Henderson Far East Income Limited

Update for the half-year ended
28 February 2023

MANAGED BY
Janus Henderson
INVESTORS

Objective

The Company seeks to provide shareholders with a growing total annual dividend per share, as well as capital appreciation, from a diversified portfolio of investments from the Asia Pacific region.

This update contains material extracted from the Company's unaudited half-year results for the six months ended 28 February 2023. The unabridged results for the half-year are available on the Company's website:

www.hendersonfareastincome.com

Performance highlights

Total return performance for the six months to 28 February 2023

NAV[1]
-4.0%

Share price[2]
-1.0%

NAV per ordinary share

28 Feb 2023	257.71p
31 Aug 2022	281.11p

Share price

28 Feb 2023	266.00p
31 Aug 2022	281.00p

Dividend yield

28 Feb 2023[3]	9.0%
31 Aug 2022[4]	8.5%

Dividends paid and payable

1st interim	6.00p
2nd interim	6.00p

Total return performance (including dividends reinvested and excluding transaction costs)

	6 months %	1 year %	3 years %	5 years %	10 years %
NAV[1]	**-4.0**	-2.1	2.5	0.6	40.3
Share price[2]	**-1.0**	0.6	8.5	3.1	43.8
AIC sector[5] average NAV	**-1.1**	1.0	24.6	23.5	96.4
FTSE All-World Asia Pacific ex Japan Index*	**-4.5**	-1.5	18.2	18.6	82.1
MSCI AC Pacific ex Japan High Dividend Yield Index*	**-0.1**	4.1	22.1	18.7	57.2

*The Company does not have a formal benchmark. It uses the FTSE All-World Asia Pacific ex Japan and MSCI AC Asia Pacific ex Japan High Dividend Yield indices (sterling adjusted with dividends reinvested) for comparison purposes only.

[1] Net asset value per ordinary share total return
[2] Share price total return (with dividends reinvested) using closing price
[3] Dividend yield based on a share price of 266.00p and dividends for the twelve months to 28 February 2023 totalling 24.00p per ordinary share
[4] Dividend yield based on a share price of 281.00p and dividends for the twelve months to 31 August 2022 totalling 23.80p per ordinary share
[5] The AIC sector is the Asia Pacific Equity Income sector

Sources: Morningstar Direct, Refinitiv Datastream

Chairman's Statement

To say that we are in the midst of challenging times is clearly an understatement as we make our way through the impact of a war in Europe, recovery from a global pandemic, a dramatic increase in inflation and an ensuing rise in interest rates. In addition, we continue to face geopolitical concerns relating to Greater China and a banking crisis that may or may not be over just yet.

Our Fund Managers have made more detailed comments in their report and they suggest that while our forecasts are taking longer to come to fruition, they are still supportive of the longer term positive outlook that we have described on other occasions in the recent past. From among the many areas that deserve comment at the moment, there are three that I want to mention now. The first are concerns about the financial sector, not just banks. Holders of AT1 bonds have been badly frightened by the Credit Suisse ('CS') debacle and for good reason. Their treatment in the CS windup is contrary to most expectations and has caused a number of large writedowns. Mid-sized banks have also become a focus of concern in markets around the world and regulators are taking a more careful look at how such institutions have and are being supervised. But these are systemic issues, not portfolio problems. Our exposure to the banking sector is limited to a few of the best capitalised firms, all with strong central bank support. If anything, they are likely to benefit from a shift to quality over time.

The second area on which I want to comment is Greater China, an area that holds considerable importance to our thinking as investors because of the complex relationships between the People's Republic of China, Taiwan and Hong Kong. These relationships have been increasingly fraught and the geopolitical risks associated with these investments have grown. As part of our ongoing review of investment exposures, the Board has recently considered our various positions in Greater China. We have examined the overall exposure, the relative importance of each of the three markets and the details of political risk. That has been a serious and considered review, one that has asked hard questions about the future. While there are no perfect answers, our review has led us to a positive conclusion about Greater China risk over the intermediate term. These markets may continue to have higher volatility, but their direction of growth remains positive.

Performance

Performance in both capital and income terms is the third area on which I wanted to comment. In the six months to 28 February 2023, Asian markets continued to be dominated by China and its rapid consumption-driven recovery following the lifting of Covid-19 restrictions. However, partly as a result of political tensions in the area, this economic recovery led to considerable profit taking in Chinese securities over the course of February. Accordingly, the total return of the FTSE All-World Asia Pacific ex Japan Index was -4.5%. Indian equities also retreated, the FTSE All-World India Index delivering a total return of -14.6%, in the light of possible economic tightening and compounded by the Adani debacle. Across the region, previously defensive winners, such as telecommunications, gave way to a cyclical recovery and our exposure here detracted from performance.

Your Company's performance over the same period reflected these shifts in global markets, with the net asset value total return performance at -4.0%, only slightly above the broad index and 3.9% behind the MSCI AC Asia Pacific ex Japan High Dividend Yield Index. Our Fund Managers provide further insight in their report into the sectors and stocks driving the performance.

Chairman's Statement (continued)

Over a longer period of time, the Company aims to produce growth in both income and capital and that very much remains our objective. While we have achieved that result for total returns on a 3, 5 and 10 year basis, that has not been true for capital return alone. Our investment strategy should be leading to an improvement in capital returns as we look ahead and we remain alert to the importance of improvement in this area for shareholders.

Dividends

Despite ever shifting market conditions, income from the portfolio has been solid and we have continued our practice of paying four interim dividends for each financial year. The first and second interim dividends for the year ending 31 August 2023 have been declared in the amount of 6.00p per ordinary share, which is a 1.7% increase on the same period last year.

Share issuance

Demand for the Company's shares has been strong too in the financial year-to-date. We have issued just under 4.5m shares in the six months to 28 February 2023, at premiums broadly ranging from 2.0% - 3.9%. This reflects the strength of the Company's yield and the positive outlook for the region, compared to the rest of the global economy.

Board composition

Each year we consider the composition of the Board and whether the skills and backgrounds represented remain an appropriate mix for bringing robust oversight to the operations of the Company. Following this review earlier in the year, we have taken the decision to recruit a further director with investment management experience in the Asian markets. This process is at a very early stage and I look forward to providing you with an update on this process later in the year.

Outlook

The year ahead will hold many challenges but, on balance, we believe the prospects for improved earnings growth and dividend increases are positive. To a large extent, this is driven by the positive impact of a recovering China on the entire region. As the key economy in Asia Pacific, China's improving prospects energise many other markets. China is the region's biggest trading partner, its biggest consumer and its biggest investor. The recovery of China's economy is gaining confidence, with a positive impact on companies across the region. In turn, this is fuelling the ability to expand dividends in a wide range of companies, a far broader dividend growth picture that will benefit our portfolio. With attractive valuations providing opportunities across the region, we expect 2023/24 to be a more satisfying investment environment for your Company, something to which we can all look forward to achieving

Ronald Gould
Chairman
21 April 2023

Fund Managers' Report

Review

Over the last few years market direction has been dictated by global themes with equity markets dancing to the tune of the latest piece of economic or geopolitical news interspersed with occasional euphoria at the 'next big thing'. The last six months have been no different and featured a dramatic change of Covid policy in China, ongoing discussion of where interest rates would peak in the US, heightened tension between China and the US and more recently some real evidence of the pressures that a rapidly rising interest rate environment could have on the financial sector with the demise of Silicon Valley Bank and, more importantly, Credit Suisse. The euphoria was provided by Artificial Intelligence ('AI') and Chat GPT with connected share prices quick to extrapolate the opportunity irrespective of the benefit.

Despite the above events and a fairly bumpy ride, the MSCI World Index finished the period up 0.2% in sterling terms with a big discrepancy between the returns of the S&P 500 (down 2.7%) and MSCI Europe (up 13.2%). The FTSE All-World Asia Pacific ex Japan Index was -4.5%, which is disappointing considering some obvious catalysts from China re-opening. The performance of the Chinese market is particularly perplexing, falling 6.5% in sterling terms, driven mainly by the consumer discretionary and internet sectors. Although the economic momentum following the re-opening has been positive, the average Chinese consumer has been less willing to participate in 'revenge spending' than their western peers and this has disappointed some commentators who expected a more dramatic response following almost three years of lockdown. The tension with the US over Taiwan and semiconductors did not help sentiment while corporate results for the second half of 2022 were below expectation, indicating just how weak the economy had become. We believe investors need to see more evidence of economic and corporate recovery which we expect to manifest itself in the quarters ahead.

The worst performing market over the period was India, where a corporate scandal and historically high valuations combined to produce a 14.6% decline. The short seller report on the Adani Group accused the companies of India's richest man of accounting manipulation that inflated the value of its assets. Although vehemently denied, the price of the flagship Adani Enterprises fell over 60% following the report.

The best performing markets were Australia, Singapore and Taiwan, with the latter benefitting from the improving outlook for semiconductors and especially those companies exposed to the AI opportunity. The strength of materials, especially iron ore and steel, boosted Australia while the stability of Singapore helped ride out the volatility. At the sector level, materials was the only one in positive territory driven mainly by companies exposed to iron ore and steel. Technology also performed well as hardware companies offset the weakness in the Chinese internet names. Consumer discretionary, energy and industrials were the worst performers and a function of the market's disappointment at the pace of the Chinese economic recovery.

Performance

The net asset value total return was -4% in sterling terms over the period, outperforming the regional index[1] but behind the high yield index[2] and peers.

The portfolio benefitted from the strong performance of financials in Korea, Hong Kong/China, Australia and Indonesia, as well as from the strength of Australian resource stocks BHP Group and Rio Tinto Limited. With the oil price falling 15%

[1] FTSE All-World Asia Pacific ex Japan Index

[2] MSCI AC Asia Pacific ex Japan High Dividend Yield Index

Fund Managers' Report (continued)

and gas prices negatively impacted by the warmer than expected European winter, the Australian energy companies Santos and Woodside Energy were detractors from performance. The portfolio was further impacted by the weakness of Chinese consumer companies and, surprisingly, by telecommunications stocks in Indonesia, Korea and Singapore which failed to provide their usual stability in a volatile environment.

Revenue

The income from investments fell 6.9% from the same period last year, while income from option writing increased by 24.2%. Total income therefore fell by 3.9% compared to last year.

The decrease in investment income can be attributed to the 4% appreciation of sterling but also to some Australian companies going ex-dividend in March this year compared to February last year. The increase in option premium was a function of higher volatility over the period but also one additional option was written. At the period end, four option positions remained open.

Strategy

Throughout the period our core belief has been that China re-opening would be positive for the region as a whole, but especially beneficial for consumption trends and for the resource and energy sectors as an increase in China demand would offset slowing demand in the west. Following a period of outperformance, we have been trimming telecommunications stocks in order to facilitate a greater focus on consumer sectors.

In China, we added white goods manufacturer Midea and local sportswear brand Anta to the portfolio and increased weightings in AIA Insurance, Ping An Insurance and Guangdong Investment. These were partly funded by the sale of Zijin Mining and a reduction in the weightings of JD.com and China Shenhua Energy.

Elsewhere, we added lithium miner Pilbara Minerals in Australia and logistics company Goodman Group, along with Hana Financial and Samsung Fire and Marine in Korea.

Positions in Mediatek, Hindustan Petroleum and OZ Minerals – following the takeover by BHP Group – have been removed from the portfolio while KT Corporation, HK Trust, Telkom Indonesia and Spark New Zealand have been reduced. At the end of the period gearing was 5.2%.

Outlook

We remain positive on the outlook for the Asia Pacific region for 2023 and into 2024. As China continues to recover the growth differential between Asia and the rest of the world will widen, increasing the attractiveness of shares in the region compared to their western peers. Valuations continue to be attractive and there are plenty of opportunities to accumulate quality companies which are growing their earnings and increasing their dividends.

China remains key for the region's success, and we are confident that the encouraging signs we have seen so far will continue throughout the year. This will be beneficial for all countries in the region with Australia, Korea, Taiwan and Hong Kong being the most obvious beneficiaries. Our preference is for companies in North Asia, rather than ASEAN, and India with an emphasis on domestic rather than global trends.

The outlook for dividends in the region remains robust. Although the windfall from higher oil, gas and materials prices will not be as abundant this year as it was last year, it will be supplemented by a greater contribution from sectors that were under pressure in 2022. As a result, we expect the breadth of dividend contribution to widen this year and even more so in 2024.

Mike Kerley and Sat Duhra
Fund Managers
21 April 2023

Portfolio information

Investment portfolio at 28 February 2023

Company	Country of incorporation	Sector	Valuation £'000	% of portfolio
BHP Group Limited	Australia	Basic Materials	17,824	4.11
Woodside Energy	Australia	Energy	17,566	4.05
Macquarie Group	Australia	Financials	16,300	3.76
Samsung Electronics[1]	South Korea	Technology	16,046	3.70
Macquarie Korea Infrastructure Fund	South Korea	Financials	13,941	3.21
Rio Tinto Limited	Australia	Basic Materials	13,941	3.21
United Overseas Bank	Singapore	Financials	13,804	3.18
Digital Telecommunications Infrastructure Fund	Thailand	Telecommunications	13,119	3.02
VinaCapital Vietnam Opportunity Fund	Vietnam[2]	Financials	12,504	2.88
Taiwan Semiconductor Manufacturing[3]	Taiwan	Technology	12,134	2.80
Top Ten Investments			**147,179**	**33.92**
Midea Group	China	Consumer Discretionary	11,426	2.63
CITIC Securities	China	Financials	11,332	2.61
Santos	Australia	Energy	11,313	2.61
AIA Group	Hong Kong	Financials	11,138	2.57
Guangdong Investments	Hong Kong	Utilities	9,967	2.30
Hana Financial	South Korea	Financials	9,919	2.29
Hon Hai Precision Industry	Taiwan	Technology	9,720	2.24
Singapore Telecommunications	Singapore	Telecommunications	9,135	2.11
Bank Mandiri	Indonesia	Financials	9,121	2.10
HKT Trust & HKT	Hong Kong	Telecommunications	9,102	2.10
Top Twenty Investments			**249,352**	**57.48**
Industrial Bank Co	China	Financials	9,060	2.09
SK Telekom[3]	South Korea	Telecommunications	8,906	2.05
Samsung Fire & Marine	South Korea	Financials	8,817	2.03
Goodman Group	Australia	Real Estate	8,757	2.02
Telekom Indonesia Persero	Indonesia	Telecommunications	8,755	2.02
JD.com	China	Consumer Discretionary	8,596	1.97
CapitaLand Integrated Commercial Trust	Singapore	Real Estate	8,542	1.97
Oil & Natural Gas	India	Energy	8,412	1.94
Mapletree Logistics	Singapore	Real Estate	8,292	1.91
Sun Hung Kai Properties	Hong Kong	Real Estate	8,212	1.89
Top Thirty Investments			**335,701**	**77.37**

Portfolio information (continued)

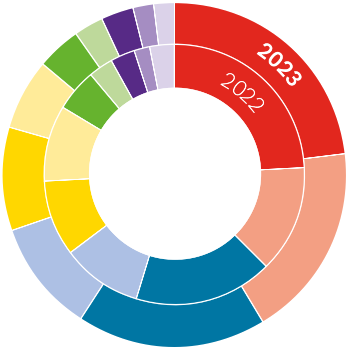
Investment portfolio at 28 February 2023 (continued)

Company	Country of incorporation	Sector	Valuation £'000	% of portfolio
KB Financial	South Korea	Financials	8,008	1.85
Spark New Zealand	New Zealand	Telecommunications	7,964	1.84
LG Corp	South Korea	Industrials	7,581	1.75
China National Building Material Group	China	Industrials	7,448	1.72
Ping An Insurance	China	Financials	6,921	1.60
Dexus	Australia	Real Estate	6,842	1.57
Li-Ning	China	Consumer Discretionary	6,768	1.56
China Shenhua Energy	China	Basic Materials	6,358	1.47
Mega Financial	Taiwan	Financials	6,254	1.44
KT Corporation	South Korea	Telecommunications	5,940	1.37
Top Forty Investments			**405,785**	**93.54**
Anta Sports Products	China	Consumer Discretionary	5,797	1.34
CapitaLand Ascendas REIT	Singapore	Real Estate	5,704	1.31
China Yongda Automobiles	China	Consumer Discretionary	4,872	1.12
IGO	Australia	Basic Materials	4,774	1.10
Swire Properties	Hong Kong	Real Estate	4,199	0.97
Pilbara Minerals	Australia	Basic Materials	3,887	0.90
China Forestry	China	Basic Materials	-	-
Ping An Insurance Put 51.4 (expiry 06/04/23)	China	Financials	(213)	(0.05)
Pilbara Minerals Put 3.75 (expiry 29/05/23)	Australia	Basic Materials	(225)	(0.05)
Anta Sports Products Put 101 (expiry 15/05/23)	China	Consumer Discretionary	(273)	(0.06)
Top Fifty Investments			**434,307**	**100.12**
Hana Financial Holdings Call 473 (expiry 22/05/23)	South Korea	Financials	(505)	(0.12)
Total Investments			**433,802**	**100.00**

1. Preferred Shares
2. Incorporated in Guernsey with 100% exposure to Vietnam
3. American Depositary Receipts

Portfolio information (continued)

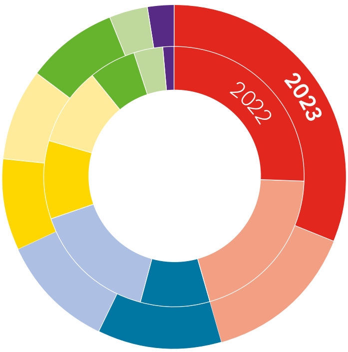
Geographical exposure



	2023 %	2022 %
Australia	**23.3**	24.3
South Korea	**18.1**	13.4
China	**18.0**	17.1
Singapore	**10.5**	10.2
Hong Kong	**9.8**	9.4
Taiwan	**6.5**	9.3
Indonesia	**4.1**	5.2
Thailand	**3.0**	3.1
Vietnam	**2.9**	3.2
India	**2.0**	1.9
New Zealand	**1.8**	2.9

at 28 February 2023 and 31 August 2022

Sector exposure



	2023 %	2022 %
Financials	**31.4**	25.8
Telecommunications	**14.5**	19.9
Real Estate	**11.6**	8.6
Basic Materials	**10.8**	15.6
Technology	**8.7**	9.7
Energy	**8.6**	9.6
Consumer Discretionary	**8.6**	5.9
Industrials	**3.7**	3.7
Utilities	**2.3**	1.2

at 28 February 2023 and 31 August 2022

Financial summary

Extract from the condensed Statement of Comprehensive Income (unaudited except for August 2022 figures)	Half-year ended 28 Feb 2023 Revenue return £'000	28 Feb 2023 Capital return £'000	28 Feb 2023 Total return £'000	Half-year ended 28 Feb 2022 Total return £'000	Year ended 31 Aug 2022 Total return £'000
Investment income	10,143	-	10,143	10,895	40,646
Other income	1,382	-	1,382	1,093	2,925
Losses on investments held at fair value through profit or loss	-	(24,791)	(24,791)	(8,841)	(22,592)
Net foreign exchange losses excluding foreign exchange losses on investments	-	(986)	(986)	(509)	(4,552)
Total income	**11,525**	**(25,777)**	**(14,252)**	**2,638**	**16,427**
Expenses	(2,698)	(1,111)	(3,809)	(3,242)	(8,470)
Profit/(loss) for the period and total comprehensive income	**8,827**	**(26,888)**	**(18,061)**	**(604)**	**7,957**
Earnings/(losses) per ordinary share – basic and diluted	**5.64p**	**(17.18p)**	**(11.54p)**	**(0.40p)**	**5.23p**

Extract from condensed Balance Sheet (unaudited except August 2022 figures)	Half-years ended 28 Feb 2023 £'000	28 Feb 2022 £'000	Year ended 31 Aug 2022 £'000
Investments held at fair value through profit or loss	435,018	449,289	438,527
Current assets (other receivables and cash and cash equivalents)	18,544	32,624	17,983
Net current liabilities	(43,067)	(46,306)	(20,934)
Net assets	**410,495**	**435,607**	**435,576**
Net asset value per ordinary share	**257.71p**	**287.40p**	**281.11p**

Dividends

A first interim dividend, in respect of the year ended 31 August 2023, of 6.00p per share was paid on 24 February 2023. The second interim dividend of 6.00p per share will be paid on 26 May 2023 to shareholders on the register on 28 April 2023. The Company's shares will be quoted ex-dividend on 27 April 2023.

Share Capital

During the six months under review the Company agreed to issue a total of 4,335,000 shares (half-year ended 28 February 2022: 475,000; year ended 31 August 2022: 3,855,000) for net proceeds (net of issued costs) of £11,760,000 (half-year ended 28 February 2022: £1,412,000; year ended 31 August 2022: £11,042,000). Since the period end a further 275,000 shares have been issued for net proceeds of £2,079,760.

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The Association of
Investment Companie

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