

# HENDERSON OPPORTUNITIES TRUST PLC

Update for the half year  
ended 30 April 2019



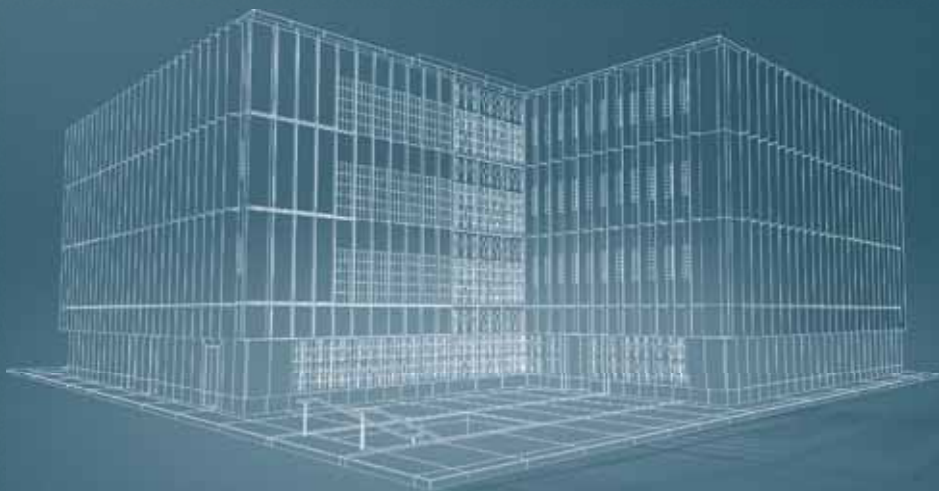
MANAGED BY

**Janus Henderson**  
— INVESTORS —

# Investment Objective

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The Company aims to achieve capital growth in excess of the FTSE All-Share Index from a portfolio of UK investments.



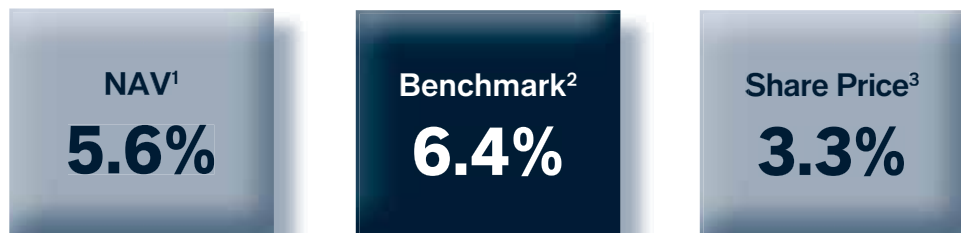
This update contains material extracted from the unaudited half year results of the Company for the six months ended 30 April 2019. The unabridged results for the half year are available on the Company's website:

[www.hendersonopportunitiestrust.com](http://www.hendersonopportunitiestrust.com)

The image on the front cover is based on the biochemistry department at Oxford University. The Company's portfolio includes several biochemistry and technology stocks which started life as university research projects.

# Performance Highlights

Total return performance for the six months to 30 April 2019



NAV per ordinary share

30 Apr 2019	31 Oct 2018
<b>1,232.6p</b>	<b>1,179.4p</b>

Ordinary share price

30 Apr 2019	31 Oct 2018
<b>1,007.5p</b>	<b>990.0p</b>

Net Assets

30 Apr 2019	31 Oct 2018
<b>£97.4m</b>	<b>£94.4m</b>

Dividends per ordinary share

Interim 2019	Interim 2018
<b>7.0p</b>	<b>6.5p</b>

Total return performance to 30 April 2019 (including dividends reinvested and excluding transaction costs)

	6 months %	1 year %	3 years %	5 years %
NAV per ordinary share <sup>1</sup>	5.6	0.4	32.8	42.5
Benchmark <sup>2</sup>	6.4	2.6	33.3	35.2
Share price <sup>3</sup>	3.3	-0.4	29.1	22.0
Sector average NAV <sup>4</sup>	4.7	0.0	24.8	37.1

1 Net Asset Value (NAV) total return per ordinary share with income reinvested

2 FTSE All-Share Index total return

3 Share price total return using mid-market closing price

4 Average NAV of the AIC UK All Companies Sector with income reinvested

Sources: Morningstar for the AIC, Datastream and Janus Henderson

# Chairman's Statement

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## Performance

The NAV total return over the first six months of the financial year increased by 5.6%, while the FTSE All-Share total return increased by 6.4%. It was a period in which large companies outperformed smaller companies due to general economic concerns and uncertainty over Brexit. Over 5 years or more the Company has a strong record against the benchmark, as illustrated in the following table:

	1 yr %	3 yrs %	5 yrs %	10 yrs %
NAV (total return)	0.4	32.8	42.5	361.1
FTSE All-Share (total return)	2.6	33.3	35.2	167.9
Outperformance (+)/ Underperformance (-)	-2.2	-0.5	+7.3	+193.2

The share price remained on a discount to NAV moving from 16.1% to 18.3% over the period.

## Gearing

During the period the Fund Managers used the general weakness in equity prices inspired by uncertainty over the economy to refresh the portfolio by adding four new stocks. The Company was a net buyer of equities and the gearing moved up to 14.0% from 6.7% at the start of the period.

## Earnings and Dividend

The revenue return in the period was £1,061,000, compared with £797,000 in the corresponding period last year. An interim dividend of 7.0 pence per ordinary share (2018: 6.5 pence) has been declared payable on 20 September 2019 to shareholders on the register of the Company on 16 August 2019. A noticeable feature of the half year was the level of income achieved by stock lending. This was £224,000 over the period compared to £nil over the corresponding period last year and £49,000 for the year ended 31 October 2018. Stock lending is a closely monitored activity with a cap on the amount of stock that can be lent. The Board considers that it represents low risk to the portfolio and provides useful income.

## Share Capital

Since the year end, 99,670 ordinary shares have been bought back, under the authority given by shareholders at the Company's Annual General Meeting, at an average price of 937p each. The shares are being held in treasury. We purchased these shares in order to enhance NAV marginally, it did this by 0.2%, at a time when the underlying shares in the portfolio appeared particularly oversold. We will continue to be opportunistic in our approach to buybacks with the objective of increasing the NAV rather than reducing the discount, although that may be a secondary consequence. The Board believes that the discount is more likely to be reduced over time by strong investment performance and the marketing of the strengths of the Company.

## Outlook

The UK economy continues to grow but at a subdued pace. This is in spite of the macroeconomic uncertainties, in particular the fear that Brexit would be detrimental for UK economic growth. Some of this is priced into UK equity prices and accounts for the fall of Sterling and the underperformance of the UK markets since the referendum. A continuation of open trade across borders within Europe would be positive. There are UK companies that are trading on reasonable valuations and yet have strong growth prospects because of dynamic management teams, and such companies remain the focus of the portfolio.

**Peter Jones**  
**Chairman**  
**18 June 2019**

# Fund Managers' Report

## Review

The net asset value of the portfolio grew 5.6% in the six months to the end of April, while the benchmark FTSE All-Share rose 6.4% (both on a total return basis).

It was a difficult period for AIM which, having had a strong start to 2018, fell materially in the fourth quarter (-21.5%) before recovering and finishing virtually unchanged over the six months. As at the end of April, 58% of the portfolio is invested on AIM. While it is disappointing to be underperforming our benchmark the FTSE All-Share over the period, part of what we are trying to achieve is providing exposure to high growth companies on AIM but without the heightened volatility that was particularly evident in the fourth quarter. In this context we are pleased to have outperformed the AIM All-Share Index and continue to see excellent value in the underlying portfolio.

## Portfolio Attribution

The largest contributor to performance over the six months was **RWS Holdings**, which provides specialist translation services for sectors such as pharmaceuticals. As it is one of the largest companies in the markets that it operates in, it has a significant scale advantage. For this reason it generates consistently good operating margins and is also generating double digit organic growth. While it has performed well and now trades on a higher valuation, we are happy to maintain the current position and it sits within the 'compounders' sleeve of excellent quality companies within the portfolio.

The largest detractor from performance was **Zoo Digital**, which provides dubbing and subtitling services for content producers such as Netflix and Disney. The key advantage of Zoo Digital versus traditional studios is that it allows freelance actors to record from home using Zoo's software. This provides content producers with quicker, but still good quality, translations that allow them to transmit content more quickly across the globe. The reason for the poor share price performance during the period was that legacy work that Zoo

used to undertake in the DVD market has rolled over more steeply than expected. Their higher value dubbing work continues to grow well and their customer base is successfully expanding. The position was added to over the period as in our view the current valuation looks compelling and the investment thesis of substantially growing dubbing revenue has not changed. As at 17 June 2019, the share price since the period end had recovered by 16.4%.

## Portfolio Activity

Having brought the gearing down in summer last year we used the fourth quarter and beginning of 2019 to be net buyers and as a result the gearing rose back to 14.0%. This net buying included adding to holdings that we had previously reduced earlier in 2018 having de-rated substantially. Examples of this included e-learning services provider **Learning Technologies** and **Senior**, an engineer of predominantly aerospace components (which was sold in entirety in early 2018 and subsequently repurchased).

### Learning Technologies share price since first purchase (pence)



Source: Datastream

The largest purchase during the period was **RBS**. This is a new holding in the portfolio, and as at the end of April was 1.1%. The legacy issues of RBS (such as PPI) are largely resolved, while the balance sheet has been significantly strengthened such that it has now material excess capital that we think is likely to be returned to shareholders via a series of special

# Fund Managers' Report (continued)

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dividends and share buybacks.

The largest individual sale during the period was **Faroe Petroleum**, which received a cash offer at a significant premium to the undisturbed share price from DNO, a Norwegian oil & gas company. It is encouraging to see takeover interest returning in the UK market and another of the holdings, **Dairy Crest**, was taken over by a Canadian company who wished to gain access to some of their established brands, such as Cathedral City.

## Outlook

Following a difficult fourth quarter of 2018, valuations particularly within AIM have been re-set and are now at what, in our view, are attractive levels. There is heightened political and macro-economic uncertainty but our focus as fund managers remains on finding relatively unknown but fast growing smaller companies and larger companies in the UK where sentiment has become overly pessimistic.

**James Henderson and Laura Foll**  
**Fund Managers**  
**18 June 2019**

# Portfolio Information

## Attribution Analysis to 30 April 2019

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

Top Five Contributors	Share Price Return %	Contribution to NAV %	Top Five Detractors	Share Price Return %	Contribution to NAV %
RWS	+28.0	+1.0	Zoo Digital	-50.3	-0.8
Serica Energy	+20.1	+1.0	Learning Technologies	-21.4	-0.6
Fastjet	+77.7	+0.6	Redde	-28.8	-0.5
Rio Tinto	+26.4	+0.5	The Gym Group	-22.3	-0.5
Integratin	+49.6	+0.5	IQGEO	-27.6	-0.5

Source: Janus Henderson

## Portfolio by Index at 30 April 2019

As a percentage of the investment portfolio excluding cash

Index	FTSE All-Share Index %	Portfolio %
FTSE 100	80.7	17.7
FTSE 250	15.7	9.0
FTSE SMALLCAP	3.6	11.3
FTSE FLEDGLING	-	0.4
FTSE AIM	-	58.1
OTHER	-	3.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Source: Factset

## Portfolio by Market Capitalisation at 30 April 2019

As a percentage of the investment portfolio excluding cash

Index	FTSE All-Share Index %	Portfolio %
Greater than £2bn	88.7	19.2
£1bn - £2bn	5.3	15.1
£500m - £1bn	3.3	10.5
£200m - £500m	2.3	20.4
£100m - £200m	0.4	17.6
£50m - £100m	-	7.8
Less than £50m	-	9.0
Other	-	0.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Source: Factset

# Portfolio Information at 30 April 2019 (continued)

Position	Company	Valuation £'000	Portfolio %
1	Blue Prism <sup>1</sup>	5,260	4.8
2	RWS <sup>1</sup>	4,981	4.5
3	Serica Energy <sup>1</sup>	4,752	4.3
4	Tracsis <sup>1</sup>	3,200	2.9
5	Loopup <sup>1</sup>	2,931	2.6
6	HSBC	2,706	2.4
7	Johnson Matthey	2,670	2.4
8	Boku <sup>1</sup>	2,486	2.2
9	Rolls Royce	2,287	2.1
10	Rio Tinto	2,232	2.0
<b>10 largest</b>		<b>33,505</b>	<b>30.2</b>
11	Keyword Studios <sup>1</sup>	2,180	2.0
12	Prudential	2,169	2.0
13	Sigmaroc <sup>1</sup>	2,162	1.9
14	Ricardo	2,150	1.9
15	Learning Technologies <sup>1</sup>	2,099	1.9
16	Oxford Instruments	2,092	1.9
17	Eland Oil & Gas <sup>1</sup>	2,018	1.8
18	Assura	1,960	1.8
19	Flowtech <sup>1</sup>	1,742	1.6
20	Springfield Properties <sup>1</sup>	1,723	1.5
<b>20 largest</b>		<b>53,800</b>	<b>48.5</b>
21	Tarsus	1,721	1.5
22	Workspace	1,680	1.5
23	Aveva	1,672	1.5
24	SDL	1,635	1.5
25	Standard Chartered	1,610	1.5
26	XP Power	1,608	1.5
27	4D Pharma <sup>1</sup>	1,501	1.4
28	Zoo Digital <sup>1</sup>	1,474	1.3
29	Integratin	1,451	1.3
30	The Gym Group	1,451	1.3
<b>30 largest</b>		<b>69,603</b>	<b>62.8</b>
31	Next Fifteen Communications <sup>1</sup>	1,450	1.3
32	Character <sup>1</sup>	1,400	1.2
33	Cohort <sup>1</sup>	1,323	1.2
34	Miton <sup>1</sup>	1,260	1.1
35	Vodafone	1,207	1.1
36	Redde <sup>1</sup>	1,204	1.1
37	Tribal <sup>1</sup>	1,198	1.1
38	Royal Bank of Scotland	1,198	1.1
39	GB Group <sup>1</sup>	1,190	1.1
40	Fastjet <sup>1</sup>	1,172	1.0
<b>40 largest</b>		<b>82,205</b>	<b>74.1</b>



# Portfolio Information at 30 April 2019 (continued)

Position	Company	Valuation £'000	Portfolio %
41	Direct Line Insurance	1,153	1.0
42	Vertu Motors <sup>1</sup>	1,132	1.0
43	IQGEO <sup>1</sup>	1,100	1.0
44	Hollywood Bowl	1,023	0.9
45	Gateley <sup>1</sup>	932	0.9
46	Ceres Power <sup>1</sup>	909	0.8
47	Premier Oil	861	0.8
48	Horizon Discovery <sup>1</sup>	857	0.8
49	Keystone Law <sup>1</sup>	855	0.8
50	Franchise Brands <sup>1</sup>	855	0.8
<b>50 largest</b>		<b>91,882</b>	<b>82.9</b>
51	Redcentric <sup>1</sup>	841	0.8
52	Mondi	840	0.8
53	IP Group	832	0.7
54	Senior	811	0.7
55	IDOX <sup>1</sup>	771	0.7
56	Eurocell	752	0.7
57	Quixant <sup>1</sup>	719	0.6
58	Creo Medical <sup>1</sup>	658	0.6
59	Oxford Biodynamics <sup>1</sup>	654	0.6
60	Findel	645	0.6
<b>60 largest</b>		<b>99,405</b>	<b>89.7</b>
61	Lloyds Banking Group	626	0.6
62	IQE <sup>1</sup>	597	0.5
63	BT Group	573	0.5
64	Van Elle <sup>1</sup>	550	0.5
65	Ebiquity <sup>1</sup>	550	0.5
66	Aggregated Micro Power <sup>1</sup>	544	0.5
67	International Consolidated Airlines	540	0.5
68	Illica <sup>1</sup>	540	0.5
69	IG Group	510	0.4
70	Surface Transforms <sup>1</sup>	473	0.4
<b>70 largest</b>		<b>104,908</b>	<b>94.6</b>
<b>21 remaining (excluding cash and investments written down to zero)</b>		<b>5,969</b>	<b>5.4</b>
<b>Total</b>		<b>110,877</b>	<b>100</b>

<sup>1</sup> Quoted on the Alternative Investment Market ('AIM')

We have one unlisted holding, Oxford Sciences Innovation, which was 0.4% of the portfolio as at the period end.

# Financial Summary

Extract from the Condensed Income Statement (unaudited)	Half year ended			
	30 April 2019 Revenue return £'000	30 April 2019 Capital return £'000	30 April 2019 Total £'000	30 April 2018 Total £'000
Investment income	1,095	-	1,095	1,058
Other income	228	-	228	9
Gains/(losses) from investments held at fair value through profit or loss	-	4,277	4,277	(1,256)
Gross revenue and capital gains/(losses)	1,323	4,277	5,600	(189)
Expenses, finance costs & taxation (including management fees)	(262)	(220)	(482)	(540)
Net return/(loss) after taxation	1,061	4,057	5,118	(729)
<b>Return/(loss) per ordinary share – basic and diluted</b>	13.36p	51.11p	64.47p	(9.11p)

Extract from Condensed Statement of Financial Position (unaudited except October 2018 figures)	30 April 2019 £'000	30 April 2018 £'000	31 Oct 2018 £'000
Investments held at fair value through profit or loss	110,877	113,202	101,690
Net current liabilities	(13,484)	(13,452)	(7,330)
Net assets	97,393	99,750	94,360
<b>Net asset per ordinary share – basic and diluted</b>	1,232.6p	1,246.7p	1,179.4p

## Dividends

The Board has declared an interim dividend of 7.0p per ordinary share (2018: 6.5p), to be paid out of revenue on 20 September 2019 to shareholders on the register of the Company at the close of business on 16 August 2019. The Company's shares will be quoted ex-dividend on 15 August 2019. Based on the number of ordinary shares in issue on 18 June 2019, the cost of the dividend will be £553,000.

## Share capital

During the period ended 30 April 2019, 99,670 shares were repurchased to be held in treasury at a cost of £939,000 (half year ended 30 April 2018 and year ended 31 October 2018: no shares repurchased or issued). At 30 April 2019 there were 8,000,858 ordinary shares of 25p each in issue (30 April 2018 and 31 October 2018: 8,000,858) of which 99,670 were held in treasury (30 April 2018 and 31 October 2018: no shares held in treasury) resulting in 7,901,188 shares being entitled to a dividend (30 April 2018 and 31 October 2018: 8,000,858).

# Financial Summary (continued)

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## Management and performance fees

The management fee is calculated, quarterly in arrears, as 0.55% per annum on the net assets. Arrangements are in place for the Manager to earn a performance fee. The cap on total fees that can be earned in a financial year is 1.5% of the average net assets over the year. There is no performance fee accrual for the current period (30 April 2018 and 31 October 2018: £nil).

## Related party transactions

The Company's transactions with related parties in the period were with the Directors, and the Manager. There have been no material transactions between the Company and its Directors during the half year and the only amounts paid to them were in respect of expenses and remuneration for which there are no outstanding amounts payable at the half year period end. 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 have been no material transactions with the Manager affecting the financial position of the Company during the half year period.

## Principal risks and uncertainties

The principal risks and uncertainties associated with the Company's business can be divided into the following main areas:

- investment activity and strategy;
- financial instruments and the management of risk;
- operational;
- accounting, legal and regulatory;
- liquidity;
- net gearing; and
- failure of Janus Henderson.

Detailed information on these risks is given in the Strategic Report and in the Notes to the Financial Statements in the Company's latest Annual Report for the year to 31 October 2018.

In the view of the Board, these principal risks and uncertainties were unchanged over the last six months and are as applicable to the remaining six months of the financial year as they were to the six months under review.

## Directors' responsibility statement

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

- the condensed financial statements for the half year ended 30 April 2019 have been prepared in accordance with "FRS 104 Interim Financial Reporting";
- the interim management report includes a fair review of the information required by the Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report and the condensed financial statements include a fair review of the information required by the Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

**For and on behalf of the Board**

**Peter Jones**

**Chairman**

**18 June 2019**

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MANAGED BY  
**Janus Henderson**  
INVESTORS

**aic**  
The Association of  
Investment Companies



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