

Henderson Far East Income

Well positioned for both capital and income growth

Investment companies
Asia Pacific Equity Income

Henderson Far East Income's (HFEL's) manager, Sat Duhra, invests across the Asia-Pacific region for both income and capital growth. The portfolio has a mix of high-quality companies in developed markets such as Australia, Hong Kong and Singapore along with growth opportunities in developing markets, including China, India and Indonesia. HFEL has generated an 18-year record of higher annual dividends, moving it closer to the 20 years required to progress from an AIC next-generation hero to a full dividend hero. There is robust demand for the trust's strategy, with its c 10% dividend yield, as HFEL regularly trades at a premium, which facilitates meaningful share issuance. In FY25, the trust's share count increased by more than 10%.

28 January 2026

Price	255.50p
Market cap	£499m
Total assets	£482m
NAV	242.0p
¹ NAV at 26 January 2026.	
Discount to NAV	(5.6)%
¹ Trading at a premium to NAV.	
Current yield	9.8%
Shares in issue	195.2m
Code/ISIN	HFEL/JE00B1GXH751
Primary exchange	LSE
AIC sector	Asia Pacific Equity Income
Financial year end	31 August
52-week high/low	255.5p / 190.4p
NAV high/low	243.6p / 187.4p
Net gearing	2.0%

¹At 31 December 2025.

Fund objective

Henderson Far East Income aims to provide shareholders with a growing total annual dividend per share and capital appreciation from a diversified portfolio of investments in the Asia-Pacific region. It has stock market listings in London and New Zealand.

Bull points

- Performance has improved following an increased focus on capital appreciation rather than just on rising income.
- FY25 was the 18th consecutive year of rising annual dividends.
- A revised option strategy supports a very attractive dividend yield, supplemented by reserves if required.

Bear points

- It is taking time for HFEL's increased structural growth exposure to feed through to better relative performance.
- Ongoing geopolitical risks in Asian markets.
- Gearing is likely to amplify capital losses during market weakness.

Analyst

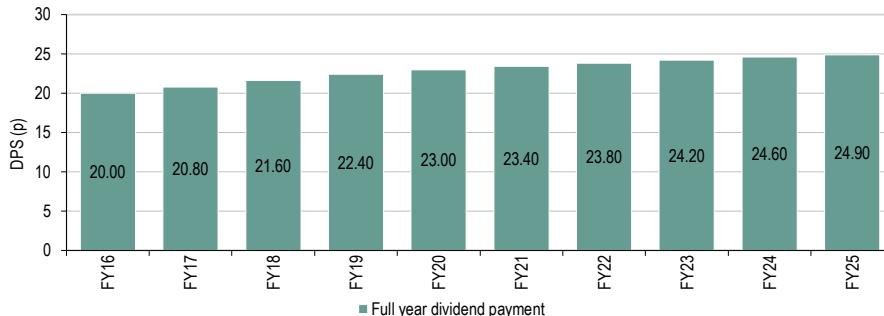
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Exhibit 1: Dividend history over the last 10 years – steady annual growth



Source: HFEL, Edison Investment Research

Why consider HFEL?

Corporate fundamentals in the Asia-Pacific region are robust, and valuation multiples look relatively attractive versus the global market. In aggregate, Asian companies are generating record levels of cash, helped by having low levels of debt, strong free cash flow and low capex. Payout ratios have been rising in Asia and the region is home to some of the highest dividend growth businesses. Another interesting development is that Asian companies, having witnessed successful developments in Japan, are embracing shareholder reforms, such as the 'Value Up' initiatives in South Korea, a country that had historically shown little regard for minority shareholders, and the 'Nine Point Plan' in China.

Despite Asian equities performing very well in 2025, outperforming global indices, Duhra remains bullish on the region's prospects for 2026. Notwithstanding a difficult global geopolitical environment, the manager believes that reasonably priced structural growth opportunities and robust income potential in Asia will continue to attract both international and domestic investors. HFEL offers exposure to these positive trends, and compared with the MSCI AC Asia Pacific ex Japan Index, has a lower price-to-book valuation, a more reasonable forward P/E multiple and a higher dividend growth rate.

HFEL only needs to deliver another two years of growing annual dividends to be classified as an AIC dividend hero. There are currently just 20 UK investment companies that have earned the title, by delivering 20 or more years of consecutive higher annual dividends.

HFEL: Benefiting from process improvements

Over the past two years changes were made to improve HFEL's performance, including adjusting the holdings, position sizes, portfolio turnover, options strategy and dividend capture. There is now a better balance between strong income and capital growth. The trust does not have a formal benchmark, but starting with the H126 report, performance will be measured against the MSCI AC Asia Pacific ex Japan Index, rather than the World Asia Pacific ex Japan Index (which has fewer constituents than the new reference index), and the MSCI AC Asia Pacific High Dividend Yield Index.

While there is still work to be done, things are moving in the right direction. In FY25 (ending 31 August), HFEL's +12.7% NAV total return modestly lagged the performance of the above-mentioned indices (World Asia Pacific ex Japan Index +14.1% total return and MSCI AC Asia Pacific High Dividend Yield Index +13.6% total return). This compares with underperformance of 5.8pp and 13.1pp, respectively, in FY23.

HFEL offers exposure to Asian structural growth as well as its traditional income focus:

- Infrastructure build out – significant power demand requirements, boosted by AI. Benefits energy storage, infrastructure funding, grid equipment and renewable energy (portfolio examples are GAIL, Keppel).
- Emerging consumer champions – domestic consumer brands growing in international markets. Exposure via China sports brands and appliances (Anta Sports, Midea Group).
- Financial inclusion – leading banks in India and Indonesia and wealth management in Singapore and Hong Kong. Digital payments and cross-selling into insurance and mutual funds (New China Life Insurance Co, HDFC Bank, BDO Unibank).
- Technology infrastructure for global technology arms race – Asia provides tools for themes such as electric vehicles, AI, global semiconductor leaders, server manufacturers, chip design and Apple assembly (Alibaba, Taiwan Semiconductor Manufacturing Co - TSMC, MediaTek, Tencent).
- Corporate reform to enhance shareholder return – drive from regulators across the region to boost dividends and valuations. 'Value-up' initiatives in South Korea and the 'Nine Point' plan in China (Hyundai Motor, Samsung Fire & Marine Insurance).

Current portfolio positioning

At the end of December 2025, HFEL's top 10 positions made up 34.5% of the portfolio, which was a higher concentration compared with 32.9% the year before; four positions were common to both periods. The largest holding remains TSMC, the global number one semiconductor manufacturing business, with a technological lead that provides a very deep economic moat. While this name is present in many Asian and global portfolios, this company is evidence of the benefits of exposure to secular growth trends. TSMC's share price rallied by c 85% in 2024, and the momentum continued in 2025 with a further 40%+ upward move.

Exhibit 2: HFEL's top 10 holdings

Company	Country	Industry	Portfolio 31 Dec 2025	Portfolio 31 Dec 2024
Taiwan Semiconductor Manuf Co (TSMC)	Taiwan	Semiconductors	6.0	3.8
Samsung Electronics	South Korea	Consumer electronics	4.1	N/A
Oversea-Chinese Banking	Singapore	Financials	4.1	3.0
MediaTek	Taiwan	Semiconductors	3.3	3.3
Rio Tinto	Australia	Materials	3.1	N/A
Macquarie Korea Infrastructure Fund	South Korea	Infrastructure	2.9	2.9
SK hynix	South Korea	Semiconductors	2.9	N/A
Alibaba Group	China	Internet retail	2.8	N/A
Hon Hai Precision Industry	Taiwan	Consumer electronics	2.7	N/A
Hyundai Motor	South Korea	Automobiles	2.6	N/A
Top 10			34.5	32.9

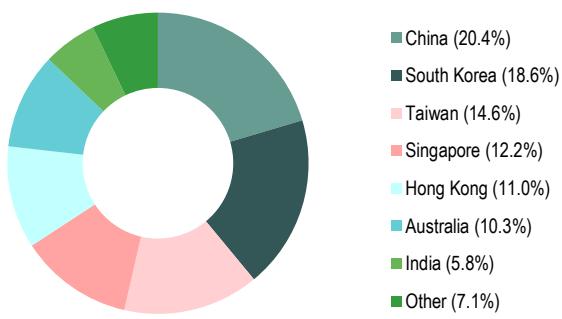
Source: HFEL, Edison Investment Research. Note: N/A where not in end December 2024 top 10.

Mindful of protecting HFEL's portfolio during periods of increased stock market volatility, which may happen in 2026 if there is a slowdown in US AI capex, Duhra has reduced the trust's technology weighting, including taking profits in Alibaba (share price c +125% in 2025), Tencent (c +40%) and SK hynix (c +250%). The holding in Trip.com was sold after a strong share price rally.

The manager has increased HEFL's exposure to more defensive AI-exposed companies, including new positions in Rio Tinto (Australian miner – HEFL purchased the less-expensive London line of stock) and Keppel (Singaporean conglomerate), which are beneficiaries of the high demand for power generation and data centres. These companies have long-term contracts, which bodes well for their future cash flows and dividends. Rio is selling non-core assets, streamlining its operations and reducing its capex to be more in line with its long-term average. Keppel is also selling some of its legacy assets. Duhra has also increased portfolio exposure to income stocks, such as a new position in Singapore Telecommunications (SingTel), which has a good dividend yield, is monetising non-core assets and returning cash to shareholders.

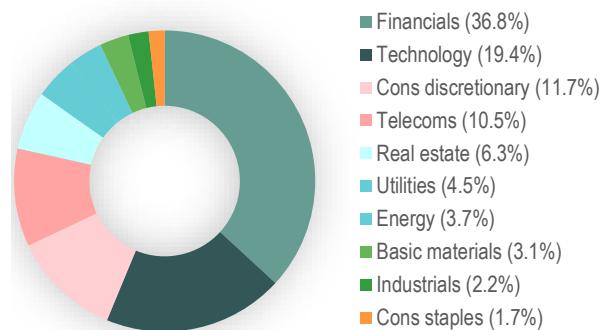
HFEL's portfolio breakdowns by geography and sector are shown in Exhibits 3 and 4. Allocations are primarily the result of bottom-up stock selection and there are some notable active weights versus the MSCI AC Asia Pacific ex Japan Index. The trust is overweight South Korea, where its active corporate reform programme is a notable feature, and underweight India due to unappealing growth and valuations. By sector, HEFL has a large overweight position in financials, where many of the companies have attractive dividend yields, and is underweight technology, which includes a below-index weighting to Taiwan, where the market is dominated by IT stocks (c 85%).

Exhibit 3: Geographic exposure at 31 December 2025



Source: HFEL, Edison Investment Research. Note: Australia includes 3.1% of London-listed Rio Tinto.

Exhibit 4: Sector exposure at 31 December 2025



Source: HFEL, Edison Investment Research

The manager's view

Duhra remains positive on the outlook for Asian equities, as corporate balance sheets continue to strengthen, with record cash levels and low leverage, which is leading to higher dividend payments. HFEL is benefiting from positive dividend surprises across the board, which are partially supported by corporate reform. The manager's disciplined fundamental approach helps to identify future dividend payers. Despite Asian stocks performing well in 2025, Duhra believes that the market has further to go as earnings expectations are being revised up, and declining inflation provides more flexibility for interest rate cuts.

While stocks are selected on a bottom-up basis, the manager does take the macroeconomic environment into account. He has a negative view on India, and reduced the trust's Indian exposure, taking profits at an opportune time. Duhra is cautious about India's short-term economic growth, although he has a more optimistic longer-term view. His concerns include low levels of foreign direct investment and a lack of land and labour reform within an inflexible state-led government framework.

Chinese consumption remains weak due to deflation, demographic trends and continued problems in the property sector. However, the manager notes that within the country there has been a measured approach to AI development by companies such as Alibaba and Tencent, which are achieving similar results to those generated by US-led programmes. There has also been demand for higher-yielding Chinese stocks, including those of state-owned enterprises, as retail investors seek income in a lower interest-rate environment.

When talking to Asian corporates, Duhra reports that a common theme is positive discussions about dividends, which extends to businesses where returning cash to shareholders would previously not have been on the agenda. Generally, growth is more constrained in southern Asian countries, but balance sheets are strong, which enables cash returns to shareholders. In the more attractively valued north Asian region of China, South Korea and Taiwan, both China and South Korea have corporate reform programmes, including simplified corporate structures. This behaviour is spreading to other countries such as Singapore and Indonesia.

Another common discussion is the changing geopolitical landscape. During a period of economic weakness in recent years, China has been redirecting trade from the US to ASEAN countries. These stronger trading relationships are leading to more interdependence between Asian countries.

Performance: Investors still favouring HEFL's income strategy

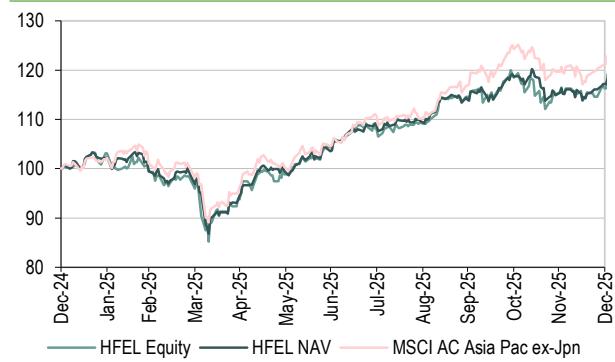
HFEL continues to offer the highest dividend yield in the AIC Asia Equity Income sector by quite a margin. This strategy remains favoured by investors as the trust is the only fund in the sector that is trading at a premium. While the manager has placed a greater emphasis on capital appreciation, HFEL lags the NAV returns of its peers, ranking fifth over all periods shown. The trust has the highest ongoing charge in the sector and a below-average level of gearing.

Exhibit 5: AIC Equity Income sector at 26 January 2026

% unless stated	Market cap (£m)	NAV TR 1Y	NAV TR 3Y	NAV TR 5Y	NAV TR 10Y	Prem/disc	Ongoing charge	Performance fee	Net gearing	Dividend yield
Henderson Far East Income	493.5	17.9	13.4	17.8	99.1	4.8	1.1	No	102	9.9
Aberdeen Asian Income Fund	391.9	24.8	36.2	47.3	192.9	(6.0)	0.9	No	104	6.6
Invesco Asia Dragon Trust	883.5	31.8	31.8	35.1	253.9	(8.6)	0.7	No	102	4.4
JPMorgan Asia Growth & Income	324.8	32.1	39.2	24.8	252.2	(5.6)	0.8	No	105	4.9
Schroder Oriental Income	816.9	31.2	46.1	59.6	222.8	(3.4)	0.9	Yes	104	3.5
Simple average (5 funds)	582.1	27.6	33.4	36.9	204.2	(3.8)	0.9		104	5.8
Rank	3	5	5	5	5	1	1		5	1

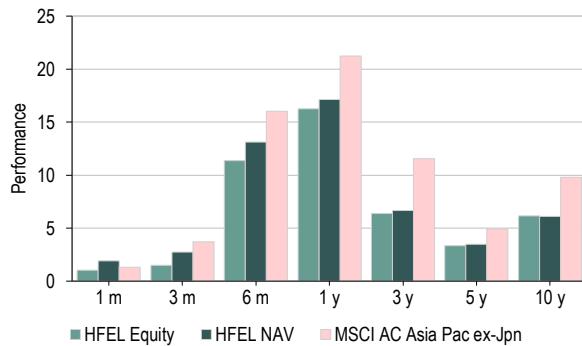
Source: Morningstar, Edison Investment Research. Note: TR = total return.

Exhibit 6: Price, NAV and Index one-year performance (rebased)



Source: LSEG Data and Analytics, Edison Investment Research

Exhibit 7: Price, NAV and index total returns (%)



Source: LSEG Data & Analytics, Edison Investment Research. Note: Three-, five- and 10-year figures annualised. At end December 2025.

HFEL's income strategy means that it has historically lagged Asian indices. Now that there is more of a balance between capital and income growth, it will be interesting to watch how the trust's relative performance record develops. Technology stocks have made a significant contribution to market performance in recent years; HFEL is underweight this sector, so the trust could perform relatively better if investor sentiment changes. Given the amount of capital that has been invested in AI, if there are concerns about returns on that investment, volatility is likely to increase, which could increase the appeal of HFEL's more defensive strategy.

Exhibit 8: Price and NAV total return performance relative to indices

	1 month	3 months	6 months	1 year	3 years	5 years	10 years
Price relative to MSCI AC Asia Pac ex-Jpn	(0.3)	(2.1)	(4.0)	(4.1)	(13.3)	(7.2)	(28.8)
NAV relative to MSCI AC Asia Pac ex-Jpn	0.6	(0.9)	(2.5)	(3.4)	(12.5)	(6.7)	(29.2)
Price relative to MSCI AC Asia Pac ex-Jpn HDY	0.7	(3.9)	(1.7)	(0.3)	(22.5)	(29.7)	(32.7)
NAV relative to MSCI AC Asia Pac ex-Jpn HDY	1.6	(2.7)	(0.2)	0.4	(21.8)	(29.3)	(33.0)
Price relative to CBOE UK All Cos	(1.1)	(4.5)	(2.4)	(6.5)	(18.2)	(33.3)	(19.4)
NAV relative to CBOE UK All Cos	(0.2)	(3.3)	(0.9)	(5.8)	(17.5)	(33.0)	(19.8)

Source: LSEG Data and Analytics, Edison Investment Research. Note: Data at end December 2025.

Considering HFEL's performance attribution in 2025 in broad terms, there was a positive contribution from both high-yielding Chinese stocks and high-growth technology names, two areas of the market that would not normally behave in tandem. There was income demand from insurance companies and retail investors, which supported the Chinese dividend-paying companies, while the fear of missing out on the growth in AI was a global theme last year. While the

manager has reduced HFEL's Indian exposure, the remaining stocks detracted from the trust's performance, as did its exposure to Australian energy names.

Looking at individual stocks, the largest positive contributors to HFEL's 2025 performance were: SK hynix (South Korea – semiconductor manufacturing); SK Square (South Korea – semiconductor manufacturing); China Hongqiao Group (China – diverse aluminium holding company); Brilliance China Automotive Holdings (China – automobile manufacturing and retail); and New China Life Insurance Co (China – life insurance for individuals and institutions). On the other side of the ledger, the largest performance detractors were: FinVolution Group (China – online consumer finance); Novatek Microelectronics (Taiwan – semiconductor design); Infosys (India – IT services); Woodside Energy (Australia – oil & gas exploration and production); and Link Real Estate (Hong Kong – real estate investment trust).

Exhibit 9: Five-year discrete returns

12 months ending	Total share price return (%)	Total NAV return (%)	MSCI AC Asia Pac ex-Jpn (%)	MSCI AC Asia Pac ex-Jpn HDY (%)	CBOE UK All Cos (%)
31/12/21	(2.8)	(0.5)	(1.8)	8.8	18.4
31/12/22	0.8	(1.8)	(6.8)	(0.6)	1.6
31/12/23	(13.1)	(5.4)	1.6	8.0	7.6
31/12/24	19.2	9.5	12.6	23.2	9.9
31/12/25	16.3	17.1	21.2	16.7	24.4

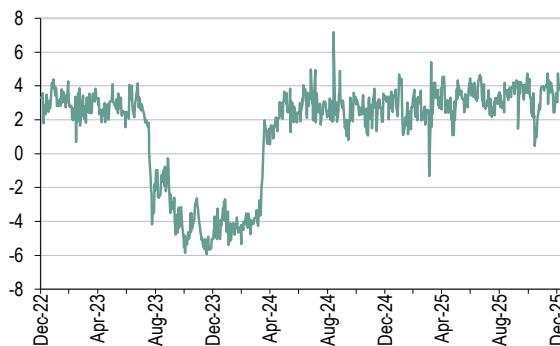
Source: LSEG Data & Analytics. Note: All figures are total return in pounds sterling.

Valuation: HFEL regularly trades at a premium

HFEL's current 5.6% premium compares with the three-year range of a 5.9% discount to a 7.2% premium. It is higher than the average premiums of 3.2%, 1.5%, 1.4% and 1.2% over the last one, three, five and 10 years respectively.

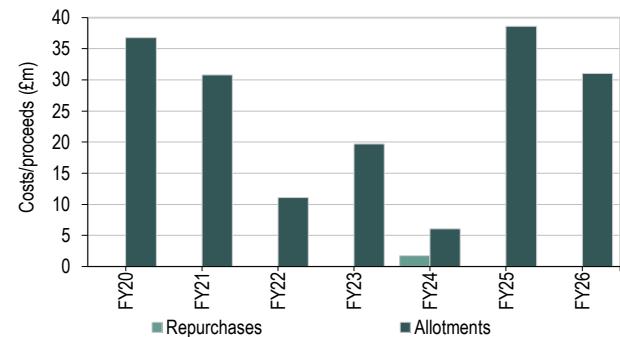
Unlike its peers in the AIC Asia Pacific Equity Income sector, HFEL regularly trades at a premium, which facilitates share issuance (Exhibit 11). In FY25, c 17.5m shares (c 10.6% of the share base) were issued raising c £39.1m. Issuance has continued in FY26; so far the share count has increased by a further c 7.0% raising c £31.0m.

Exhibit 10: Three year discount/premium (%)



Source: LSEG Data & Analytics, Edison Investment Research

Exhibit 11: Capital changes since FY20



Source: Morningstar, Edison Investment Research

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