

HENDERSON DIVERSIFIED INCOME TRUST PLC

Update for the period 23 February 2017 to
31 October 2017



MANAGED BY

Janus Henderson
— INVESTORS —

Investment objective

The Company's investment objective is to seek income and capital growth such that the total return on the net asset value of the Company exceeds the average return on a rolling annual basis of three month sterling LIBOR plus 2 per cent.

The Company aims to deliver this outcome by investing in a diversified portfolio of global fixed and floating rate income asset classes including secured loans, government bonds, high yield (sub-investment grade) corporate bonds, unrated corporate bonds, investment grade corporate bonds and asset backed securities. The Company may also invest in high yielding equities and derivatives.

The Company uses a dynamic approach to portfolio allocation across asset classes and is permitted to invest in a single asset class if required. The Company seeks a sensible spread of risk at all times. It can invest in assets of any size, sector, currency or issued from any country.



This update contains material extracted from the unaudited results of the Company for the period 23 February 2017 to 31 October 2017. The unabridged results for the period are available on the Company's website:

www.hendersondiversifiedincome.com

The image on the front cover is based on St Pancras Railway Station, London

Performance Highlights

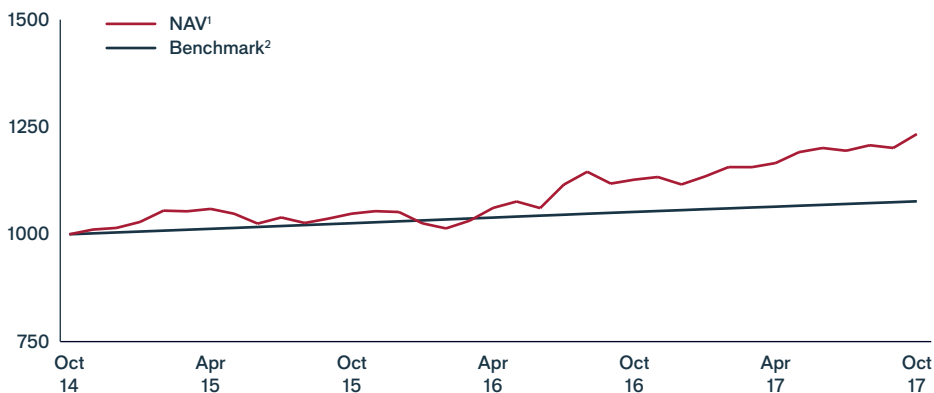
Total return performance for the six months to 31 October 2017

NAV¹
3.6%

Benchmark²
1.2%

Share Price³
5.8%

Performance^{4,5}



Net assets (£'000)

31 Oct 2017

£173.4m

30 Apr 2017

£162.8m

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

	6 months %	1 year ⁴ %	3 years ⁴ %	5 years ⁴ %	10 years ⁴ %
NAV ¹	3.6	7.8	22.1	46.1	79.7
Benchmark ²	1.2	2.3	7.7	11.5	34.3
Share price ³	5.8	9.4	23.3	57.0	80.8

1 Net asset value total return including dividends reinvested and excluding transaction costs

2 Benchmark is Libor plus 2.00%

3 Share price total return using mid-market closing price

4 Performance prior to 27 April 2017 reflects the performance of Henderson Diversified Income Limited that launched on 18 July 2007

5 Assuming the investment of £1,000 on 31 October 2014

Chairman's Statement

The period under review has been a mixed one for your Company. While the share price total return for shareholders in the six months was 5.8%, comfortably outperforming the benchmark, revenues were squeezed by a combination of downward repricing of loans and declining yields on bonds. This has made it harder to re-invest in similarly yielding assets of similar credit quality. In order to ensure that the quality of the investments in the portfolio was maintained, the Board took the decision to rebase the quarterly dividend from 1.25p to 1.10p per ordinary share. This level is expected to be at least maintained in the absence of a further significant fall in market yields. At the period end the ordinary shares were yielding 4.75%.

I would like to take this opportunity to remind you that the year-end of your Company is 30 April, which is different to the predecessor Jersey domiciled company, Henderson Diversified Income Limited, which had a year end of 31 October. Consequently, we are publishing this interim report for the period from incorporation to 31 October 2017 and will publish our first annual report and accounts in July 2018 for the period from incorporation to 30 April 2018. As the Company did not hold any assets or earn any income prior to 27 April 2017 when it acquired the assets and liabilities of the predecessor company, these unaudited results principally reflect the period 27 April 2017 to 31 October 2017. The first annual general meeting of your Company will be held in August 2018.

Performance

The net asset value total return per ordinary share for the period 1 May 2017 to 31 October 2017 was 3.6% whilst the share price total

return per ordinary share was 5.8% reflecting a widening in the premium to net asset value at which the ordinary shares trade.

Dividends and dividend policy

On 29 September 2017 a first interim dividend of 1.25p per ordinary share for the period ended 30 April 2018 was paid. A second interim dividend of 1.10p per ordinary share for the period ended 30 April 2018 was declared on 21 November 2017 and will be paid to shareholders on 29 December 2017. These dividends have been paid as interest distributions for UK tax purposes. More information about interest distributions can be found on the Company's website: www.hendersondiversifiedincome.com

On 7 September 2017 the Board announced its intention to rebase the dividend to no less than 1.10p per ordinary share on a quarterly basis, effective from the dividend payable in December 2017. This represents a reduction of 12% in the quarterly dividend and assumes that there is not a further significant fall in market yields. This dividend target takes into account the revenue benefits to the Company of the revised fee arrangements described below and the cost reductions arising from the re-domicile of the Company into the UK.

Amendment to fee arrangements

The Board and the Manager undertook a formal review of the management fee arrangements in September 2017 and mutually concluded that a performance fee is no longer appropriate in this low yielding environment. With effect from 1 November 2017 the performance fee was removed; the 18 month performance period to 30 April 2018 was truncated at 31 October

Chairman's Statement (continued)

2017 and the performance fee for this period calculated and any performance fee payable will be paid; the base management fee has been increased from 0.60% to 0.65% per annum of the Company's net assets. This means that with effect from 1 November 2017, the cap on total fees payable is 0.65% per annum of the Company's net assets rather than 1.20%.

The performance fee for the period ending 31 October 2017 has been calculated and totals £995,000.

Material events or transactions during the period

The Board has authority to allot up to 100 million New Shares, in aggregate, under the Share Issuance Programme detailed in the Company's Prospectus dated 3 March 2017. In the period 23 February 2017 to 31 October 2017 the Company has issued a further 7,425,000 ordinary shares. As at 31 October 2017 the Company's issued share capital was 189,618,240 ordinary shares. Between 1 September 2017 and 13 December 2017, no new ordinary shares have been issued. The Company's issued share capital as at 13 December 2017 is therefore 189,618,240 ordinary shares. Whilst demand for the shares continues to be strong, your Board will only issue shares at a premium to net asset value, thereby giving shareholders a modest uplift in the net asset value per ordinary share, improved liquidity in the shares and the fixed costs spread over a wider shareholder base, and where the Fund Managers are confident that the proceeds can be invested at a yield no less than the average yield on the portfolio.

The Company's subsidiary, Henderson Diversified Income (Luxembourg) S.a.r.l, which was inherited from the former Jersey domiciled company, was dissolved by a way of a dissolution deed in the presence of a Luxembourg Notary on 24 October 2017.

Outlook

The pleasingly high shareholder total return during the period for the portfolio comprises disproportionate capital gains but reduced income. This reflects the market's continued appetite for yield pushing up prices for income producing assets. As the Fund Managers' report later, it is now difficult to argue bonds are cheap. If fairly valued, reflecting the current market environment of low volatility, low defaults, low inflation and modest global growth, then we can look forward to yields settling at this lower level for the immediate future.

There are obvious, potentially disruptive, political and economic threats. To date these have not upset this equilibrium. However, these risks will persist in 2018 and may yet trigger more volatile conditions. Consequently, the quality of the assets held in the portfolio and its income stream will be a particular focus of the Fund Managers' in the months ahead. This view of the outlook and the risks we might face informed our decision to rebase the dividend to give the Fund Managers' greater flexibility in this regard.

Angus Macpherson
Chairman
13 December 2017

Fund Managers' Report

Portfolio review

Over the half year under review the Company's net asset value rose by 3.6%. Volatility reached multi decade low levels in both risk assets and government bonds, reflecting a sense of comfort (some would argue complacency) with the macro economic outlook. In this environment, the relatively high yielding loans and corporate bonds, which are the Company's staple investments, proved popular with investors seeking out additional credit risk. More challenging for the Company was maintaining the existing level of income from its investments. This was largely a function of the loan investments experiencing a rapid downward repricing in their coupons over the course of 2017, something that holders of the loans were powerless to prevent given the lack of call protection in these instruments. The resulting income levels provided by loans were no longer sufficient to generate the desired dividend and put a significant amount of pressure on the income available for distribution to shareholders. This position was exacerbated by the declining yields on corporate bonds and, as a consequence, the Board chose to reduce the quarterly dividend from 1.25p per quarter to 1.1p. The alternative would have been for us to take on an uncomfortable level of both credit and capital risk further into the future.

The period under review includes the second round of the French Presidential election, an event which was one of the most watched investor events of the calendar year. The resounding victory for Emmanuel Macron removed the largest known systemic threats to markets and set the stage for the huge outperformance of UK & European financial bonds (both bank and insurance companies) to

which the Company has significant exposure. Banks and insurance companies have significantly improved their capital bases in the ten years since the financial crisis and remain under intense regulatory scrutiny; all good news for bondholders. However, they remain highly sensitive to any systemic risk of which European politics remains foremost in our mind. For this reason, the conclusion of the French elections shortly after the Dutch election, both of which delivered victories to pro-Europe candidates, provided the catalyst for a notable rally in the price of these bonds. One of our favoured sub-sectors (long dated legacy Tier 1 banking bonds) proved particularly impressive as investors came around to our existing conclusion that the banks would likely try to buy these bonds back at a premium before their final maturity date.

In the corporate sector, our style has remained unchanged, focused as it is on large cap corporates operating in defensive industries with relatively predictable cash flows. For this reason, the Company had no exposure to UK cyclical companies such as the fashion retailers nor did we have exposure to the bonds of Air Berlin that defaulted over the period. These are the kind of industries that disappoint in an almost predictable fashion and which, as a result, we avoid throughout the economic cycle. What we did notice over the six month period was an increased level of industry disruption unrelated to the economic cycle and in sectors which have previously been relatively stable. Some of this was a result of technological disruption (retail, telecommunications, media) but generally the reasons were harder to pinpoint but were probably a function of a changed attitude to value and consumption from today's consumers.

Fund Managers' Report (continued)

This is perhaps the most powerful example of the fact that branded consumer goods began to tangibly lose pricing power in the developed world. This then fed into advertising agencies such as WPP due to a reduction in advertising spend. The equity market was particularly sensitive to a lack of revenue growth for individual corporates, punishing share prices as a result. We found the credit market to be far more complacent in its pricing of riskier bonds. There were one or two stories of self-help, with our largest position (Tesco) providing an excellent example of rapid deleveraging which culminated in two separate attempts to buy back the bonds we hold at a significant premium to the market price and the face value of the bonds. For the most part, however, individual catalysts were hard to come by and the market moved the price of bonds up and down in lockstep.

The Company's asset allocation continued to move towards fixed coupon and maturity bonds and away from floating rate loans, which reduced from 23% to 13.7% of the portfolio over the period. The reason for this was the continued rapid repricing of loan coupon rates lower, as explained above. Demand for loans continued to outstrip supply resulting in repricing activity which typically allowed companies to pay 0.5-1% less in interest than they had previously been paying. We declined to participate in a number of the repricing exercises (Diebold, Coveris), and re-leveraging financings (Klockner Pentaplast) with other businesses sold and debt repaid (BvD, Evry, Scandlines). Participation rate in new loan issues was low as they were unattractively priced. However, additions to existing holdings in large attractively priced cross-border loans for IT companies (McAfee and Misys) as well as Euro Garages (forecourt operator) were made.

Outlook

Unless there are signs of a pick-up in inflation or default rates, neither of which we expect, it is hard to see yields on corporate bonds or loans rising materially in the short term. This is a most unusual economic cycle stymied as it is by a combination of the disinflationary forces of an aging population, some private sector deleveraging and technological disruption. The low interest rate and low growth environment may be with us for many years to come but we are confident that we shall be able to continue to generate an attractive income stream for shareholders.

John Pattullo & Jenna Barnard
Fund Managers
13 December 2017

Portfolio Information

Summary of portfolio

	As at 31 October 2017 %
High yield bonds*	58.7
Investment grade bonds	24.8
Secured loans	13.7
Equities	2.0
Asset backed securities	0.8

+ Does not include credit default swaps

Twenty largest investments as at 31 October 2017

Company	Principal activities	Currency	Geographical area	Valuation £'000	% of portfolio
Iron Mountain	Commercial services	£/US\$	US	5,173	2.59
Tesco	Food	£	UK	4,560	2.28
Ardagh	Packaging and containers	£/US\$/€	Ireland	4,465	2.24
Barclays	Diversified banking	£/US\$	UK	4,231	2.12
Lloyds Group	Diversified banking	US\$	UK	4,132	2.07
Credit Suisse	Banks	US\$	Switzerland	4,118	2.06
Zayo	Telecommunications	US\$	US	4,096	2.05
Center Parcs	Leisure	£	UK	4,087	2.04
Nationwide Building Society	Banks	£	UK	4,038	2.02
UBS	Banks	US\$	Switzerland	3,982	1.99
Aramark Services	Food services	US\$	US	3,896	1.95
Virgin Media	Cable TV	£	UK	3,870	1.94
Equinix	Telecommunications	£/US\$	US	3,849	1.93
COTT	Food	US\$	US	3,840	1.92
Wachovia	Banks	US\$	US	3,832	1.92
Sirius	Media	US\$	US	3,815	1.91
AT&T	Telecommunications	US\$	US	3,809	1.91
PGH	Insurance	£	UK	3,603	1.80
Prudential	Insurance	£/US\$	UK	3,589	1.80
Standard Life	Insurance	£	UK	3,484	1.74

These investments total £80,469,000 or 40.28% of the portfolio.

Financial Summary

Extract from the condensed Statement of Comprehensive Income (unaudited)	Period ended 31 October 2017		
	31 Oct 2017 Revenue return £'000	31 Oct 2017 Capital return £'000	31 Oct 2017 Total £'000
Gains on investments designated at fair value through profit or loss	-	2,394	2,394
Gains on foreign exchange transactions at fair value through profit or loss	-	2,375	2,375
Investment income	4,747	-	4,747
Other operating income	3	-	3
Expenses, finance costs and taxation	(1,099)	(858)	(1,957)
Profit for the period	3,651	3,911	7,562
Earnings per ordinary share	1.95p	2.08p	4.03p

The total columns of this statement represent the Statement of Comprehensive Income of the Company. All capital and revenue items derive from continuing operations. No operations were acquired or discontinued during the period. The Company has no recognised gains or losses other than those recognised in the Statement of Comprehensive Income.

Extract from the condensed Statement of Financial Position (unaudited)	Period ended 31 October 2017	
	31 Oct 2017 £'000	
Investments designated as fair value through profit or loss	199,765	
Current assets	8,227	
Current liabilities	(34,612)	
Net assets	173,380	
Net asset value per ordinary share	91.44p	

Financial Summary (continued)

Principal risks and uncertainties

Information on the Company's risk factors are set out on pages 13 to 19 of the Prospectus dated 3 March 2017. In summary the principal risks and uncertainties associated with the Company's business can be divided into the following main areas:

- General market risks associated with the Company's investments
- The Company's investments
- Interest rate and credit risks
- Investment management
- Dividends
- Borrowings
- Taxation

Further information on these risks and how they are managed are given in the Risk Factors Section on pages 13 to 19 of the Company's Prospectus dated 3 March 2017.

In the view of the Board these principal risks and uncertainties are as applicable to the remainder of the financial period ending on 30 April 2018 as they were to the period under review.

Statement of Directors' responsibilities

The Directors confirm that, to the best of their knowledge:

- (a) The set of financial statements has been prepared in accordance with the International Accounting Standard 34 'Interim Financial Reporting';
- (b) The Interim Management Report includes a fair review of the information required by Disclosure, Guidance and Transparency Rule 4.2.7R (indication of important events during the six month period and description of principal risks and uncertainties for the remaining period of the financial year); and
- (c) The Interim Management Report includes a fair review of the information required by Disclosure, Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

For and on behalf of the Board
Angus Macpherson
Chairman
13 December 2017

General Information

Company status

Henderson Diversified Income Trust plc is a UK domiciled investment trust company which was incorporated on 23 February 2017. The Company number is 10635799. The Company is listed on the London Stock Exchange.

The ISIN/SEDOL number is GB00BF03YC36.

The London Stock Exchange code is HDIV.

The Company's Global Intermediary Identification Number (GIIN) is QR3G93.99999.SL.826.

The Company's LEI number is 213800RV2228EO1JEN02

Directors, Secretary and Registered Office

The Directors of the Company are Angus Macpherson (Chairman), Ian Wright (Audit Committee Chairman), Roderick Davidson, Denise Hadgill and Stewart Wood. The Corporate Secretary is Henderson Secretarial Services Limited, represented by Hannah Gibson, ACIS. The registered office is 201 Bishopsgate, London EC2M 3AE.

Website

Details of the Company's share price and net asset value, together with general information about the Company, monthly factsheets and data, copies of announcements, reports and details of general meetings can be found at www.hendersondiversifiedincome.com.

Henderson Diversified Income Trust plc
201 Bishopsgate
London
EC2M 3AE

MANAGED BY
Janus Henderson
INVESTORS

aic
The Association of
Investment Companies



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