


**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

The UK stock market declined in November. Concerns over the stability of the Eurozone following the bail-out of Ireland and fears on the contagion effect onto Spain and Portugal unsettled investors. Additionally investors took profits after the recent strong rally in equity markets. The FTSE All-Share Index fell 2.3% with small and mid-caps performing in line as the Hoare Govett Smaller Companies (ex Investment Companies) Index declined 2.3%.

Notable contributors to performance included Carphone Warehouse (retailer of mobile phones), which rose 25.9% as the market became excited by the growth opportunity in the US market. Chrysalis (music publishing) rose 43.6% as it received a takeover bid from private equity. Less helpfully WSP (consulting engineer) fell 10.4% as investors took profits.

We increased our position in Heritage Oil (oil exploration), as we believe the company is undervalued and the current drilling campaign in Kurdistan offers significant upside. We also increased our position in Taylor Wimpey (housebuilder) on the view that although the UK housing market remains in the doldrums there is significant value in the company, trading at a 60% discount to prospective net asset value. We sold our position in Bluebay Asset Management (fixed interest asset manager) after the company received an agreed take-over bid from Royal Bank of Canada.

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	15 September
*Risk Rating	Slightly Above Average
Premium/Discount	-19.7%
Gearing	8%
Yield	1.36%
Management Fee	0.35%
Performance Fee	Yes
Total Expense Ratio (TER)	0.58%
	(year end 31/05/2010)

Trust Statistics

Gross total assets	£268m
NAV per ordinary share (cum income)	330.1p
NAV per ordinary share (ex income)	328.9p
Share Price	265.0p

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)	45.1%	-1.7%	13.2%	24.4%	37.1%	12.9%
Net Asset Value (Total Return)	30.1%	-1.5%	15.6%	22.1%	35.3%	5.7%
Benchmark (Total Return)	16.9%	-2.3%	9.1%	12.7%	19.4%	9.0%
Relative NAV Outperformance	13.3%	0.8%	6.4%	9.4%	15.9%	-3.3%
Peer Group Ranking	6/12	10/12	4/12	6/12	5/12	9/12

Peer group rankings are based on the AIC sector

Annual Growth to 30 September 2010

	2009/2010	2008/2009	2007/2008	2006/2007	2005/2006
Share Price (Total Return)	35.5%	12.8%	-33.9%	9.3%	35.5%
Net Asset Value (Total Return)	26.2%	17.5%	-32.8%	14.2%	27.2%

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	42.1%
Consumer Services	14.2%
Financials	11.8%
Technology	9.6%
Basic Materials	9.3%
Oil & Gas	7.3%
Consumer Goods	3.1%
Healthcare	2.6%

Top 10 Holdings = 25.7% of Portfolio

Informa	3.4%	Victrex	2.4%
WSP Group	3.1%	e2v technologies	2.2%
Croda International	2.9%	Intermediate Capital Group	2.2%
Spectris Group	2.9%	Premier Oil	2.0%
Domino Printing	2.6%	Melrose	2.0%

Sector breakdown and top 10 holdings, source: BNP Paribas

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