

# **HENDERSON FAR EAST INCOME LIMITED**

**Report for the half-year ended  
28 February 2021**  
*(unaudited)*

**HENDERSON FAR EAST INCOME LIMITED****Unaudited results for the half-year ended 28 February 2021****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 28 February 2021**

- Net asset value per ordinary share total return<sup>1</sup> was 7.4% compared to a total return of the FTSE All-World Asia Pacific ex Japan Index of 17.5% and MSCI AC Asia Pacific ex Japan High Dividend Yield Index of 12.8% (both on a sterling adjusted basis)
- Share price total return<sup>2</sup> was 6.8%
- Shares trading at a premium<sup>3</sup> of 2.7% at the period end
- Share issuance in the period totalling 2.8m shares raising £9.1m for investment
- Two quarterly dividends of 5.80p each were paid or payable during the period, representing a 1.8% increase on the same period last year

**Financial highlights**

	at 28 February 2021	at 31 August 2020
<b>NAV per ordinary share</b>	<b>311.52p</b>	301.02p
<b>Share price</b>	<b>320.00p</b>	311.00p
<b>Net assets</b>	<b>£449,505,000</b>	£425,927,000
<b>Premium<sup>3</sup></b>	<b>2.7%</b>	3.3%
<b>Dividend yield</b>	<b>7.3%<sup>4</sup></b>	7.4% <sup>5</sup>

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

	6 months %	1 year %	3 years %	5 years %	10 years %
NAV <sup>1</sup>	<b>7.4</b>	5.0	3.0	53.0	89.7
Share price <sup>2</sup>	<b>6.8</b>	11.1	5.6	59.7	89.3
AIC sector average <sup>6</sup>	<b>17.3</b>	21.2	21.6	94.3	143.6
FTSE All-World Asia Pacific ex Japan Index	<b>17.5</b>	28.4	28.8	111.1	135.5
MSCI AC Pacific ex Japan High Dividend Yield Index	<b>12.8</b>	10.1	7.0	66.3	93.8

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. Net asset value per ordinary share total return (including dividends reinvested and excluding the cost of reinvestment)
2. Share price total return (with dividends reinvested) using mid-market closing price
3. The premium expresses, as a percentage, the difference between the closing mid-market share price and net asset value, including current year revenue, as at the period end date
4. Dividend yield based on a share price of 320.00p and dividends for the twelve months to 28 February 2021 totalling 23.2p per ordinary share
5. Dividend yield based on a share price of 311.00p and dividends for the twelve months to 31 August 2021 totalling 23.0p per ordinary share
6. The AIC sector is the Asia Pacific Equity Income sector

Sources: Morningstar Direct, Refinitiv Datastream

# INTERIM MANAGEMENT REPORT

## CHAIRMAN'S STATEMENT

### Introduction

Your Company has delivered a solid start to the financial year, posting a positive NAV total return of 7.4% for the six months to 28 February 2021. We have declared two interim dividends during the period, delivering a 1.8% increase on the same period for the prior year. This is not an insignificant increase against the backdrop for dividends over the period. At 28 February 2021, the ordinary shares yielded a very attractive 7.3%.

The Company funded the dividends for the year ended 31 August 2020 entirely from revenue and added a small amount to the revenue reserve, which remains in excess of £17m. This leaves the Company well placed to maintain its dividend track record.

As they had done in 2020, markets continued to focus on growth and momentum rather than cash flows and dividends, which impacted the capital performance. However, valuation is once again starting to matter and this bodes well for the portfolio - your Fund Managers have always cared about the price they pay for an asset, as well as the underlying fundamentals of the companies in which they invest your money. This discipline has stood the Company in good stead over the long term.

### Performance

The NAV total return performance for the six months to 28 February 2021 was 7.4% and the share price total return was 6.8%, reflecting a small contraction in the premium to NAV. This compares with returns from the FTSE All World Asia Pacific ex-Japan Index of 17.5% and MSCI AC Asia Pacific ex Japan High Dividend Yield Index of 12.8% for the same period. The strength of high valuation and low yield technology names was responsible for the underperformance against the broad index while the recent rally in banks and unsustainable recovery plays impacted the returns relative to the high yield index.

### Dividends

The first and second interim dividends for the year ending 31 August 2021 in the amount of 5.80p per ordinary share each were paid or became payable during the period. This is a 1.8% increase on the dividends paid for the same period last year and well above the annual consumer price inflation figure of 0.7% at the end of February 2021.

### Share issuance

In contrast to much of the AIC Asia Pacific Equity Income sector, the Company continued to trade at a premium and we issued a total of 2.8m shares in the six months to 28 February 2021. This raised £9.1m for further investment. In the period since the end of the half-year, we issued a further 2.3m shares.

As ever, all shares were issued at a premium to the net asset value.

### Outlook

The near term outlook for the global economy will largely depend on the coronavirus vaccine roll out and its efficacy. In 2020 the global economy contracted by 3.3%<sup>1</sup> although now the International Monetary Fund ('IMF') is forecasting a strong recovery with growth of 6.0%<sup>1</sup> this year. There will be significant variations between countries and regions and economic forecasts are subject to further revisions, but current evidence suggest they will be on the upside.

From the perspective of your Company, the outlook remains positive for two primary reasons. Firstly, the IMF is forecasting growth of 8.6%<sup>1</sup> this year for Emerging and Developing Asia following a decline of 1.0%<sup>1</sup> in 2020 and growth in China this year of 8.4%<sup>1</sup> following a very creditable performance of 2.3%<sup>1</sup> growth in 2020. The second reason is that after a decade of underperformance relative to growth stocks, a sharp global cyclical recovery should benefit value shares at the expense of growth shares, perhaps reversing the trend. A return to value as opposed to growth, where valuations are very extended, will enhance the value of our portfolio which, by necessity, is heavily weighted towards value to achieve our income mandate. Despite all the uncertainties, we were able to raise the total dividend for the year ended 31 August 2020 by 2.7% without utilising the revenue reserve, but investor preferences for growth impacted our NAV performance. As an equity income portfolio our primary focus must be income generation, but, if after ten years of underperformance of value relative to growth, value becomes more attractive to investors, our NAV performance will benefit.

Despite Covid-19 induced poor global growth in 2020, the economic drivers in Asia remain predominately in place. The negative economic impact has been largely confined to India, Indonesia and the Philippines. North Asia, in particular, suffered less damage and recovered more quickly. While the US has a new president, who will adopt very different policies to President Trump, trade tensions with China will almost certainly remain. However, so far, attempts to slow globalisation do not seemed to have worked. According to the NikkeiAsia news agency in November 2020<sup>2</sup> the port of Los Angeles saw the busiest month in its history with goods valued at US\$52 billion coming across the Pacific, mostly from China. As well, intraregional trade in Asia remains very robust with China-ASEAN trade levels now exceeding trade with both the US and the European Union ('EU'). Opportunities in the Asian region will remain compelling to western business and, despite political pressures, will not be ignored.

China remains an important trade partner for the EU resulting in the recently signed Comprehensive Investment Agreement. EU overall trade with Asia currently stands at US\$1.6 trillion annually exceeding trade with the US. Current events and forecasts in our region give us every reason to have confidence that the Company will continue to meet its income mandate and be attractive to investors seeking regular income and international diversification.

**John Russell**

**Chairman**

22 April 2021

<sup>1</sup> *IMF World Economic Outlook, April 2021*

<sup>2</sup> <https://asia.nikkei.com/Spotlight/The-Big-Story/The-next-wave-of-globalization-Asia-in-the-cockpit>

## FUND MANAGERS' REPORT

### Overview

In the Fund Managers' report at the end of the financial year in August 2020, we wrote about the uncertainty surrounding the Covid-19 pandemic and the material impact it was having on the world's health and wealth. Six months on and the virus is still with us, although the successful development of effective vaccines is providing a light at the end of the tunnel. The impact on economic activity has been material with many of the world's major economies likely to take a number of years to recover to pre Covid-19 levels.

Asia Pacific has fared better than most with North Asia, in particular, weathering the storm relatively successfully to the extent that Taiwan and China actually managed positive Gross Domestic Product ('GDP') growth in 2020. This was due to early and draconian lockdown measures, which contained the coronavirus, while the recovery in manufacturing, and especially demand for work from home technology, boosted industrial production and insulated these economies from the worst of the pandemic slowdown. The progress of containing the coronavirus has been less successful in southern Asia and India, where lockdown measures imposed by central government tended to be less vehemently followed at the provincial level, delaying the pace of recovery. Tourism dependent economies, such as Thailand, were particularly hard hit with GDP falling 6.1%<sup>3</sup> in 2020.

The performance of individual markets broadly reflected the success in dealing with the pandemic. The best performing markets were Korea and Taiwan, which both rose by more than 30%<sup>4</sup> in sterling terms over the period, surprisingly followed by India which burst into life following a better than expected budget in early February 2021. The Chinese market lagged its North Asian peers, dragged down by the highly weighted internet sector which faced headwinds as the regulator investigated some of the prominent platforms for monopolistic practices. Malaysia, Indonesia and the Philippines, although positive, lagged the average return due to lingering coronavirus concerns and a lack of market exposure to cyclically sensitive sectors. At the sector level, technology and materials led the way followed by financials, with banks rallying strongly in the last three months. Defensive sectors continued to underperform led by telecommunications, utilities and health care.

Aside from Covid-19, the most significant news over the period was the US Presidential election where Joe Biden succeeded Donald Trump to become the 46<sup>th</sup> US president. Although we are still in the early days of the new president's term it is refreshing to have an incumbent who is predictable rather than the 'scatter gun' approach adopted by his predecessor. The method may be different, but the impact on the region, and China in particular, is the same with the US continuing its policy of containment through tariffs and sanctions while taking a more multilateral rather than unilateral approach to negotiation. It is safe to say that the relationship between China and the US will remain fraught for many years to come which will have implications for investment in the region as a whole as countries may be forced to choose sides in the ongoing dispute.

Despite the uncertainty, the support provided by fiscal and monetary policy has provided a positive back-drop for asset prices with many equity markets reaching all-time highs over the period. Excess liquidity and the desire to look through the valley to the recovery beyond has prompted a change in market leadership as cyclically sensitive sectors start to claw back some of the underperformance from structural growth. The last three months in particular have seen financials, materials and industrials start to outperform internet related technology stocks and consumer sectors as investors start to question the valuation of 'darling' stocks when they are only growing marginally faster than the out of favour value sectors which are more operationally leveraged to recovery.

The optimism is supported by the expected strong rebound in corporate earnings. Asia Pacific ex Japan is forecast to have 28%<sup>4</sup> earnings growth in 2021, driven by some of the sectors hard hit in 2020, but also by the materials sector which is benefiting from ever increasing commodity prices. These levels of growth make the current price to earnings valuation more palatable despite the fact that these are trading some way above their long-term averages. On a relative basis, the case is more attractive with the valuation of the MSCI Asia Pacific ex Japan Index relative to the MSCI World Index trading below its long-term average.

The outlook for dividends in the region remains compelling. The consensus expects 'mid-teens' dividend growth, but from what we have seen in the results for the first three months of the year, this number may prove to be conservative especially considering that earnings growth is forecast to be much higher. Analysts in the region tend to be slower to raise dividend forecasts than earnings forecasts, but as more companies announce results and surprise with dividends either being reinstated or dividend pay-out ratios increasing, we expect these forecasts to rise. The backdrop for higher dividends is firmly in place with companies generating excess cash, having little or no debt and paying out a lower percentage of their net profits as dividends than their developed market peers.

### Performance

In absolute and relative terms, the last twelve months have been a difficult period for the capital performance of the portfolio. In the last six months the NAV total return is 7.4% in sterling terms compared to 17.5% for the FTSE All World Asia Pacific ex Japan Index and 12.8% for the MSCI Asia Pacific ex Japan High Dividend Yield Index. Although the Company does not have a formal benchmark some explanation is due as to why the numbers look so different in recent times when historically the performance has broadly been between these two indices over time.

Although both value and growth styles have had their time in the sun over the last six months, dividend yield has remained one of the worst performing factors. The high growth, high valuation companies which have driven the outperformance of the broad index are, unsurprisingly, not suited to our process while the high yield index tends to have a large exposure to financials where we remain sceptical of the sustainability of growth and dividends once the initial euphoria of re-opening has subsided. It should also be noted that the Company has a higher dividend yield than the broad index, the high yield index and other income peers, so it is not a big surprise to see a degree of underperformance considering how badly yield as a style has performed.

The stocks in the portfolio are chosen based on their valuation and cash flow generation and their ability to sustain and grow dividends over time. Although there is clearly a value bias to the portfolio (high valuation companies don't pay high dividends) we wouldn't consider ourselves to be purely value managers. We look for companies with the ability to surprise through higher dividends than the market expects as a way to crystalize value. This process has stood us in good stead in the past and will again in the future, but it is fair to say that while the market is focused on themes, whether its structural growth, value, ESG, re-opening or cyclical, fundamentals tend to be ignored.

We are encouraged, however, by the more recent moves in the portfolio since the period end. We have had strong results from some of the companies owned and these have been rewarded with supportive price action. We are optimistic that the market will continue this trend of rewarding good companies for good results.

### **Revenue**

It may have been a difficult period for capital performance, but the revenue generation remains robust. Over the period total income increased by 6%, aided somewhat by share issuance, compared to the same period last year, with dividend income increasing by 5.1% and option income by 13.3%. These numbers are encouraging especially considering that sterling appreciated by 2.5% compared to Asian currencies over the period. Revenue per share was down slightly due to the increase in issued share capital over the period. The revenue reserve remains at just over half of a full year's distribution.

Over the period we wrote five options and generated £1.2m in premia. All the options written were put options where the income received allowed access to companies which are not high yielding as yet, but are expected to be in the future. At the end of the period, four options were outstanding. Gearing was used sparingly over the period with a range of between 0% and just over 5% of net asset value. This had a positive, albeit marginal, impact on capital and revenue performance.

### **Strategy**

The ideal stock for inclusion in the portfolio has a combination of growth, value and yield. With strong earnings expected this year, growth is not scarce, but finding opportunities that haven't already priced in these expectations, is more of a challenge. It is fair to say that certain areas of technology and anything to do with green energy and electric vehicles are at valuations that are difficult to justify, whereas some of the enablers of these transitions have been somewhat ignored. The commodity and materials sectors are a prime example of this and have the combination of growth, value and yield. In the portfolio we have increased our exposure to BHP Group Limited and Rio Tinto Limited, and added Fortescue Metals and OZ Minerals as we believe the lack of new supply and strong demand for metals for electric vehicles and alternative energy, as well as improving demand from traditional sources as economies recover, will keep prices buoyant.

We continue to have exposure to technology and, again, prefer the enablers rather than the frontline providers. Samsung Electronics and Taiwan Semiconductor Manufacturing have served us well, although we have been trimming the latter on valuation grounds and increased our exposure to structural growth areas where valuations are more acceptable. Over the period, we have added Chinese software companies Chinasoft International and Venustech, along with gaming company Netease.

We have increased our exposure to financials across the region on a selective basis. Banks have valuation support and arguably better growth prospects as economies recover, but, in some cases, dividends have been restricted by regulator intervention and will take some time to recover to pre Covid-19 levels. This is particularly true of Australia and Singapore so we continue to avoid commercial banks in these two countries. We do find opportunity elsewhere, though, and we have added banks in China, Indonesia, Hong Kong and Korea over the period.

Other notable changes include adding Thai Beverage to the portfolio. This Thai and Vietnamese brewer has been hit hard by the lack of tourism spend in Thailand, but is now at attractive valuations and is a beneficiary of continued strong growth of beer consumption in Vietnam and the eventual re-opening of international travel. Swire Pacific has been added to the portfolio as a re-opening beneficiary. This Hong Kong conglomerate has a 45% stake in Cathay Pacific as well as interests in airline services, oil services and office and retail property in Hong Kong and is trading at a record discount to the sum of its parts.

To fund these acquisitions, we have reduced exposure to telecommunications and Real Estate Investment Trusts, which are attractive from a yield perspective, but are lacking in growth and are susceptible to underperformance as inflation and interest rate expectations increase.

The portfolio remains focused on North Asia and Australia compared to ASEAN and India with a barbell strategy of high and sustainable yield alongside dividend growth opportunities. The characteristics of the portfolio as at the end of March

2021 show a forward price to earnings ratio of 11.2x with 22.6%<sup>5</sup> earnings per share growth forecast. These numbers are based on consensus estimates and are compelling compared to history.

### **Outlook**

We remain positive on the outlook for Asian equities in the months ahead. Asian economies are recovering from Covid-19 quicker than most other regions with impressive growth forecast for the next couple of years. Although valuations on the face of it look expensive compared to history, these are distorted by bubble like excesses in some structural growth areas while some of the value and yield dominated sectors offer numerous opportunities.

Dividend yield as a style looks very interesting at current levels. Despite incredibly low interest rates, the 20% highest yielding stocks in Asia are trading at a record discount to the market price to earnings multiple. We believe this gap will close and expect interest to return to these areas as the need for income from aging populations in a low interest rate environment is an ongoing theme. While the strong markets have allowed some investors to fulfil their income requirements from capital gains, any volatility in returns will focus minds to the benefits of sustainable income, which should be beneficial for the stocks owned by the Company.

We remain focused on cash flow generative businesses with sustainable and growing dividends which play into the growth dynamics of the Asia Pacific region at reasonable valuations.

**Mike Kerley and Sat Duhra**

**Fund Managers**

22 April 2021

*3 Thai Office of National Economic and Social Development Council*

*4 Factset, MSCI*

*5 Janus Henderson Investors*

## **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 – adopting an inappropriate investment strategy or underperformance for an extended period leading to a wide discount and hostile shareholders;
- Accounting, legal and regulatory – failure to maintain accurate accounting records or a breach of legal or regulatory requirements resulting in financial or reputational loss;
- Operational – disruption to or failure of a third-party service provider leading to loss of shareholder value or reputational damage;
- Financial – changes in market prices, currency exchange rates, interest rates or poor liquidity or counterparty management leading to a loss of shareholder value.

Further information on these risks and how they are managed is given in the annual report for the year ended 31 August 2020. 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.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

The directors (listed in note 13) 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 DTR 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 DTR 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 latest annual report 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  
22 April 2021



	Company	Country of incorporation	Sector	Valuation £'000	% of Portfolio
1	Samsung Electronics <sup>1</sup>	South Korea	Technology	19,901	4.22
2	Rio Tinto Limited	Australia	Basic Materials	18,835	3.99
3	Taiwan Semiconductor Manufacturing <sup>2</sup>	Taiwan	Technology	18,296	3.87
4	BHP Group Limited	Australia	Basic Materials	18,124	3.84
5	Yageo	Taiwan	Technology	13,705	2.90
6	Macquarie Korea Infrastructure Fund	South Korea	Financials	13,673	2.90
7	VinaCapital Vietnam Opportunity Fund	Vietnam	Financials	13,040	2.76
8	LG Corporation	South Korea	Industrials	12,979	2.75
9	Sun Hung Kai Properties	Hong Kong	Property	12,973	2.75
10	AIA Group	Hong Kong	Financials	12,299	2.61
<b>Top Ten Investments</b>				<b>153,825</b>	<b>32.59</b>
11	Ping An Insurance	China	Financials	11,724	2.48
12	Telekom Indonesia Persero	Indonesia	Telecommunications	11,578	2.45
13	HKT Trust & HKT	Hong Kong	Telecommunications	11,265	2.39
14	SK Telekom <sup>2</sup>	South Korea	Telecommunications	11,115	2.36
15	Thai Beverage	Thailand	Consumer Goods	10,956	2.32
16	Macquarie Group	Australia	Financials	10,897	2.31
17	Swire Pacific	Hong Kong	Industrials	10,828	2.29
18	Kweichow Moutai	China	Consumer Goods	10,715	2.27
19	China Resources Cement	China	Industrials	10,501	2.22
20	Telstra	Australia	Telecommunications	10,489	2.22
<b>Top Twenty Investments</b>				<b>263,893</b>	<b>55.90</b>
21	Netease	China	Technology	10,226	2.17
22	Topsports International	China	Consumer Goods	9,944	2.11
23	Bank Mandiri	Indonesia	Financials	9,890	2.09
24	KB Financial Group	South Korea	Financials	9,737	2.06
25	CITIC Securities	China	Financials	9,703	2.06
26	Quanta Computers	Taiwan	Technology	9,622	2.04
27	Fortescue Metals	Australia	Basic Materials	9,600	2.03
28	PTT	Thailand	Oil & Gas	9,509	2.01
29	China Yangtze Power	China	Utilities	9,443	2.00
30	Hengan International	China	Consumer Goods	9,285	1.97
<b>Top Thirty Investments</b>				<b>360,852</b>	<b>76.44</b>
31	Taiwan Cement	Taiwan	Industrials	9,264	1.96
32	Dexus	Australia	Property	8,986	1.90
33	Samsung Fire & Marine	South Korea	Financials	8,911	1.89
34	China Yongda Automobiles	China	Consumer Services	8,720	1.85
35	Digital Telecommunications Infrastructure Fund	Thailand	Telecommunications	8,701	1.84
36	Spark New Zealand	New Zealand	Telecommunications	8,682	1.84
37	China Construction Bank	China	Financials	8,472	1.80
38	Stockland	Australia	Property	8,385	1.78
39	Industrial and Commercial Bank of China	China	Financials	8,120	1.72
40	Ascendas REIT	Singapore	Property	8,111	1.72
<b>Top Forty Investments</b>				<b>447,204</b>	<b>94.74</b>
41	Mapletree Logistics Trust REIT	Singapore	Property	7,531	1.59
42	Chinasoft International	China	Technology	7,203	1.53
43	OZ Minerals	Australia	Basic Materials	5,456	1.16
44	Woodside Petroleum	Australia	Oil & Gas	4,581	0.97
45	Mapletree Industrial Trust REIT	Singapore	Property	669	0.14
46	China Forestry Holdings	China	Basic Materials	-	-
47	China Yongda Automobiles Put Option (Expiry 21/04/21)	China	Consumer Services	(95)	(0.02)
48	OZ Minerals Put Option (Expiry 10/05/21)	Australia	Basic Materials	(110)	(0.02)
49	China Construction Bank Put Option (Expiry 23/04/21)	China	Financials	(181)	(0.04)
50	Venustech Put Option (Expiry 10/05/21)	China	Technology	(212)	(0.05)
<b>Total Investments</b>				<b>472,046</b>	<b>100.00</b>

(1) Preferred Shares

(2) American Depositary Receipts

**GEOGRAPHIC EXPOSURE**

	<b>Portfolio at 28 February 2021 %</b>	<b>Portfolio at 29 February 2020 %</b>
Australia	<b>20.2</b>	16.8
China	<b>24.1</b>	25.5
Hong Kong	<b>10.0</b>	11.0
Indonesia	<b>4.5</b>	2.3
New Zealand	<b>1.8</b>	2.8
Singapore	<b>3.4</b>	5.4
South Korea	<b>16.2</b>	10.0
Taiwan	<b>10.8</b>	18.2
Thailand	<b>6.2</b>	5.6
Vietnam	<b>2.8</b>	2.4
<b>Total</b>	<b>100.0</b>	100.0

**SECTOR EXPOSURE**

	<b>Portfolio at 28 February 2021 %</b>	<b>Portfolio at 31 August 2020 %</b>
Financials	24.6	21.3
Technology	16.7	16.9
Telecommunications	13.1	17.1
Basic Materials	11.0	8.3
Property	9.9	14.3
Industrials	9.2	7.6
Consumer Goods	8.7	5.4
Oil & Gas	3.0	1.4
Utilities	2.0	4.0
Consumer Services	1.8	3.7
<b>Total</b>	<b>100.0</b>	100.0

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Half-year ended 28 February 2021 (Unaudited)			Half-year ended 29 February 2020 (Unaudited)			Year ended 31 August 2020 (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	9,492	-	9,492	9,031	-	9,031	35,344	-	35,344
Other income	1,223	-	1,223	1,079	-	1,079	3,410	-	3,410
Gains/(losses) on investments held at fair value through profit or loss	-	23,328	23,328	-	(45,277)	(45,277)	-	(78,516)	(78,516)
Net foreign exchange gain/(loss) excluding gains/(losses) on investments	-	670	670	-	(341)	(341)	-	(836)	(836)
<b>Total income</b>	<b>10,715</b>	<b>23,998</b>	<b>34,713</b>	<b>10,110</b>	<b>(45,618)</b>	<b>(35,508)</b>	<b>38,754</b>	<b>(79,352)</b>	<b>(40,598)</b>
<b>Expenses</b>									
Management fees	(988)	(988)	(1,976)	(1,030)	(1,030)	(2,060)	(1,942)	(1,942)	(3,884)
Other expenses	(232)	(232)	(464)	(283)	(283)	(566)	(494)	(494)	(988)
<b>Profit/(loss) before finance costs and taxation</b>	<b>9,495</b>	<b>22,778</b>	<b>32,273</b>	<b>8,797</b>	<b>(46,931)</b>	<b>(38,134)</b>	<b>36,318</b>	<b>(81,788)</b>	<b>(45,470)</b>
Finance costs	(28)	(28)	(56)	(74)	(74)	(148)	(101)	(100)	(201)
<b>Profit/(loss) before taxation</b>	<b>9,467</b>	<b>22,750</b>	<b>32,217</b>	<b>8,723</b>	<b>(47,005)</b>	<b>(38,282)</b>	<b>36,217</b>	<b>(81,888)</b>	<b>(45,671)</b>
Taxation	(1,367)	237	(1,130)	(993)	252	(741)	(3,630)	482	(3,148)
<b>Profit/(loss) for the period and total comprehensive income</b>	<b>8,100</b>	<b>22,987</b>	<b>31,087</b>	<b>7,730</b>	<b>(46,753)</b>	<b>(39,023)</b>	<b>32,587</b>	<b>(81,406)</b>	<b>(48,819)</b>
<b>Earnings/(losses) per ordinary share basic and diluted (note 2)</b>	<b>5.68p</b>	<b>16.12p</b>	<b>21.80p</b>	<b>5.75p</b>	<b>(34.74p)</b>	<b>(28.99p)</b>	<b>23.71p</b>	<b>(59.23p)</b>	<b>(35.52p)</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 28 February 2021 (Unaudited)**

	Stated capital £'000	Distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 31 August 2020	204,875	180,471	14,653	25,928	425,927
Total comprehensive income:					
Profit for the period	-	-	22,987	8,100	31,087
Transaction with owners, recorded directly to equity:					
Dividends paid	-	-	-	(16,580)	(16,580)
Shares issued	9,089	-	-	-	9,089
Share issue costs	(18)	-	-	-	(18)
<b>Total equity at 28 February 2021</b>	<b>213,946</b>	<b>180,471</b>	<b>37,640</b>	<b>17,448</b>	<b>449,505</b>

**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>

**Year ended 31 August 2020 (Audited)**

	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 year	-	-	(81,406)	32,587	(48,819)
Transaction with owners, recorded directly to equity:					
Dividends paid	-	-	-	(31,651)	(31,651)
Shares issued	37,458	-	-	-	37,458
Share issue costs	(182)	-	-	-	(182)
<b>Total equity at 31 August 2020</b>	<b>204,875</b>	<b>180,471</b>	<b>14,653</b>	<b>25,928</b>	<b>425,927</b>

**CONDENSED BALANCE SHEET**

	28 February 2021 (Unaudited) £'000	29 February 2020 (Unaudited) £'000	31 August 2020 (Audited) £'000
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**Non-current assets**

Investments held at fair value through profit or loss (note 8)	472,644	458,039	423,694
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**Current assets**

Other receivables	11,747	6,986	14,384
Cash and cash equivalents	6,974	14,063	3,879

	18,721	21,049	18,263
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<b>Total assets</b>	<b>491,365</b>	<b>479,088</b>	<b>441,957</b>
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**Current liabilities**

Investments held at fair value through profit or loss - written options (note 8)	(598)	(3,370)	(1,090)
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Deferred taxation	(34)	(59)	(64)
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Other payables	(11,174)	(10,099)	(7,407)
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Bank loans and overdrafts	(30,054)	(23,525)	(7,469)
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	(41,860)	(37,053)	(16,030)
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<b>Net assets</b>	<b>449,505</b>	<b>442,035</b>	<b>425,927</b>
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**Equity attributable to equity shareholders**

Stated share capital	213,946	194,985	204,875
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Distributable reserve	180,471	180,471	180,471
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Retained earnings:			
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Capital reserves	37,640	49,306	14,653
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Revenue reserve	17,448	17,273	25,928
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<b>Total equity</b>	<b>449,505</b>	<b>442,035</b>	<b>425,927</b>
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<b>Net asset value per ordinary share</b> (note 3)	<b>311.52p</b>	<b>319.60p</b>	<b>301.02p</b>
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## CONDENSED STATEMENT OF CASH FLOWS

	Half-year ended 28 February 2021 (Unaudited) £'000	Half-year ended 29 February 2020 (Unaudited) £'000	Year ended 31 August 2020 (Audited) £'000
<b>Operating activities</b>			
Profit/(loss) before taxation	32,217	(38,282)	(45,671)
Add back:			
Finance costs	56	148	201
(Gains)/losses on investments held at fair value through profit or loss	(23,328)	45,277	78,516
Net foreign exchange (gains)/losses excluding foreign exchange losses on investments	(670)	341	836
Sales of investments	197,958	160,538	524,714
Purchases of investments	(224,080)	(184,011)	(549,180)
Decrease in prepayments and accrued income	11	2,025	795
Decrease/(increase) in amounts due from brokers	2,707	(4,177)	(10,318)
(Decrease)/increase in other payables	(310)	(62)	41
Decrease in amounts due to brokers	4,129	8,069	5,231
Stock dividends included in investment income	-	-	(180)
	-----	-----	-----
<b>Net cash (outflow)/inflow from operating activities before interest and taxation</b>	<b>(11,310)</b>	<b>(10,134)</b>	<b>4,985</b>
Interest paid	(51)	(147)	(200)
Increase in corporation tax payable	-	-	166
Withholding tax on investment income	(1,196)	(740)	(3,170)
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<b>Net cash (outflow)/inflow from operating activities after interest and taxation</b>	<b>(12,557)</b>	<b>(11,021)</b>	<b>1,781</b>
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<b>Financing activities</b>			
Net loans drawdown/(repayment)	23,222	7,099	(8,886)
Equity dividends paid	(16,580)	(15,449)	(31,651)
Share issue proceeds	9,089	27,442	37,458
Share issue costs	(18)	(56)	(182)
	-----	-----	-----
<b>Net cash inflow/(outflow) from financing</b>	<b>15,713</b>	<b>19,036</b>	<b>(3,261)</b>
	-----	-----	-----
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>3,156</b>	<b>8,015</b>	<b>(1,480)</b>
	-----	-----	-----
<b>Cash and cash equivalents at the start of the period / year</b>	<b>3,879</b>	<b>6,360</b>	<b>6,360</b>
Exchange movements	(61)	(312)	(1,001)
	-----	-----	-----
<b>Cash and cash equivalents at the end of the period / year</b>	<b>6,974</b>	<b>14,063</b>	<b>3,879</b>
	=====	=====	=====
<b>Net debt</b>			
Cash and cash equivalents	6,974	14,063	3,879
Bank loans and overdraft repayable within one year	(30,054)	(23,525)	(7,469)
	-----	-----	-----
<b>Net debt</b>	<b>(23,080)</b>	<b>(9,462)</b>	<b>(3,590)</b>
	=====	=====	=====

## Notes to the condensed financial statements

### 1. Accounting Policies:

#### (a) Basis of preparation

The condensed interim financial statements have been prepared in accordance with IAS 34 and the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority. The interim financial statements have been prepared on a going concern basis (see note 9).

The annual report and financial statements for the year ended 31 August 2020 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 October 2019 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 28 February 2021 have been prepared in accordance with the same accounting policies as those applied in the Company's financial statements for the year ended 31 August 2020.

There has been no change to the segmental reporting assessment compared to the 31 August 2020 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 2020 are an extract based on the published financial statements and should be read in conjunction with them.

The condensed financial statements for the half-years ended 28 February 2021 and 29 February 2020 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 'Gains/(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 £598,000 (liability) (29 February 2020: £3,370,000 (liability), 31 August 2020: £1,090,000 (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 profit after taxation of £31,087,000 (half-year ended 29 February 2020: loss £39,023,000; year ended 31 August 2020: loss £48,819,000) and on 142,594,393 ordinary shares (half-year ended 29 February 2020: 134,588,399; year ended 31 August 2020: 137,436,515) 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:

	<b>Half-year ended 28 February 2021 (Unaudited) £'000</b>	Half-year ended 29 February 2020 (Unaudited) £'000	Year ended 31 August 2020 (Audited) £'000
Net revenue profit	<b>8,100</b>	7,730	32,587
Net capital profit/(loss)	<b>22,987</b>	(46,753)	(81,406)
Net total profit/(loss)	<b>31,087</b>	(39,023)	(48,819)
Weighted average number of ordinary shares in issue during the period / year	<b>142,594,393</b>	134,588,399	137,436,515
	<b>Pence</b>	Pence	Pence
Revenue earnings per ordinary share	<b>5.68</b>	5.75	23.71
Capital earnings per ordinary share	<b>16.12</b>	(34.74)	(59.23)
Total earnings per ordinary share	<b>21.80</b>	(28.99)	(35.52)

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 £449,505,000 (29 February 2020: £442,035,000; 31 August 2020: £425,927,000) and on 144,293,564 (29 February 2020: 138,308,564; 31 August 2020: 141,493,564) 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 28 February 2021 were £248,000 (half-year ended 29 February 2020: £174,000; year ended 31 August 2020: £655,000). Sales transaction costs for the half-year ended 28 February 2021 were £344,000 (half-year ended 29 February 2020: £216,000; year ended 31 August 2020: £773,000). 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 2,800,000 shares (half-year ended 29 February 2020: 7,630,000; year ended 31 August 2020: 10,815,000) for net proceeds of £9,071,000 (half-year ended 29 February 2020: £27,386,000; year ended 31 August 2020: £37,276,000) net of costs. A further 2,345,000 shares have been issued since the period end.

### 6. Dividends

The Company pays dividends on a quarterly basis. On 27 November 2020, a fourth interim dividend of 5.80p per share was paid in respect of the year ended 31 August 2020. A first interim dividend, in respect of the year ended 31 August 2021, of 5.80p per share was paid on 26 February 2021. The second interim dividend of 5.80p per share will be paid on 28 May 2021 to shareholders on the register on 30 April 2021. The Company's shares will be quoted ex-dividend on 29 April 2021. Based on the number of shares in issue on 21 April 2021, the cost of this dividend will be £8,505,036.71.

### 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.



<b>Financial assets and financial liabilities at fair value through profit or loss at 28 February 2021</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
<b>Investments including derivatives:</b>				
- Equity investments	472,644	-	-	472,644
- OTC derivatives (options)	-	(598)	-	(598)
	<b>472,644</b>	<b>(598)</b>	-	<b>472,046</b>
<b>Financial assets and financial liabilities at fair value through profit or loss at 29 February 2020</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
<b>Investments including derivatives:</b>				
- Equity investments	458,039	-	-	458,039
- OTC derivatives (options)	-	(3,370)	-	(3,370)
	<b>458,039</b>	<b>(3,370)</b>	-	<b>454,669</b>
<b>Financial assets and financial liabilities at fair value through profit or loss at 31 August 2020</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
<b>Investments including derivatives:</b>				
- Equity investments	423,694	-	-	423,694
- OTC derivatives (options)	-	(1,090)	-	(1,090)
	<b>423,694</b>	<b>(1,090)</b>	-	<b>422,604</b>

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 28 February 2021 and 29 February 2020 and the year ended 31 August 2020.

The Company's holdings in options are included within Level 2.

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

Premiums from written options during the half-year ended 28 February 2021 were £1,223,000 (half-year ended 29 February 2020: £1,068,000; year ended 31 August 2020: £3,396,000) and is included within other income.

## 9. Going concern

The assets of the Company consist of securities that are readily realisable. The directors have considered the impact of the Covid-19 pandemic, including cash flow forecasting, a review of covenant compliance covering the headroom above the most restrictive covenants and an assessment of the liquidity of the portfolio. Having done so, the directors have concluded that the Company has adequate resources to meet its financial obligations, including the repayment of the loan facility, as it falls due for a period of at least twelve months from the date of approval of the financial statements. Taking account of these factors and the principal risks the Board has determined that it is appropriate for the financial statements to be prepared on a going concern basis and confirm that there are no uncertainties of which they are aware that should be conveyed to shareholders.

## 10. Net debt reconciliation

	<b>Cash and cash equivalents £'000</b>	<b>Bank loans and overdraft repayable within one year £'000</b>	<b>Total £'000</b>
<b>Net debt as at 31 August 2020</b>	<b>3,879</b>	<b>(7,469)</b>	<b>(3,590)</b>
<b>Cash flows</b>	<b>3,156</b>	<b>(23,222)</b>	<b>(20,066)</b>
<b>Exchange movements</b>	<b>(61)</b>	<b>637</b>	<b>576</b>
<b>Net debt as at 28 February 2021</b>	<b>6,974</b>	<b>(30,054)</b>	<b>(23,080)</b>

	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 2019	6,360	(16,520)	(10,160)
Cash flows	(1,480)	8,886	7,406
Exchange movements	(1,001)	165	(836)
Net debt as at 31 August 2020	3,879	(7,469)	(3,590)

### 11. 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.

### 12. Half-year report

The half-year report is 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 2021.

### 13. General information

#### a) Company Status

The Company is a Jersey domiciled closed end 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): 2138008DIQREOD38O596

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. 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)