Henderson High Income Trust plc

Update for the half-year ended 30 June 2022



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 2022. 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 2022

NAV[1]	Benchmark[2]	Share Price[3]
-6.1%	-6.1%	-6.9%

NAV per share[4]

30 June 2022	162.2p
31 December 2021	177.9p

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

30 June 2022	(0.3%)
31 December 2021	(0.2%)

Mid-market price per share

30 June 2022	161.8p
31 December 2021	177.5p

Dividend yield

30 June 2022	6.2%
31 December 2021	5.6%

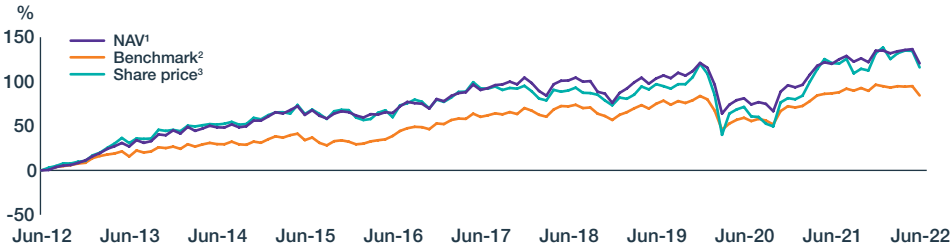
Net assets

30 June 2022	£213.4m
31 December 2021	£236.2m

Gearing

30 June 2022	21.5%
31 December 2021	22.4%

Total return performance over the ten years to 30 June 2022



[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 BofAML 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, Janus Henderson and Refinitiv DataStream

Chairman's statement

Markets/Performance

The first half of 2022 has been a difficult and volatile period for financial markets. The Company's investment performance has been impacted by this with the net asset value total return falling by 6.1% during the first half, exactly in line with the Company's investment benchmark (80% FTSE All-Share Index/20% ICE BofAML Sterling Non-Gilts Index) return of -6.1%. The backdrop of the war in Ukraine, surging inflation and higher interest rates have all combined to make investors concerned about weaker economic prospects and the negative impact on corporate profitability and share prices.

The Company holds the majority of its assets in UK equities. Of some comfort is the fact that the UK equity market has performed relatively better than other global markets during the first half of the year. For example, whilst the FTSE All-Share Index returned -4.6% during the period, the MSCI World Index returned -11.6%, in sterling terms.

Gearing/Asset Allocation

The Company started 2022 with an overweight position in equities and an underweight position in fixed interest investments as compared with its benchmark. Overall this proved to be of benefit as whilst equity markets have struggled, fixed interest markets have performed worse as interest rates and bond yields have risen. For example, the FTSE All-Share Index return of -4.6% compares with a return of -12.4% for the ICE BofAML Sterling Non-Gilts Index. This benefit was offset however by the Company's positive gearing which was not helpful due to the absolute falls in both equity and fixed interest markets.

During the first half of the year the allocation towards equities was reduced by some £11 million with £4 million being added to fixed interest investments and the balance used to pay down borrowings. Gearing which commenced the year at 22.4% fell to 21.5% at the end of June. The Board regularly reviews the level of gearing with the Company's fund manager as it seeks to balance appropriate risk with the requirement to deliver the high income returns at the heart of the Company's strategy.

Dividends

The first interim dividend of 2.525 pence per share was paid on 29 April 2022 and the second interim dividend for the same amount was paid on 29 July 2022.

A third interim dividend, to be paid from the Company's revenue account, of 2.525 pence per share was announced on 20 July 2022 and this dividend will be paid on 28 October 2022 to shareholders registered at the close of business on 16 September 2022 (with the shares being quoted ex-dividend on 15 September 2022).

It is encouraging to note the improvement in UK company dividend payouts during 2022 following the reduction or suspension of dividends during the pandemic. By way of illustration, in the first half of 2022 the Company's revenue return was 5.93 pence per share. This compares with a revenue return of 5.57 pence per share in the first half of 2019, before the onset of the pandemic. There has been a particularly strong recovery in sectors such as energy and materials due to buoyant commodity prices and more recently companies in the financials sector such as the banks have also boosted payouts. Whilst it remains to be seen if this trend is curtailed as companies become more cautious on prospects, it is important to stress that UK corporate balance sheets are generally in good health. David Smith, the Company's fund manager, regularly analyses prospective income levels from the Company's portfolio of investments and together with the healthy dividend reserves which the Company has built up over the years, leads the Board to have confidence in the Company's ability to continue to deliver a high income return for shareholders.

Issue of Shares

Whilst the first half of 2022 has undoubtedly been a challenging one, it is certainly encouraging that the Company's share price has generally traded close to the underlying net asset value and at times has traded at a premium. This has enabled the Company to periodically issue new shares at a small premium to asset value when underlying investor demand has been forthcoming.

Chairman's statement (continued)

In total, the Company issued 1,200,000 shares during the first half of 2022. The Board believes that it is very much in the interests of shareholders for the Company to grow as it will help to improve the liquidity in the Company's shares and help to spread the Company's costs over a larger number of shares in issue which benefits all holders.

Outlook

The near-term outlook for markets is dictated by the likely path of inflation and therefore global interest rates (as policy makers attempt to bear down on inflation) and the impact on economic activity. The Bank of England is currently forecast to increase the UK base rate to around 4% in 2023, a sharp increase from 0.25% where it started 2022. Undoubtedly the next several months will prove a very challenging time for both consumers and companies. However, UK companies are generally in good financial health having repaired balance sheets during the pandemic and the valuation of the UK market continues to look relatively attractive in a global context. The Company has a good balance of both economically sensitive and non-cyclical investments and David Smith, the Company's fund manager, will strive as always to position the portfolio to deliver superior income generation whilst also seeking to deliver longer term capital appreciation.

Jeremy Rigg
Chairman
20 September 2022

Fund Manager's report

Markets

The FTSE All-Share Index declined by 4.6% in the first half of the year, due to growing concerns about a global economic recession as soaring inflation prompted major central banks to tighten monetary policy more aggressively than expected. Russia's invasion of Ukraine and extended lockdowns in China further pressured shares. The annual inflation rate in the UK hit a 40-year high of 9.4% in June, up from 5.5% in January, while the Bank of England continued to raise interest rates as it battles domestic inflationary pressures. Despite the jobs market remaining strong, with the number of people in full-time employment and job vacancies both at all-time highs, consumer confidence hit record lows in May and June. Sterling weakened against the US dollar, weighed down by the largely downbeat economic news, trade tensions with the European Union and political uncertainty.

Despite the relatively resilient performance of UK equities compared with overseas markets, there was a large divergence in performance between companies. The FTSE 100 returned -1.0%, buoyed by the significant outperformance of some of the largest companies in the UK with substantial overseas earnings such as oil & gas, banks, pharmaceuticals and tobacco. Medium and smaller sized companies fared much worse with the FTSE 250 and FTSE Small Cap indices down -19.4% and -15.1% respectively. UK government bond yields rose sharply as investors became increasingly concerned about inflation and monetary policy tightening, with the 10 year gilt yield increasing to 2.2% at the end of June, from 1.0% at the beginning of the period.

Performance

The Company's NAV (with debt at fair value) fell by 6.1% during the period, performing in line with the Company's benchmark return of -6.1%. The negative impact of gearing in a falling market was offset by the Company's overweight position in equities relative to bonds as compared to the benchmark, given that equities outperformed bonds in the period. Within the equity portfolio, holdings in more defensive companies, such as British American Tobacco, Imperial Brands, Vodafone and Coca-Cola were positive for performance as investors sought out their relatively resilient earnings given concerns over slowing economic growth and the prospects of a recession. Conversely, the portfolio's positions in more cyclical businesses were detrimental. Holdings in Intermediate Capital, 3i Group, Bodycote and St. James's Place were all negative for performance despite each company announcing robust results in the period. Although the equity portfolio has holdings in BP and Shell, the weightings are less than in the benchmark, hence the significant outperformance of both created a headwind to performance on a relative basis.

Portfolio Activity

During the period the allocation to bonds was increased, specifically buying US investment grade credit, taking advantage of the move higher in yields and widening of credit spreads. Bonds were purchased in typically higher quality, non-cyclical businesses such as Abbvie (pharma), Amazon and T-Mobile (telecommunications). The bond portfolio represented 10.5% and 12.8% of portfolio and net assets respectively as at the end of June.

Within the equity portfolio new holdings were established in Vistry and the UK listing of Australia's largest oil & gas company, Woodside Energy. Vistry is a UK housebuilder but differentiates itself through its Partnerships division which focuses on affordable homes. Partnerships should have long-term structural support given the undersupply of affordable homes in the UK, while its capital light business model provides a better return and cash flow profile. Post Woodside's merger with BHP's oil & gas assets, the business is well positioned in low cost, long life LNG (Liquefied Natural Gas) assets in Australia and high margin oil production in the US Gulf of Mexico. Sales in the period included media company Informa, auto parts supplier TI Fluids and European industrials UPM and Metso Outotec, to help lower the overall cyclicality of the equity portfolio.

David Smith
Fund Manager
20 September 2022

Financial summary

Extract from the Income Statement (unaudited)	Half-year ended 30 Jun 2022 Revenue return £'000	30 Jun 2022 Capital return £'000	30 Jun 2022 Total £'000	30 Jun 2021 Total £'000
(Losses)/gains on investments	–	(25,159)	**(25,159)**	18,124
Investment income	8,203	–	**8,203**	6,804
Other income	176	–	**176**	11
Gross revenue and capital (losses)/gains	8,379	(25,159)	**(16,780)**	24,939
Expenses, finance costs and taxation	(725)	(902)	**(1,627)**	(1,594)
Net return after taxation	7,654	(26,061)	**(18,407)**	23,345
Return/(loss) per ordinary share	5.93p	(20.20p)	**(14.27p)**	18.15p

Extract from the Statement of Financial Position (unaudited except 31 December 2021 figures)	Half-year ended 30 Jun 2022 £'000	30 Jun 2021 £'000	Year-ended 31 Dec 2021 £'000
Fair value of investments	**259,292**	281,445	289,091
Net current liabilities	**(25,995)**	(33,251)	(33,008)
Creditors: amounts falling due after more than one year	**(19,853)**	(19,844)	(19,849)
Net assets	**213,444**	228,350	236,234
Net asset value per ordinary share[1]	**164.45p**	177.57p	183.70p

[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 impact of the legacy of Covid-19, the risks associated with the conflict between Russia and Ukraine and the risks associated with increasing rates and inflation and energy security and supply, which could potentially lead to a recession, as well as considering 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 2021, a fourth interim dividend of 2.525p per share (2020: 2.475p) was paid on 28 January 2022 to shareholders on the register at close of business on 17 December 2021. In respect of the year ending 31 December 2022, a first interim dividend of 2.525p per share (2021: 2.475p) was paid on 29 April 2022 to shareholders on the register at close of business on 8 April 2022. These dividends are reflected in the half-year financial statements.

A second interim dividend of 2.525p per share (2021: 2.475p) for the year ending 31 December 2022 was paid on 29 July 2022 to shareholders on the register at close of business on 17 June 2022. A third interim dividend of 2.525p per share (2021: 2.475p) for the year ending 31 December 2022 will be paid on 28 October 2022 to shareholders on the register at close of business on 16 September 2022. The shares were quoted ex-dividend on 15 September 2022. 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

During the six months under review, the Company issued a total of 1,200,000 shares for a total consideration of £2,104,000 (half-year ended 30 June 2021: nil; year ended 31 December 2021: nil). At 30 June 2022 there were 129,796,278 ordinary shares of 5p nominal value in issue. Between 1 July and 20 September 2022, no further shares have been issued. The Company has no shares held in Treasury.

Principal Risks and Uncertainties

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

Principal risks:

- 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

Emerging risks:

- Risks associated with the conflict between Russia and Ukraine
- Risks associated with the legacy of Covid-19
- Risks associated with climate change

Information on these risks and how they are managed is given in the Company's Annual Report for the year-ended 31 December 2021. The Board has completed a thorough review of the principal and emerging risks and has considered the risks to investment performance associated with increasing interest rates and inflation and energy security and supply, which could potentially lead to a recession. All other principal and emerging risks at the year-end remain 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).

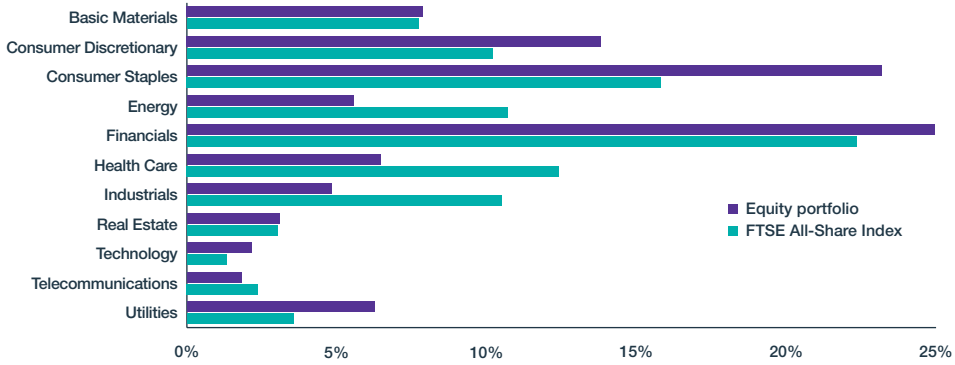
For and on behalf of the Board
Jeremy Rigg
Chairman
20 September 2022

Portfolio information

Twenty Largest Investments

Company	Sector	Fair value as at 30 Jun 2022 £'000	% of portfolio 2022	Fair value as at 31 Dec 2021 £'000	% of portfolio 2021
British American Tobacco	Consumer Staples	13,686	5.3	10,619	3.7
Unilever	Consumer Staples	8,938	3.5	9,476	3.3
AstraZeneca	Health Care	8,003	3.1	8,204	2.8
RELX (Netherlands)	Consumer Discretionary	7,504	2.9	8,314	2.9
Anglo American	Basic Materials	6,890	2.7	7,778	2.7
Diageo	Consumer Staples	6,864	2.6	9,753	3.4
GlaxoSmithKline	Health Care	6,546	2.5	6,876	2.4
Rio Tinto	Basic Materials	5,797	2.2	5,875	2.0
Tesco	Consumer Discretionary	5,771	2.2	6,077	2.1
NatWest	Financials	5,769	2.2	5,504	1.9
BP	Energy	5,753	2.2	5,305	1.8
Vodafone	Telecommunications	5,088	2.0	4,898	1.7
Imperial Brands	Consumer Staples	4,910	1.9	4,324	1.5
3i Group	Financials	4,892	1.9	6,138	2.1
Shell (formerly Royal Dutch Shell)	Energy	4,861	1.9	4,067	1.4
National Grid	Utilities	4,731	1.8	6,287	2.2
Lloyds Banking	Financials	4,702	1.8	5,312	1.8
SSE	Utilities	4,282	1.7	4,615	1.6
Hilton Food	Consumer Staples	4,264	1.7	4,765	1.6
Compass	Consumer Discretionary	3,968	1.5	3,898	1.3
TOTAL		**123,219**	**47.6**	**128,085**	**44.2**

Equity Portfolio Sector Exposure at 30 June 2022



Source: Janus Henderson

Investment portfolio

Classification of Investments by Sector

	30 Jun 2022 %	31 Dec 2021 %
FIXED INTEREST		
Preference shares	1.9	2.0
Other fixed interest	8.6	7.0
Total Fixed Interest	**10.5**	**9.0**
EQUITIES		
Energy		
Oil, gas and coal	5.0	3.3
Total Energy	**5.0**	**3.3**
Basic Materials		
Chemicals	1.6	1.8
Industrial materials	0.0	0.8
Industrial metals and mining	5.5	5.6
Total Basic Materials	**7.1**	**8.2**
Industrials		
General industrials	1.3	1.3
Industrial engineering	0.6	1.5
Industrial support services	0.8	0.9
Industrial transportation	1.7	0.9
Total Industrials	**4.4**	**4.6**
Consumer Discretionary		
Automobiles and parts	0.0	0.8
Consumer services	1.5	1.3
Household goods and home construction	2.1	2.1
Media	2.9	3.8
Personal goods	1.2	1.2
Retailers	2.1	1.9
Travel and leisure	2.7	2.7
Total Consumer Discretionary	**12.5**	**13.8**
Health Care		
Pharmaceuticals and biotechnology	6.3	5.2
Total Health Care	**6.3**	**5.2**

	30 Jun 2022 %	31 Dec 2021 %
EQUITIES (continued)		
Consumer Staples		
Beverages	4.7	6.7
Food producers	3.4	2.8
Personal care, drug and grocery stores	5.7	5.4
Tobacco	7.2	5.2
Total Consumer Staples	**21.0**	**20.1**
Telecommunications		
Telecommunications service providers	2.0	1.7
Total Telecommunications	**2.0**	**1.7**
Utilities		
Electricity	1.7	2.3
Gas, water and multi-utilities	4.0	5.6
Total Utilities	**5.7**	**7.9**
Financials		
Banks	5.2	4.7
Closed end investments	2.5	2.1
Finance and credit services	1.0	1.3
Investment banking and brokerage services	6.6	7.7
Life insurance	2.4	2.5
Non-life insurance	3.0	2.5
Total Financials	**20.7**	**20.8**
Technology		
Software and computer services	1.1	1.5
Technology hardware and equipment	0.9	0.9
Total Technology	**2.0**	**2.4**
Real Estate		
Real estate investment trusts	2.8	3.0
Total Real Estate	**2.8**	**3.0**
TOTAL INVESTMENTS	**100.0**	**100.0**



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Janus Henderson
INVESTORS

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The Association of Investment Companies

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