



**Fund Manager -  
Neil Hermon**

## Fund 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.

## Fund Manager's Commentary

The UK stock market made progress in December as economic news continued to show signs of global recovery. Trading was thin as investors wound down for the Christmas period. The FTSE All-Share index rose 4.3%, with small- and mid-cap stocks marginally underperforming as the Hoare Govett Smaller Companies index climbed 3.5%.

Notable contributors to performance included Mouchel Group (outsourced services), which rose 51.8% as VT Group made a takeover approach for the company. Southern Cross (nursing home operator), rose 32.1% as the company reported pleasing full year numbers and gave a confident message on future prospects. Detractors from performance included Goals Soccer Centres (operator of 5-a-side football centres), which fell 22.4% as the company indicated current trading was tough.

We took a position in Avocet Mining (gold miner), as we believe the shares are due a rerating as it moves to full commercial production. We sold out of our position in Savills (commercial property agent) and Forth Ports (port operator) as we believe both companies look fully valued.

## Trust Information

<b>Epic Code</b>	HSL
<b>AIC Sector</b>	UK Smaller Companies
<b>Trust Type</b>	Conventional (Ords)
<b>Launch Date</b>	1887
<b>Financial Year End</b>	31 May
<b>Dividend Payment</b>	October
<b>Last Ex Div Date</b>	9 September
<b>*Risk Rating</b>	Slightly Above Average
<b>Premium/Discount</b>	-28.3%
<b>Gearing</b>	12%
<b>Yield</b>	1.62%
<b>Management Fee</b>	0.35%
<b>Performance Fee</b>	Yes
<b>Total Expense Ratio (TER)</b>	0.51%

(year end 31/05/2009)

## Trust Statistics

<b>Gross total assets</b>	£218m
<b>NAV per ordinary share (cum income)</b>	258.2p
<b>NAV per ordinary share (ex income)</b>	255.6p
<b>Share Price</b>	185.3p

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)	64.7%	-5.5%	-7.1%	26.0%	64.7%	-33.3%
Net Asset Value (Total Return)	56.5%	4.0%	-1.3%	33.5%	56.5%	-23.2%
Benchmark (Total Return)	60.7%	2.2%	0.4%	26.5%	60.7%	-12.8%
<b>Relative NAV Outperformance</b>	<b>-4.2%</b>	<b>1.8%</b>	<b>-1.7%</b>	<b>7.0%</b>	<b>-4.2%</b>	<b>-10.4%</b>
Peer Group Ranking	7/15	3/15	11/15	1/15	7/15	10/15

Peer group rankings are based on the AIC sector

## Annual Growth to 31 December 2009

	2008/2009	2007/2008	2006/2007	2005/2006	2004/2005
Share Price (Total Return)	64.7%	-50.4%	-18.3%	37.3%	27.8%
Net Asset Value (Total Return)	56.5%	-46.4%	-8.5%	34.8%	23.9%

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	39.3%
Consumer Services	15.2%
Financials	15.1%
Technology	10.3%
Basic Materials	6.3%
Consumer Goods	5.0%
Oil & Gas	4.5%
Health Care	4.3%

## Top 10 Holdings = 24.0% of Portfolio

Informa	3.8%	WS Atkins	2.2%
WSP Group	2.8%	Carillion	2.2%
Spectris Group	2.4%	Victrex	2.1%
Bellway	2.4%	Croda International	2.0%
Intermediate Capital Group	2.2%	Domino Printing	1.9%

Sector breakdown and top 10 holdings, source: BNP Paribas

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