year while other income fell 7%. Overall income fell 2.4% and is a reflection of the strength of sterling over the period, fewer special dividends and a few companies moving their dividend payment dates from February to March and so will be captured in the Company's second half of the financial year.

As usual, two thirds of the Company's annual revenue will be derived in the Company's second half and although times are challenging we are confident of the abilities of the companies we own to pay the dividends we expect in the months ahead.

Over the period we wrote three options and received premiums of £1,068,000. As volatility increases the revenue we can derive from writing options is appealing, but we are using this strategy cautiously to ensure we generate additional income without putting capital at risk.

### **Strategy**

Over the period we continued our strategy of focusing on domestic orientated companies with sustainable or growing dividends. We have increased our weighting in China, which even before the virus outbreak, we believed would be well positioned for 2020. Stocks added to the portfolio were China broker CITIC Securities and tissue, sanitary napkin and diaper manufacturer, Hengan International and China Mobile. With the peak in new virus cases behind us we have also added China Railway Construction after the period end as we feel the fiscal response in China will be focused on infrastructure.

For most of the last twelve months we have been reducing our exposure to banks. This trend has accelerated in recent months as the aggressive cuts in interest rates to combat Covid-19 are negative for bank profitability. There is also a strong chance that governments will push for a degree of national service involving an extension or increase of credit lines which may not be in the banks or shareholders best interests. We have sold positions in KB Financial in Korea, United Overseas Bank in Singapore and E.Sun Financial in Taiwan on this theme.

It is difficult to predict how long the impact from the virus will last but there are some things we are pretty convinced about. First and foremost, interest rates will go lower and remain low for some considerable time. With ageing populations and interest rates at record lows the demand for income will remain considerable while the attractiveness of equities looks increasingly appealing compared to bonds and cash. For this reason, we have been adding exposure to telecommunication companies and property REITS where valuations are increasingly attractive and yields both high and sustainable. We have added Telstra in Australia, China Mobile and Mapletree Industrial REIT on this theme.

### **Outlook**

We are positive on the outlook for Asia in the years ahead but fully expect volatility to continue in the short term. Although the virus appears to be past the worst in Asia, the rest of the world and especially the US are still in the escalation phase which will ensure things get worse before they get better.

Economic growth and corporate profitability will be materially impacted but the quick response by both governments and central banks reduces the risk of a relatively short period of disruption leading to something more systemic. The trend however is negative as earnings are continually being downgraded with corporate guidance being withdrawn as senior management grapple with the impact of a once in a generation event.

With this volatility comes opportunity as indiscriminate sell downs lead to good companies being mis-priced. The portfolio is currently in a small positive cash position and is well placed to add to these opportunities as they become available.

### **Mike Kerley and Sat Duhra Fund Managers**

1. Based on the FTSE All-World Asia Pacific ex Japan Total Return Index

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks and uncertainties associated with the Company's business can be divided into the following main areas:

- Investment and strategy
- Accounting, legal and regulatory
- Operational
- Financial

Information on these risks and how they are managed is given in the annual report for the year ended 31 August 2019. In the view of the Board these principal risks and uncertainties are as applicable to the remaining six months of the financial year as they were to the six months under review.

## **RELATED PARTY TRANSACTIONS**

The Company's current related parties are its directors and Janus Henderson. There have been no material transactions between the Company and its directors during the period and the only amounts paid to them were in respect of expenses and remuneration for which there were no outstanding amounts payable at the period end.

In relation to the provision of services by Janus Henderson, other than fees payable by the Company in the ordinary course of business and the provision of marketing services, there have been no material transactions with Janus Henderson affecting the financial position of the Company during the period under review.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

The directors (listed in note 12) confirm that, to the best of their knowledge:

- the unaudited condensed set of financial statements has been prepared in accordance with IAS 34 – Interim Financial Reporting ('IAS 34') and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by Disclosure Guidance and Transparency Rule ('DTR') 4.2.4R;
- the interim management report includes a fair review of the information required:
  - by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months of the financial year, and their impact on the unaudited condensed set of financial statements, and a description of principal risks and uncertainties for the remaining six months of the year); and
  - by Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the Company during the period; and any changes in related party transactions described in the Annual Report 2019 that could have an impact in the first six months of the current financial year).

Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The directors remain responsible for establishing and controlling the process for doing so, and for ensuring that the financial statements are complete and unaltered in any way.

For and on behalf of the Board  
John Russell  
Chairman

**Investment portfolio** at 29 February 2020

	<b>Company</b>	<b>Country of incorporation</b>	<b>Sector</b>	<b>Valuation £'000</b>	<b>% of Portfolio</b>
1	Taiwan Semiconductor Manufacturing <sup>1</sup>	Taiwan	Technology	17,572	3.86
2	Samsung Electronics <sup>2</sup>	South Korea	Technology	15,665	3.44
3	HKT Trust & HKT	Hong Kong	Telecommunications	13,604	2.99
4	Sands China	China	Consumer Services	13,597	2.99
5	Macquarie Korea Infrastructure Fund	South Korea	Financials	12,984	2.86
6	Macquarie Group	Australia	Financials	12,439	2.74
7	Taiwan Cement	Taiwan	Industrials	12,389	2.72
8	Digital Telecommunications Infrastructure Fund	Thailand	Telecommunications	12,129	2.67
9	China Yangtze Power	China	Utilities	12,123	2.67
10	Rio Tinto Limited	Australia	Basic Materials	11,944	2.63
<b>Top Ten Investments</b>				<b>134,446</b>	<b>29.57</b>
11	BHP Group Limited	Australia	Basic Materials	11,806	2.60
12	China Railway Construction	China	Industrials	11,341	2.49
13	Ascendas REIT	Singapore	Property	10,993	2.42
14	Dexus	Australia	Property	10,900	2.40
15	China Construction Bank	China	Financials	10,875	2.39
16	CITIC Securities	China	Financials	10,839	2.38
17	Powertech Technology	Taiwan	Technology	10,760	2.37
18	Yageo	Taiwan	Technology	10,728	2.36
19	Spark New Zealand	New Zealand	Telecommunications	10,691	2.35
20	E.Sun Financial	Taiwan	Financials	10,597	2.33
<b>Top Twenty Investments</b>				<b>243,976</b>	<b>53.66</b>
21	Telstra	Australia	Telecommunications	10,586	2.33
22	Commonwealth Bank of Australia	Australia	Financials	10,500	2.31
23	Hengan International	Hong Kong	Consumer Goods	10,487	2.31
24	Kweichow Moutai	China	Consumer Goods	10,240	2.25
25	China Resources Cement	China	Industrials	10,009	2.20
26	GAIL India	India	Oil & Gas	9,989	2.20
27	Telekomunikasi Indonesia	Indonesia	Telecommunications	9,822	2.16
28	Mapletree Commercial Trust	Singapore	Property	9,604	2.11
29	China Vanke	China	Property	9,510	2.09
30	Intouch Holdings	Thailand	Telecommunications	9,451	2.08
<b>Top Thirty Investments</b>				<b>344,174</b>	<b>75.70</b>
31	China Petroleum & Chemical	China	Oil & Gas	9,415	2.07
32	China Resources Land	China	Property	9,363	2.06
33	PTT	Thailand	Oil & Gas	9,100	2.00
34	Spark Infrastructure	Australia	Utilities	8,557	1.88
35	Stockland	Australia	Property	8,245	1.81
36	KB Financial Group	South Korea	Financials	8,029	1.77
37	SK Telekom <sup>1</sup>	South Korea	Telecommunications	7,832	1.72
38	Bank Negara Indonesia	Indonesia	Financials	7,817	1.72
39	Treasury Wine Estates	Australia	Consumer Goods	7,643	1.68
40	China Mobile	China	Telecommunications	7,578	1.67
<b>Top Forty Investments</b>				<b>427,753</b>	<b>94.08</b>
41	VinaCapital Vietnam Opportunity Fund	Vietnam	Financials	7,525	1.65
42	Fortescue Metals	Australia	Basic Materials	7,474	1.64
43	United Overseas Bank	Singapore	Financials	6,805	1.50
44	SK Innovation	South Korea	Basic Materials	4,315	0.95
45	Indorama Ventures	Thailand	Basic Materials	4,167	0.92



<b>Company</b>	<b>Country of incorporation</b>	<b>Sector</b>	<b>Valuation £'000</b>	<b>% of Portfolio</b>
46 China Forestry Holdings	China	Basic Materials	-	-
47 Yageo Call Option (Expiry 19/05/20)	Taiwan	Technology	(91)	(0.02)
48 Zhengzhou Yutong Coach Put Option (Expiry 19/05/20)	China	Industrials	(174)	(0.04)
49 Melco Resorts and Entertainment Put Option (Expiry 17/04/20)	China	Consumer Services	(3,105)	(0.68)
<b>Total Investments</b>			<b>454,669</b>	<b>100.00</b>

(1) American Depositary Receipts

(2) Preferred Shares

### Sector and Geographic exposure

<b>Sector Exposure</b>	<b>Portfolio at 29 February 2020 %</b>	<b>Portfolio at 31 August 2019 %</b>	<b>Geographic Exposure</b>	<b>Portfolio at 29 February 2020 %</b>	<b>Portfolio at 31 August 2019 %</b>
Financials	21.6	16.8	Australia	22.0	18.0
Telecommunications	18.0	20.2	China	24.5	25.3
Property	12.9	18.1	Hong Kong	5.3	6.9
Technology	12.0	7.9	India	2.2	-
Basic Materials	8.7	9.0	Indonesia	3.9	4.7
Industrials	7.4	7.0	New Zealand	2.4	2.3
Oil & Gas	6.3	4.6	Singapore	6.0	9.9
Consumer Goods	6.2	9.4	South Korea	10.7	8.2
Utilities	4.6	5.0	Taiwan	13.6	13.8
Consumer Services	2.3	2.0	Thailand	7.7	8.9
			Vietnam	1.7	2.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### Top ten contributors to and detractors from performance for the period on a total return basis

<b>Company</b>	<b>Contribution to return</b>
Yageo	0.87
Taiwan Semiconductor Manufacturing	0.71
Powertech Technology	0.52
Samsung Electronics	0.40
China Resources Cement	0.33
E.Sun Financial	0.26
Taiwan Cement	0.18
China Resources Land	0.18
China Railway Construction	0.18
China Vanke	0.14
Digital Telecommunications Infrastructure Fund	-0.32
Indorama Ventures	-0.35
GAIL India	-0.40
VinaCapital Vietnam Opportunity Fund	-0.40
BHP Group Limited	-0.42
Intouch Holdings	-0.47
Melco Resorts and Entertainment	-0.52
SK Innovation	-0.65
Telecomunikasi Indonesia	-0.68
Treasury Wine Estates	-1.27

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Half-year ended 29 February 2020 (Unaudited)			Half-year ended 28 February 2019 (Unaudited)			Year ended 31 August 2019 (Audited)		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Investment income	9,031	-	9,031	9,194	-	9,194	33,075	-	33,075
Other income	1,079	-	1,079	1,160	-	1,160	2,281	-	2,281
(Losses)/gains on investments held at fair value through profit or loss	-	(45,277)	(45,277)	-	(22,252)	(22,252)	-	2,122	2,122
Net foreign exchange loss excluding (losses)/gains on investments	-	(341)	(341)	-	(168)	(168)	-	(1,127)	(1,127)
<b>Total income</b>	<b>10,110</b>	<b>(45,618)</b>	<b>(35,508)</b>	<b>10,354</b>	<b>(22,420)</b>	<b>(12,066)</b>	<b>35,356</b>	<b>995</b>	<b>36,351</b>
<b>Expenses</b>									
Management fees	(1,030)	(1,030)	(2,060)	(934)	(934)	(1,868)	(1,973)	(1,973)	(3,946)
Other expenses	(283)	(283)	(566)	(236)	(236)	(472)	(479)	(478)	(957)
<b>Profit/(loss) before finance costs and taxation</b>	<b>8,797</b>	<b>(46,931)</b>	<b>(38,134)</b>	<b>9,184</b>	<b>(23,590)</b>	<b>(14,406)</b>	<b>32,904</b>	<b>(1,456)</b>	<b>31,448</b>
Finance costs	(74)	(74)	(148)	(121)	(121)	(242)	(254)	(254)	(508)
<b>Profit/(loss) before taxation</b>	<b>8,723</b>	<b>(47,005)</b>	<b>(38,282)</b>	<b>9,063</b>	<b>(23,711)</b>	<b>(14,648)</b>	<b>32,650</b>	<b>(1,710)</b>	<b>30,940</b>
Taxation	(993)	252	(741)	(897)	245	(652)	(3,148)	514	(2,634)
<b>Profit/(loss) for the period and total comprehensive income</b>	<b>7,730</b>	<b>(46,753)</b>	<b>(39,023)</b>	<b>8,166</b>	<b>(23,466)</b>	<b>(15,300)</b>	<b>29,502</b>	<b>(1,196)</b>	<b>28,306</b>
<b>Earnings per ordinary share basic and diluted</b> (note 2)	<b>5.75p</b>	<b>(34.74p)</b>	<b>(28.99p)</b>	<b>6.59p</b>	<b>(18.94p)</b>	<b>(12.35p)</b>	<b>23.38p</b>	<b>(0.95p)</b>	<b>22.43p</b>

The total column of this statement represents the Condensed Statement of Comprehensive Income of the Company, prepared in accordance with IAS 34.

The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

All income is attributable to the equity shareholders of the Company. There are no minority interests.

**CONDENSED STATEMENT OF CHANGES IN EQUITY**
**Half-year ended 29 February 2020 (Unaudited)**

	Stated capital £'000	Distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 31 August 2019	167,599	180,471	96,059	24,992	469,121
Total comprehensive income:					
(Loss)/profit for the period	-	-	(46,753)	7,730	(39,023)
Transaction with owners, recorded directly to equity:					
Dividends paid	-	-	-	(15,449)	(15,449)
Shares issued	27,442	-	-	-	27,442
Share issue costs	(56)	-	-	-	(56)
<b>Total equity at 29 February 2020</b>	<b>194,985</b>	<b>180,471</b>	<b>49,306</b>	<b>17,273</b>	<b>442,035</b>

**Half-year ended 28 February 2019 (Unaudited)**

	Stated capital £'000	Distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 31 August 2018	139,698	180,471	97,255	23,580	441,004
Total comprehensive income:					
(Loss)/profit for the period	-	-	(23,466)	8,166	(15,300)
Transaction with owners, recorded directly to equity:					
Dividends paid	-	-	-	(13,642)	(13,642)
Shares issued	10,660	-	-	-	10,660
Share issue costs	(32)	-	-	-	(32)
<b>Total equity at 28 February 2019</b>	<b>150,326</b>	<b>180,471</b>	<b>73,789</b>	<b>18,104</b>	<b>422,690</b>

**Year ended 31 August 2019 (Audited)**

	Stated capital £'000	Distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 31 August 2018	139,698	180,471	97,255	23,580	441,004
Total comprehensive income:					
(Loss)/profit for the year	-	-	(1,196)	29,502	28,306
Transaction with owners, recorded directly to equity:					
Dividends paid	-	-	-	(28,090)	(28,090)
Shares issued	27,985	-	-	-	27,985
Share issue costs	(84)	-	-	-	(84)
<b>Total equity at 31 August 2019</b>	<b>167,599</b>	<b>180,471</b>	<b>96,059</b>	<b>24,992</b>	<b>469,121</b>

## CONDENSED BALANCE SHEET

	29 February 2020 (Unaudited) £'000	28 February 2019 (Unaudited) £'000	31 August 2019 (Audited) £'000
<b>Non-current assets</b>			
Investments held at fair value through profit or loss (note 8)	458,039	436,411	477,963
	-----	-----	-----
<b>Current assets</b>			
Other receivables	6,986	7,871	4,842
Cash and cash equivalents	14,063	6,390	6,360
	-----	-----	-----
	21,049	14,261	11,202
	-----	-----	-----
<b>Total assets</b>	479,088	450,672	489,165
	-----	-----	-----
<b>Current liabilities</b>			
Investments held at fair value through profit or loss - written options (note 8)	(3,370)	(651)	(1,489)
Deferred taxation	(59)	-	(66)
Other payables	(10,099)	(1,769)	(1,969)
Bank loans and overdrafts	(23,525)	(25,562)	(16,520)
	-----	-----	-----
	(37,053)	(27,982)	(20,044)
	-----	-----	-----
<b>Net assets</b>	442,035	422,690	469,121
	=====	=====	=====
<b>Equity attributable to equity shareholders</b>			
Stated share capital	194,985	150,326	167,599
Distributable reserve	180,471	180,471	180,471
Retained earnings:			
Capital reserves	49,306	73,789	96,059
Revenue reserve	17,273	18,104	24,992
	-----	-----	-----
<b>Total equity</b>	442,035	422,690	469,121
	=====	=====	=====
<b>Net asset value per ordinary share</b> (note 3)	319.60p	335.79p	358.99p
	=====	=====	=====

## CONDENSED STATEMENT OF CASH FLOWS

	Half-year ended 29 February 2020 (Unaudited) £'000	Half-year ended 28 February 2019 (Unaudited) £'000	Year ended 31 August 2019 (Audited) £'000
<b>Operating activities</b>			
(Loss)/profit before tax	(38,282)	(14,648)	30,940
Add back:			
Finance costs	148	242	508
Losses/(gains) on investments held at fair value through profit or loss	45,277	22,252	(2,122)
Net foreign exchange losses excluding foreign exchange losses on investments	341	168	1,127
Sales of investments	160,538	128,984	297,306
Purchases of investments	(184,011)	(125,134)	(308,924)
Decrease/(increase) in prepayments and accrued income	2,025	501	(1,022)
Increase in amounts due from brokers	(4,177)	(4,793)	(479)
(Decrease)/increase in other payables	(62)	1,009	1,227
Increase in amounts due to brokers	8,069	-	-
Stock dividends included in investment income	-	-	(557)
	-----	-----	-----
<b>Net cash (outflow)/inflow from operating activities before interest and taxation</b>	<b>(10,134)</b>	<b>8,581</b>	<b>18,004</b>
Interest paid	(147)	(251)	(535)
Withholding tax on investment income	(740)	(652)	(2,655)
	-----	-----	-----
<b>Net cash (outflow)/inflow from operating activities after interest and taxation</b>	<b>(11,021)</b>	<b>7,678</b>	<b>14,814</b>
	-----	-----	-----
<b>Financing activities</b>			
Net loans drawdown/(repayment)	7,099	(5,216)	(15,937)
Equity dividends paid	(15,449)	(13,642)	(28,090)
Share issue proceeds	27,442	10,660	27,985
Share issue costs	(56)	(32)	(84)
	-----	-----	-----
<b>Net cash inflow/(outflow) from financing</b>	<b>19,036</b>	<b>(8,230)</b>	<b>(16,126)</b>
	-----	-----	-----
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>8,015</b>	<b>(552)</b>	<b>(1,312)</b>
	-----	-----	-----
<b>Cash and cash equivalents at the start of the period / year</b>	<b>6,360</b>	<b>7,117</b>	<b>7,117</b>
Exchange movements	(312)	(175)	555
	-----	-----	-----
<b>Cash and cash equivalents at the end of the period / year</b>	<b>14,063</b>	<b>6,390</b>	<b>6,360</b>
	=====	=====	=====
<b>Net debt</b>			
Cash and cash equivalents	14,063	6,390	6,360
Bank loans and overdraft repayable within one year	(23,525)	(25,562)	(16,520)
	-----	-----	-----
<b>Net debt</b>	<b>(9,462)</b>	<b>(19,172)</b>	<b>(10,160)</b>
	=====	=====	=====

## NOTES

### 1. Accounting Policies:

#### (a) Basis of preparation

The condensed interim financial information has been prepared on a going concern basis, in accordance with IAS 34 and the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority.

The Annual Report and Financial Statements for the year ended 31 August 2019 were prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. Where presentational guidance as set out in the Statement of Recommended Practice (the 'SORP') for investment trusts issued by the Association of Investment Companies (the 'AIC') in November 2014 and updated in October 2019 with consequential amendments is consistent with the requirements of IFRS, the directors have sought to prepare the financial statements on a basis consistent with the recommendations of the SORP. The unaudited results for the half-year ended 29 February 2020 have been prepared using the same accounting policies as those applied in the Company's financial statements for the year ended 31 August 2019, with the exception of the implementation of IFRIC 23 - 'Uncertainty over Income Tax Treatments' which is applicable for this year, but had no impact on the financial statements.

There has been no change to the segmental reporting assessment compared to the 31 August 2019 financial statements.

These condensed financial statements do not include all information required for a full set of financial statements. The figures and financial information for the year ended 31 August 2019 are an extract based on the published financial statements and should be read in conjunction with them.

The condensed financial information for the half-years ended 29 February 2020 and 28 February 2019 have not been audited.

#### (b) Investments held at fair value through profit or loss

All investments are classified upon initial recognition as held at fair value through profit or loss and are measured initially and subsequently at fair value. These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis. Financial assets are recognised/de-recognised at the trade date of the purchase/disposal. Proceeds will be measured at fair value, which will be regarded as the proceeds of sale less any transaction costs. The fair value of the financial assets is based on their quoted bid price at the balance sheet date, without deduction of the estimated future selling costs. The fair value of option contracts is determined by reference to the Black-Scholes model. The fair values of unquoted financial instruments within the portfolio are based on their last audited net asset values discounted where necessary to arrive at a fair value.

Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal, including exchange gains and losses, are recognised in the Statement of Comprehensive Income as 'Losses on investments held at fair value through profit or loss'. Also included within this caption are transaction costs in relation to the purchase or sale of investments, including the difference between the purchase price of an investment and its bid price at the date of purchase.

#### Significant accounting judgments and estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements; however, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future. As the majority of the Company's financial assets are quoted securities, in the opinion of the directors, the amounts included as assets and liabilities in the financial statements are not subject to significant judgements, estimates or assumptions.

The obligations relating to the options valued at £3,370,000 (liability) (28 February 2019: £651,000 (liability), 31 August 2019: £1,489,000 (liability)) are valued by reference to the Black-Scholes model.

### 2. Earnings per ordinary share

The earnings per ordinary share figure is based on the net loss after taxation of £39,023,000 (half-year ended 28 February 2019: loss £15,300,000; year ended 31 August 2019: profit £28,306,000) and on 134,588,399 ordinary shares (half-year ended 28 February 2019: 123,919,862; year ended 31 August 2019: 126,210,619) being the weighted average number of ordinary shares in issue during each of the periods.

The earnings per ordinary share detailed above can be further analysed between revenue and capital, as below:

Half-year ended	Half-year ended	Year ended
29 February	28 February	31 August
2020	2019	2019
(Unaudited)	(Unaudited)	(Audited)
£'000	£'000	£'000

Net revenue profit	7,730	8,166	29,502
Net capital loss	<u>(46,753)</u>	<u>(23,466)</u>	<u>(1,196)</u>
Net total (loss)/profit	<u>(39,023)</u>	<u>(15,300)</u>	<u>28,306</u>
Weighted average number of ordinary shares in issue during the period / year	134,588,399	123,919,862	126,210,619
	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
Revenue earnings per ordinary share	5.75	6.59	23.38
Capital earnings per ordinary share	<u>(34.74)</u>	<u>(18.94)</u>	<u>(0.95)</u>
Total earnings per ordinary share	<u>(28.99)</u>	<u>(12.35)</u>	<u>22.43</u>

The Company does not have any dilutive securities; therefore the basic and diluted returns per share are the same.

### 3. Net asset value per ordinary share

The net asset value per ordinary share is based on a net asset value of £442,035,000 (28 February 2019: £422,690,000; 31 August 2019: £469,121,000 and on 138,308,564 (28 February 2019: 125,878,564; 31 August 2019: 130,678,564) ordinary shares, being the number of ordinary shares in issue at each period end.

### 4. Transaction costs

Purchase transaction costs for the half-year ended 29 February 2020 were £174,000 (half-year ended 28 February 2019: £94,000; year ended 31 August 2019: £322,000). Sales transaction costs for the half-year ended 29 February 2020 were £216,000 (half-year ended 28 February 2019: £199,000; year ended 31 August 2019: £459,000). Transaction costs for both purchases and sales principally consist of commission fees.

### 5. Share capital

During the six months under review the Company issued a total of 7,630,000 shares (half-year ended 28 February 2019: 3,125,000; year ended 31 August 2019: 7,925,000) for net proceeds of £27,386,000 (half-year ended 28 February 2019: £10,628,000; year ended 31 August 2019: £27,901,000) net of costs. A further 1,675,000 shares have been issued since the period end.

### 6. Dividends

The Company pays dividends on a quarterly basis. On 29 November 2019, a fourth interim dividend of 5.70p per share was paid in respect of the year ended 31 August 2019. A first interim dividend, in respect of the year ended 31 August 2020, of 5.70p per share was paid on 29 February 2020. The second interim dividend of 5.70p per share will be paid on 29 May 2020 to shareholders on the register on 1 May 2020. The Company's shares will be quoted ex-dividend on 30 April 2020. Based on the number of shares in issue on 23 April 2020, the cost of this dividend will be £7,979,000.

### 7. Management Fees

Management fees are charged in accordance with the terms of the management agreement at a rate of 0.9% per annum of the first £400,000,000 of net assets and 0.75% per annum of the balance of net assets greater than £400,000,000.

### 8. Financial Instruments

At the period end the carrying value of financial assets and financial liabilities approximates their fair value.

#### Financial instruments carried at fair value

##### Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

- Level 1: inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs are unobservable inputs for the asset or liability.

Financial assets and financial liabilities at fair value through profit or loss at 29 February 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Investments including derivatives:</b>				
- Equity securities designated at fair value through profit or loss	458,039	-	-	458,039
- Written options	-	(3,370)	-	(3,370)
<b>Total financial assets and liabilities carried at fair value</b>	<b>458,039</b>	<b>(3,370)</b>	<b>-</b>	<b>454,669</b>
Financial assets and financial liabilities at fair value through profit or loss at 28 February 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000

Investments including derivatives:				
- Equity securities designated at fair value through profit or loss	436,411	-	-	436,411
- Written options	-	(651)	-	(651)
Total financial assets and liabilities carried at fair value	436,411	(651)	-	435,760
Financial assets and financial liabilities at fair value through profit or loss at 31 August 2019				
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments including derivatives:				
- Equity securities designated at fair value through profit or loss	477,963	-	-	477,963
- Written options	-	(1,489)	-	(1,489)
Total financial assets and liabilities carried at fair value	477,963	(1,489)	-	476,474

Level 3 investments relate to one holding of China Forestry, transferred into Level 3 in 2012, written down to zero during the year ended 31 August 2014.

There have been no transfers into/out of and no movements in Level 3 investments during the half-year ended 29 February 2020 and 28 February 2019 and the year ended 31 August 2019.

The Company's holdings in options and Participation Notes are included within Level 2. No Participation Notes were held at 29 February 2020.

The valuation techniques used by the Company are explained in note 1(b).

Premiums from written options during the half-year ended 29 February 2020 were £1,068,000 (half-year ended 28 February 2019: £1,106,000, year ended 31 August 2019: £2,200,000) and is included within other income.

## 9. Going concern

The assets of the Company consist almost entirely of securities that are readily realisable and, accordingly, the directors believe that the Company has adequate financial resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Having assessed these factors and the principal risks, the Board has decided that it is appropriate for the financial statements to be prepared on a going concern basis.

## 10. Net debt reconciliation

	Cash and cash equivalents £'000	Bank loans and overdraft repayable within one year £'000	Total £'000
Net debt as at 31 August 2019	6,360	(16,520)	(10,160)
Cash flows	8,015	(7,099)	916
Exchange movements	(312)	94	(218)
Net debt as at 29 February 2020	14,063	(23,525)	(9,462)

	Cash and cash equivalents £'000	Bank loans and overdraft repayable within one year £'000	Total £'000
Net debt as at 31 August 2018	7,117	(30,775)	(23,658)
Cash flows	(552)	5,216	4,664
Exchange movements	(175)	(3)	(178)
Net debt as at 28 February 2019	6,390	(25,562)	(19,172)

	Cash and cash equivalents £'000	Bank loans and overdraft repayable within one year £'000	Total £'000
Net debt as at 31 August 2018	7,117	(30,775)	(23,658)
Cash flows	(1,312)	15,937	14,625
Exchange movements	555	(1,682)	(1,127)
Net debt as at 31 August 2019	6,360	(16,520)	(10,160)



The Company extended its multi-currency revolving credit facility with Sumitomo Mitsui Banking Corporation in February 2020. Taking account of the level of recent share issuance the facility size was increased to £50 million and permits the Company to access a further £10 million thereafter if determined appropriate by the directors.

## 11. Half-Year Report

The Half-Year Report will be available on the Company's website ([www.hendersonfareastincome.com](http://www.hendersonfareastincome.com)). Shareholders will be sent a copy of the abridged version of the half-year results in early May 2020.

## 12. General Information

### a) Company Status

The Company is a Jersey domiciled closed-ended investment company, number 95064, which was incorporated in 2006 and is listed on the London and New Zealand stock exchanges. The Company became UK tax resident with effect from 1 September 2018.

SEDOL/ISIN number: JE00B1GXH751

London Stock Exchange (TIDM) code: HFEL

New Zealand Stock Exchange code: HFL

Global Intermediary Identification Number (GIIN): NTTIYP.99999.SL.832

Legal Entity Identifier (LEI): 213800801QRE00380596

The Company is a Jersey fund which is regulated by the Jersey Financial Services Commission.

### b) Directors, Secretary and Registered Office

The directors of the Company are John Russell (Chairman), David Mashiter, Julia Chapman, Nicholas George and Timothy Clissold. With effect from 1 April 2020, the Corporate Secretary is Henderson Secretarial Services Limited. The registered office is IFC1, The Esplanade, St Helier, Jersey, JF1 4BP. The Company's principal place of business is 201 Bishopsgate, London, EC2M 3AE.

### c) Website

Details of the Company's share price and net asset value, together with general information about the Company, monthly factsheets and data, copies of announcements, reports and details of general meetings can be found at [www.hendersonfareastincome.com](http://www.hendersonfareastincome.com)

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*Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.*