

Henderson Opportunities Trust plc

Update for the half year ended
30 April 2023



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 primarily UK investments

This update contains material extracted from the unaudited half year results of the Company for the six months ended 30 April 2023. 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 2023



Net Asset Value per share

30 Apr 2023	1,228.4p
31 Oct 2022	1,173.7p

Share price

30 Apr 2023	1,050.0p
31 Oct 2022	1,018.0p

Net assets

30 Apr 2023	£97.0m
31 Oct 2022	£92.7m

Dividends⁵

30 Apr 2023	15.0p
30 Apr 2022	14.0p

Total return performance to 30 April 2023

	6 months %	1 year %	3 years %	5 years %	10 years %
NAV ¹	6.3	-14.3	42.6	9.6	101.8
Benchmark ²	12.5	6.0	45.2	24.2	80.7
Share price ³	4.9	-12.6	53.3	15.1	123.2
Peer group average NAV ⁴	14.4	-1.2	38.6	10.9	85.1

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 (based on cumulative fair net asset value returns)

5 The dividends per ordinary share for the period 1 November 2022 to 30 April 2023 include a first interim dividend payment of 7.5p per ordinary share payable on 23 June 2023 and a second interim dividend payment of 7.5p per ordinary share payable on 22 September 2023. See the Chairman's Statement for further details

Sources: Morningstar Direct, Refinitiv Datastream and Janus Henderson

Chairman's Statement and Interim Management Report

Review

The Net Asset Value total return was 6.3% over the six months while the FTSE All-Share Index (the "Index") benchmark returned 12.5%. The Index returns were substantially driven by large companies while small companies, and AIM stocks in particular, generally lagged the Index advance. The Company has a greater exposure to the AIM market than the Index. While this small company exposure has over time added value, during periods when there is lower investor confidence, smaller companies' share prices tend to be weaker than those of large global stocks. The Company's results for the period therefore reflect the level of its exposure to the AIM market. The falls in UK smaller companies' share prices have, however, left valuations at very attractive levels, which in the Fund Managers' and the Board's view, will present opportunities for the Company going forward.

At a stock level, the attribution analysis tables (see page 5) show the largest contributors and detractors. Four of the largest detractors were oil and gas companies. These companies all suffered from oil prices having weakened from the levels they were at at the start of the war in Ukraine and from the windfall tax or Energy Profits Levy introduced by the UK Government. The contributors have come from a variety of sectors and there is no particular underlying theme.

Investment activity

Three new holdings were purchased in the period, **Marshalls**, **Legal and General** and **Hvivo**. These are three very different companies which are all anticipated to grow strongly in coming years and their current valuations are undemanding. Various holdings were also added to based on share price weakness. The largest individual disposal was a result of the takeover of **K3 Capital**. The positions in **Vodafone** and **Haleon** were sold as the Fund Managers believe that there are better growth opportunities.

Gearing

The gearing at the period end was 14.9% (31 October 2022: 13.9%). The gearing level reflects the Fund Managers' belief that the UK equity market currently offers substantial value. While there was a cash balance at the period end this was due to timing and the settlement dates for investment transactions.

Earnings and dividends

The earnings per share for the period under review were 16.1p, which compares with 19.5p for the same period last year. Investee companies' dividends have generally been recovering, but there are not the special dividends that were seen last year as companies seek to preserve cash in what is considered an uncertain economic environment.

We are pleased to declare a second interim dividend of 7.5p per ordinary share for the financial year ending 31 October 2023. This will be payable on 22 September 2023 to shareholders registered at the close of business on 18 August 2023. The Company's shares will be quoted ex-dividend on 17 August 2023. The first interim dividend for the financial year ending 31 October 2023 was declared on 8 March 2023 and will be paid on 23 June 2023.

Your Board remains committed to the Company's progressive dividend policy and over the last five years (to 31 October 2022) the dividend has grown by 61.9%.

Economic and market conditions

The valuation of UK equities is at a very low level. A coming together of different factors has been behind the fall in valuations. There has been a lack of capital spend in the economy driven by caution over Brexit and Covid-19. The pension fund industry and various other domestic investors have abstained from buying and have been large disinvestors in UK equities over the last ten years. Overseas buyers have been increasing holdings as domestic holders sell, but their focus is on large global companies, leaving a lack of capital to invest in small, domestic-facing businesses. However, the low valuations are leading to takeover activity picking up.

Chairman’s Statement and Interim Management Report (continued)

The AIM market

The AIM market has materially underperformed the FTSE All-Share Index. As at the half year end the portfolio had 48.4% in AIM stocks. In periods of uncertainty, investors are risk averse and AIM stocks have a greater level of risk attached to them as they are relatively immature companies. There is an increasing focus on liquidity as investors are demanding to be able to buy and sell the shares of a company relatively easily and again this works against investors looking at AIM. However, the Fund Managers believe these concerns will come to be seen to be overplayed if the next generation of successful companies emerge from the AIM market. Companies such as **ZOO Digital** or **Boku** are growing rapidly and becoming the established global player in their activities. In the view of the Fund Managers, their current valuations do not in any way reflect their prospects, the current indifference to AIM listed companies will not last and a vibrant AIM market will return as these successful companies become increasingly recognised. This will bring capital to growing companies and will help reinvigorate the UK economy.

1 year FTSE All-Share and FTSE AIM



Source: Bloomberg, Janus Henderson
Note: Price return, rebased to 100 at 30 April 2022

AGM

At the AGM in March this year, 24.2% of the votes cast were voted against the resolution for the continuation of the Company (although only 26.6% of the Company’s total voting rights were cast). The Board has therefore been consulting with shareholders, its advisers and the Fund Managers regarding the Company’s future. The Company is small in size, but while this can pose challenges for liquidity, it should not affect its ability to deliver strong returns for investors. The Fund Managers and the Board firmly believe that there is a real role for the Company in continuing to do what it is doing and that over time, the approach will create long term value for shareholders as it has done in the past. The UK is generally out of favour and UK smaller, domestic focused companies are being particularly harshly treated by investors. However, at some point the pendulum will swing as the companies that are languishing in share price terms come through with operational growth. The Board therefore believes it is the wrong time to make any major change to the Company’s strategy. The Fund Managers will therefore remain focused on attempting to deliver substantial capital appreciation and the Board will continue to communicate with shareholders, consult its advisers and engage with the Fund Managers on strategy in the run up to the next continuation vote in 2026.

In the meantime, in order to assist monthly savers and those who reinvest their dividends, or those who are looking to invest smaller amounts (such as younger investors), the Board is considering proposing a share split of the Company’s ordinary shares. Any such sub-division may also (but could not be guaranteed to) assist in improving the liquidity in, and marketability of the Company’s shares. Any such scheme would be brought forward for the approval of shareholders at the Company’s AGM in 2024, but will only be proposed if at the relevant time the Board considers this to be in the best interests of the Company’s shareholders as a whole.

Chairman's Statement and Interim Management Report (continued)

Discount

During the period the Company's discount to NAV averaged 12.5% and was 14.5% at the period end. In comparison, the average discount across the closed ended funds sector over the last four months was 14.9%. The Board and the Fund Managers are continuing to monitor the discount closely and are examining all possible options for narrowing it. Given the Company's size, it has a limited ability to buy back its shares. It therefore remains the Board's position that if buybacks are to be considered, this will be with the aim of enhancing the NAV for existing shareholders rather than trying to maintain the discount at any particular level. It is the belief of the Board and the Fund Managers that market cyclicity over time, the AIM market returning to favour, an increase in investor confidence in the UK and strong performance by the Company are all likely to be key factors in narrowing the discount.

Outlook

The UK economy is growing but at a very slow pace. The consumer, in spite of the cost of living crisis, has

not shown the weakness in spending that some anticipated. Unemployment is low and companies overall are responding well to the demanding circumstances they face. At the same time, many good quality companies that have sound long term plans are trading on very undemanding valuations. The Fund Managers and the Board therefore believe this is a time of substantial opportunity for a fund with the Company's investment approach.

Wendy Colquhoun
Chairman

21 June 2023

James Henderson and
Laura Foll
Fund Managers

Portfolio information

Attribution analysis to 30 April 2023

The table below sets out the top five contributors and top five detractors to NAV

Top five contributors	Total return %	Contribution to NAV %	Top five detractors	Total return %	Contribution to NAV %
HSBC	32.36	0.75	Tribal Group	-41.50	-0.42
Rolls-Royce	94.67	0.66	Jersey Oil & Gas	-16.24	-0.42
Vertu Motors	28.09	0.58	Orcadian Energy	-76.85	-0.50
IQGeo	40.97	0.55	Serica Energy	-20.77	-0.57
Oxford Instruments	44.56	0.50	Deltic Energy	-45.72	-0.83

Source: Janus Henderson

Portfolio by index at 30 April 2023

as a percentage of the portfolio excluding cash

Index	FTSE All-Share Index %	Portfolio %
FTSE 100	83.99	29.57
FTSE 250	12.86	13.22
FTSE SmallCap	2.33	7.56
FTSE AIM	0.10	48.35
Other	0.72	1.30
Total	100.00	100.00

Source: Factset

Portfolio by market capitalisation at 30 April 2023

as a percentage of the portfolio excluding cash

Index	FTSE All-Share Index %	Portfolio %
Greater than £2b	90.28	31.68
£1b - £2b	4.90	3.43
£500m - £1b	2.49	15.73
£200m - £500m	1.89	16.53
£100m - £200m	0.40	13.90
£50m - £100m	0.03	12.13
Less than £50m	--	6.12
Other	0.01	0.48
Total	100.00	100.00

Source: Factset

Portfolio information (continued)

Investment portfolio at 30 April 2023

Position	Company	Valuation £'000	% of portfolio
1	Barclays	3,916	3.5
2	Vertu Motors ¹	3,177	2.9
3	NatWest	3,162	2.8
4	Boku ¹	3,068	2.8
5	ZOO Digital ¹	3,056	2.7
6	Next Fifteen Group ¹	2,944	2.6
7	Jersey Oil & Gas ¹	2,878	2.6
8	Springfield Properties ¹	2,754	2.5
9	Serica Energy ¹	2,730	2.5
10	Rio Tinto	2,524	2.3
10 largest		30,209	27.2
11	HSBC	2,471	2.2
12	Standard Chartered	2,419	2.2
13	Tracsis ¹	2,418	2.2
14	Anglo American	2,384	2.1
15	Oxford Instruments	1,921	1.7
16	Tesco	1,897	1.7
17	IQGeo ¹	1,852	1.7
18	Morgan Advanced Materials	1,836	1.7
19	SigmaRoc ¹	1,807	1.6
20	Redcentric ¹	1,789	1.6
20 largest		51,003	45.9
21	Van Elle ¹	1,776	1.6
22	Rolls-Royce	1,648	1.5
23	Flutter Entertainment	1,591	1.4
24	Redde Northgate	1,565	1.4
25	Aviva	1,527	1.4
26	CML Microsystems	1,515	1.4
27	Prudential	1,514	1.4
28	Cohort ¹	1,468	1.3
29	Flowtech ¹	1,437	1.3
30	Ricardo	1,380	1.2
30 largest		66,424	59.8
31	Surface Transforms ¹	1,366	1.2
32	BT Group	1,350	1.2
33	GlaxoSmithKline	1,326	1.2
34	Marks & Spencer	1,315	1.2
35	Babcock	1,190	1.1
36	RWS Holdings ¹	1,184	1.1
37	Halfords Group	1,156	1.0
38	Deltic Energy ¹	1,150	1.0
39	M&G	1,127	1.0
40	Marshalls	1,052	0.9
40 largest		78,640	70.7

Portfolio information (continued)

Investment portfolio at 30 April 2023 (continued)

Position	Company	Valuation £'000	% of portfolio
41	Workspace	1,052	1.0
42	Finsbury Food Group ¹	1,045	0.9
43	STV	1,041	0.9
44	Senior	1,036	0.9
45	Marks Electrical ¹	1,026	0.9
46	Vanquis Banking Group	1,010	0.9
47	IntegraFin Holdings	1,000	0.9
48	Johnson Matthey	982	0.9
49	Reckitt Benckiser	965	0.9
50	XP Power	946	0.9
50 largest		88,743	79.8
51	Direct Line Insurance	944	0.8
52	Hollywood Bowl	935	0.8
53	AFC Energy ¹	916	0.8
54	Ilika ¹	893	0.8
55	Premier Miton Group ¹	891	0.8
56	Mondi	885	0.8
57	International Personal Finance	878	0.8
58	Legal & General	878	0.8
59	Kier Group	857	0.8
60	Jubilee Metals ¹	819	0.8
60 largest		97,639	87.8
61	Jadestone Energy ¹	799	0.7
62	Renold ¹	795	0.7
63	IP Group	777	0.7
64	The Gym Group	763	0.7
65	Deltex Medical ¹	733	0.7
66	GB Group ¹	732	0.7
67	Oxford Nanopore Technology	724	0.7
68	Hvivo ¹	700	0.6
69	Ceres Power ¹	699	0.6
70	Tribal Group ¹	646	0.6
70 largest		105,007	94.5
24 remaining (excluding cash and investments written down to zero)		6,161	5.5
Total		111,168	100.0

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

Financial summary

Extract from the Condensed Income Statement (unaudited)	Half year ended 30 April 2023			Half year ended 30 April 2022
	Revenue return £'000	Capital return £'000	Total return £'000	Total return £'000
Gains/(losses) from investments held at fair value through profit or loss	–	5,083	5,083	(12,350)
Investment income held at fair value through profit or loss	1,616	–	1,616	1,773
Interest receivable and other income	108	–	108	109
Gross revenue and capital gains/(losses)	1,724	5,083	6,807	(10,468)
Expenses, finance costs & taxation (including management and performance fees)	(450)	(452)	(902)	(662)
Net return/(loss) after taxation	1,274	4,631	5,905	(11,130)
Return/(loss) per ordinary share – basic and diluted	16.13p	58.63p	74.76p	(140.91p)
Extract from Condensed Statement of Financial Position (unaudited except October 2022 figures)	30 Apr 2023 £'000	30 Apr 2022 £'000	31 Oct 2022 £'000	
Investments held at fair value through profit or loss	111,168	133,759	105,695	
Net current liabilities	(14,142)	(17,533)	(12,994)	
Net assets	97,026	116,226	92,701	
Net asset value per ordinary share – basic and diluted	1,228.4p	1,471.5p	1,173.7p	

Financial summary (continued)

Dividends

On 8 March 2023, the Board declared a first interim dividend of 7.5p (2022: 7.0p) per ordinary share, to be paid out of revenue on 23 June 2023 to shareholders on the register of the Company at the close of business on 19 May 2023. The cost of this dividend will be £592,000 (2022: £553,000).

The Board has declared a second interim dividend of 7.5p (2022: 7.0p) per ordinary share, to be paid out of revenue on 22 September 2023 to shareholders on the register of the Company at the close of business on 18 August 2023. The ex-dividend date will be 17 August 2023. Based on the number of ordinary shares in issue on 20 June 2023, the cost of this dividend will be £592,000 (2022: £553,000).

No provision has been made for the interim dividends in these condensed financial statements. The third interim dividend of 7.0p per ordinary share, paid on 16 December 2022 and the final dividend of 13.0p per ordinary share, paid on 24 March 2023 in respect of the year ended 31 October 2022, have been recognised as a distribution in this period.

Share capital

During the half year ended 30 April 2023, no shares were issued or repurchased (half year ended 30 April 2022 and year ended 31 October 2022: no shares issued or repurchased). At 30 April 2023 there were 8,000,858 ordinary shares of 25p each in issue (30 April 2022 and 31 October 2022: 8,000,858) of which 102,483 were held in treasury (30 April 2022 and 31 October 2022: 102,483 shares held in treasury) resulting in 7,898,375 shares being entitled to a dividend (30 April 2022 and 31 October 2022: 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 base management fee is charged at 0.55% of net assets per annum payable quarterly at a rate of 0.1375% based on net assets at the end of the previous quarter. The management agreement also provides for the payment of a performance fee, calculated as 15% of any outperformance of the NAV over the benchmark, subject to a limit on the total management and performance fees payable in any one year of 1.5% of the average net assets (calculated quarterly) during the year. No performance fee will be paid if either the share price or net asset value is lower than their value at the preceding financial year end. Any underperformance relative to the benchmark, or any unrewarded outperformance (for example, as a result of the cap), will be carried forward and set against any outperformance or underperformance respectively in subsequent years. A performance fee of £nil has been accrued as at 30 April 2023 (30 April 2022 and 31 October 2022: £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 2022 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.

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MANAGED BY
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INVESTORS

aic
The Association of
Investment Companies



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