Henderson High Income Trust plc

Update for the half-year ended 30 June 2024



Seeking superior income generation and long-term capital growth

MANAGED BY
Janus Henderson
INVESTORS

Investment objective

The Company invests in a prudently diversified selection of both well-known and smaller companies to provide investors with a high dividend income stream while also maintaining the prospect of capital growth.

This update contains material extracted from the unaudited half-year results of the Company for the six months ended 30 June 2024. The unabridged results for the half-year are available on the Company's website:

www.hendersonhighincome.com

Financial highlights

Total return performance for the six months ended 30 June 2024

NAV[1]	Benchmark[2]	Share Price[3]
6.5%	5.9%	3.4%

NAV per share[4]

30 June 2024	175.2p
31 December 2023	169.6p

(Discount)/premium to NAV (debt at fair value)

30 June 2024	(10.7%)
31 December 2023	(7.7%)

Mid-market price per share

30 June 2024	156.5p
31 December 2023	156.5p

Dividend yield

30 June 2024	6.8%
31 December 2023	6.6%

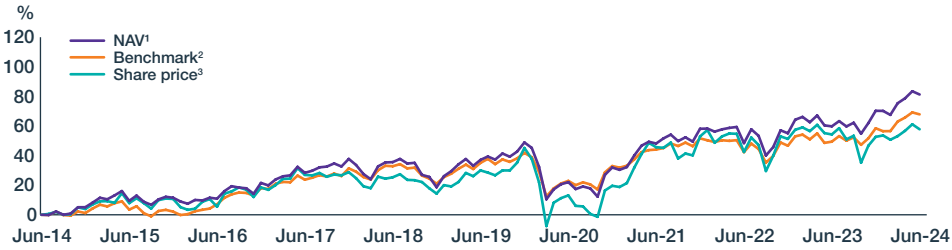
Net assets

30 June 2024	£304.2m
31 December 2023	£222.3m

Gearing

30 June 2024	21.5%
31 December 2023	21.4%

Total return performance over the ten years to 30 June 2024



[1] Net asset value with debt at fair value per ordinary share total return (including dividends reinvested and excluding transaction costs)
[2] The benchmark is a composite of 80% of the FTSE All-Share Index (total return) and 20% of the ICE BofA Sterling Non-Gilts Index (total return) rebalanced annually
[3] The mid-market share price total return (including dividends reinvested)
[4] Net asset value per share with debt at fair value as published by the Association of Investment Companies (AIC)

Sources: Morningstar Direct and Janus Henderson

Chairman's statement

Markets/Performance

The first half of 2024 has been a generally positive period for financial markets. With softer inflation globally, policy makers are focusing on lowering interest rates and investors have responded accordingly by increasing exposure to financial assets. Geopolitical tensions remain elevated however, particularly in Ukraine and the Middle East and the US presidential election campaign is proving eventful. Closer to home in the UK, July saw an earlier than expected general election and of course a change in government.

Against this backdrop the Company made positive progress in the first half of 2024 achieving a net asset value total return of +6.5% compared with a benchmark return of +5.9%, outperformance of 0.6%. The Company's share price total return was lower at +3.4%.

Gearing/Asset Allocation

The Company started 2024 with an overweight position in equities and an underweight position in fixed interest investments compared with its benchmark (80% equities, 20% bonds). This position has not changed markedly during the first half of 2024 and the Company's gearing is also largely unchanged (21.5% as at 30 June 2024).

The Board has continued to regularly review the level of gearing with the Company's Fund Manager during the current period of higher borrowing costs notwithstanding the fact that a proportion of the Company's borrowings are at fixed rates.

Combination with Henderson Diversified Income Trust plc

As highlighted in the 2023 Report and Accounts, the Company was able to issue £72.1 million of new shares in January 2024 following the successful combination with Henderson Diversified Income Trust plc. This will help to improve the liquidity and marketability in the Company's shares and also help to spread the Company's fixed costs across a larger shareholder base which is in the interests of all our shareholders.

Dividends

The first interim dividend of 2.625 pence per share was paid on 26 April 2024 and the second interim dividend for the same amount was paid on 26 July 2024.

A third interim dividend, to be paid from the Company's revenue account, of 2.675 pence per share was announced on 4 July 2024 and this dividend will be paid on 25 October 2024 to shareholders registered at the close of business on 13 September 2024 (with the shares being quoted ex-dividend on 12 September 2024).

The UK equity market is delivering growth in dividend payouts during 2024 as UK corporates remain in relatively robust financial health. Within the market UK banks in particular have increased payout levels although this has been offset to some degree by lower dividends from the UK mining sector where weaker metals prices globally have impacted profitability.

As usual David Smith, the Company's Fund Manager, regularly updates the Board on prospective income levels from the Company's portfolio of investments and the Board continues to have confidence in the Company's ability to deliver a high income return to shareholders.

Outlook

The immediate outlook for markets is dominated by speculation over the timing of interest rate cuts with the US Federal Reserve having just instigated its first reduction. The Bank of England has made its first cut from 5.25% to 5% and there have been a number of reductions across Europe. Inflationary pressures are abating and with early signs of weaker labour markets across the globe it is now likely that monetary policy will loosen further over the remainder of 2024.

The UK equity market continues to look relatively attractively priced in a global context and is currently in the midst of the half year results season; generally it is showing the UK economy in robust shape compared with other European neighbours and UK banks in particular are seeing low levels of distress across both the corporate and personal

Chairman's statement (continued)

sectors although there are undoubted pockets of weaker activity, particularly in UK construction and housebuilding. Overall, however, with real wage growth and expectations that monetary policy is on a downward trajectory, the outlook for UK equities appears to be positive and within the Company's portfolio the Fund Manager has increased exposure to the mid cap sector which should benefit from lower interest rates.

There are of course continuing geopolitical tensions to be mindful of and as we near the US presidential election in November we should expect further volatility. The first Labour government budget at the end of October may also result in higher levels of personal taxation which could prove a headwind, but the new government has made positive noises around focusing on growing the economy.

Against this backdrop the Company will continue to focus on the primary objective of delivering a high level of income to shareholders whilst seeking to deliver longer term capital growth.

Jeremy Rigg
Chairman
26 September 2024

Fund Manager's report

Markets

The UK equity market made good returns during the first half of the year with the FTSE All-Share Index up 7.4% on a total return basis. Although the Bank of England (BoE) kept its benchmark interest rate on hold at 5.25% during the first half of the year, slowing inflation raised optimism towards the end of the period that interest rates may be cut, and this was confirmed by the BoE's first cut in interest rates on 1st August. Indeed, annual inflation moderated to 2.0% in May – the first time it had reached the BoE's target in three years, although it may increase again as we head towards the end of the year in response to the proposed rise in the energy price cap and renewed upward pressure on wages as a result of above-inflation pay settlements in the public sector. UK GDP growth expanded by 0.7% over the first quarter as the economy emerged from the technical recession it entered at the end of last year. UK government bond yields rose during the period as expectations over imminent interest rate cuts from central banks at the start of the year were pushed out to the second half. The 10-year gilt yield increased to 4.2% at the end of June, from 3.5% at the beginning of the period.

Larger cap companies continued to outperform mid-caps with the FTSE 100 Index up 7.9% versus the 4.8% gain from the FTSE 250 Index. Sectors such as health care, industrials and financials performed best, while utilities, basic materials and real estate lagged.

Performance

The Company's NAV (with debt at fair value) rose by 6.5% during the period, outperforming the Company's benchmark return of 5.9%. Within the equity portfolio, holdings in Britvic, NatWest and Intermediate Capital were positive for performance. Britvic announced strong results during the period before being subject to a bid approach from Carlsberg. NatWest reported good results with net interest margins ahead of expectations and a 15% increase in the dividend. Alternative asset manager Intermediate Capital announced solid trading with better than expected fund raisings which should lead to future profit growth. Elsewhere the portfolio's positions in Burberry and Mony Group (owner of MoneySuperMarket.com) detracted from returns. Mony Group's share price was weak as investors feared that an easing in insurance premium price inflation would lead to fewer consumers switching their insurance providers. Burberry reported poor results and cautioned on the outlook given the challenging demand environment for luxury goods. After period end the company announced a further deterioration in trading and a suspension of the dividend, hence the position was sold.

Portfolio Activity

At the start of the year the Company completed the proposed combination with Henderson Diversified Income Trust plc (HDIV). The £72.1 million of new assets taken on as part of the transaction were invested in line with the existing portfolio at the time. The bond allocation remained relatively stable through the period and ended June at 14.0% of net assets.

Within the equity portfolio new holdings were established in Dunelm, Mondi and Aviva. Dunelm is the UK's leading homewares retailer with a strong business model which supports its competitive price position that has driven market share gains. The company also has a robust balance sheet, high free cash flow and an attractive dividend yield. Mondi is an integrated European packaging and paper company where we believe cyclical pressures that had constrained profits in recent years are now easing. Current investment in new capacity should also produce value accretive growth for the company over the medium term. After a period of restructuring, Aviva is now a much simpler business with good market positions in its core operations in the UK and Canada. It is well diversified across both life and general insurance and generates good cash flow. Funding came from the sale of B&M European Value Retail and Woodside Energy. B&M was sold on concerns that the business was being run too aggressively, while fears regarding the oversupplied LNG (Liquefied Natural Gas) market led us to exit the position in Woodside Energy.

David Smith
Fund Manager
26 September 2024

Financial summary

Extract from the Income Statement (unaudited)	Half-year ended 30 Jun 2024 Revenue return £'000	30 Jun 2024 Capital return £'000	30 Jun 2024 Total £'000	30 Jun 2023 Total £'000
Gains/(losses) on investments	-	8,900	**8,900**	(420)
Investment income	11,917	-	**11,917**	8,415
Other income	44	-	**44**	275
Gross revenue and capital gains/(losses)	11,961	8,900	**20,861**	8,270
Expenses, finance costs and taxation	(1,255)	(1,723)	**(2,978)**	(2,306)
Net return after taxation	10,706	7,177	**17,883**	5,964
Return per ordinary share	6.35p	4.25p	**10.60p**	4.59p

Extract from the Statement of Financial Position (unaudited except 31 December 2023 figures)	Half-year ended 30 Jun 2024 £'000	30 Jun 2023 £'000	Year-ended 31 Dec 2023 £'000
Fair value of investments	**369,785**	259,000	270,007
Net current liabilities	**(45,674)**	(25,567)	(27,798)
Creditors: amounts falling due after more than one year	**(19,873)**	(19,862)	(19,867)
Net assets	**304,238**	213,571	222,342
Net asset value per ordinary share[1]	**176.74p**	164.54p	171.30p

[1] Net asset value (debt at par value)

Going concern

The assets of the Company consist of securities that are readily realisable and, accordingly, the Directors believe that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements.

The Company's shareholders are asked every five years to vote for the continuation of the Company. An ordinary resolution to this effect was passed by the shareholders at the annual general meeting held on 23 June 2020.

The Directors have considered the risks associated with global interest rates that continue to remain at higher levels despite recent cuts and the continued impact on the broader financial system, as well as the risks arising from the wider ramifications of geopolitical conflicts, including cash flow forecasting, a review of covenant compliance including the headroom above the most restrictive covenants and an assessment of the liquidity of the portfolio. They have concluded that they are able to meet their financial obligations, including the repayment of the bank loan, as they fall due for a period of at least twelve months from the date of issuance. Having assessed these factors, the principal risks and other matters discussed in connection with the viability statement, the Board has determined that it is appropriate for the financial statements to be prepared on a going concern basis.

Financial summary (continued)

Dividends

The Company pays dividends on a quarterly basis. In respect of the year ended 31 December 2023, a fourth interim dividend of 2.625p per share (2022: 2.575p) was paid on 26 January 2024 to shareholders on the register at close of business on 8 December 2023. In respect of the year ending 31 December 2024, a first interim dividend of 2.625p per share (2023: 2.575p) was paid on 26 April 2024 to shareholders on the register at close of business on 5 April 2024. These dividends are reflected in the half-year financial statements.

A second interim dividend of 2.625p per share (2023: 2.575p) for the year ending 31 December 2024 was paid on 26 July 2024 to shareholders on the register at close of business on 14 June 2024. A third interim dividend of 2.675p per share (2023: 2.575p) for the year ending 31 December 2024 will be paid on 25 October 2024 to shareholders on the register at close of business on 13 September 2024. The shares were quoted ex-dividend on 12 September 2024. In accordance with FRS 102, the second and third interim dividends have not been accrued for in the half-year financial statements as they will be paid after the period end.

Share Capital

On 17 January 2024 the Company issued 42,345,422 new shares to HDIV shareholders in consideration of the £72.1 million of net assets acquired from HDIV in accordance with the scheme of reconstruction and winding up of HDIV under section 110 of the Insolvency Act 1986. No further shares were issued during the six months under review (half-year ended 30 June 2023: nil; year-ended 31 December 2023: nil).

At 30 June 2024 there were 172,141,700 ordinary shares of 5p nominal value in issue. Between 1 July and 26 September 2024, no shares have been issued. The Company has no shares held in Treasury.

Principal Risks and Uncertainties

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

- Climate change risk
- Investment risk
- Market/financial risk
- Operational risks including cyber risks, pandemic risks and epidemic risks and risks relating to terrorism and international conflicts
- Tax, legal and regulatory risk

Information on these risks and how they are managed is given in the Company's Annual Report for the year-ended 31 December 2023. The Board has completed a thorough review of the principal risks and considers that these risks have not changed over the past six months and are as applicable to the remaining six months of the financial year as they were to the six months under review.

Statement of Directors' Responsibilities

The Directors confirm that, to the best of their knowledge:

a) the condensed set of financial statements has been prepared in accordance with FRS 104 Interim Financial Reporting issued by the Financial Reporting Council;
b) this 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 and description of principal risks and uncertainties for the remaining six months of the year); and
c) this report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

For and on behalf of the Board
Jeremy Rigg
Chairman
26 September 2024

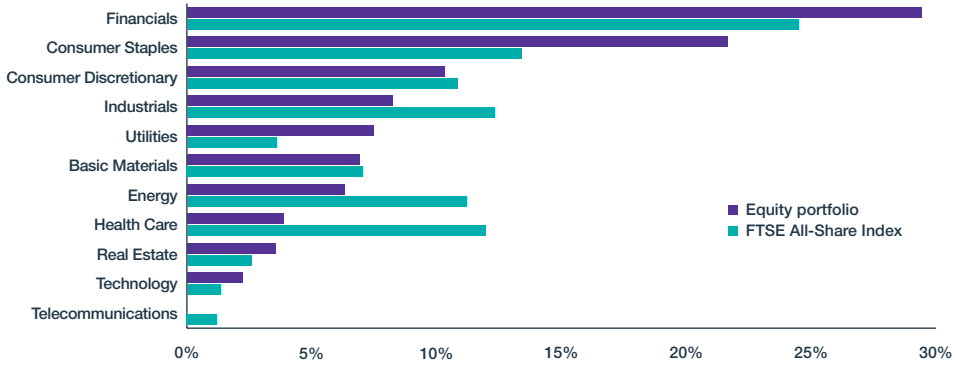
Portfolio information

Twenty Largest Investments

Company	Sector	Fair value as at 30 Jun 2024 £'000	% of portfolio 2024	Fair value as at 31 Dec 2023 £'000	% of portfolio 2023
British American Tobacco	Consumer Staples	14,948	4.0	9,545	3.5
Unilever	Consumer Staples	14,411	3.9	8,747	3.2
HSBC	Financials	12,762	3.5	7,737	2.9
Rio Tinto	Basic Materials	11,590	3.1	8,025	3.0
BP	Energy	10,761	2.9	6,399	2.4
Shell	Energy	10,283	2.8	6,310	2.3
RELX (Netherlands)	Consumer Discretionary	10,166	2.8	8,221	3.0
Imperial Brands	Consumer Staples	9,319	2.5	5,927	2.2
3i	Financials	8,523	2.3	5,602	2.1
Tesco	Consumer Staples	8,099	2.2	5,374	2.0
NatWest	Financials	7,748	2.1	3,026	1.1
National Grid	Utilities	7,741	2.1	5,407	2.0
Britvic	Consumer Staples	7,513	2.0	4,282	1.6
Phoenix	Financials	7,448	2.0	5,379	2.0
Lloyds Banking Group	Financials	6,985	1.9	3,958	1.5
Intermediate Capital	Financials	6,561	1.8	5,323	2.0
M&G	Financials	6,397	1.7	5,085	1.9
Hilton Food Group	Consumer Staples	5,970	1.6	4,406	1.6
Compass	Consumer Discretionary	5,319	1.4	4,579	1.7
AstraZeneca	Health Care	5,034	1.4	4,584	1.7
TOTAL		**177,578**	**48.0**	**117,916**	**43.7**

The increase in value of the twenty largest investments reflects the additional value invested following the completion of the HDIV transaction.

Equity Portfolio Sector Exposure at 30 June 2024



Source: Janus Henderson

Investment portfolio

Classification of Investments by Sector

	30 Jun 2024 %	31 Dec 2023 %
FIXED INTEREST		
Preference shares	1.6	1.7
Other fixed interest	10.0	10.6
Total Fixed Interest	**11.6**	**12.3**
EQUITIES		
Energy		
Oil, gas and coal	5.7	5.6
Total Energy	**5.7**	**5.6**
Basic Materials		
Chemicals	1.8	1.7
Industrial metals and mining	4.4	4.5
Total Basic Materials	**6.2**	**6.2**
Industrials		
Aerospace and defence	0.9	-
Construction and materials	0.9	0.8
Electronic and electrical equipment	0.6	1.0
General industrials	1.8	1.3
Industrial engineering	0.8	0.9
Industrial support services	2.4	2.7
Total Industrials	**7.4**	**6.7**
Consumer Discretionary		
Consumer services	1.4	1.7
Household goods and home construction	1.1	1.3
Media	2.8	3.0
Personal goods	0.7	1.2
Retailers	2.3	2.3
Travel and leisure	1.0	1.7
Total Consumer Discretionary	**9.3**	**11.2**
Health Care		
Pharmaceuticals and biotechnology	3.5	4.0
Total Health Care	**3.5**	**4.0**

	30 Jun 2024 %	31 Dec 2023 %
EQUITIES (continued)		
Consumer Staples		
Beverages	4.0	4.4
Food producers	2.8	3.0
Personal care, drug and grocery stores	6.1	5.2
Tobacco	6.6	5.8
Total Consumer Staples	**19.5**	**18.4**
Utilities		
Electricity	1.1	1.3
Gas, water and multi-utilities	5.6	5.7
Total Utilities	**6.7**	**7.0**
Financials		
Banks	7.4	5.5
Closed end investments	2.1	2.3
Finance and credit services	1.0	1.1
Investment banking and brokerage services	7.5	8.7
Life insurance	4.1	3.0
Non-life insurance	2.8	2.5
Total Financials	**24.9**	**23.1**
Technology		
Software and computer services	1.1	1.0
Technology hardware and equipment	0.9	0.9
Total Technology	**2.0**	**1.9**
Real Estate		
Real estate investment trusts	3.2	3.6
Total Real Estate	**3.2**	**3.6**
TOTAL INVESTMENTS	**100.0**	**100.0**

Corporate information

Registered Office

201 Bishopsgate
London
EC2M 3AE
Telephone: 020 7818 1818

Service Providers

Alternative Investment Fund Manager

Janus Henderson Fund Management UK Limited
201 Bishopsgate
London
EC2M 3AE

Corporate Secretary

Janus Henderson Secretarial Services UK Limited
201 Bishopsgate
London
EC2M 3AE
Telephone: 0800 832 832
Email: support@janushenderson.com

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Stockbrokers

J.P. Morgan Cazenove Limited
25 Bank Street
London
E14 5JP

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Telephone: 0370 707 1039
Email: web.queries@computershare.co.uk

Investors with share certificates (i.e. not those in a share plan or ISA) can check their holdings at www.computershare.com.

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Information Sources

For more information about the Company, visit www.hendersonhighincome.com.

To sign up for expert insights about investment trusts, updates from our fund managers as well as AGMs and Trust TV episodes, please visit this page: **www.janushenderson.com/en-gb/investor/subscriptions.**

Follow the Janus Henderson Investment Trusts on LinkedIn – Janus Henderson Investment Trusts, UK.



Henderson High Income Trust plc
201 Bishopsgate
London EC2M 3AE

www.hendersonhighincome.com

If undelivered please return to the above address

Janus Henderson
INVESTORS

aic
The Association of Investment Companies

PREMIUM MAIN MARKET
LONDON STOCK EXCHANGE

This report is printed on Revive silk 100% recycled, contains 100% recycled waste and is manufactured at a mill certified with ISO 14001 environmental management standard. The pulp used in this product is bleached using an Elemental Chlorine Free process (ECF).

Printed by Paragon, London

JHI9211/0624