EDISON

Henderson Alternative Strategies Trust

More defensive in response to macro headwinds

Investment trusts

Henderson Alternative Strategies Trust (HAST) aims to provide a 'one-stop shop' for investors seeking to allocate to specialist and alternative assets. Following the retirement of co-manager Ian Barrass in June, HAST is now co-managed by James de Bunsen and Peter Webster. The trust's focus on areas such as property and hedge funds, alongside specialist credit, private equity and emerging markets, among others, means it should be well placed to act as a source of less-correlated returns in times of mainstream equity market volatility. HAST's NAV held up well in the market wobbles of Q118 and its move to more defensive positioning through the summer has so far stood it in good stead during the current sell-off in equity markets. Meanwhile, recent 'buying on the dips' in favoured holdings such as Worldwide Healthcare Trust and Polar Capital Global Financials will allow HAST to take full advantage of any recovery in sentiment.

12 months ending	Share price (%)	NAV (%)	FTSE World (%)	FTSE All-Share (%)
30/11/14	0.6	(0.4)	13.7	4.7
30/11/15	(11.7)	(3.2)	2.6	0.6
30/11/16	21.6	16.0	25.6	9.8
30/11/17	15.1	9.0	15.4	13.4
30/11/18	(5.5)	0.4	6.0	(1.5)

Source: Thomson Datastream. Note: All % on a total return basis in pounds sterling.

Investment strategy: Specialist and alternative

HAST informally aims for NAV returns of c 8% a year over the long term. Its focused portfolio of 30–40 holdings (mainly open- or closed-ended funds) covers areas such as private equity, hedge funds, property, credit, single-sector strategies and regional specialists. Managed by James de Bunsen and Peter Webster of Janus Henderson's multi-asset team, HAST provides diversified exposure to specialist and alternative strategies that individual investors may be unable to access by themselves.

Market outlook: Reasons to be fearful?

Sharp falls in global equity markets in October and November suggest investors may be beginning to focus more on the risks of tighter monetary policy, inflation, trade wars and political tension than the potential rewards of economic or earnings growth. While forward P/E multiples now look more reasonable versus history, suggesting some value opportunities in equity markets, investors may wish to consider allocating to lower-volatility, less-correlated assets if the current uncertain climate persists.

Valuation: Discount wider as NAV rises amid volatility

At 5 December 2018, HAST's shares traded at a discount of 19.3% to the 30 November NAV (NAVs are released weekly for the previous Friday). The discount has widened as the NAV has outperformed the share price in this year's equity market volatility, and is currently above the averages over one, three, five and 10 years, which range from 16.6% to 17.2%. The trust also trades at a significant discount to the 1.1% average premium of its close peers; HAST's managers say there is a perception that it invests in more illiquid assets than is actually the case.

7 December 2018

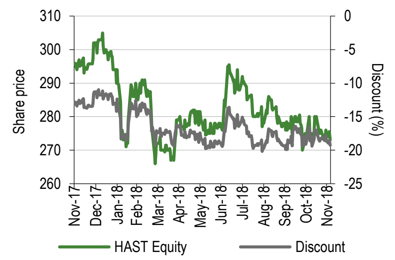
Price	**273.0p**
Market cap	**£105.6m**
AUM	**£130.0m**

NAV*	338.2p
Discount to NAV	19.3%

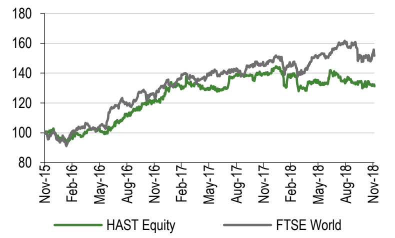
*Including income. As at 30 November 2018.

Yield	1.8%
Ordinary shares in issue	38.7m
Code	HAST
Primary exchange	LSE
AIC sector	Flexible Investment
Benchmark	FTSE World Index

Share price/discount performance



Three-year performance vs index



52-week high/low	305.0p	266.0p
NAV** high/low	348.7p	326.7p

**Including income.

Gearing

Gross*	0.0%
Net*	0.0%

*As at 31 October 2018.

Analysts

Sarah Godfrey	+44 (0)20 3681 2519
Gavin Wood	+44 (0)20 3681 2503

investmenttrusts@edisongroup.com

Edison profile page

Henderson Alternative Strategies Trust is a research client of Edison Investment Research Limited

Exhibit 1: Trust at a glance

Investment objective and fund background

Henderson Alternative Strategies Trust (renamed from Henderson Value Trust in June 2015) exploits global opportunities to provide long-term growth to shareholders via a diversified, international, multi-strategy portfolio, which offers access to specialist funds including hedge and private equity. Previously the SVM Global Fund and originally the Scottish Value Trust, management was transferred to Henderson Global Investors on 1 April 2013.

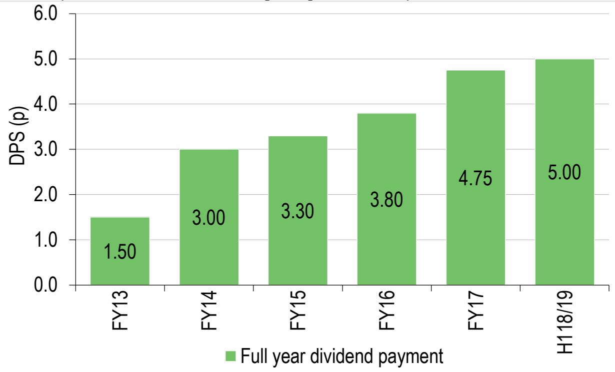
Recent developments

- 4 December 2018: results for the six months ended 30 September. NAV TR +4.7% and share price TR +2.2% versus 13.8% for the FTSE World index. Interim dividend of 5.0p announced.
- 17 May 2018: results for the six months to 31 March. NAV TR -0.5% and share price TR -5.2% compared with +0.3% for FTSE World index.
- 1 May 2018: co-manager Ian Barrass to retire at the end of June 2018.

Forthcoming		Capital structure		Fund details	
AGM	January 2019	Ongoing charges	1.02%	Group	Janus Henderson Investors
Annual results	May 2018	Gearing	None	Managers	James de Bunsen, Peter Webster
Year end	31 March	Annual mgmt fee	Tiered (see page 9)	Address	201 Bishopsgate,
Dividend paid	January 2019, then July	Performance fee	None		London, EC2M 3AE
Launch date	1991	Trust life	Indefinite, subject to vote	Phone	+44 (0) 20 7818 1818
Continuation vote	Three yearly, next July 2021	Loan facilities	None	Website	www.hendersonalternativestrategies.com

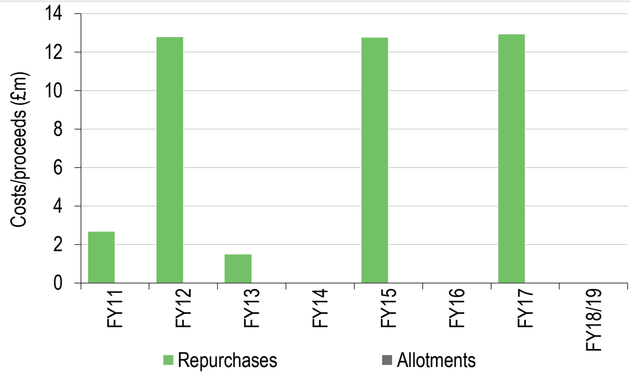
Dividend policy and history (financial years)

Dividends historically paid annually in February/March; after an interim payment in January 2019 in respect of the first 12 months of the 18-month FY18/19, the new annual payment date will be in July. A more progressive dividend policy has been in place since 2013, reflecting a higher level of portfolio income.

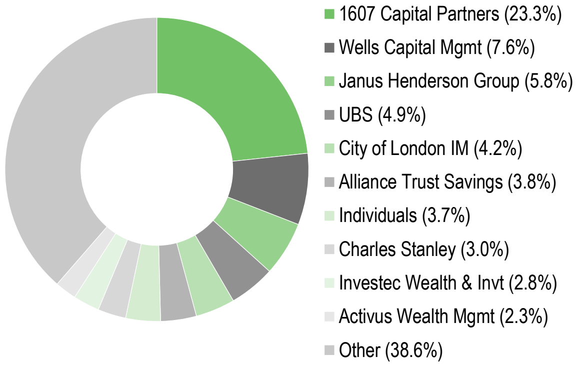


Share buyback policy and history (financial years)

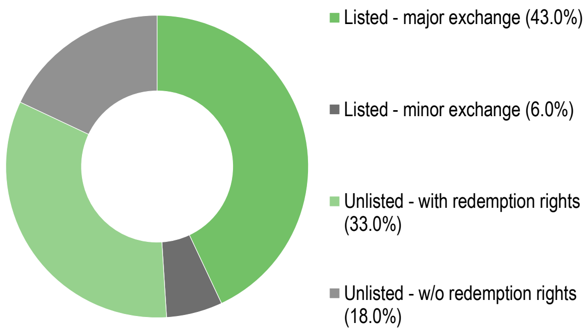
From April 2013 to January 2017, the board elected to manage the discount through tender offers. There are no current plans for further tender offers.



Shareholder base (as at 31 August 2018)



Structure of underlying funds (as at 30 September 2018)*



Top 10 holdings (as at 31 October 2018)

			Portfolio weight %	
Company	**Country**	**Investment focus**	**31 October 2018**	**31 October 2017****
Ceiba Investments	Cuba	Listed Cuban real estate fund	6.3	5.6
Mantra Secondary Opportunities	Global	Private equity fund	6.3	4.6
BlackRock European Hedge Fund	Europe	Equity long/short hedge fund	5.2	5.7
BofA Merrill Lynch Commodity	Global	Long/short commodity investment	4.5	N/A
Riverstone Energy	Global	Energy-focused private equity	4.4	4.4
Majedie Tortoise	Global	Equity long/short hedge fund	4.3	4.3
Summit Germany	Germany	Commercial property fund	4.2	3.9
Baring Vostok Investments PCC Core	Russia	Russia-focused private equity	4.1	4.1
Schroder GAIA Indus Pacifichoice	Asia incl. Japan	Equity long/short hedge fund	3.9	4.4
Polar Capital Global Financials	Global	Financials focused investment trust	3.7	3.8
Top 10 (% of portfolio)			**46.9**	**44.6**

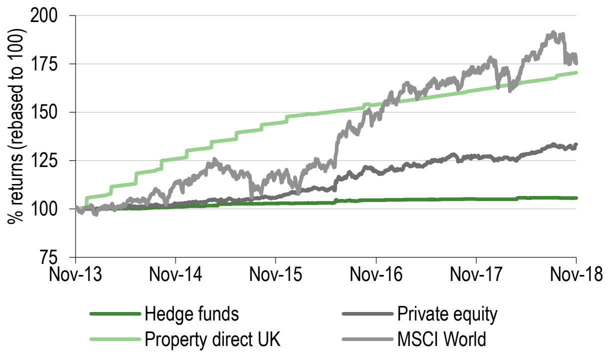
Source: Henderson Alternative Strategies Trust, Edison Investment Research, Bloomberg, Morningstar. Note: *Following the listing in London of Ceiba Investments in October 2018, 'listed – major exchange' has risen to c 49% and 'unlisted – without redemption rights' has fallen to c 12%. **N/A where not in October 2017 top 10.

Market outlook: Equity volatility makes a comeback

Equity markets around the world have seen higher levels of volatility so far in 2018 than in recent years. While earnings growth has remained positive (particularly in the US, where generous tax cuts have provided a temporary boost), investors have arguably begun to focus more on the risks – rising interest rates and inflation, trade tensions and political uncertainty – than on the potential rewards. As shown in Exhibit 2 (left-hand side), global equities, here represented by the MSCI World index, have outperformed other asset classes in sterling terms over the past five years, but have been significantly more volatile and have also seen a sharp downturn in recent weeks. In contrast, performance of alternative assets such as private equity, property and hedge funds (measured by the appropriate Datastream investment trust indices) has been much steadier, albeit less impressive in absolute terms. One consequence of the recent equity market sell-off is that forward P/E valuations in both developed and emerging markets (Exhibit 2, right-hand side) now look more appealing versus their five-year averages, suggesting positive returns may still be achievable for investors who take a selective approach and focus on avoiding 'value traps'. However, with the balance of sentiment seemingly having tipped from greed to fear, investors may wish to consider an allocation to less volatile assets away from mainstream equity markets, to provide a source of diversification if the current mood of uncertainty persists.

Exhibit 2: Market performance and valuation

Total return performance of different asset classes over five years



Valuation metrics

	Last	High	Low	Five-year average	Last as % of average
World	13.7	16.3	13.3	14.8	92
Developed	14.2	16.9	13.8	15.5	92
Emerging	11.4	13.6	10.7	12.0	95

Source: Thomson Datastream, Edison Investment Research. Note: Performance and valuation data as at 20 November 2018.

Fund profile: 'One-stop shop' for alternative assets

Launched in 1991 as the Scottish Value Trust (later SVM Global Fund), HAST has been managed by Janus Henderson Investors since April 2013. Initially known as Henderson Value Trust, it changed to its current name in 2015 to reflect its focus on specialist and alternative assets. The move to Henderson came after a period of poor performance, and HAST's management team took time to transition the portfolio steadily into its current focused selection of third-party funds and companies, under five broad headings of specialist sector, specialist geography, private equity, hedge funds and property. Until recently, HAST was co-managed by Ian Barrass and James de Bunsen, assisted by Peter Webster. Following Barrass's retirement on health grounds in June 2018, Webster has stepped up as co-manager alongside de Bunsen.

The idea of HAST in its rebuilt form is to seek to achieve long-term returns in excess of those from global equity markets, from a portfolio mainly made up of open- and closed-ended funds that individual investors would be unlikely or unable to own by themselves. At least three-quarters of the 30- to 40-holding portfolio is held in core, long-term investments, although the managers may also take more opportunistic positions. Every holding should have the potential to achieve returns of between 8% and 20% a year, and the overall portfolio has a target NAV total return of 8% a year, measured over rolling three-year periods. HAST's managers stress that it is not an 'absolute return' mandate in the sense of seeking to avoid capital loss (possibly at the expense of upside potential), but rather a fund that seeks to achieve its returns through well-managed exposure to risk.

HAST is a member of the Association of Investment Companies' Flexible Investment sector. It measures its performance against the FTSE World index (in sterling terms), as well as versus its informal, long-term annualised 8% target return. Underlying holdings may use gearing, but HAST itself is ungeared. The fund also aims to pay a growing dividend.

Earlier in 2018, HAST announced its intention to move its year end from 30 September to 31 March, to align its year-end reporting schedule more closely with the reporting dates of private equity and other unquoted investments in the portfolio. It has extended FY18 to an 18-month FY18/19, ending on 31 March 2019. During this period it will produce two sets of interim accounts, for the six months ending 31 March and the six months ending 30 September 2018.

The fund managers: James de Bunsen & Peter Webster

The managers' view: Clear signs of a shift in sentiment

The managers' cautious outlook on global equity markets would seem to have been vindicated by the sharp recent downturn (FTSE World index total return of -7.7% from 1 October to 20 November). De Bunsen points out that for the first eight months of 2018, the FTSE World index was driven almost entirely by the US equity market, which accounted for more than 90% of the index's positive return (versus its 57% index weighting), buoyed by demand for the US dollar. HAST has little mainstream US equity exposure, which has held back the fund's relative performance as the market has risen, but the managers note that this could prove defensive if the downturn persists.

HAST's NAV performance held up well in the generalised equity market volatility seen in February and March 2018. Since then, de Bunsen and Webster have been rotating into more defensive areas, although given their 'specialist and alternative' mandate, the managers explain that they cannot hold large amounts of cash or government bonds. Instead, they have increased exposure to hedge funds that are less sensitive to equity market movements, at the expense of listed private equity and higher-risk credit funds.

De Bunsen says that the US market has been at 'peak earnings growth and peak tax reform', with high valuations. 'It is not healthy only to have one geography – and within that, very few sectors – performing well,' he argues. 'Earnings have been stellar on the back of a one-off tax impact, but the sugar rush will fade as interest rates go up and multiples contract, and you don't need concrete signs of a recession for the tailwind to go from the market.' Webster adds that even before the recent sell-off, there were clear signs of a shift in sentiment, with broker notes having gone from bullish to bearish. The global move towards tighter monetary policy, ongoing trade tensions driven by the US, the fragile state of the Brexit negotiations, and continued political uncertainty emanating from Italy all feed into the managers' more defensive positioning.

Asset allocation

Investment process: Focused but diversified fund selection

HAST's managers, James de Bunsen and Peter Webster, are part of Janus Henderson's multi-asset team, with responsibility for alternative strategies. They each have more than a decade of investment management experience. HAST aims to provide a one-stop shop for investors seeking a differentiated portfolio of alternative assets that are niche, specialist or hard to access. In performance terms, it looks to exceed average global equity market returns (c 8% per year) over the medium to long term.

The portfolio is split broadly into six categories (see Exhibit 3 for current strategy split). Private equity has historically outperformed listed markets over the long term, and HAST's fund selections offer access to early-stage, high-growth companies and buyouts. Hedge fund strategies can protect capital during volatile periods, and the chosen funds offer access to a diversified pool of differentiated strategies. Property exposure is focused on specific growth sectors to help reduce correlation with global property values, with the fund's holdings angled away from the UK prime commercial property market and towards niche, specialist and higher-return areas. Public equity aims to give exposure to secular growth and tactical opportunities in specialist areas of listed markets. HAST's managers are able to draw on the expertise of the wider multi-asset team to invest by sector or geography. Credit investments are focused away from mainstream government and corporate bonds, and instead aim to capitalise on the growth in alternative finance providers as a result of bank disintermediation. Finally, commodities provide potential for uncorrelated returns, particularly when accessed through specialist strategies.

While the categories have been updated to provide a more informative overview of HAST's holdings (the previous classifications of specialist sector and specialist geography have been replaced with the new categories of public equity, credit and commodities), the risk limits for each segment remain unchanged: private equity exposure from 0% to 35%, hedge fund exposure from 0% to 30%, property exposure from 0% to 20%, a maximum of 20% in any single sector, and a maximum of 50% in emerging markets.

HAST's investment process is broadly split into three stages:

- **Idea generation:** the managers monitor the universe of alternative and specialist fund managers, attending conferences, interacting with the broking and research communities, and holding regular meetings with current or potential investments. They also draw on the thematic, asset allocation and risk management ideas of the wider multi-asset team.
- **Detailed due diligence:** the team analyses the track record and investment process of funds to gauge manager quality. The managers also assess asset quality, including diversification, return potential and liquidity; and value, including valuation methodology, fees/costs and key value drivers.
- **Portfolio construction and monitoring:** working within the broad allocation limits set out in Exhibit 3, HAST's managers construct a portfolio of c 30–40 holdings that blend risk and return potential. Underlying holdings have target returns of c 8–20% a year, measured over the medium term to allow for short-term fluctuations. New holdings must fit with the existing portfolio and are assessed for volatility, correlation and liquidity risk, as well as sensitivity to exogenous factors such as the macro environment. Ongoing monitoring of holdings aims to ensure the balance is maintained. Overall turnover is expected to be low, although up to c 25% of the portfolio may be in shorter term, tactical holdings in response to specific opportunities.

Current portfolio positioning

At 31 March 2018, there were 36 holdings in the HAST portfolio (excluding a small number of residual positions of negligible value), compared with 37 a year earlier. The full portfolio is published twice-yearly, at the annual and interim results. At 31 October 2018, the top 10 positions made up 46.9% of the total (see Exhibit 1), a little higher than 44.6% a year previously. The managers' intention is to maintain a portfolio of 30-40 investments, with at least three-quarters in core, long-term holdings, leaving scope for some more opportunistic tactical positions.

Exhibit 3: Strategy split as at 30 September

Investment focus	Portfolio end-September 2018	Portfolio end-September 2017	Change (pp)
Private equity	31.0	33.0	(2.0)
Hedge	21.0	23.0	(2.0)
Public equity	19.0	17.0	2.0
Property	12.0	9.0	3.0
Credit	13.0	18.0	(5.0)
Commodities	4.0	0.0	4.0
	100.0	**100.0**	

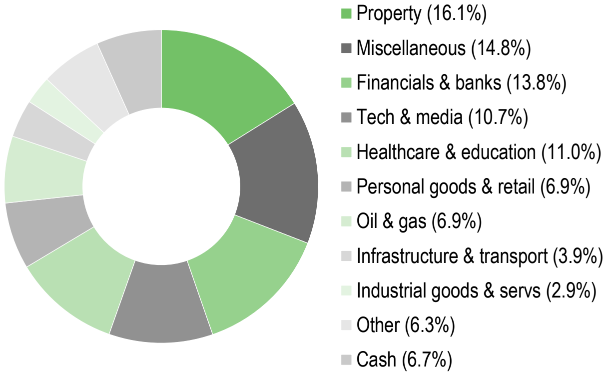
Source: Henderson Alternative Strategies Trust, Edison Investment Research

HAST presents the split of portfolio exposures in a number of ways: by fund/vehicle type (see Exhibit 1), by strategy (Exhibit 3), and on a look-through basis by sector and geography (Exhibit 4). The board and managers are considering alternative ways of presenting this analysis; for instance, de Bunsen says having one category of listed/liquid, for open- and closed-ended funds with daily liquidity (this now covers c 90% of the portfolio following Ceiba Investments' London IPO), and another of unlisted/illiquid would give investors a more accurate picture of underlying liquidity.

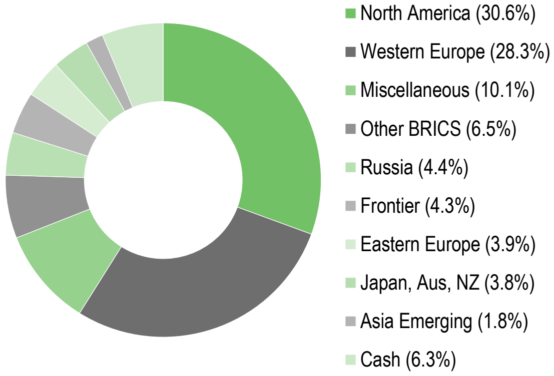
In the 12 months to 30 September 2018, the biggest changes in terms of the structure of underlying holdings has been a 2.0% reduction in listed vehicles on major exchanges, and a 3.0% increase in unlisted vehicles with redemption rights. This has mainly been as a result of exits from some closed-ended specialist debt funds, and the switch from the closed-ended Genesis Emerging Markets Fund to the open-ended Sloane Robinson Emerging Markets Fund. In terms of the strategy splits in Exhibit 3, credit exposure has fallen by 5.0pp, again mainly as a result of exits from credit (and particularly collateralised loan obligation, or CLO) funds. Blackstone GSO Loan Financing and Chenavari Capital Solutions were sold, while the position in Chenavari Toro was trimmed. The managers say they may revisit CLOs in the event of a sell-off in the sector. The other strategies all saw small increases as a result of the specialist sector reduction.

Exhibit 4: Portfolio sector and geographic analysis

Look-through sector exposure at 31 October 2018



Look-through geographical exposure at 31 October 2018



Source: Henderson Alternative Strategies Trust, Edison Investment Research. Note: Sector weightings are approximate.

However, since March, the managers have opened a specialist sector position in a commodities-linked investment, now in the top 10 holdings. The investment, structured as a Luxembourg-listed certificate, aims to exploit inefficiencies in commodity markets. De Bunsen explains that passive investors in commodities (who buy the nearest futures contract and roll forward into the next one before it expires) typically buy higher than they sell, because the price curve for futures slopes upwards due to storage costs. This is known as the 'negative roll yield'. The HAST investment, linked to the Bank of America Merrill Lynch (BofAML) commodities desk, takes a short position in the near-term contract and goes long further out the price curve, providing a positive return as the storage costs priced into the longer-dated contracts are less than the negative roll yield on the near-term contracts. While this is HAST's first investment in the strategy, it is well known to the team, having been included in de Bunsen's other portfolios over the past 10 years. Another new specialist

EDISON

sector investment is litigation finance fund Burford Capital, added in October 2018. In more mainstream equity market exposure, the managers also bought Euro Stoxx 50 dividend futures, believing they can generate double-digit returns with below-market volatility.

On a look-through sector basis (Exhibit 4, left-hand chart), the biggest changes in exposure over 12 months to 31 October 2018 were increases in financials and banks (+2.8pp) and property (+1.3pp) and reductions in personal goods & retail (-1.9pp) and miscellaneous (-2.1%). New property holdings include private rented housing developer/fund manager Sigma Capital (covered in our last note) and Urban Logistics REIT (SHED), a warehouse and logistics fund focusing on last-mile distribution. De Bunsen says SHED is in a growing segment, has an asset management angle and an excellent, specialist management team, and should be able to make double-digit returns for the next couple of years. In financials & banks, as well as the purchase of Burford Capital, the team added to HAST's holding in Axiom European Financial Debt Fund, which was able to pick up good assets cheaply after this year's Italian election sparked a sell-off in bank debt and topped up the position in Polar Capital Global Financials Trust.

In geographical terms (Exhibit 4, right-hand chart), most defined geographical areas saw a small reduction in exposure (0.2–2.1pp) over the 12 months to 31 October, while the 'miscellaneous' category saw a 5.0pp increase (including 4.3pp in the BofAML commodity investment).

A number of other changes took place in the portfolio. The long-standing holding in Baring Vostok (a private equity fund focused on Russia) was trimmed to limit exposure to currency volatility. While the position in EF Realisation was sold (see Performance section), the managers topped up another vehicle in realisation phase, Safeguard Scientifics. De Bunsen said the market had focused too much on the write-downs or disappointing sale prices of some of Safeguard's smaller holdings, and not enough on the sale of 40% of its prize asset, MediaMath. HAST's managers believe there is still 65% upside potential on the remaining businesses, based on conservative exit multiples, although the exits could take two to three years to achieve (implying returns of c 20% a year).

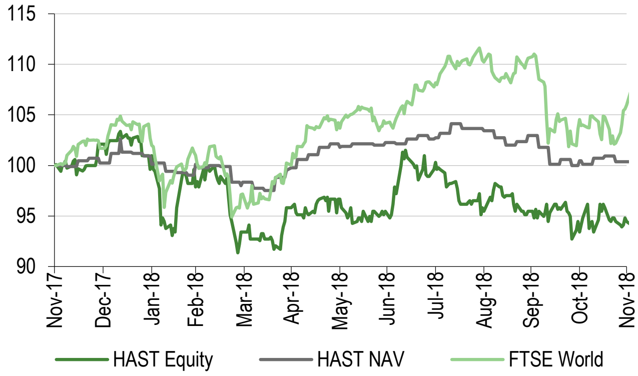
A recent tactical theme in the HAST portfolio has been infrastructure funds. The managers bought International Public Partnerships (INPP) and 3i Infrastructure (3IN) in early 2018, and HICL Infrastructure (HICL) in the second quarter. Although these funds have been trading at a premium to NAV, de Bunsen believes the NAVs understate the true value of the assets. The holding in 3IN was sold earlier this year following very strong performance, and the positions in HICL and INPP were exited during August and September. De Bunsen says the successful consortium bid for John Laing Infrastructure (JLIF), which completed at the end of September at a 23.6% premium to JLIF's share price and a 19.8% premium to its NAV, underlines the attractiveness of the sector, and may have provided further demand for shares in the remaining peers such as INPP and HICL, as JLIF's shareholders looked to reinvest the proceeds of the sale.

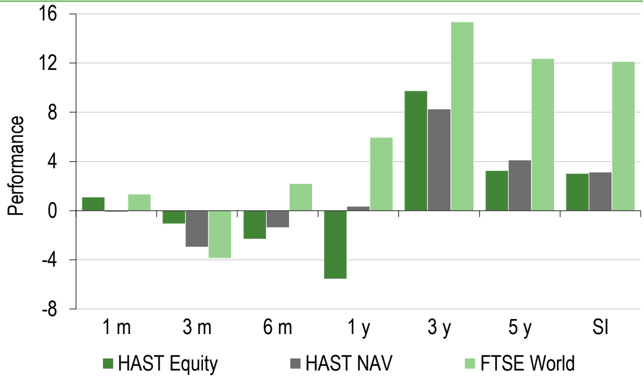
Performance: NAV holding up in volatile periods

HAST aims to achieve NAV total returns of c 8% a year over rolling three-year periods and, over three years to end-November 2018, has returned 8.3% a year (share price total return of 9.7% pa). The lower returns of c 3–4% pa over five years and since the trust moved to Janus Henderson in April 2013 (Exhibit 5) reflect the time it took for HAST's managers carefully to reconstruct the portfolio. Conditions across asset markets in 2018 have been more challenging than in recent years, and HAST's managers are pleased that the portfolio (as measured by NAV performance) proved relatively resilient in the equity market volatility seen in the first half of the year and more recently. They point out that c 90% of the sterling return of the FTSE World index in the first eight months of 2018 came from the US equity market, principally in technology stocks, an area where HAST has very little mainstream exposure.

Exhibit 5: Investment trust performance to 30 November 2018

Price, NAV and benchmark total return performance, one-year rebased	Price, NAV and benchmark total return performance (%)





Source: Thomson Datastream, Edison Investment Research. Note: Three and five-year and since inception (SI) performance figures annualised. Inception date is 1 April 2013, when Janus Henderson began managing the trust.

Exhibit 6: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	SI
Price relative to FTSE World	(0.2)	2.9	(4.4)	(10.9)	(13.9)	(34.4)	(38.2)
NAV relative to FTSE World	(1.5)	0.9	(3.5)	(5.3)	(17.3)	(31.7)	(37.8)
Price relative to FTSE All-Share	2.8	5.3	5.8	(4.2)	7.8	(9.1)	(14.8)
NAV relative to FTSE All-Share	1.6	3.3	6.8	1.8	3.5	(5.3)	(14.3)

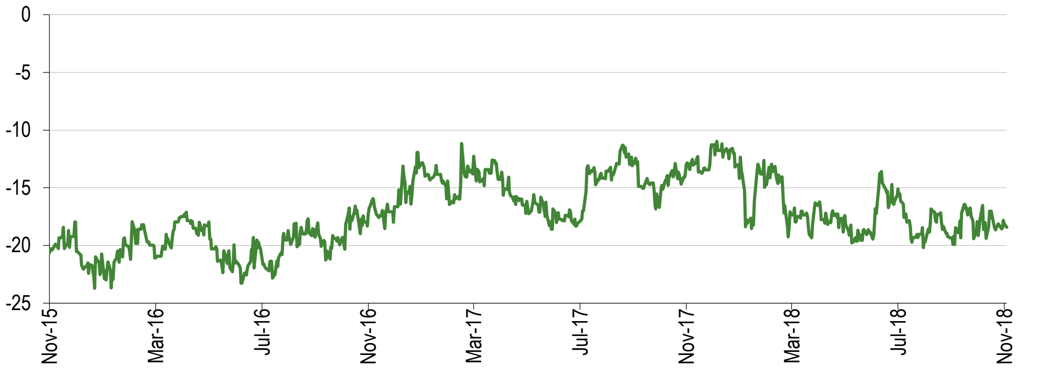
Source: Thomson Datastream, Edison Investment Research. Note: Data to end-November 2018. Geometric calculation. SI = since inception at Janus Henderson, 1 April 2013.

Significant positive contributors to performance so far this year include property developer/fund manager Sigma Capital Group, a new holding at the start of the year, whose shares have appreciated by 29% year-to-date (to 4 December) on the back of strong demand for shares of its fund, PRS REIT; and EF Realisation, sold to a third party seeking exposure to its largest holding Lonestar Resources, ahead of the end of the realisation period in September. The ripple effects of the US trade dispute with China and the strong US dollar have been negative for emerging markets (EM) in general, and HAST's holdings in EM funds such as the Ashmore EM Local Currency bond fund, the Sloane Robinson Emerging Markets Equity fund, and the Indus Pacifichoice hedge fund all detracted from returns. Property was the best-performing sector in the portfolio during the October equity and bond market sell-off, with largest holding Ceiba Investments providing a positive return as a result of its listing on the Specialist Funds Segment of the London Stock Exchange. Although the shares listed at a 16% discount to net asset value, this was a smaller discount than the conservative 25% at which HAST had valued its holding, resulting in an uplift for the portfolio.

Discount: Attractively valued versus peers

Having narrowed to a five-year low of 11.0% in early January 2018, HAST's discount to cum-income NAV has widened as equity markets have seen more volatility throughout the year, and stood at 19.3% at 5 December (based on the 30 November NAV). This is wider than the average discounts over one, three, five and 10 years, which range from 16.6% to 17.2%. HAST's managers say the discount narrowed prior to January's successful continuation vote and widened thereafter, which is not uncommon, although they add that the generally wider-than-average discount (the average of close peers is a premium of 1.1%, and the average discount for all investment trusts is 4.0%) may reflect a market perception that HAST holds more illiquid assets than is actually the case. Over three years, HAST has also outperformed the majority of peers in NAV terms.

Exhibit 7: Share price discount to NAV (including income) over three years (%)



Source: Thomson Datastream, Edison Investment Research

Capital structure and fees

Structured as a conventional investment trust with one class of share, HAST had 38.7m ordinary shares in issue at 5 December 2018. The board has the authority to buy back up to 14.99% of shares or allot shares up to the equivalent of 5% of the share capital, in order to manage a discount or a premium. However, there is currently no formal discount control mechanism. Gearing is permitted up to 20% of net assets, but HAST currently has no borrowing facilities, as underlying holdings may be geared and the managers do not wish to add an extra layer of risk to the portfolio.

In February 2018, the board of HAST announced a reduction in the management fee it pays to Janus Henderson Investors. Instead of a flat 0.70% of net assets per year, the manager now receives 0.60% pa on net assets up to £250m (currently c £130m), falling to 0.55% pa on net assets above £250m. This means ongoing charges (1.02% in FY17) could be lower for FY18/19.

Dividend policy and record

HAST follows a progressive dividend policy and has grown its annual pay-out significantly since the change of management group in 2013 (compound annual growth of 33% from FY13 to FY17). Dividends have historically been paid annually in February/March, and for FY17 (paid February 2018) amounted to 4.75p per share. The board points to the higher level of income generated by HAST's restructured investment portfolio as an important support for future dividend growth. Following the change in year end from 30 September to 31 March, HAST indicated that two dividends will be paid in respect of the transitional period from 1 October 2017 to 31 March 2019 (FY18/19). An interim dividend of 5.0p per share will be paid on 31 January 2019 (broadly in line with the previous full-year dividend schedule) covering the period from 1 October 2017 to 30 September 2018, with a further dividend for the final six months of the period (from 1 October 2018 to 31 March 2019) to be paid following the 2019 AGM, which will move from January to July as a result of the change in year end. The board has indicated that, in future years, a single annual dividend will be paid in July. Based on the current share price and the H118/19 dividend, HAST has a dividend yield of 1.8%. At 31 March 2018, HAST had revenue reserves of 7.2p per share, equivalent to 1.5x the FY17 dividend.

Peer group comparison

The Association of Investment Companies' Flexible Investment sector is home to 16 funds (some of which have multiple share classes) that fall broadly into the categories of multi-asset, fund of funds or absolute return. The funds have widely differing mandates, leading to a similarly wide range of performance outcomes. Below we show a group of peers that we believe to be among the most comparable to HAST, as well as including the average figures for the whole sector. HAST's NAV total returns are above the peer group average over one and three years and below average over five years, ranking second, third and sixth of eight funds, respectively. Ongoing charges are below average and there is no performance fee. HAST's 18.4% discount to NAV is wider than the average for the whole peer group (although several funds trade at discounts of more than 25%) and is significantly wider than the average of the close peers (which trade at a discount of 1.3% including HAST, or at a premium of 1.1% excluding it). The managers point out that in light of HAST's improved medium-term performance record, both in absolute terms and versus the close peers, its wide discount could be viewed as anomalous. In common with the majority of peers, HAST is ungeared; however, some of its underlying holdings may use gearing. The dividend yield of 1.8% is below the average for the whole sector, but in line with the close peer group average.

Exhibit 8: Selected AIC Flexible Investment sector peer group as at 3 December 2018*

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	Ongoing charge	Perf. fee	Discount (cum-fair)	Net gearing	Dividend yield
Henderson Alternative Strategies Trust	**106.0**	**2.3**	**29.3**	**22.1**	**1.0**	**No**	**(18.4)**	**100**	**1.8**
Aberdeen Diversified Income & Growth	396.8	(2.0)	0.9	5.1	0.4	No	(0.7)	109	4.4
BMO Managed Portfolio Growth	71.3	0.8	32.6	49.1	1.0	Yes	(1.2)	100	0.0
Miton Global Opportunities	75.8	(2.4)	54.8	60.4	1.5	No	(0.9)	100	0.0
Personal Assets	924.0	0.1	18.5	30.0	0.9	No	0.6	100	1.4
RIT Capital Partners	3,153.6	4.8	24.8	50.3	1.0	Yes	8.1	119	1.7
Ruffer Investment Company	400.4	(3.4)	7.0	10.4	1.2	No	0.6	100	0.8
Seneca Global Income & Growth Trust	77.0	(3.2)	22.3	35.5	1.4	No	1.5	102	4.1
Peer group average	**650.6**	**(0.4)**	**23.8**	**32.9**	**1.1**		**(1.3)**	**104**	**1.8**
Whole sector average	**444.8**	**1.7**	**30.3**	**42.3**	**1.2**		**(13.1)**	**107**	**2.3**
HAST rank in peer group	**5**	**2**	**3**	**6**	**6**		**8**	**4**	**3**

Source: Morningstar, Edison Investment Research. Note: *Performance to 30 November 2018. TR=total return. Net gearing is total assets less cash and equivalents as a percentage of net assets (100 = ungeared).

The board

There are four directors on HAST's board, all non-executive and independent of the manager. Richard Gubbins was appointed in July 2014 and became chairman later the same year. Jamie Korner, the senior independent director, joined the board in 2013, while Graham Oldroyd, chairman of the audit committee, became a director in 2014. The newest director is Mary-Anne McIntyre, who was appointed in September 2017. The directors have professional backgrounds in accountancy, law, and investment management.

EDISON

General disclaimer and copyright

This report has been commissioned by Henderson Alternative Strategies Trust and prepared and issued by Edison, in consideration of a fee payable by Henderson Alternative Strategies Trust. Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the Edison analyst at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Myonlineadvisers Pty Ltd who holds an Australian Financial Services Licence (Number: 427484). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

Neither this document and associated email (together, the "Communication") constitutes or form part of any offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities, nor shall it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever. Any decision to purchase shares in the Company in the proposed placing should be made solely on the basis of the information to be contained in the admission document to be published in connection therewith.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document (nor will such persons be able to purchase shares in the placing).

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

The Investment Research is a publication distributed in the United States by Edison Investment Research, Inc. Edison Investment Research, Inc. is registered as an investment adviser with the Securities and Exchange Commission. Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a) (11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
295 Madison Avenue, 18th Floor
10017, New York
US

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia