

# HENDERSON FAR EAST INCOME LIMITED

Strategic Report 2017



MANAGED BY

**Janus Henderson**  
— INVESTORS —



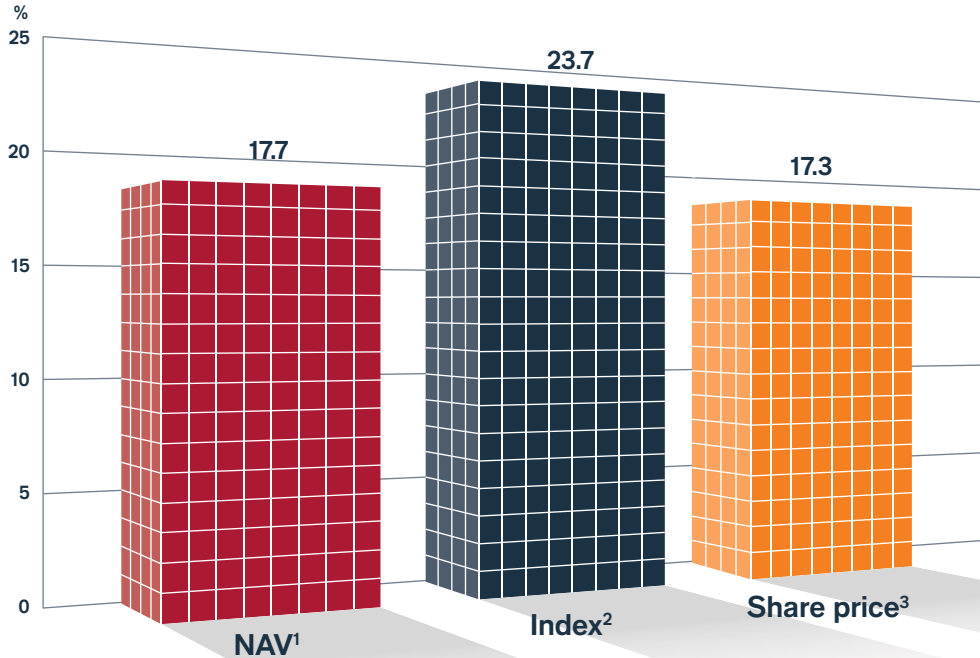
**“Despite all the global problems, the Asian region still offers a strong growth outlook and attractive opportunities for investors.”**

John Russell, Chairman

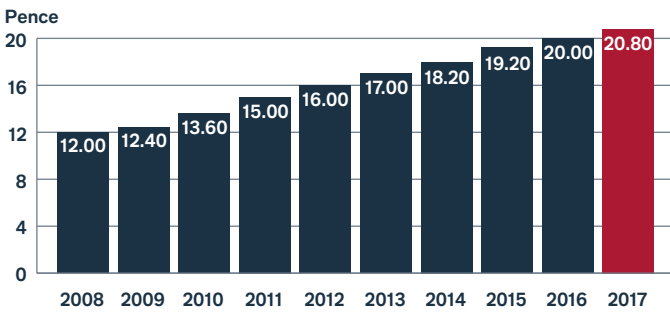


# Performance Highlights

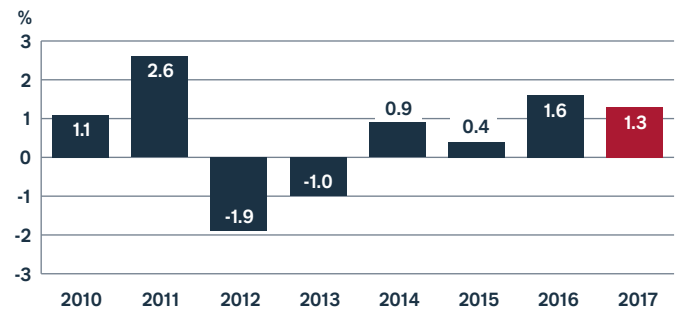
## Performance for year to 31 August 2017



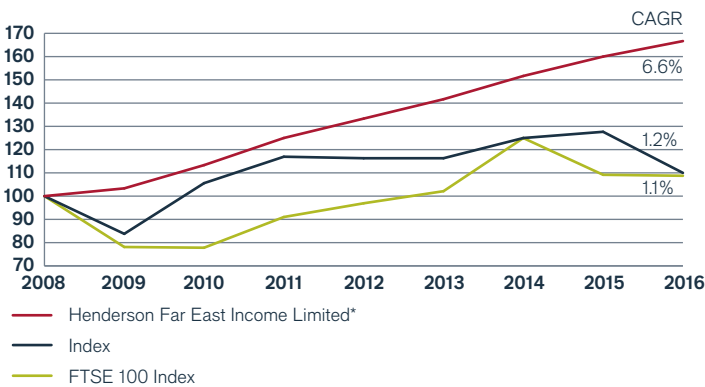
## Dividend per share<sup>4</sup>



## Premium/(discount)<sup>6</sup>

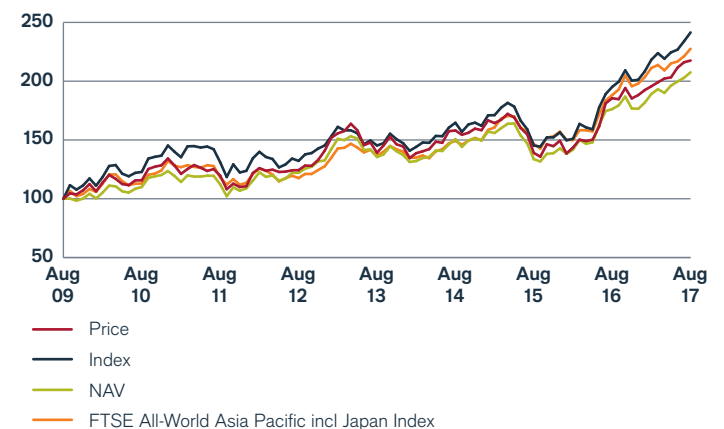


## Annual dividend growth<sup>5</sup>



\*Normalised ordinary dividends calculated by calendar year

## NAV and share price performance versus the Index<sup>7</sup>



## Performance Highlights (continued)

### NAV per share at year end



2017 **375.19p**  
2016 **337.76p**

### Share price at year end



2017 **380.00p**  
2016 **343.00p**

### Dividend for year



2017 **20.80p**<sup>8</sup>  
2016 **20.00p**

### Dividend yield<sup>9</sup>



2017 **5.5%**  
2016 **5.8%**

### Ongoing charge for year<sup>10</sup>



2017 **1.12%**  
2016 **1.17%**

### Gearing at year end<sup>11</sup>



2017 **4.3%**  
2016 **4.6%**

### Number of investments at year end



2017 **52**  
2016 **54**

### Revenue return per share



2017 **21.94p**  
2016 **21.13p**

1 Net asset value total return (including dividends reinvested)

2 FTSE All-World Asia Pacific ex Japan Index (sterling adjusted), for comparison purposes (including dividends reinvested)

3 Share price total return (including dividends reinvested)

4 Ordinary dividend per share figures in respect of each financial year 2008-2017

5 Graph shows the annual dividend growth rates of the Company, the Index and the FTSE 100 normalised ordinary dividends calculated by calendar year

6 Graph shows the Company's share price premium/(discount) to NAV (including current year income) at the last five year ends

7 Graph shows the Company's net asset value total return and share price total return (including dividends reinvested) compared to the total return of the Index over the three years to 31 August 2017

8 This represents ordinary dividends recommended or paid in respect of the financial year

9 Based on the share price at the year end and the dividends in respect of the financial year

10 See page 20 for more details

11 Gearing is defined on page 19

Sources: Morningstar for the AIC, Janus Henderson, Datastream

# Business Model

---

## Investment objective

The Company seeks to provide shareholders with a growing total annual dividend per share, as well as capital appreciation, from a diversified portfolio of investments from the Asia Pacific region.

## Investment policy

The Company invests in a diversified portfolio of shares (equity securities) and other securities of companies that are either listed in, registered in, or whose principal business is in, the Asia Pacific region. The Asia Pacific region includes Japan, the Indian sub-continent and Australasia.

Stocks listed in the Asia Pacific region will make up not less than 80 per cent of NAV with the remaining exposure being in stocks listed or dual listed elsewhere whose principal business is in the Asia Pacific region.

The Company may use financial instruments known as derivatives for the purpose of efficient portfolio management or to generate additional income while maintaining a level of risk consistent with the risk profile of the Company.

The Company invests at least 80% of its gross assets in listed shares, equity related securities and derivative instruments. In addition, the Company may also invest in unlisted securities which are expected to list, preference shares, fixed income securities, convertible securities, warrants and collective investment schemes.

No single investment will exceed 10% of net assets at the time of investment.

The portfolio is constructed without reference to the composition of any stock market index or benchmark.

## Gearing

The Company can borrow to make additional investments with the aim of achieving a return that is greater than the cost of the borrowing. The Company may borrow up to 30% of gross assets without shareholder approval to facilitate working capital management and to seek a better total return for shareholders.

## Investment strategy

Our focus is on well managed companies with attractive valuations which have the ability to sustain and/or grow dividends for the future. At present, we prefer domestic oriented areas which are exposed to the increasing purchasing power of the consumer across our region. The Manager thoroughly researches prospects and markets using sophisticated and often proprietary techniques before selection.

Options are used on an opportunistic basis to generate additional income around transactions. Put and call options are written on individual stocks with strike prices aligned to the Manager's target prices. These are used sparingly to ensure capital is not tied up by utilising this strategy.

We do not employ either structural or long term gearing, preferring to use more flexible short term borrowings when opportunities present themselves.

## Management

The Company has an independent Board of Directors which has appointed Henderson Investment Funds Limited ("HIFL") to act as its Alternative Investment Fund Manager. HIFL delegates investment management services to Henderson Global Investors Limited in accordance with an agreement which was effective from 22 July 2014 and can be terminated on six months' notice. Both entities are authorised and regulated by the Financial Conduct Authority ("FCA"). References to the Manager within this report refer to the services provided by both entities. Both entities are wholly owned subsidiaries of Janus Henderson Group plc, referred to as Janus Henderson, following the merger of Henderson Group plc and Janus Capital Group, Inc. on 30 May 2017.

Administration services and the services of the Company Secretary are provided to the Company by BNP Paribas Securities Services S.C.A., Jersey Branch ("BNPP"), which is regulated by the Jersey Financial Services Commission.

## Fund management

The fund management team is led by Mike Kerley, the Fund Manager, who has been in place since 2007, supported by Sat Duhra who joined Janus Henderson in April 2011.

## Fees

As at 31 August 2017, the management fee payable to Janus Henderson was 0.9% per annum of net assets, calculated as 0.225% of the total value of net assets under management on 31 March, 30 June, 30 September and 31 December in each year (equivalent to 0.9% of net assets per annum). There was no performance fee.

With effect from 1 September 2017, the management fee payable to Janus Henderson is paid on a tiered basis so that the existing management fee of 0.9% per annum (calculated as 0.225% per quarter) will only apply to the first £400m of net assets with the balance above that charged at a reduced rate of 0.75% per annum (0.1875% per quarter) of net assets. There is no performance fee.

# Chairman's Statement



**The Chairman of the Company, John Russell, reports on the year to 31 August 2017**

## Introduction

I am pleased to report another good year in both income and capital terms as Asian equity markets proved resilient against a global backdrop of both political and economic uncertainty. The Company has increased the dividend each year since its Jersey incorporation in 2007 and, at the period end, the ordinary shares yielded 5.5%. It is encouraging that, whilst global uncertainties will continue to drive some volatility, the outlook for dividend growth from Asian companies remains strong.

## Performance

In the year under review, the net asset value total return was 17.7% whilst the share price total return was 17.3%. Though not a benchmark for us, the FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) returned 23.7% as growth companies generally did better than those paying attractive dividends.

## Dividends

A fourth interim dividend of 5.30p has been declared making a total of 20.8p for the year, an increase of 4.0%. As referred to in my introduction, the annual dividend has been increased ahead of UK inflation each year since moving to Jersey. Once again, this total was fully covered by revenue for the year and also allowed for an addition to our revenue reserve, which will underpin dividends in future years. Your Board is confident that it will be able to at least maintain this level of total dividend in the current year.

## Capital

During the year the Company issued a total of 3,400,000 new ordinary shares at a premium to asset value thereby enhancing the net asset value per share for existing shareholders, enabling the fixed costs of the Company to be spread over a wider shareholder base, and improving the liquidity of the shares in the market. As at 3 November 2017, a further 1,568,000 shares have been issued since 31 August 2017 for total proceeds (net of commissions) of £5,910,154.

## Gearing

The Company has continued to utilise its borrowing facility throughout the year to capitalise on specific stock opportunities. The Company has a two year £35 million facility with Commonwealth

Bank of Australia. At 31 August 2017 the amount drawn down stood at £31.8 million and net gearing was 4.3%. The maximum amount drawn down under the facility during the year was £34.9 million (including exchange rate movements since draw down).

## Manager

On 30 May 2017 Henderson Group plc merged with Janus Capital Group Inc. Your Board is encouraged by this move as it has enhanced the Manager's footprint in the Asia Pacific region. There will be no changes to the personnel responsible for the day to day management of your Company as a result of the merger.

## Management Fees

As announced on 26 October 2017, following a formal review of the management fee arrangements, I am pleased to report that with effect from 1 September 2017, the Board has agreed a tiering basis to the management fee arrangements so that the existing management fee of 0.9% will only apply to the first £400m of net assets with the balance above that charged at a reduced rate of 0.75%. There is no performance fee. Details of the fee arrangements are set out on page 4 of this report.

## Investment Policy and Objectives

The Board has approved certain changes to the investment objective and policy of the Company, in order to provide further clarity to investors. As such the Board has been advised the changes are deemed immaterial and so do not require shareholder consent. The updated investment objective and policy is set out in full on page 4 of this report.

## Outlook

Global tensions are rising. Populism is beginning to embed itself in mainstream politics in a number of countries with negative implications for global growth. North Korea presents a significant challenge to the region and the world. Terrorism is also increasing and deaths caused by regional wars have been rapidly rising since 2008. President Trump's approach is not helpful in a world calling out for stability. While the EU is showing better economic growth the underlying tensions and disagreements among the 28 countries remain high with no consensus in sight.

## Chairman's Statement (continued)

---

Against this gloomy backdrop there are still some very positive developments. Global economic power has moved decidedly eastward to the world's most populous region in the past few decades, China and India in particular. The impact of the 2008 financial crisis would have been much worse if not for China's policy response in stimulating its economy to further improve its contribution to global GDP. It was this policy that gave rise to much debate among investors about rising debt in China and the sustainability of an economy driven by low cost manufacturing and debt. The concerns have been shown to be overstated. President Xi Jinping has clearly put China on a more sustainable economic growth path. Household aggregate demand is rising sharply, the services sector is now the major driver of economic growth and, in contrast to many western economies, the percentage of GDP going to wages is rising, further stimulating consumption. The household savings rate is also in decline as social security measures strengthen.

President Xi has also introduced supply side reforms by dissolving some non-performing state owned enterprises and introducing much tougher regulation to reduce financial risk. These measures will further improve economic performance giving him more room to tackle the severe environmental degradation that has resulted from past policies.

The risk to this optimistic view remains populist driven trade disputes. However, even on this front, the outlook seems a little better than may have been imagined following the aggressive stance taken by President Trump in his election campaign and immediately following his election. He has not declared China a currency manipulator and appears to have discovered how damaging a trade war would be to the global economy including the US. The stakes are just too high. Some mutually agreed compromise will probably be the final outcome.

The Board attended a conference in Mumbai, India in June. It was an opportunity to meet a number of Indian companies and hear from numerous experts and commentators. The energy and the growth of a wealthy middle class was very evident as was the Government's efforts in supply side reform notably the introduction of a goods and services tax and the cancellation of large denomination bank notes to reduce the size of the black economy. Much is made of India's young

population and it is no doubt a great advantage in a region where other major players, notably China and Japan, face poor demographic outlooks. However, we were confronted by the severe challenges India faces as evidenced by the very long queues of young educated people outside employment offices looking for a job. India needs to find around 15 million new jobs each year to absorb those leaving full time education. We harbour some doubts that reform in India will be fast enough to address the issue. Corruption is widespread in government and business while ethnic and religious tensions remain high. Infrastructure developments, so critical to growth, are promised but progress is very slow with an outdated and cumbersome planning process. Clearly a significant part of the population has benefited from an opening up of the economy but the vast bulk of the 1.3 billion people are still rural with average farm sizes of around 1.5 hectares with very high levels of illiteracy and inadequate infrastructure support. It is difficult to see in these circumstances how India can achieve its potential without a much more determined Government effort and deep structural reform.

Overall, despite all the global problems, the Asian region still offers a strong growth outlook and attractive opportunities for investors.

### Annual General Meeting

The Company's AGM will be held at 12.00 noon on 13 December 2017 at IFC1, The Esplanade, St. Helier, Jersey JE1 4BP and full details of the proposed resolutions are set out in the separate Notice of Meeting which has been issued with this report. As usual an open presentation to shareholders will be held at Janus Henderson's offices in London on 14 December 2017 at 11.00 am when Michael Kerley will make an investment presentation and he, I and other Board members will be happy to answer questions. If you would like to attend please complete and return the invitation card enclosed with this report.

John Russell  
Chairman  
3 November 2017



# Fund Manager's Report



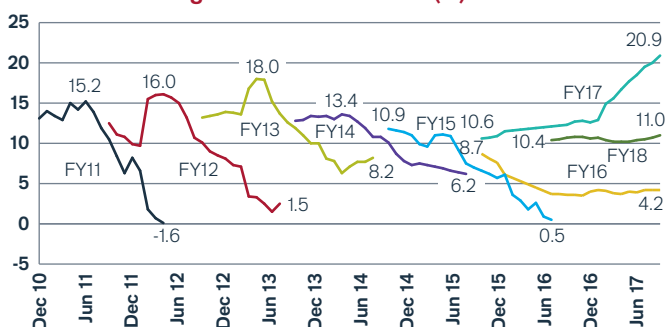
The Fund Manager, Michael Kerley, reports on the year to 31 August 2017

## Overview

Following a strong year last year I am pleased to report another good year for the net asset value ("NAV") and share price total return for your Company. The NAV total return was 17.7% and the share price total return was 17.3% in sterling terms over the twelve months to the end of August 2017. The capital returns are all the more encouraging for not being boosted by weak sterling as they were in the previous year.

In a year dominated by political, geopolitical and economic uncertainty the positive returns generated are encouraging and reflect an improvement in the underlying fundamentals of the Asia Pacific region. For the first time since 2009 Asian earnings have been upgraded since the turn of the year rather than the recent trend of downgrades which has helped Asia ex Japan outperform its developed market peers. The chart below shows the trend since 2011 where analysts' expectations start the year with double digit expectations but gradually downgrade as the year progresses. The trend for 2017 is a notable exception with consensus expectations now forecasting 20.9% earnings growth for the year.

### Consensus EPS growth forecast trend (%)



Critics will say that the improvement is down to the growth of the technology sector and in particular Tencent, Alibaba and Samsung Electronics but as the year has progressed the contribution has broadened into financials, industrials and consumer related sectors, which is a positive sign. The most notable growth is forecast for Korea where earnings are expected to grow by almost 50% in 2017. Admittedly just over half of this is forecast to come from Samsung Electronics and SK Hynix, the memory chip manufacturers where underlying fundamentals are very strong, but 23.9% forecast growth for the rest of the Korean market is still an impressive number. From an earnings standpoint India remains the biggest disappointment. The demonetisation experiment at the end of 2016 and the implementation

of a goods and services tax in June 2017 have caused considerable disruption which has led to disappointing economic numbers and an ongoing downgrading of earnings expectations.

The improvement in the corporate sector has been accompanied by stability at the macro level. Chinese GDP growth has been better than expected while positive export momentum has been witnessed region wide. The much heralded impact of US protectionism has yet to manifest itself in any meaningful way while Asia's share of world trade continues to grow, undermining the argument that Asia and, in particular, China are becoming uncompetitive.

Despite these more positive developments there are clearly risks. The weakness in the US dollar has been supportive but as interest rates rise there is the potential that this could reverse while protectionist policies involving trade barriers, which have so far been put on hold, could resurface. The most significant risk, however, is closer to home. The escalation of tension between North Korea and the US and its allies shows no sign of abating with no easy solution visible. The options open to the US to prevent Kim Jong-un obtaining an intercontinental ballistic nuclear capability are all unpalatable and fraught with danger. So far the pressure brought to bear by the United Nations in terms of sanctions has not slowed North Korea's progress. A policy of dialogue and containment seems the most likely outcome but with the two parties led by volatile personalities this is far from certain.

The best performing market over the period was Taiwan which benefited from increased demand for tech hardware and semiconductors. Despite the stunning performance of the internet sector the performance of Taiwan suggests support for the hardware facilitators of the internet boom. Taiwan Semiconductor, the world's largest semiconductor foundry, rose 23.2% over the period in local currency terms while some of the key manufacturers of optical lenses, microphones etc. rose by considerably more. The second best performing market was China where the strong performance of the internet sector was most visible. Tencent, the social media, gaming and ecommerce behemoth, rose 65% in sterling terms over the period as China continued to embrace online services. At the end of August 2017 Tencent had a market capitalisation of over \$450 billion, comparable to Amazon and larger than Exxon Mobil. At the other end of the scale ASEAN markets underperformed with The Philippines actually posting a negative return over the period as President Duterte's combative style and fiery rhetoric have soured relations with the US and discouraged investors.

At the sector level performance was dominated by basic materials and technology. The recovery in Chinese growth expectations together with aggressive supply side reform has seen a significant rise in basic material prices. Coal and iron ore in particular have seen spectacular recoveries while copper, aluminium, zinc and steel have also benefited. The energy sector witnessed more modest returns as the tug of war between US shale and OPEC kept the oil price range bound between \$45 and \$55 per barrel over the period. With a focus on growth rather than stability and yield the more defensive sectors struggled to make headway. Utilities and healthcare made modest gains while telecommunications actually fell over the period.

# Fund Manager's Report (continued)

## Performance

The portfolio failed to keep pace with the index performance over the period. The FTSE All-World Asia Pacific ex Japan index rose 23.7% in sterling terms on a total return basis. The strength of growth and especially "new economy" growth, which trades at high valuations with no dividends, was difficult to match while the performance of some of the higher yielding sectors was disappointing.

At the stock level we had some success with companies such as Star Petroleum, which rose 72% over the period, Autohome 86%, Anta Sports 56%, Hon Hai Precision 71% and KB Financial 47% but these were not enough to offset the style differentials which favoured cyclical and growth over defensiveness and yield.

Income generation remained strong with investment income rising 6.7% year on year in sterling terms while option premium rose 3.0%. The geographical breakdown of income reflects the strong growth in North Asia with China, Taiwan, South Korea and Hong Kong accounting for 65.7% of the income received. At the sector level financials account for 30.1% of the income received but the rise of technology to 13.3% of income is reflective of the change in the market structure and the ability of this sector to produce significant cash flow and dividends.

Over the period we made some notable additions to the portfolio although portfolio turnover was lower than in the year ended 31 August 2016. In the fourth quarter of 2016 we added Samsung Electronics preferred shares and Rio Tinto Ltd to the portfolio to capture the cyclical upswing in global growth and reduced some of the exposure to telecoms and REITS which are more sensitive to rising interest rates. We remain positive on the refining sector due to a lack of new capacity and added Star Petroleum to the portfolio while our positive view on online services in China resulted in the purchase of Autohome (the Auto Trader of China). Other notable purchases included Dali Foods, the Chinese snacks, drinks and soya milk producer and Anta Sports, China's largest local brand sportswear provider. The addition of Chinese banks to the portfolio in the second quarter of 2017 on

the expectation of improving profitability and lower non-performing loans resulted in a significant increase in the weighting in China (28.1% at year-end compared to 17.6% a year earlier). This increase was funded by a significant reduction to our exposure in India. We now have no exposure to this market as the stocks are expensive and the economic and corporate momentum remains negative.

## Outlook

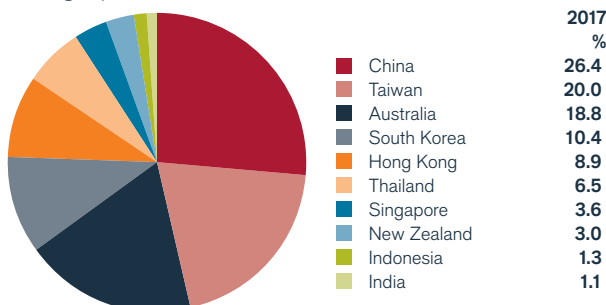
We remain cautiously optimistic on the outlook for Asia Pacific in the medium to long term. Earnings momentum is positive and, although markets have risen, valuations on a price to earnings basis have not changed markedly as earnings growth has kept up with price movements. This is not true of developed markets which are trading at, or close to, all-time highs. Without the same kind of earnings support developed markets are looking fully valued. These levels of valuations are a risk in themselves and together with the headwinds of geopolitical tension, rising interest rates and Brexit negotiations, merit some caution. For this reason the Company's level of gearing is modest and will remain so for the near term.

Despite the strong performance in some of the expensive new economy sectors we will stick to our discipline of focusing on well managed companies with attractive valuations which have the ability to sustain and grow their dividends in the years ahead. Our focus remains on domestic orientated areas which are exposed to the improving spending power of the consumer across the region.

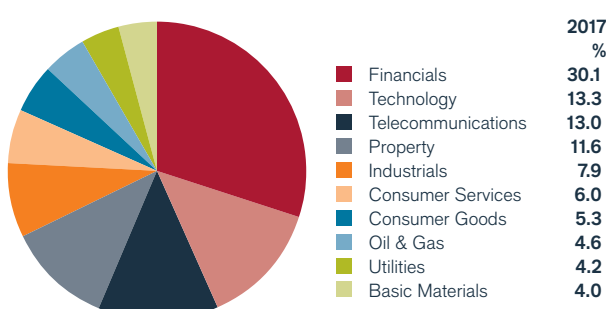
The outlook for dividends in Asia Pacific is still a compelling story. Asian companies have low levels of debt, a pragmatic view on capital expenditure and strong cash flow generation which should allow dividend pay-out ratios to continue to rise in the years ahead.

Michael Kerley  
Fund Manager  
3 November 2017

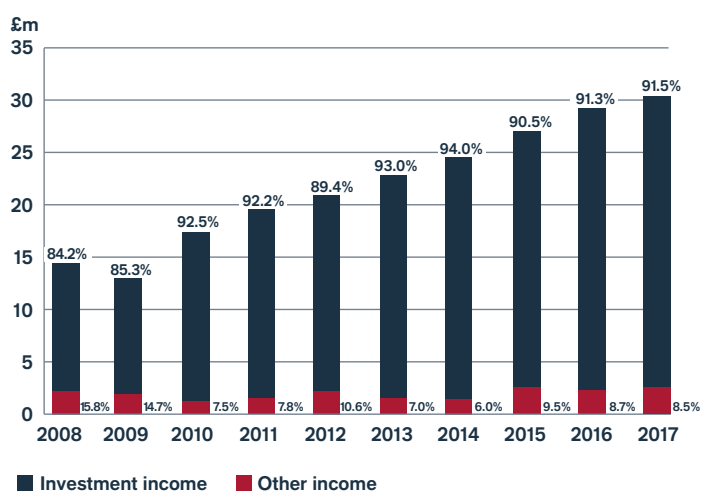
### Geographical distribution of income



### Sector distribution of income



### Financial year revenue breakdown



Source: Janus Henderson, as at 31 August 2017

# Investment Portfolio as at 31 August 2017

## Ten largest investments

| Ranking 2017 | Ranking 2016 | Company   | Principal activities  | Country of incorporation | Sector             | Valuation 2017 £'000 | % of portfolio |
|--------------|--------------|---|---|--------------------------|--------------------|----------------------|----------------|
| 1            | 27           | <b>Samsung Electronics<sup>1</sup></b>                | Korea's largest company and a global leader in semiconductor and display manufacturing together with branded products in mobile telephony, electronics and consumer appliances.   | South Korea              | Technology         | 21,810               | 4.72           |
| 2            | –            | <b>Rio Tinto Ltd</b>                                  | One of the world's largest international mining companies dual listed in Australia and the UK. The company is a leading producer of iron ore, aluminium and copper with further interests in coal, uranium, zinc and tin.   | Australia                | Basic Materials    | 14,107               | 3.06           |
| 3            | 15           | <b>Hon Hai Precision Industry</b>                     | One of the world's largest providers of electronic manufacturing services for computers, communications and consumer electronics products for customers worldwide. The company is incorporated in Taiwan but manufactures mostly in China.                          | Taiwan                   | Technology         | 13,150               | 2.85           |
| 4            | –            | <b>Bank of China</b>                                  | One of China's key state owned policy banks offering a complete range of banking and other financial services to corporate and retail customers with a comparatively large exposure to foreign currency and trade related business.                                 | China                    | Financials         | 12,494               | 2.71           |
| 5            | 2            | <b>Taiwan Semiconductor Manufacturing<sup>2</sup></b> | The world's leading semiconductor foundry service provider. The company manufactures and markets integrated circuits which are used in computer, communication and consumer electronics industries.   | Taiwan                   | Technology         | 12,106               | 2.62           |
| 6            | 4            | <b>Telekomunikasi Indonesia</b>                       | The largest telecom services company in Indonesia providing fixed line and mobile telephony services across all parts of the archipelago.   | Indonesia                | Telecommunications | 11,935               | 2.59           |
| 7            | –            | <b>PTT</b>  | Thailand's largest company offering fully integrated services in oil and gas. The company explores for, produces, transports and sells natural gas and crude oil directly to corporate customers and to consumers through its nationwide network of retail outlets. | Thailand                 | Oil & Gas          | 11,452               | 2.48           |
| 8            | 3            | <b>Macquarie Korea Infrastructure Fund</b>            | A listed private sector infrastructure fund investing in toll roads, bridges, ports and tunnels. MKIF has the largest portfolio of infrastructure assets in Korea.  | South Korea              | Financials         | 11,405               | 2.47           |
| 9            | 19           | <b>China Yangtze Power<sup>3</sup></b>                | China's largest hydroelectric power producer and operator of the Three Gorges and Gezhouba dams on the Yangtze river. The company sells power to serve predominantly central, eastern and southern China through the national grid system.                          | China                    | Utilities          | 11,180               | 2.42           |
| 10           | 32           | <b>Star Petroleum Refining</b>                        | Star is one of Asia's most efficient oil refineries. The company is 60% owned by Chevron and sells refined oil products both domestically and for export.   | Thailand                 | Oil & Gas          | 11,135               | 2.41           |
|              |              |   |   |                          |                    | <b>130,774</b>       | <b>28.33</b>   |

The top ten investments by value account for 28.33% of the total investments (2016: £108,233,000 or 26.76%)

1 Preferred Shares

2 American Depositary Receipts

3 Participation Notes

# Investment Portfolio as at 31 August 2017 (continued)

| Ranking 2017                  | Ranking 2016 | Company   | Country of incorporation | Sector             | Valuation 2017<br>£'000 | % of portfolio |
|-------------------------------|--------------|---|--------------------------|--------------------|-------------------------|----------------|
| 11                            | 9            | HKT Trust & HKT   | Hong Kong                | Telecommunications | 11,048                  | 2.39           |
| 12                            | 25           | Advanced Semiconductor Engineering                            | Taiwan                   | Technology         | 11,016                  | 2.39           |
| 13                            | 36           | HSBC Holdings   | UK (Hong Kong)           | Financials         | 10,760                  | 2.33           |
| 14                            | 5            | Spark New Zealand   | New Zealand              | Telecommunications | 10,737                  | 2.33           |
| 15                            | –            | Mega Financial  | Taiwan                   | Financials         | 10,642                  | 2.30           |
| 16                            | 8            | KB Financial Group  | South Korea              | Financials         | 10,622                  | 2.30           |
| 17                            | 16           | Amcor   | Australia                | Industrials        | 10,613                  | 2.30           |
| 18                            | –            | China Construction Bank                                       | China                    | Financials         | 10,456                  | 2.27           |
| 19                            | 40           | Lend Lease  | Australia                | Property           | 10,432                  | 2.26           |
| 20                            | 24           | SK Innovation   | South Korea              | Basic Materials    | 10,389                  | 2.25           |
| <b>Top Twenty Investments</b> |              |   |                          |                    | <b>237,489</b>          | <b>51.45</b>   |
| 21                            | 34           | Huayu Automotive Systems <sup>1</sup>                         | China                    | Consumer Goods     | 10,284                  | 2.23           |
| 22                            | 50           | Anta Sports Products  | China                    | Consumer Goods     | 10,242                  | 2.22           |
| 23                            | 13           | Fairfax Media   | Australia                | Consumer Services  | 9,865                   | 2.14           |
| 24                            | –            | Dali Foods  | China                    | Consumer Goods     | 9,749                   | 2.11           |
| 25                            | 46           | Macquarie Group   | Australia                | Financials         | 9,624                   | 2.09           |
| 26                            | 6            | Mapletree Greater China Commercial Trust                      | Hong Kong                | Property           | 9,558                   | 2.07           |
| 27                            | –            | Melco Crown Entertainment <sup>2</sup>                        | China                    | Consumer Services  | 9,552                   | 2.07           |
| 28                            | 49           | SK Telecom <sup>2</sup>                                       | South Korea              | Telecommunications | 9,531                   | 2.06           |
| 29                            | 31           | Scentre Group   | Australia                | Property           | 9,436                   | 2.04           |
| 30                            | 29           | Spark Infrastructure  | Australia                | Utilities          | 9,330                   | 2.02           |
| <b>Top Thirty Investments</b> |              |   |                          |                    | <b>334,660</b>          | <b>72.50</b>   |
| 31                            | 10           | Ascendas REIT   | Singapore                | Property           | 9,239                   | 2.00           |
| 32                            | 28           | Taiwan Cement   | Taiwan                   | Industrials        | 8,929                   | 1.93           |
| 33                            | –            | Agricultural Bank of China                                    | China                    | Financials         | 8,928                   | 1.93           |
| 34                            | 17           | Jiangsu Expressway  | China                    | Industrials        | 8,803                   | 1.91           |
| 35                            | –            | China Mobile  | China                    | Telecommunications | 8,765                   | 1.90           |
| 36                            | 14           | Zhengzhou Yutong Bus Co <sup>1</sup>                          | China                    | Industrials        | 8,680                   | 1.88           |
| 37                            | –            | Mapletree Commercial Trust                                    | Singapore                | Property           | 8,483                   | 1.84           |
| 38                            | 22           | Digital Telecommunications                                    | Thailand                 | Telecommunications | 8,293                   | 1.80           |
| 39                            | –            | Quanta Computers  | Taiwan                   | Technology         | 8,055                   | 1.75           |
| 40                            | 1            | Netease <sup>2</sup>  | China                    | Technology         | 7,871                   | 1.71           |
| <b>Top Forty Investments</b>  |              |   |                          |                    | <b>420,706</b>          | <b>91.15</b>   |
| 41                            | –            | Powertech Technology  | Taiwan                   | Technology         | 7,863                   | 1.70           |
| 42                            | –            | QBE Insurance   | Australia                | Financials         | 7,751                   | 1.68           |
| 43                            | –            | China Resources Land  | China                    | Property           | 7,631                   | 1.65           |
| 44                            | –            | Autohome  | China                    | Technology         | 7,578                   | 1.64           |
| 45                            | 47           | CTCI Corporation  | Taiwan                   | Industrials        | 6,967                   | 1.51           |
| 46                            | –            | Insurance Australia Group                                     | Australia                | Financials         | 6,555                   | 1.42           |
| 47                            | –            | First Financial   | Taiwan                   | Financials         | 215                     | 0.05           |
| 48                            | 51           | China Forestry Holdings                                       | China                    | Basic Materials    | –                       | –              |
| 49                            | –            | Melco Reso Nov 17 Call 23.02806<br>(Expiry 22/11/17)          | China                    | Consumer Services  | (372)                   | (0.08)         |
| 50                            | –            | Anta Sports Products Oct 17 Call 27.4386<br>(Expiry 09/10/17) | China                    | Consumer Goods     | (594)                   | (0.13)         |
| <b>Top Fifty Investments</b>  |              |   |                          |                    | <b>464,300</b>          | <b>100.59</b>  |
| 51                            | –            | SK Innovation Nov 17 Call 177405.837<br>(Expiry 16/11/17)     | South Korea              | Basic Materials    | (962)                   | (0.21)         |
| 52                            | –            | Autohome Oct 17 Call 49.73331<br>(Expiry 02/10/17)            | China                    | Technology         | (1,743)                 | (0.38)         |
| <b>Total Investments</b>      |              |   |                          |                    | <b>461,595</b>          | <b>100.00</b>  |

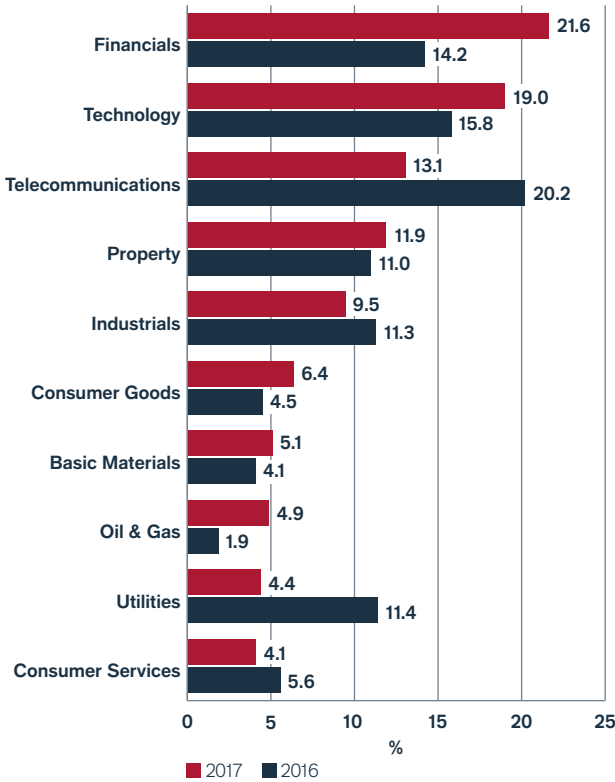
<sup>1</sup> Participation Notes

<sup>2</sup> American Depositary Receipts

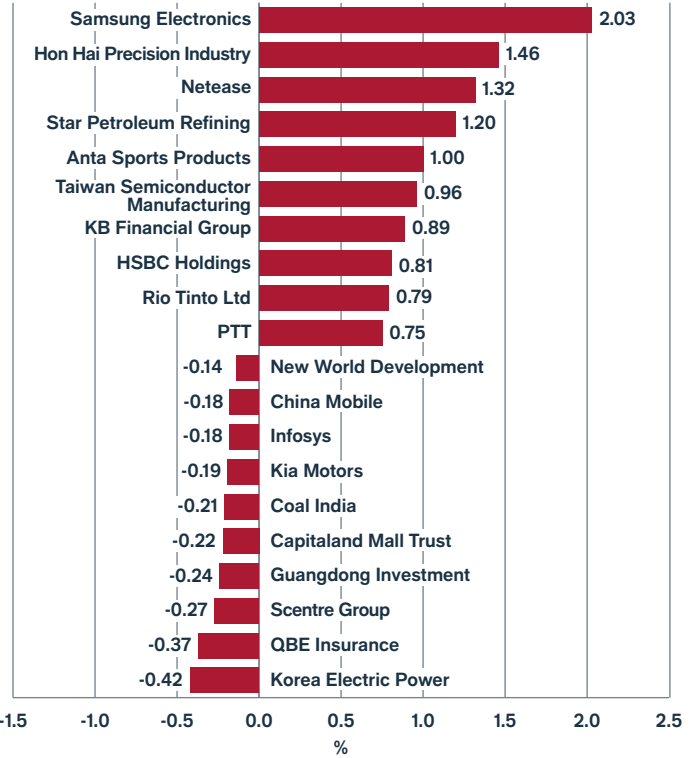
# Portfolio Information

## Sector exposure

As a percentage of the investment portfolio excluding cash

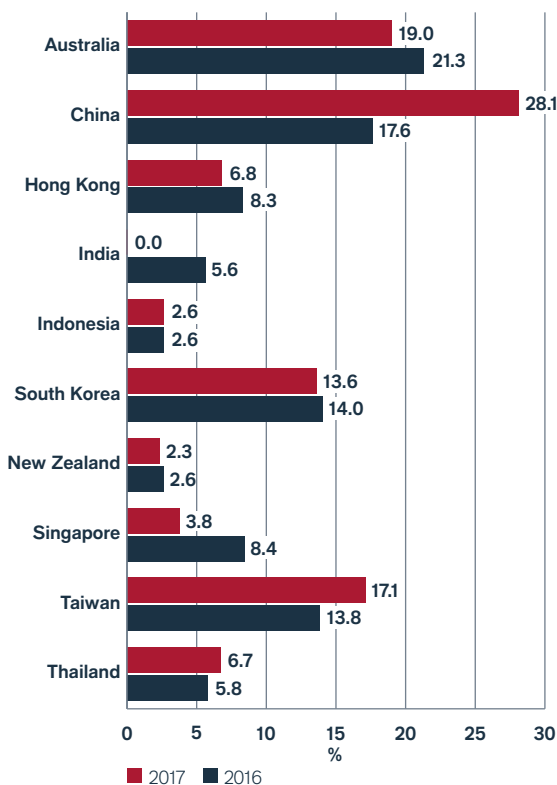


## Top ten contributors to and bottom ten detractors from return

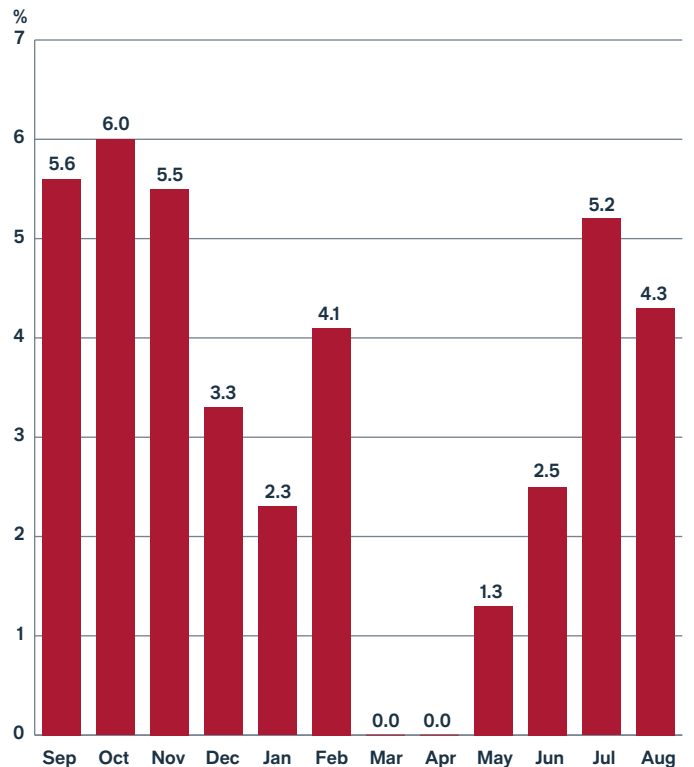


## Geographic focus

As a percentage of the investment portfolio excluding cash



## Gearing levels over the year\*

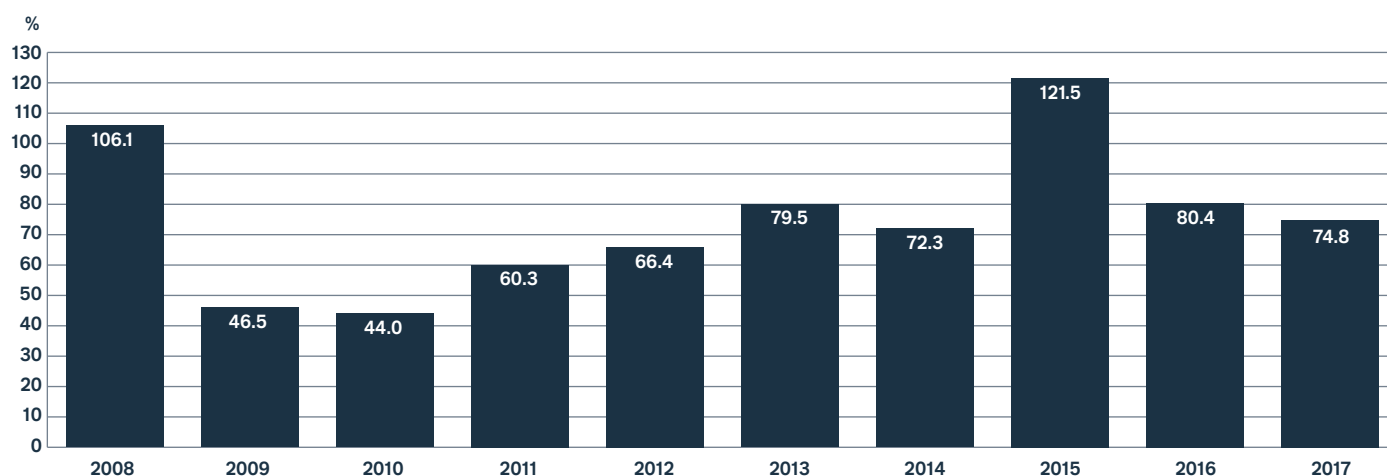


\*Gearing is defined on page 19

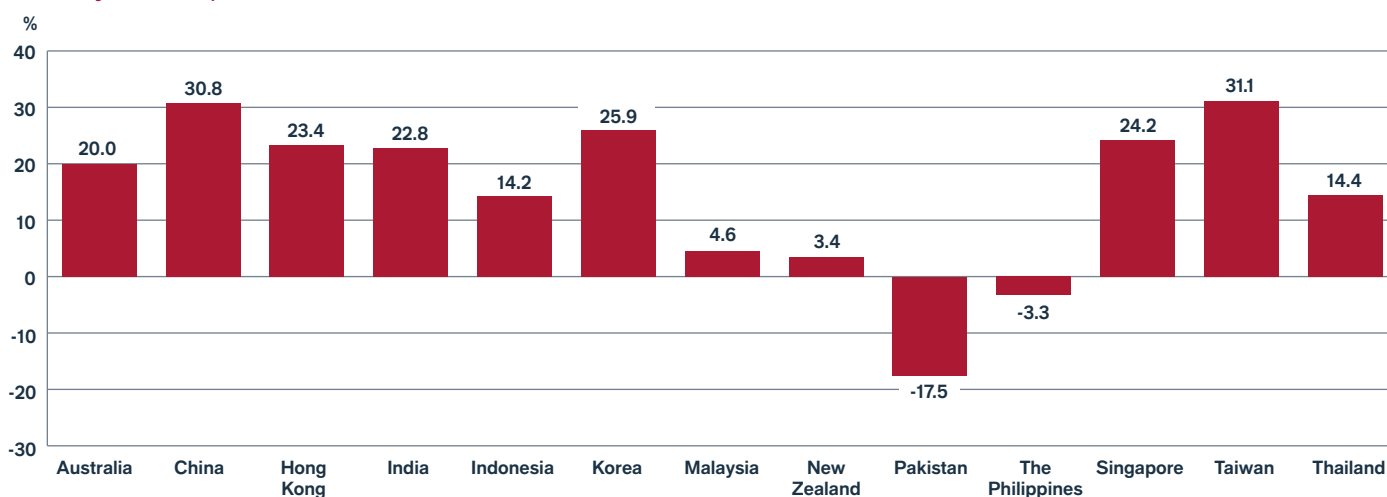
Source: Janus Henderson

# Portfolio Information (continued)

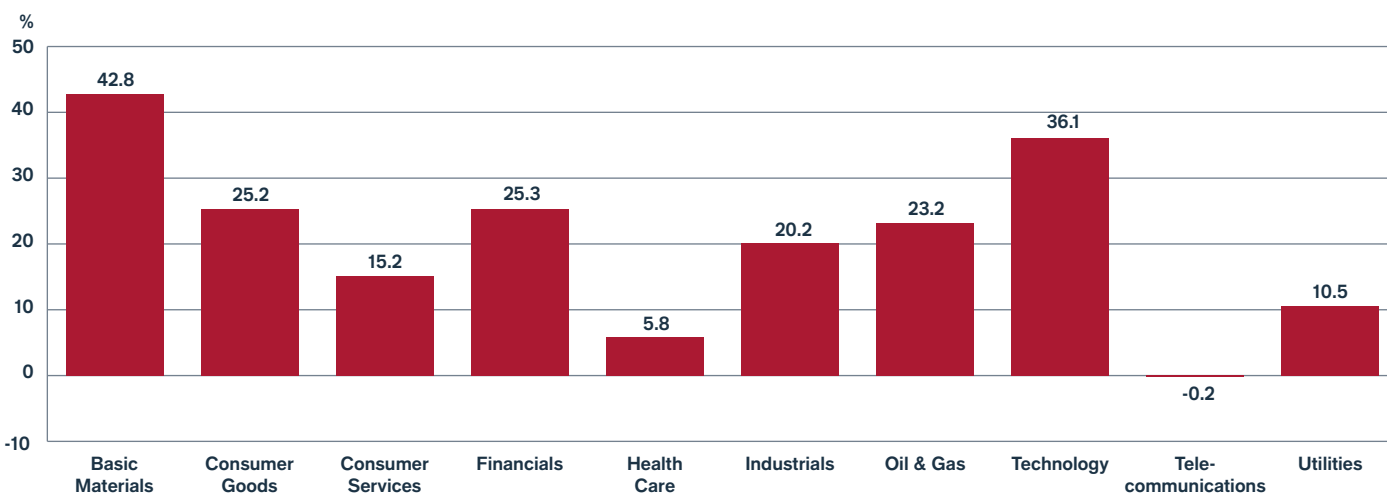
## Portfolio turnover<sup>1</sup>



## Country index performance<sup>2</sup>



## Sector index performance<sup>2</sup>



Source: Janus Henderson

<sup>1</sup> Calculated as the lower of purchases and sales over net assets at the year end

<sup>2</sup> FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) total return including dividends reinvested

# Historical Performance and Financial Information

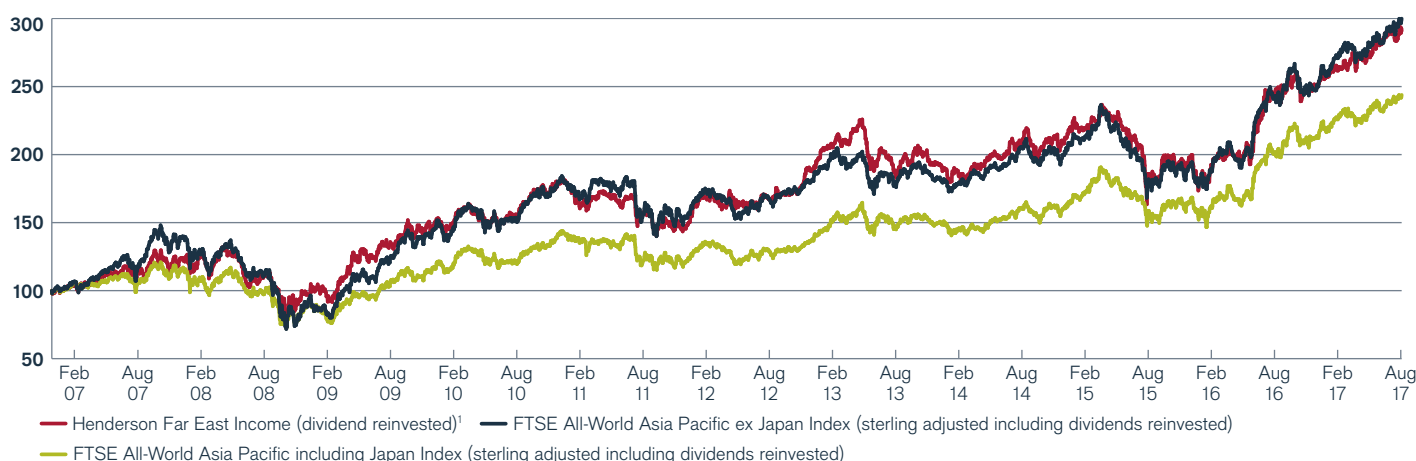
## Total return performance (including dividends reinvested)

|   | 1 year<br>% | 3 years<br>% | 5 years<br>% |
|---|-------------|--------------|--------------|
| Net Asset Value per ordinary share <sup>1</sup>                             | 17.7        | 37.6         | 69.6         |
| AIC Asia Pacific (excluding Japan) Sector (Peer Group) Average <sup>2</sup> | 22.2        | 47.3         | 85.1         |
| FTSE All-World Asia Pacific ex Japan Index (sterling adjusted)              | 23.7        | 46.7         | 82.6         |
| FTSE All-World Asia Pacific incl Japan Index (sterling adjusted)            | 20.9        | 52.5         | 93.6         |

<sup>1</sup> Source: Morningstar for the AIC including income fair value NAV

<sup>2</sup> Size weighted average (shareholders' funds)

## Share price movement against indices since launch



# Historical Performance and Financial Information

(continued)

## Financial information

| At 31 August | Net assets<br>£'000 | NAV<br>per share<br>p | Mid-market<br>price per<br>ordinary<br>share<br>p | Premium/<br>(discount)<br>% | Profit/(loss)<br>for year<br>£'000 | Revenue<br>return<br>per share<br>p | Capital<br>return<br>per share<br>p | Total return<br>per share<br>p | Dividend<br>per share<br>p | Ongoing<br>charge<br>% |
|--------------|---------------------|-----------------------|---|-----------------------------|------------------------------------|-------------------------------------|-------------------------------------|--------------------------------|----------------------------|------------------------|
| 2008         | 203,134             | 261.69                | 238.25  | (8.9)                       | 3,519                              | 15.68                               | (11.14)                             | 4.53                           | 12.00                      | –                      |
| 2009         | 215,496             | 258.52                | 269.50  | 4.2                         | 7,732                              | 13.76                               | (3.97)                              | 9.79                           | 12.40                      | –                      |
| 2010         | 284,916             | 295.00                | 295.25  | 0.1                         | 43,782                             | 15.35                               | 32.43                               | 47.78                          | 13.60                      | 1.23                   |
| 2011         | 287,389             | 287.09                | 294.50  | 2.6                         | 5,676                              | 16.49                               | (10.75)                             | 5.74                           | 15.00                      | 1.21                   |
| 2012         | 300,500             | 295.82                | 290.13  | (1.9)                       | 24,767                             | 17.31                               | 7.19                                | 24.50                          | 16.00                      | 1.21                   |
| 2013         | 325,798             | 312.23                | 309.00  | (1.0)                       | 32,765                             | 18.05                               | 13.78                               | 31.83                          | 17.00                      | 1.29                   |
| 2014         | 355,021             | 328.43                | 331.50  | 0.9                         | 36,550                             | 19.32                               | 15.23                               | 34.55                          | 18.20                      | 1.17                   |
| 2015         | 307,821             | 273.99                | 275.00  | 0.4                         | (40,246)                           | 20.54                               | (57.00)                             | (36.46)                        | 19.20                      | 1.06                   |
| 2016         | 386,859             | 337.76                | 343.00  | 1.6                         | 95,375                             | 21.13                               | 62.41                               | 83.54                          | 20.00                      | 1.17                   |
| <b>2017</b>  | <b>442,482</b>      | <b>375.19</b>         | <b>380.00</b>                                     | <b>1.3</b>                  | <b>67,211</b>                      | <b>21.94</b>                        | <b>36.09</b>                        | <b>58.03</b>                   | <b>20.80</b>               | <b>1.12</b>            |

Sources: Janus Henderson, Morningstar for the AIC, Datastream

## Directors' fees

The fees and expenses paid to the Directors who served during the years ended 31 August 2017 and 31 August 2016 were as follows:

|                                   | Year ended<br>31 August 2017<br>Total<br>£ | Year ended<br>31 August 2016<br>Total<br>£ |
|-----------------------------------|--|--|
| John Russell <sup>1</sup>         | 39,000                                     | 37,500                                     |
| David Mashiter                    | 28,000                                     | 24,000                                     |
| Simon Meredith Hardy <sup>2</sup> | –  | 9,846                                      |
| Richard Povey <sup>3</sup>        | –  | 7,022                                      |
| David Staples <sup>4</sup>        | 34,000                                     | 28,000                                     |
| Julia Chapman                     | 28,000                                     | 24,000                                     |
| Nicholas George <sup>5</sup>      | 28,000                                     | 8,747                                      |
| <b>Total</b>                      | <b>157,000</b>                             | <b>139,115</b>                             |

**Notes:**  
The table above omits other columns set out in the relevant regulations because no payments of other types such as performance related pay, vesting performance related pay and pension related benefits were made

1 Chairman and highest paid Director

3 Retired on 16 December 2015

5 Appointed on 20 April 2016

2 Retired on 28 January 2016

4 Chairman of the Audit Committee

No taxable benefits have been paid or are payable. No other remuneration or compensation was paid or payable by the Company during the year to any of the current or former Directors or third parties specified by any of them.



# Corporate Information

## Directors

The Directors appointed to the Board at the date of this report are:

### John Russell

**Position:** Non-Executive Chairman of the Board

**Date of appointment:** 6 November 2006

John has over 30 years' experience in investment banking. He was a member of the Australian Stock Exchange and a partner at Bain & Company. He has had 20 years' experience in London and New York as head of Bain's branches in those cities. In 1992 Bain was acquired by Deutsche Bank AG and John continued as senior director of Deutsche Bank Australia in Europe until the end of 1999. John was previously a director of Henderson Far East Income Trust plc.

### David Staples

**Position:** Non-Executive Director

**Date of appointment:** 18 January 2011

David is a fellow Chartered Accountant and an associate of the Chartered Institute of Taxation. For thirteen years, until 2003, he was a partner with PricewaterhouseCoopers in the UK. He is currently a non-executive director of the following listed companies; MedicX Fund Limited, which he Chairs, Aberdeen Private Equity Fund Limited and Global Fixed Income Realisation Limited. His other non-executive directorships are of five private equity funds advised by Apax Partners.

### David Mashiter

**Position:** Non-Executive Director

**Date of appointment:** 6 November 2006

David is currently managing director of Meridian Asset Management (C.I.) Limited. He is also a director of Northcross Capital Management Limited, Northcross Holdings Limited, RBC Regent Strategy Fund Limited and Broadwalk Select Services Fund Limited. He was formerly head of investment management with the Royal Trust Company of Canada in Jersey.

### Julia Chapman

**Position:** Non-Executive Director

**Date of appointment:** 30 January 2015

Julia is a lawyer qualified in England & Wales and in Jersey with over 25 years experience in the investment fund and capital markets sector. After working at Simmons & Simmons in London, she moved to Jersey and became a partner of Mourant du Feu & Jeune (now Mourant Ozannes) in 1999. She was then appointed general counsel to Mourant International Finance Administration (the firm's fund administration division). Following its acquisition by State Street in April 2010, Julia was appointed European Senior Counsel for State Street's alternative investment business. In July 2012, Julia left State Street to focus on the independent provision of directorship and governance services to a small number of investment fund vehicles. Her other listed directorships are GCP Infrastructure Investments Limited and BH Global Limited.

### Nicholas George

**Position:** Non-Executive Director

**Date of appointment:** 20 April 2016

Nicholas is a chartered accountant by training but has spent almost his entire working life in various aspects of investment banking, specialising in the Asian markets. In his early career he worked for a number of leading City institutions and joined Robert Fleming Securities in 1993 initially as head of Asian Securities in London and then moved to Hong Kong to establish a corporate broking division for Jardine Fleming, subsequently taken over by JPMorgan where he remained as Managing Director. In 2003 he co-founded KGR Capital Partners, an HK SFC registered Hong Kong based Asian hedge fund of funds. Since that time he has become a non-executive director of a number of diversified businesses ranging from telecommunications, investment management and healthcare and continues to travel widely throughout Asia where he has built up an impressive network of contacts.

All of the Directors are non-executive and are members of the Audit Committee, the Management Engagement Committee and the Nominations Committee.

## Fund Management

The fund management team is led by Mike Kerley who has been in place since 2007, supported by Sat Duhra, who joined Janus Henderson in April 2011.



**Mike Kerley**



**Sat Duhra**

# Corporate Information (continued)

## Registered office

IFC1, The Esplanade, St. Helier  
Jersey JE1 4BP

## Other service providers

Alternative Investment Fund Manager  
Henderson Investment Funds Limited  
201 Bishopsgate, London EC2M 3AE

## Depository

J.P. Morgan Trust Company (Jersey) Limited  
Forum 4, Grenville Street, St. Helier  
Jersey JE4 8QH

## Custodian

JP Morgan Chase Bank N.A. (Jersey branch)  
JP Morgan House, Grenville Street, St. Helier  
Jersey JE4 8QH

## Independent auditors

KPMG Channel Islands Limited  
37 Esplanade, St. Helier, Jersey JE4 8WQ

## Company Secretary and Administrator

BNP Paribas Securities Services S.C.A Jersey Branch  
IFC1, The Esplanade, St. Helier, Jersey JE1 4BP  
Telephone: 01534 813800

## UK Stockbrokers

Cenkos Securities Limited  
6, 7, 8 Tokenhouse Yard  
London EC2R 7AS

## New Zealand Stockbrokers

First NZ Capital Securities Limited  
10th Floor, Caltex Tower  
282-292 Lambton Quay  
PO Box 3394, Wellington, New Zealand

## Registrar

Computershare Investor Services (Jersey) Limited  
Queensway House, Hilgrove Street, St. Helier  
Jersey JE1 1ES

Telephone: 0370 707 4040  
info@computershare.co.je

## New Zealand Registrar

Computershare Investor Services Limited  
PO Box 92119, Auckland 1142, New Zealand  
Telephone: (0064) 9 488 8777

## Financial calendar

|                                     |                  |
|-------------------------------------|------------------|
| Financial period end                | 31 August 2017   |
| Annual General Meeting <sup>1</sup> | 13 December 2017 |
| Shareholder Event <sup>2</sup>      | 14 December 2017 |
| 4th Interim dividend                | 30 November 2017 |
| 1st Interim dividend                | 28 February 2018 |
| 2nd Interim dividend                | 31 May 2018      |
| 3rd Interim dividend                | 31 August 2018   |

## Information sources

For more information about Henderson Far East Income Limited, visit the website at [www.hendersonfareastincome.com](http://www.hendersonfareastincome.com).

## HGi

HGi is a content platform provided by Janus Henderson that offers online personalisation where you can “follow” investment experts, topics and the trusts that are of interest to you. By creating your HGi profile you will be updated regularly on the topics that interest you most, bringing you closer to Janus Henderson’s investment expertise.

Scan the QR code or use this short URL to register for HGi.  
<http://HGi.co/rb>



Follow Investment Trusts on Twitter, YouTube and Facebook



## Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website. Individuals holding shares through Halifax Share Dealing Limited can write to them at Lovell Park Road, Leeds LS1 1NS or contact them via telephone 08457 22 5525, email [Henderson@halifax.co.uk](mailto:Henderson@halifax.co.uk) or visit their website [www.halifax.co.uk/sharedealing](http://www.halifax.co.uk/sharedealing).

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

## Nominee share code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at them when invited to do so by the Chairman. Investors via Halifax Share Dealing receive all shareholder communications and a voting instruction form is provided to facilitate voting at general meetings of the Company.

<sup>1</sup> At the Company's registered office at 12.00 noon

<sup>2</sup> At Janus Henderson's offices, 201 Bishopsgate, London EC2M 3AE at 11.00 am

# Corporate Information (continued)

## Status

The Company is registered with limited liability in Jersey as a closed-end investment company under the Companies (Jersey) Law 1991 with registered number 95064. In addition, the Company constitutes and is certified as a collective investment fund under the Collective Investment Funds (Jersey) Law 1988 ("the Jersey Funds law"). The Company has obtained a Fund Certificate under Article 7 of the Jersey Funds Law from the Jersey Financial Services Commission to operate as a Certified Fund within the Island of Jersey. The Company has a premium listing on the main market of the London Stock Exchange and a secondary listing on the New Zealand Stock Exchange. It is subject to the UK Listing Authority's Listing Rules and also the listing rules of the New Zealand Stock Exchange. It is governed by its Articles of Association, amendments to which must be approved by shareholders by way of a special resolution. The Company is not a close company.

The Company is a member of the Association of Investment Companies ("AIC").

The Company intends to continue to manage its affairs so that its investments fully qualify for a stocks and shares component of an Individual Savings Account ("ISA").

## Principal risks and uncertainties

The Board, with the assistance of the Manager, has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. In carrying out this assessment, the Board also considered both regional and global geopolitical risks, as well as the political instability arising from the UK's negotiations to leave the European Union, which the Board does not consider to be material except for the impact on currency movements.

With the assistance of the Manager, the Board has drawn up a matrix of risks facing the Company and has put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy, in order to mitigate risks as far as practicable. The principal risks which have been identified and the steps taken by the Board to mitigate these are as follows:

### Investment and strategy

An inappropriate investment strategy, for example, in terms of asset allocation or level of gearing, may result in under performance against the companies in the peer group, and also in the Company's shares trading on a wider discount. The Board manages these risks by ensuring a diversification of investments and a regular review of the extent of borrowings. The Manager operates in accordance with an investment limits and restrictions policy determined by the Board, which includes limits on the extent to which borrowings may be employed. The Board reviews the limits and restrictions on a regular basis and Janus Henderson confirms adherence to them every month. Janus Henderson provides the Board with management information, including performance data and reports and shareholder analyses. The Directors monitor the implementation and results of the investment process with the Manager at each Board meeting and monitor risk factors in respect of the portfolio. Investment strategy is reviewed at each meeting.

### Accounting, legal and regulatory

The Company is regulated by the Jersey Financial Services Commission and complies with the regulatory requirements in Jersey. The Company must comply with the provisions of the Companies (Jersey) Law 1991 and since its shares are listed on the London Stock Exchange, the FCA Listing Rules. The Company must also ensure compliance with the listing rules of the New Zealand Stock Exchange. A breach of company law could result in the Company and/or the Directors being fined or the subject of criminal proceedings and financial and reputational damage. A breach of the Listing Rules

could result in the suspension of the Company's shares. The Board relies on its Company Secretary and advisers to ensure adherence to company law and FCA and New Zealand Stock Exchange Rules.

### Operational

Disruption to, or the failure of, Janus Henderson's or the Administrator's accounting, dealing, or payment systems or the Custodian's records could prevent the accurate reporting or monitoring of the Company's financial position. The Administrator, BNP Paribas Securities Services S.C.A. (Jersey Branch), sub-contracts some of the operational functions (principally relating to trade processing, investment administration and accounting) to BNP Paribas Securities Services. Details of how the Board monitors the services provided by Janus Henderson and other suppliers, and the key elements designed to provide effective internal control, are explained further in the internal control section of the Corporate Governance Statement.

### Financial

The financial risks faced by the Company include market risk (market price risk, interest rate risk and currency risk), liquidity risk and credit risk. The Company does not employ financial instruments to mitigate risk. Additional disclosures are provided in accordance with IFRS 7: Financial Instruments: Disclosures.

### Borrowing

The Company has a two year £35 million revolving multi-currency loan facility with Commonwealth Bank of Australia which is under regular review and unless renewed will expire on 27 February 2018. The maximum amount drawn down under the period was £34.9 million (including exchange rate movements since draw down) with borrowing costs including interest for the year totalling £387,000 (2016: £344,000). Net gearing (defined as the difference between investments including written call options and equity shareholders' funds divided by equity shareholders' funds) at 31 August 2017 was 4.3% of net asset value (2016: 4.6%).

### Viability statement

The Company is a medium to longer term investor and, as such, the Directors believe it is appropriate to assess the Company's viability over a five year period in recognition of the Company's investment horizon and what the Directors believe to be investors' horizons.

The assessment has considered the impact of the likelihood of the principal risks and uncertainties facing the Company, in particular investment strategy and performance absolutely and against certain indices and other funds with a similar mandate, whether from asset allocation, the level of gearing, and market risk in severe but plausible scenarios, and the effectiveness of any mitigating controls in place.

The Directors took into account the liquidity of the portfolio. Nearly all of the Company's investments are in listed companies which are frequently traded on recognised markets. The portfolio comprises investments in approximately 50 companies spread over a wide range of sectors and geographical areas and hence there is little concentration. The Directors also considered the borrowing facility the Company has in terms of its duration, the headroom available under any covenants and how a breach of any of those covenants could impact on the Company's net asset value and share price.

Based on their assessment and the fact that the Company's financial commitments are small in relation to the current value of the portfolio, which is highly liquid, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years.

The Directors' view is that only a cataclysmic financial crisis affecting the global economy could have an impact on this assessment.

## Corporate Information (continued)

### Future developments

While the future performance of the Company is mainly dependent on the performance of international financial markets which are subject to various external factors, the Board's intention is that the Company will continue to pursue its stated investment objective and strategy explained earlier. The Chairman's Statement and Fund Manager's Report provide commentary on the outlook for the Company.

### Key performance indicators

In order to measure the success of the Company in meeting its objectives and to evaluate the performance of the Manager, the Directors take into account the following key performance indicators:

#### Returns and net asset value

The Board reviews and compares, at each meeting, the performance of the portfolio as well as the net asset value, income and share price of the Company. The Company does not have a formal benchmark. It uses the FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) for comparison purposes only.

#### Discount/premium to net asset value ("NAV")

At each Board meeting, the Board monitors the level of the Company's discount/premium to NAV and reviews the average discount/premium for the Company's relevant AIC sector. The Company publishes a NAV per share figure on a daily basis through the official newswire of the London Stock Exchange. This figure is calculated in accordance with the AIC formula and includes current financial year revenue on the same basis as that calculated for the financial statements. The NAV excluding current financial year revenue is also published for historical comparison.

#### Yield

At each Board meeting, the Directors examine the revenue forecast and consider the yield on the portfolio and the amount of revenue available for distribution.

#### Performance against other Asian funds

The Board considers the performance of other Asian funds, particularly income funds, at each Board meeting.

#### Ongoing charge

The ongoing charge reflects those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund, excluding the costs of acquisition or disposal of investments, financing charges and gains or losses arising on investments and performance fees. The ongoing charge is based on actual costs incurred in the year as being the best estimate of future costs. The Board reviews the ongoing charge and monitors the expenses incurred by the Company. Ongoing charge at 31 August 2017 was 1.12% (2016: 1.17%) of net asset value.

The charts and tables on pages 2, 3, 8 and 11-14 show how the Company has performed against these key performance indicators.

### Corporate responsibility

#### Responsible investment, voting and the UK Stewardship Code

The Board delegates the Company's investment management activities, including corporate governance and corporate responsibility in respect of investee companies, to Janus Henderson. The Board retains oversight as to how duties in this area are discharged by reviewing the Responsible Investment Policy (the "RI Policy") and receiving regular reporting on how the RI Policy has been applied in respect of the shares in its portfolio.

The Manager's RI Policy sets out its approach to corporate governance and corporate responsibility for all the companies in which it invests on behalf of its clients. This includes environmental, social and ethical issues, its approach to proxy voting and the application of the UK Stewardship Code.

The Board believes that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. Voting recommendations are guided by the best interests of the investee companies' shareholders and, depending on the nature of the resolution, the Fund Manager may give specific instructions on voting non-routine and unusual or controversial resolutions.

The Responsible Investment Policy can be found on the Manager's website at [www.janushenderson.com](http://www.janushenderson.com).

#### Employees, social, community, human rights and environmental matters

The Company's core activities are undertaken by Janus Henderson, which has implemented environmental management practices, including systems to limit the use of non-renewable resources and to minimise the impact of operations on the environment, and is focused on reducing greenhouse gas emissions and minimising waste, where possible. The Company has therefore not reported on these, or social, community or human rights issues here, Janus Henderson's policies are included in its annual report which can be found on its website [www.janushenderson.com](http://www.janushenderson.com).

Janus Henderson's corporate responsibility statement is included on the website stated above. In 2012 it was granted CarbonNeutral® Company status which it has committed to maintain at least until the end of 2018.

The Company's annual report is printed on paper produced using 50% recycled post consumer waste and 50% wood fibre from fully sustainable forests with certification by the Forest Stewardship Council, the printing company used is certified as Carbon Neutral®.

The Board has reviewed the implications of the Bribery Act 2010 which came into force on 1 July 2011 and Corruption (Jersey) Law 2006, and confirmed its zero tolerance to bribery and corruption in its business activities. It has sought assurances from the Company's main contractors and suppliers that they will maintain adequate safeguards to protect against any potentially illegal behaviour by their employees and agents. The Directors have adopted a procedure whereby they are required to report any potential acts of bribery and corruption in respect of the Company to the Money Laundering Reporting Officer at BNPP in Jersey.

Since the year end, the Board considered the recent changes made by the Criminal Finances Act 2017 which introduced a new corporate criminal offence of failing to take reasonable steps to prevent the facilitation of tax evasion. The Company maintains a zero tolerance policy towards the provision of illegal services, including the facilitation of tax evasion.

#### Board diversity

Currently, four of the Company's Directors are male and one is female. The Directors consider diversity when making appointments to the Board, taking into account relevant skills, experience, knowledge and gender. The Company has no employees and, therefore, there is nothing further to report in respect of gender representation within the Company.

For and on behalf of the Board

John Russell  
Chairman  
3 November 2017

# Glossary

---

## Alternative Investment Fund Managers Directive (“AIFMD”)

Issued by the European Parliament and written into UK and Jersey legislation, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds (“AIFs”) and requires them to appoint an Alternative Investment Fund Manager (“AIFM”). As the Company’s AIFM is based in the European Union (“EU”) and as the Company intends to market itself in the EU, a depositary must be appointed to manage and oversee the operations of the Investment Vehicle. The Board retains responsibility for strategy, operations and compliance. The Directors retain a fiduciary duty to all Shareholders.

## Association of Investment Companies (“AIC”)

The Company is a member of the AIC which is the trade body for investment companies and represents the industry in relation to various matters which impact the regulation of such entities.

## Benchmark

An index against which performance is compared. The Company does not have a formal benchmark. It uses the FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) for comparison purposes only.

## Custodian

The custodian is responsible for ensuring the safe custody of the Company’s assets and ensuring that all transactions in the underlying holdings are transacted in an accurate and timely manner.

## Depositary

From 22 July 2014 all AIF’s including the Company, were required to appoint a depositary which has responsibility for overseeing the operations of the Company including safekeeping, cash monitoring and verification of ownership and valuation of the underlying holdings and is responsible for the appointment of a custodian. The Depositary is strictly liable for the loss of any investments or other assets in its custody unless it has notified that it has discharged its liability in certain markets. The Depositary confirms that it has not discharged liability in relation to any of the Company’s assets.

## Derivative

A contract between two or more parties in relation to an underlying security. The value of a derivative will fluctuate in accordance with the value of the security. The fluctuations in value are usually greater than the fluctuations in the underlying security’s value therefore some derivatives are a form of gearing. Examples of derivatives are put and call options, swap contracts, futures and contracts for difference. Foreign exchange, interest rates and commodities may also be traded using derivative contracts.

## Dividend dates

When declared or recommended, each dividend will have three key dates applied to it. The payment date is the date on which shareholders will receive their dividend, either by BACS transfer or by receipt of a dividend cheque. The record date applied to the dividend is used as a cut-off for the Company’s registrars to know which shareholders should be paid a dividend. Only shareholders on the register of members at the close of business on the record date will receive the dividend. The ex-dividend date is the business day before the record date and is the date upon which the Company’s net asset value will be disclosed ex-dividend.

## Gearing

Gearing means borrowing money to buy assets with the expectation that the return on investments bought will exceed the interest cost of the borrowings. The gearing percentage reflects the amount of borrowings (e.g. bank loans or overdrafts) the Company has used to invest in the market and is calculated by taking the difference between total investments and equity shareholders’ funds, dividing this by equity shareholders’ funds and multiplying by 100. The Company can also use synthetic gearing through derivatives and foreign exchange hedging.

## Investment companies

Investment companies are limited companies, listed on the London Stock Exchange, which provide shareholders with a professionally managed portfolio of investments.

## Liquidity

In the context of the liquidity of shares in the stock market, this refers to the availability of buyers and sellers in the market for the share in question. Where the market in a particular share is described as liquid, that share will be in demand and holders wishing to sell their shares should find ready buyers. Conversely, where the market in a share is illiquid the difficulty of finding a buyer will tend to depress the price that might be negotiated for a sale.

## Market capitalisation (“market cap”)

The market value of a company, calculated by multiplying the mid-market price per share by the number of shares in issue.

## Net asset value (“NAV”) per ordinary share

The value of the Company’s assets (i.e. investments and cash held) less any liabilities (i.e. bank borrowings and debt securities) for which the Company is responsible, divided by the number of shares in issue. The aggregate NAV is also referred to as total equity on the Balance Sheet. The NAV is published daily.

## Glossary (continued)

---

### Ongoing charge

The ongoing charge reflects those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the Company as a collective fund, excluding the costs of acquisition or disposal of investments, financing charges and gains or losses arising on investments. The ongoing charge is based on actual costs incurred in the year as being the best estimate of future costs excluding any performance fees in accordance with the AIC methodology and is the annualised ongoing charge expressed as a percentage of the average aggregate NAV in the period.

### Premium/discount

The amount by which the market price per share of an investment company is either higher (premium) or lower (discount) than the NAV per share, expressed as a percentage of the NAV per share.

### Revenue earnings per ordinary share

The revenue profit divided by the weighted average number of ordinary shares in issue during the year.

### Share price and NAV total return

This is the return on the share price and includes reinvesting dividends in the month that the share price goes ex-dividend. NAV total return is the return on the NAV and assumes reinvesting the same dividends in the NAV of the Company in the month that the shares go ex-dividend. For performance statistics, dividend reinvestment is deemed to be at the end of the month when the shares go ex-dividend in line with the AIC methodology, although graphical data assumes reinvestment on the ex-dividend date.

### Yield

The annual dividend expressed as a percentage of the share price.

### Warning to shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please note that it is very unlikely that either the Company or the Company's Registrar, Computershare Investor Services (Jersey) Ltd, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

If you are in any doubt about the veracity of an unsolicited phone call, please call the Company Secretary at the number provided on page 16.



Henderson Far East Income Limited  
Registered as an investment company in Jersey with registration number 95064  
Registered office: IFC1, The Esplanade, St Helier, Jersey JE1 4BP.

Regulated by the Jersey Financial Services Commission.

SEDOL/ISIN number: Ordinary Shares: B1GXH751/JE00B1GXH751  
London Stock Exchange (TIDM) Code: HFEL  
Global Intermediary Identification Number (GIIN): NTTIYP.99999.SL.832  
Legal Entity Identifier (LEI): 2138008DIQREOD380596

Telephone: **0800 832 832**  
Email: **support@janushenderson.com**

**www.hendersonfareastincome.com**

MANAGED BY  
**Janus Henderson**  
INVESTORS

**aic**  
The Association of  
Investment Companies



**WINNER**

INVESTMENT TRUST  
GROUP OF THE YEAR  
Henderson Global Investors



**WINNER**

INVESTMENT TRUST  
GROUP OF THE YEAR  
Henderson Global Investors



**BEST PR CAMPAIGN**



**WINNER**



**FSC**  
www.fsc.org

**MIX**

Paper from  
responsible sources

FSC® C021652

This report is printed on cocoon silk 50% recycled, a recycled paper containing 50% recycled waste and 50% virgin fibre and manufactured at a mill certified with ISO 14001 environmental management standard. The pulp used in this product is bleached using an Elemental Chlorine Free process (ECF).

The FSC® logo identifies products which contain wood from well managed forests certified in accordance with the rules of the Forest Stewardship Council®.

Typeset by 2112 Communications, London.

Printed by Leycol, London

HGI36557/0917