



The Henderson Smaller Companies Investment Trust plc

Update for the Half-Year ended 30 November 2011

Managed by
 **Henderson**
GLOBAL INVESTORS

Objective and Benchmark

To maximise shareholders' total returns by investing mainly in smaller companies that are quoted in the United Kingdom. The benchmark against which performance is measured is the Hoare Govett Smaller Companies Index (excluding investment companies)*.

*Prior to 1 June 2003 the benchmark was the FTSE SmallCap Index (excluding investment companies)

Financial Highlights

	(Unaudited) 30 November 2011	(Unaudited) 30 November 2010	(Audited) 31 May 2011
Total net assets	£252m	£247m	£298m
Net asset value per ordinary share	335.8p	330.4p	398.1p
Net asset value per ordinary share on an alternative basis*	329.2p	323.3p	392.5p
Market price per ordinary share	250.8p	265.0p	319.4p
Total (loss)/return per ordinary share	(58.0)p	56.9p	124.6p
Revenue return per ordinary share	2.3p	1.5p	4.9p
Gearing†	10.3%	8.3%	8.7%

* Calculated by deducting from the net assets the debt at its market value.

† Defined here as the total market value of the Group's investments less shareholders' funds as a percentage of shareholders' funds.

Performance

Comparative total return figures for the periods ended 30 November 2011	6 Months %	1 Year %	2 Years %	3 Years %	5 Years %	10 Years %
The Henderson Smaller Companies Investment Trust plc:						
net asset value per ordinary share	-15.11	3.04	39.86	132.90	9.80	59.38
The Henderson Smaller Companies Investment Trust plc: ordinary share price	-20.38	-4.04	31.49	181.87	-1.49	46.33
Hoare Govett Smaller Companies Index (excluding investment companies)	-13.33	1.81	23.15	97.49	10.50	128.52
FTSE SmallCap Index (excluding investment companies)	-17.91	-7.93	-0.15	58.58	-28.12	11.05
FTSE All-Share Index	-7.44	2.57	14.39	47.89	8.78	58.87

Source: Association of Investment Companies and Datastream.

Chairman's Statement

www.hendersonsmallercompanies.com

Interim Management Report Half-Year Ended 30 November 2011

Introduction

I would like to open my first Chairman's Statement by paying tribute to Dudley Fishburn who stepped down as Chairman at our AGM in September. He was appointed to the board in 1996 and took the Chair in 2003. During the course of Dudley's chairmanship the NAV (total return*) of the Company rose 246% while the Company's share price (total return*) rose 302%. It is also my pleasure to introduce to you this new style of reporting: hopefully you will find this Half-Year Update a relevant and interesting document.

*Source: Datastream

Markets

The two questions on many people's lips are; how bad is it going to get and are the politicians helping or hindering our recovery? The newly formed Office for Budget Responsibility (OBR) has forecast that Britain will narrowly avoid a second dip into recession. However, it has assumed that the Euro crisis can be easily resolved, a view not shared by many. We also have France and the US in election mode, so stable, far-sighted leadership is unlikely to be forthcoming there. In short there are no simple answers. At least in Britain, we have a stable government that is prepared to make difficult and unpopular but necessary decisions. So far David Cameron has kept his head when all about him in Europe are losing theirs and blaming it on him and the City. To me it feels a little more comfortable sitting on this side of the English Channel.

What is in store for the equity markets in 2012? For those who want equity exposure, liquidity and income are now more important than ever, which means that the smaller companies' sector feels unloved and has been outperformed by the large companies' sector. But good small companies can and have reacted quickly to the financial conditions and many are in rude health. Combine this with the depressed state of the market and the long-term

value investor is presented with some eye-catching investment opportunities. During the period under review, the Company's discount has widened, which creates an attractive buying opportunity and the Company bought back some shares just after the period under review.

Results and Performance

The results for the half-year ended 30 November 2011 were, on an absolute basis, disappointing; however, on a relative performance basis they were broadly in line with the sector. The net asset value per share declined from 398.1p to 335.8p, a total loss for the period of 15.1% on a total return basis. By comparison, the total loss of the benchmark index was 13.3%. On 7 October 2011 the Company paid a final dividend of 4.2p per share, in respect of the year ended 31 May 2011. The share price fall over the period was 20.4% on a total return basis.

Continuation Vote

The next continuation vote of the Company will be held at the annual general meeting in 2013.

Outlook

Britain does face tough times, and the markets are going to continue to be volatile. Value investing with a long-term view in a sector that has dynamic and well-run companies is a logical place to be. In the short term, there will be days, weeks, or even months when you will not be rewarded, but those periods will produce opportunities when we should be seeding not harvesting your capital.

Jamie Cayzer-Colvin
Chairman
20 January 2012

Fund Manager's Review

www.hendersonsmallercompanies.com

Half-Year Ended 30 November 2011

Market Review – 6 months to 30 November 2011

The period under review was a very difficult one for equity markets. After remaining resilient throughout the early months of summer a combination of a rating downgrade in the US, continued political wrangling over the US budget deficit and the mounting European sovereign credit crisis pushed the market sharply down in August. Since then the market has been volatile but range-bound with movements up and down affected by the degree of confidence the equity market has had in politicians' ability to find a lasting and workable solution to the Eurozone crisis.

Smaller companies underperformed larger companies over the period. This reverses the trend that has been in place over the last three years but given underlying market conditions is not a surprise. In times of economic uncertainty and weak equity markets, smaller companies tend to lag as investors seek the relative security and liquidity of larger companies.

Fund performance

The Company underperformed the benchmark in the period. The net asset value fell 15.1%, on a total return basis. This compares to a decline of 13.3% (total return) from the Hoare Govett Smaller Companies Index (ex Investment Companies) and a decline of 17.9% (total return) from the FT Smaller Companies Index (ex Investment Companies). The under performance was mostly due to the negative effect of gearing in the Company.

Attribution Analysis

The table below shows the top five contributors to and the bottom five detractors from the Company's relative performance. Some of the following stocks are held in the benchmark index but not by the Company, these have an effect on relative performance.

Top Five contributors to relative performance	6 month return %	Relative percent contribution %
Oxford Instruments	+28.7	+0.7
Ocado*	-60.0	+0.4
Interserve	+14.2	+0.4
Premier Foods*	-82.8	+0.4
Croda International	-5.1	+0.4

Top Five detractors to relative performance	6 month return %	Relative percent contribution %
WSP	-39.3	-0.8
Berkeley Group*	+13.2	-0.3
Kofax	-48.0	-0.3
Domino Printing Sciences	-25.0	-0.3
Lancashire*	+22.4	-0.3

* in benchmark index but not owned by the Company

Principal Contributors

Oxford Instruments produces advanced instrumentation equipment for industrial and scientific research markets; **Ocado** is a distributor of food products to a retail customer base, while the Company had no holding in this company its share price decline helped our relative performance; **Interserve** is an international building contractor with significant interests in the Middle East and in particular Qatar; **Premier Foods** is a branded food manufacturer; and **Croda International** is a speciality chemical producer.

Fund Manager's Review

www.hendersonsmallercompanies.com

Half-Year Ended 30 November 2011

Principal Detractors

WSP is an international engineering consultant principally in the built environment; **Berkeley Group** is a South East focused land developer and housebuilder; **Kofax** supplies software, products and services for use in electronic data and document capture; **Domino Printing Sciences** is a manufacturer of ink-jet and laser printers for commercial use; and **Lancashire** is a global provider of speciality insurance products.

Portfolio Activity

Our approach is to consider our investments as long term in nature and to avoid unnecessary turnover. The focus has been on adding stocks to the portfolio that have good growth prospects, sound financial characteristics and strong management, at a valuation level that does not reflect these strengths. Likewise we have been employing strong sell disciplines to cut out stocks that fail to meet these criteria.

In the period we have added to a number of positions in our portfolio and increased exposure to those stocks we feel are set to improve or will continue with strong performance.

New additions to the portfolio include **Spirit Pub Company**, the managed house operation of Punch Taverns, **RPC**, a manufacturer and seller of rigid plastic packaging, and **WYG Group**, an international consultant engineer.

To balance the additions to our portfolio we have disposed of positions in companies which we felt were set for poor price performance, including the holding in **Hansteen**, **Halfords**, **Topps Tiles**, **Phoenix IT** and **Meggitt**.

Market outlook

The period under review has seen equity markets struggle with concerns over the European sovereign credit crisis and the consequent impact on global economic growth. Although corporates have so far coped well, the current situation remains volatile and there is little confidence in the ability of politicians to come up with a workable solution to the problems facing the Eurozone.

The UK economy has made a modest recovery from recession but is now facing a period of, at best, low growth and, at worst, a double-dip recession. The need to rein in public spending and reduce the public sector deficit is forcing large cuts in government spending. The strength of the UK consumer and housing market is being tested in this environment.

Even so there are plenty of reasons to be positive about equity markets. Valuations are low by historic standards and compare well to other asset classes. Balance sheets are in very good order with strong cash generation and the equity issues of 2009 have left the corporate sector in rude financial strength. M&A continues, albeit at a modest pace, with foreign corporates prominent in attempting to pick up cheap UK assets. This is a trend which will help smaller companies in particular as M&A activity tends to be focused in this area.

In conclusion, the period under review has been a difficult one for the equity market and the Company. Performance was behind the benchmark. However I believe our investments are generally trading soundly, are well financed and attractively valued. Additionally the small cap market continues to throw up exciting growth opportunities in which the Company can invest.

Neil Hermon
Fund Manager
20 January 2012

Financial Summary

www.hendersonsmallercompanies.com

Half-Year Ended 30 November 2011

Extract from the Consolidated Income Statement (unaudited)	Six months ended		30No vember 2011 Total £'000	30No vember 2010 Total £'000
	30No vember 2011 Revenue £'000	30No vember 2011 Capital £'000		
Income Statement				
Investment income	3,621	-	3,621	2,772
Other income	2	-	2	4
(Losses)/gains on investments	-	(45,199)	(45,199)	42,537
Total income	3,623	(45,199)	(41,576)	45,313
Expenses, finance costs & taxation*	(1,888)	-	(1,888)	(2,672)
Net return/(loss) on ordinary activities	1,735	(45,199)	(43,464)	42,641
Return per ordinary share	2.32p	(60.34)p	(58.02)p	56.92p

* Expenses, finance costs and taxation for the comparative period included a performance fee provision of £1,008,000 in respect of the Company's outperformance relative to its benchmark over the six months to 30 November 2010. The provision was charged 100% to capital. No such provision has been made as at 30 November 2011. The actual performance fee, if any, payable to the Manager for the year to 31 May 2012 will depend on outperformance over the full financial year, subject to a cap on the total fees paid to the Manager of 1% of the average value of the net assets of the Company during the year. Details of the performance fee arrangements are set out in the Company's 2011 Annual Report.

Extract from the Consolidated Balance Sheet (unaudited)	30 November 2011	30 November 2010	31 May 2011
	£'000	£'000	(audited) £'000
Balance Sheet			
Fair value of investments	277,573	267,978	324,143
Net current liabilities	(25,999)	(20,500)	(25,959)
Total net assets	251,574	247,478	298,184
Net asset value per ordinary share	335.8p	330.4p	398.1p
Ordinary shares in issue	74,906,796	74,906,796	74,906,796

This Update contains material extracted from the unaudited Half-Year Results of the Company for the six months ended 30 November 2011. The unabridged results for the Half-Year are available on the Company's website, www.hendersonsmallercompanies.com

Investment Portfolio

as at 30 November 2011

www.hendersonsmallercompanies.com

Company	Valuation at 30 Nov 2011		Company	Valuation at 30 Nov 2011	
	£'000	% of Portfolio		£'000	% of Portfolio
Croda	9,748	3.51	Aveva	3,152	1.14
Informa	8,671	3.12	Fidessa	3,091	1.12
Spectris	8,388	3.02	Ultra Electronic	3,061	1.10
Oxford Instruments	7,363	2.65	Synergy Health	3,050	1.10
e2v Technologies	6,868	2.48	Persimmon	3,033	1.09
Bellway	6,704	2.42	Shaftesbury	3,009	1.08
Victrex	6,340	2.29	Howden Joinery	2,945	1.06
Domino Printing	6,001	2.16	Greene King	2,896	1.04
Interserve	5,640	2.03	RWS*	2,834	1.02
WSP	5,446	1.96	NCC	2,788	1.01
Ten Largest	71,169	25.64	Forty Largest	186,449	67.17
Taylor Wimpey	5,404	1.95	Laird	2,777	1.00
Intermediate Capital	5,171	1.86	Kentz	2,622	0.94
WS Atkins	5,149	1.86	Spirent Communications	2,585	0.93
Senior	5,089	1.83	Renishaw	2,575	0.93
Paragon	4,916	1.77	Chemring	2,551	0.92
Rotork	4,882	1.76	Carphone Warehouse	2,516	0.91
Melrose	4,841	1.74	ITE	2,420	0.87
Premier Oil	4,446	1.60	Dunelm	2,356	0.85
Carillion	4,347	1.57	LSL Property Services	2,340	0.84
Restaurant Group	4,276	1.54	Hyder Consulting	2,323	0.84
Twenty Largest	119,690	43.12	Fifty Largest	211,514	76.20
Babcock International	4,227	1.52	Aberdeen		
Northgate	3,990	1.44	Asset Management	2,248	0.81
John Menzies	3,829	1.38	Costain	2,204	0.79
AZ Electronic Materials	3,717	1.34	Capital & Regional	2,169	0.78
Ashtead	3,598	1.29	Chime Communications	2,099	0.76
Anite	3,578	1.29	SIG	2,004	0.72
Grainger	3,535	1.27	GlobeOp Financial Services	1,929	0.69
Balfour Beatty	3,515	1.27	London Mining*	1,911	0.69
Euromoney			CPP	1,878	0.68
Institutional Investor	3,515	1.27	Debenhams	1,830	0.66
Filtrona	3,396	1.22	Lupus Capital*	1,782	0.64
Thirty Largest	156,590	56.41	Sixty Largest	231,568	83.42
			Remaining 48	46,005	16.58
			Total	277,573	100.00

* listed on the Alternative Investment Market



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HG19225/1211