



# Henderson Far East Income (HFEL)

HFEL'S approach offers diversification and a very high yield.

Update  
29 May 2026

## Overview

**Henderson Far East Income (HFEL)** is not only the highest yielding trust in Asia, but one of the highest yielding equity-focussed trusts in the entire sector. This has been achieved through manager Sat Duhra's focus on finding a balance of traditional dividend paying stocks on high yields, with more growth-focussed ideas that give the **Portfolio** exposure to a number of key themes driving Asian markets. In addition, these larger, more growth-focussed holdings also provide the manager a platform to write options as part of a **Dividend** overlay strategy, which generates additional income for the portfolio and supports the trust's yield, which is in excess of 9%, with the dividend per share having grown for 18 consecutive years.

Further supporting this growth is Asia's improving dividend picture, driven by good capital discipline and increasing revenue, as well as regulatory changes from regional governments to improve shareholder returns. This has led to both higher incomes and capital growth from across the region. One outcome of this is very strong absolute returns in the past year, with HFEL producing a NAV total return of over 40% in the 12 months to 27/04/2026 (see **Performance**). Sat argues the drivers behind improved shareholder returns remain firmly in place, meaning there is support for this trend to continue.

The high and growing yield has proved popular with shareholders, leading to the trust trading at a premium to NAV for much of the past five years in contrast to much of the peer group (see **Discount**). This has enabled share issuance, which, alongside the strong absolute performance, has increased the size of the trust and seen it promoted to the FTSE 250 Index in April 2026.

## Analyst's View

HFEL's headline yield figure of over 9% is clearly a very attractive feature. However, we would argue the real strength lies in how this figure is achieved, and how well it is supported going forward. The manager has added balance to the numerous high-yielding stocks he owns with a growth allocation to create a more rounded portfolio. The dividend overlay strategy, supported by the growth allocation, also provides the trust a range of income sources to support the high yield, although this may come at the expense of capital upside in specific market conditions. Regardless, the outcome is a high **Dividend** that is almost entirely supported by underlying revenue generation rather than relying on contributions from capital, and one that is well supported by reserves. As such, we see few situations in which the board are not able to continue raising the dividend in the coming years.

In addition, HFEL has the highest value-biased **Portfolio** amongst peers, meaning the performance profile is likely to be considerably different to its competitors. One environment in which HFEL is expected to do well is falling markets due to the value bias, which we believe means the trust could offer low correlation to, and therefore diversification from, several comparators, as part of a wider portfolio. As such, the trust may appeal to investors with high-tech exposure either through other Asia-focussed trusts or alongside a passive fund, which have become increasingly biased towards tech. These correlation benefits have evidently not been a notable drag in up markets either, as can be seen in the strong participation in the market rally of the past year (see **Performance**).

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### BULL

Very high yield, which is covered by revenues and supported by reserves

Differentiated portfolio that can offer diversification benefits

Recent promotion to FTSE 250 Index should support demand for shares

### BEAR

Underweight growth sectors can be a headwind in certain markets

Charges are some of the highest in the peer group

Premium rating dampens the near-term appeal versus a peer group at a discount



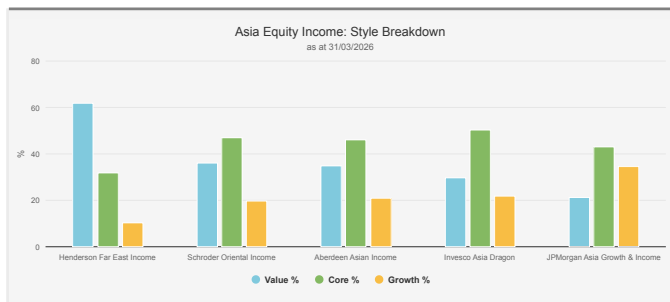
## Portfolio

The manager of Henderson Far East Income (HFEL), Sat Duhra, looks to build a portfolio that offers a balance of traditional high yield sectors alongside higher-growth stocks with the goal of generating a high and progressive income for investors, whilst capturing much of the growth on offer from Asia.

This approach has been in place since Sat’s step up to lead manager in 2023. Previously, the trust had a strong value focus, looking primarily at stocks offering the highest yields, which led to a bias towards cyclical names centred in China, which meant a high degree of sensitivity to certain market environments. Since taking on full management duties, Sat has looked to pivot the portfolio to a more balanced approach, with better appreciation of total returns whilst still generating a high income. This has led to a move into growth stocks, which have also provided the trust a platform to write options as part of a **Dividend**-overlay strategy, a way of generating income from a portfolio by selling derivatives, albeit potentially at the expense of some capital-upside potential. This approach has helped to support returns throughout the market cycle, as well as helping dampen portfolio volatility.

Whilst these growth stocks have provided more balance, the trust still has the highest allocation to value stocks in the peer group, according to Morningstar.

**Fig.1: Style Breakdown**



Source: Morningstar

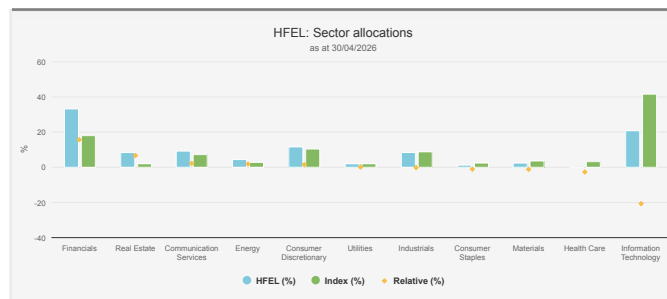
This approach has enabled the manager to generate the highest yield in the direct peer group, and one of the highest of any equity-focused trust at c. 9.4%. This has predominantly been achieved through investments in traditional high-yield sectors such as telecommunications, energy, and financials. Sat argues he has been able to achieve such high yields from these areas that have been overlooked in the past few years, as investors in Asia have instead focussed on more fashionable areas. Asia has developed significantly over the past few years and is now home to a number of world-leading companies with excellent growth characteristics, most notably in the technology sector. These have caught the attention of international investors, which has driven their share

prices notably upwards. However, as a consequence, more traditional areas have been overlooked due to their perceived lack of growth. Sat has capitalised on this to find stocks with yields of 8% to 9%, despite having good financials and low leverage. This not only means yields are high, but his holdings have the capacity to grow their dividends going forward.

In order to balance these different areas, Sat has five investment themes he considers; infrastructure build out, which includes the likes of power generators and energy storage firms that are benefitting from the region’s growth as well as second order beneficiaries from AI spending; emerging consumer champions, which are domestically-founded brands beginning to grow overseas; financial inclusion, which includes banks and insurance firms benefitting from the growing wealth of the region; tech infrastructure, such as semi-conductors and hardware firms; and corporate reforms, which have been a focus of regulators in the region and are driving total returns.

As a result of these themes and the bias towards more traditional income sectors, the portfolio has overweight allocations to the likes of the financials and communications sectors, whilst having a notable underweight to technology companies. As such, we believe HFEL offers considerable diversification to both the index and its direct peers, many of which have large allocations to tech firms despite their income mandates. In the chart below, we have compared the allocations against the broader MSCI AC Asia ex Japan Index, although as we explain in the **Performance section**, this is not the trust’s formal benchmark.

**Fig.2: Sector Allocations**



Source: Janus Henderson Investors

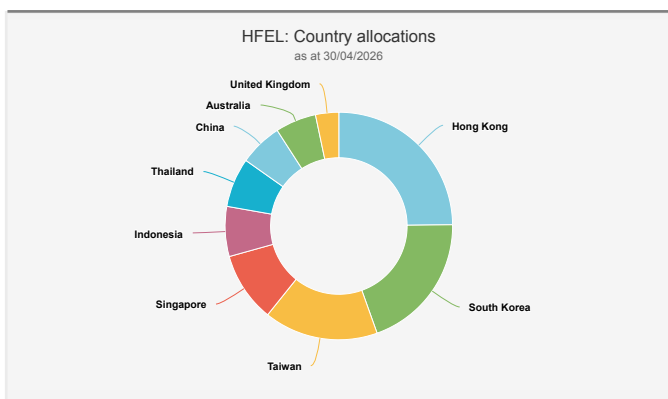
The manager has sought to have a more even distribution amongst the different countries in the region, although this remains an outcome of where he finds ideas. Allocations in key markets such as China & Hong Kong and South Korea are close to the weights in the wider market. However, Sat does have a higher allocation to some of the ASEAN countries, such as Thailand and Indonesia, where he has identified a number of higher-yielding companies that more mainstream investors have overlooked. Conversely, he has quite low allocations to the more expensive and, therefore, lower-yielding countries, such as Taiwan, which



is a very tech-dominated market, and India, which has traded at elevated valuations for a sustained period and doesn't have a particularly strong dividend culture at present.

This has led to a bit of a north-south split within the regional allocations, although this is predominantly an output of where the manager is finding the best opportunities. The exception to this is Korea, which has been an overweight allocation, despite the dominance of the tech sector in the country. This was a result of good yield opportunities, as well as some better-valued growth stocks such as Samsung Electronics. Furthermore, the country has recently adopted a governance reform programme called 'Value Up', which is designed to reduce corporate complexity and increase shareholder returns through dividends, following the success of a similar approach in Japan. This programme has been very successful, so far, aiding the trust's allocations in both capital growth terms and in income generation. The success of this programme has seen adoption in a number of other countries, such as China and Singapore, which aligns with one of Sat's portfolio themes and has been pushing allocations towards these countries.

**Fig.3: Country Allocations**



Source: Janus Henderson Investors

## Gearing

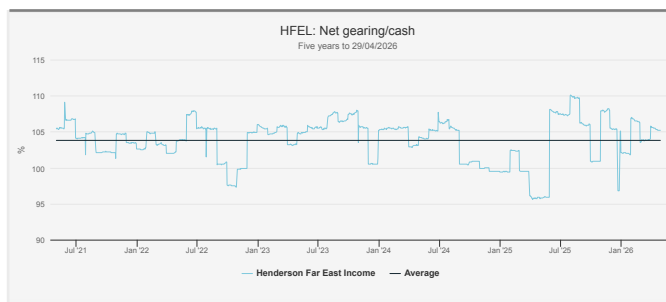
HFEL has a conservative gearing approach, often with a level in the low- to mid-single digits. The aim is to use gearing intermittently to capitalise on opportunities as they arise, rather than to structurally increase the exposure of the trust over the long term. Opportunities the manager looks for are typically stocks trading especially cheaply, where he wants to take additional exposure to improve total returns.

To gear the trust, Sat has access to a £65m multi-currency revolving credit facility. Based on net assets of £536m (as at 27/05/2026), this would allow the manager to take gearing to c. 12% should it be fully exercised, although we

note this is considerably less than the 30% permitted in the trust's formal policy.

Over the past five years, the trust has had an average net gearing level of c. 4%. This includes periods when gearing has been higher, such as the present, as well as periods when the trust has had no gearing at all, as was the case ahead of Liberation Day in April 2025.

**Fig.4: Gearing**



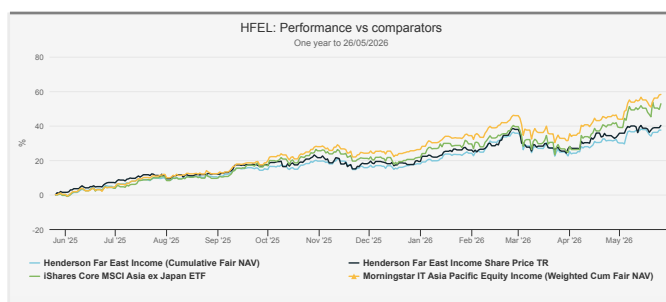
Source: Morningstar

## Performance

HFEL has delivered strong absolute returns over the past year, with a NAV total return of 37.5% in the 12 months to 26/05/2026, capturing much of the rally seen across Asia. This period started with Asian equities under considerable pressure, as President Trump's Liberation Day tariff regime caused concern amongst investors. However, these fears soon receded as the scope of tariffs was scaled back and renegotiated, leading to a relief rally. This recovery continued following strong fundamental performance from Asian corporations, particularly those in the technology sector, leading to improved investor sentiment towards Asia, especially as investors pivot away from the US.

As a result of tech stocks driving the market rally, which are more growth-oriented companies, HFEL hasn't kept up in relative terms to the broader market, as measured by the MSCI AC Asia ex Japan Index, which is represented in the chart below by an ETF. However, the trust did outperform

**Fig.5: One Year Performance**



Source: Morningstar

**Past performance is not a reliable indicator of future results.**



the MSCI AC Asia High Dividend Yield Index, which is a better representation of the value style, and returned 29.8% in the same period.

Whilst both the broad market and dividend-focused indices are useful comparators, the trust has had no formal benchmark. Regardless, the trust is expected to outperform broad Asian markets in more challenging periods due to the focus on valuations and higher yields, and mostly keeping up in market rallies over the long term, leading to better performance across a full market cycle. As such, HFEL is likely to have a very differentiated performance profile versus peers, as many are heavily tilted towards technology names, which could offer diversification benefits as part of a wider portfolio.

Whilst the near-term story is one of relative underperformance, Sat notes that the strength of growth sectors such as technology has been a major factor, and tech's fortunes could change quickly. This could lead to a period where value sectors are preferred, in which the trust is expected to perform much better in relative terms.

That said, the strategy changes have meant the portfolio's growth holdings are notably higher than under the previous approach. This has helped absolute performance in the past year, with the three largest positions being TSMC, Samsung, and SK Hynix all rising strongly, although as they are underweight versus the index, they have been a relative headwind. However, these holdings have provided Sat a good platform on which to generate income through option writing (see **Dividends**).

Samsung is one of a number of Korean companies that have contributed to performance, and includes car companies Hyundai and Kia, plus SK Square and Industrial Bank Korea. The Korean market performed exceptionally well in 2025, as investors became more positive on hopes for corporate governance reforms to improve returns, making the market the best regional performer in the calendar year. The modest overweight allocation throughout the year has helped relative performance.

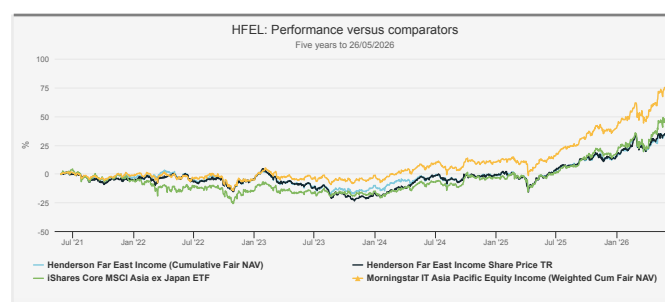
Other notable contributors to performance have been some of the higher-yielding names in China. The country has also performed well in the past year, as investors have returned following years of macroeconomic challenges, with the country's corporate governance reforms also improving the outlook. One of these reforms Sat notes as particularly helpful is the directive for Chinese insurance companies to buy domestic equities, which has been particularly supportive for the high-yielding stocks on which HFEL focusses.

One more esoteric factor that has influenced total returns has been the dividend surprises. The corporate reforms

seen across the region, which started in Japan and have since been adopted by Korea, China, and latterly, Singapore and Indonesia, have led to a number of dividend upgrades from firms that have supported revenue generation as well as capital returns. Examples include SK Hynix, which upgraded its dividend by over 300% in its 2025 financial year, and China Hongqiao, an aluminium producer which more than tripled its dividend versus forecasts, leading the share price to increase by c. 150% in a year (to 28/04/2026), whilst still yielding 4.8%. As such, these positive surprises have not only supported revenue generation, but also capital returns, and are a dynamic Sat believes can continue to have a positive effect on returns.

However, over the past five years, HFEL has been behind the wider market in cumulative terms, having returned 34.1% versus the MSCI AC Asia ex Japan Index, which returned 50.4%. The MSCI AC Asia High Dividend Yield Index returned 83.8% in this period, although the trust did change its strategy in the middle of this period, with neither index being a direct benchmark.

**Fig.6: Five-Year Performance**



Source: Morningstar

**Past performance is not a reliable indicator of future results.**

## Dividend

A high dividend yield has been a key feature of the HFEL investment case. The objective is to grow this every year, something that has been achieved for 18 consecutive years, putting the trust within touching distance of AIC Dividend Hero status. If this is achieved, HFEL would be the highest yielding trust with the accolade by a margin, *ceteris paribus*.

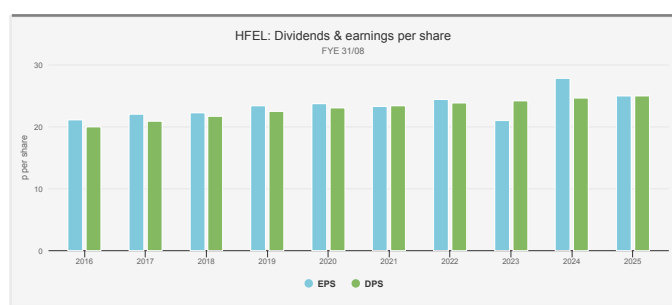
The latest full-year dividend (to 31/08/2025) was 24.9p per share, which equates to a yield of 9.4% based on the share price on 26/05/2026. In this period, the trust generated revenue of 24.98p per share, fully covering the dividend from underlying generation. In the event this would fall short, however, the trust also has distributable reserves of over £200m, which can be used to support the dividend going forward, and covers c. 4.8 times last year's dividend. As such, we believe the board has plenty of ammunition to maintain or grow the dividend.



The high level of revenue comes from a number of sources. Firstly, the manager looks to capitalise on the strong income growth story in Asia, with high levels of cash on balance sheets, increasing payout ratios from a low base and a growing corporate focus on dividends. One factor supporting the latter is the **wave of corporate reforms** in the region, which started in Japan, before moving onto Korea and China, and is now being adopted by the likes of Singapore and Indonesia. In addition, as we discuss in **Portfolio**, the manager invests in more traditional, high-yielding sectors, which helps with yield generation, alongside higher growth names which support a dividend overlay strategy. This involves writing financial derivatives called options, with the premiums earned on these supporting the trust’s revenue account. One potential downside is that this could come at the expense of capital upside should the stocks the options are written on rally considerably. We understand that the high levels of market volatility recently have been very supportive of the income generated by this approach.

Of the trust’s yield, around two-thirds is driven by dividend generation of the underlying portfolio, including positive surprises from some holdings, as we discuss in **Performance**. About a fifth of the yield is attributed to the option writing premiums, and the remainder comes from the manager recycling capital into higher-yield opportunities. Importantly, this means the trust’s dividend comes purely from income generation, rather than using a NAV contribution as many peers do. As a result, it means the trust is not heavily exposed to the large-cap tech names typically owned by peers, providing a very differentiated offering from a style basis.

**Fig.7: EPS & DPS**



Source: Janus Henderson Investors

## Management

Sat Duhra has been the sole manager of HFEL since 2023, having previously been made co-manager in 2019. He took on lead duties following the retirement of veteran manager Mike Kerley, and has been responsible for tweaking the strategy to its current approach (see **Portfolio**). This newer strategy is more in line with Sat’s open-ended fund, which he has managed since 2013.

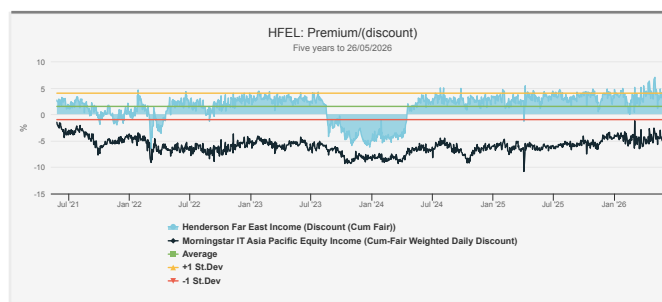
Sat has worked at Janus Henderson since 2011 and works within the Asia ex Japan equity team. Prior to this, he held roles as an equities analyst at both Nomura and Credit Suisse, totalling over 25 years’ worth of investment experience. He has a degree in economics from University College, London and is an associate of the Institute of Chartered Accountants of Scotland.

## Discount

HFEL has traded at a premium rating for much of the past five years, with an average level of 1.5%. In contrast, the peer group has traded at a discount for the majority of the period, with the weighted average never once having crossed into an aggregate premium. We would attribute HFEL’s premium rating, both in absolute and relative terms, to the very high and consistent **Dividend**, which is the highest in the peer group by a margin, and one of the highest in the entire investment trust space for an equity-focussed vehicle. As such, we believe the considerable popularity of the trust amongst income-seeking investors has been supportive of the rating. Furthermore, the manager notes that better sentiment towards Asia more generally over the past year is also a driver for the sustained rating.

The board has sought to meet investor demand through share issuance. In the first c. eight months of the trust’s financial year (to 15/04/2026), the trust issued nearly 21m shares, equivalent to c. 11% of the opening share count. This has raised an additional c. £50m in capital for the manager, enabling him to allocate to several good value opportunities he has identified (see **Portfolio**). In addition, the issuance, alongside the strong absolute **Performance**, has contributed to the trust being promoted to the FTSE 250 Index in April 2026. As such, the trust may now appeal to a wider group of investors and become a destination for money from passive strategies focussed on the FTSE 250. This will likely have improved liquidity and potentially put further upward pressure on the premium.

**Fig.8: Premium/(Discount)**



Source: Morningstar



## Charges

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HFEL has a straightforward management fee that charges 0.75% based on net assets. There is no performance fee.

The latest ongoing charges figure, based on the financial year-end (to 31/08/2025), is 1.08%. This compares to a weighted average of the peer group of 0.94%, which makes HFEL the highest cost trust in the peer group. However, we note that these charges are factored into the NAV and are not deducted from the share price.

## ESG

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HFEL does not have an exclusionary ESG policy, although the manager does consider ESG factors at the individual company level during stock analysis. Whilst the analysis of company fundamentals, such as the level of cash generation and leverage, is the most important part of the process, no stock can be added to the portfolio until Sat establishes the firm's ESG policies. If this process does identify issues, the manager will take a pragmatic approach, looking to engage with a holding to push for improvement, rather than simply not investing. To monitor this, the firm has an in-house tool called ESG Explore'X which provides analysis on both an individual company level, as well as overall portfolio risk and includes input from third-party data sources.

Morningstar have rated the trust as 'below average', scoring the trust two out of five globes on its scale versus a wider group of peers.



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