

Henderson UK & Irish Smaller Companies Fund



Fund manager
Adam McConkey



Fund manager
Rob Giles

Fund facts at 30 December 2011

Fund aim

The fund aims to provide long-term capital growth by investing in UK and Irish smaller company shares.

Launch date

30 December 1994

IMA sector

UK Smaller Companies

Fund size

£132.52m

Type of shares

Accumulation

XD dates

1 Jun, 1 Dec

Dividend pay dates

31 Jan, 31 Jul

Minimum investment

Lump sum £1,000
Subsequent £100
Regular saving £100

Charges (%)

Initial 5.00
Annual 1.50

SEDOL number

3244225

Fund manager comment

UK equities rallied into year-end on improving US economic data, albeit on very weak volumes to end the month slightly higher. The FTSE All-Share Total Returns Index ended the month up 0.8%, and ending 2011 3.5% lower. UK equities were among the best performers in Europe, and globally in 2011. Small caps underperformed in 2011, the FTSE Small Cap ex Investment Trusts Index was up 0.2% over the month but lost 15.2% over the year. The FTSE AIM was down 0.4% for the month and down 25.1% this year. The fund rose 0.3% in December, outperforming the benchmark FTSE Small Cap ex IT Index. Our stock selection and underweight to financials (predominantly real estate in the smaller companies space) proved beneficial to the fund once again. An overweight to healthcare stocks also added to returns. Wealth management company Ashcourt Rowan and software firm Innovation Group were the largest contributors to the month's performance. Having fallen in sympathy with broader equity markets last month, Innovation Group's share price has more than recovered, as investors started to appreciate the news of new contract wins in the US and a surge in full-year profit on new business wins. Adding to the news flow is the recent acquisition of Claims Services Australia, which will provide entry into the Australian property claims market. Caretech Holdings and Zytronic were both up over 25% this month. The former, a specialist social care services provider announced a 22% increase in revenues in the year to end September 2011, but underlying pre-tax profits fell. Data centre services provider Iomart Group's share price continued to rise on its strong interim results and bolt-on acquisitions, which recently included Glasgow-based datacentre services firm EQSN. Positions that were less helpful included oil and gas exploration company Max Petroleum. Earlier in the month it announced that the drilling of its ASK-2 well had not encountered any viable reservoirs. Since then Max has announced the identification of three new prospects in Kazakhstan. BatM Advanced Communications also ended the month lower. The share price has now recovered somewhat, having fallen sharply at the start of the month. The leading designer and producer of broadband data and telecoms systems and medical laboratory equipment issued a profit warning, on faster-than-anticipated declines in sales of certain telecoms legacy products. This month we started to build a position in PayPoint, the consumer payment services company, which is benefitting from the strong growth in internet and PayByPhone transactions. We also continue to add to our holding in Quintain Estates and Development. Collins Stewart was sold after an approach for the small cap investment bank at an almost 100% premium by Canadian bank Cannacord. In some quarters the uncertainty in the financial system will have driven a deferral of corporate and consumer spending patterns and profit expectations will need to adjust. But the three-year European Central Bank funding to banks has likely removed the short-term tail risk of a European crisis. Despite protestations to the contrary, the Europeans have finally introduced their own version of QE (quantitative easing) to inject liquidity and confidence into the banking system. Markets are now allowed to breathe again, and fundamentals should start to reassert themselves as drivers of share prices. Overall this is positive for smaller companies, where for an extended period fear has driven investors' decision making rather than stock-specifics. We have reported all year on corporate activity. The approach for Collins Stewart by Cannacord at a substantial premium demonstrates that once again, trade buyers are continuing to focus on those stock-specifics and deep value.

Top 10 holdings

Innovation	4.8
Management Consulting	3.9
Iomart	3.9
Lavendon	2.4
Quintain Estates & Development	1.9
Oakley Capital	1.8
Sepura	1.7
KBC Advanced Technologies	1.7
BATM Advanced Communications	1.6
Kcom	1.6

Total number of holdings

(%) Top 10 sectors

Industrials	29.0
Technology	20.5
Financials	12.8
Consumer Services	9.6
Health Care	9.4
Oil & Gas	5.2
Basic Materials	5.0
Consumer Goods	2.8
Telecommunications	1.6
Resources	1.4

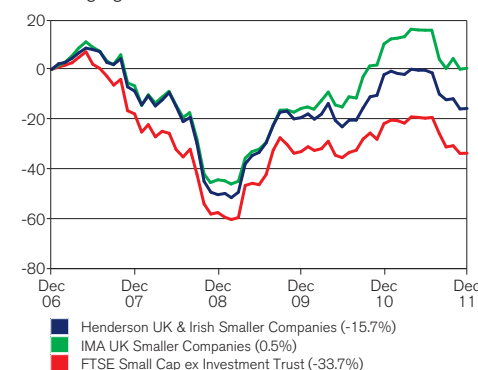
188 Cash

(%)

1.5

Performance

Percentage growth, 29 Dec 06 to 30 Dec 11.



Source: at 30 Dec 11. © 2012 Morningstar. All Rights Reserved, nav-nav, UK sterling, net income reinvested.

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Past performance is not a guide to future performance.

Cumulative performance	Fund % change	Sector % change	Quartile ranking†
1 year	-13.9	-8.9	4th
2 years	4.6	19.3	4th
3 years	70.1	80.8	3rd
4 years	-7.7	7.5	4th
5 years	-15.7	0.5	4th

Source: at 30 Dec 11. © 2012 Morningstar. All Rights Reserved, nav-nav, UK sterling, net income reinvested.

Discrete year performance	Fund % change
31/12/2010 to 30/12/2011	-13.9
31/12/2009 to 31/12/2010	21.4
31/12/2008 to 31/12/2009	62.6
31/12/2007 to 31/12/2008	-45.7
29/12/2006 to 31/12/2007	-8.7

Source: at 30 Dec 11. © 2012 Morningstar. All Rights Reserved, nav-nav, UK sterling, net income reinvested. Discrete performance data may change due to final dividend information being received after quarter end. † 1st quartile means the fund is ranked in the top 25% of funds in its sector.

Henderson UK & Irish Smaller Companies Fund (continued)

General risks

- The value of the Funds and the income from them is not guaranteed and may fall as well as rise. You may get back less than you originally invested.
- Past performance is not a guide to future performance.
- You should note that your tax treatment in relation to any investments held outside an ISA will depend on your individual circumstances and may be subject to change in the future. Governments may change the tax rules which affect you or the Funds in which you have invested.

Risk profile

- Where the Funds invest in assets (including cash) which are denominated in currencies other than the base currency (pounds sterling) then currency exchange rate movements may cause the value of investments to fall as well as rise.
- Funds investing in smaller companies may carry a higher degree of risk than funds investing in larger companies. The shares of smaller companies may be less liquid and their performance more volatile over shorter time periods.

Important information

Please note: due to rounding the figures in the holdings breakdowns may not add up to 100%. FTSE classifications are used for sector data. The fund's annual Authorised Corporate Director's fee is charged to capital. This has the effect of increasing the distribution(s) for the year by 1.50% and constraining the fund's capital performance to an equivalent extent. Fund size at 12pm on last business day of month. Unless otherwise indicated all figures sourced from Morningstar, Henderson Global Investors and BNP Paribas. Please note the views, opinions and forecasts expressed in this document are based on Henderson Global Investors' research, analysis and house views at the time of publication. No recommendations to buy or sell investments are implied. Tax assumptions and reliefs depend upon an investor's particular circumstances and may change if those circumstances or the law change. If you invest through a third party provider you are advised to consult them directly as charges, performance and terms and conditions may differ materially. Issued in the UK by Henderson Global Investors. Henderson Global Investors is the name under which Henderson Global Investors Limited (reg. no. 906355), Henderson Fund Management Limited (reg. no. 2607112), Henderson Investment Funds Limited (reg. no. 2678531), Henderson Investment Management Limited (reg. no. 1795354), Henderson Alternative Investment Advisor Limited (reg. no. 962757), Henderson Equity Partners Limited (reg. no. 2606646), (each incorporated and registered in England and Wales with registered office at 201 Bishopsgate, London EC2M 3AE), Gartmore Investment Limited (reg. no. 1508030), Gartmore Fund Managers Limited (reg. no. 1137353), (each incorporated and registered in England and Wales with registered office 201 Bishopsgate, London EC2M 3AE) are authorised and regulated by the Financial Services Authority to provide investment products and services.

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