

Henderson European Focus Trust plc

Update for the half-year ended
31 March 2021



MANAGED BY

Janus Henderson
— INVESTORS —

Objective

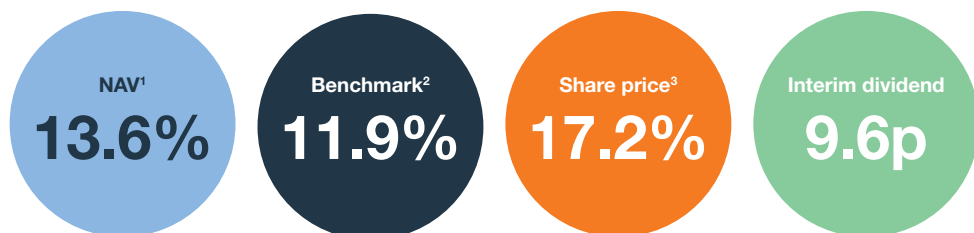
The Company seeks to maximise total return (a combination of income and capital growth) from a portfolio of stocks listed in Europe.

This update contains material extracted from the unaudited half-year results of the Company for the six months ended 31 March 2021. The unabridged results for the half-year are available on the Company's website:

www.hendersononeuropeanfocus.com

Performance

Total return performance for the six months to 31 March 2021



NAV per ordinary share

31 Mar 2021 1,615.00p

30 Sep 2020 1,441.20p

Share price

31 Mar 2021 1,455.00p

30 Sep 2020 1,260.00p

Net assets

31 Mar 2021

£345.3m

30 Sep 2020

£308.2m

Total return performance to 31 March 2021 (with dividends reinvested)

	6 months %	1 year %	3 years %	5 years %	10 years %
NAV ¹	13.6	42.3	34.8	76.4	194.1
Benchmark index ²	11.9	34.9	27.3	69.7	114.4
Average AIC sector NAV ⁴	12.0	41.6	34.1	80.0	165.3
Share price ³	17.2	50.3	23.4	71.8	198.3
Average AIC sector share price ⁴	15.5	48.5	34.3	82.6	181.3

1 Net asset value ("NAV") total return per ordinary share (with dividends reinvested)

2 FTSE World Europe ex UK Index on a total return basis in Sterling terms

3 Share price total return (with dividends reinvested) using mid-market closing price

4 Association of Investment Companies ("AIC") Europe sector of eight companies

Sources: Morningstar Direct, Refinitiv Datastream and Janus Henderson

Chair's Statement

With the rapid authorisation of a number of effective vaccines, markets the world over have responded positively to renewed optimism in recent months on all fronts: social, economic and financial. Continental Europe has been no exception even though, as well publicised, the vaccine roll-out programme has been slower than in other major economies. The good news is that the economic data is coming through stronger than expected and the feared sharp recession has been relatively short lived, with the retail consumer in particular expected to be surprisingly resilient as job losses have been below expectations and support measures substantial. Expectations of inflation, however, remain in low positive territory with the first grants and loans from last year's landmark €750bn spending package expected to be made by the EU Commission this summer. Trading updates coming from corporates are generally more upbeat than anticipated and European stock markets have responded positively.

Performance

In the six months to 31 March 2021, the Company's NAV total return per ordinary share rose by 13.6% to 1,615 pence, compared to an increase of 11.9% in the Company's benchmark, the FTSE World Europe ex UK index. The Company's share price total return rose by 17.2% to 1,455 pence, as the discount narrowed from 12.6% at 30 September 2020 to 9.9% at 31 March 2021. Gearing remains at the lower end of its range at just under 2.0% of net assets at the period end and so performance was largely achieved through active investing – further detail of which is in our Fund Managers' Report.

Revenue and dividend

A maintained interim dividend of 9.6 pence per ordinary share (2020: 9.6 pence) will be paid on 25 June 2021 to shareholders on the register on 4 June 2021. The shares will be marked ex-dividend on 3 June 2021.

Future Board changes

We are well underway in a process to recruit a new Board member. Having undertaken both our annual Board evaluation and held a strategy session in the first calendar quarter of 2021, the Board has decided that broadening its membership would be beneficial and we expect to make an announcement in the relatively near future. The Board is using external consultants in finding suitable candidates for our succession.

Outlook

Looking forward, we think there are many reasons to be optimistic about the prospects for continental European companies. After a decade of austerity, the EU Commission response to the pandemic has clearly had to change: unprecedented fiscal and monetary support measures, allied to encouraging corporate news has underpinned a recovery in markets. Valuations are high but not excessive, certainly in the context of the US stock valuations, and whilst some inflation is forecast it is not high enough to derail average equity valuations although those at the 'growthier' end of the style spectrum may well come in for more scrutiny.

We expect this market environment to suit the Company as our 'all-weather' approach avoids ascribing rigid labels of 'value' or 'growth' to our investment style. This has allowed the emphasis within the portfolio to change from 12 months ago: having had an economic recovery bias led by industrials in summer 2020, the portfolio now favours a bias towards beneficiaries of the much anticipated 're-opening' of economies, led by the consumer.

Finally, investors are realising that many European companies are leading the way in providing solutions for the challenges we face in providing for a more sustainable future and are rightly starting to pay more attention to the changes underway. The Company's investment process – as we described more fully in the last Annual Report – is very much focused on identifying and responding to that change.

Vicky Hastings
Chair
26 May 2021

Fund Managers' Report

In writing this report twelve months ago, we found ourselves in the eye of the Covid-19 storm and its first devastating wave of infections. One year later and, courtesy of the wonders of human ingenuity, we can see and feel the beginning of the end of a period which has dealt the severest of challenges. Of course, financial markets, by their very nature, anticipate economic and financial developments. In this respect the past six – indeed twelve – months have been no exception.

In the Company's most recent Annual Report to the year ended 30 September 2020, we described, in some detail, how we seek to commit capital on behalf of shareholders. Hopefully, our overriding belief in pragmatism, shone from that report. It is exactly this characteristic of open-mindedness that, we believe, has been a requisite since the moment Covid-19 struck. Indeed, a glance at the graphic on the following page underscores this point: as equity markets have 'broadened out', beyond the narrow leadership of 'growth' stocks, your Company has continued to prosper: a demonstration of our mantra; that we should never be dictated to or constrained by an investing 'style'.

Shortly after the pandemic came to the shores of Europe, we identified the ingredients that would lead to a V-shaped recovery in the industrial world. In a nutshell, those ingredients included naturally occurring lows in the corporate inventory and capital expenditure cycles. The pandemic served to aggravate those lows, driving them yet deeper. Then came the quite extraordinary monetary stimulus from central banks worldwide, followed, to varying degrees, by fiscal expansion. The resultant recovery in demand for industrial goods, as factories and construction sites quickly reopened, has played to our strategy.

Then, as calendar 2020 drew to a close and Europe was suffering from a second wave of infections, we drew succour from the unequivocally excellent vaccine data. This encouraged us to strengthen our

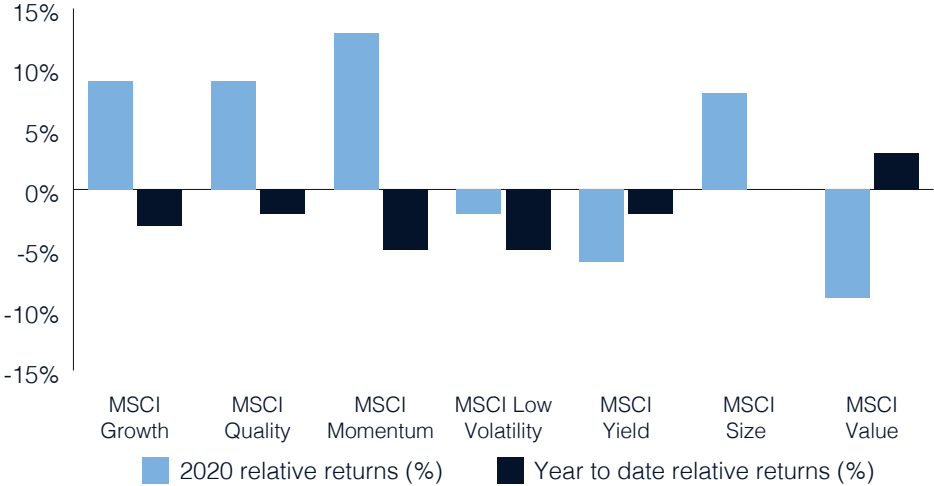
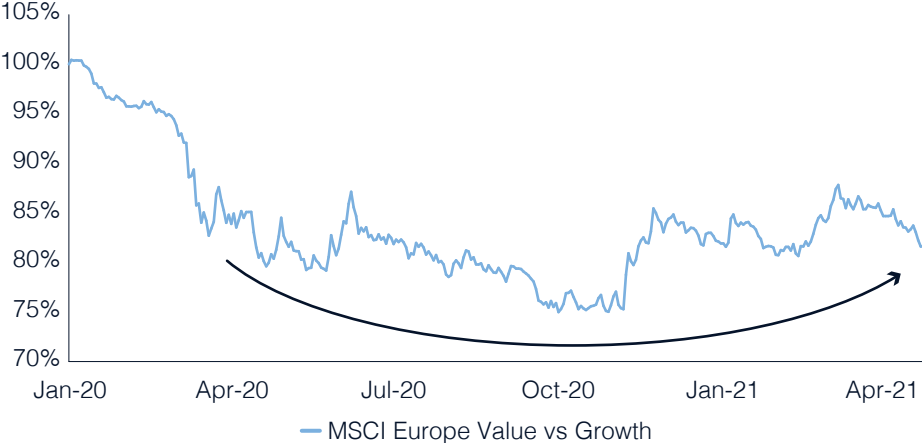
view that a second V-shape is likely: this time in the consumer sphere. During the six-month period under review, we tilted the portfolio towards the consumer discretionary sector. Notwithstanding, at times, hysterical media and political rhetoric concerning vaccine rollouts, vaccine efficacy and even vaccine nationalism, we have resolutely trusted the data. Thus, we have not been swayed in building the portfolio's positions in stocks we consider strong reopening beneficiaries. Prime examples include Adidas, Amadeus, Carlsberg, Daimler, Essilor Luxottica, Inditex, Mowi, Ryanair and Stellantis.

The Company's optimistic positioning for the 'reopening' can be illuminated through that familiar, but temporarily elusive, modern ritual: the summer holiday. It is quite likely that you will unwittingly book your flights and accommodation using the **Amadeus** Global Distribution System. You may well fly to your destination with **Ryanair**, or a different airline on an **Airbus** A320 jet. A new holiday wardrobe might include clothes from Zara, Ray-Ban sunglasses and La Roche-Posay sun cream. In doing so, you have generated sales for **Inditex**, **Essilor Luxottica** and **L'Oreal** respectively. You may dine in a restaurant supplied with salmon from **Mowi** and beverages from **Carlsberg**. The desire to travel, consume and experience is the common denominator. Our belief is that this desire will be expressed with renewed fervour.

The Company's current investment positioning, then, can be summed up fairly simply: it is one which seeks to benefit from what we believe will be a happy confluence: an army of immunised consumers, armed with exceptionally high savings ratios. After a year or more of being unnaturally confined, the consumer is a coiled spring, ready to live life again. If we are right that not even a bungling European Union can prevent that, we can look forward to its powerful effects on our portfolio companies.

Fund Managers' Report (continued)

The market finally broadens: value rears its head



Data as at 17 May 2021. The sources are Barclays Research, Refinitiv Datastream, MSCI

Portfolio Information

as at 31 March 2021

Company	Sector	Country of listing	Valuation £'000	% of portfolio
LafargeHolcim	Construction & Materials	Switzerland	24,849	7.2
UPM-Kymmene	Forestry & Paper	Finland	19,279	5.6
ASML	Technology Hardware & Equipment	Netherlands	14,499	4.2
Nestlé	Food Producers	Switzerland	12,562	3.6
ASR Nederland	Nonlife Insurance	Netherlands	12,003	3.5
Tessenderlo	Chemicals	Belgium	11,595	3.3
LVMH Moët Hennessy Louis Vuitton	Personal Goods	France	10,779	3.1
Roche	Pharmaceuticals & Biotechnology	Switzerland	9,350	2.7
Lundin Energy	Oil, Gas & Coal	Sweden	9,022	2.6
AKZO Nobel	Chemicals	Netherlands	9,014	2.6
10 largest			132,952	38.4
Signify	Electronic & Electrical Equipment	Netherlands	8,627	2.5
Sanofi	Pharmaceuticals & Biotechnology	France	8,505	2.5
Nordea Bank	Banks	Finland	8,320	2.4
STMicroelectronics	Technology Hardware & Equipment	France	8,207	2.4
Dometic	Leisure Goods	Sweden	7,906	2.3
BNP Paribas	Banks	France	7,732	2.2
Carlsberg	Beverages	Denmark	7,615	2.2
Autoliv	Automobiles & Parts	Sweden	7,600	2.2
Novartis	Pharmaceuticals & Biotechnology	Switzerland	7,473	2.2
Essilor Luxottica	Health Care Equipment & Services	France	7,413	2.1
20 largest			212,350	61.4
Mowi	Food Producers	Norway	7,289	2.1
Saint-Gobain	Construction & Materials	France	7,209	2.1
Deutsche Boerse	Financial Services	Germany	7,063	2.0
Airbus	Aerospace & Defense	France	6,799	1.9
Interpump	Industrial Engineering	Italy	6,770	1.9
Nokian Renkaat	Automobiles & Parts	Finland	6,769	1.9
Stellantis	Automobiles & Parts	Netherlands	6,104	1.8
Inditex	General Retailers	Spain	6,079	1.8
Daimler	Automobiles & Parts	Germany	5,748	1.7
ArcelorMittal	Industrial Metals & Mining	Netherlands	5,676	1.6
30 largest			277,856	80.2

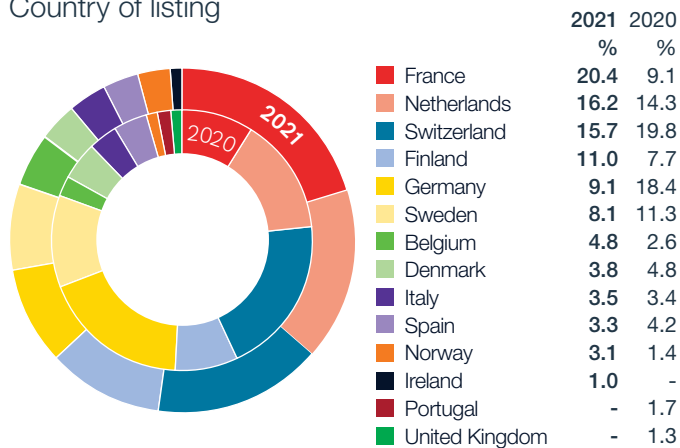
Portfolio Information (continued)

as at 31 March 2021

Company	Sector	Country of listing	Valuation £'000	% of portfolio
Novo-Nordisk	Pharmaceuticals & Biotechnology	Denmark	5,492	1.6
Adidas	Personal Goods	Germany	5,404	1.6
L'Oreal	Personal Goods	France	5,384	1.6
Amadeus	Software & Computer Services	Spain	5,261	1.5
Enel	Electricity	Italy	5,247	1.5
Infineon	Technology Hardware & Equipment	Germany	5,116	1.5
KBC	Banks	Belgium	5,056	1.5
Engie	Gas Water & Multiutilities	France	4,522	1.3
Linde	Chemicals	Germany	4,345	1.3
Schneider Electric	Electronic & Electrical Equipment	France	3,984	1.2
40 largest			327,667	94.8
Bayer	Pharmaceuticals & Biotechnology	Germany	3,932	1.1
Metso	Industrial Engineering	Finland	3,828	1.1
Subsea 7	Oil, Gas & Coal	Norway	3,582	1.0
Ryanair	Travel & Leisure	Ireland	3,538	1.0
Volvo	Industrial Transportation	Sweden	3,379	1.0
Total investments at fair value			345,926	100.0

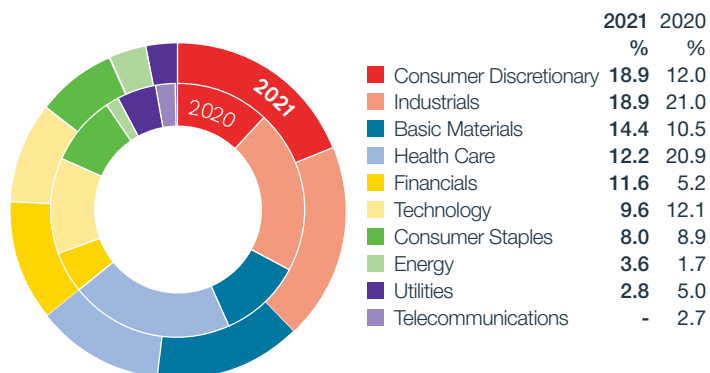
Portfolio Information (continued)

Country of listing



As a percentage of the portfolio excluding cash at 31 March 2021 and as at 31 March 2020

Sector exposure



As a percentage of the portfolio excluding cash at 31 March 2021 and as at 31 March 2020

Financial Summary

Extract from the Condensed Income Statement (unaudited except September 2020 figures)	Half-year ended			Year ended
	31 Mar 2021 Revenue return £'000	31 Mar 2021 Capital return £'000	31 Mar 2021 Total return £'000	30 Sep 2020 Total return £'000
Gains on investments held at fair value through profit or loss	–	40,694	40,694	15,146
Exchange gain/(loss) on currency transactions	–	9	9	(1,301)
Income from investments	2,723	–	2,723	6,864
Other income	–	–	–	14
Gross revenue and capital gains	2,723	40,703	43,426	20,723
Expenses, finance costs & taxation	(799)	(905)	(1,704)	(3,393)
Net return after taxation	1,924	39,798	41,722	17,330
Return per ordinary share	9.00p	186.12p	195.12p	80.67p

Extract from the Condensed Statement of Financial Position (unaudited except September 2020 figures)	31 Mar 2021 £'000	31 Mar 2020 £'000	30 Sep 2020 £'000
Investments held at fair value through profit or loss	345,926	254,160	309,882
Current assets	4,003	29,212	40,243
Current liabilities	(4,600)	(34,357)	(41,959)
Net assets	345,329	249,015	308,166
Net asset per ordinary share – basic and diluted	1,615.00p	1,158.30p	1,441.20p

Dividends

The directors have declared an interim dividend of 9.60p per ordinary share (2020: 9.60p), payable on 25 June 2021 to shareholders on the register on 4 June 2021. The shares will be quoted ex-dividend on 3 June 2021.

Principal Risks and Uncertainties

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

- Market
- Investment performance
- Business strategy and market rating
- Gearing
- Operational
- Regulatory and reporting

Information on these risks and how they are managed is given in the Annual Report for the year ended 30 September 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 Chair'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. Janus Henderson (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.

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 these financial statements. Having assessed these factors and the principal risks, as well as considering the additional risks related to Covid-19, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Statement of Directors' Responsibilities

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

- a. the condensed financial statements for the half-year ended 31 March 2021 have been prepared in accordance with FRS 104 Interim Financial Reporting, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- b. the Interim Management Report and condensed financial statements include 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. 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).

For and on behalf of the Board

Vicky Hastings
Chair
26 May 2021

Warning to shareholders

There are always fraudsters who seek to profit at the expense of others during moments of crisis, often impersonating genuine financial services firms. The Board would take this opportunity to remind investors to be particularly alert to cold calls or emails purporting to relate to your investments.

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The Association of
Investment Companies



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