

JPMorgan US Smaller Companies Investment Trust plc

Annual Report & Accounts for the year ended 31st December 2015

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J.P.Morgan
Asset Management

Features

Objective

Capital growth from investing in US smaller companies.

Investment Policy

The portfolio is a product of the investment team's bottom-up investment approach and disciplined portfolio construction. The investment philosophy is simple and straightforward; to invest in companies that have a sustainable competitive advantage, run by competent management teams who have a track record of success and are good stewards of capital; and to focus on owning equity stakes in businesses that trade at a discount to their intrinsic value.

Benchmark

The Russell 2000 Index total return with net dividends reinvested, expressed in sterling terms. This index is a smaller companies' index and is rebalanced annually to represent the bottom 10% by market capitalisation of all quoted companies in the US. Comparison of JPMorgan US Smaller Companies Investment Trust plc's (the 'Company') performance is made with this benchmark.

Capital Structure

At 31st December 2015, the Company's share capital comprised 56,970,928 ordinary shares of 2.5p each, including 645,000 shares held in Treasury.

Continuation Vote

In accordance with the Company's Articles of Association, the Directors are required to propose a resolution that the Company continue as an investment trust at the Annual General Meeting in 2020 and every fifth year thereafter.

Management Company

The Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') as its Alternative Investment Fund Manager. JPMF delegates the management of the Company's portfolio to JPMorgan Asset Management ('JPMAM'). The investment team is situated in New York. The portfolio manager, Don San Jose, has managed the portfolio since November 2008. Don is supported by Dan Percella and three experienced investment professionals dedicated to researching US smaller companies, as well as the wider JPMAM investment management team.

FCA regulation of 'non-mainstream pooled investments'

The Company currently conducts its affairs so that the shares issued by JPMorgan US Smaller Companies Investment Trust plc can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust company.

AIC

The Company is a member of the Association of Investment Companies.

Website

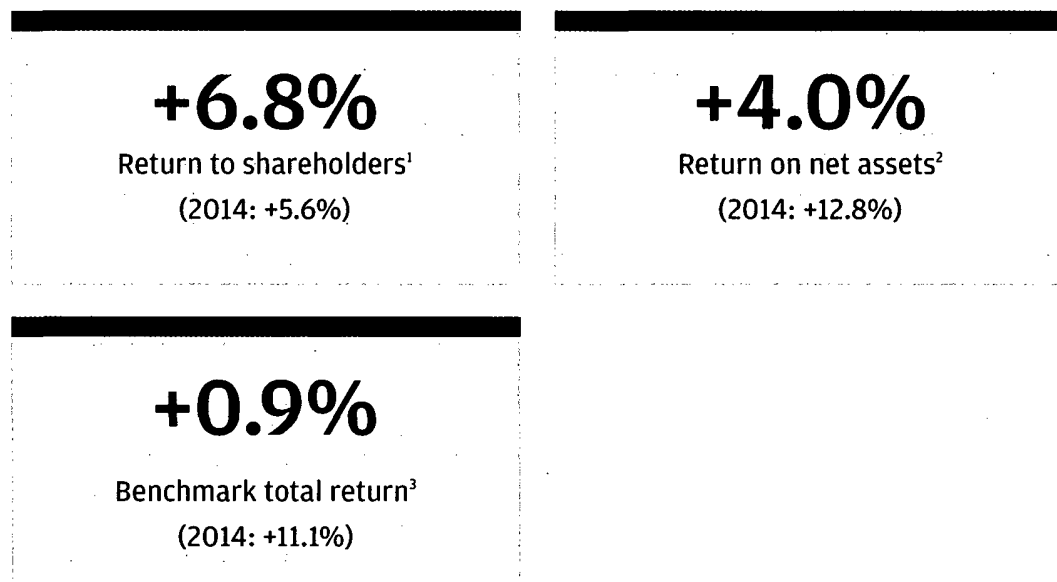
The Company's website can be found at www.jpmsmallercompanies.co.uk and provides useful information on the Company including the latest share price, factsheets and published documentation such as previous Annual Reports.

Contents

2	FINANCIAL RESULTS	35	INDEPENDENT AUDITOR'S REPORT
	STRATEGIC REPORT		FINANCIAL STATEMENTS
3	Chairman's Statement	39	Statement of Comprehensive Income
6	Investment Manager's Report	40	Statement of Changes in Equity
10	Summary of Results	41	Statement of Financial Position
11	Long Term Financial Record	42	Statement of Cash Flows
12	Ten Largest Investments	43	Notes to the Financial Statements
13	Sector Analysis	61	AIFMD Disclosures
14	List of Investments		SHAREHOLDER INFORMATION
16	Business Review	62	Notice of Annual General Meeting
	GOVERNANCE	65	Glossary of Terms and Definitions
21	Board of Directors	66	Where to buy J.P. Morgan Investment Trusts
23	Directors' Report	67	Information about the Company
25	Corporate Governance Statement		
31	Directors' Remuneration Report		
34	Statement of Directors' Responsibilities		

Financial Results

TOTAL RETURNS (INCLUDES DIVIDENDS REINVESTED)



Long Term Performance

TOTAL RETURNS FOR PERIODS ENDED 31ST DECEMBER 2015

¹ Source: Morningstar.

² Source: J.P. Morgan.

³ Source: Russell Investments. The Company's benchmark is the Russell 2000 Index total return with net dividends reinvested, expressed in sterling terms.

A glossary of terms and definitions is provided on page 65.

Strategic Report

CHAIRMAN'S STATEMENT

Performance

2015 was not an easy year for investors in many major markets and positive returns were hard to come by so it is very pleasing to report to shareholders that the Company's net asset value (NAV) increased by 4.0% reflecting both good stock selection and a rise in the US dollar against sterling. Our return on net assets also compared favourably with the Russell 2000, in sterling terms, which increased by 0.9%. The Company's share price rose by 6.8% over the year as the discount to NAV narrowed year-on-year.

Discount and Premium

The outperformance of the share price relative to the NAV as at the year end resulted in a narrowing of the discount. At the risk of being wrong by the time this report goes to print, it is encouraging to see that despite volatile markets over the past several years the Company's share price has traded in a consistent range relative to NAV. US smaller companies are seen as riskier assets, and therefore more volatile in nature, and it is always going to be challenging aligning our share price movement with the change in the NAV, particularly during periods of reduced market liquidity. The relationship between the share price and the NAV is, however, monitored on a daily basis by your Board and our professional advisers. To help the management of the discount, we have in place the authority to repurchase up to 14.99% of the Company's issued share capital and we will be seeking renewal of this authority at the AGM. During the year this authority was not exercised. Currently the Company holds 845,000 shares in Treasury, having purchased 200,000 shares into Treasury since the year end.

Annual Management Fee

Your Board, in conjunction with its advisers, regularly reviews all costs and it had become clear that the annual management fee of 1.2% on the Company's gross assets up to £100 million, and 1% on any gross assets in excess of that amount, was starting to look out of line with other specialist overseas investment trusts. Your Board was therefore delighted to announce in November that with effect from 1st January 2016 the annual management fee is now a flat 1% calculated using gross assets.

Board Succession Planning

As a Board we have now put in place a succession plan, which we believe will reduce the disruption that can be caused by the retirement of non-executive directors (NED) after nine years' service when a board consists of only five directors, all of whom are non-executive. Our problem has been exacerbated as we recruited three directors in relatively quick succession 10 years ago. It is tempting to point out that our shareholders are losing the benefit of considerable experience through the enforcement of this rule in investment companies, however we will respect the guidance and are in the process of making the required changes which, we hope, will avoid compromising the balance of skills on the Board. At the AGM we are asking shareholders to vote on increasing our Directors' Fee Limit which will allow us to recruit a new director in the second half of 2016 taking the Board temporarily to six directors as we plan for the next retirement. At six directors we believe we have good gender diversity and the correct balance of skills, and we will comprise one director appointed in 2012, one in 2014 and one to be recruited in 2016.

CHAIRMAN'S STATEMENT *CONTINUED*

Board Apprentice Programme

JPMorgan US Smaller Companies Investment Trust is delighted to be working with Board Apprentice (www.boardapprentice.com), an organisation which is directly addressing the issue of improving NED board diversity. Board Apprentice finds able candidates from diverse backgrounds who could potentially serve as NEDs but lack the necessary experience. It then matches those candidates to boards who are willing to provide the necessary training and mentoring. Importantly, participation in this programme has no cost to the company offering the training programme. We have appointed Shefaly Yogendra as our Board Apprentice. She has spent her career to date working with investors and start-up companies, advising CEOs, and teaching multi-disciplinary courses to both undergraduates and graduates in India, I am sure we will also get a lot from her participation in our board discussions.

Revenue and Dividend

The revenue for the year, after taxation, was £929,000 (2014: £647,000). Despite the Company generating positive current year revenue, it still has a revenue reserve deficit, and therefore Directors are not proposing payment of a dividend this year. Once the revenue deficit has been cleared the Board will consider paying a dividend but shareholders should note the Company's objective remains that of capital growth.

Gearing

In April 2015 our revolving credit facility with Scotiabank was renewed at US\$20 million with an option to draw a further US\$10 million. At the end of 2015 US\$20 million was drawn and the portfolio was 9.9% geared. This facility matures in April 2016 and the Board will consider another gearing facility at this point.

Currency Hedging

Our portfolio is denominated in US dollars but is converted into sterling on a daily basis for calculating the NAV which exposes the assets to fluctuations in the US dollar/sterling exchange rate. The Board has the authority to reduce or eliminate the exposure to fluctuating currencies through the use of currency hedging. We review our policy on currency hedging regularly but to date we have not carried out any hedging and have no plans to do so in the immediate future.

Annual General Meeting

We are holding our AGM at 60 Victoria Embankment, London EC4Y 0JP on Monday, 25th April 2016 at 2.30 p.m. As in previous years, there will be a presentation by one of the investment management team which will cover a review of 2015 as well as the outlook for the current year. Following the meeting some refreshments will be served which will provide shareholders with the opportunity to meet the Directors and the representatives from JPMAM and ask any questions on the portfolio and performance. If you have any detailed or technical questions, it would be helpful if you could raise them in advance of the meeting by writing to the Company Secretary at 60 Victoria Embankment, London EC4Y 0JP.

Outlook

At the time of writing this report 2016 has produced one of the worst starts to a year for equity markets since the 1970's as investors are faced with absorbing a lot of bad news (slowing growth in China, refugee crisis, global terrorist attacks, Iran and Saudi tensions) and little in the way of good news. On a positive note, sell-offs in markets tend to get overdone and create good buying opportunities for those investors prepared to invest for the long term.

I continue to believe that our Company has in place the key ingredients that an investor should look for in any potential investment: people, investment philosophy, investment process, strong and stable ownership and performance. Performance is deliberately last as you cannot 'buy' past performance, whereas the other factors will be there in the future. 'People' is undoubtedly the key factor and with Don San Jose and his co-head Dan Percella, the Company has two experienced US small cap managers who, along with three other members of the team, have built a strong team culture around them within the New York-based group. The team has a clearly defined investment philosophy and a disciplined investment process, and importantly, with JPMAM being part of one of the strongest financial institutions, the asset management business is both stable and well-resourced. The US is now entering a Presidential election year which will create its own set of uncertainties, especially to outside investors, however it should not be forgotten that the US economy has a long history of creating exciting growth prospects in the small cap sector and our Company should continue to take advantage of these opportunities for the reasons set out above.

Davina Walter
Chairman

17th March 2016

INVESTMENT MANAGER'S REPORT

Don San Jose

Don San Jose has been with J.P. Morgan for 15 years and has been responsible for co-managing the Company's portfolio from November 2008 until February 2013. In February 2013, Don assumed lead portfolio management duties of the Company. Don first joined J.P. Morgan as a research analyst and for the past ten years has worked as a co-portfolio manager on JPMAM's US small cap core active strategy.

Dan Percella

With effect from February 2014 Dan Percella became co-manager of the Company's portfolio, with Don remaining as lead portfolio manager. Dan has been with J.P. Morgan since 2008. He was previously a member of institutional investor-ranked equity research teams covering the transportation sector at other investment firms. Prior to equity research, Dan worked as an analyst at an economic consulting firm.

Don and Dan are supported by a team of three investment professionals dedicated to researching US smaller companies:

Jon Brachle

Jon has been with J.P. Morgan since 2007. He was previously a research assistant covering software and IT services companies for JPMAM's large cap equity group.

Jason Blumstein

Jason has been with J.P. Morgan since 2007. He was previously the lead US equity due diligence and portfolio construction analyst for JPMAM's asset allocation product, and was the co-developer of this product.

Chris Carter

Chris has been with J.P.Morgan since 2015. He was previously on the Sell Side for 7 years covering the Healthcare Services sector, and started his career on the Buy Side as an equity analyst.

2015 was a rather frustrating one for US equity investors, with an annual gain of only 1% in dollar terms for the S&P 500, largely thanks to dividends and the very strong returns from a handful of large cap technology-driven stocks. There was a defensive tone in the markets as large cap stocks outperformed smaller cap names and the Russell 2000 Index lost 4.4%. Currency helped GBP investors, as they enjoyed a return of 7.0% for the S&P 500 and 0.9% for the Russell 2000 in GBP.

Throughout the year, investors grappled with the positive influence of a gradual recovery in US consumer spending, improving employment trends (admittedly a lagging indicator), and continued low interest rates versus the increasingly negative influence of weaker global economic growth, tumbling commodity prices, and a Fed that wanted to begin a monetary tightening cycle. In fact, the long awaited Federal Reserve's first move finally came on 16th December when the Fed raised the federal funds rate from 0.25% to 0.50% ending seven years of a near-zero interest rate policy. In her press conference, Chair Yellen emphasized that 'gradual' did not mean 'mechanical', suggesting that investors should not necessarily expect one rate hike at every other meeting and that the Fed would be data dependent.

The strong dollar, increasing supply from shale technology, overspending (aided by years of low interest rates) and slower global growth dealt a mighty blow to the energy sector in the form of lower oil prices. Over time, the disease seemed to spread to the broader industrial sector which had previously benefited from a strong energy capex cycle. As a result, quarterly corporate profits began to stagnate and then deteriorate and 2015 is unlikely to show an increase in corporate profits once numbers are rolled up for the year.

The year could have been worse of course, but lacklustre returns and markedly higher volatility made for an unwelcome contrast with the previous three years.

Investment Performance

For the year to 31st December 2015, the Company's total return on net assets was 4.0%, ahead of our benchmark, the Russell 2000 Index, which rose 0.9% in GBP.

With only a handful of sectors posting a positive return for the year, stock selection was critical and was the key driver of the portfolio's performance. In particular, our stock selection in the consumer discretionary, materials & processing, financial services and energy sectors added value. Each of these sectors outperformed their benchmark peer group by an average of 15%.

Overweight positions in Pool Corporation and Jarden were among the top contributors in the consumer discretionary sector as well as the portfolio overall. Pool, a wholesale distributor of pool equipment and supplies, reported better than expected earnings during the year. These results were particularly impressive as many investors were concerned that California's drought and oil-related job losses in Texas would weigh on results. We have selectively trimmed our position to manage risk but the stock remains a core holding as we appreciate the visibility in the business from a recurring revenue stream and we remain confident in management's strategy and the fundamentals of the business. Jarden, a provider of a broad range of consumer products, announced that they were being acquired by Newell Rubbermaid at roughly a 25% premium to Jarden's share price pre-merger speculation. While we are sad to see Jarden go, as it has been a strong outperformer for us through the years, we note that we think management has again made a smart capital allocation decision in selling the company at this point.

Our strong performance in the materials & processing sector was predominately driven by our exposure to Patrick Industries and to a lesser extent positions in AptarGroup and Comfort Systems. Patrick Industries manufactures building products and materials for the recreational vehicle and manufactured housing industries. Patrick reported strong earnings during the year as it used its balance sheet strength to make key acquisitions that helped drive results. Patrick is a key supplier and trusted partner in the recreational vehicle (RV) supply chain. They operate a nationwide, integrated manufacturing and distribution network which creates a strong competitive advantage by keeping the company close to its customers. Their experienced management team have made strategic acquisitions in a highly fragmented industry, while accelerating organic growth in excess of the RV market's recovery by increasing content per RV through new product introductions. While we believe that the long term demographic trends support continued growth in the industry, we have been trimming our holding on strength to manage our position size and exposures.

The fourth of our top contributors was Waste Connections, a provider of solid waste collection, transfer and disposal services. The stock was rewarded for its positive third quarter earnings report, which demonstrated continued momentum in the company's core solid waste business. We trimmed some of our position during the year, but we continue to have conviction in the name. It remains one of the largest positions within the portfolio given its strong recurring revenue and free cash flow generation. Moreover, Waste Connections is guided by a capable management team with a track record of long-term value creation and disciplined capital allocation.

In contrast, our stock selection and underweight exposure in health care and technology sectors detracted the most from relative performance. In health care, it was really a question of names that we did not hold that caused the most damage. Biotechnology concerns such as Anacor Pharmaceuticals, Dyax and Neurocrine Biosciences drove the benchmark's performance in the sector as they rallied on average 190% for the year. We continue to find it difficult to find compelling investment ideas within the health care space that meet our investment criteria, particularly in the biotech sub-sector and we remain underweight this area. Within technology, our exposure to Rovi for some of the period detracted the most from the overall portfolio as well as the sector. The company has been engaged in patent litigation throughout the year, and announced that all five of the patents under question in an interactive program guides (IPG) patent infringement case versus Netflix were deemed invalid. While Rovi holds over 3,500 patents, the fact that all five were named invalid called into question the validity of the remaining portfolio. We exited the name following the announcement.

Another detractor during the period was Ascent Capital Group, a holding company that provides home security alarm monitoring through its subsidiaries. During the year, Ascent's customer attrition levels remained elevated amid increasing entrants and competition in the home security alarm market. We exited our position as we lost confidence in the management team after a year of poor operational execution, ineffective capital allocation, and rising competition industrywide.

Portfolio Positioning

With regards to our portfolio positioning, our main allocations remain in the financial services, consumer discretionary and producer durables sectors. These three sectors account for approximately 60% of the portfolio's overall allocation.

INVESTMENT MANAGER'S REPORT *CONTINUED*

In the consumer space, we continue to find a great deal of investment ideas which meet our investment criteria and retain a sizable overweight in this sector relative to the benchmark. With regards to financials, which accounts for approximately a quarter of the portfolio, we have a slight underweight relative to our benchmark. Within financials, we continue to favour those names that in our opinion are best positioned to navigate the interest rate and regulatory challenges in the sector and are run by conservative management teams with a solid track record of value creation. We maintained our overweight position in the producer durables sector and during the year selectively added to our exposure.

We continue to have an underweight exposure in the health care and technology sectors relative to our benchmark. While our health care exposure was relatively unchanged during the year, our underweight position in the technology sector has widened further. Historically, we have had a difficult time finding investment ideas in the health care and technology sectors given rapidly changing competitive landscapes in these sectors and our strict adherence to a disciplined investment process that prioritises companies with durable business models and sustainable cash flows.

PERFORMANCE ATTRIBUTION FOR THE YEAR ENDED 31ST DECEMBER 2015

	%	%
Contributions to total returns		
Benchmark return		0.9
Sector allocation	-2.8	
Stock selection	8.3	
Investment Managers' contribution		5.5
Portfolio total return		6.4
Gearing/cash	-0.7	
Management fee/other expenses	-1.7	
Other effects		-2.4
Return on net assets		4.0
Return to shareholders		6.8

Source: Wilshire, JPMAM and Morningstar.

All figures are on a total return basis.

Performance attribution analyses how the Company achieved its recorded performance relative to its benchmark.

A glossary of terms and definitions is provided on page 65.

Outlook

So where do we go from here? We have always been somewhat reluctant to make specific predictions about the market, as we think our talents lie in analysing and selecting specific stocks and building a portfolio from the bottom up, rather than making macroeconomic forecasts. However, we believe US equities can deliver reasonably good returns, although probably accompanied by rising volatility, and the transition to more normal interest rates that lies ahead may result in periodic turbulence for equity investors as has been the case in recent months.

The key reasons for our positive view on equities are that profits remain healthy and could possibly improve as headwinds from the strong US dollar and low energy prices moderate, the US consumer is in decent shape, and from a valuation perspective, comparative values between equities and bonds remain favourable for equities as an asset class.

Nevertheless, the year has certainly started on a sour note, with stocks down in January. The market seems concerned that slower growth in China and emerging markets may spread to the Eurozone and eventually to the US. Yet, we continue to expect the US to avoid a recession, although we are investing with a mindset of protecting our downside by requiring a margin of safety (as we always do). While 4th quarter US GDP grew at a disappointing 0.7% annual rate, non-manufacturing and energy related sectors appear to be in decent shape, and it is difficult to believe that the US could enter a recession with the housing market, banking sector, and employment situation on solid footing.

Despite recent market challenges, our fundamental outlook has not changed and we remain somewhat constructive on US equities, especially in light of improved valuations and reduced investor complacency. Given the recent sell-off, valuations are much more attractive in the small cap space today with the Russell 2000 Index trading at around 10.5x EV/EBITDA versus 13x at the market highs last summer. While we remain positioned defensively, we have been incrementally putting new money to work in terms of new ideas given gradually improving valuations and attractive risk-rewards.

Given our expectations for a potentially volatile and rather muted return environment, we believe stock selection will remain key. We will continue to stick to our investment process and judge the investment merits of each individual company and stock. We will remain disciplined with regards to our investment strategy: identifying companies with a sustainable competitive advantage, durable business models, and solid management teams who have a track record of value creation. We will buy stakes in these companies at valuations that we believe are below their intrinsic value and offer a margin of safety. Our sector weights will continue to reflect our bottom-up investment analysis and disciplined approach to portfolio construction.

Don San Jose
Dan Percella
Investment Managers

17th March 2016

SUMMARY OF RESULTS

	2015	2014	
Total returns for the year ended 31st December			
Return to shareholders ¹	+6.8%	+5.6%	
Return on net assets ²	+4.0%	+12.8%	
Benchmark return ³	+0.9%	+11.1%	
Net asset value, share price and discount at 31st December			
			% change
Shareholders' funds (£'000)	103,805	99,348	+4.5
Net asset value per share	184.3p	177.3p	+4.0
Share price	183.9p	172.1p	+6.8
Share price discount to net asset value per share	0.2%	2.9%	
Revenue for the year ended 31st December			
Net revenue return attributable to shareholders (£'000)	929	647	+43.6
Revenue return per share	1.66p	1.15p	+44.3
Shares in issue (excluding shares held in treasury)	56,325,928	56,040,928	
Gearing at 31st December⁴	9.9%	6.5%	
Ongoing charges⁵	1.69%	1.73%	

A glossary of terms and definitions is provided on page 65.

¹ Source: Morningstar.

² Source: J.P. Morgan.

³ Source: Russell Investments. The Company's benchmark is the Russell 2000 Index total return with net dividends reinvested, expressed in sterling terms.

⁴ Gearing represents the excess amount above shareholders' funds of total assets expressed as a percentage of the shareholders' funds. Total assets include total investments and net current assets/liabilities less cash/cash equivalents and excluding bank loans of less than one year. If the amount calculated is negative, this is shown as a 'net cash' position.

⁵ Management fee and all other operating expenses, excluding finance costs expressed as a percentage of the average daily net assets during the year. The Ongoing Charges are calculated in accordance with guidance issued by the Association of Investment Companies in October 2015.

LONG TERM FINANCIAL RECORD

At 31st December	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Shareholders' funds (£'000)	96,028	93,192	67,911	34,475	41,399	52,950	52,630	59,214	86,339	99,348	103,805
Net asset value per share (p) ¹	94.5	91.7	86.5	58.6	75.5	100.6	101.9	114.7	158.0	177.3	184.3
Share price (p) ¹	83.5	82.4	76.1	50.6	71.0	93.9	92.2	1,03.3	163.8	172.1	183.9
Shares in issue ¹²	101,594,800	101,594,800	78,504,800	58,813,670	54,821,100	52,646,100	51,636,230	51,636,230	54,657,800	56,040,928	56,325,928

Year ended 31st December

Gross revenue (£'000)	385	300	285	297	322	853	719	1,255	1,172	1,390	1,728
Revenue (loss)/return per share (p) ¹	(0.10)	(0.15)	(0.17)	0.25	(0.06)	0.71	0.36	1.26	1.00	1.15	1.66
Dividends per share (p) ¹	nil	nil	nil	nil	nil	nil	nil	0.9	0.7	nil	nil
(Discount)/premium (%) ³	(11.7)	(10.2)	(11.3)	(13.6)	(6.0)	(6.6)	(9.5)	(10.0)	3.7	(2.9)	(0.2)
Gearing/(net cash) (%)	4.8	12.5	3.2	(6.8)	(1.3)	0.9	5.0	3.1	5.4	6.5	9.9
Ongoing charges (%) ⁴	1.38	1.30	1.40	1.49	1.75	1.66	1.79	1.71	1.77	1.73	1.69
US dollar/sterling exchange rate	1.73	1.96	1.99	1.44	1.61	1.57	1.55	1.63	1.65	1.56	1.47

Annual returns to 31st December

Return to shareholders (%) ⁵	+28.1	-1.3	-7.6	-33.5	+40.3	+32.3	-1.8	+12.0	+59.7	+5.6	+6.8
Return on net assets (%) ³⁵	+19.0	-3.0	-6.4	-32.1	+29.0	+33.2	+1.3	+12.5	+38.7	+12.8	+4.0
Benchmark return (%) ⁶	+16.6	+3.5	-3.5	-8.6	+12.9	+30.5	-3.8	+10.9	+35.9	+11.1	+0.9

A glossary of terms and definitions is provided on page 65.

¹ Comparative figures prior to 2014 have been restated following the sub-division of each existing ordinary share of 25p into ten ordinary shares of 2.5p each on 6th March 2014.

² Excludes any shares held in Treasury.

³ Calculated on the assumption that any shares held in Treasury have been reissued in accordance with the Board's policy on the reissuance of Treasury shares.

⁴ Management fee and all other operating expenses, excluding finance costs expressed as a percentage of the average of the daily net assets during the year. The Ongoing Charges are calculated in accordance with guidance issued by the Association of Investment Companies in October 2015.

⁵ Source: J.P. Morgan.

⁶ Source: Russell Investments.

TEN LARGEST INVESTMENTS¹ AT 31ST DECEMBER

Company ²	Sector	2015 Valuation		2014 Valuation	
		£'000	% ³	£'000	% ³
Waste Connections Waste Connections provides solid waste collection, transfer, disposal, and recycling services in secondary markets of the western United States. The company owns and operates collection facilities, transfer stations, landfills, and recycling facilities.	Producer Durables	3,565	3.0	2,694	2.5
Pool Pool Corporation is a wholesale distributor of swimming pool supplies, equipment and related leisure products. The company's inventory includes a diverse range of products, from construction materials, replacement parts and fencing to pool care products and spas.	Consumer Discretionary	2,952	2.5	2,000	1.9
Jarden Jarden provides a broad range of consumer goods and outdoor products. The company sells branded products through a variety of distribution channels, including club, department store, drug, grocery, mass merchant, sporting goods and speciality retailers, as well as direct to consumers.	Consumer Discretionary	2,882	2.4	3,009	2.8
Toro The Toro Company designs, manufactures, and markets a range of turf equipment. The company's products include professional turf maintenance equipment, turf and agricultural irrigation systems, landscaping equipment, and residential yard products. Toro's products are sold worldwide under trademarks such as Toro, Wheel Horse, Lawn-Boy, Irritrol, and Dingo.	Producer Durables	2,814	2.4	1,872	1.7
Spectrum Brands Spectrum Brands is a global and diversified consumer products company and a supplier of consumer batteries, residential locksets, residential builders' hardware, faucets, shaving and grooming products, personal care products, small household appliances, speciality pet supplies, lawn and garden and home pest control products, and personal insect repellents.	Consumer Staples	2,685	2.3	2,143	2.0
AptarGroup⁴ AptarGroup designs, manufactures, and markets pumps, dispensing closures, and aerosol valves. The company's products are used for fragrance/cosmetics, personal care, pharmaceutical, household/industrial, and food products. AptarGroup operates worldwide.	Materials & Processing	2,669	2.3	1,541	1.4
Idexx Laboratories⁴ Idexx Laboratories provides diagnostic, detection, and information systems for veterinary, food, and water testing applications. The company also operates an international network of veterinary reference laboratories. Idexx offers its products to customers worldwide.	Health Care	2,325	2.0	1,683	1.6
Douglas Dynamics Douglas Dynamics designs and manufactures snow and ice control equipment. The company produces snow ploughs and sand and salt spreaders.	Producer Durables	2,206	1.9	1,883	1.7
Brinker Brinker is a restaurant operator which owns, operates or franchises establishments in the United States and internationally. These restaurants offer customers burgers, ribs, salads, steaks, classic Italian fare, and Tex-Mex offerings.	Consumer Discretionary	2,152	1.8	2,237	2.1
Silgan Silgan manufactures consumer goods packaging products. The company produces steel and aluminium containers for human and pet food, custom designed plastic containers for various markets, plastic closures and caps, thermoformed plastic tubs and speciality packaging items. Silgan markets its products in North America.	Materials & Processing	2,068	1.8	1,924	1.8
Total		26,318	22.4		

¹ Excludes the holding in the JPMorgan US Dollar Liquidity Fund.

² All companies shown are listed in the USA.

³ Based on total investments of £117.3m (2014: £107.9m).

⁴ Not included in the ten largest investments at 31st December 2014.

At 31st December 2014, the value of the ten largest investments amounted to £21.6m representing 20.0% of total investments.

SECTOR ANALYSIS

	31st December 2015			31st December 2014		
	Portfolio ¹	Benchmark	Overweight/ (underweight) Position*	Portfolio ¹	Benchmark	Overweight/ (underweight) Position*
	%	%	%	%	%	%
Financial Services	23.2	26.6	(3.4)	24.3	25.4	(1.1)
Consumer Discretionary	21.4	14.2	7.2	21.2	14.4	6.8
Producer Durables	16.3	12.0	4.3	15.2	13.4	1.8
Health Care	9.3	16.4	(7.1)	9.5	14.8	(5.3)
Materials & Processing	9.2	5.7	3.5	9.0	6.5	2.5
Technology	7.2	14.7	(7.5)	10.0	14.8	(4.8)
Consumer Staples	4.3	3.2	1.1	3.2	3.0	0.2
Utilities	3.2	4.9	(1.7)	3.1	4.5	(1.4)
Oil and Other Energy	3.1	2.3	0.8	2.4	3.2	(0.8)
Liquidity Funds	2.8	—	2.8	2.1	—	2.1
Total	100.0	100.0		100.0	100.0	

¹ Based on total investments of £117.3m, including liquidity funds (2014: £107.9m).

*A glossary of terms and definitions is provided on page 65.

LIST OF INVESTMENTS AT 31ST DECEMBER 2015

Company	Valuation £'000	Company	Valuation £'000
Financial Services		Consumer Discretionary	
National Retail Properties	1,783	Pool	2,952
RLJ Lodging	1,658	Jarden	2,882
Associated Banc-Corp	1,636	Brinker	2,152
HFF	1,506	Malibu Boats	1,566
ProAssurance	1,471	Monarch Casino & Resort	1,452
Morningstar	1,466	Servicemaster Global Holdings	1,379
First of Long Island	1,454	EW Scripps	1,367
Mid-America Apartment Communities	1,411	Crocs	1,279
Great Western Bancorp	1,375	Cinemark	1,269
BankUnited	1,357	Drew Industries	1,213
CoreLogic	1,281	Brunswick	1,048
Umpqua	1,142	KAR Auction Services	988
Western Alliance Bancorp	1,060	Papa John's International	975
EastGroup Properties	940	Sequential Brands	954
Moelis & Co	909	Chico's FAS	873
First Financial	892	American Eagle Outfitters	845
Glacier Bancorp	884	Dana	814
First Horizon National	862	Zoe's Kitchen	481
Janus Capital	841	Shutterstock	425
FactSet Research Systems	827	Instructure	193
Greenhill	814	Total Consumer Discretionary	25,107
Iberiabank	804	Producer Durables	
First Republic Bank	803	Waste Connections	3,565
Total Financial Services	27,176	Toro	2,814
		Douglas Dynamics	2,206
		Generac	1,192
		Knight Transportation	1,138
		Herman Miller	1,121
		Landstar System	1,059
		Altra	1,000
		Applied Industrial Technologies	963
		Allison Transmission	928
		Regal Beloit	767
		Brady	722
		Team	664
		US Ecology	558
		Ascent Capital	361
		Total Producer Durables	19,058

Company	Valuation £'000	Company	Valuation £'000
Health Care		Oil and Other Energy	
Idexx Laboratories	2,325	Patterson Uti Energy	1,534
West Pharmaceutical Services	1,969	Cimarex Energy	746
Catalent	1,627	Dril Quip	680
Healthsouth	1,603	Synergy Resources	373
Magellan Health Services	1,219	Laredo Petroleum	306
Wellcare Health Plans	1,191	Total Oil and Other Energy	3,639
Hanger	809	Total Equity	113,980
Medidata Solutions	109		
Total Health Care	10,852	Liquidity	
Materials & Processing		JPMorgan US Dollar Liquidity	3,293
AptarGroup	2,669	Total Liquidity	3,293
Silgan	2,068	Total Portfolio	117,273
Patrick Industries	1,680		
RBC Bearings	1,523		
Rexnord	958		
Watsco	904		
NN	779		
Cabot Microelectronics	236		
Total Materials & Processing	10,817		
Technology			
Monotype Imaging	1,826		
Q2 Holdings	1,165		
Guidewire Software	1,150		
FEI	955		
Imperva	921		
NetSuite	907		
GrubHub	835		
Tyler Technologies	745		
Total Technology	8,504		
Consumer Staples			
Spectrum Brands	2,685		
J & J Snack Foods	1,526		
Performance Food	849		
Total Consumer Staples	5,060		
Utilities			
Portland General Electric	1,996		
Northwestern	1,771		
Total Utilities	3,767		

BUSINESS REVIEW

The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company during the year under review. To assist shareholders with this assessment, the Strategic Report sets out the objective and strategy of the Company, structure of the Company, its investment policies and risk management, investment limits and restrictions, performance and key performance indicators, share capital, principal risks and how the Company seeks to manage those risks, the Company's environmental, social and ethical policy and finally its future developments.

Business of the Company

JPMorgan US Smaller Companies Investment Trust plc (the 'Company') is an investment trust and has a premium listing on the London Stock Exchange. In seeking to achieve its objectives, the Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') as its AIFM which, in turn, delegates portfolio management to JPMorgan Asset Management (UK) Limited, to manage actively the Company's assets. The Board has determined investment policies and related guidelines and limits, as described below.

Objective and Strategy of the Company

The Company's objective is to achieve capital growth from investing in US smaller companies. It aims to outperform the Russell 2000 Index total return, with net dividends reinvested, expressed in sterling terms.

The dynamic nature of the US small cap market makes small caps both exciting and challenging. As an asset class, small caps tend to be less researched, less liquid and prone to more volatility than large-cap stocks. The same characteristics that make managing small caps so challenging provide a unique opportunity. The extensive resources JPMAM dedicates to the process and JPMAM's commitment to buy-side research underlies its belief that stock selection is the most important component in small-cap investing.

The Company is managed by J.P. Morgan's US small cap investment team. The investment team consists of five dedicated small cap specialists.

The team employs a bottom-up, stock picking approach to portfolio management. The investment philosophy is based on the following beliefs: long-term investments in companies with leading competitive positions, run by highly motivated and talented management that can sustain growth over a period of many years, will lead to stock market outperformance. Alongside this, the team believes that a disciplined valuation process is necessary to enhance long-term returns.

Structure of the Company

The Company is subject to UK and European legislation and regulations including UK company law, UK Financial Reporting Standards, the UKLA Listing, Prospectus, Disclosure and Transparency Rules, taxation law, the Company's own Articles of Association and the Alternative Investment Fund Managers Directive.

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 and has been approved by HM Revenue & Customs as an investment trust (for the purposes of Sections 1158 and 1159 of the Corporation Tax Act 2010). As a result the Company is not liable for taxation on capital gains on investments within the portfolio. The Directors have no reason to believe that approval will not continue to be retained. The Company is not a close company for taxation purposes.

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 3 to 5, and in the Investment Manager's Report on pages 6 to 9.

Investment Policies and Risk Management

In order to achieve its investment objective, the Company invests in a diversified portfolio and employs a manager with a strong focus on research and company visits in order to identify the most attractive stocks in the US smaller companies universe.

The Board has sought to manage the Company's risk by imposing various investment restrictions and guidelines. These restrictions and guidelines may be varied at any time by the Board at its discretion.

Investment Restrictions and Guidelines

The Board seeks to manage the Company's risk by imposing various investment limits and restrictions:

- No individual investment in the portfolio will be greater than 15% of the Company's gross assets at the time of investment.
- The Company will invest no more than 10% of the Company's gross assets in JPMorgan liquidity funds.
- The Company will invest no more than 10% (subject to Directors' approval) of the Company's gross assets at the time of investment in unquoted investments.
- The Company will not normally invest in derivative instruments, although it can undertake derivative actions to hedge against risk exposure of existing holdings in the portfolio subject to Board approval.

- The Company will use liquidity and borrowings to remain invested within a maximum gearing limit of 15% (+2.5% if as a result of market movement).
- The Company will not invest more than 15% of its gross assets in other UK listed investment companies (including investment trusts).
- The Company will not invest more than 10% of its gross assets in companies that themselves may invest more than 15% of their gross assets in UK listed investment companies.

These limits and restrictions may be varied by the Board at any time at its discretion.

Monitoring of Compliance

Compliance with the Board's investment restrictions and guidelines is monitored by the Manager and is reported to the Board on a monthly basis.

Performance

In the year to 31st December 2015, the Company's return to shareholders was +6.8% and the return on net assets was +4.0%. This compares with the return on the Company's benchmark of +0.9%. As at 31st December 2015, the value of the Company's investment portfolio was £117.3 million. The Investment Manager's Report on pages 6 to 9 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Total Return, Revenue and Dividends

Gross total return for the year amounted to £6,047,000 (2014: £13,151,000). Net return after deducting the management fee, administrative expenses, finance costs and taxation, amounted to £3,933,000 (2014: £11,313,000). No dividend has been proposed in respect of the financial year (2014: nil).

Key Performance Indicators ('KPIs')

The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

- **Performance against the benchmark index**
This is the most important KPI by which performance is judged. Information on the Company's performance is given in the Chairman's Statement and the Investment Manager's Report.

Performance Relative to Benchmark Index

FIGURES HAVE BEEN REBASED TO 100 AT 31ST DECEMBER 2010

Source: Morningstar Russell.

- JPMorgan US Smaller Companies - share price.
- JPMorgan US Smaller Companies - net asset value.
- Benchmark index is represented by the black horizontal line.

Five Year Performance

FIGURES HAVE BEEN REBASED TO 100 AT 31ST DECEMBER 2010

Source: Morningstar/Russell.

- JPMorgan US Smaller Companies - share price.
- JPMorgan US Smaller Companies - net asset value.
- Benchmark.

- **Performance against the Company's peers**

The principal objective is to achieve capital growth and outperformance relative to the benchmark. The Board also monitors the performance relative to a broad range of competitor funds.

- **Performance attribution**

The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark, i.e. to understand the impact on the Company's relative performance of the various components such as sector selection and stock selection. Details of the attribution analysis for the year ended 31st December 2015 are given in the Investment Manager's Report on page 8.

BUSINESS REVIEW *CONTINUED*

Premium/(Discount) Performance

Source: Datastream (month end data).

— JPMorgan US Smaller Companies discount.

- **Share price (discount)/premium to net asset value ('NAV') per share**

The Board operates a share issuance and share repurchase programme which seeks to address imbalances in supply of and demand for the Company's shares within the market. This aims to manage the volatility and absolute level of the discount to NAV per share at which the Company's shares trade in relation to its peers in the sector. In the year to 31st December 2015, the shares traded between a discount of 6.8% and a premium of 0.5%, an average discount of 3.3% (using month end data with debt at par). Further details of the Company's share capital can be found below in this Strategic Report.

- **Ongoing charges**

Ongoing Charges represent the Company's management fee and all other operating expenses excluding finance costs, expressed as a percentage of the average of the daily net assets during the year. The Ongoing Charges for the year ended 31st December 2015 are 1.69% (2014: 1.73%). The Board reviews Ongoing Charges of the Company regularly and on an annual basis compares its Ongoing Charges against other companies with similar investment objectives and policies. As disclosed in the 'Management fee' section of the Directors' Report, on page 23, the management fee was reduced to 1.00% per annum from 1st January 2016.

Share Capital

Following approval at the Company's General Meeting on 4th March 2014, the Company's ordinary shares were sub-divided into ten ordinary shares for every one share held. This sub-division took effect on 6th March 2014. The Company has authority to both repurchase shares in the market for cancellation and issue new shares in the market for cash at a premium to net asset value. In addition, the Directors have authority to repurchase shares into Treasury. The Directors will re-issue shares held in Treasury only at a premium to net asset value per share.

During the year, the Company repurchased nil (2014: nil) shares for cancellation. The Company also repurchased nil ordinary shares into Treasury (2014: 930,000). However, 285,000 ordinary shares were issued from Treasury (2014: nil). In addition, no new ordinary shares were issued.

Since the year end 200,000 shares have been purchased into Treasury.

Special Resolutions to renew the authorities to repurchase and issue shares will be put to shareholders for approval at the forthcoming Annual General Meeting.

Board Diversity

When recruiting a new Director, the Board's policy is to appoint individuals on the basis of merit. However, diversity is important in bringing an appropriate range of skills and experience to the Board.

At 31st December 2015, there were three male Directors and two female Directors on the Board. The Company has no employees and therefore there is nothing further to report in respect of gender representation within the Company.

The Company's policy on gender is detailed under the Nomination and Remuneration Committee section on page 27.

Employees, Social, Community and Human Rights Issues

The Company has a management contract with JPMF. JPMF delegates portfolio management to JPMAM. The Company has no employees and all of its Directors are non-executive. The day to day activities are carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Board notes the Manager's policy statements in respect of Social, Community and Environmental and Human Rights issues, as highlighted in italics:

Social, Community, Environmental and Human Rights

JPMAM believes that companies should act in a socially responsible manner. Although our priority at all times is the best economic interests of our clients, we recognise that, increasingly, non-financial issues such as social and environmental factors have the potential to impact the share price, as well as the reputation of companies. Specialists within JPMAM's environmental, social and governance ('ESG') team are tasked with assessing how companies deal with and report on social and environmental risks and issues specific to their industry.

JPMAM is also a signatory to the United Nations Principles of Responsible Investment, which commits participants to six principles,

with the aim of incorporating ESG criteria into their processes when making stock selection decisions and promoting ESG disclosure. Our detailed approach to how we implement the principles is available on request.

Greenhouse Gas Emissions

The Company has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. JPMAM is a signatory to Carbon Disclosure Project. JPMorgan Chase is a signatory to the Equator Principles on managing social and environmental risk in project finance.

Principal Risks

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. Except for the addition of the risk of Cybercrime, the risks identified have not changed over the year under review, and the ways in which they are managed or mitigated are summarised as follows:

With the assistance of the Manager, the Board has drawn up a risk matrix, which identifies the key risks to the Company. These key risks fall broadly under the following categories:

- Investment and Strategy: an inappropriate investment strategy, for example excessive concentration of sector selection or the level of gearing, may lead to underperformance against the Company's benchmark index and peer companies, which may result in the Company's shares trading on a wider discount. The Board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and reported on. The Manager provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Manager, who participates at all Board meetings, and reviews data which show statistical measures of the Company's risk profile. The Investment Manager employs the Company's gearing tactically, within a strategic range set by the Board. In addition to regular Board reviews of investment strategy, the Board holds a separate meeting devoted to strategy each year.
- Loss of Investment Team or Investment Manager: a sudden departure of the investment manager, or several members of the investment management team could result in a short-term deterioration in investment performance. The Manager takes steps to reduce the likelihood of such an event by ensuring appropriate succession planning and the adoption of a team-based approach.
- Discount: a disproportionate widening of the discount could result in a loss of value for Shareholders. In order to manage the Company's discount, which can be volatile, the Company operates a share repurchase programme.
- Market: market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss that the Company might suffer through holding investments in the face of negative market movements. The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines, which are monitored and reported on by JPMAM. The Board monitors the implementation and results of the investment process with the Manager.
- Political and Economic: changes in financial or tax legislation, including in the European Union and the US, may adversely affect the Company. The Manager makes recommendations to the Board on accounting, dividend and tax policies and the Board seeks external advice where appropriate. In addition, the Company is subject to administrative risks, such as the imposition of restrictions on the free movement of capital. These risks are discussed by the Board on a regular basis.
- Accounting, Legal and Regulatory: in order to qualify as an investment trust, the Company must comply with Section 1158 of the Corporation Tax Act 2010 ('Section 1158'). Details of the Company's approval are given under 'Structure of the Company' above. Should the Company breach Section 1158, it may lose investment trust status and, as a consequence, gains within the Company's portfolio could be subject to Capital Gains Tax. The Section 1158 qualification criteria are continually monitored by JPMAM and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Act 2006 and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules and Disclosure and Transparency Rules ('DTRs'). A breach of the Companies Act could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules or DTRs could result in the Company's shares being suspended from listing which in turn would breach Section 1158. The Board relies on the services of its Company Secretary, the Manager, and its professional advisers to ensure compliance with the Companies Act 2006 and the UKLA Listing Rules and DTRs.
- Corporate Governance and Shareholder Relations: details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 25 to 30.

BUSINESS REVIEW *CONTINUED*

- Operational: disruption to, or failure of, the Manager's accounting, dealing or payments systems or the depositary's or custodian's records could prevent accurate reporting and monitoring of the Company's financial position. On 1st July 2014, the Company appointed BNY Mellon Trust & Depositary (UK) Limited to act as its depositary, responsible for overseeing the operations of the custodian, JPMorgan Chase Bank, N.A., and the Company's cash flows. Details of how the Board monitors the services provided by the Manager and its associates and the key elements designed to provide effective internal control are included within the Risk Management and Internal Control section of the Corporate Governance report on pages 29 and 30.
- Cybercrime: The threat of cyber attack, in all its guises, is regarded as at least as important as more traditional physical threats to business continuity and security. JPMF has assured Directors that the Company benefits directly or indirectly from all elements of JPMorgan's Cyber Security programme. The information technology controls around the physical security of JPMorgan's data centres, security of its networks and security of its trading applications are tested by Deloitte and reported every six months against the AAF Standard.
- Foreign currency: the Company has exposure to foreign currency as part of the risk reward inherent in a company that invests overseas. The income and capital value of the Company's investments can be affected by exchange rate movements as the majority of the Company's assets and income are denominated in currencies other than sterling which is the reporting currency. The Company's loan facility is denominated in US dollars.

The Board has the authority to reduce or eliminate the exposure to fluctuating currencies through the use of currency hedging. It reviews its policy on this matter regularly; to date no hedging has been carried out and there are no plans to do so in the immediate future.
- Going concern: Pursuant to the Sharman Report, Boards are now advised to consider going concern as a potential risk, whether or not there is an apparent issue arising in relation thereto. Going concern is considered rigorously on an ongoing basis and the Board's statement on going concern is detailed on page 23.
- Financial: the financial risks faced by the Company include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. Further details are disclosed in note 21 to the accounts on page 54.

Long Term Viability

The Company is an Investment Trust with an objective of achieving capital growth from investing in US smaller companies. Taking account of the Company's current position, the principal risks that it faces and their potential impact on its future development and prospects, the Directors have assessed the prospects of the Company, to the extent that they are able to do so, over the next five years. They have made that assessment by considering those principal risks, the Company's investment objective and strategy, the investment capabilities of the Manager and the current outlook for the US economy and equity market.

In determining the appropriate period of assessment the Directors had regard to their view that, given the Company's objective of achieving capital growth, shareholders should consider the Company as a long term investment proposition. This is consistent with advice provided by independent financial advisers and wealth managers, that investors should consider investing in equities for a minimum of five years. Accordingly, the Directors consider five years to be an appropriate time horizon to assess the Company's viability.

Subject to shareholders voting in favour of continuation in 2020, the Directors confirm that they have a reasonable expectation, on the assumption that the principal risks identified above are managed or migrated effectively, that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of assessment.

By order of the Board
Lucy Dina, for and on behalf of
JPMorgan Funds Limited
Secretary

17th March 2016



Governance

BOARD OF DIRECTORS

Davina Walter (Chairman of the Board, Management Engagement and Nomination and Remuneration Committees)

A Director since 2002.

Last reappointed to the Board: 2015.

Current remuneration: £33,350.

She has been employed in the investment business in the City of London since 1974, having spent over 11 years involved in US equity research at Cazenove & Co. and more than 16 years as an investment manager of US equity portfolios. Most recently she was a Managing Director at Deutsche Asset Management Limited, and has been involved in investment trusts since 1985. She was a Director of Henderson Strata Investment Trust plc and is currently employed as an Investment Consultant.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 79,916.

Mark Ansell

A Director since 2005.

Last reappointed to the Board: 2015.

Current remuneration: £23,000.

He has wide experience of negotiating and completing acquisitions and disposals and improving performance in engineering businesses, including in the USA. He was formerly Chief Executive of the Flow Group Limited, which manufactured specialist flow control equipment for the global energy industry.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 136,929.

Christopher Galleymore

A Director since 2004.

Last reappointed to the Board: 2015.

Current remuneration: £23,000.

He is a board level investment professional with 30 years experience of managing US equity portfolios, including several years working in New York. He has worked for a variety of major international investment companies, most recently as senior portfolio manager and Head of the North American Desk at Henderson Global Investors from 1991 to 2002 where he was actively involved in running investment trusts.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 50,000.

BOARD OF DIRECTORS *CONTINUED*

Julia Le Blan (Chairman of the Audit Committee)

A Director since 2012.

Last reappointed to the Board: 2015.

Current remuneration: £27,600.

She is a chartered accountant and has worked in the financial services industry for over 30 years. She was formerly a tax partner at Deloitte and expert on the taxation of investment trust companies. Before retiring from Deloitte she did two terms on the AIC's technical committee. She is currently a director of Investors Capital Trust plc, Impax Environmental Markets plc and Aberforth Smaller Companies Trust plc.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 15,000.

David Ross

A Director since 2015.

Last reappointed to the Board: 2015.

Current remuneration: £23,000.

He is a certified accountant with over 45 years in the investment industry. He was a founding partner of Aberforth Partners LLP and also one of the partners responsible for the launch of two of Aberforth's Investment Trusts. He is currently a director of EP Global Opportunities Trust and F&C UK Real Estate Investments Ltd.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 25,000.

All Directors are members of the Audit, Nomination and Remuneration and Management Engagement Committees and are considered independent of the Manager.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31st December 2015.

Management of the Company

The Manager and Company Secretary is JPMorgan Funds Limited ('JPMF'), a company authorised and regulated by the FCA. Prior to 1st July 2014, these roles were undertaken by JPMorgan Asset Management (UK) Limited ('JPMAM'). JPMF is an affiliate of JPMAM and was appointed as the Company's Alternative Investment Fund Manager ('AIFM') from 1st July 2014. JPMF is a wholly-owned subsidiary of JPMorgan Chase Bank which, through other subsidiaries, also provides banking, dealing and custodian services to the Company.

JPMF is employed under a contract which can be terminated on six months' notice, without penalty. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation.

The Board conducts a formal evaluation of the performance of, and contractual relationship with, the Manager on an annual basis. The evaluation includes consideration of the investment strategy and process of the Manager, noting performance against the benchmark over the long term and the quality of the support that the Company receives from the Manager. As a result of the evaluation process, the Board confirms that it is satisfied that the continuing appointment of the Manager, on the terms agreed, is in the interests of shareholders as a whole.

The Alternative Investment Fund Managers Directive ('AIFMD')

JPMF, an affiliate of JPMAM, has been appointed as the Company's alternative investment fund manager ('AIFM'). JPMF has been approved as an AIFM by the Financial Conduct Authority ('FCA'). For the purposes of the AIFMD the Company is an alternative investment fund ('AIF').

The Company entered into a new investment management agreement with JPMF on 1st July 2014. JPMF has delegated responsibility for the day to day management of the Company's portfolio to JPMAM.

JPMF is required to ensure that a depositary is appointed to the Company. The Company therefore has appointed BNY Mellon Trust and Depositary (UK) Limited ('BNY') as its depositary. BNY has delegated its safekeeping function to the custodian, JPMorgan Chase Bank, N.A. BNY remains responsible for the oversight of the custody of the Company's assets and for monitoring its cash flows.

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material

changes to this information be disclosed in the annual report of each AIF. An Investor Disclosure Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available on the Company's website at www.jpmmustsmallercompanies.co.uk

There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

JPMF's remuneration disclosures are set out on page 61.

Management Fee

In the year under review, the Manager received a basic management fee of 1.2% per annum of the Company's gross assets up to £100 million and 1% on any gross assets in excess of that amount.

During the year the Board undertook a review of the fees paid to the Manager and agreed with JPMF that with effect from 1st January 2016 the Company's management fee would be charged at the rate of 1.00% per annum on all of the Company's assets.

Going Concern

The Directors believe that, having considered the Company's investment objective (see page 16), risk management policies (see note 21 on page 54), capital management policies and procedures (see note 22 on page 60), the nature of the portfolio and expenditure and cashflow projections, the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence. For these reasons, the Directors consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the Company's financial statements. They have not identified any material uncertainties to the Company's ability to continue to do so over a period of at least 12 months from the date of approval of these financial statements.

Directors

All the Directors who held office throughout the year under review and the Directors of the Company who held office at the end of the year are detailed on pages 21 and 22.

Details of Directors' beneficial shareholdings may be found in the Directors' Remuneration Report on page 32.

In accordance with corporate governance best practice, all Directors will retire at the forthcoming Annual General Meeting and, being

DIRECTORS' REPORT *CONTINUED*

eligible, will offer themselves for reappointment by shareholders. The Chairman of the Nomination and Remuneration Committee, having considered their qualifications, performance and contribution to the Board and committees, confirms that each Director continues to be effective and demonstrates commitment to the role, and the Board recommends to shareholders that those standing for reappointment be reappointed.

Director Indemnification and Insurance

As permitted by the Company's Articles of Association, the Directors have the benefit of a deed of indemnity which is a qualifying third party indemnity, as defined by Section 234 of the Companies Act 2006. The indemnities were in place during the year and as at the date of this report.

An insurance policy was maintained by the Company which indemnifies the Directors of the Company against certain liabilities arising in the conduct of their duties. There is no cover against fraudulent or dishonest actions.

Disclosure of information to Auditors

In the case of each of the persons who are Directors of the Company at the time when this report was approved:

- (a) so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's Auditors are unaware; and
- (b) each of the Directors has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The above confirmation is given and should be interpreted in accordance with the provisions of Section 418(2) of the Companies Act 2006.

Independent Auditor

Grant Thornton UK LLP has expressed its willingness to continue in office as auditor to the Company and a resolution proposing its reappointment and authorising the Directors to determine its remuneration for the ensuing year will be put to shareholders at the forthcoming Annual General Meeting.

The current tenure of the external auditor dates from August 2011 when a tender process was last carried out. Any decision to open the external audit to tender is taken on the recommendation of the Audit Committee.

Capital Structure

The Company's capital structure is summarised on the inside front cover of this report.

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in note 16 to the Notice of Annual General Meeting on page 64.

Environmental Matters, Social and Community Issues

Information on environmental matters, social and community issues is set out on page 18. The Company has no employees.

Notifiable Interests in the Company's Voting Rights

At the financial year end the following had reported a notifiable interest in the Company's voting rights:

Shareholders	Number of voting rights ¹	% ³
Brewin Dolphin Limited	4,561,815	8.1
JPMorgan Asset Management (UK) Limited	4,302,428 ²	7.7
Rathbone Brothers PLC	4,039,980	7.1
Schroders plc	3,089,650	5.5
West Yorkshire Pension Fund	2,650,000	4.9

¹ Number of voting rights recalculated following sub-division of shares.

² Includes shares held by JPMorgan Elect plc.

³ Based on the number of shares in issue on the date of the shareholders' latest notifications to the Company.

The information above is derived from the Company's internal records, as well as disclosures received pursuant to the Disclosure and Transparency Rules.

No changes to these holdings had been notified as at the date of this report.

The Company is also aware that as at 31st December 2015, approximately 13.9% of the Company's total voting rights are held by individuals through savings products managed by JPMorgan and registered in the name of Chase Nominees Limited. If those voting rights are not exercised by the beneficial holders, in accordance with the terms and conditions of the savings products, under certain circumstances JPMorgan has the right to exercise those voting rights. That right is subject to certain limits and restrictions and falls away at the conclusion of the relevant general meeting.

The rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares are contained in the

Articles of Association of the Company and the Companies Act 2006.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that affect its control following a takeover bid; and no agreements between the Company and its Directors concerning compensation for loss of office.

Annual General Meeting

NOTE: THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial adviser authorised under the Financial Services and Markets Act 2000.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting ('AGM'):

(i) Authority to allot new shares and to disapply statutory pre-emption rights (resolutions 10 and 11)

The Directors will seek authority at the Annual General Meeting to issue up to 11,394,185 new ordinary shares for cash up to an aggregate nominal amount of £284,854, such amount being equivalent to 20% of the present issued share capital. This authority will expire at the Annual General Meeting in 2017. The full text of Resolutions 10 and 11 is set out in the Notice of Meeting on page 62.

It is advantageous for the Company to be able to issue new shares (or to sell Treasury shares) to investors when the Directors consider that it is in the best interests of shareholders to do so. As such, issues are only made at prices greater than the net asset value, they increase the assets underlying each share and spread the Company's administrative expenses, other than the management fee which is charged on the value of the Company's assets, over a greater number of shares. The issue proceeds are available for investment in line with the Company's investment policies.

(ii) Authority to repurchase the Company's shares (resolution 12)

At the Annual General Meeting held on 29th April 2015, shareholders gave authority to the Company to purchase up to 14.99% of its then issued share capital. At that time shareholders were informed that this authority would expire on 28th October

2016 and could be renewed by shareholders at any time at a General Meeting of the Company. The Board remains committed to a stable discount, but there is a need to balance the short term of buying shares back for cancellation or holding in Treasury with the long term liquidity implications. It will seek shareholder approval to renew the authority at the forthcoming Annual General Meeting.

The full text of the resolution (to be proposed as a special resolution) to renew the share repurchase authority is set out as Resolution number 12 in the Notice of Meeting on pages 62 and 63.

(iii) Authority to increase the maximum aggregate fees (resolution 13)

The Directors will seek authority at the Annual General Meeting to increase the maximum aggregate Directors' fees to £200,000 per annum.

Recommendation (resolutions 10 to 13)

The Board considers that resolutions 10 to 13 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommended that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 306,845 shares representing approximately 0.55% of the voting rights in the Company.

Corporate Governance Statement

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 34, indicates how the Company has applied the principles of good governance of the Financial Reporting Council's UK Corporate Governance Code (the 'UK Corporate Governance Code') and the AIC's Code of Corporate Governance (the 'AIC Code'), which complements the UK Corporate Governance Code and provides a framework of best practice for investment trusts.¹

The Board is responsible for ensuring the appropriate level of Corporate Governance and considers that the Company has complied with the best practice provisions of the UK Corporate Governance Code and the AIC Code, insofar as they are relevant to the Company's business, throughout the year under review.

¹ Copies of the UK Corporate Code and the AIC Code may be found on the respective organisations' websites: www.frc.org.uk and www.theaic.co.uk

DIRECTORS' REPORT *CONTINUED*

Role of the Board

A management agreement between the Company and JPMF sets out the matters over which the Manager has authority. This includes management of the Company's assets and the provision of accounting, company secretarial, administrative services and some marketing services. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved to the Board for decision has been approved. This includes determination and monitoring of the Company's investment objectives and policy and its future strategic direction, gearing policy, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Company's corporate governance and risk control arrangements.

At each Board meeting, Directors' interests are considered. These are reviewed carefully, taking into account the circumstances surrounding them, and, if considered appropriate, are approved. It was resolved that there were no actual or indirect interests of a Director which conflicted with the interests of the Company which arose during the year.

The Board has procedures in place to deal with potential conflicts of interest and, following the introduction of The Bribery Act 2010, has adopted appropriate procedures designed to prevent bribery. It confirms that the procedures have operated effectively during the year under review.

The Board meets on at least six occasions during the year and additional meetings are arranged as necessary. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, JPMF, which is responsible to the Board for ensuring that applicable rules and regulations are complied with and that Board procedures are complied with.

Board Composition

At the financial year-end, the Board consisted of five non-executive Directors, chaired by Davina Walter, all of whom are regarded by the Board as independent of the Company's Manager. The Chairman's independence was assessed upon her appointment and annually thereafter. There have been no changes to the Chairman's other significant commitments during the year under review.

The Directors have a breadth of investment, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on pages 21 and 22.

In order to provide a balance of skills, experience, length of service and ages, it is the Board's policy to introduce new Directors to provide an orderly succession over time.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below. The Board has considered whether a senior independent director should be appointed and has concluded that, as the Board comprises entirely non-executive directors, this is unnecessary. However, the Chairman of the Audit Committee leads the evaluation of the performance of the Chairman and is available to shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be reappointed by shareholders. Thereafter, a Director's appointment will run for a term of three years subject to reappointment by shareholders. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the Director to seek an additional term. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking reappointment but, when making a recommendation, the Board will take into account the requirements of the UK Corporate Governance Code, including the need to refresh the Board and its Committees. The Board has adopted corporate governance best practice and has a succession plan in place. All Directors must stand for annual reappointment.

The terms and conditions of Directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office and at the Annual General Meeting. With effect from 1st January 2015, any appointment of a new non-executive Director of the Company shall not exceed a nine-year term, in normal circumstances.

Induction and Training

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter, regular briefings are provided on changes in law and regulatory requirements that affect the Company and the Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trust companies. Regular reviews of the Directors' training needs are carried out by the Chairman by means of the evaluation process described below.

Meetings and Committees

The Board delegates certain responsibilities and functions to committees. Details of membership of committees are shown with the Directors' profiles on pages 21 and 22. All Directors are members of the Committees.

The table below details the number of meetings attended by each Director. During the financial year there were seven Board meetings, including a private meeting of the Directors to evaluate the Manager and a separate meeting devoted to strategy, three Audit Committee meetings, two Nomination and Remuneration Committee meeting and one Management Engagement Committee meeting.

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination and Remuneration Committee Meetings Attended		Management Engagement Committee Meeting Attended
M Ansell	6	3	1		1
J Le Blan	6	3	1		1
CJ Galleymore	6	3	1		1
A Kemp ¹	3	1	1		1
D Ross ²	4	3	—		—
DJ Walter	6	3	1		1

¹ Retired 29th April 2015.

² Appointed 1st March 2015.

As well as the formal meetings detailed above, the Board communicates frequently by email or telephone to deal with matters as they arise. Directors also visited the fund management team in New York.

Board Committees

Nomination and Remuneration Committee

The Nomination and Remuneration Committee, chaired by Davina Walter, consists of all of the Directors and meets at least annually to ensure that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary.

The Board's policy on diversity, including gender, is to take account of the benefits of these during the appointment process. However, the Board remains committed to appointing the most appropriate candidate, regardless of gender or other forms of diversity. Therefore, no targets have been set against which to report.

The Committee conducts an annual performance evaluation of the Board, its committees and individual Directors to ensure that all Directors have devoted sufficient time and contributed adequately to the work of the Board and its Committees. The evaluation of the Board considers the balance of experience, skills, independence, corporate knowledge, its diversity, including gender, and how it works together.

Questionnaires, drawn up by the Board with the assistance of JPMF, are completed by each Director. The responses are collated and then discussed by the Committee. The evaluation of individual Directors is led by the Chairman who also meets with each Director. The Chairman of the Audit Committee leads the evaluation of the Chairman's performance.

The Committee also reviews Directors' fees and makes recommendations to the Board as and when appropriate in relation to remuneration policy. This takes into account the level of fees paid to the directors of the Company's peers and within the investment trust industry generally to ensure that high quality people are attracted and retained.

Management Engagement Committee

The Management Engagement Committee, chaired by Davina Walter, consists of all the Directors, and meets at least annually to review the performance of, and the contractual arrangements with the Manager.

Audit Committee

The Audit Committee, chaired by Julia Le Blan, comprises all of the Directors, and meets at least twice each year. The members of the Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee and are satisfied that at least one member (Julia Le Blan) of the Audit Committee has recent and relevant financial experience.

The Committee reviews the actions and judgements of the Manager in relation to the Half Year and Annual Report & Accounts and the Company's compliance with the UK Corporate Governance Code. At the request of the Board, the Audit Committee provides confirmation to the Board as to how it has discharged its responsibilities so that the Board ensures that information presented is fair, balanced and understandable, together with details of how it has done so.

During its review of the Company's financial statements for the year ended 31st December 2015, the Audit Committee considered the following significant issues, including those communicated by the Auditor during their reporting:

DIRECTORS' REPORT *CONTINUED*

Significant issues	How the issues were addressed
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Going concern	The Directors have considered the Company's investment objective, risk management policies, capital management policies and procedures, the nature of the portfolio and expenditure and cash flow projections. As a result, they have determined that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. See statement of Going Concern on page 23.
Valuation, existence and ownership of investments	The valuation of investments is undertaken in accordance with the accounting policies, disclosed in note 1 to the accounts on page 43. Controls are in place to ensure that valuations are appropriate and existence is verified through custodian reconciliations.
Recognition and completeness of investment income	The recognition and completeness of investment income is undertaken in accordance with accounting policy note 1(e) to the accounts on page 44. The Board reviews the Manager's controls regarding the recognition of income and regularly reviews the Manager's report on the treatment of special dividends and agrees their accounting treatment.
Compliance with Sections 1158 and 1159	Approval for the Company as an investment trust under Sections 1158 and 1159 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis.
Calculation of management fee	The management fee is calculated in accordance with the Investment Management Agreement. The Board reviews the controls reports, expense schedules and the management fees payable to the Manager. The auditor independently recalculates the management fee as part of the audit and has not reported any exceptions.

The Board was made fully aware of any significant financial reporting issues and judgements made in connection with the preparation of the financial statements.

Having taken all available information into consideration and having discussed the content of the annual report and accounts with the Alternative Investment Fund Manager, investment managers, Company Secretary and other third party service providers, the Audit Committee has concluded that the Annual Report and Accounts for the year ended 31st December 2015, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect

are set out in the Statement of Directors' Responsibilities on page 34.

The Audit Committee reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems, receives information from the Manager's Compliance department and reviews the scope and results of the external audit, its effectiveness and cost effectiveness, the balance of audit and non-audit services and the independence and objectivity of the external Auditor. In the Directors' opinion the Auditor is considered independent. It is the Company's policy that all non-audit services require approval of the Audit Committee. In order to safeguard the Auditor's objectivity and independence, any significant non-audit services are carried out through a partner other than the audit engagement partner. The Audit Committee also receives confirmations from the Auditor, as part of their reporting, in regard to their objectivity and independence. Representatives of the Company's Auditor attends the Audit Committee meeting at which the draft annual report and accounts are considered.

The Audit committee is responsible for identifying the Company's principal risks, monitoring the internal controls established by third party service providers, and monitoring compliance with relevant statutory, regulatory and taxation requirements. The work done by the Audit Committee is described on page 29 under Risk Management and Internal Control.

The Audit Committee also has a primary responsibility for making recommendations to the Board on the reappointment and removal of external auditors. Having reviewed the performance of the external auditors and assessed their effectiveness, including assessing the quality of work, timing of communications and work with JPMF, the Committee considered it appropriate to recommend their reappointment. The Committee supported this recommendation which will be put to shareholders at the forthcoming Annual General Meeting. The Committee reviews and approves the Auditors' fees and any non-audit services provided by the independent auditors and assesses the impact of any non-audit work on the ability of the auditor to remain independent. No such work was undertaken by the Auditor during the year under review. Details of the Auditor's fees are disclosed in note 6 on page 46.

The Directors' statement on the Company's system of Risk Management and Internal Control is set out on pages 29 and 30.

Terms of Reference

The Nomination and Remuneration, Management Engagement and Audit Committees have written terms of reference which define clearly their respective responsibilities, copies of which are available for inspection on the Company's website and on request at the Company's registered office and at the Annual General Meeting.

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders two times a year by way of the Annual Report and Accounts, and Half Year Report. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet with shareholders and answer questions. In addition, a presentation is given by the Investment Manager who reviews the Company's performance.

During the year the Company's brokers and JPMAM hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 67.

The Company's Annual Report and Accounts is published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to submit questions via the Company's website or write to the Company Secretary at the address shown on page 67.

Details of the proxy voting position on each resolution will be published on the Company website shortly after the Annual General Meeting.

Risk Management and Internal Control

The UK Corporate Governance Code requires the Directors, at least annually, to review the effectiveness of the Company's system of risk management and internal control and to report to shareholders that they have done so. This encompasses a review of all controls, which the Board has identified as including business, financial, operational, compliance and risk management.

The Directors are responsible for the Company's system of risk management and internal control which is designed to safeguard the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. However, such a system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can only provide reasonable, but not absolute, assurance against fraud, material misstatement or loss.

Since investment management, custody of assets and all administrative services are provided to the Company by the Manager and its associates, the Company's system of risk management and internal control mainly comprises monitoring the services provided by the Manager and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. There is an ongoing process for identifying, evaluating and managing significant risks faced by the Company (see Principal Risks on pages 19 and 20). This process has been in place for the year under review and up to the date of approval of the Annual Report and financial statements, and it accords with the Financial Reporting Council's guidance. Whilst the Company does not have an internal audit function of its own, the Board considers that it is sufficient to rely on the internal audit department of JPMAM. This arrangement is kept under review.

The key elements designed to provide effective internal control are as follows:

Financial Reporting – Regular and comprehensive review by the Board of key investment and financial data, including management accounts, revenue projections, analysis of transactions and performance comparisons.

Management Agreement – Appointment of a manager and custodian regulated by the Financial Conduct Authority ('FCA'), whose responsibilities are clearly defined in a written agreement.

Management Systems – The Manager's system of risk management and internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by JPMAM's Compliance department which regularly monitors compliance with FCA rules and reports to the Board.

Investment Strategy – Authorisation and monitoring of the Company's investment strategy and exposure limits by the Board.

The Board, either directly or through the Audit Committee keeps under review the effectiveness of the Company's system of risk management and internal control by monitoring the operation of the key operating controls of the Manager and its associates as follows:

- the Board, through the Management Engagement and Audit Committee, reviews the terms of the management agreement and receives regular reports from JPMAM's Compliance department;
- the Board reviews the report on the risk management and internal controls and the operations of its Depositary, BNY Mellon Trust & Depositary (UK) Limited, and its custodian, JPMorgan Chase Bank, which is itself independently reviewed; and

DIRECTORS' REPORT CONTINUED

- the Directors review every six months an independent report on the risk management and internal controls and the operations of the Manager.

By the means of the procedures set out above the Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended 31st December 2015 and to the date of approval of this Annual Report and Accounts.

The Board confirms that any failings or weaknesses identified during the course of its review of the system of risk management and internal control were not significant and did not affect the Company.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to the Manager. The following is a summary of JPMAM's policy statements on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board. Details on social and environmental issues are included in the Strategic Report on pages 18 and 19.

Corporate Governance

JPMAM believes that corporate governance is integral to our investment process. As part of our commitment to delivering superior investment performance to our clients, we expect and encourage the companies in which we invest to demonstrate the highest standards of corporate governance and best business practice. We examine the share structure and voting structure of the companies in which we invest, as well as the board balance, oversight functions and remuneration policy. These analyses then form the basis of our proxy voting and engagement activity.

Proxy Voting

JPMAM manages the voting rights of the shares entrusted to it as it would manage any other asset. It is the policy of JPMAM to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. So far as is practicable, we will vote at all of the meetings called by companies in which we are invested.

Stewardship/Engagement

JPMAM recognises its wider stewardship responsibilities to its clients as a major asset owner. To this end, we support the introduction of the FRC Stewardship Code, which sets out the responsibilities of institutional shareholders in respect of investee companies. Under the Code, managers should:

- *publicly disclose their policy on how they will discharge their stewardship responsibilities to their clients;*
- *disclose their policy on managing conflicts of interest;*
- *monitor their investee companies;*
- *establish clear guidelines on how they escalate engagement;*
- *be willing to act collectively with other investors where appropriate;*
- *have a clear policy on proxy voting and disclose their voting record; and*
- *report to clients.*

JPMAM endorses the Stewardship Code for its UK investments and supports the principles as best practice elsewhere. We believe that regular contact with the companies in which we invest is central to our investment process and we also recognise the importance of being an 'active' owner on behalf of our clients.

JPMAM's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM's website: www.jpmorganassetmanagement.co.uk/institutional/CommentaryAndAnalysis/CorporateGovernance. This also sets out its approach to the seven principles of the FRC Stewardship Code, its policy relating to conflicts of interest and its detailed voting record.

By order of the Board
Lucy Dina, for and on behalf of
JPMorgan Funds Limited,
Secretary



17th March 2016

DIRECTORS' REMUNERATION REPORT

The Board presents the Directors' Remuneration Report for the year ended 31st December 2015, which has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006 as amended.

The law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in their report on page 35.

As all of the Directors are non-executive, the Board has not established a Remuneration Committee. Instead, the Nomination Committee reviews Directors' fees on a regular basis and makes recommendations to the Board as and when appropriate.

No amounts (2014: nil) were paid to third parties for making available the services of Directors.

Directors' Remuneration Policy

The law requires that the Directors' Remuneration Policy Report is subject to a triennial binding vote. However, a decision has been taken to seek approval annually and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting. The policy subject to the vote, is set out in full below and is currently in force.

The Board's policy for this and subsequent years is that Directors' fees should properly reflect the time spent by the Directors on the Company's business and should be at a level to ensure that candidates of a high calibre are recruited to the Board. The Chairman of the Board and the Chairman of the Audit Committee are paid higher fees than other Directors, reflecting the greater time commitment involved in fulfilling those roles.

The Nomination and Remuneration Committee, comprising all Directors, reviews fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, and includes research carried out by third parties on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally. The involvement of remuneration consultants has not been deemed necessary as part of this review.

The Company has no Chief Executive Officer and no employees and therefore there was no consultation with employees, and there is no employee comparative data to provide, in relation to the setting of the remuneration policy for Directors.

All of the Directors are non-executive. There are no performance-related elements to their fees and the Company does not operate any type of incentive, share scheme, award or pension scheme and therefore no Directors receive bonus payments or pension contributions from the Company or hold options to acquire shares

in the Company. Directors are not granted exit payments and are not provided with compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in attending the Company's business.

During the year under review, Directors' fees were paid at a fixed rate of £31,600 per annum for the Chairman, £26,000 per annum for the Chairman of the Audit Committee and £22,500 per annum for each other Director. Fees were increased with effect from 1st January 2016 to £33,350 for the Chairman, £27,600 for the Audit Committee Chairman, and £23,000 for each other Director.

The Company's Articles of Association stipulate that aggregate Directors' fees must not exceed £150,000 per annum. Any increase in this the maximum aggregate amount requires both Board and shareholder approval. A resolution will be put to shareholders at the forthcoming AGM in 2016 to increase the maximum aggregate amount to £200,000 per annum.

The Company has not sought shareholder views on its remuneration policy. The Nomination and Remuneration Committee considers any comments received from shareholders on remuneration policy on an ongoing basis and will take account of these views if appropriate.

The Directors do not have service contracts with the Company. The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for review at the Company's Annual General Meeting and the Company's registered office. Details of the Board's policy on tenure are set out on page 26.

The Company's Remuneration policy also applies to new Directors.

Directors' Remuneration Policy Implementation

The Directors' Remuneration Report, which includes details of the Directors' remuneration policy and its implementation, is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting. There have been no changes to the policy compared with the year ended 31st December 2014 and no changes are proposed for the year ending 31st December 2016.

At the Annual General Meeting held on 29th April 2015, of votes cast in respect of the Remuneration Policy, 99.0% of votes cast were in favour of (or granted discretion to the Chairman who voted in favour of) the remuneration policy and 1.0% voted against. In respect of the Remuneration Report, 99.1% of votes were cast in favour and 0.9% against.

Details of voting on both the Remuneration Policy and the Directors' Remuneration Report from the 2016 Annual General Meeting will be given in the annual report for the year ending 31st December 2016.

DIRECTORS' REMUNERATION REPORT *CONTINUED*

Details of the implementation of the Company's remuneration policy are given below. No advice from remuneration consultants was received during the year under review.

Single total figure of remuneration

The single total figure of remuneration for the Board as a whole for the year ended 31st December 2015 was £128,850. The single total figure of remuneration for each Director is detailed below together with the prior year comparative.

There are no performance targets in place for the Directors of the Company and there are no benefits for any of the Directors which will vest in the future. There are no benefits, pension, bonus, long term incentive plans, exit payments or arrangements in place on which to report.

Single total figure table¹

	Total fees ²	
	2015	2014
	£	£
Davina Walter	31,600	31,000
Mark Ansell	22,500	22,100
Christopher Galleymore	22,500	22,100
Alan Kemp ³	7,500	25,450
Julia Le Blan ⁴	26,000	22,100
David Ross ⁵	18,750	—
Total	128,850	122,750

¹ Audited information.

² Directors' remuneration comprises an annual fee only. Directors are also reimbursed for out of pocket expenses incurred in attending the Company's business.

³ Retired as a Director on 29th April 2015.

⁴ Julia Le Blan took over as Audit Committee Chairman on 1st January 2015.

⁵ Appointed 1st March 2015.

A table showing the total remuneration for the Chairman over the five years ended 31st December 2015 is below:

Remuneration for the Chairman over the five years ended 31st December 2015

Year ended 31st December	Fees
2015	£31,600
2014	£31,000
2013	£30,200
2012	£29,400
2011	£28,000

Directors' Shareholdings¹

There are no requirements pursuant to the Company's Articles of Association for the Directors to own shares in the Company. The beneficial shareholdings of the Directors who held office at the year end are detailed below.

Directors' Name	31st December 2015	31st December 2014 or as at date of appointment
Davina Walter	79,916	73,600
Mark Ansell	136,929	136,929
Christopher Galleymore	50,000	50,000
Julia Le Blan	15,000	15,000
David Ross ²	25,000	—
Total	306,845	275,529

¹ Audited information.

² Comparative figures have been recalculated following the sub-division of shares on 6th March 2014.

³ Appointed as a Director on 1st March 2015.

As at the last practicable date before the publication of this document, there have been no changes to the Directors' shareholdings since the year end.

The Directors have no other share interests or share options in the Company and no share schemes are available.

In accordance with the Companies Act 2006, a graph showing the Company's share price total return compared with its benchmark, the Russell 2000 Index total return with dividends reinvested, in sterling terms, over the last six years is shown overleaf. The Board believes this Index is the most representative comparator for the Company.

Six Year Share Price and Benchmark Total Return Performance to 31st December 2015

Source: Morningstar.

— Share price total return.
— Benchmark.

A table showing actual expenditure by the Company on remuneration and distributions to shareholders for the year and the prior year is below:

Expenditure by the Company on remuneration and distributions to shareholders

	Year ended 31st December	
	2015	2014
Remuneration paid to		
all Directors	£128,850	£122,750
Distribution to shareholders		
by way of:		
– dividend	£nil	£nil
– share repurchases	£nil	£1,350,000

For and on behalf of the Board
Davina Walter
Chairman

17th March 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law. Under company law the Directors must not approve the financial statements unless they are satisfied that, taken as a whole, the annual report and accounts are fair, balanced and understandable, provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy and that they give a true and fair view of the state of affairs of the Company and of the total return or loss of the Company for that period. In order to provide these confirmations, and in preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business

and the Directors confirm that they have done so.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts are published on the www.jpmsmallercompanies.co.uk website, which is maintained by the Company's Manager. The maintenance and integrity of the website maintained by the Manager is, so far as it relates to the Company, the responsibility of the Manager. The work carried out by the Auditor does not involve consideration of the maintenance and integrity of this website and, accordingly, the Auditor accepts no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. The accounts are prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions.

Under applicable law and regulations the Directors are also responsible for preparing a Directors' Report, Strategic Report, Statement of Corporate Governance and Directors' Remuneration Report that comply with that law and those regulations.

Each of the Directors, whose names and functions are listed on pages 21 and 22, confirms that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law, give a true and fair view of the assets, liabilities, financial position and return or loss of the Company; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The Board confirms that it is satisfied that the annual report and accounts taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the position and performance, strategy and business model of the Company.

For and on behalf of the Board
Davina Walter
Chairman

17th March 2016

Independent Auditor's Report

TO THE MEMBERS OF JPMORGAN US SMALLER COMPANIES INVESTMENT TRUST PLC

Our opinion on the financial statements is unmodified

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st December 2015 and of its net return for the year then ended;
- have been properly prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Who we are reporting to

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

What we have audited

JPMorgan US Smaller Companies Investment Trust plc's financial statements for the year ended 31st December 2015 comprise the statement of comprehensive income, the statement of changes in equity, the statement of financial position, the statement of cash flows and the related notes.

The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Overview of our audit approach

- Overall materiality: £1,038,000 which represents 1% of the Company's net assets value; and
- Key audit risks were identified as:
 - Valuation, existence and ownership of investments; and
 - Accuracy and completeness of investment income.

Our assessment of risk

In arriving at our opinions set out in this report, we highlight the following risks that, in our judgement, had the greatest effect on our audit:

Audit risk	How we responded to the risk
Valuation, existence and ownership of investments The Company's business objective is investing in US smaller companies to achieve capital growth. The investment portfolio at £117 million is a significant material balance in the statement of financial position at year-end and the main driver of the Company's performance. We therefore identified the valuation, existence and ownership of the investment portfolio as risks that require particular audit attention.	Our audit work included, but was not restricted to: • assessing whether the Company's accounting policy for the valuation of investments is in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') and testing whether management have accounted for valuation in accordance with that policy; • confirming the existence and completeness of investments through agreeing the holdings listed in the portfolio at year end to an independent confirmation we received directly from the Company's custodian; • independently pricing 100% of the listed equity portfolio by obtaining the bid prices from independent market sources and calculating the total valuation based on the Company's investment holdings which was agreed to the Company's records; and • to test that investments are actively traded, extracting a report of trading volumes in the week before and after year end from an independent market source for the equity investments held. The Company's accounting policy on valuation of investments is shown in note 1(c) and related disclosures are included in note 11. The Audit Committee identified valuation, existence and ownership of investments as a significant issue in its report on page 28, where the Committee also described the action that it has taken to address this issue.

Independent Auditor's Report *continued*

Audit risk	How we responded to the risk
Accuracy and completeness of investment income Investment income is the Company's major source of revenue and a significant material balance in the Statement of Comprehensive Income. Accordingly, we identified the accuracy and completeness of investment income from the investment portfolio as risks that require particular audit attention.	Our audit work included, but was not restricted to: • assessing whether the Company's accounting policy for revenue recognition is in accordance with United Kingdom Generally Accepted Accounting Practice and the SORP; • obtaining an understanding of the Company's process for recognising revenue in accordance with the Company's stated accounting policy; • testing that income transactions were recognised in accordance with the policy by selecting a sample of quoted investments and agreeing the relevant investment income receivable for those quoted equities to the Company's records. Also, for the selected investments, we obtained the respective dividend rate entitlements from independent sources and checked against the amounts recorded in the Company's accounting records maintained by the administrator. In addition, we agreed the receipt of the dividend income to bank statements; and • performing, on a sample basis, a search for special dividends on the equity investments held during the year to check whether dividend income attributable to those investments has been properly recognised. We checked the categorisation of special dividends as either revenue or capital receipts. The Company's accounting policy on income is shown in note 1(e) and related disclosures are included in note 4. The Audit Committee identified recognition and completeness of investment income as a significant issue in its report on page 28, where the Committee also described the action that it has taken to address this issue.

Our application of materiality and an overview of the scope of our audit

Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the financial statements as a whole to be £1,038,000, which is 1% of the Company's net assets value. This benchmark is considered the most appropriate because net assets are fundamental to the performance and financial position of the business.

Materiality for the current year is lower than the level that we determined for the year ended 31st December 2014 to reflect the change in benchmark from 1% of total assets value to 1% of net assets value.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality. We also determine a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be £52,000. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit

A description of the generic scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

We conducted our audit in accordance with International Standards on Auditing (ISAs) (UK and Ireland). Our responsibilities under those standards are further described in the 'Responsibilities for the financial statements and the audit' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

Our audit approach was based on a thorough understanding of the Company's business and is risk-based. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records is outsourced to third-party service providers. Accordingly, our audit work included:

- obtaining an understanding of, and evaluating, relevant internal controls at both the Company and third-party service providers by obtaining and reading the internal controls reports on the description, design and operating effectiveness of internal controls at both the Company and the relevant third-party service providers; and
- substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment and our evaluation of the design and implementation of controls and the management of specific risks.

Other reporting required by regulations

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review:

- the Directors' statements in relation to going concern and longer-term viability, set out on page 23 and 20 respectively; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading

In particular, we are required to report to you if:

- we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable; or
- the annual report does not appropriately disclose those matters that were communicated to the audit committee which we consider should have been disclosed.

We have nothing to report in respect of the above.

Independent Auditor's Report *continued*

We also confirm that we do not have anything material to add or to draw attention to in relation to:

- the Directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in the financial statements about whether they have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the Directors' explanation in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Responsibilities for the financial statements and the audit

What the directors are responsible for

As explained more fully in the Statement of Directors' Responsibilities set out on page 34, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

What we are responsible for

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.



Julian Bartlett (Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

17th March 2016

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2015

	Notes	Revenue £'000	2015 Capital £'000	Total £'000	Revenue £'000	2014 Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss	3	–	5,007	5,007	–	12,132	12,132
Net foreign currency losses		–	(688)	(688)	–	(371)	(371)
Income from investments	4	1,728	–	1,728	1,390	–	1,390
Gross return		1,728	4,319	6,047	1,390	11,761	13,151
Management fee	5	(135)	(1,216)	(1,351)	(114)	(1,027)	(1,141)
Other administrative expenses	6	(407)	–	(407)	(402)	–	(402)
Net return on ordinary activities before finance costs and taxation		1,186	3,103	4,289	874	10,734	11,608
Finance costs	7	(11)	(99)	(110)	(9)	(68)	(77)
Net return on ordinary activities before taxation		1,175	3,004	4,179	865	10,666	11,531
Taxation	8	(246)	–	(246)	(218)	–	(218)
Net return on ordinary activities after taxation		929	3,004	3,933	647	10,666	11,313
Return per share	9	1.66p	5.35p	7.01p	1.15p	18.96p	20.11p

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies.

The notes on pages 43 to 60 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves ¹ £'000	Revenue reserve ¹ £'000	Total £'000
At 31st December 2013	1,366	4,550	1,851	81,553	(2,981)	86,339
Shares issued	58	3,643	—	—	—	3,701
Repurchase of shares into Treasury	—	—	—	(1,350)	—	(1,350)
Costs of placing	—	(257)	—	—	—	(257)
Net return on ordinary activities	—	—	—	10,666	647	11,313
Dividend appropriated in the year	—	—	—	(398)	—	(398)
At 31st December 2014	1,424	7,936	1,851	90,471	(2,334)	99,348
Shares issued from Treasury	—	110	—	414	—	524
Net return on ordinary activities	—	—	—	3,004	929	3,933
At 31st December 2015	1,424	8,046	1,851	93,889	(1,405)	103,805

¹ These reserves form the distributable reserves of the Company and may be used to fund distributions of profits to investors via dividend payments.

The notes on pages 43 to 60 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER 2015

	Notes	2015 £'000	2014 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	113,980	105,663
Investment in liquidity fund held at fair value through profit or loss		3,293	2,264
		117,273	107,927
Current assets	12		
Debtors		180	216
Cash and short term deposits		5	907
		185	1,123
Creditors: amounts falling due within one year	13	(13,653)	(9,702)
Net current liabilities		(13,468)	(8,579)
Total assets less current liabilities		103,805	99,348
Net assets		103,805	99,348
Capital and reserves			
Called up share capital	14	1,424	1,424
Share premium	15	8,046	7,936
Capital redemption reserve	15	1,851	1,851
Capital reserves	15	93,889	90,471
Revenue reserve	15	(1,405)	(2,334)
Total equity shareholders' funds		103,805	99,348
Net asset value per share	16	184.3p	177.3p

The financial statements on pages 39 to 60 were approved and authorised for issue by the Directors on 17th March 2016 and were signed on their behalf by:

Davina Walter
Chairman



The notes on pages 43 to 60 form an integral part of these financial statements.

Company registration number: 552775.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2015

	Notes	2015 £'000	2014 £'000
Net cash outflow from operations before dividends and interest	17	(1,506)	(1,359)
Interest paid		(110)	(71)
Taxation		16	23
Dividends received		1,494	1,164
Interest received ¹		10	4
Net cash outflow from operating activities		(96)	(239)
Purchases of investments ²		(27,297)	(31,048)
Sales of investments ²		23,705	28,203
Settlement of foreign currency contracts		2	(7)
Net cash outflow from investing activities		(3,590)	(2,852)
Dividends paid		–	(398)
Issue of ordinary shares		–	3,701
Costs of placing		–	(257)
Repurchase of the Company's own shares into Treasury		–	(1,350)
Shares re-issued from Treasury		524	–
Repayment of short term bank loan		–	(6,013)
Draw down of short term bank loan		3,289	9,197
Net cash inflow from financing activities		3,813	4,880
Increase in cash and cash equivalents		127	1,789
Cash and cash equivalents at start of year		3,171	1,382
Cash and cash equivalents at end of year		3,298	3,171
Increase in cash and cash equivalents		127	1,789
Cash and cash equivalents consist of:			
Cash and short term deposits		5	907
Investment in liquidity fund		3,293	2,264
Total		3,298	3,171

¹ Includes receipts from liquidity funds.

² Excludes liquidity funds.

The notes on pages 43 to 60 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

1. Accounting policies

(a) Basis of accounting

The financial statements are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP') including FRS 102 'Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the Association of Investment Companies in November 2014.

All of the Company's operations are of a continuing nature.

The financial statements have been prepared on a going concern basis. The disclosure on going concern on page 23 of the Directors' Report forms part of these financial statements.

(b) Transition to FRS 102

This set of financial statements, in accordance with the SORP includes changes arising from the adoption of FRS 102 which the Company is required to comply with for the first time for the year ended 31st December 2015.

Aside from amendments to the disclosure of fair value hierarchy information and presentational aspects relating to the Statement of Cash Flows, no significant changes have arisen from the adoption of the new standards. Where changes have arisen, they are substantially in relation to presentation, disclosure and non-quantifiable aspects – there has been no impact to financial position or financial performance and no comparative figures require restating.

(c) Valuation of investments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

The Company's business is investing in financial assets with a view to profiting from their capital growth.

Upon initial recognition, the investments are treated by the Company as 'held at fair value through profit or loss'. They are measured initially at fair value which is taken to be their cost excluding expenses incidental to purchase which are written off in the capital column of the Statement of Comprehensive Income at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets.

For investments which are not traded in active markets, unlisted and restricted investments, the Board takes into account the latest traded prices, other observable market data and asset values based on the latest management accounts.

Gains and losses on sales of investments are recognised in the Statement of Comprehensive Income and are transferred to capital reserves within 'Gains and losses on sales of investments', and represents the excess of sales proceeds over carrying value at the last balance sheet date.

Increases and decreases in the valuation of investments held at the year end are recognised in the Statement of Comprehensive Income and are transferred to capital reserves within 'Holding gains and losses on investments'.

All purchases and sales are accounted for on a trade date basis.

(d) Accounting for reserves

Gains and losses on sales of investments including the related foreign exchange gains and losses, realised gains and losses on foreign currency, management fee and finance costs allocated to capital and any other capital charges, are included in the Statement of Comprehensive Income and dealt with in capital reserves within 'Gains and losses on sales of investments'. Increases and decreases in the valuation of investments held at the year end including the related foreign exchange gains and losses and unrealised gains and losses on forward foreign currency contracts, are included in the Statement of Comprehensive Income and dealt with in capital reserves within 'Holding gains and losses on investments'.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

1. Accounting policies *continued*

(e) Income

Dividends receivable from equity shares are included in revenue on an ex-dividend basis except where, in the opinion of the Board, the dividend is capital in nature, in which case it is included in capital.

Overseas dividends are included gross of any withholding tax.

Deposit interest receivable is taken to revenue on an accruals basis.

(f) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to revenue with the following exceptions:

- the management fee is allocated 10% to revenue and 90% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.
- expenses incidental to the purchase of an investment are included within the cost of the investment and those incidental to the sale are deducted from the sale proceeds. These expenses are commonly referred to as transaction costs and comprise mainly brokerage commission. Details of transaction costs are given in note 11 on page 49.

(g) Finance costs

Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest method.

Finance costs are allocated 10% to revenue and 90% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.

(h) Financial instruments

Cash and cash equivalents may comprise cash (including demand deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value) as well as cash equivalents (including liquidity funds). Liquidity funds are considered cash equivalents for the Statement of Cash Flows, as they are held for cash management purposes as an alternative to cash. Liquidity funds, when held as an alternative to cash, are recognised as "held at fair value through profit or loss" and disclosed as a Fixed Asset in the Statement of Financial Position.

The bank loan is classified as a financial liability measured at amortised cost. It is initially measured at proceeds and subsequently measured at amortised cost. Interest payable on bank loans is accounted for on accruals basis in the Statement of Comprehensive Income. For loans taken out in a currency other than sterling, the unrealised exchange gains or losses are accounted for in the Statement of Comprehensive Income.

Other debtors and creditors do not carry any interest, are short term in nature and are accordingly stated at nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(i) Functional currency

The Board, having regard to the currency of the Company's share capital, the predominant currency in which its shareholders operate, and the currency of the primary economic environment in which the Company operates, has determined that sterling is the functional currency. Sterling is also the currency in which the accounts are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates as at the date of the transaction. Assets and liabilities denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in revenue or capital, depending on whether the gain or loss is of a revenue or capital nature. Gains and losses on investments arising from a change in exchange rates are included in 'Holding gains and losses on investments'.

(j) Taxation

Current tax is provided at the amounts expected to be paid or recovered.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax liabilities are recognised for all taxable timing differences, but deferred tax assets are only recognised to the extent that it is more likely than not that taxable profits will be available against which those timing differences can be utilised.

Tax relief is allocated to expenses charged to capital on the 'marginal basis'. On this basis, if taxable income is capable of being entirely offset by revenue expenses, then no tax relief is allocated to capital.

Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the balance sheet date and is measured on an undiscounted basis.

(k) Dividends payable

In accordance with FRS 102 dividends payable are included in the financial statements in the year in which they are paid or approved by shareholders.

(l) Value Added Tax ('VAT')

Recoverable VAT is calculated using the partial exemption method based on the proportion of supplies that give the right to VAT recovery to total supplies.

(m) Repurchase of ordinary shares for cancellation

The cost of repurchasing ordinary shares including the related stamp duty and transactions costs is charged to capital reserves and dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis.

The nominal value of ordinary share capital repurchased and cancelled is transferred out of called up share capital and into the capital redemption reserve.

(n) Share issue costs

The costs of issuing shares are charged against any premium received on the shares. If no premium is receivable, the costs are included in the Statement of Comprehensive Income and charged to capital reserves.

(o) Repurchase of shares to hold in Treasury

The cost of repurchasing shares into Treasury, including the related stamp duty and transaction costs is charged to capital reserves and dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. Where shares held in Treasury are subsequently cancelled, the nominal value of those shares is transferred out of called up share capital and into the capital redemption reserve.

Should shares held in Treasury be reissued, the sales proceeds will be treated as a realised profit up to the amount of the purchase price of those shares and will be transferred to capital reserves. The excess of the sales proceeds over the purchase price will be transferred to share premium.

2. Significant accounting judgements, estimates and assumptions

The preparation of the Company's Financial Statements on occasion requires management to make judgements, estimates and assumptions that affect the reported amounts in the primary financial statements and the accompanying disclosures. These assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the current and future periods, depending on circumstance.

Management do not believe that any significant accounting judgements have been applied to this set of financial statements, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*
3. Gains on investments held at fair value through profit or loss

	2015 £'000	2014 £'000
Gains on sales of investments held at fair value through profit or loss based on historical cost	7,309	6,337
Amounts recognised in investment holding gains in the previous year in respect of investments sold during the year	(5,459)	(5,882)
Gains on sales of investments based on the carrying value at the previous balance sheet date	1,850	455
Net movement in investment holding gains and losses	3,160	11,682
Other capital charges	(3)	(5)
Total capital gains on investments held at fair value through profit or loss	5,007	12,132

4. Income

	2015 £'000	2014 £'000
Income from investments		
Dividends from investments	1,718	1,386
Interest from liquidity fund	10	4
Total income	1,728	1,390

5. Management fee

	Revenue £'000	2015 Capital £'000	Total £'000	Revenue £'000	2014 Capital £'000	Total £'000
Management fee	135	1,216	1,351	114	1,027	1,141

Details of the management fee are given in the Directors' Report on page 23.

6. Other administrative expenses

	2015 £'000	2014 £'000
Administration expenses	191	191
Directors' fees ¹	129	123
Savings scheme costs ²	61	63
Auditors' remuneration for audit services ³	26	25
	407	402

¹ Full disclosure is given in the Directors' Remuneration Report on page 31.

² These fees were paid to the Manager for the marketing and administration of savings scheme products. Includes irrecoverable VAT of £5,000 (2014: £10,000).

³ Includes irrecoverable VAT of £2,000 (2014: £2,000).

7. Finance costs

	2015			2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on bank loans and overdrafts	11	99	110	9	68	77

8. Taxation

(a) Analysis of tax charge in the year

	2015 £'000	2014 £'000
Overseas withholding tax	246	218
Total tax charge for the year	246	218

(b) Factors affecting total tax charge for the year

The tax assessed for the year is lower (2014: lower) than the Company's applicable rate of corporation tax for the year of 20.25% (2014: 21.49%). The factors affecting the total tax charge for the year are as follows:

	2015			2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return on ordinary activities before taxation	1,175	3,004	4,179	865	10,666	11,531
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax of 20.25% (2014: 21.49%)	238	608	846	186	2,292	2,478
Effects of:						
Non taxable capital gains	–	(874)	(874)	–	(2,527)	(2,527)
Non taxable overseas dividends	(312)	–	(312)	(279)	–	(279)
Unrelieved expenses	76	266	342	93	235	328
Income taxed in different years	(2)	–	(2)	–	–	–
Overseas withholding tax	246	–	246	218	–	218
Total tax charge for the year	246	–	246	218	–	218

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £3,878,000 (2014: £3,970,785) based on a prospective corporation tax rate of 18% (2014: 20%). The UK Government announced in July 2015 that the corporation tax rate is set to be cut to 19% in 2017 and 18% in 2020. These reductions in the standard rate of corporation tax were substantively enacted on 26th October 2015 and became effective on 18th November 2015. The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the financial statements.

Given the Company's status as an Investment Trust Company and the intention to continue meeting the conditions required to maintain approval, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

9. Return per share

The revenue return per share is based on the earnings attributable to the ordinary shares of £929,000 (2014: £647,000) and on the weighted average number of shares in issue during the year of 56,159,613 (2014: 56,265,899).

The capital return per share is based on the capital return attributable to the ordinary shares of £3,004,000 (2014: £10,666,000) and on the weighted average number of shares in issue during the year of 56,159,613 (2014: 56,265,899).

The total return per share is based on the total return attributable to the ordinary shares of £3,933,000 (2014: £11,313,000) and on the weighted average number of shares in issue during the year of 56,159,613 (2014: 56,265,899).

10. Dividends

(a) Dividend paid

	2015 £'000	2014 £'000
2014 Final dividend of 0.0p (2013: 0.7p ^{1,2})	—	398
Total dividend paid in the year	—	398

¹ Dividend rate has been restated following the sub-division of each existing ordinary share of 25p into 2.5p each on 6th March 2014.

² The final dividend proposed in respect of the year ended 31st December 2013 amounted to £383,000. However, the actual payment amounted to £398,000 due to shares issued after the balance sheet date but prior to the final dividend record date. This distribution was paid from capital reserves in accordance with the Company's Articles of Association.

(b) Dividend for the purposes of Section 1158 of the Corporation Tax Act 2010 ('Section 1158')

The requirements of section 1158 are considered on the basis of dividends proposed in respect of the financial year, as follows:

	2015 £'000	2014 £'000
2015 Final dividend of nil (2014: nil)	—	—
Total dividend for s1158 purposes¹	—	—

¹ Despite the Company generating positive current year revenue, it still has a revenue reserve deficit, and therefore Directors are not proposing payment of a dividend this year.

11. Investments

	2015 £'000	2014 £'000
Investments listed on a recognised stock exchange	113,980	105,663
Investment in liquidity fund	3,293	2,264
	117,273	107,927
Opening book cost	76,472	66,593
Opening investment holding gains	31,455	25,655
Opening valuation	107,927	92,248
Movements in the year:		
Purchases at cost	47,050	52,945
Sales - proceeds	(42,714)	(49,403)
Gains on sales of investments based on the carrying value at the previous balance sheet date	1,850	455
Net movement in investment holding gains and losses	3,160	11,682
Closing valuation	117,273	107,927
Closing book cost	88,117	76,472
Closing investment holding gains	29,156	31,455
Total investments held at fair value through profit or loss	117,273	107,927

During the year, prior year investment holding losses amounting to £5,459,000 (2014: gains amounting to £5,882,000) have been transferred to gains on sales of investments as disclosed in note 15.

Transaction costs on purchases during the year amounted to £20,000 (2014: £24,000) and on sales during the year amounted to £15,000 (2014: £16,000). These costs comprise brokerage commission.

12. Current assets

Debtors

	2015 £'000	2014 £'000
Securities sold for future settlement	6	–
Dividends and interest receivable	150	188
Other debtors	24	28
	180	216

The Directors consider that the carrying amount of debtors approximates to their fair value. No assets are past due or impaired (2014: none).

Cash and short term deposits

Cash and short term deposits comprises bank balances and cash held by the Company, including short term bank deposits. The carrying amount of these represents their fair value.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED***13. Creditors: amounts falling due within one year**

	2015 £'000	2014 £'000
US\$20 million loan facility	13,569	9,620
Other creditors and accruals	84	82
	13,653	9,702

The Directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

On 7th April 2015, the Company renewed its US\$20million loan facility with Scotiabank for a further 364 day period. Interest on the renewed facility is payable at a 0.65% (previously 0.70%) margin over LIBOR as offered in the market for the loan period plus the 'mandatory costs' rate, which is the lender's cost of complying with certain regulatory requirements. This facility is unsecured and is subject to covenants which are customary for a credit agreement of this nature. The current facility matures on 5th April 2016 at which point the Board will review its gearing facility.

As at 31st December 2015, the Company had drawn down US\$20.0 million (£13.6 million) on this facility. At the comparative year end, the Company had drawn down US\$15.0 million (£9.6 million) on the US\$15.0 million facility with Scotiabank, which expired during the year (7th April 2015).

14. Called up share capital

	2015 £'000	2014 £'000
Allotted and fully paid		
Opening balance of 56,040,928 (2014: 54,657,800) shares of 2.5p each	1,401	1,366
Issue of nil (2014: 2,313,128) shares of 2.5p each	–	23
Repurchase of nil (2014: 930,000) shares into Treasury ¹	–	(23)
Reissue of 285,000 (2014: nil) shares from Treasury ²	7	35
Closing balance of 56,325,928 (2014: 56,040,928) shares of 2.5p each	1,408	1,401
645,000 (2014: 930,000) shares held into Treasury	16	23
Closing balance of 56,970,928² (2014: 56,970,928) shares of 2.5p each	1,424	1,424

¹ During the year nil (2014: 930,000) shares were bought into Treasury for a total consideration of nil (2014: £1,349,612).

² During the year 285,000 (2014: nil) shares were reissued from Treasury.

15. Reserves

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves		Revenue reserve £'000
				Gains and losses on sales of investments £'000	Holding gains and losses on investments £'000	
Opening balance	1,424	7,936	1,851	59,927	30,544	(2,334)
Foreign currency losses on cash and short term deposits	—	—	—	(28)	—	—
Gains on sales of investments based on the carrying value at the previous balance sheet date	—	—	—	1,850	—	—
Net movement in investment holding gains and losses	—	—	—	—	3,160	—
Transfer on disposal of investments	—	—	—	5,459	(5,459)	—
Shares reissued from Treasury	—	110	—	414	—	—
Unrealised foreign currency losses on loans	—	—	—	—	(660)	—
Management fee and finance costs charged to capital	—	—	—	(1,315)	—	—
Other capital charges	—	—	—	(3)	—	—
Retained revenue for the year	—	—	—	—	—	929
Closing balance	1,424	8,046	1,851	66,304	27,585	(1,405)

16. Net asset value per share

The net asset value per share is based on the net assets attributable to the ordinary shareholders of £103,805,000 (2014: £99,348,000) and on the 56,325,928 (2014: 56,040,928) shares in issue at the year end, excluding shares held in Treasury.

17. Reconciliation of total return on ordinary activities before finance costs and taxation to net cash outflow from operations before dividends and interest

	2015 £'000	2014 £'000
Net return on ordinary activities before finance costs and taxation	4,289	11,608
Less capital return before finance costs and taxation	(3,103)	(10,734)
Decrease in accrued income and other debtors	42	11
Increase in accrued expenses	3	8
Management fee charged to capital	(1,216)	(1,027)
Overseas withholding tax	(262)	(230)
Dividends received	(1,494)	(1,164)
Interest received	(10)	(4)
Realised (loss)/gain on foreign exchange transactions	(30)	33
Realised gain on liquidity fund	275	140
Net cash outflow from operations before dividends and interest	(1,506)	(1,359)

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

18. Contingent liabilities and capital commitments

At the balance sheet date there were no capital commitments or contingent liabilities (2014: none).

19. Related party transactions

Details of the management fee agreement are set out in the Directors' Report on page 23. The management fee payable to the Manager for the year was £1,351,000 (2014: £1,141,000), of which £nil (2014: £1,000) was outstanding at the year end.

During the year, £61,000 (2014: £63,000), including £5,000 (2014: £10,000) irrecoverable VAT, was payable to the Manager for the marketing and administration of savings scheme products, of which £nil (2014: £nil) was outstanding at the year end.

Included in administration expenses in note 6 on page 46 are safecustody fees amounting to £1,006 (2014: £848) payable to JPMorgan Chase of which £166 (2014: £152) was outstanding at the year end.

Handling fees on dealing transactions amounting to £3,000 (2014: £5,000) were payable to JPMorgan Chase during the year of which £400 (2014: payable £700) was receivable at the year end.

The Company invests surplus cash in the JPMorgan US Dollar Liquidity Fund which is managed by JPMAM. At 31st December 2015 this holding was valued at £3.3 million (2014: £2.3 million). During the year the Company made purchases of this fund amounting to £19.8 million (2014: £21.9 million) and sales amounting to £19.0 million (2014: £21.1 million). Interest amounting to £10,000 (2014: £4,000) was receivable from this investment during the year and was reinvested in the fund.

At the year end, a bank balance of £5,000 (2014: £907,000) was held with JPMorgan Chase. A net amount of interest of £nil (2014: £nil) was receivable by the Company during the year from JPMorgan Chase of which £nil (2014: £nil) was outstanding at the year end.

Details of Directors' transactions in the Company's shares and Directors' fees are included in the Directors' Remuneration Report on page 32.

20. Disclosures regarding financial instruments measured at fair value

The fair value hierarchy disclosures required by FRS 102 are given below.

The Company's financial instruments within the scope of FRS 102 that are held at fair value comprise its investment portfolio.

The investments are categorised into a hierarchy consisting of the following three levels:

(A) Quoted prices for identical instruments in active markets

The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the current bid price.

(B) Prices of recent transactions for identical instruments

When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (eg because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.

(C) Valuation techniques using observable market data

If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

Details of the valuation techniques used by the Company are given in note 1(c) on page 43.

The following table sets out the fair value measurements using the FRS 102 hierarchy at 31st December.

	2015		2014	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Quoted prices for identical instruments in active markets ¹	117,273	—	107,927	—
Prices of recent transactions for identical instruments	—	—	—	—
Valuation techniques using observable market value	—	—	—	—
Total value of investments	117,273	—	107,927	—

¹ Includes JPMorgan US Dollar Liquidity Fund.

There have been no transfers between Level A, B or C during the year (2014: none).

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

21. Financial instruments' exposure to risk and risk management policies

As an investment trust the Company invests in equities and other securities for the long term so as to secure its investment objective stated on the 'Features' page. In pursuing this objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

These risks include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company Secretary, in close cooperation with the Board and the Manager, coordinates the Company's risk management strategy.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year.

The Company's financial instruments may comprise:

- investments in the shares of US companies and a US Dollar liquidity fund, which are held in accordance with the Company's investment objective;
- short term debtors, creditors and cash arising directly from its operations;
- short term forward currency contracts for the purpose of settling short term liabilities; and
- bank loans and overdrafts, the purpose of which is to finance the Company's operations.

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements - currency risk, interest rate risk and other price risk. The Board reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Currency risk

Most of the Company's assets, liabilities and income are denominated in currencies other than sterling which is the Company's functional currency and the currency in which it reports. As a result, movements in exchange rates will affect the sterling value of those items.

Management of currency risk

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board, which meets on at least six occasions each year. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. Foreign currency borrowing may be used to limit the Company's exposure to anticipated changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. This borrowing is limited to currencies and amounts commensurate with the asset exposure to those currencies. Income denominated in foreign currencies is converted to sterling on receipt. The Company may use short term forward currency contracts to manage working capital requirements.

Foreign currency exposure

The fair value of the Company's monetary items that have foreign currency exposure at 31st December are shown below. Where the Company's equity investments, which are not monetary items, are priced in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	2015 £'000	2014 £'000
Sterling equivalent of US\$ exposure		
Debtors - securities sold awaiting settlement, dividends and interest receivable	155	188
Cash and short term deposits	1	–
Bank loans	(13,569)	(9,620)
Foreign currency exposure on net monetary items	(13,413)	(9,432)
Investments held at fair value through profit or loss that are equities	113,980	105,663
Investments held at fair value through profit and loss that are monetary items	3,293	2,264
Total net foreign currency exposure	103,860	98,495

The above year end amounts are broadly representative of the exposure to foreign currency risk during the year.

Foreign currency sensitivity

The following tables illustrate the sensitivity of the return after taxation for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates.

The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and the income receivable in foreign currency, and assumes a 10% (2014: 10%) appreciation or depreciation of sterling against the US dollar which is deemed a reasonable illustration based on the volatility of exchange rates during the year.

If sterling had weakened by 10% (2014: 10%) this would have had the following effect:

	2015 £'000	2014 £'000
Statement of Comprehensive Income - return after taxation:		
Revenue return	173	139
Capital return	(1,341)	(943)
Total return after taxation for the year	(1,168)	(804)
Net assets	(1,168)	(804)

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED***21. Financial instruments' exposure to risk and risk management policies *continued*****(a) Market risk *continued*****(i) Currency risk *continued***

Conversely if sterling had strengthened by 10% (2014: 10%) this would have had the following effect:

	2015 £'000	2014 £'000
Statement of Comprehensive Income - return after taxation:		
Revenue return	(173)	(139)
Capital return	1,341	943
Total return after taxation for the year	1,168	804
Net assets	1,168	804

In the opinion of the Directors, the above sensitivity analysis with respect to monetary financial assets and financial liabilities is broadly representative of the whole year. The sensitivity with regard to the Company's investments and foreign currency is subsumed into other price risk sensitivity on page 57.

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the liquidity fund, and the interest payable on the Company's variable rate cash borrowings. The Company has no exposure to fair value interest rate risk as it has no fixed interest investments or borrowings.

Management of interest rate risk

The Company does not normally hold significant cash balances. The Company may finance part of its activities through borrowings at levels approved and monitored by the Board. The Board's policy is to limit gearing within the range of 5% net cash to 15% geared (+/-2.5%).

Derivatives are not used to hedge against the exposure to interest rate risk.

Interest rate exposure

The exposure of financial assets and liabilities to floating interest rates, giving cash flow interest rate risk when rates are reset, is shown below.

	2015 £'000	2014 £'000
Exposure to floating interest rates:		
Cash and short term deposits	5	907
JPMorgan US Dollar Liquidity Fund	3,293	2,264
Creditors: amounts falling due within one year		
Bank loan	(13,569)	(9,620)
Net assets	(10,271)	(6,449)

Interest receivable is at the following rates:

- Interest receivable on cash balances is at a margin below LIBOR.
- The target interest earned on the JPMorgan US Dollar Liquidity Fund is the 7 day US\$ London Interbank Bid Rate.

Details of the bank loan are given in note 13 on page 50.

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2014: 0.5%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date, with all other variables held constant.

	2015		2014	
	0.5% increase in rate £'000	0.5% decrease in rate £'000	0.5% increase in rate £'000	0.5% decrease in rate £'000
Statement of Comprehensive Income - return after taxation				
Revenue return	10	(10)	11	(11)
Capital return	(61)	61	(43)	43
Total return after taxation for the year and net assets	(51)	51	(32)	32

In the opinion of the Directors, the above sensitivity may not be representative of the Company's future exposure to interest rate changes due to fluctuations in the level of cash balances, investments in liquidity funds and borrowings.

(iii) Other price risk

Other price risk includes changes in market prices, other than those arising from interest rate risk or currency risk, which may affect the value of equity investments.

Management of other price risk

The Board meets on at least six occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objectives and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

Other price risk exposure

The Company's total exposure to other changes in market prices at 31st December comprises its holdings in equity investments as follows:

	2015 £'000	2014 £'000
Equity investments held at fair value through profit or loss	113,980	105,663

The above data is broadly representative of the exposure to other price risk during the year.

Concentration of exposure to other price risk

A list of the Company's investments is given on pages 14 and 15. This shows that all of the investments are listed in the USA. Accordingly there is a concentration of exposure to that country. However it should be noted that an investment may not be entirely exposed to the economic conditions in its country of listing.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*21. Financial instruments' exposure to risk and risk management policies *continued*(a) Market risk *continued*(iii) Other price risk *continued*

Other price risk sensitivity

The following table illustrates the sensitivity of the return after tax and net assets to an increase or decrease of 10% (2014: 10%) in the fair value of equity investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities and adjusting for change in the management fee, but with all other variables held constant.

	2015		2014	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Statement of Comprehensive Income - return after taxation				
Revenue return	(11)	11	(13)	13
Capital return	11,295	(11,295)	10,452	(10,452)
Total return after taxation for the year	11,284	(11,284)	10,439	(10,439)
Net assets	11,284	(11,284)	10,439	(10,439)

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft and bank loan facilities.

The Board's policy is for the Company to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities and working capital and to gear the Company as appropriate.

Liquidity risk exposure

Contractual maturities of the financial liabilities at the year end, based on the earliest date on which payment can be required are as follows:

	2015			2014		
	Three months or less £'000	More than three months but not more than one year £'000	Total £'000	Three months or less £'000	More than three months but not more than one year £'000	Total £'000
Other creditors and accruals	63	—	63	61	—	61
Bank loan (including interest)						
Accrued in accounts	21	13,569	13,590	21	9,620	9,641
Period to maturity, 5th April 2016 (2014: 7th April 2015)	33	2	35	23	2	25
	54	13,571	13,625	44	9,622	9,666
	117	13,571	13,688	105	9,622	9,727

The liabilities shown above represent future contractual payments and therefore differ from the amounts shown in the Statement of Financial Position.

(c) **Credit risk**

Credit risk is the risk that a counterparty to a transaction fails to discharge its obligations under that transaction which could result in loss to the Company.

Management of credit risk

Portfolio dealing

The Company invests in markets that operate DVP (Delivery Versus Payment) settlement. The process of DVP mitigates the risk of losing the principal of a trade during the settlement process. The Manager regularly monitors dealing activity to ensure best execution, a process that involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparty lists are maintained and adjusted accordingly.

Cash

Counterparties are subject to daily credit analysis by the Manager and trades can only be placed with counterparties that have been approved by the JPMorgan Counterparty Risk Group and the Board.

Custody

Exposure to JPMorgan Chase

BNY Mellon Trust and Depositary (UK) Limited ('BNY'), as the Company's appointed depositary, is responsible for the appointment of the custodian and its network of sub-custodians. Under the terms of the depositary agreement BNY has strict liability for the loss or misappropriation of assets held at custody.

JPMorgan Chase is the custodian of the Company's assets. The custody agreement grants a general lien over the securities credited to the securities account. The Company's assets are segregated from JPMorgan Chase's own trading assets. Therefore, these assets are designed to be protected from creditors in the event that JPMorgan Chase were to cease trading. However, no absolute guarantee can be given on the protection of all the assets of the Company.

Credit risk exposure

The following amounts shown in the Statement of Financial Position represent the maximum exposure to credit risk at the current and comparative year end.

	2015		2014	
	Balance sheet £'000	Maximum exposure £'000	Balance sheet £'000	Maximum exposure £'000
Fixed assets – investments held at fair value through profit or loss	117,273	3,293	107,927	2,264
Current assets				
Debtors – amounts due from brokers, dividends and interest receivable	180	180	216	216
Cash and short term deposits	5	5	907	907
	117,458	3,478	109,050	3,387

(d) **Fair values of financial assets and financial liabilities**

All financial assets and liabilities are either included in the Statement of Financial Position at fair value or the carrying amount in the Statement of Financial Position is a reasonable approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED**22. Capital management policies and procedures**

The Company's debt and capital structure comprises the following:

	2015 £'000	2014 £'000
Debt:		
Bank loan	13,569	9,620
Equity:		
Share capital	1,424	1,424
Reserves	102,381	97,924
Total equity	103,805	99,348
Total capital	117,374	108,968

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise capital return to its equity shareholders through an appropriate level of gearing.

The Board's policy is to limit gearing within the range 5% net cash to 15% geared (+/- 2.5%). Gearing for this purpose is defined as Total Assets (including net current assets/liabilities less cash/cash equivalents), expressed as a percentage of net assets.

	2015 £'000	2014 £'000
Investments held at fair value excluding liquidity fund holdings	113,980	105,663
Current assets excluding cash	180	216
Current liabilities excluding bank loans	(84)	(82)
Total assets	114,076	105,797
Net assets	103,805	99,348
Gearing	9.9%	6.5%

The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This includes a review of:

- the planned level of gearing, which takes into account the Manager's views on the market;
- the need to buy back equity shares, either for cancellation or to hold in Treasury, which takes into account the share price discount or premium; and
- the opportunity for issues of new shares, including issues from Treasury.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ('AIFMD') DISCLOSURES (UNAUDITED)

Leverage

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by the AIFMD (see Glossary of Terms and Definitions on page 65), as at 31st December 2015, which gives the following figures:

	Gross Method	Commitment Method
Leverage Exposure		
Maximum limit	200%	200%
Actual	113%	113%

JPMF Remuneration

JPMF is the authorised manager of the Company and is part of the J.P. Morgan Chase & Co. group of companies. In this disclosure, the terms 'J.P. Morgan' or 'Firm' refer to that group, and each of the entities in that group globally, unless otherwise specified.

This disclosure has been prepared in accordance with the AIFMD, the European Commission Delegated Regulation supplementing the AIFMD, the 'Guidelines on Sound Remuneration Policies' under the AIFMD issued by the European Securities and Markets Authority and the Financial Conduct Authority Handbook (SYSC 19B: The AIFM Remuneration Code and FUND 3.3).

JPMF Remuneration Policy

The current remuneration policy for the EMEA Global Investment business of J.P. Morgan can be found at <https://am.jpmorgan.com/gb/en/asset-management/gim/adv/emea-remuneration-policy>. This policy includes details of the alignment with risk management, the financial and non-financial criteria used to evaluate performance and the measures adopted to avoid or manage conflicts of interest.

JPMF Quantitative Disclosures

The table below provides an overview of the aggregate 2015 total remuneration paid to J.P. Morgan staff that can be reasonably attributed to the Company. These figures include the remuneration of all staff of JPMorgan Asset Management (UK) Limited (the relevant employing entity) and the number of beneficiaries, both apportioned to the Company on an assets under management ('AUM') weighted basis.

It is not possible to provide a further breakdown of remuneration attributable to JPMorgan US Smaller Companies Investment Trust plc in a relevant or reliable way. However, for context, JPMF manages 34 alternative investment funds ('AIFs') (with 40 sub-funds) and 2 UCITS funds (with 41 sub-funds), with a combined AUM as at 31st December 2015 of £9,293 million and £10,645 million respectively.

	Fixed	Variable	Number of beneficiaries
All staff (\$'000s)	17,269	11,734	135

The 'Identified Staff' of JPMF are those employees whose actions have a material impact on the risk profile of JPMF or the AIFs it manages, including JPMorgan US Smaller Companies Investment Trust plc. The aggregate 2015 total remuneration paid to this group was \$27,884,080. Given the size of JPMF, in particular the number of senior management and other Identified Staff, compensation information for these two groups has been aggregated.

For the purposes of the above disclosures, where portfolio management activities have been formally delegated, remuneration for the relevant employees has been excluded.

Shareholder Information

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fifty ninth Annual General Meeting of JPMorgan US Smaller Companies Investment Trust plc will be held at 60 Victoria Embankment, London EC4Y 0JP on Monday, 25th April 2016 at 2.30 p.m. for the following purposes:

1. To receive the Directors' Report, the Annual Accounts and the Auditor's Report for the year ended 31st December 2015.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31st December 2015.
4. To reappoint Davina Walter as a Director of the Company.
5. To reappoint Julia Le Blan as a Director of the Company.
6. To reappoint Mark Ansell as a Director of the Company.
7. To reappoint Christopher Galleymore as a Director of the Company.
8. To reappoint David Ross as a Director of the Company.
9. To reappoint Grant Thornton UK LLP as Auditor to the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider the following resolutions:

Authority to allot new ordinary shares – Ordinary Resolution

10. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to and in accordance with Section 551 of the Act to exercise all the powers for the Company to allot shares in the Company and to grant rights to subscribe for, or convert any security into, shares in the Company ('Rights') up to an aggregate nominal amount of £284,854, representing approximately 20% of the Company's issued ordinary share capital (including shares held in Treasury, if any) as at the date of the passing of this Resolution, provided that this authority shall expire at the Annual General Meeting of the Company to be held in 2017, unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers or agreement which would or might require shares to be allotted on Rights to be granted after such expiry and so that the Directors of the Company

may allot shares and grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

Authority to disapply pre-emption rights on allotment of new ordinary shares – Special Resolution

11. THAT, subject to the passing of the Resolution 10 set out above, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 10 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £284,854, representing approximately 20% of the issued ordinary share capital as at the date of the passing of this resolution at a price of not less than the net asset value per share and shall expire upon the expiry of the general authority conferred by Resolution 10 above, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares – Special Resolution

12. THAT the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of Section 693 of the Act) of its issued ordinary shares on such terms and in such manner as the Directors may from time to time determine

PROVIDED ALWAYS THAT

- (i) the maximum number of ordinary shares hereby authorised to be purchased shall be 8,413,276 or, if less, that number of ordinary shares which is equal to 14.99% of the Company's issued share capital (less shares held in Treasury, if any) as at the date of the passing of this resolution;
- (ii) the minimum price which may be paid for an ordinary share shall be 2.5p;

- (iii) the maximum price which may be paid for an ordinary share shall be an amount equal to: (a) 105% of the average of the middle market quotations for an ordinary share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased; or (b) the price of the last independent trade; or (c) the highest current independent bid;
- (iv) any purchase of ordinary shares will be made in the market for cash at prices below the prevailing net asset value per ordinary share (as determined by the Directors);
- (v) the authority shall expire on 24th October 2017 unless the Authority is renewed at the Company's Annual General Meeting in 2017 or at any other general meeting prior to such time; and
- (vi) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of ordinary shares pursuant to any such contract notwithstanding such expiry.

Authority to increase the maximum aggregate fees – Ordinary Resolution

13. THAT the maximum aggregate fees paid to Directors be increased from £150,000 per annum to £200,000 per annum.

By order of the Board
Lucy Dina, for and on behalf of
JPMorgan Funds Limited,
Secretary

24th March 2016



Notes

These notes should be read in conjunction with the notes on the reverse of the proxy form.

1. A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person.
3. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form no later than 2.30 p.m. two business days prior to the Meeting (i.e. excluding weekends and bank holidays).
4. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.
5. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.00 p.m. two business days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.00 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.

NOTICE OF ANNUAL GENERAL MEETING *CONTINUED*

6. Entry to the Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.
7. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative. Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.
8. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's accounts (including the Auditors' report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with Auditors of the Company ceasing to hold office since the previous AGM, which the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.
10. Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
11. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
12. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.jpmsmallercompanies.co.uk.
13. The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the Annual General Meeting. No Director has any contract of service with the Company.
14. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.
15. As an alternative to completing a hardcopy Form of Proxy/Voting Direction Form, you can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk. You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed under your name on the Form of Proxy/Voting Direction Form). Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview, you can submit your Form of Proxy at www.shareview.co.uk. Full instructions are given on both websites.
16. As at 16th March 2016 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 56,970,928 (of which 845,000 are held in Treasury) ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company are 56,125,928.

Electronic appointment – CREST members

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. See further instructions on the proxy form.

GLOSSARY OF TERMS AND DEFINITIONS

Return to Shareholders

Total return to the investor, on a mid-market price to mid-market price basis, assuming that all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

Return on Net Assets

Total return on net asset value ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested, without transaction costs, into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

In accordance with industry practice, dividends payable which have been declared but which are unpaid at the balance sheet date are deducted from the NAV per share when calculating the return on net assets.

Benchmark Total Return

Total return on the benchmark assuming that all dividends received were reinvested into the shares of the underlying companies at the time the shares were quoted ex-dividend.

The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not 'track' this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

Net Asset Value ('NAV')

The net value of the Company's assets, cash and other current net assets, having deducted all debt, including bank loans at par value and provisions at their fair value. Current financial year income is included.

Gearing/(Net Cash)

Gearing represents the excess amount above shareholders' funds of total assets expressed as a percentage of the shareholders' funds. Total assets include total investments and net current assets/liabilities less cash/cash equivalents and excluding bank loans of less than one year. If the amount calculated is negative, this is shown as a 'net cash' position.

Ongoing Charges

The Ongoing Charges represent the Company's management fee and all other operating expenses, excluding finance costs, expressed as a percentage of the average of the daily net assets during the year and is calculated in accordance with guidance issued by the Association of Investment Companies.

Overweight/Underweight Position

The active position shows the difference between the Company's holding of an individual stock or sector compared with that stock

or sector's weighting in the Company's benchmark index. A positive number indicates an active decision by the manager to own more of (i.e. be overweight) a particular stock or sector versus the benchmark and a negative number indicates a decision to hold less of (i.e. be underweight) a particular stock or sector versus the benchmark.

Share Price Discount/Premium to Net Asset Value ('NAV') per share

If the share price of an investment trust is lower than the NAV per share, the Company's shares are said to be trading at a discount. The discount is shown as a percentage of the NAV per share. The opposite of a discount is a premium. It is more common for an investment trust's shares to trade at a discount than at a premium.

Performance Attribution

Analysis of how the Company achieved its recorded performance relative to the benchmark.

Leverage

For the purposes of the Alternative Investment Fund Managers Directive (AIFMD), leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and is calculated on a gross and a commitment method, in accordance with AIFMD. Under the gross method, exposure represents the sum of the Company's positions without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated after certain hedging and netting positions are offset against each other.

Performance Attribution Definitions:

Sector Allocation

The impact of allocating assets differently from those in the benchmark, via the portfolio's weighting in different sectors or asset types.

Stock Selection

The effect of investing in securities to a greater or lesser extent than their weighting in the benchmark, or of investing in securities which are not included in the benchmark.

Gearing/Cash

The impact of borrowings or cash balances on the Company's performance relative to the benchmark.

Management Fee/Other Expenses

The negative effect on performance relative to the benchmark arising from the management fee and other expenses.

WHERE TO BUY J.P. MORGAN INVESTMENT TRUSTS

Savings Plan

The Company participates in the J.P. Morgan Investment Trusts Savings Plan, which facilitates both regular monthly investments and occasional lump sum investments in the Company's ordinary shares. Shareholders who would like information on the Savings Plan should call J.P. Morgan Asset Management free on 0800 20 40 20 or visit its website at am.jpmorgan.co.uk

Stocks & Shares Individual Savings Accounts (ISA)

The Company's shares are eligible investments within J.P. Morgan's Stocks & Shares ISA. For the 2015/16 tax year, from 6th April 2015 and ending 5th April 2016, the total ISA allowance is £15,240. Details are available from J.P. Morgan Asset Management free on 0800 20 40 20 or via its website at am.jpmorgan.co.uk

There are a number of ways that you can buy shares in investment trust companies; you can invest through J.P. Morgan Online or on the following:

Fund supermarkets:

AJ Bell	James Brearley
Alliance Trust Savings	James Hay
Barclays Stockbrokers	Stocktrade
Charles Stanley Direct	TD Direct
Equinity Selftrade	The Share Centre
Halifax Share Dealing Service	Tilney Bestinvest
Hargreaves Lansdown	Transact
Interactive Investor	

Alternatively you can invest through an Investment Professional (e.g. a Financial Adviser) on the following 3rd party platforms:

Ascentric	Nucleus
Avalon	Praemium
Axa Elevate	Transact
Novia	

Please note that these websites are third party websites and J.P. Morgan Asset Management does not endorse or recommend any of them. This list is not exhaustive and is subject to change. Please observe each site's privacy and cookie policies as well as their platform charges structure.

You can also buy investment trusts through stockbrokers, wealth managers and banks.

To familiarise yourself with the Financial Conduct Authority ('FCA') adviser charging and commission rules, visit www.fca.org.uk.

Financial Conduct Authority

Beware of share fraud

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

How to avoid share fraud

- 1 Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
- 2 Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
- 3 Check the Financial Services Register from www.fca.org.uk to see if the person and firm contacting you is authorised by the FCA.
- 4 Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
- 5 Use the firm's contact details listed on the Register if you want to call it back.
- 6 Call the FCA on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date.
- 7 Search the list of unauthorised firms to avoid at www.fca.org.uk/scams.
- 8 Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
- 9 Think about getting independent financial and professional advice before you hand over any money.
- 10 **Remember:** if it sounds too good to be true, it probably is!

Report a scam

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at www.fca.org.uk/scams, where you can find out more about investment scams.

You can also call the FCA Consumer Helpline on **0800 111 6768**.

If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

5,000 people contact the Financial Conduct Authority about share fraud each year, with victims losing an average of £20,000

Information about the Company

FINANCIAL CALENDAR

Financial year end	31st December
Full year results announced	March
Half year end	30th June
Half year results announced	August
Annual General Meeting	April

History

JPMorgan US Smaller Companies Investment Trust plc was incorporated in 1955 as Atomic Securities Trust Limited. It was dormant until 1962 when it changed its name to Fledgeling Investments Limited and began operations as an unquoted investment company.

The trust was wholly owned by a number of JPMorgan investment trusts and invested in listed and unlisted companies in the UK and US which for reasons of small size, illiquidity or risk, were unsuitable for direct investment. In 1982, with assets of £9.2 million, it obtained a listing on the London Stock Exchange and gained investment trust status. At that time it changed its name to The Fleming Fledgeling Investment Trust plc and gradually broadened its investment scope into Europe and the Asian markets. In April 1998, the Company changed its name to The Fleming US Discovery Investment Trust plc and then again to JPMorgan Fleming US Discovery Investment Trust plc in May 2002. The Company adopted its present name in April 2010.

Continuation Vote

At the Annual General Meeting of the Company held in April 2015 a resolution of the shareholders approved the continuation of the Company until the Annual General Meeting to be held in 2020.

Company Numbers

Company registration number: 552775
London Stock Exchange Code: JUSC LN
ISIN: GB00BJL5F346
Bloomberg: JUSC LN

Market Information

The Company's net asset value ('NAV') per share is published daily via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times, The Times, The Daily Telegraph and The Scotsman, and on the J.P. Morgan internet site at www.jpmsmallercompanies.co.uk, where the share price is updated every 15 minutes during trading hours.

Website

www.jpmsmallercompanies.co.uk

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. They may also be purchased and held through the J.P. Morgan Investment Account and J.P. Morgan ISA. These products are all available on the online service at www.jpmmorgan.co.uk/online

Manager and Company Secretary

JPMorgan Funds Limited

Company's Registered Office

60 Victoria Embankment
London EC4Y 0JP
Telephone: 020 7742 4000

For company secretarial and administrative matters, please contact Lucy Dina at the above address.

Depository

BNY Mellon Trust & Depository (UK) Limited
BNY Mellon Centre
160 Queen Victoria Street
London EC4V 4LA

The Depository has appointed JPMorgan Chase Bank, N.A. as the Company's custodian.

Registrars

Equiniti Limited
Reference 1084
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone number: 0371 384 2326

Lines open 8.30 a.m. to 5.30 p.m. Monday to Friday. Calls to the helpline will cost no more than a national rate calls to a 01 or 02 number. Callers from overseas should dial +44 121 415 0225

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1084. Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk.

Independent Auditors

Grant Thornton UK LLP
Chartered Accountants and Statutory Auditor
30 Finsbury Square
London EC2P 2YU

Brokers

Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

Savings Product Administrators

For queries on the J.P. Morgan Investment Account and J.P. Morgan ISA, see contact details on the back cover of this report.

aic

The Association of
Investment Companies

A member of the AIC

www.jpmsmallercompanies.co.uk

J.P. Morgan Helpline

Freephone 0800 20 40 20 or +44 (0) 1268 444470.

Telephone lines are open Monday to Friday, 9am to 5.30pm.

Telephone calls may be recorded and monitored for security and training purposes.