

HENDERSON EUROTRUST PLC

HALF YEAR REPORT

(unaudited)

for the six months ended 31 January 2017

HENDERSON EUROTRUST PLC
Unaudited Results for the half year ended 31 January 2017

Investment objective

The objective of Henderson EuroTrust plc (“the Company”) is to invest predominantly in large and medium-sized companies which are perceived to be undervalued in view of their growth prospects or on account of a significant change in management or structure. The Company aims to achieve a superior total return from a portfolio of high quality European investments.

Performance highlights

- The net asset value (“NAV”) per share total return (including dividends reinvested and excluding transaction costs) was 8.4% compared to a total return from the benchmark index, the FTSE World Europe (ex UK) Index of 9.1%.
- As at 31 January 2017 the Company’s shares were trading at a discount to NAV of 6.4%, in comparison to trading at a discount of 8.1% at the year end.

	(Unaudited) Half year ended 31 January 2017	(Unaudited) Half year ended 31 January 2016	(Audited) Year ended 31 July 2016
Net asset value (‘NAV’) per ordinary share	1,046.7p	865.1p	979.0p
Revenue return per ordinary share	0.9p	1.2p	23.5p
Dividends per ordinary share	7.0p	6.0p	20.0p
Price per ordinary share	980.2p	843.0p	899.5p
Discount	6.4%	2.6%	8.1%
Total assets ¹	£234,797,000	£196,289,000	£208,681,000

Total Return Performance

	6 months %	1 year %	3 years %	5 years %
NAV ²	8.4	23.5	39.7	105.4
Benchmark index ³	9.1	24.4	31.0	79.9
Share price ⁴	10.6	18.8	35.4	122.5
Peer Group NAV ⁵	8.1	21.3	35.7	99.3

1. Calculated as the total value of equity share capital, reserves and bank loans

2. Net asset value total return per ordinary share with income reinvested

3. The FTSE World Europe (ex UK) Index expressed on a total return basis and in sterling terms

4. Share price total return using mid-market closing price

5. Arithmetic average net asset value total return for the AIC Europe sector

Sources: Morningstar for the AIC, Henderson, Datastream

Interim Management Report

Chairman's Statement

Performance

Over the six months to 31 January 2017 the Company's Net Asset Value ("NAV") total return was 8.4%. This compares with a return on the benchmark index, FTSE World Europe (ex UK) Index of 9.1%. The share price total return was 10.6%. Shareholders will be aware that that the Fund Manager's focus on quality companies able to sustain dividend growth has resulted in a long period of outperformance versus the comparator index. The environment over the last six months has been rather different, with interest rates rising from negative levels in the major European economies, and a recovery from financials and resource stocks; nonetheless the portfolio has underperformed only modestly.

Share capital

There has been no change in the share capital in the period under review.

Gearing

Our Fund Manager has continued to use the borrowing facility over the period, with gearing increasing from 0.6% at the year end to 3.0% of net assets. We continue to value access to low cost, flexible gearing and since the period end have increased our borrowing facility from £15m to £20m.

Dividend

An interim dividend of 7.0p (2016: 5.50p), will be paid out of revenue on 28 April 2017 to shareholders on the Register of Members on 7 April 2017. The shares will go ex-dividend on 6 April 2017. I am pleased to report that the Association of Investment Companies has recently released its "next generation" of dividend heroes, and that Henderson EuroTrust, with a record of having increased dividends for each of the last twelve years, features on this list.

Outlook

European markets are rather unloved in the UK at the moment – but this, in our opinion, represents an opportunity rather than a problem. Ahead of hard-fought elections in Europe, many observers believe European economies may be heading for political shocks of the kind that have already occurred in the UK and the US. These cannot be discounted, but we believe the most likely outlook in the main countries is a continuation of governments broadly in favour of further European integration. We keep our sights on a number of positive factors, especially the choice of companies with strong market positions and, in many cases, global businesses, many selling on lower valuations than in the US or the UK, and – currently at least – a significantly stronger earnings outlook. Our Fund Manager, Tim Stevenson, has increased the level of gearing and continues to find plenty of potential investment opportunities. I expect him to focus on the same type of quality companies that have formed the backbone of the portfolio with an eye to adding some companies and sectors which might not be long-term holdings but will benefit from the current economic environment. This is the way in which Tim has added value in the past.

In my report on the year to 31 July 2016 I referred to the adverse impact of the vote to leave the EU on the discount to NAV, along with all other investment trusts focusing on European equities. I am pleased to report that the discount has narrowed modestly since the year end, and stood at 6.4% at the half year. We continue to be of the opinion that a combination of consistent dividend growth, good investment performance and support from the Henderson marketing team, including some innovative techniques to reach new investors, are the best approach to minimising and potentially eliminating the discount to NAV.

Nicola Ralston
Chairman
28 March 2017

Principal risks and uncertainties

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

- Investment activity and performance risk
- Portfolio and market risk
- Regulatory risk
- Operational risk

Information on these risks and how they are managed is given in the Annual Report for the year ended 31 July 2016. In the view of the Board these principal risks and uncertainties were unchanged over the last six months and 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 confirm that, to the best of their knowledge:

- (a) the condensed financial statements for the half year ended 31 January 2017 have been prepared in accordance with "FRS 104 Interim Financial Reporting";
- (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 the Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

For and on behalf of the Board

Nicola Ralston

Chairman

28 March 2017

Fund Manager's Report

It has been a turbulent six months in the world, but equity markets in Europe have made modest progress. Markets have so far shrugged off rising political tensions in Europe after the UK vote to leave the EU, amid a busy schedule of elections in 2017, and the uncertainties caused by the election of Donald Trump in the USA. The Company's total return was 8.4%, compared to a 9.1% rise in our benchmark the FTSE World Europe (ex UK) Index.

European economies have continued to recover over the period, as expected. Unemployment is falling, consumer demand is increasing, and investment is accelerating slowly. The Euro has remained helpfully low (for European exporters) against the US dollar, but the rise in the oil price has now begun to filter through to inflation. Headline inflation rates have touched 1.9% in Europe, and this has led to some talk of a reduction in the pace of bond buying, the quantitative easing programme, by the European Central Bank at some stage in 2018. As a result, German ten year bond yields have risen to around 0.4%, still well below inflation, and this should be taken as a positive sign for perhaps a return to some kind of semblance of normality.

Banks have been rallying strongly given these developments, and we have increased our banks weighting quite significantly in the period (from 9% to 12% within financials overall). Even though we do feel somewhat concerned that this move by banks may have been a little too much too quickly, it has been correct to take a pragmatic stance. In the six months to the end of January 2017 five of our six top contributors to performance have been banks. We have added to existing positions in **ING, Crédit Agricole, Nordea, UBS, Van Lanschot** and **Amundi**, and have also added a new holding in **Société Générale** in France.

Other additions to the portfolio have been **Siemens** in Germany and a return to **Legrand**, both companies should be a beneficiary of increased investment spending, whether national infrastructure or local improvements.

On the sale side we have sold out of **Origin, Snam, Valeo, Nokia, Elis and Nestlé**. We continue to try to keep the number of holdings to around about 55 or less, and it was considered these companies were less attractive. We are keeping a sharp eye open for really good quality long-term compounders, being companies which can increase their earnings in a reliable and consistent long-term manner regardless of the economic environment, as many of these companies have fallen in absolute terms over the last six to twelve months and in some cases have reached what we consider to be attractive valuation levels.

Outlook

I alluded to the political timetable at the start of this brief summary. My opinion is that although there may be a rise in "populist" parties in the elections this year, I do not think that we will see the overthrow of the established parties. The simple fact is that Europe is in many cases not as economically and socially unequal as may be the case in the UK and the USA. As a result, while there are plenty of things that European people can feel unhappy about, generally the politicians have been relatively (the bar is set increasingly low in my view) honest about the fact there has been little economic alternative to running an economy properly and with a focus on long-term issues such as demographics. This latter issue poses huge challenges for all economies, and makes simple solutions probably unrealistic.

In the meantime economies look set to continue the slow improvement of recent years, and importantly for us, earnings should also be set to improve again this year. Markets do look rather over-valued in the short term, but with bonds offering nothing given the return of gentle inflation, the chances are that European equities will remain preferred.

Tim Stevenson
Fund Manager
28 March 2017

Twenty Largest Investments by value at 31 January 2017

	Investment	Country	Sector	Valuation £'000	% of Portfolio
1	Geberit	Switzerland	Construction & Materials	7,181	3.2
2	Fresenius	Germany	Health Care	7,045	3.1
3	Fresenius Medical Care	Germany	Health Care	6,935	3.0
4	SAP	Germany	Software & Computer Services	6,815	3.0
5	Deutsche Post	Germany	Air Freight & Logistics	6,608	2.9
6	ING	Netherlands	Banks	5,571	2.4
7	Novartis	Switzerland	Pharmaceuticals & Biotechnology	5,473	2.4
8	AXA	France	Insurance	5,465	2.4
9	Statoil	Norway	Oil & Gas Producers	5,455	2.4
10	Partners Group	Switzerland	Financial Services	5,440	2.4
11	Amadeus	Spain	Support Services	5,339	2.3
12	Groupe Eurotunnel	France	Industrial Transportation	4,969	2.2
13	Amundi	France	Financial Services	4,915	2.2
14	Nordea Bank	Sweden	Banks	4,757	2.1
15	Total	France	Oil & Gas Producers	4,575	2.0
16	Rubis	France	Gas Water & Multiutilities	4,536	2.0
17	Dialog Semiconductor	Germany	Technology Hardware & Equipment	4,434	1.9
18	Deutsche Telekom	Germany	Telecommunications	4,357	1.9
19	Grifols	Spain	Pharmaceuticals & Biotechnology	4,355	1.9
20	Roche	Switzerland	Pharmaceuticals & Biotechnology	4,325	1.9
	Total			108,550	47.6

Sector Exposure

As a percentage of the investment portfolio excluding cash

Name of Sector	31 Jan	31 Jan
	2017	2016
	%	%
Basic Materials	2.6	3.0
Consumer Goods	14.0	16.8
Consumer Services	8.9	8.3
Financials	23.4	20.4
Health Care	14.6	15.2
Industrials	17.8	19.5
Oil & Gas	4.4	2.1
Technology	7.7	7.8
Telecommunications	4.6	5.7
Utilities	2.0	1.2
Total	100.0	100.0

Geographic Exposure

As a percentage of the investment portfolio excluding cash

Name of Country	31 Jan	31 Jan
	2017	2016
	%	%
Denmark	2.9	1.2
Finland	-	2.6
France	31.4	30.0
Germany	25.2	23.4
Ireland	1.8	2.9
Italy	1.3	5.9
Netherlands	9.8	6.5
Norway	2.4	1.0
Spain	5.4	4.1
Sweden	4.8	4.4
Switzerland	15.0	18.0
Total	100.0	100.0

Source: Factset

Income Statement

	(Unaudited) Half year ended 31 January 2017			(Unaudited) Half year ended 31 January 2016			(Audited) Year ended 31 July 2016		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Gains/(losses) from investments held at fair value through profit or loss	-	17,676	17,676	-	(2,199)	(2,199)	-	19,120	19,120
Investment income	663	-	663	616	-	616	6,206	-	6,206
Gross revenue and capital gains/(losses)	663	17,676	18,339	616	(2,199)	(1,583)	6,206	19,120	25,326
Management and performance fees (note 4)	(144)	(578)	(722)	(119)	(1,548)	(1,667)	(248)	(2,131)	(2,379)
Other administrative expenses	(249)	-	(249)	(195)	-	(195)	(389)	-	(389)
Net return on ordinary activities before finance costs and taxation	270	17,098	17,368	302	(3,747)	(3,445)	5,569	16,989	22,558
Finance charges	(2)	(9)	(11)	(4)	(16)	(20)	(9)	(38)	(47)
Net return on ordinary activities before taxation	268	17,089	17,357	298	(3,763)	(3,465)	5,560	16,951	22,511
Taxation on net return on ordinary activities	(66)	-	(66)	(39)	-	(39)	(601)	-	(601)
Net return on ordinary activities after taxation	202	17,089	17,291	259	(3,763)	(3,504)	4,959	16,951	21,910
Return per ordinary share basic and diluted (note 2)	0.9p	80.7p	81.6p	1.2p	(17.8)p	(16.6)p	23.5p	80.1p	103.6p

The total columns of this statement represent the Income Statement of the Company, prepared in accordance with FRS104. The revenue and capital columns are supplementary to this and are published under guidance from the Association of Investment Companies.

All revenue and capital returns in the above statement derive from continuing operations.

No operations were acquired or discontinued during the half year ended 31 January 2017. The Company has no recognised gains or losses other than those recognised in the Income Statement and the Statement of Changes in Equity.

The accompanying notes are an integral part of the condensed financial statements.

Statement of Changes In Equity

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
Half year ended 31 January 2017 (Unaudited)						
As at 1 August 2016	1,060	41,032	263	159,236	5,823	207,414
Net return on ordinary activities after taxation	-	-	-	17,089	202	17,291
Final dividend for 2016 paid	-	-	-	-	(2,966)	(2,966)
As at 31 January 2017	1,060	41,032	263	176,325	3,059	221,739
Half year ended 31 January 2016 (Unaudited)						
As at 1 August 2015	1,038	37,114	263	142,454	4,886	185,755
Net return on ordinary activities after taxation	-	-	-	(3,763)	259	(3,504)
Ordinary shares issued	22	3,926	-	-	-	3,948
Issue costs	-	(7)	-	-	-	(7)
Final dividend for 2015 paid	-	-	-	-	(2,750)	(2,750)
As at 31 January 2016	1,060	41,033	263	138,691	2,395	183,442
Year ended 31 July 2016 (Audited)						
As at 1 August 2015	1,038	37,114	263	142,454	4,886	185,755
Net return on ordinary activities after taxation	-	-	-	16,951	4,959	21,910
Ordinary shares issued	22	3,926	-	-	-	3,948
Issue costs	-	(8)	-	-	-	(8)
Buy-back of 20,000 ordinary shares held In treasury	-	-	-	(169)	-	(169)
Final dividend for 2015 paid	-	-	-	-	(2,750)	(2,750)
Interim dividend for 2016 paid	-	-	-	-	(1,272)	(1,272)
As at 31 July 2016	1,060	41,032	263	159,236	5,823	207,414

The accompanying notes are an integral part of the condensed financial statements.

Statement of Financial Position

	(Unaudited) 31 January 2017 £'000	(Unaudited) 31 January 2016 £'000	(Audited) 31 July 2016 £'000
Fixed asset investments held at fair value through profit or loss	228,325	196,284	208,660
Current assets			
Debtors	6,243	2,235	1,066
Cash at bank and in hand	988	650	624
	7,231	2,885	1,690
Creditors: amounts falling due within one year (note 6)	(13,817)	(15,727)	(2,936)
Net current liabilities	(6,586)	(12,842)	(1,246)
Net assets	221,739	183,442	207,414
Capital and reserves			
Called up share capital	1,060	1,060	1,060
Share premium account	41,032	41,033	41,032
Capital redemption reserve	263	263	263
Capital reserves	176,325	138,691	159,236
Revenue reserve	3,059	2,395	5,823
Equity shareholders' funds	221,739	183,442	207,414
Net asset value per ordinary share basic and diluted (note 3)	1,046.7p	865.1p	979.0p

The accompanying notes are an integral part of the condensed financial statements.

Notes

1. Accounting policies

The condensed financial statements have been prepared in accordance with FRS 104, Interim Financial Reporting, issued in March 2015, the revised reporting standard for Half year reporting that was issued following the introduction of FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, which is effective for periods commencing on or after 1 January 2015 and the Statement of Recommended Practice for "Financial Statements of Investment Trust Companies and Venture Capital Trusts", issued by the Association of Investment Companies in November 2014 and updated in January 2017 with consequential amendments.

The Company has early adopted the amendments to FRS 102 in respect of fair value hierarchy disclosures issued in March 2016.

The condensed set of financial statements has been neither audited nor reviewed by the Company's Auditors.

As an investment fund the Company has the option, which it has taken, not to present a cash flow statement. A cash flow statement is not required when an investment fund meets all the following conditions: substantially all of the entity's investments are highly liquid and are carried at market value; and where a statement of changes in equity is provided.

2. Return per ordinary share

	(Unaudited) Half year ended 31 January 2017 £'000	(Unaudited) Half year ended 31 January 2016 £'000	(Audited) Year ended 31 July 2016 £'000
The return per ordinary share is based on the following figures:			
Revenue return	202	259	4,959
Capital return/(loss)	17,089	(3,763)	16,951
Total	17,291	(3,504)	21,910
Weighted average number of ordinary shares in issue for each period			
	21,185,541	21,096,030	21,149,557
Revenue return per ordinary share	0.9p	1.2p	23.5p
Capital return/(loss) per ordinary share	80.7p	(17.8p)	80.1p
Total return/(loss) per ordinary share	81.6p	(16.6p)	103.6p

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

Net asset value per ordinary share at 31 January 2017 is based on 21,185,541 ordinary shares in issue (half year ended 31 January 2016: 21,205,541; year ended 31 July 2016: 21,185,541).

4. Management and performance fees

Management and performance fees are charged in accordance with the terms of the management agreement. Performance fees are provided for, based on the out-performance of the Company's net asset value against the FTSE World Europe (ex UK) Index. For the half year ended 31 January 2017 there was no provision for a performance fee (half year ended 31 January 2016: £1,074,000 and year ended 31 July 2016: £1,140,000).

5. Investments held at fair value through profit or loss

The table below analyses fair value measurements for investments held at fair value through profit or loss. These fair value measurements are categorised into different levels in the fair value hierarchy based on the valuation techniques used and are defined as follows under the amendments to FRS 102 issued in March 2016:

Level 1: valued using quoted prices in active markets for identical assets

Level 2: valued by reference to valuation techniques using observable inputs other than quoted prices included in Level 1

Level 3: valued by reference to valuation techniques using inputs that are not based on observable market data

Financial Assets held at fair value through profit or loss at 31 January 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	228,325	-	-	228,325
	-----	-----	-----	-----
Total financial assets carried at fair value	228,325	-	-	228,325
	=====	=====	=====	=====

There have been no transfers between levels of the fair value hierarchy during the period.

The valuation techniques used by the Company are explained in the accounting policies note 1(b) in the Company's Annual Report for the year ended 31 July 2016.

6. **Bank loan**

At 31 January 2017, the Company had drawn down £13,058,000 (half year ended 31 January 2016: £12,847,000; year ended 31 July 2016: £1,267,000) of its £15 million multi-currency loan facility.

7. **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. Having assessed 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.

8. **Related party transactions**

The Company's current related parties are its Directors and Henderson. There have been no material transactions between the Company and its Directors during the half year and the only amounts paid to them were in respect of expenses and remuneration for which there were no outstanding amounts payable at the half year end. Directors' shareholdings are disclosed in the Annual Report.

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

9. **Dividends**

An interim dividend of 7.0p (2016: 6.0p) per ordinary share has been declared payable on 28 April 2017 to shareholders on the register of the Company on 7 April 2017. The Company's shares will be quoted ex-dividend on 6 April 2017. Based on the number of shares in issue on 28 March 2017, the cost of the dividend is £1,483,000.

10. **Share capital**

At 31 January 2017 there were 21,205,541 shares in issue of which 20,000 are held in treasury, resulting in 21,185,541 shares being entitled to dividend. During the period ended 31 January 2017, no ordinary shares were issued or repurchased (half year ended 31 January 2016: 450,000 shares were issued raising net proceeds of £3,941,000 and nil ordinary shares were repurchased; year ended 31 July 2016: 450,000 shares were issued raising net proceeds of £3,940,000 and 20,000 ordinary shares were repurchased to be held in treasury at a total cost of £169,000) No shares have been issued or bought back since 31 January 2017.

11. **Comparative information**

The financial information contained in this half year report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the half years ended 31 January 2017 and 31 January 2016 has not been audited or reviewed by the Company's auditors. The figures and financial information for the year ended 31 July 2016 are an extract based on the latest published accounts and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

12. **General information**

Company status

Henderson EuroTrust plc

Registered as an investment company in England and Wales.

Registration Number: 2718241

Registered Office: 201 Bishopsgate, London EC2M 3AE

SEDOL Number: 0419929

ISIN number: GB0004199294

London Stock Exchange (TDIM) Code: HNE

Global Intermediary Identification Number (GIIN): P560WP.99999.SL.826

Legal Entity Identifier (LEI) Number: 213800DAFFNXRBWOEF12

Directors and Corporate Secretary

The Directors of the Company are Nicola Ralston (Chairman), John Cornish (Chairman of the Audit Committee and Senior Independent Director), David Marsh and Rutger Koopmans. The Corporate Secretary is Henderson Secretarial Services Limited.

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.hendersoneurotrust.com.

Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) are incorporated into, or form part of, this report.