Henderson Opportunities Trust plc

Report for the half year ended
30 April 2021

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 2021. The unabridged results for the half year are available on the Company's website:

www.hendersonopportunitiestrust.com

Performance summary

Total return performance for the six months to 30 April 2021

NAV[1]
56.9%

Benchmark[2]
28.5%

Share price[3]
81.8%

Net Asset Value per share

30 Apr 2021	1,624.5p
31 Oct 2020	1,046.3p

Share price

30 Apr 2021	1,590.0p
31 Oct 2020	885.0p

Net assets

30 Apr 2021	£128.3m
31 Oct 2020	£82.6m

Dividends

30 Apr 2021	13.0p
30 Apr 2020	13.0p

Total return performance to 30 April 2021

	6 months %	1 year %	3 years %	5 years %	10 years %
NAV[1]	56.9	80.5	38.7	83.6	216.9
Benchmark[2]	28.5	26.0	7.7	39.9	81.0
Share price[3]	81.8	121.1	66.0	115.0	300.3
Peer group NAV[4]	38.5	51.9	21.2	64.5	154.0

1 Net Asset Value ('NAV') per ordinary share total return (including dividends reinvested)
2 FTSE All-Share Index
3 Share price total return (including dividends reinvested)
4 Association of Investment Companies ('AIC') UK All Companies Sector
Sources: Morningstar Direct, Refinitiv Datastream and Janus Henderson

Chairman's Statement

Performance

In my first interim report as Chairman, I am pleased to report that the Company has continued to perform strongly, with the net asset value rising 56.9% during the six months relative to a rise of 28.5% in the FTSE All-Share Index benchmark. The period was dominated by positive COVID vaccination news in early November. This led to many of the companies held that are more exposed to fluctuations in the broader UK economy performing well. This recovery in cyclical stocks came at a time when some of the earlier-stage companies in the portfolio continued to make steady progress towards commercialisation and also performed well. These two factors in combination broadly drove the Company's strong performance. Henderson Opportunities Trust plc has always been deliberately flexible in its investment approach, with the aim being to allow the Fund Managers to flex the portfolio with comparatively little constraint to where they see the best value across the UK market. We are encouraged to see this approach working well on behalf of our shareholders.

The following table illustrates the Company's record against the benchmark over the ten-year period to 30 April 2021:

	1 yr %	3 yrs %	5 yrs %	10 yrs %
NAV (total return)	80.5	38.7	83.6	216.9
FTSE All-Share (total return)	26.0	7.7	39.9	81.0
Outperformance (+)/ Underperformance (-)	+54.5	+31.0	+43.7	+135.9

Earnings and dividends

The revenue return in the period was £915,000, compared to £628,000 in the same period last year. Following a sharp fall in investment income during the peak of the pandemic in spring 2020, it is reassuring to see many companies held in the portfolio return to paying dividends. In the latest Annual Report, we indicated a willingness to support the historic dividend trajectory of the Company until such time as pre-pandemic income levels from the portfolio are restored. We see no reason to change this approach, with a healthy level of revenue reserves built up over many years. We are therefore pleased to declare a second interim dividend of 6.5p per ordinary share for the financial year ending 31 October 2021 in respect of the quarter to 30 April 2021. This will be payable on 24 September 2021 to shareholders registered at the close of business on 20 August 2021. The Company's shares will be quoted ex-dividend on 19 August 2021. The first interim dividend for the financial year ending 31 October 2021 was declared on 11 March 2021 and paid on 25 June 2021.

Gearing

The gearing started the financial year at 13.6% of net assets and finished at a similar level of 13.1%. This relatively consistent level of gearing at a time of rising net asset values meant we were net investors of approximately £5m during the period, as the Fund Managers continued to find attractive opportunities across the breadth of the UK equity market.

Share capital

During the period we were encouraged to see the Company's discount to net asset value tighten materially from 15.4% at the beginning of the year to 2.1% at the period end. No shares were issued or bought back and as at the end of April 2021 the financial year end position was therefore unchanged with 8,000,858 shares in issue (of which 102,483 are currently held in treasury).

Outlook

The portfolio is made up of a very diverse list of stocks serving many end markets. It is this diversity that brings consistency in performance and protects capital over the long term. It is difficult currently to have any real clarity about the economic outlook. However, we believe that the experienced management teams of the companies in the portfolio are well equipped to cope

Chairman's Statement (continued)

with, and react to, the conditions in which they find themselves. This was demonstrated over the last year, as they dealt with the demands imposed on them by the pandemic. It is the quality of these management teams, and the breadth of activities that our investee companies undertake, that give us confidence about the coming periods for the portfolio.

Wendy Colquhoun
Chairman
30 June 2021

Fund Managers' Report

Overview

The first six months of the Company's financial year have been very strong in terms of both absolute and relative performance. These periods of strong performance typically occur when several different factors come into play at the same time. The biggest single contributor to the cocktail was the arrival of vaccinations that are proving successful in combating COVID. This is allowing the economy to open up and a return to normalisation to begin. The portfolio benefitted from holding companies that are immediate beneficiaries from a bounce-back in economic activity. At the same time the portfolio has been helped by investor enthusiasm for companies involved in the replacement of fossil fuels with sustainable forms of energy. A general realisation of the scale of the challenge if emission targets are to be achieved meant that those companies that are working towards this received strong support. Share prices do however often move faster and more substantially than the realities would justify, and while we remain committed to the area over the long term, we have reduced the exposure to some of the holdings in the alternative energy space on this concern. Overall, company results during the period have been up to best expectations and valuations are generally reasonable, therefore we have been a net buyer of equities over the period.

Portfolio attribution

In a continuation of trends seen in the previous financial year, alternative energy companies performed well, with **Ilika**, **AFC Energy**, **Ceres Power** and **EQTEC** all among the top ten contributors to performance. Each continued to make steady steps towards commercialisation, often in partnership with larger companies (for example **AFC Energy** formed a partnership with ABB to use their alkaline fuel cells in off-grid electric vehicle chargers). Following positive vaccination news in early November, a number of stocks exposed to the domestic economic recovery also recovered well. This included Scottish housebuilder **Springfield Properties**, heavy building materials company **Sigmaroc**, low-cost gym operator **The Gym Group**, vehicle hire company **Redde Northgate** and corporate broker **K3 Capital**. In many cases we added to these holdings during the period as in our view market expectations and valuation levels did not reflect the speed of underlying earnings recovery. Finally, a number of media companies in the portfolio performed well, including **Next Fifteen Communications**, **Zoo Digital** and **Mirriad Advertising**. In all cases these companies are either addressing faster growth parts of the market (such as **Next Fifteen Communications** which focuses on the technology sector), or are challenging traditional business models (for example **Zoo Digital**, which provides cloud-based dubbing and subtitling and is challenging physical dubbing studios).

The largest detractor from performance during the six months was conference call provider **LoopUp**. This had been a strong contributor in the previous financial year, however shortly after the Company's financial year end, it reported that it had seen increased customer churn as some customers were moving to competitor products (such as Microsoft Teams). In our view this heightened competition (from particularly powerful competitors) was unlikely to recede and therefore the position was sold.

Activity

The six-month period to the end of April was an active one for the portfolio, with new positions established in **Barclays**, **Bacanora Lithium**, **BT Group**, **Jubilee Metals**, **Marks & Spencer**, **STV**, **Westminster Group**, **Kier Group**, **Babcock**, **Auction Technology Group** (which was subsequently sold), **Sensyne Health** and **Chamberlin**. In aggregate we invested £22.3m into the portfolio compared to total sales of £17.5m. During this period additions to the portfolio were broadly (although not exclusively) in the large cap, recovery and natural resources 'buckets'. These areas had underperformed in the previous financial year, as they are broadly more exposed to the global economy than the early stage and growth small-cap

Fund Managers' Report (continued)

companies (which are often in structural growth areas or at a stage where their technology is more binary, and therefore are less dependent on the fluctuations in the wider economy). However, as the domestic and global economy recovers, potentially more quickly than many are anticipating, we think there are attractive valuation opportunities in stocks set to benefit from this recovery. An example of this would be the banking sector, where in addition to the new position in **Barclays** we also added to existing holdings in **Lloyds**, **Natwest** and **HSBC**.

Positions exited during the period were **Learning Technologies**, **Aveva, Scapa, Horizon Discovery**, **Fonix Mobile**, **Assura**, **LoopUp**, **Auction Technology Group** and **Eve Sleep**. In two cases (**Scapa** and **Horizon Discovery**) this was driven by takeover offers, both from US peer companies. The majority of the sales (**Learning Technologies**, **Aveva**, **Fonix Mobile**, **Auction Technology Group** and **Assura**) were driven by shares reaching what we deemed to be fair value following good performance. **Eve Sleep** was a small holding, in hindsight a mistake, as the direct-to-consumer mattress market had proven to be more competitive than we envisaged.

Outlook

The concerns about economic contraction and deflation have recently made way for concerns about limited supply and inflation. Both these contrasting views have elements of truth. Parts of the UK economy will remain subdued, while in other areas there will be strong growth. Some industries will continue to face large scale disruption, while in other areas large new companies will emerge. Some of the largest companies that are major constituents of the index today will decline to be replaced by a new generation of companies. The speed of this change is more rapid than in the past. It provides the active manager who is unconstrained with a significant opportunity to substantially add value over an index-orientated approach to portfolio management.

James Henderson and Laura Foll
Fund Managers
30 June 2021

Portfolio information

Attribution analysis to 30 April 2021

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	+90.5	+3.6
Ilika	+176.5	+3.4
SigmaRoc	+86.3	+2.7
AFC Energy	+291.3	+2.7
EQTEC	+274.4	+2.2

Source: Janus Henderson

Top five detractors	Total return %	Contribution to NAV %
LoopUp	-61.9	-1.8
Blue Prism	-21.0	-0.6
SIMEC	-58.0	-0.5
Aveva	-6.3	-0.1
Bacanora	-6.1	-0.1

Source: Janus Henderson

Portfolio by index at 30 April 2021

as a percentage of the portfolio excluding cash

Index	FTSE All-Share Index %	Portfolio %
FTSE 100	78.9	22.5
FTSE 250	17.8	11.5
FTSE SmallCap	3.3	6.3
FTSE AIM	0.0	58.3
Other	0.0	1.4
Total	**100.0**	**100.0**

Source: Factset

Portfolio by market capitalisation at 30 April 2021

as a percentage of the portfolio excluding cash

Index	FTSE All-Share Index %	Portfolio %
Greater than £2b	89.3	27.6
£1b - £2b	5.4	11.9
£500m - £1b	3.3	7.7
£200m - £500m	1.7	27.9
£100m - £200m	0.3	12.3
£50m - £100m	0.0	7.8
Less than £50m	0.0	4.5
Other	0.0	0.3
Total	**100.0**	**100.0**

Source: Factset

Portfolio information (continued)

Investment portfolio at 30 April 2021

Position	Company	Valuation £'000	% of portfolio
1	SigmaRoc[1]	4,731	3.2
2	Springfield Properties[1]	4,611	3.1
3	Ilika[1]	4,370	3.0
4	Barclays	4,300	2.9
5	Next Fifteen Communications[1]	3,942	2.7
6	Tracsis[1]	3,570	2.4
7	Boku[1]	3,441	2.3
8	Blue Prism[1]	3,225	2.2
9	Serica Energy[1]	3,213	2.2
10	Vertu Motors[1]	3,180	2.2
10 largest		**38,583**	**26.2**
11	NatWest	3,146	2.1
12	Zoo Digital[1]	3,086	2.1
13	Rio Tinto	3,038	2.1
14	RWS Holdings[1]	3,021	2.1
15	Anglo American	2,993	2.0
16	Mirriad Advertising[1]	2,765	1.9
17	Oxford Instruments	2,738	1.9
18	Surface Transforms[1]	2,731	1.8
19	Ceres Power[1]	2,672	1.8
20	AFC Energy[1]	2,666	1.8
20 largest		**67,439**	**45.8**
21	Lloyds Banking	2,363	1.5
22	IQGeo[1]	2,185	1.5
23	Cohort[1]	2,167	1.5
24	Integrafin Holdings	2,063	1.4
25	GB Group[1]	2,022	1.4
26	The Gym Group	1,931	1.3
27	Prudential	1,918	1.3
28	Aviva	1,901	1.3
29	Vodafone	1,847	1.2
30	Redcentric[1]	1,750	1.2
30 largest		**87,586**	**59.4**
31	Tribal Group[1]	1,734	1.2
32	Van Elle[1]	1,729	1.2
33	HSBC	1,723	1.2
34	IP Group	1,710	1.2
35	Jersey Oil & Gas[1]	1,700	1.2
36	Redde Northgate	1,699	1.1
37	XP Power	1,676	1.1
38	Johnson Matthey	1,625	1.1
39	Franchise Brands[1]	1,583	1.1
40	GlaxoSmithKline	1,541	1.0
40 largest		**104,306**	**70.8**

Portfolio information (continued)

Investment portfolio at 30 April 2021 (continued)

Position	Company	Valuation £'000	% of portfolio
41	Sensyne Health[1]	1,523	1.0
42	Studio Retail	1,500	1.0
43	Standard Chartered	1,481	1.0
44	K3 Capital[1]	1,463	1.0
45	BT Group	1,402	1.0
46	Workspace	1,397	1.0
47	Ricardo	1,386	0.9
48	Flowtech[1]	1,383	0.9
49	Direct Line Insurance	1,354	0.9
50	Marks & Spencer	1,343	0.9
50 largest		**118,538**	**80.4**
51	Reabold Resources[1]	1,311	0.9
52	4D Pharma[1]	1,306	0.9
53	ITM Power[1]	1,285	0.9
54	Creo Medical[1]	1,261	0.8
55	Hammerson	1,245	0.8
56	M&G	1,195	0.8
57	Premier Miton Group[1]	1,168	0.8
58	STV	1,151	0.8
59	International Personal Finance	1,149	0.8
60	Rolls-Royce	1,133	0.8
60 largest		**130,742**	**88.7**
61	Deltic Energy[1]	1,063	0.7
62	Jadestone Energy[1]	1,030	0.7
63	Mondi	982	0.7
64	Bacanora Lithium[1]	968	0.7
65	Hollywood Bowl	927	0.6
66	IG Group	916	0.6
67	Eurocell	839	0.6
68	Keystone Law[1]	780	0.5
69	International Consolidated Airlines	761	0.5
70	Senior	683	0.5
70 largest		**139,691**	**94.8**
20 remaining (excluding cash and investments written down to zero)		**7,673**	**5.2**
Total		**147,364**	**100.0**

[1] Quoted on the Alternative Investment Market ('AIM')

Financial summary

Extract from the Condensed Income Statement (unaudited)	Half year ended 30 Apr 2021 Revenue return £'000	30 Apr 2021 Capital return £'000	30 Apr 2021 Total return £'000	Half year ended 30 Apr 2020 Total return £'000
Gains/(losses) from investments held at fair value through profit or loss	–	47,311	47,311	(17,925)
Investment income	1,100	–	1,100	810
Other income	100	–	100	86
Gross revenue and capital gains/(losses)	1,200	47,311	48,511	(17,029)
Expenses, finance costs & taxation (including management and performance fees)	(285)	(1,457)	(1,742)	(473)
Net return/(loss) after taxation	915	45,854	46,769	(17,502)
Return/(loss) per ordinary share – basic and diluted	**11.58p**	**580.55p**	**592.13p**	**(221.58p)**

Extract from Condensed Statement of Financial Position (unaudited except October 2020 figures)	30 Apr 2021 £'000	30 Apr 2020 £'000	31 Oct 2020 £'000
Investments held at fair value through profit or loss	147,364	83,970	94,759
Net current liabilities	(19,055)	(11,202)	(12,116)
Net assets	128,309	72,768	82,643
Net asset value per ordinary share – basic and diluted	**1,624.5p**	**921.3p**	**1,046.3p**

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 2021, the Board declared a first interim dividend of 6.5p (2020: 6.5p) per ordinary share, to be paid out of revenue on 25 June 2021 to shareholders on the register of the Company at the close of business on 21 May 2021. The cost of this dividend was £513,000 (2020: £513,000).

The Board has declared a second interim dividend of 6.5p (2020: 6.5p) per ordinary share, to be paid out of revenue on 24 September 2021 to shareholders on the register of the Company at the close of business on 20 August 2021. The ex-dividend date will be 19 August 2021. Based on the number of ordinary shares in issue on 30 June 2021, the cost of this dividend will be £513,000 (2020: £513,000).

No provision has been made for the interim dividends in the condensed financial statements. The third interim dividend of 6.5p per ordinary share, paid on 18 December 2020 and the final dividend of 7.5p per ordinary share, paid on 26 March 2021 in respect of the year ended 31 October 2020, have been recognised as a distribution in this period.

Share capital

During the half year ended 30 April 2021, no shares were issued or repurchased (half year ended 30 April 2020 and year ended 31 October 2020: no shares issued and 2,813 shares repurchased at a cost of £27,000). At 30 April 2021 there were 8,000,858 ordinary shares of 25p each in issue (30 April 2020 and 31 October 2020: 8,000,858) of which 102,483 were held in treasury (30 April 2020 and 31 October 2020: 102,483 shares held in treasury) resulting in 7,898,375 shares being entitled to a dividend (30 April 2020 and 31 October 2020: 7,898,375).

Management and performance fees

Management and performance fees are charged in accordance with the terms of the management agreement and provided for when due. 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. A performance fee of £1.18m has been accrued as at 30 April 2021 (30 April 2020 and 31 October 2020: £nil).

Related party transactions

The Company's transactions with related parties in the period under review were with the Directors and the Manager. There were 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. Directors' shareholdings as at 31 October 2020 are disclosed in the Annual Report.

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 were 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 and cyber;
- accounting, legal and regulatory;
- liquidity;
- net gearing; and
- failure of Janus Henderson.

Financial summary (continued)

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 ended 31 October 2020.

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.

There are a number of 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, as referenced in the Chairman's Statement. 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 2021 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 Bishopsgate
London EC2M 3AE

MANAGED BY
Janus Henderson
INVESTORS

The Association of Investment Companies

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