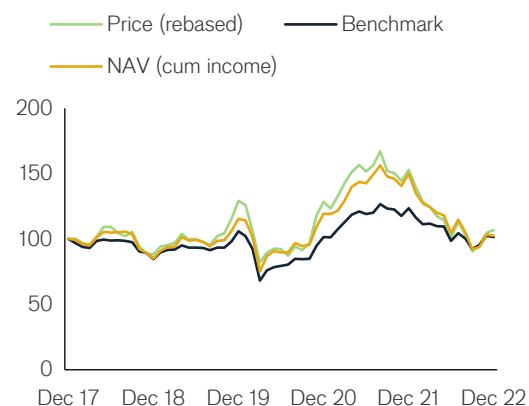


## Share price performance (total return)



## 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)	6.1	-30.1	-17.3	6.9	184.5
NAV (Total return)	-2.2	-31.7	-11.3	2.4	148.5
Benchmark (Total return)	3.0	-17.9	-4.2	1.5	100.4
Relative NAV (Total return)	-5.2	-13.8	-7.1	0.9	48.1

Discrete year performance (%)	Share price	NAV
31/12/2021 to 31/12/2022	-30.1	-31.7
31/12/2020 to 31/12/2021	19.1	25.8
31/12/2019 to 31/12/2020	-0.6	3.3
31/12/2018 to 31/12/2019	46.3	35.7
31/12/2017 to 31/12/2018	-11.6	-14.9

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

Source: at 31/12/22. © 2023 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance does not predict future returns.

## Commentary at a glance

### Performance

The Company outperformed the Numis Smaller Companies ex Investment Companies Index during the month.

### Contributors/detractors (for the quarter)

Positive contributors to performance included Impax Asset Management, which rose as the company reported good results and stronger-than-expected fund flows, and Paragon, following the announcement of its full-year results which highlighted higher-than-expected net interest margins, lower-than-expected cost income ratios and more prudent impairment assumptions.

Negative detractors included GB Group, which suffered following news that private equity had walked away from talks to buy the company, and Harbour Energy and Serica Energy, both North Sea oils and gas producers which fell due to confirmation of further windfall taxes being levied on energy companies.

### Outlook

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

### See full commentary on page 3.

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.

## 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)	914.9p
NAV (ex income)	899.7p
Share price	840.0p
Discount(-)/premium(+)	-8.2%
Yield	2.8%
Net gearing	12%
Net cash	-
Total assets	£765m
Net assets	£683m
Market capitalisation	£627m
Total voting rights	74,701,796
Total number of holdings	100
Ongoing charges (year end 31 May 2022)	0.42%
Benchmark	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 does not include shares held in Treasury.

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.

### How to invest

Go to [www.janushenderson.com/howtoinvest](http://www.janushenderson.com/howtoinvest)

### Find out more

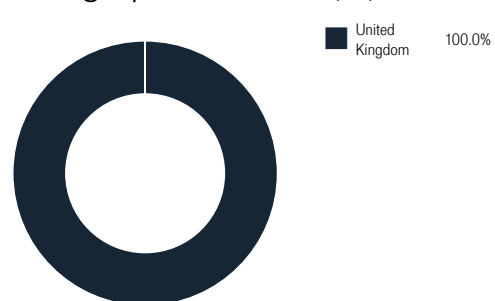
Go to [www.hendersonsmallercompanies.com](http://www.hendersonsmallercompanies.com)

## Top 10 holdings (%)

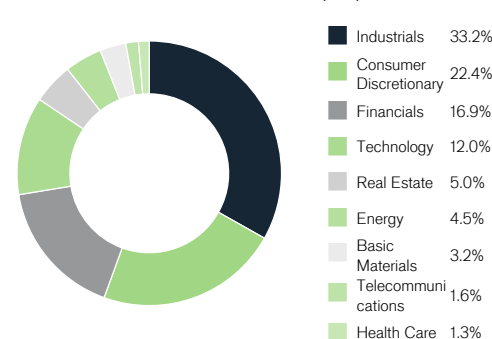
Oxford Instruments	3.1
Impax Asset Management Group	3.1
Paragon Banking Group	2.7
Balfour Beatty	2.6
OSB Group	2.5
Bellway	2.3
Future	2.2
Watches of Switzerland Group	2.2
Vesuvius	2.1
Team17 Group	2.1

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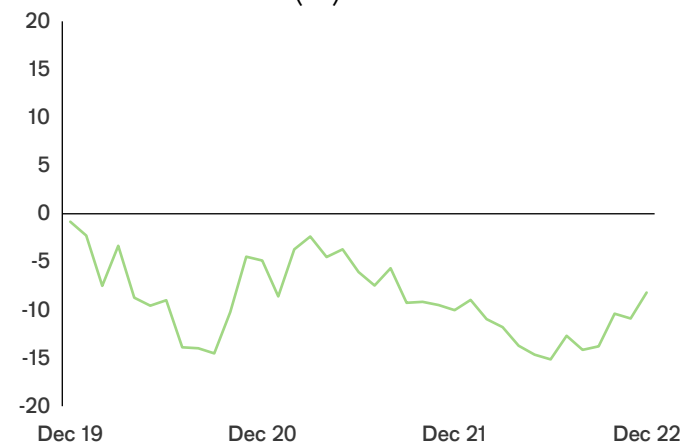
## Geographical focus (%)



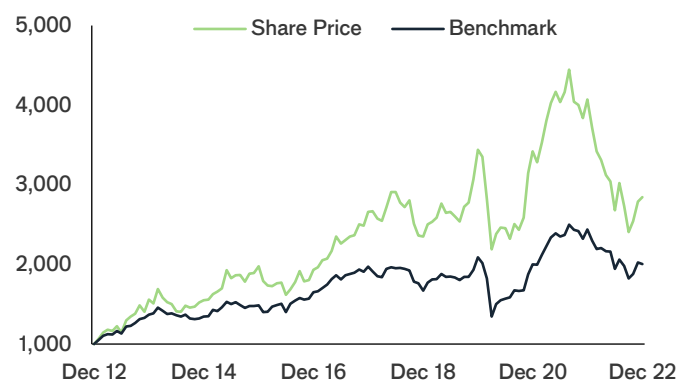
## Sector breakdown (%)



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



## 10 year return of £1,000



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

## Key information

Stock code	HSL
AIC sector	AIC UK Smaller Companies
Benchmark	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: 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



Neil Hermon  
Fund Manager



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### How to invest

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### Customer services

0800 832 832

## Fund Manager commentary (for the quarter)

### Investment environment

UK equities rallied strongly during the period. Globally, the quarter was marked by optimism around a peaking of core inflation and a slowdown in monetary tightening from central banks. In the UK, while the Bank of England continued to raise base interest rates (to 3.5%), the Governor adopted a more dovish tone as he signalled that rates might not rise as high as the market was previously expecting. By contrast, while the incremental increase in the base US rate was lower in December, terminal rates on the US dot plot increased to 5-5.25%, the highest rate since 2007.

In the UK, investors also welcomed the appointment of Rishi Sunak as Prime Minister. He replaced Liz Truss, who resigned following the turmoil caused by her government's unfunded tax-cutting plans. A restoration of fiscal credibility by the new Chancellor's Autumn Statement led to a retracement of sterling's losses in the previous quarter.

Elsewhere, towards the end of the quarter China began to reopen its economy following over two years of a "zero-Covid" policy, while the Bank of Japan surprised markets by lifting the upper ceiling of its yield policy which made for a choppy end of the year for global bond markets. The oil price remained largely unchanged and bond yields rolled over. Smaller companies underperformed their larger counterparts with the Numis Smaller Companies ex-Investment Companies Index up 9.9% against a rise in the FTSE All-Share Index of 8.9%.

### Portfolio review

The company's net asset value (total return) rose 11.1% over the quarter, compared to the Numis Smaller Companies ex-Investment Companies Index which returned 9.9%.

The Company's biggest positive contributors to performance included Impax Asset Management, Paragon Banking Group and Integrafin. Shares in Impax Asset Management, the ethical fund manager, rose as the company reported good results and stronger-than-expected fund flows. Shares in Paragon, the specialist buy-to-let lender, rallied following the announcement of its full-year results which highlighted higher-than-expected net interest margins, lower-than-expected cost income ratios and more prudent impairment assumptions. Shares in Integrafin, the fund administrator, rose alongside the markets given that its fees are tied in to the funds it has under direction.

The Company's biggest detractors from performance included GB Group, Harbour Energy and Serica Energy. Shares in GB, the provider of software and services to the identity and fraud prevention markets, suffered due to the news that private equity had walked away from talks to buy the company. Later in the quarter the company released a trading statement which showed slowing organic growth, albeit overall revenue growth was compensated for by strong foreign exchange tailwinds. Shares in Harbour Energy and Serica Energy, both North Sea oils and gas producers, fell following confirmation of further windfall taxes being levied on energy companies.

In terms of activity, we initiated a position in Morgan Advanced Materials, the thermal and ceramic products business. We think the company has materially improved its portfolio over recent years and recent organic growth has exceeded expectations. We felt the low valuation the company was trading on at the time of writing did not reflect these positives. Additionally, the balance sheet has been strong, giving the company the scope to supplement growth with accretive acquisitions.

We also initiated a position in Wilmington, the information and conference provider in legal, finance and risk and compliance markets. The company has been focused on its core business where it has a leading market position and good growth opportunities. Its operations are mostly non-cyclical, meaning its earnings could be more insulated in an economic downturn.

Elsewhere, we sold the position in RPS, the international engineering consultancy, after it received an agreed bid from a US rival, Tetra Tech. We also sold De La Rue, the banknote and authentication products provider, as we were concerned that the business would struggle to deliver its profitability targets due to cost pressures and competitive markets. We also sold Inspec, the spectacle frame manufacturer, as the integration of previous acquisitions is not going to plan and its end consumer markets remained weak.

### Manager outlook

Global geopolitics remain challenging, particularly with the ongoing conflict in Ukraine and heightened tensions between China and the US. The longer-term implications of this are material, with the isolation of Russia as a pariah state, a stronger more unified Europe and NATO, materially higher defence spending and an urgent need to reduce European dependence on Russian oil and gas supplies. This has exacerbated inflation, particularly in Europe, added to the burden on government spending, dampened animal spirits and hurt economic growth.

With inflation remaining elevated against official targets, central banks, led by the US Federal Reserve (Fed), have remained hawkish. We have seen significant rises in interest rates globally and a move from quantitative easing to monetary tightening policies. The market is forecasting further global rises in interest rates although it is clear we are nearer to the end rather than the start of the monetary policy tightening phase. Oscillating confidence levels in the willingness of central bankers and their ability to strike the right balance between containing inflation and supporting economic growth is driving heightened levels of uncertainty and volatility in global bond and equity markets.

The rapid rise of inflation, particularly driven by energy prices but also by a wider number of other components, is putting pressure on the spending power of individuals and households. Although the labour market is strong and wages are rising, real net disposable income is falling and consumer

confidence is low. We think that sectors exposed to consumer spending are likely to face tougher trading as we move into 2023.

In the corporate sector, conditions are intrinsically stronger than they were during the Global Financial Crisis of 2008-2009. In particular, company balance sheets are more robust in general. Dividends have been recovering 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 look 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, although recent moves in the bond market are causing a pause in activity.

In terms of share price valuations, the equity market is now trading below long-term averages. Corporate earnings were sharply down in 2020 although we saw a sharp recovery in 2021 and 2022. This seems likely to fade in 2023 as a weakening economic environment starts to bite.

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 in our view.

## 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

Month end closing mid-market share price multiplied by the number of shares outstanding at month end.

### Net asset value (NAV)

The total value of a fund'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/>

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#### Company specific risks

- This Company is suitable to be used as one component in several in a diversified investment portfolio. Investors should consider carefully the proportion of their portfolio invested into this Company.
- Active management techniques that have worked well in normal market conditions could prove ineffective or detrimental 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.
- If a Company's portfolio is concentrated towards a particular country or geographical region, the investment carries greater risk than a portfolio diversified across more countries.
- 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.
- Most of the investments in this portfolio are in smaller companies shares. They may be more difficult to buy and sell and their share price may fluctuate more than that of larger companies.
- Derivatives use exposes the Company to risks different from, and potentially greater than, the risks associated with investing directly in securities and may therefore result in additional loss, which could be significantly greater than the cost of the derivative.
- The Company may use gearing 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.

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