

Henderson Far East Income Limited

September 2022

Marketing Communication

Fund Managers

Mike Kerley & Sat Duhra

Investment Environment

Global equity markets fell sharply over the month as inflation continued to bite and the policy response from central banks continued apace, with the US Federal Reserve (Fed) hiking interest rates by 75 basis points (bps) again. Bond yields rose sharply (prices fell) in response to higher rate expectations, with a strengthening US dollar continuing to negatively impact investor sentiment in Asia. Asia was the worst performing region with North Asian markets the weakest performing as the technology-dominated markets of South Korea and Taiwan were impacted by weaker demand expectations and a shift away from growth-style companies in a rising cost of capital environment.

In addition, China was particularly weak following its adherence to a zero Covid-19 policy and tension with the US. However, Indonesia and Singapore were two of the best performing markets. Positive sentiment around improving macroeconomics from the Covid-19 re-opening supported Indonesia, as well as stronger commodity prices. Meanwhile, Singapore's defensive characteristics and higher dividend yield provided some protection in the current volatility. By sector, the defensive nature of consumer staples ensured it was the best performing sector over the month while information technology was one of the weakest sectors.

Portfolio Review

The Company's net asset value (NAV) fell 7.4% over the month - marginally outperforming the FTSE All World Asia Pacific ex Japan Index which fell 7.5%. However, it underperformed the MSCI Asia Pacific ex Japan High Yield Index, which fell 5.9% in sterling terms.¹

In terms of activity, we reduced exposure to Taiwanese technology stocks following weak results in the sector which indicated an inventory overhang, falling margins, and weak consumer demand. We sold Mediatek and added a new position in Midea Group, a Chinese home appliances company with a strong brand and strong balance sheet which we felt was attractively priced following a sharp fall. We also liked its exposure to the signs of stabilisation in the property market. We also added Zijin Mining in China given expectations for the copper price to weaken from increasing supply and weaker demand, which created some risk for its earnings.

Manager outlook

The weaker outlook for the consumer from stubbornly high inflation seems likely to create some risk for corporate earnings and the possibility of more earnings downgrades into an already volatile environment, with investors already dealing with the prospect of significantly higher interest rates and tighter liquidity from central banks. However, Asian equity valuations continue to look attractive to us relative to global equities. Inflationary pressures also remain less pronounced in the region. We are more confident about the outlook for dividends considering the excess cash being generated and the low level of dividends paid out compared to earnings. We remain focused on domestic-orientated companies with strong cash flow and sustainable and growing dividends.

¹Source: Bloomberg as at 30th September 2022.

Henderson Far East Income Limited

Glossary

Bond yield - Bond yield is the return an investor realizes on a bond and can be derived in different ways.

Dividend yield - The dividend yield, expressed as a percentage, is a financial ratio (dividend/price) that shows how much a company pays out in dividends each year relative to its stock price.

Inflation - The rate at which the prices of goods and services are rising in an economy. The CPI and RPI are two common measures

Inventory overhang – The quantity of goods or other things that have not been sold when they should have been.

Liquidity - The ability to buy or sell a particular security or asset in the market. Assets that can be easily traded in the market (without causing a major price move) are referred to as 'liquid'.

Net Asset Value (NAV) - The total value of a fund's assets less its liabilities.

Valuation metrics - Metrics used to gauge a company's performance, financial health, and expectations for future earnings eg, price to earnings (P/E) ratio and return on equity (ROE).

| Discrete year performance % change (updated quarterly) | Share Price | NAV |
|--|-------------|------|
| 30/06/2021 to 30/06/2022 | -6.9 | -6.7 |
| 30/06/2020 to 30/06/2021 | 9.2 | 10.4 |
| 28/06/2019 to 30/06/2020 | -8.2 | -8.5 |
| 29/06/2018 to 28/06/2019 | 11.2 | 9.7 |
| 30/06/2017 to 29/06/2018 | 0.2 | 2.4 |

All performance, cumulative growth and annual growth data is sourced from Morningstar.
Source: Morningstar as of 30/06/2022
Past performance does not predict future returns.

Important information

© Copyright 2022 Morningstar. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

References made to individual securities do not constitute a recommendation to buy, sell or hold any security, investment strategy or market sector, and should not be assumed to be profitable. Janus Henderson Investors, its affiliated advisor, or its employees, may have a position in the securities mentioned.

Not for onward distribution. Before investing in an investment trust referred to in this document, you should satisfy yourself as to its suitability and the risks involved, you may wish to consult a financial adviser. This is a marketing communication. Please refer to the AIFMD Disclosure document and Annual Report of the AIF before making any final investment decisions. Past performance does not predict future returns. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested. Tax assumptions and reliefs depend upon an investor's particular circumstances and may change if those circumstances or the law change. Nothing in this document is intended to or should be construed as advice. This document is not a recommendation to sell or purchase any investment. It does not form part of any contract for the sale or purchase of any investment. We may record telephone calls for our mutual protection, to improve customer service and for regulatory record keeping purposes.

Issued in the UK by Janus Henderson Investors. Janus Henderson Investors is the name under which investment products and services are provided by Janus Henderson Investors International Limited (reg no. 3594615), Janus Henderson Investors UK Limited (reg. no. 906355), Janus Henderson Fund Management UK Limited (reg. no. 2678531), Henderson Equity Partners Limited (reg. no.2606646), (each registered in England and Wales at 201 Bishopsgate, London EC2M 3AE and regulated by the Financial Conduct Authority) and Henderson Management S.A. (reg no. B22848 at 2 Rue de Bitbourg, L-1273, Luxembourg and regulated by the Commission de Surveillance du Secteur Financier). Janus Henderson Knowledge Shared and Knowledge Labs are trademarks of Janus Henderson Group plc or one of its subsidiaries. © Janus Henderson Group plc.

Henderson Far East Income Limited is a Jersey fund, registered at Liberté, 19-23 La Motte Street, St Helier, Jersey JE2 4SY and is regulated by the Jersey Financial Services Commission