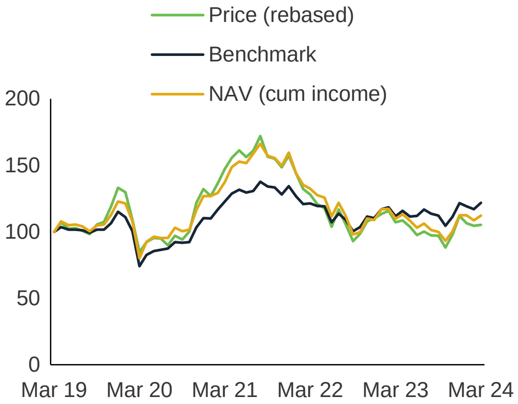
THE HENDERSON SMALLER COMPANIES INVESTMENT TRUST PLC (HSL) ISIN: GB0009065060

Janus Henderson INVESTORS

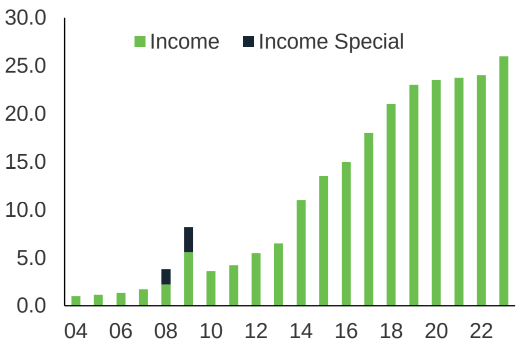
Factsheet - at 31 March 2024

Marketing Communication

Share price performance (total return)



Dividend history (pence/share)



Please note that this chart could include dividends that have been declared but not yet paid.

Performance over (%)	6m	1y	3y	5y	10y
Share price (Total return)	8.6	-1.8	-28.4	5.3	72.0
NAV (Total return)	12.3	2.2	-18.4	12.2	72.5
Benchmark (Total return)	8.5	9.0	-0.7	21.8	56.2
Relative NAV (Total return)	3.7	-6.8	-17.7	-9.6	16.4

Discrete year performance (%)	Share price (total return)	NAV (total return)
31/3/2023 to 31/3/2024	-1.8	2.2
31/3/2022 to 31/3/2023	-16.3	-17.0
31/3/2021 to 31/3/2022	-12.9	-3.8
31/3/2020 to 31/3/2021	73.9	71.7
31/3/2019 to 31/3/2020	-15.4	-19.9

All performance, cumulative growth and annual growth data is sourced from Morningstar.

Commentary at a glance

Performance

In the month under review the Company's NAV total return was 3.4% and the Numis Smaller Companies ex Investment Companies Index total return was 4.2%.

Contributors/detractors (for the quarter)

Balfour Beatty shares performed strongly following the announcement of a new share buyback during its full-year results. Shares in Watches of Switzerland fell following a material profit warning.

Outlook

Although uncertainty remains around short-term economic conditions, we believe the portfolio is well positioned to withstand an economic downturn and exploit any opportunities it presents.

See full commentary on page 3.

Company overview

Objective

The Company aims to maximise shareholders' total returns (capital and income) by investing in smaller companies that are quoted in the United Kingdom.

Company information

NAV (cum income)	907.2p
NAV (ex income)	893.6p
Share price	769.0p
Discount(-)/premium(+)	-15.2%
Yield	3.4%
Net gearing	13%
Net cash	-
Total assets Net assets	£773m £678m
Market capitalisation	£574m
Total voting rights	74,689,431
Total number of holdings	99
Ongoing charges (year end 31 May 2023)	0.44%
Benchmark	Deutsche Numis Smaller Companies ex Investment Companies Index

Source: BNP Paribas for holdings information and Morningstar for all other data. Differences in calculation may occur due to the methodology used.

Please note that the total voting rights in the Company do not include shares held in Treasury.

How to invest
Go to www.janushenderson.com/howtoinvest

Find out more
Go to www.hendersonsmallercompanies.com

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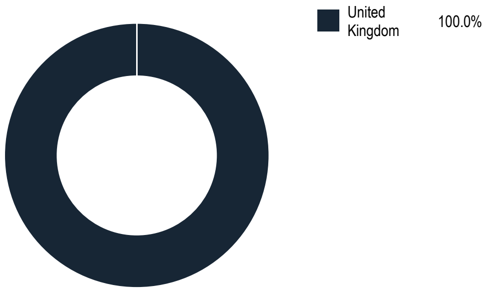
Top 10 holdings

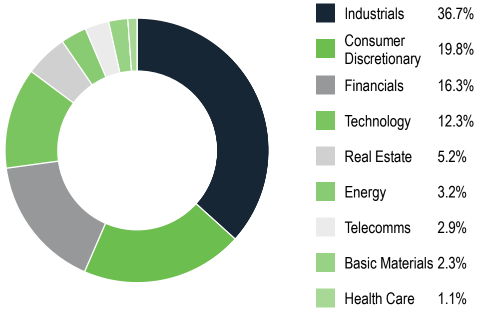
Top 10 holdings	(%)
Paragon Banking Group	3.2
Bellway	3.2
Balfour Beatty	2.9
Vesuvius	2.6
Ascential	2.5
Oxford Instruments	2.5
Mitchells & Butlers	2.4
OSB Group	2.2
Gamma Communications	2.0
Impax Asset Management Group	2.0

References made to individual securities do not constitute a recommendation to buy, sell or hold any security, investment strategy or market sector, and should not be assumed to be profitable. Janus Henderson Investors, its affiliated advisor, or its employees, may have a position in the securities mentioned.

Geographical focus (%)

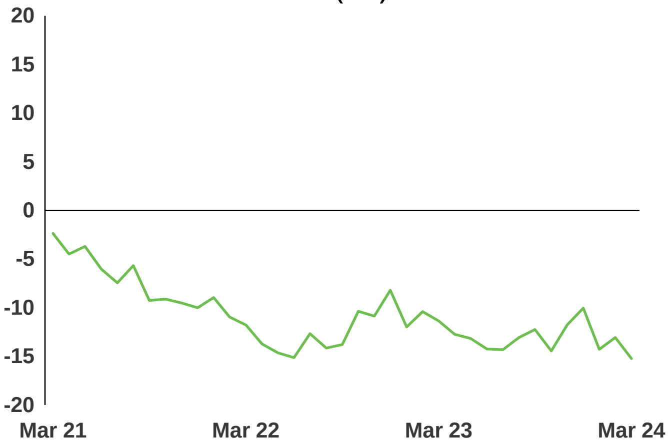


Sector breakdown (%)

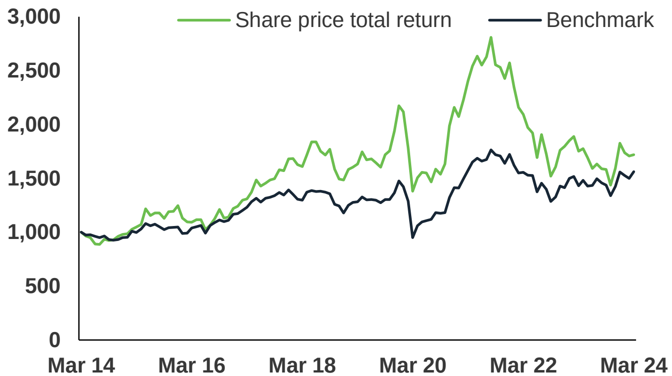


The above sector breakdown may not add up to 100% due to rounding.

Premium/(discount) of share price to NAV at fair value (%)



10 year total return of £1,000



All performance, cumulative growth and annual growth data is sourced from Morningstar. Share price total return is calculated using mid-market share price with dividends reinvested.

Please remember that past performance does not predict future returns. 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. Please refer to the glossary for the definition of share price total return.

Key information

Stock code	HSL
AIC sector	AIC UK Smaller Companies
Benchmark	Deutsche Numis Smaller Companies ex Investment Companies Index
Company type	Conventional (Ords)
Launch date	1887
Financial year	31-May
Dividend payment	March, October
Risk rating (Source: Deutsche Numis)	Slightly above average
Management fee	0.35% of net assets
Performance fee	Yes

(See Annual Report & Key Information Document for more information)

Regional focus	UK
Fund manager appointment	Neil Hermon 2002 Indriatti van Hien 2016

Neil Hermon
Fund Manager

Indriatti van Hien
Deputy Fund Manager

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Customer services
0800 832 832

Fund Manager commentary (for the quarter)

Investment environment

Over the first quarter of the year, UK equities experienced volatility and mixed performance.

Stocks initially fell due to an unexpected uptick in inflation and confirmation of the UK's entry into a technical recession in the second half of 2023.

However, there was a drop in UK inflation to a 30-month low as unemployment increased, raising hopes for potential interest rate cuts by the Bank of England (BoE), despite Governor Andrew Bailey's cautionary stance. This pushed UK equities higher as investors anticipated the BoE would lower interest rates in the coming months.

In the US, consumer prices jumped up. This delayed any Federal Reserve (Fed) interest rate cuts, while oil prices rose amid ongoing Middle East tensions.

Sterling saw fluctuations against the US dollar while the Deutsche Numis Small Companies Index underperformed the FTSE All-Share Index.

Portfolio review

The biggest positive contributors to performance included Balfour Beatty, Gamma Communications and Renishaw. Shares in Balfour Beatty, an international contractor and infrastructure investor, performed strongly following the announcement of a new share buyback during its full-year results. Shares in Gamma Communications, a telecoms operator, rose after the company reported a good set of full-year results and also announced a share buyback. Renishaw, a supplier of instrumentation and measuring equipment, saw its share price rise after the company gave an upbeat assessment of its near-term prospects.

The biggest detractors from performance included Watches of Switzerland, OSB Group and Future. Shares in Watches of Switzerland, a luxury watch retailer, fell following a material profit warning caused by weak Christmas trading in the UK and a higher proportion of Rolex supply in lower-priced models. The impact on profitability was significant and the shares de-rated as investors once again questioned the relationship between the company and its largest supplier, Rolex. OSB Group, a specialist buy-to-let lender, suffered following a profit warning driven by lower net interest margin guidance (forecast) and lower shareholder returns than the market was expecting. Shares in Future, a consumer magazine and online publisher, fell as investors fretted about near-term earnings progression given weak advertising markets.

In terms of activity, we initiated a position in Keller, an international ground engineering contractor. The company's financial performance, led by its US operations, has improved materially. Given better operational control and bidding practices, we like its future prospects and did not think this improvement was reflected in the valuation of the shares at the time of purchase.

We also initiated a position in Telecom Plus, a multi-service provider of utilities, insurance and cash-back cards to nearly one million customers in the UK. The company's unique route to market (a partner referral model) and differentiated product offering (bundled services) has historically led to low customer churn. We took the opportunity to initiate a position in the stock - which was trading on multi-year valuation lows - given market and regulatory changes which have reduced competition in the energy market.

We exited the position in Smart Metering Systems, an owner of smart meters and battery assets, following the recommended bid for the company by KKR. We also sold the position in Headlam, a floorcoverings distributor, as the business continues to struggle with subdued customer demand and low margins.

Manager outlook

While inflation has fallen significantly over the last year, it remains elevated against official targets. Hence central banks, led by the Fed, have retained their hawkish stance. However, it is clear we are at the end of the monetary policy tightening cycle and even the Chair of the Fed conceded that rate cuts were being debated by the committee. What is not clear is the timing of when rates start to fall and the speed of their decrease.

In the meantime, the delayed transmission mechanism of rising interest rates and their impact means that economic conditions are likely to remain difficult in the short term. Notwithstanding this, the prospect of a monetary easing cycle is likely to support global equity markets and allow valuation multiples to expand.

Geopolitics remain challenging with the ongoing conflicts in Ukraine and Gaza and heightened tensions between China and the US. The longer-term economic implications of this are material. There is an urgent need to reduce European dependence on Russian oil and gas supplies and a requirement to decrease China's influence on the global supply chain through investment in nearshoring capability. In addition, domestic politics are likely to be an area of volatility with up to half of the global population going to the polls in the coming 12 months in key elections in the UK, USA, India, Mexico, South Korea and across the EU.

In the corporate sector we are encouraged by the fact that conditions are intrinsically stronger than they were during the Global Financial Crisis of 2008-2009. In particular, balance sheets are more robust. Dividends have recovered strongly and we are seeing an increasing number of companies buying back their own stock.

After an active 2021, the initial public offering (IPO) market has become considerably quieter as equity market confidence has diminished. There are no signs this is likely to change in the short-term. Merger and acquisition (M&A) activity has remained robust as acquirers, particularly private equity, looks to exploit opportunities thrown up by the recent equity market falls. We expect this to continue in the coming months as UK equity market valuations remain markedly depressed versus other developed markets.

In terms of valuations, the equity market is trading below long-term averages. In addition, smaller companies are trading at a historically high discount to their larger counterparts. A sharp rebound in corporate earnings following the pandemic induced shock in 2020 has now faded. Weak economic activity has led to subdued corporate earnings growth in 2023 compounded by rising interest costs and a higher corporate tax burden. These dynamics are unlikely to change in 2024 in our view.

Although uncertainty remains around short-term economic conditions, we think that the portfolio is well positioned to withstand an economic downturn and exploit any opportunities it presents. The movements in equity markets have thrown up some fantastic buying opportunities. However, it is important to be selective as the strength of franchise, market positioning and balance sheets will likely determine the winners from the losers.

Glossary

Discount/Premium

The amount by which the price per share of an investment company is either lower (at a discount) or higher (at a premium) than the net asset value per share (cum income), expressed as a percentage of the net asset value per share.

Gearing

The effect of borrowing money for investment purposes (financial gearing). The amount a company can "gear" is the amount it can borrow in order to invest. Gearing is used in the expectation that the returns on the investments bought will exceed the costs of the borrowings that funded the purchase. This Company can also use synthetic gearing through derivatives and foreign exchange hedging and/or other non-fully funded instruments or techniques.

Leverage

The Company's leverage is the sum of financial gearing and synthetic gearing. Details of the Company's leverage limits can be found in both the Key Information Document and Annual Report. Where a company utilises leverage, the profits and losses incurred by the company can be greater than those of a company that does not use leverage.

Market capitalisation

Share price multiplied by the number of shares in issue, excluding treasury shares, at month end. Shares typically priced mid-market at month-end closing.

Net Asset Value (NAV)

The total value of a Company's assets less its liabilities.

NAV (Cum Income)

The value of investments and cash, including current year revenue, less liabilities (prior charges such as loans, debenture stock and preference shares at fair value).

NAV (Ex Income)

The value of investments and cash, excluding current year revenue, less liabilities (prior charges such as loans, debenture stock and preference shares at fair value).

NAV total return

The theoretical total return on shareholders' funds per share reflecting the change in Net Asset Value (NAV) assuming that dividends paid to shareholders were reinvested at NAV at the time the shares were quoted ex-dividend. A way of measuring investment management performance of investment trusts which is not affected by movements in discounts/premiums.

Net assets

Total assets minus any liabilities such as bank loans or creditors.

Net cash

A company's net exposure to cash/cash equivalents expressed as a percentage of shareholders' funds, after any offset against its gearing. This is only shown for companies that have gearing in place.

Net gearing

A company's total assets (less cash/cash equivalents) divided by shareholders' funds expressed as a percentage.

Ongoing charges

The total expenses for the financial year (excluding performance fee), divided by the average daily net assets, multiplied by 100.

Risk rating

The key measure used to assess risk is volatility of returns, using historic net asset value (NAV) performance of the Company over 1 and 3 years. In this instance volatility measures how much a company's NAV fluctuates over time in relation to the UK Equity market. The higher a volatility figure, the more the NAV has fluctuated (both up and down) over time. Please note that risk categorisations are indicative and based principally on historic data and should not be solely relied upon when making investment decisions.

Share price

Closing mid-market share price at month end.

Share price total return

The theoretical total return to the investor assuming that all dividends received were reinvested in the shares of the company at the time the shares were quoted ex-dividend. Transaction costs are not taken into account.

Total assets

Cum Income NAV multiplied by the number of shares, plus prior charges at fair value.

Yield

Calculated by dividing the current financial year's dividends per share (this will include prospective dividends) by the current price per share, then multiplying by 100 to arrive at a percentage figure.

For a full list of terms please visit: https://www.janushenderson.com/en-gb/investor/glossary/

Source for fund ratings/awards

Overall Morningstar Rating™ is shown for an investment company achieving a rating of 4 or 5.

Company specific risks

- This Company is suitable to be used as one component of several within a diversified investment portfolio. Investors should consider carefully the proportion of their portfolio invested in this Company.
- Active management techniques that have worked well in normal market conditions could prove ineffective or negative for performance at other times.
- The Company could lose money if a counterparty with which it trades becomes unwilling or unable to meet its obligations to the Company.
- Shares can lose value rapidly, and typically involve higher risks than bonds or money market instruments. The value of your investment may fall as a result.
- The return on your investment is directly related to the prevailing market price of the Company's shares, which will trade at a varying discount (or premium) relative to the value of the underlying assets of the Company. As a result, losses (or gains) may be higher or lower than those of the Company's assets.
- If a Company's portfolio is concentrated towards a particular country or geographical region, the investment carries greater risk than a portfolio that is diversified across more countries.
- Most of the investments in this portfolio are in smaller companies shares. They may be more difficult to buy and sell, and their share prices may fluctuate more than those of larger companies.
- Using derivatives exposes the Company to risks different from - and potentially greater than - the risks associated with investing directly in securities. It may therefore result in additional loss, which could be significantly greater than the cost of the derivative.
- The Company may use gearing (borrowing to invest) as part of its investment strategy. If the Company utilises its ability to gear, the profits and losses incurred by the Company can be greater than those of a Company that does not use gearing.