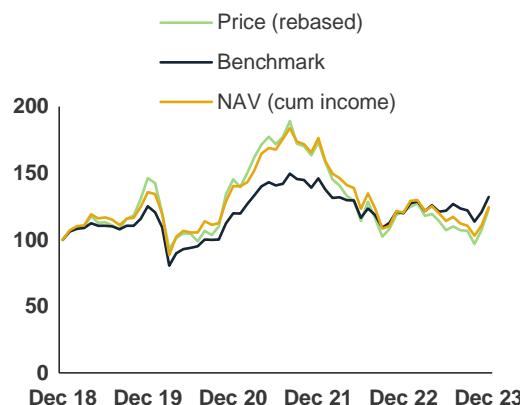
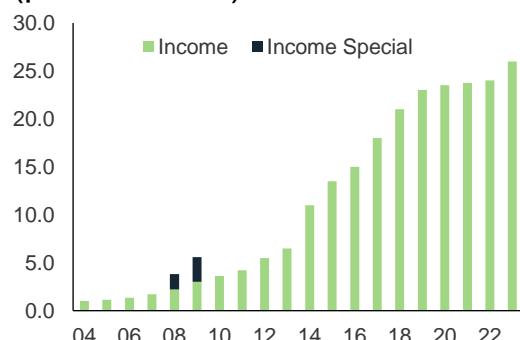


Share price performance (total return)



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)	14.8	1.7	-15.4	23.0	85.8
NAV (Total return)	9.1	3.3	-11.3	24.4	78.9
Benchmark (Total return)	8.6	10.1	10.3	32.1	61.2
Relative NAV (Total return)	0.5	-6.8	-21.6	-7.7	17.7

Discrete year Share price NAV performance (%) (total return) (total return)

31/12/2022 to 31/12/2023	1.7	3.3
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

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

Source: at 31/12/23. © 2024 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (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

In the month under review the Company's NAV total return was 12.4% and the Numis Smaller Companies ex Investment Companies Index total return was 9.4%.

Contributors/detractors (for the quarter)

The largest positive contributor was Paragon, following better than expected results. The largest detractor was Team17, after the company issued a profit-warning due to higher costs.

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.

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)	917.1p
NAV (ex income)	901.4p
Share price	825.0p
Discount(-)/premium(+) (%)	-10.0%
Yield	3.2%
Net gearing	11%
Net cash	-
Total assets	£775m
Net assets	£685m
Market capitalisation	£616m
Total voting rights	74,701,796
Total number of holdings	97
Ongoing charges (year end 31 May 2023)	0.44%
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 do 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. Please refer to the glossary for the definition of share price total return.

How to invest

Go to www.janushenderson.com/howtoinvest

Find out more

Go to www.hendersonsmallercompanies.com

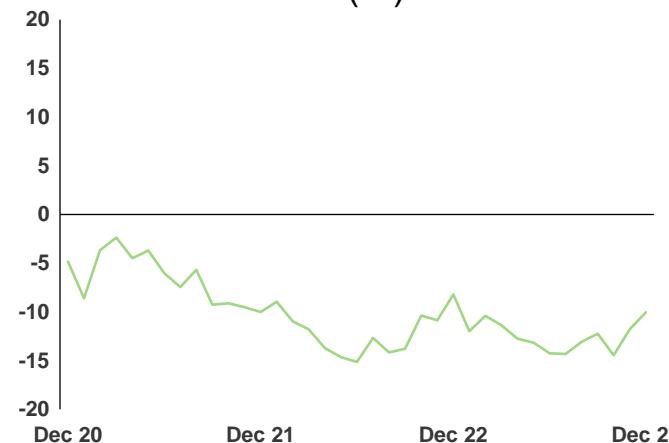
Top 10 holdings(%)Geographical focus (%)

United Kingdom 100.0%

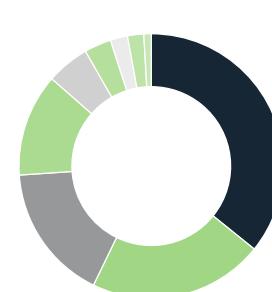


	(%)
Paragon Banking	3.2
Bellway	3.2
Oxford Instruments	2.8
Mitchells & Butlers	2.8
Vesuvius	2.6
OSB Group	2.6
Balfour Beatty	2.5
Ascential	2.4
Impax Asset Management	2.3
Watches of Switzerland	2.0

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

Industrials 35.8%
Consumer Discretionary 21.4%
Financials 16.7%
Technology 12.5%
Real Estate 5.3%
Energy 3.3%
Basic Materials 2.1%
Telecoms 2.0%
Health Care 0.9%

Geographical focus (%)

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

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 Indriatti van Hien 2016



Neil Hermon
Fund Manager



Indriatti van Hien
Deputy Fund Manager

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.

Fund Manager commentary (for the quarter)

Investment environment

The quarter started with investors in a risk-averse mood given the prospect of stubbornly high inflation leading to interest rates remaining higher for longer. From late-October onwards, there was a strong rally in UK equities and in those assets considered to be more risky, as declining inflation led investors to grow increasingly optimistic about a 'soft landing' (versus a recession) for the global economy.

In the UK, headline inflation reached a two-year low. This allowed the Bank of England (BoE) to keep interest rates on hold instead of raising them yet again. This resulted in strong returns for the retail and housebuilding sectors, which had been among the hardest hit as interest rates rose. Oil prices fell following a strong run at the end of the summer, despite the conflict in the Middle East heightening geopolitical risks. Sterling rose against the US dollar, bringing it close to the post-Brexit average. The Numis Smaller Companies Index outperformed by 5.1%, returning 8.3% over the quarter while the FTSE All-Share rose by 3.2%.

Portfolio review

The Company's biggest positive contributors to performance included Paragon Banking, Ascential and OSB Group. Shares in Paragon Banking, the

specialist buy-to-let lender, rose following the announcement of new share buy-back, alongside a strong set of results which beat both earnings and returns expectations. Shares in Ascential, the diversified media group, performed strongly following the announcement that the board had agreed sales of both its digital commerce and trend forecasting (WGSN) businesses, alongside news of a substantial cash return to shareholders (thus bringing the planned managed separation close to conclusion). Shares in OSB Group, another specialist buy-to-let lender, rallied following the announcement of a reassuring set of results following the profits warning in the summer, alongside optimism that falling bond yields would improve the outlook for mortgage loans.

The Company's biggest detractors from performance included Team 17, Pebble and Future. Despite reporting strong revenue growth, shares in Team 17, the video games publisher and developer, suffered following material earnings downgrades caused by poor cost-control and non-cash write-downs of its underperforming games. Shares in Pebble, the promotional products and software group, fell following a profits warning. Corporate spend on promotional products is currently under pressure from budgetary constraints given the more challenging economic times. While full-year results for Future, the specialist media group, were consistent with expectations, the shares reacted negatively to the increased cost investment announced by the new CEO. Sentiment was further dampened by the news that its

long-standing and well-respected CFO was stepping down.

In terms of activity, we initiated a new position in Bloomsbury Publishing, the specialist consumer and educational publishing business. The business has been trading strongly, helped by the success of authors such as J K Rowling and Sarah J Mass and robust trading in consumer publishing. We also like the level of new investment and a net cash balance sheet. Elsewhere, we added to the position in Genuit, the building materials group, as its new management is materially improving the business. Although current market dynamics are tough, we were attracted to the stock by the potential for profit recovery once conditions improve. We exited the positions in Ergomed, a clinical trials provider, and Restaurant Group, the pub and restaurant operator. We made this decision after both companies received agreed bids from private equity.

Manager outlook

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

meantime, the delayed impact of rising interest rates means that economic conditions are likely to remain difficult in the short term. Notwithstanding this, the prospect of monetary policy easing in 2024 seems likely to support global equity markets.

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 capabilities. 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, the US, India, Mexico, South Korea and 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, 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.

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 being compounded by rising interest rates (thus borrowing costs) and a higher corporate tax burden. These dynamics are unlikely to change in 2024. However, the view that the UK economy is entering a moderate recession is now consensual and the debate is now focused on whether the trough will be deeper than expected.

Although uncertainty remains around short-term economic conditions, we think 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.

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