Henderson International Income Trust

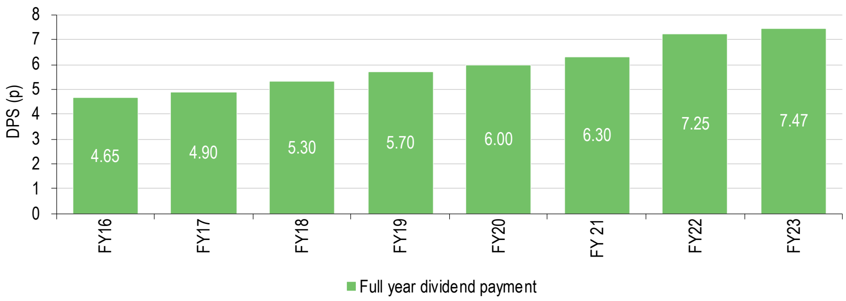
Buying good companies at attractive valuations

Investment trusts
Global ex-UK equity income

24 January 2024

Henderson International Income Trust (HINT) is meeting its long-term objectives to provide both rising income and capital appreciation. It adopted a more generous dividend policy in 2021 and its 4.7% dividend yield is the highest among its peers. HINT has also delivered average annualised gains of 8.4% in NAV terms over the 10 years ended December 2023. However, the manager's cautious, balanced stance, which favours value and defensive names and underweights the US, has underperformed recently due to the AI-driven rally in a handful of tech stocks and the improvement in the United States' economic outlook, which has benefited cyclical names. However, HINT's manager is using what he believes to be unjustifiably low valuations to add good companies with the capacity to grow dividends, at attractive prices. This includes businesses exposed to structural trends such as decarbonisation and the rapid spread of technology. He expects such acquisitions to outperform as the market comes to fully appreciate their merits.

Dividend payment history



Source: HINT, Edison Investment Research

The analyst's view

- HINT's generous, predictable and growing dividend, funded by income from a variety of sectors and regions, and backed by reserves, if necessary, is likely to be a drawcard for investors seeking stable, diversified and rising income sourced from outside the UK, where dividend income is relatively concentrated.
- The company's record of strong outright long-term gains may attract investors, especially as it has outperformed the UK market over the past five and 10 years – a reminder to UK investors of the benefits of diversification into other markets.
- The manager's defensive stance may appeal to those seeking some insulation from the persistent uncertainties regarding the global economic outlook.
- HINT appears attractively valued by historical measures, as its discount is much wider than the average of 1.4% over the past 10 years. This offers investors a potentially attractive entry level and suggests there is scope for the discount to narrow as and when performance returns to form.
- A decline in HINT's ongoing charge to 0.72% for the year ended 31 August 2023, from 0.83% in the previous year, arguably makes it a more attractive proposition for investors.

NOT INTENDED FOR PERSONS IN THE EEA

Price		**158.0p**
Market cap		**£309.7m**
AUM		**£371.6m**
NAV*		180.3p
Discount to NAV		12.4%

*Including income. As at 23 January 2024.

Yield		4.7%
Shares in issue		196.0m
Code/ISIN		HINT/GB00B3PHCS86
Primary exchange		LSE
AIC sector		Global Equity Income
52-week high/low	183.5p	148.5p
NAV* high/low	190.5p	172.7p

*Including income.

Gearing (net)

Net gearing at 31 December 2023	0.0%

Fund objective

Henderson International Income Trust (HINT) seeks to provide shareholders with a growing total annual dividend, as well as capital appreciation, by investing in a focused and internationally diversified portfolio of c 70 stocks that are either listed in, or whose principal business is in, countries outside the UK. The portfolio is diversified by geography, industry and investment size. In April 2022, HINT adopted the MSCI ACWI (ex UK) High Dividend Yield Index as its new benchmark.

Bull points

- A long track record of delivering dividend growth, and strong capital gains and outperformance of UK equities in varied market conditions attests to the manager's stock selection skills.
- An attractive and competitive 4.7% dividend yield, the highest in its AIC sector, and a recently enhanced dividend payout policy.
- Offers exposure to key structural trends that should support earnings, dividends and portfolio returns over the medium to long term.

Bear points

- A focus on income and value means the portfolio may underperform in a growth-driven market.
- Unlike many of its investment company peers, HINT's board has been reticent to use share buybacks to support the share price.
- Gearing is currently zero, and usually conservative, but nonetheless this increases vulnerability to unexpected market downturns.

Analyst

Joanne Collins +44 (0)20 3077 5700

investmenttrusts@edisongroup.com

Edison profile page

Henderson International Income Trust is a research client of Edison Investment Research Limited

HINT: Competitive, rising income & capital appreciation

Using ex-UK opportunities to meet income and return goals

HINT's strategy is to identify attractively valued companies in countries other than the UK that have the capacity to grow their earnings and dividends over the medium to long term, thanks to their strong competitive positions and sustainable business models. The company's manager, Ben Lofthouse, focuses on industry leaders with established competitive advantages, good cash flow generation, durable returns and effective, growth-oriented managers. He believes that these characteristics are even more important in the current high interest rate environment, as they allow companies to continue to invest in their businesses and pay dividends, despite higher funding costs.

HINT's primary objective is to provide rising annual income to shareholders and its secondary objective is to deliver long-term capital appreciation, and the company is meeting both these goals.

A policy of generous, competitive and increasing dividends

HINT's dividend has increased each year since inception in 2011, and in 2021 the company adopted a new, more generous dividend policy that has increased the size of annual dividend payments (see chart on page one).

Recent growth in dividend payments by the company's underlying portfolio companies has been good, and better than expected, reflecting earnings growth and dividend increases from most holdings, across a range of sectors and regions. Lofthouse argues that this suggests that the management teams of HINT's portfolio holdings share his confidence in the long-term outlook for their businesses, and that the higher costs of debt are manageable. HINT's revenue receipts were also boosted by special dividend payments from French oil and gas producer TotalEnergies, US financial exchange operator CME Group and Swiss luxury goods manufacturer Richemont. In all, the weighted average dividend growth across the portfolio exceeded 8% over the financial year ended 31 August 2023. However, the 9% rise in sterling against the US dollar over the financial year meant that after a 23% increase in revenue in 2022, portfolio revenue declined by 1% in GBP terms in FY23.

Nonetheless, HINT's annual dividend increased in FY23 to 7.47p, a 3% rise on the 7.25p paid in the previous year. This increase, which was funded in small part by reserves, extends the company's track record of annual dividend increases. It comprised three quarterly dividend payments of 1.85p and a fourth dividend of 1.92p, which was paid on 30 November 2023. This puts HINT's current dividend yield at 4.7%, currently the highest within its AIC Global Equity Income peer group (Exhibit 2), while Janus Henderson estimates the company's forward dividend yield at 4.3% for the first half of calendar 2023, based on 12-month forward data.

The increase in HINT's fourth interim dividend for FY23 also bodes well for its potential dividend payment in FY24. If past dividend payments are any guide, the first three dividend payments for FY24, beginning 1 September 2023, will each total 1.92p, the same as the fourth interim dividend for FY23, while the fourth interim dividend for FY24 is likely to be at least slightly higher. This implies that the total dividend payment for FY24 is likely to be at least 7.68p, a 2.8% increase on FY23.

HINT's board remains committed to supporting future dividend growth via the utilisation of the company's revenue and capital reserves when necessary. The chairman reiterated this commitment in the company's recently released annual report. And reserves are more than sufficient for this task. At end-FY23, reserves stood at £107m, representing more than 6x dividend cover.

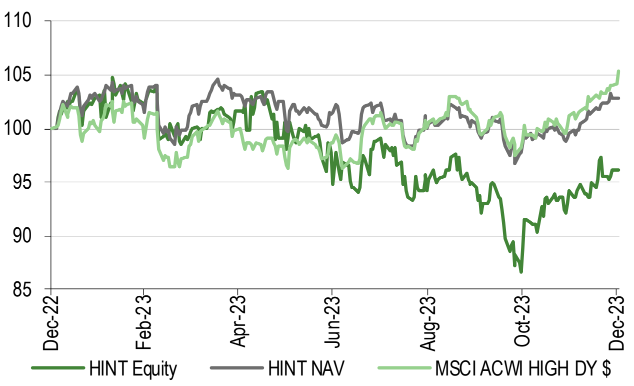
Performance: Strong long term, but disappointing more recently

HINT has also met the company's goal to deliver capital appreciation over the long term. The company has realised an average annualised return of 8.4% pa in NAV terms in the 10 years ended December 2023, not far off the 9.1% return of the company's benchmark, the MSCI ACWI (ex-UK) High Dividend Yield Index. The company has returned an average 7.1% pa on a share price basis over this period. However, near-term performance has been less impressive. In the financial year ended 31 August 2023, HINT's NAV rose 1.4%, while its share price declined by 1.9%, compared to a benchmark return of +2.3%. And over the more recent six-month period ended December 2023, HINT rose by 1.3% in NAV terms, and by 1.4% on a share price basis, compared to a benchmark increase of 5.5%.

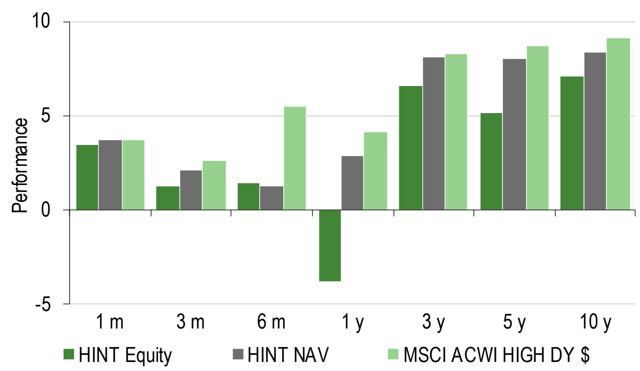
The main reason for this near-term drop in returns has been the manager's relatively cautious, balanced stance, which has favoured value and defensive names, while underweighting the US and tech. However, the recent decline in US inflation and better-than-expected GDP readings have seen cyclical names outperform, while a select group of US tech stocks with exposure to artificial intelligence (AI) have done very well (see Performance section for details).

Exhibit 1: Investment company performance to 31 December 2023

Price, NAV and index total return performance, one-year rebased



Price, NAV and index total return performance (%)



Source: Refinitiv, Edison Investment Research. Note: Three-, five- and 10-year performance figures annualised.

Structural underweights to US and growth affect comparative performance

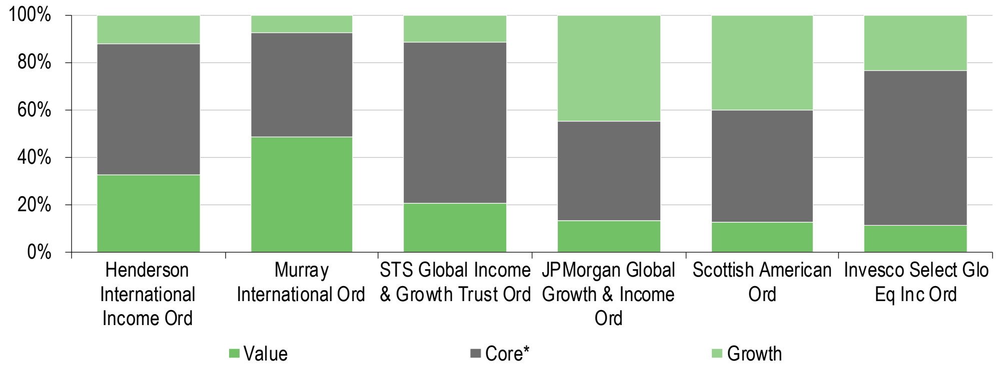
HINT's bias towards value and income stocks and its underweight to the US and to tech names have resulted in its underperformance versus its peers over the time periods shown in Exhibit 2. This is the case in part because US growth stocks dominate indices and have outperformed other markets and sectors for several years. However, this historical underperformance may not be a source of great concern for investors who view the US market as overvalued or for those who are wary of tech and growth stocks more generally and, like HINT's manager, favour a more balanced investment approach. The company's value tilt relative to its peers is illustrated in Exhibit 3.

Exhibit 2: AIC Global Equity Income sector (as at 28 December 2023)

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Ongoing charge	Perf fee	Discount (cum fair)	Net gearing	Dividend yield
Henderson International Income	317.5	3.2	27.4	53.5	129.5	0.7	No	(11.1)	100	4.7
Invesco Perp Select Glo Eq Inc	66.9	22.5	54.4	95.8	182.8	0.8	No	(12.7)	100	2.7
JPMorgan Global Growth & Income	2,081.7	20.0	47.4	115.0	238.5	0.2	No	0.6	101	3.7
Murray International	1,574.2	9.4	35.7	55.2	114.8	0.5	No	(7.0)	108	4.4
Scottish American	948.6	10.8	31.4	86.6	205.6	0.6	No	(1.5)	109	2.6
STS Global Income and Growth	199.9	1.2	17.8	56.8	110.9	0.9	No	0.3	107	2.8
Average (six funds)	**864.8**	**11.2**	**35.7**	**77.1**	**163.7**	**0.7**	**-**	**(5.2)**	**104**	**3.5**
HINT rank in sector	**4**	**5**	**5**	**6**	**4**	**2**		**4**	**4**	**1**

Source: Morningstar, Edison Investment Research. Note: Performance to 26 December 2023 based on cum-fair NAV. TR, total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

Exhibit 3: Portfolio breakdown by style, HINT versus peers



Source: Morningstar, Edison Investment Research Note: *Core represents companies whose value and growth scores are not substantially different; see Morningstar's Style Box for details

Like HINT, some of its peers, such as Scottish American (SAIN) and Murray International Income (MYI), have significant structural underweights to the US, but most lack HINT's focus on capital growth, as well as income. STS Global Income and Growth Trust has a larger allocation to the US, but its main focus is on income and capital preservation. HINT is also distinguished from its global equity income peers by the focused nature of its strategy, which totally excludes stocks from the UK and usually excludes bond investments. HINT is further differentiated from its peers by the fact that it offers a combination of a higher yield with a progressive dividend policy, as discussed above. Its dividend yield is currently the highest among its AIC global equity income peers.

Broadening long-term trends expected to drive earnings growth

Despite the recent dip in performance, HINT's manager is relatively optimistic about the outlook. In his view, some factors that have weighed on economic growth have abated: COVID-19 restrictions have now been lifted everywhere and the energy crisis precipitated by Russia's invasion of Ukraine has been less severe than expected. He concedes that higher rates have hurt some businesses, such as property, renewables and infrastructure, which are reliant on high debt levels. High inflation has also hurt those companies unable to pass on cost increases. However, other businesses such as credit card companies and other payment systems have benefited from higher prices, as they increase sales volumes, and hence transaction fees. Lofthouse sees cost pressures on individuals and households easing as energy prices decline and wage growth begins to catch up with price increases. For him, the main near-term risk is that persistently high rates will slow growth more than expected.

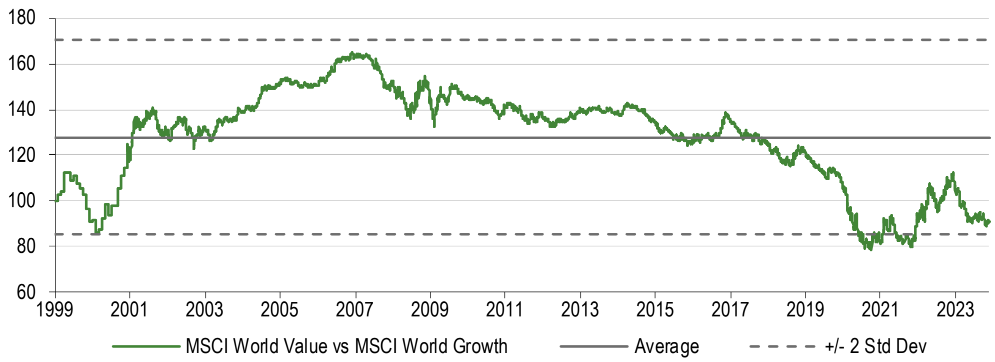
HINT's manager's confidence about the outlook is further supported by his view that several of the long-term trends that will drive earnings are broadening out. All these trends will require heavy public and private investment over many years, generating growth and productivity gains and supporting corporate earnings along the way. For example, the trend towards reshoring and ensuring supply chain security, which began during the pandemic, was given fresh impetus by the energy crisis triggered by Russia's invasion of Ukraine, while efforts to decarbonise continue around the globe, as evidenced by the recent COP28 communique. HINT's positions in companies such as Enel, an Italian gas and electricity producer that also supplies electric vehicle charging infrastructure, and Iberdrola, a Spanish supplier of electricity from renewable sources, will benefit.

The increased penetration of technology across society is one of the most exciting themes for the coming decade, according to Lofthouse. The recent emergence of widely accessible AI tools, led by ChatGPT, has attracted particular attention, and this technology is likely to be adopted rapidly by businesses and governments, revolutionising work practices and reducing costs. The manager believes there are different ways to benefit from this trend, and HINT's portfolio has exposure via its positions in several global leaders in related areas, including Microsoft, which part owns OpenAI (the developer of ChatGPT), leading semiconductor producer TSMC and consumer electronics supplier Samsung. The company's holding in Cisco Systems, which produces IT and communications equipment, is a further play on this theme, as is its position in nVent Electric, which supplies electrical connection and thermal protection systems to cool the data centre servers and processors that support the digitalisation trend.

Low valuations have created investment opportunities

In Lofthouse's view, current valuations do not fully reflect the extent of innovation and change such megatrends will herald. The valuations of value stocks relative to growth names also remain very low by historical measures in both the US and Europe, according to Janus Henderson analysis, suggesting a reversal is overdue (Exhibit 4). Meanwhile, the manager sees many undervalued opportunities and he is taking advantage of low valuations to acquire good businesses, including those with exposure to the structural growth trends mentioned above and those with more defensive or value characteristics. He expects these companies to outperform as the market comes to a fuller realisation of the merits of their businesses. (Some examples of recent acquisitions are discussed in the Current positioning section.)

Exhibit 4: Value stocks at historic lows relative to growth stocks



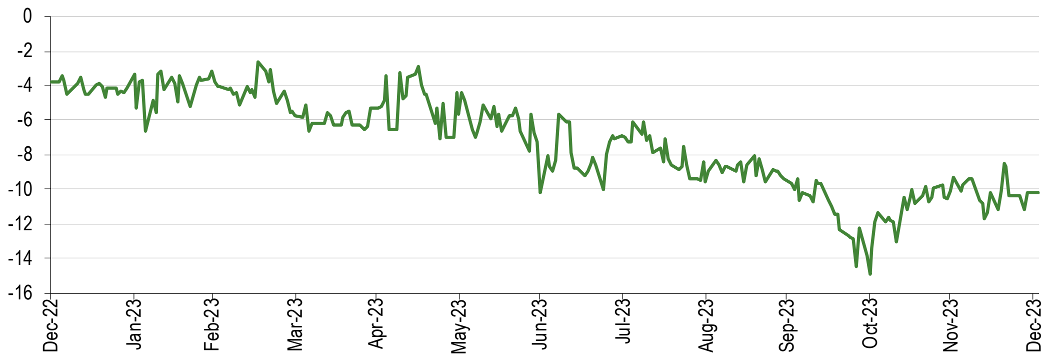
Source: MSCI, Refinitiv, Edison Investment Research

Historically wide discount may represent a buying opportunity

For those who share Lofthouse's positive outlook, now may be a good time to invest in HINT, as the discount at which its shares trade below NAV currently stands at 10%. This is well above its historical average discount of 3.3% over the past five years and 1.4% over the last 10 years. Discount widening has been a common experience for investment companies over the past year or so, regardless of their strategic or regional focus, although the widening in HINT's discount may be at least partially the result of the recent dip in performance. We see potential for the company's discount to narrow as and when investor sentiment towards investment companies improves and performance returns to form. The decline in HINT's ongoing charge may also increase investor interest over time.

HINT's board does not have a specific share buyback programme to support the share price, as it believes its ability to influence the discount beyond the short term is very limited. However, in the board's view, it is sensible to maintain flexibility and it has stated that, subject to market conditions, it will consider appropriate action if the discount moves out of line with the company's peer group.

Exhibit 5: Share price premium/discount to NAV (including income) over one year (%)



Source: Refinitiv, Edison Investment Research

Performance

Exhibit 6: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	MSCI ACWI HDY (%)	MSCI World ex-UK (%)	CBOE UK All Companies (%)	MSCI World (%)
31/12/19	15.4	16.2	20.2	22.7	19.3	23.4
31/12/20	(8.1)	0.2	(0.5)	14.5	(10.9)	12.9
31/12/21	18.4	18.2	16.3	20.2	18.4	23.5
31/12/22	6.4	4.0	5.0	(8.2)	1.6	(7.4)
31/12/23	(3.8)	2.8	4.1	16.2	7.6	17.4

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

FY23 returns supported by overweights to Europe, banks and healthcare

As noted above, while HINT has delivered very good outright returns, close to benchmark, over the long term, performance over the financial year ended 31 August 2023 was more modest. Its NAV rose 1.4%, underperforming the benchmark return of 2.3% over this period. Asset allocation decisions contributed positively to HINT's relative performance during FY23, thanks mainly to the portfolio's overweight to Europe, especially European financials, energy companies and luxury good producers, and its longstanding underweight to the US. US stock selection was another positive, but the favourable impact of these decisions on relative performance was offset by the adverse impact of the manager's overweight to Asia, and stock selection in this region, as the anticipated rebound in Chinese stocks was much weaker than expected.

The manager has favoured European and Asian financials for some time on the view that valuations within this sector have not reflected profitability or dividend sustainability, both of which endured despite the low interest rate environment of the past decade. Now that interest rates are rising, financials have benefited from higher margins, resulting in outperformance and adding to returns over the year ended 31 August 2023. European financials BFF Bank, ING and AXA, and asset managers Van Lanschot and Amundi, were among the most positive individual contributors to performance over the period, and most have made further gains over the remainder of the calendar year. Pharmaceutical names were another positive contributor to returns over FY23, thanks to the non-cyclical nature of drug demand. Denmark's Novo Nordisk was a notably strong performer thanks to its very successful and popular diabetes and obesity drugs, and the stock has seen further significant gains in more recent months.

The company's underweight to tech detracted over FY23, in part due to its positioning in Broadcom, a US semiconductor producer. The manager closed this longstanding position, at a profit, only for the stock to rally subsequently due to its perceived exposure to AI. However, HINT's holdings in other names with AI exposure did well, led by Microsoft, thanks to its share in OpenAI, one of the first companies to attempt to monetise AI via its launch of ChatGPT. Microsoft has continued to make strong gains in the early months of FY24, further enhancing performance in recent months. Cisco Systems and nVent, which specialises in cooling systems for data centres, saw strong gains over FY23, although Cisco's share price has fallen since year-end and the recent performance of nVent has been mixed.

The disappointing performance of several Chinese names was a drag on relative performance in FY23. Leisurewear retailer Li-Ning, auto dealer China Yongda Automobiles and internet retailer JD.com were among the largest underperformers over FY23. HINT's overweight to telecommunications names also detracted, as this sector has been hit by rising bond yields. Its holding of Canadian telecoms operator Telus was a notable detractor. US REIT Crown Castle, which owns telecom towers, was a further casualty of the sell-off in telecoms stocks.

Since the end of FY23, the portfolio's bias towards value and defensive stocks and its underweights to the US and tech have been a drag on relative performance, as expectations of a soft landing for the US economy have boosted cyclical sectors. The rally in a select group of US stocks with AI exposure has also continued. These factors have detracted from recent relative performance, more than offsetting gains in other positions mentioned above.

The manager uses gearing in a countercyclical manner, based on his view that crises and severe volatility usually create attractive buying opportunities that justify increased portfolio leverage. The company's small positive net gearing position (+3.9% at end-FY23) added modestly to returns over the financial year. In addition, higher interest rates reduced the fair value of the company's long-term debt. However, gearing fell to 0% at end October.

For UK investors, it is worth noting that HINT has outperformed the UK market on a NAV basis over the past five and 10 years (Exhibit 7). So, in addition to diversifying their income sources away from the highly concentrated UK market, HINT's shareholders have also enjoyed superior returns by investing abroad.

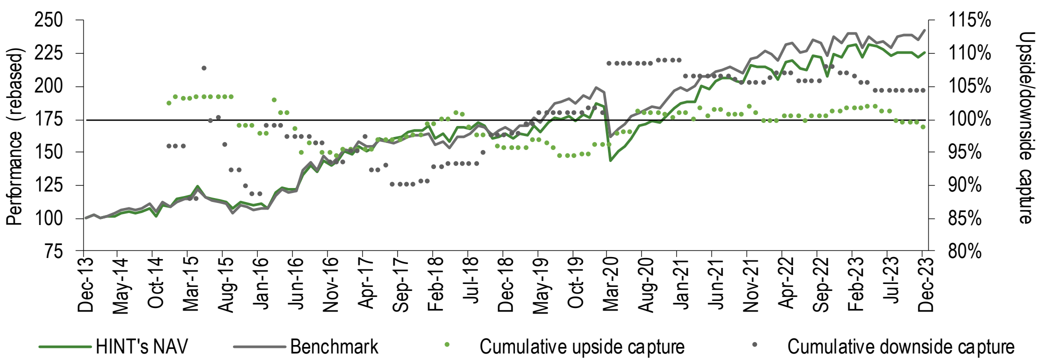
Exhibit 7: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to MSCI ACWI ex-UK HDY	(0.2)	(1.3)	(3.9)	(7.6)	(4.7)	(15.5)	(17.1)
NAV relative to MSCI ACWI ex-UK HDY	(0.0)	(0.5)	(4.0)	(1.2)	(0.5)	(3.1)	(6.7)
Price relative to MSCI World ex-UK	(0.6)	(5.0)	(5.5)	(17.2)	(5.5)	(28.7)	(34.4)
NAV relative to MSCI World ex-UK	(0.4)	(4.2)	(5.6)	(11.5)	(1.4)	(18.3)	(26.2)
Price relative to CBOE UK All Companies	(1.1)	(1.5)	(3.5)	(10.6)	(6.4)	(6.6)	17.9
NAV relative to CBOE UK All Companies	(0.9)	(0.7)	(3.6)	(4.5)	(2.4)	7.0	32.7
Price relative to MSCI World	(0.7)	(5.2)	(5.7)	(18.0)	(9.8)	(31.3)	(36.4)
NAV relative to MSCI World	(0.5)	(4.4)	(5.8)	(12.4)	(5.9)	(21.3)	(28.4)

Source: Refinitiv, Edison Investment Research. Note: Data to end December 2023. Geometric calculation.

Over the past decade, HINT's cumulative upside capture was 99%, illustrating that the trust is likely to perform very closely in line with the market in months when the benchmark rallies (Exhibit 8). The company's downside capture is slightly less favourable, at 104%. In general, a downside capture measure greater than 100% suggests a tendency to underperform in a falling market. However, in HINT's case, its value and defensive tilt means that its downside capture reading has improved over the past year or so, after peaking at around 110% in early 2020 soon after the onset of the pandemic, when growth stocks rallied sharply.

Exhibit 8: HINT's upside/downside capture over 10 years (%)



Source: Refinitiv, Edison Investment Research. Note: Cumulative upside/downside capture calculated as the geometric average NAV total return (TR) of the fund during months with positive/negative reference index TRs, divided by the geometric average reference index TR during these months. A 100% upside/downside indicates that the fund's TR was in line with the reference index's during months with positive/negative returns. Data points for the initial 12 months have been omitted in the exhibit due to the limited number of observations used to calculate the cumulative upside/downside capture ratios.

Current portfolio positioning

Using lower valuations to add structural growth…

As discussed above, the manager has been taking advantage of low valuations to add names offering exposure to structural growth trends such as decarbonisation and the spread of AI and other digital technology. Consistent with both these themes, he has opened a position in Qualcomm, a US semiconductor manufacturer, which designs and makes components for communications tech and software, including mobile phones, modems and pcs. Qualcomm is a more diversified business than previously thanks to growth in new markets such as the auto sector, where demand for semiconductors is rising rapidly, and AI-driven tools, which are heavily dependent on the most advanced chips. Lofthouse has also added positions in connectivity and sensor manufacturer TE Connectivity and Aptiv, which is a leader in electrical systems and components for the auto industry.

At the country level, the portfolio continues to have an overweight exposure to the Asia-Pacific region, but the exposure to China has been reduced as shown in Exhibit 9 and the exposures to India and Japan have been increased. While the investment team continues to see good opportunities in the region, it is apparent that the Chinese consumer remains cautious and exposure to this sector has been reduced via sales of holdings such as e-commerce companies Alibaba and JD.com, and car dealer China Yongda. The proceeds have been used to add to companies that are positioned to benefit from the continued economic recovery and rising technology spending, including Indian IT services company Infosys, Australian industrial property company Goodman Group and Taiwanese electronics manufacturer Hon Hai.

But maintaining balance and diversification with defensive purchases

These US and Asian acquisitions are all growth-oriented stocks, however the manager wants the portfolio to remain diverse and balanced, so he has also been adding to HINT's holdings in attractively valued defensive stocks. He has added to positions in medical devices company Medtronic, insurance company Travelers and industrial conglomerate Honeywell which, in the team's view, possess the potential to grow earnings and dividends throughout the economic cycle.

The company has also acquired some new financial positions with less credit exposure and earnings driven more by volume growth than rate movements. Acquisitions on this theme have included Indian bank HDFC and derivative exchange operator CME, which is one of the largest providers of interest rate derivatives and is benefiting from increased demand due to ongoing uncertainty about the trajectory of interest rates. The manager has also opened a position in Zurich Insurance, which is benefiting as its competitors have sustained higher-than-expected losses due to natural catastrophes and mismanagement of inflation risk. In the US, some insurers have seen their pricing power increase as competitors have ceased to provide insurance cover to California and Florida following a series of natural disasters.

These acquisitions have been funded mainly by profit-taking on some European financial names that have done very well over the last five years, including asset manager Van Lanschot and Finnish diversified insurer Sampo. Taiwanese financial conglomerate CTBC Financial Holding and Canadian Life insurer Manulife have been sold for the same reason. Within the tech sector, in addition to the disposal of Broadcom, discussed above, the manager has closed positions in several other semiconductor manufacturers including MediaTek and Texas Instruments, on the view that Qualcomm offered more diversified exposure to this sector. Other tech-related sales have included computer hardware producer Quanta Computer, Corning, which provides glass components for electronic equipment, Nintendo, an electronic gaming and multimedia company, and Fidelity National Information Services, an electronic payments company hit by lower-than-expected transactions due to competition from other market players.

Exhibit 9: Portfolio geographic exposure (% unless stated)

	Portfolio		
	End-December 2023	End-December 2022*	Change (pp)*
United States	37.4	34.6	2.8
Switzerland	12.2	9.0	3.2
France	10.0	10.4	(0.4)
Germany	4.2	N/A	N/A
Australia	3.9	5.2	(1.3)
China	3.8	5.5	(1.7)
South Korea	3.7	4.5	(0.8)
Sweden	3.1	3.5	(0.4)
Japan	2.7	N/A	N/A
Italy	2.4	2.8	(0.4)
Other	16.6	22.1	(5.5)
	100.0	**100.0**	

Source: Henderson International Income Trust, Edison Investment Research. Note: *N/A where not in end-December 2022 top 10 country exposures.

These changes have not had a major impact on portfolio structure. At the regional level, aside from the decline in exposure to China, as discussed above, the most meaningful shifts in the year to December 2023 were modest rises in exposure to Europe and the US (Exhibit 9). At the sector level, the most notable increases in exposure were to technology and industrials, while exposure to consumer staples and basic materials declined (Exhibit 10).

Exhibit 10: Portfolio sector exposure (% unless stated)

	Portfolio		
	End-December 2023	End-December 2022	Change (pp)
Healthcare	17.8	17.8	(0.1)
Financials	17.3	18.4	(1.2)
Technology	11.6	7.3	4.3
Industrials	10.5	8.7	1.8
Consumer staples	9.6	12.0	(2.4)
Telecommunications	9.2	9.5	(0.3)
Consumer discretionary	8.4	9.2	(0.8)
Basic materials	4.5	6.0	(1.5)
Energy	4.0	4.6	(0.6)
Real Estate	3.9	3.8	0.1
Utilities	3.3	2.6	0.7
	100.0	**100.0**	

Source: Henderson International Income Trust, Edison Investment Research

Exhibit 11: Top 10 holdings

Company	Country	Sector	Portfolio weight %	
			31 December 2023	31 December 2022*
Microsoft	US	Technology	4.4	3.6
Sanofi	France	Pharmaceuticals	3.6	4.1
Merck	US	Pharmaceuticals	3.1	2.9
nVent Electric	UK	Electrical equipment	3.0	N/A
Roche	Switzerland	Pharmaceuticals	2.9	2.3
Zurich Insurance Group	Switzerland	Insurance	2.8	N/A
Novartis	Switzerland	Pharmaceuticals	2.6	2.1
Air Products and Chemicals	US	Specialist Chemicals	2.5	2.5
Coca-Cola	US	Beverages	2.4	2.9
Amundi	France	Asset management	2.4	N/A
Top 10 (% of portfolio)			**29.7**	**28.0**

Source: Henderson International Income Trust, Edison Investment Research. Note: *N/A where not in end-December 2022 top 10.

For details of the trust's profile, investment policy and fees, see our December 2022 report.

London | New York | Frankfurt
20 Red Lion Street
London, WC1R 4PS
United Kingdom