The Henderson Smaller Companies Investment Trust plc

31 July 2010

Fund Manager - Neil Hermon

Company Objective

The objective of The Henderson Smaller Companies Investment Trust plc is to maximise shareholders' total returns by investing in smaller companies that are quoted in the United Kingdom.

Portfolio Manager's Commentary

After two months of falling stock markets, July ushered in a welcome return to rising share prices. The FTSE All-Share rose by 6.9%, with the Hoare Govett Smaller Companies index gaining 6.4%. The turnaround was driven by a number of recent negative news items playing out. Firstly, the Eurozone sovereign debt crisis finally moved off the front pages. Secondly, the European Central Bank's stress analysis of banking solvency eased concerns over financial stocks, as did the deferral of implementing Basel III banking rules. During the month BP also finally delivered a solution for the leaking oil well in the Gulf of Mexico; BP's share price rose c.27% on the month, recovering some of its previous steep falls. In addition, company profit announcements have generally been better than the market expected and merger and acquisition (M&A) activity picked up.

Activity during July centred on M&A activity. Scott Wilson, the consulting engineer, was subject to multiple approaches from two US-based suitors and we sold out after the third approach. Similarly Chloride (uninterruptible power supplies) received competing bids from Emerson Electric and ABB, and again we sold out at the third time of asking. The exit valuations for both companies were very full and it would have taken a number of years of good profit performance to reach anywhere near those values. Additionally, we bought Carphone Warehouse, where we favour its exposure to international expansion and growing demand for smartphones. We also added Encore Oil (North Sea exploration), which has made possibly the most significant find of the last ten years, where we believe the valuation does not yet reflect its full potential.

Trust Information

Epic Code	HSL
AIC Sector	UK Smaller Companies
Trust Type	Conventional (Ords)
Launch Date	1887
Financial Year End	31 May
Dividend Payment	October
Last Ex Div Date	9 September
***Risk Rating**	Slightly Above Average
Premium/Discount	-18.0%
Gearing	9%
Yield	1.25%
Management Fee	0.35%
Performance Fee	Yes
Total Expense Ratio (TER)	0.58%
	(year end 31/05/2010)

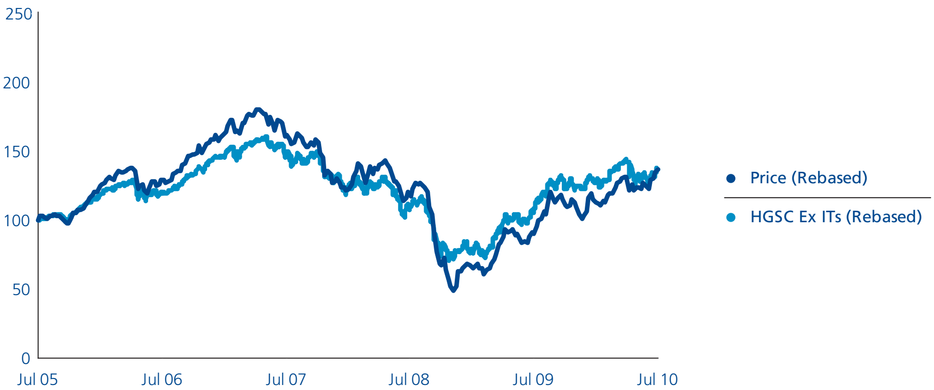
Trust Statistics

Gross total assets	£239m
NAV per ordinary share (cum income)	292.2p
NAV per ordinary share (ex income)	287.1p
Share Price	239.5p

Source: Morningstar and BNP Paribas

*WINS Investment Trusts

Performance vs Benchmark



Cumulative Growth

Performance over:	YTD	1m	3m	6m	12m	3y
Share Price (Total Return)	29.3%	11.1%	4.6%	21.7%	52.6%	-16.0%
Net Asset Value (Total Return)	12.3%	6.7%	-1.6%	11.1%	37.9%	-17.7%
Benchmark (Total Return)	7.7%	6.4%	-3.9%	6.7%	25.7%	-8.9%
Relative NAV Outperformance	**4.6%**	**0.3%**	**2.3%**	**4.4%**	**12.2%**	**-8.8%**
Peer Group Ranking	6/13	4/13	7/13	6/13	5/13	8/13

Peer group rankings are based on the AIC sector

Annual Growth to 30 June 2010

	2009/2010	2008/2009	2007/2008	2006/2007	2005/2006
Share Price (Total Return)	46.6%	-32.7%	-24.1%	28.7%	35.1%
Net Asset Value (Total Return)	40.5%	-30.2%	-22.5%	31.4%	28.9%

Please remember that past performance is not a guide to future performance. The value of an investment and the income from it can rise as well as fall as a result of market and currency fluctuations, and you may not get back the amount originally invested.

All performance, cumulative growth and annual growth, source: Morningstar

Sector Breakdown

Industrials	41.3%
Consumer Services	15.5%
Financials	12.9%
Technology	10.6%
Basic Materials	8.0%
Oil & Gas	5.8%
Consumer Goods	3.3%
Healthcare	2.6%

Top 10 Holdings = 25.6% of Portfolio

Informa	3.8%	Domino Printing	2.4%
WSP Group	3.5%	Intermediate Capital Group	2.1%
Croda Intnl	2.9%	Atkins WS	2.0%
Victrex	2.7%	Premier Oil	1.8%
Spectris Group	2.6%	Carillion	1.8%

Sector breakdown and top 10 holdings, source: BNP Paribas

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