

# Henderson Opportunities Trust plc

Report for the half year ended  
30 April 2020



MANAGED BY

**Janus Henderson**  
— INVESTORS —

## Objective

The Company aims to achieve capital growth in excess of the FTSE All-Share Index from a portfolio of UK investments

This update contains material extracted from the unaudited half year results of the Company for the six months ended 30 April 2020. The unabridged results for the half year are available on the Company's website:

[www.hendersonopportunitiestrust.com](http://www.hendersonopportunitiestrust.com)

# Performance summary

Total return performance for the six months to 30 April 2020



## NAV per share

30 Apr 2020	<b>921.3p</b>
31 Oct 2019	<b>1,161.8p</b>

## Share price

30 Apr 2020	<b>740.0p</b>
31 Oct 2019	<b>932.0p</b>

## Net assets

30 Apr 2020	<b>£72.8m</b>
31 Oct 2019	<b>£91.8m</b>

## Dividends

30 Apr 2020	<b>13.0p<sup>5</sup></b>
30 Apr 2019	<b>7.0p</b>

## Total return performance to 30 April 2020

	6 months %	1 year %	3 years %	5 years %	10 years %
NAV per ordinary share <sup>1</sup>	-19.7	-23.8	-14.2	-4.2	123.4
Benchmark <sup>2</sup>	-17.0	-16.7	-7.5	4.8	63.4
Share price <sup>3</sup>	-19.2	-24.7	-17.9	-10.8	135.0
Sector average NAV <sup>4</sup>	-19.7	-20.4	-14.1	3.7	91.9

1 Net Asset Value (NAV) total return per ordinary share (including income reinvested)

2 FTSE All-Share Index total return with income reinvested

3 Share price total return (including income reinvested) using mid-market closing price

4 Arithmetic average NAV total return of the Association of Investment Companies (AIC) UK All Companies Sector with income reinvested

5 The dividends per ordinary share for the period 1 November 2019 to 30 April 2020 include a first interim dividend payable of 6.5p per ordinary share payable on 26 June 2020 and a second interim dividend payment of 6.5p per ordinary share payable on 25 September 2020. See the Chairman's Statement for further details

Sources: Morningstar for the AIC, Refinitiv Datastream and Janus Henderson

# Chairman's Statement

## Performance

The period under review was dominated by the impact of Covid-19 and the Company's NAV total return fell by 19.7% over the first half of the financial year while the FTSE All-Share benchmark was down 17.0%. The unprecedented slowdown in activity and the consequential falls in equity values seen in February and March 2020 were particularly severe for small businesses geared to the UK economy where the Company's portfolio carries a heavy weighting. In the near term the economic outlook is inevitably tied to progress on control of the pandemic with the expectation that the virus will eventually be overcome and economic activity will recover. The most resilient UK companies, those that offer excellent goods or services, should again prosper as the economy recovers and we believe your Company's portfolio is strongly focused around such companies.

The following table illustrates the Company's record against the benchmark over the ten year period to 30 April 2020:

	1 yr %	3 yrs %	5 yrs %	10 yrs %
NAV (total return)	-23.8	-14.2	-4.2	123.4
FTSE All-Share (total return)	-16.7	-7.5	4.8	63.4
Outperformance (+)/ Underperformance (-)	-7.1	-6.7	-9.0	60.0

## Earnings and Dividends

The revenue return in the period was £628,000, compared to £1,061,000 in the corresponding period last year.

In February 2020, we announced that, from the beginning of the 2020 financial year, quarterly dividends would be paid to shareholders in order to make dividends as predictable for shareholders as possible. The first quarterly dividend of 6.5p per ordinary share for the financial year ending 31 October 2020 was declared on 19 March 2020 and will be paid on 26 June 2020. When we released the 2019 annual results announcement in February 2020 we said we expected to be able to declare a

second quarterly dividend of 6.5p per ordinary share. We are pleased to announce that our expectation to be able to pay this amount has not altered and the Company therefore declares a second interim dividend of 6.5p per ordinary share, in respect of the quarter to 30 April 2020 for the financial year ending 31 October 2020, payable on 25 September 2020 to shareholders registered at the close of business on 21 August 2020. The Company's shares will be quoted ex-dividend on 20 August 2020.

The Directors appreciate the importance of dividend payments to shareholders. The dividend going forward will be under review given that many of the underlying holdings are reducing or suspending their dividend payments this year due to the extreme levels of uncertainty. The Company has a revenue reserve of £1.9m following payment of the 2019 final dividend and this is available for use in the current circumstances. It is unclear at present whether these revenue reserves will allow the Company's quarterly dividend to remain at this level until the payments of the dividends by the stocks held in the portfolio lead again to the Company's dividend being covered by earnings.

## Gearing

The gearing started the period at 12.7% and at the period end was 15.3%. It detracted approximately 2% from the NAV over the 6 months. However, the gearing has been a positive contributor to the Company's long-term NAV return and it helps position the portfolio to benefit strongly from a return of investor confidence as economic growth picks up.

## Share Capital

During the period 2,813 shares were bought back under the authority given by shareholders at the Company's Annual General Meeting in 2019, at an average price of 953.3p. The shares are being held in treasury. We purchased these shares to marginally enhance the NAV. We will continue to be opportunistic in our approach to buybacks with the main objective of increasing the NAV rather than reducing the discount. It may help reduce the discount if it coincides with a general return of confidence and good performance.

# Chairman's Statement (continued)

## Continuation Vote

At the AGM in March the Continuation Vote was passed. It will next occur at the AGM in March 2023 on its triennial cycle.

## Outlook

The economic scars from the crisis will clearly take some time to heal and, in particular, the debts incurred in both the public and private sectors will take a long time to pay down. However, the lockdown is slowly being eased and that is the first prerequisite for economic recovery. Timing remains uncertain but once the recovery takes hold it is likely that stronger growth will emerge in certain areas of the economy. Adaptable companies which respond fast will benefit in a changed operating environment. The companies held in the portfolio have the advantage over some unquoted competitors of having easier access to equity capital. The ones that need it are using the market to raise capital and therefore place themselves in a strong position for the recovery. The Company is participating in selected placings and some of them will in time prove very good investments we believe. The valuations across the portfolio could prove to be very attractive as economic growth returns.

Since the period end to 16 June 2020 the NAV total return has risen 7.3%, while the benchmark has gone up 2.9%. Such a sharp movement in share prices reflects the tendency for stock market investors to attempt to foreshadow trends in the real economy and, on this occasion, the magnitude of the bounce belies any equivalent improvement in the outlook for the global economy.

**Peter Jones**  
**Chairman**  
**17 June 2020**

# Fund Managers' Report

## Overview

The Company's net asset value fell 19.7% during the six months under review, while the FTSE All-Share benchmark fell 17.0% (both on a total return basis). This underperformance was concentrated in March, when the Company's net asset value fell 26.4% relative to a 15.1% fall in the benchmark. It then recovered strongly in April, when the net asset value rose 14.7% versus a rise in the FTSE All-Share of 4.9%, in what was an exceptionally volatile period.

With its material exposure to small and medium sized companies, the portfolio is more tied into the performance of and expectations for the domestic economy than the FTSE All-Share benchmark, which is highly international. This can be seen in the stock level detractors from performance financial year to date, which include retail property owner **Hammerson**, UK building materials company **Sigmaroc** and Scottish housebuilder **Springfield Properties**. At a time when large parts of the domestic economy have effectively been mothballed as a result of Covid-19 (for example Scottish housebuilding has stopped entirely) this will naturally have an impact on the earnings of the companies affected.

We go into more detail in the activity section below on recent portfolio changes, but we have left the shape of the portfolio largely unchanged in recent months. The companies held are deliberately diverse in their exposure. Some will benefit from the current 'lockdown'; others will see earnings materially reduced, at least in the short term. The attributes they share is they have experienced management teams and are specialists in the service or product they provide, often they are one of if not the market leader. We have spoken to the management teams of many companies in recent weeks, and are encouraged by how quickly they have responded to the current circumstances. It is speaking to management teams and seeing how quickly companies are adapting that gives us confidence in the current positioning.

## Portfolio Attribution

The largest active contributor to performance during the period was **Ceres Power**, a fuel cell technology company. This received further validation of its technology via a manufacturing licence agreement with Bosch, which added to its existing stake in Ceres (taking it to 18%) and took a seat on the Ceres board. This leaves Ceres with a number of impressive partners including Doosan in South Korea and Weichai in China as they move towards full-scale commercialisation of their technology. While their fuel cells are likely to be used first in buses as a range extender (where hydrogen can be used alongside traditional fossil fuels), there are a number of potentially large end market applications including datacentres and heavy-duty trucks.

Technology companies held including **Blue Prism**, **LoopUp** and **Zoo Digital** were also strong contributors to performance. All have resilient business models that in some cases are benefitting from the current environment. For example LoopUp, a competitor to Zoom and WebEx in conference calls, is gaining a substantial number of new customers as a result of its secure, easy to use and reliable technology. Zoo Digital, which provides dubbing and subtitling services to content producers, is also finding that customers are more willing to use their flexible, freelance dubbing technology at a time when traditional dubbing studios are closed.

The largest detractor from performance was retail property company **Hammerson**. This owns shopping centres in the UK and Europe including the Bullring in Birmingham and a stake in Bicester Village. With the shift to shopping online it is widely appreciated that rents and valuations of retail properties are likely to fall further. This has recently been exacerbated by the effects of the virus, with the majority of retailers being closed and therefore a significant portion of quarterly rental payments being deferred. The reason the Company continues to hold the position is that we think the demise of physical retail is understood, and to a large degree factored into the current share price. For example the published net asset value per share was £6, versus the share price at the end of April of 71p.

# Fund Managers' Report (continued)

## Activity

During the period positions were sold or exited in **Eland Oil & Gas**, **Aggregated Micro Power** (in both cases following a takeover), **BT Group**, **Renewi**, **Royal Mail** and **Character Group**. BT, Royal Mail and Character Group were sold on concerns around a lack of visible earnings growth. Therefore while they looked attractively valued, in our view they lacked a catalyst that could cause them to re-rate. Renewi, a waste management company, was sold as a result of balance sheet concerns as they were highly indebted. There were also two mergers within the period as the holding in fund management group Miton merged with Premier to become **Premier Miton Group**, and the holding in insurance services provider Redde merged with van rental company Northgate to create **Redde Northgate**. In both cases we have maintained the holdings.

A number of purchases during the period were placings from companies seeking extra headroom once the scale of disruption from the virus became apparent. This included adding to existing holdings in **The Gym Group**, **Hollywood Bowl**, **Franchise Brands**, **Van Elle** and **Safestyle**. In all cases we think the companies will emerge from the current environment in a strong competitive position.

## Outlook

The severity of the slowdown in economic activity and the level of commitment to spending by government to alleviate some of the disruption is on an unprecedented scale for peacetime. The old economic models of how the economy should respond to events are of little help in predicting what will happen. In time the virus will wane, and economic activity will recover. The shape of the recovery will result in an economy that will be different to the past. Greater flexibility in work practices and large advances in the digital space will be evident, but so will higher debt levels and inflation may be higher than in the recent past. For the equity investor there will be multiple opportunities and pitfalls. This portfolio has the scope to be responsive to the changing investment landscape and hold companies that will succeed in moving forward in this changed world.

**James Henderson and Laura Foll**  
**Fund Managers**  
**17 June 2020**

# Portfolio information

## Attribution Analysis to 30 April 2020

The table below sets out the top five contributors and top five detractors to NAV

Top Five Contributors	Total Return %	Contribution to NAV %
Ceres Power	+105.9	+1.4
Blue Prism	+57.9	+0.8
LoopUp	+76.7	+0.8
Integratin Holdings	+35.8	+0.5
Zoo Digital	-12.2	+0.5

Source: Janus Henderson

Top Five Detractors	Total Return %	Contribution to NAV %
Hammerson	-75.6	-1.3
Sigmaroc	-30.7	-1.2
Rolls Royce	-53.5	-1.1
Ricardo	-37.1	-0.9
Senior	-64.8	-0.9

Source: Janus Henderson

## Portfolio by Index at 30 April 2020

as a percentage of the portfolio excluding cash

Index	FTSE All-Share Index %	Portfolio %
FTSE 100	80.5	17.2
FTSE 250	16.3	14.7
FTSE SmallCap	3.2	7.8
FTSE AIM	-	58.0
Other	-	2.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Source: Factset

## Portfolio by Market Capitalisation at 30 April 2020

as a percentage of the portfolio excluding cash

Index	FTSE All-Share Index %	Portfolio %
Greater than £2bn	86.4	19.6
£1bn - £2bn	6.9	15.5
£500m - £1bn	3.5	12.5
£200m - £500m	2.5	17.0
£100m - £200m	0.6	11.2
£50m - £100m	0.1	13.2
Less than £50m	-	10.5
Other	-	0.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Source: Factset

# Portfolio information (continued)

## Investment portfolio at 30 April 2020

Position	Company	Valuation £'000	% of portfolio
1	RWS Holdings <sup>1</sup>	3,523	4.2
2	Blue Prism <sup>1</sup>	3,431	4.1
3	Ceres Power <sup>1</sup>	3,176	3.8
4	Tracsis <sup>1</sup>	2,507	3.0
5	Learning Technologies <sup>1</sup>	2,483	3.0
6	Springfield Properties <sup>1</sup>	2,472	2.9
7	Serica Energy <sup>1</sup>	2,282	2.7
8	Oxford Instruments	2,218	2.6
9	Cohort <sup>1</sup>	1,941	2.3
10	Zoo Digital <sup>1</sup>	1,935	2.3
<b>10 largest</b>		<b>25,968</b>	<b>30.9</b>
11	GlaxoSmithKline	1,910	2.3
12	Sigmaroc <sup>1</sup>	1,845	2.2
13	Rio Tinto	1,842	2.2
14	Integrafin Holdings	1,821	2.2
15	XP Power	1,757	2.1
16	Assura	1,670	2.0
17	Boku <sup>1</sup>	1,644	1.9
18	Johnson Matthey	1,594	1.9
19	SDL	1,533	1.8
20	Prudential	1,411	1.7
<b>20 largest</b>		<b>42,995</b>	<b>51.2</b>
21	Redcentric <sup>1</sup>	1,375	1.6
22	HSBC	1,356	1.6
23	GB Group <sup>1</sup>	1,350	1.6
24	Workspace	1,330	1.6
25	Next Fifteen Communications <sup>1</sup>	1,295	1.6
26	Direct Line Insurance	1,294	1.5
27	Aveva Group	1,250	1.5
28	The Gym Group	1,225	1.5
29	Ricardo	1,186	1.4
30	Franchise Brands <sup>1</sup>	1,184	1.4
<b>30 largest</b>		<b>55,840</b>	<b>66.5</b>
31	Standard Chartered	1,161	1.4
32	Vertu Motors <sup>1</sup>	1,113	1.3
33	IQGeo <sup>1</sup>	1,015	1.2
34	Tribal Group <sup>1</sup>	977	1.2
35	LoopUp <sup>1</sup>	963	1.2
36	Vodafone	953	1.1
37	Studio Retail	945	1.1
38	4D Pharma <sup>1</sup>	860	1.0
39	Van Elle <sup>1</sup>	857	1.0
40	Rolls Royce	825	1.0
<b>40 largest</b>		<b>65,509</b>	<b>78.0</b>

# Portfolio information (continued)

## Portfolio investments at 30 April 2020 (continued)

Position	Company	Valuation £'000	% of portfolio
41	Flowtech <sup>1</sup>	797	1.0
42	Ilika <sup>1</sup>	760	0.9
43	IG Group	754	0.9
44	Mondi	705	0.8
45	Scapa <sup>1</sup>	702	0.8
46	Redde Northgate	659	0.8
47	Premier Miton Group <sup>1</sup>	659	0.8
48	Deltex Medical <sup>1</sup>	647	0.8
49	Hollywood Bowl	638	0.8
50	Royal Bank of Scotland	608	0.7
<b>50 largest</b>		<b>72,438</b>	<b>86.3</b>
51	Eurocell	588	0.7
52	Quixant <sup>1</sup>	576	0.7
53	Keystone Law <sup>1</sup>	574	0.7
54	Reabold Resources <sup>1</sup>	563	0.7
55	Surface Transforms <sup>1</sup>	563	0.7
56	IP Group	517	0.6
57	K3 Capital <sup>1</sup>	481	0.6
58	Horizon Discovery <sup>1</sup>	479	0.5
59	Cluff Natural Resources <sup>1</sup>	455	0.5
60	Creo Medical <sup>1</sup>	455	0.5
<b>60 largest</b>		<b>77,689</b>	<b>92.5</b>
61	Jersey Oil & Gas <sup>1</sup>	420	0.5
62	CML Microsystems	414	0.5
63	Mirriad Advertising <sup>1</sup>	413	0.5
64	Senior	410	0.5
65	Hammerson	406	0.5
66	Jadestone Energy <sup>1</sup>	401	0.5
67	Oxford Sciences Innovation <sup>2</sup>	400	0.5
68	Lloyds Banking	387	0.4
69	International Consolidated Airlines	333	0.4
70	Oxford Biodynamics <sup>1</sup>	330	0.4
<b>70 largest</b>		<b>81,603</b>	<b>97.2</b>
<b>14 Remaining (excluding cash and investments written down to zero)</b>		<b>2,367</b>	<b>2.8</b>
<b>Total</b>		<b>83,970</b>	<b>100.0</b>

<sup>1</sup> Quoted on the Alternative Investment Market ('AIM')

<sup>2</sup> Unlisted

# Financial summary

Extract from the Condensed Income Statement (unaudited)	Half year ended			Half year ended
	30 Apr 2020 Revenue return £'000	30 Apr 2020 Capital return £'000	30 Apr 2020 Total return £'000	30 Apr 2019 Total return £'000
Investment income	810	-	810	1,095
Other income	86	-	86	228
(Losses)/gains from investments held at fair value through profit or loss	-	(17,925)	(17,925)	4,277
Gross revenue and capital (losses)/gains	896	(17,925)	(17,029)	5,600
Expenses, finance costs & taxation (including management fees)	(268)	(205)	(473)	(482)
Net return/(loss) after taxation	628	(18,130)	(17,502)	5,118
<b>Return/(loss) per ordinary share – basic and diluted</b>	<b>7.95p</b>	<b>(229.53p)</b>	<b>(221.58p)</b>	<b>64.47p</b>

Extract from Condensed Statement of Financial Position (unaudited except October 2019 figures)	Half year ended		Year ended
	30 Apr 2020 £'000	30 Apr 2019 £'000	31 Oct 2019 £'000
Investments held at fair value through profit or loss	83,970	110,877	103,598
Net current liabilities	(11,202)	(13,484)	(11,800)
Net assets	72,768	97,393	91,798
<b>Net asset value per ordinary share – basic and diluted</b>	<b>921.3p</b>	<b>1,232.6p</b>	<b>1,161.8p</b>

# Financial summary (continued)

## Dividends

The Board decided to pay quarterly dividends from the beginning of the 2020 financial year, to make dividends as predictable for shareholders as possible.

In March 2020, the Board declared a first interim dividend of 6.5p per ordinary share, to be paid out of revenue on 26 June 2020 to shareholders on the register of the Company at the close of business on 22 May 2020. The cost of this dividend will be £513,000.

The Board has declared a second interim dividend of 6.5p per ordinary share, to be paid out of revenue on 25 September 2020 to shareholders on the register of the Company at the close of business on 21 August 2020. The ex-dividend date will be 20 August 2020. Based on the number of ordinary shares in issue on 17 June 2020, the cost of this dividend will be £513,000.

In February 2020, the Board advised that, in the absence of any adverse changes in conditions, it expected to be able to declare a Q3 2020 dividend of 6.5p per ordinary share (to be confirmed in September 2020) to be paid in December 2020 and a final dividend of 7.5p per ordinary share (to be confirmed in January / February 2021) to be paid in March 2021. The anticipated total dividend for 2020 was 27.0p per ordinary share. The dividends for the remainder of the year remain under review.

The interim dividend for the year ended 31 October 2019 was 7.0p; the final dividend for the year ended 31 October 2019 was 19.0p. The total dividend for the year ended 31 October 2019 was 26.0p.

## Share Capital

During the half year ended 30 April 2020, no shares were issued and 2,813 shares were repurchased to be held in treasury at a cost of £27,000 (half year ended 30 April 2019 and year ended 31 October 2019: no shares issued and 99,670 shares repurchased at a cost of £939,000). At 30 April 2020 there were 8,000,858 ordinary shares of 25p each in issue (30 April 2019 and 31 October 2019: 8,000,858) of which 102,483 were held in treasury (30 April 2019 and 31 October 2019: 99,670 shares held in treasury) resulting in 7,898,375 shares being entitled to a dividend (30 April 2019 and 31 October 2019: 7,901,188).

## Management and performance fees

The management fee is calculated, quarterly in arrears, as 0.55% per annum on the net assets. Arrangements are in place for the Manager to earn a performance fee. The cap on total fees that can be earned in a financial year is 1.5% of the average net assets over the year. There is no performance fee accrual for the current period (30 April 2019 and 31 October 2019: £nil).

# Financial summary (continued)

## Related party transactions

The Company's transactions with related parties in the period were with the Directors and the Manager. There have been no material transactions between the Company and its Directors during the half year other than amounts paid to them in respect of expenses and remuneration for which there are no outstanding amounts payable at the half year period end.

In relation to the provision of services by the Manager, other than fees payable by the Company in the ordinary course of business and the facilitation of marketing activities with third parties, there have been no material transactions with the Manager affecting the financial position of the Company during the half year period.

## 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 strategy;
- financial instruments and the management of risk;
- operational;
- accounting, legal and regulatory;
- liquidity;
- net gearing; and
- failure of Janus Henderson.

Detailed information on these risks is given in the Strategic Report and in the Notes to the Financial Statements in the Company's Annual Report for the year to 31 October 2019.

In the view of the Board, these principal risks and uncertainties 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.

The Board notes that there are also a number of emerging risks stemming from the Covid-19 pandemic and the uncertainty that this has created in global markets, both economically and politically, that may impact the operation of the Company.

Some of these are set out in more detail in the Chairman's Statement but the medical and epidemiological implications of Covid-19 are yet to be fully understood; neither an effective treatment nor a vaccine are likely to be available in the short term. A second wave of infections could result in even worse economic effects. Changing consumer behaviour, additional administrative burdens and new regulations could significantly alter and negatively affect business operations in the medium to longer term with unknown consequences for affected industries. The Fund Managers will continue to review carefully the composition of the Company's portfolio and be proactive in taking investment decisions where necessary. The Manager and the Company's other third-party service providers remain fully operational and have implemented appropriate business continuity plans to ensure that there has been no change in service while the majority of staff are working from home.

## Directors' responsibility statement

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

- the condensed financial statements for the half year ended 30 April 2020 have been prepared in accordance with Financial Reporting Standard 104 Interim Financial Reporting and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the interim management report and condensed financial statements include a fair review of the information required by the 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
- the interim management 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).

# Notes



Henderson Opportunities Trust plc  
201 Bishopgate  
London EC2M 3AE

MANAGED BY  
**Janus Henderson**  
INVESTORS

**aic**  
The Association of  
Investment Companies



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).

**If undelivered please return to the above address**  
Printed by Leycol

H045015/0420