
JPMorgan Smaller Companies Investment Trust plc

Half Year Report & Accounts for the six months ended 31st January 2016



Features

Objective

Capital growth from UK listed smaller companies.

Investment Policies

- To provide capital appreciation for shareholders from a diversified portfolio of UK listed small companies, emphasising capital rather than income growth.
- To invest no more than 15% of its gross assets in other listed investment companies (including investment trusts).
- Liquidity and borrowings are managed with the aim of increasing returns to shareholders.

Benchmark

The FTSE Small Cap Index (excluding investment trusts).

Capital Structure

At 31st January 2016, the Company's share capital comprised 17,174,750 Ordinary shares of 25p each and 3,557,451 Subscription shares of 0.1 each

Continuation Vote

In accordance with the Company's Articles of Association, the Directors are required to propose an ordinary resolution that the Company shall continue in existence at the Annual General Meeting in 2017 and in every third year thereafter.

Management Company and Company Secretary

The Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') as its Alternative Investment Fund Manager and Company Secretary. JPMF is approved by the Financial Conduct Authority and delegates the management of the Company's portfolio to JPMorgan Asset Management ('JPMAM').

FCA regulation of 'non-mainstream pooled investments'

The Company currently conducts its affairs so that the shares issued by JPMorgan 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.

AIC

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

Website

The Company's website, which can be found at www.jpmsmallercompanies.co.uk, includes useful information on the Company, such as daily prices, factsheets and current and historic half year and annual reports.

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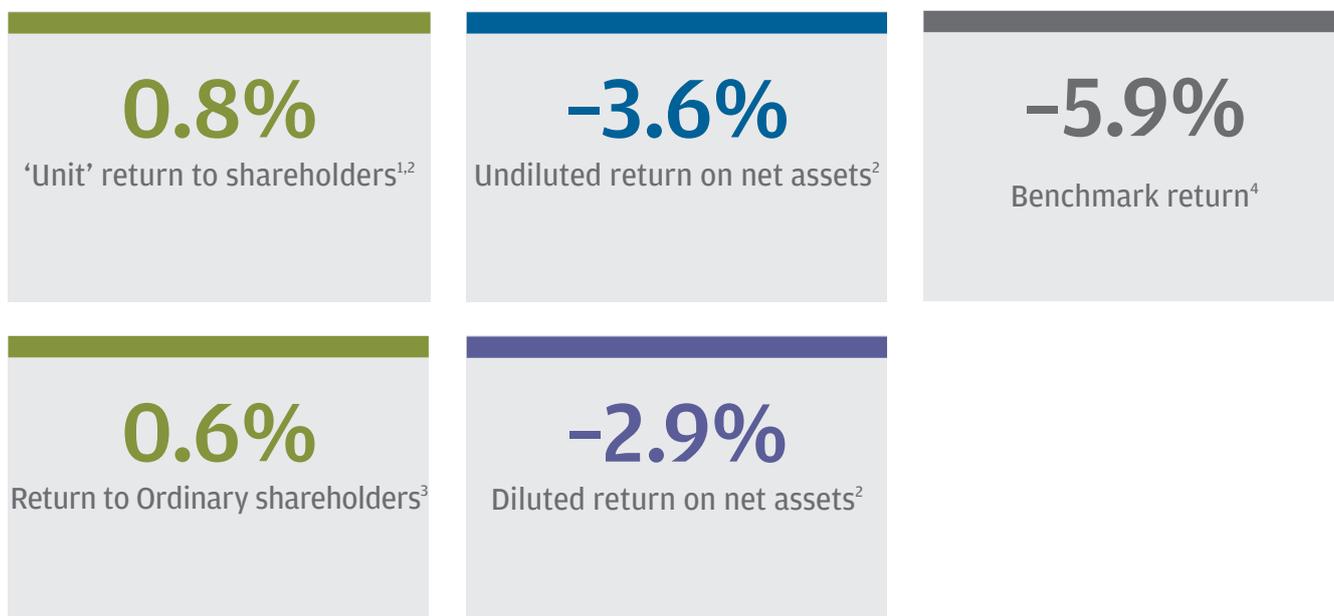
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Half Year Performance to 31st January 2016

TOTAL RETURNS (INCLUDES DIVIDENDS REINVESTED)



Financial Data

	31st January 2016	31st July 2015	% change
Shareholders' funds (£'000)	170,310	179,597	-5.2
Ordinary shares in issue	17,174,750	17,283,355	-0.6
Undiluted net asset value per Ordinary share	991.6p	1,039.1p	-4.6
Diluted net asset value per Ordinary share	978.5p	1,017.9p	-3.9
Ordinary share price	839.0p	844.5p	-0.7
Ordinary share price discount to diluted net asset value per Ordinary share	14.3%	17.0%	
Subscription share price	50.0p	41.0p	
Subscription shares in issue	3,557,451	3,561,542	
Gearing	9.0%	8.4%	
Ongoing charges	1.16%	1.19%	

A glossary of terms and definitions is provided on page 19.

¹ A Unit comprises five Ordinary shares and one Subscription share.

² Source: J.P. Morgan.

³ Source: Morningstar.

⁴ Source: Datastream. The Company's benchmark is the FTSE Small Cap Index (excluding investment trusts).

About the Company

CHAIRMAN'S STATEMENT



Performance and discount

The investment environment was challenging during the half year to 31st January 2016 resulting in volatile equity markets. Investor sentiment was dominated by uncertainty over the timing and pace of interest rate rises in the US and concern over the impact of a Chinese slowdown on global growth, ending with markets declining sharply in January 2016.

The total return on net assets before dilution was -3.6% (-2.9% after dilution), which compares with -5.9% for the benchmark index. The return to Ordinary shareholders was +0.6%, with the return from a combination of five ordinary shares and one subscription share (a 'Unit') being +0.8%. The outperformance of the Ordinary shares reflects a narrowing of the share price discount to diluted net asset value from 17.0% to 14.3%.

UK equity markets have risen since the period end, with the diluted net asset value increasing by 1.3%. The Ordinary share price, however, has declined by 1.2%, reflecting a widening of the discount from 14.3% to 16.3% since 31st January 2016.

Exercise of Subscription Shares and Share Buybacks

During the six months to 31st January 2016, the Company issued 4,091 Ordinary shares following the exercise of Subscription shares, raising £37,433. Further details of the Subscription shares can be found on page 18 of this report and also on the Company's website at www.jpmsmallercompanies.co.uk

In line with our policy to reduce the volatility of the discount, during the six months to 31st January 2016 the Company repurchased 112,696 Ordinary shares for cancellation at a cost of £988,385. The Board will continue to monitor the discount and repurchase shares as appropriate.

Loan Facility and Gearing

The use of gearing in the current period of low interest rates is an attractive way of amplifying the effect of rising markets, but inevitably increases the risk of loss if markets fall. The Company has a highly flexible borrowing facility of £24 million in place with Scotiabank until April 2016. The loan facility has been reviewed by the Board and a new facility will be put in place.

The Board sets the overall gearing guidelines and regularly discusses these with the investment manager. The guidelines set a maximum level of gearing of 15%. The Company's gearing level increased during the period from 8.4% at the beginning of the period to 9.0% at 31st January 2016. At the time of writing the Company's gearing was 8.1%, with total borrowings of £19 million.

Allocation of Expenses

As announced in November 2015, the Board has reviewed the Company's policy on the allocation of management fees and finance expenses. In order to reflect the expected returns from the Company's portfolio, it has been agreed that 70% (formerly 50%) of the management fees and finance expenses will be allocated to capital and 30% (formerly 50%) to revenue. This change has been effective from 1st August 2015.

CHAIRMAN'S STATEMENT *CONTINUED*

Board

As part of the Board's succession planning and in anticipation of retirements we expect to recruit a new non-executive Director this year.

Outlook

There is much uncertainty confronting the global economy at the moment, both economic and political. This inevitably suppresses business activity and consumer spending and has resulted in an overall reduction in equity market levels. To that we can add our own particularly domestic concerns, with the forthcoming vote on our relationship with Europe a prime example.

Successful investing, particularly in smaller companies, requires a long-term perspective. Despite the concerns, there are reasons to be cautiously optimistic about the future. The UK economy remains in reasonable shape, with respectable growth, falling unemployment and subdued inflation. Whilst the fall in the price of oil has caused stress in certain areas, cheaper energy will in due course benefit economic activity and reduce costs for most businesses.

Our Managers continue to invest in high quality smaller companies, with significant earnings growth prospects and strong financial characteristics irrespective of the macroeconomic outlook. Whilst the Board expects a continuing period of volatility in markets whilst investors digest current uncertainties, we are confident that your Company will continue to deliver good returns for shareholders over the long term.

Michael Quicke OBE
Chairman

23rd March 2016

INVESTMENT MANAGERS' REPORT



Georgina Brittain



Katen Patel

Performance and Market Background

In the first six months of your Company's financial year, the FTSE Smaller Companies (ex Investment Trusts) Index fell by 5.9%. All of the decline came in the month of January 2016, as stock markets globally fell significantly. In comparison, your Company outperformed, providing a total return on net assets of -2.9% (after dilution). The share price total return was somewhat better; the 'unit' share price total return (comprising both Ordinary and Subscription shares) was up 0.8%.

Volatility remained a notable feature of both the smaller companies index and the broader stock market in the period. Concerns over the outlook for Chinese growth caused a dramatic decline in August, followed by a slower recovery in the markets up to Christmas. January then saw a repeat performance. In addition to a renewal of fears over slowing Chinese growth, other concerns included the further collapse of oil and commodity prices, currency wars, fears of deflation, and concerns regarding global recession.

Portfolio

The outperformance of the fund over the period was due mainly to stock selection. It was also aided by the overall positioning of the portfolio. We have aimed to benefit from the benign economic backdrop in the UK, and in particular from the resurgence of the UK consumer. This can be seen in some of the key positive contributions to performance – JD Sports (the retailer), Fevertree Drinks (supplier of drink mixers to the consumer) and Mortgage Advice Bureau (which benefits from the growth in the mortgages market).

We have made a number of changes to the portfolio. With the cash received from three bids made earlier in the year, Quintain, HellermanTyton and Anite, we participated in three IPOs or new entrants to the stock market. These were The Gym Group, a rapidly growing gym company focussed on the low cost end of the market, Softcat, a technology software reseller, and Ibstock, the UK's number one brick manufacturer. In addition, we invested in two online gambling companies, 888 Holdings and 32Red. We also bought a new holding in McBride, a turnaround situation, and increased our position in another turnaround, Mothercare, as in both of these companies we see evidence that new management is starting to have significant impact.

Outlook

The stock market declines seen in January continued into February, leading to a torrid start to 2016 for stock markets around the world. However, it is our belief that these recent fears, and the subsequent share price falls, have been overdone. While the IMF has recently reduced its forecasts for global growth, it is still predicting 3.4% for 2016, a rise from the 3.1% growth seen in 2015. Likewise, at some point investors will remember that low oil prices are good for oil-importing countries such as the UK and in particular for the consumer, and will realise that the recent further collapse in the oil price in the last few months does not presage a collapse in global demand but rather continues to reflect excess supply.

Turning to the UK, forecasts for GDP growth in 2016 are in the range of 2.0 – 2.2%. The country is still enjoying extremely low inflation, increasing capital investment and declining unemployment. While the rate of wage growth may have slowed recently, household disposable income is still rising and was up over 7% in December 2015 versus the prior year.

INVESTMENT MANAGERS' REPORT *CONTINUED*

Also of note is the fact that the first interest rate rise since 2008 looks to have been deferred by the Bank of England once again. Market projections are now for no interest rate rises for at least the next two years.

All of these data points indicate a benign economic backdrop both for companies and for households, and January's consumer confidence figures bore this out. However, since then, the Government has set the date for the EU Referendum. This looming deadline has already had an impact on sterling (which is now close to a thirty year low versus the US dollar) and on consumer confidence. From now until 23rd June, the date set for the Referendum, we foresee the likelihood of considerable market volatility due to the uncertainty of both the outcome and the potential implications if the UK population did vote to leave. Despite their cheap valuations compared to the broader market, smaller companies will not be immune from this volatility. We will be monitoring this situation extremely closely. In our portfolio, we will continue to own cash-generative companies with strong balance sheets which have growth opportunities and we expect to continue to enjoy the benefits of this growth.

Georgina Brittain

Katen Patel

Investment Managers

23rd March 2016

Investment Review

LIST OF INVESTMENTS AT 31ST JANUARY 2016

Company	Sector	Valuation £000	%
4Imprint Group	Consumer Services	7,110	3.8
Trinity Mirror	Consumer Services	6,343	3.4
Avon Rubber	Industrials	5,589	2.9
Hill & Smith	Industrials	4,819	2.5
Ricardo	Industrials	4,585	2.4
OneSavings Bank	Financials	4,489	2.4
Novae	Financials	4,460	2.4
STV Group	Consumer Services	4,421	2.4
Marshalls	Industrials	4,375	2.3
Staffline ¹	Industrials	4,134	2.2
Pendragon	Consumer Services	3,942	2.1
Polypipe Group	Industrials	3,873	2.1
FDM Group	Technology	3,836	2.0
JD Sports Fashion	Consumer Services	3,827	2.0
Telit Communications ¹	Technology	3,517	1.9
E2V Technologies	Industrials	3,273	1.7
Topps Tiles	Consumer Services	3,250	1.7
Lookers	Consumer Services	3,156	1.7
Safestore Holdings	Financials	2,999	1.6
MJ Gleeson	Consumer Goods	2,995	1.6
Skyepharma	Health Care	2,949	1.6
Sepura	Technology	2,892	1.5
Costain	Industrials	2,861	1.5
Fevertree Drinks ¹	Consumer Goods	2,844	1.5
Robert Walters	Industrials	2,664	1.4
Wincanton	Industrials	2,644	1.4
NAHL Group ¹	Consumer Services	2,587	1.4
St Ives ²	Industrials	2,427	1.3
Fuller Smith & Turner	Consumer Services	2,397	1.3
Greggs	Consumer Services	2,334	1.3
Mortgage Advice Bureau ¹	Financials	2,325	1.2
Mothercare	Consumer Services	2,325	1.2
Plus500 ¹	Financials	2,312	1.2
SDL	Technology	2,205	1.2
Renold	Industrials	2,178	1.2
McBride	Consumer Goods	2,169	1.1
888 Holdings	Consumer Services	2,162	1.1
Xaar	Industrials	2,024	1.1
Hilton Food	Consumer Goods	2,016	1.1
Aldermore Group	Financials	1,968	1.0
Premier Foods	Consumer Goods	1,946	1.0
Mckay Securities	Financials	1,925	1.0
Optimal Payments	Financials	1,914	1.0
CLS	Financials	1,858	1.0
Carpentryright	Consumer Services	1,786	0.9
Gym Group	Consumer Services	1,745	0.9
Lavendon Group	Industrials	1,714	0.9
Softcat	Technology	1,704	0.9
Victoria ¹	Consumer Goods	1,613	0.9

LIST OF INVESTMENTS *CONTINUED*

Company	Sector	Valuation £000	%
Cape	Oil & Gas	1,580	0.8
Safecharge International Group ¹	Industrials	1,568	0.8
Volution Group	Industrials	1,455	0.7
Lamprell	Oil & Gas	1,397	0.7
Wizz Air	Consumer Services	1,274	0.7
Trifast	Industrials	1,247	0.7
Kainos	Technology	1,193	0.6
S & U	Financials	1,154	0.6
Harworth Group	Financials	1,131	0.6
Porvair	Industrials	1,127	0.6
Restore ¹	Industrials	1,078	0.6
Communis	Industrials	1,038	0.6
Ibstock	Industrials	990	0.5
Cairn Homes	Consumer Goods	977	0.5
Greencore Group	Consumer Goods	953	0.5
NCC	Technology	940	0.5
Constellation Healthcare Technologies ¹	Health Care	932	0.5
Eurocell Group	Industrials	916	0.5
Soco International	Oil & Gas	912	0.5
Urban&Civic	Financials	890	0.5
Smart Metering Systems ¹	Industrials	882	0.5
Vectura	Health Care	875	0.5
Iomart ¹	Technology	798	0.4
Chemring Group	Industrials	752	0.4
First Derivatives ¹	Technology	731	0.4
Tracsis ¹	Technology	670	0.4
Clinigen ¹	Health Care	616	0.3
Park Group	Financials	607	0.3
Quarto Group	Consumer Services	600	0.3
Fusionex International ¹	Technology	588	0.3
Tyman	Industrials	583	0.3
Crawshaw Group ¹	Consumer Services	546	0.3
Sprue Aegis ¹	Industrials	517	0.3
Utilitywise ¹	Industrials	501	0.3
Curtis Banks Group ¹	Financials	472	0.3
Exillon Energy	Oil & Gas	468	0.3
Amerisur Resources ¹	Oil & Gas	464	0.3
32Red ¹	Consumer Services	461	0.2
OPG Power Venture ¹	Utilities	428	0.2
Brammer	Industrials	421	0.2
Action Hotels ¹	Consumer Services	401	0.2
Bowleven ¹	Oil & Gas	376	0.2
Harvey Nash	Industrials	320	0.2
People's Operator ¹	Telecommunications	274	0.1
Ithaca Energy ¹	Oil & Gas	227	0.1
JPMorgan Sterling Liquidity Fund	Liquidity Funds	2,892	1.5
Total Investments		188,703	100.0

¹ AIM listed companies, 17.0% (31st July 2015: 15.7%).

² Includes placing.

SECTOR ANALYSIS

	31st January 2016		31st July 2015	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
Industrials	32.1	37.6	35.1	35.5
Consumer Services	26.9	12.6	22.6	15.5
Financials	15.1	20.8	17.9	21.1
Technology	10.1	6.7	10.6	9.2
Consumer Goods	8.2	7.9	5.2	6.8
Oil & Gas	2.9	4.6	3.6	3.7
Health Care	2.9	3.4	3.0	4.3
Utilities	0.2	–	0.3	0.3
Telecommunications	0.1	1.7	0.4	1.1
Basic Materials	–	4.7	–	2.5
Liquidity fund	1.5	–	1.3	–
Total	100.0	100.0	100.0	100.0

¹ Based on total investments of £188.7m (31st July 2015: £198.8m).

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31ST JANUARY 2016

	(Unaudited) Six months ended 31st January 2016			(Unaudited) Six months ended 31st January 2015			(Audited) Year ended 31st July 2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss	–	(6,682)	(6,682)	–	(2,605)	(2,605)	–	22,012	22,012
Net foreign currency gains	–	–	–	–	–	–	–	13	13
Income from investments	1,464	–	1,464	1,160	–	1,160	3,604	–	3,604
Other interest receivable and similar income	–	–	–	–	–	–	2	–	2
Gross return/(loss)	1,464	(6,682)	(5,218)	1,160	(2,605)	(1,445)	3,606	22,025	25,631
Management fee	(241)	(562)	(803)	(359)	(359)	(718)	(733)	(733)	(1,466)
Other administrative expenses	(244)	–	(244)	(226)	–	(226)	(486)	–	(486)
Net return/(loss) on ordinary activities before finance costs and taxation	979	(7,244)	(6,265)	575	(2,964)	(2,389)	2,387	21,292	23,679
Finance costs	(43)	(100)	(143)	(70)	(70)	(140)	(140)	(140)	(280)
Net return/(loss) on ordinary activities before taxation	936	(7,344)	(6,408)	505	(3,034)	(2,529)	2,247	21,152	23,399
Taxation	(39)	–	(39)	(37)	–	(37)	(79)	–	(79)
Net return/(loss) on ordinary activities after taxation	897	(7,344)	(6,447)	468	(3,034)	(2,566)	2,168	21,152	23,320
Return/(loss) per share (note 4)									
– undiluted	5.22p	(42.73)p	(37.51)p	2.59p	(16.82)p	(14.23)p	12.20p	119.02p	131.22p
– diluted ¹	5.22p	(42.73)p	(37.51)p	–	–	–	12.20p	119.02p	131.22p

¹ The Subscription shares have no dilutive effect as the conversion price for these shares exceeded the average market price of the Ordinary shares from the date of issue to 31st January 2016

All revenue and capital items in the above statement derive from continuing operations.

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.

STATEMENT OF CHANGES IN EQUITY

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve ¹ £'000	Total £'000
Six months ended 31st January 2016 (Unaudited)						
At 31st July 2015	4,324	18,190	2,347	151,286	3,450	179,597
Repurchase and cancellation of the Company's own shares	(28)	–	28	(988)	–	(988)
Issue of Ordinary shares on exercise of Subscription shares	1	36	–	–	–	37
Net (loss)/return on ordinary activities	–	–	–	(7,344)	897	(6,447)
Dividend appropriated in the period	–	–	–	–	(1,889)	(1,889)
At 31st January 2016	4,297	18,226	2,375	142,954	2,458	170,310
Six months ended 31st January 2015 (Unaudited)						
At 31st July 2014	4,549	18,360	2,117	137,187	3,016	165,229
Repurchase and cancellation of the Company's own shares	(90)	–	90	(2,616)	–	(2,616)
Subscription shares issue costs	–	(237)	–	–	–	(237)
Net (loss)/return on ordinary activities	–	–	–	(3,034)	468	(2,566)
Dividend appropriated in the period	–	–	–	–	(1,734)	(1,734)
At 31st January 2015	4,459	18,123	2,207	131,537	1,750	158,076
Year ended 31st July 2015 (Audited)						
At 31st July 2014	4,549	18,360	2,117	137,187	3,016	165,229
Repurchase and cancellation of the Company's own shares	(230)	–	230	(7,053)	–	(7,053)
Bonus Issue of Subscription shares	4	(4)	–	–	–	–
Issue of Ordinary shares on exercise of Subscription shares	1	54	–	–	–	55
Subscription share issue costs	–	(220)	–	–	–	(220)
Net return on ordinary activities	–	–	–	21,152	2,168	23,320
Dividend appropriated in the year	–	–	–	–	(1,734)	(1,734)
At 31st July 2015	4,324	18,190	2,347	151,286	3,450	179,597

¹ This reserve forms the distributable reserve of the Company and may be used to fund distribution of profits to investors via dividend payments.

STATEMENT OF FINANCIAL POSITION AT 31ST JANUARY 2016

	(Unaudited) 31st January 2016 £'000	(Unaudited) 31st January 2015 £'000	(Audited) 31st July 2015 £'000
Fixed assets			
Investments held at fair value through profit or loss	185,811	173,487	196,292
Investment in liquidity fund held at fair value through profit or loss	2,892	2,961	2,539
	188,703	176,448	198,831
Current assets			
Debtors	452	884	231
Cash and short term deposits	853	155	1,293
	1,305	1,039	1,524
Creditors: amounts falling due within one year	(19,698)	(411)	(20,758)
Net current (liabilities)/assets	(18,393)	628	(19,234)
Total assets less current liabilities	170,310	177,076	179,597
Creditors: amounts falling due after more than one year	–	(19,000)	–
Net assets	170,310	158,076	179,597
Capital and reserves			
Called up share capital	4,297	4,459	4,324
Share premium	18,226	18,123	18,190
Capital redemption reserve	2,375	2,207	2,347
Capital reserves	142,954	131,537	151,286
Revenue reserve	2,458	1,750	3,450
Total equity shareholders' funds	170,310	158,076	179,597
Net asset value per Ordinary share (note 5)			
– undiluted	991.6p	886.2p	1,039.1p
– diluted	978.5p	–	1,017.9p

Company registration number: 2515996.

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31ST JANUARY 2016

	(Unaudited) Six months ended 31st January 2016 £'000	(Unaudited) Six months ended 31st January 2015 £'000	(Audited) Year ended 31st July 2015 £'000
Net cash outflow from operations before dividends and interest (note 6)	(1,072)	(965)	(1,917)
Dividends received	1,344	1,243	3,127
Interest received	4	9	18
Interest paid	(145)	(143)	(279)
Taxation	1	–	–
Net cash inflow from operating activities	132	144	949
Purchases of investments	(35,065)	(34,871)	(67,153)
Sales of investments	37,686	38,758	75,546
Settlement of foreign currency contracts	–	–	1
Net cash inflow from investing activities	2,621	3,887	8,394
Dividends paid	(1,889)	(1,734)	(1,734)
Subscription share issue costs	–	(6)	(220)
Issue of Ordinary shares on exercise of Subscription shares	37	–	55
Repurchase and cancellation of the Company's own shares	(988)	(2,789)	(7,226)
Net cash outflow from financing activities	(2,840)	(4,529)	(9,125)
(Decrease)/increase in cash and cash equivalents	(87)	(498)	218
Cash and cash equivalents at the start of the period	3,832	3,614	3,614
Cash and cash equivalents at the end of the period	3,745	3,116	3,832
(Decrease)/increase in cash and cash equivalents	(87)	(498)	218
Cash and cash equivalents consist of:			
Cash and short term deposits	853	155	1,293
Investment in liquidity fund	2,892	2,961	2,539
Total	3,745	3,116	3,832

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31ST JANUARY 2016

1. Financial statements

The information contained within the financial statements in this half year report has not been audited or reviewed by the Company's auditor.

The figures and financial information for the year ended 31st July 2015 are extracted from the latest published financial statements of the Company and do not constitute statutory accounts for that year. These financial statements have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either Section 498(2) or 498(3) of the Companies Act 2006.

2. Accounting policies

The financial statements are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including FRS 102 'The 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.

FRS 104, 'Interim Financial Reporting', issued by the Financial Reporting Council ('FRC') in March 2015 has been applied in preparing this condensed set of financial statements for the six months ended 31st January 2016.

As a result of the first time adoption of FRS 102 and the revised SORP, comparative numbers and presentational formats have been restated where required.

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

The accounting policies applied to this condensed set of financial statements are consistent with those applied in the financial statements for the year ended 31st July 2015 with the following exceptions and amendments:

Finance costs

Finance costs are accounted for on an accruals basis using the effective interest method in accordance with the provisions of FRS 102.

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. Liquidity funds are considered cash equivalents as they are held for cash management purposes as an alternative to cash.

Taxation

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

Deferred tax is accounted for in accordance with FRS 102.

Dividends payable

In accordance with FRS 102 the final dividend is included in the financial statements in the year in which it is approved by shareholders.

Only the relevant section of the applicable policies from the last year end financial statements which have changed as a result of the application of the 2014 AIC SORP and FRS 102 have been reproduced above – all other aspects of those policies remain the same. The impact of the changes is substantially in relation to presentational, disclosure and non-quantifiable aspects.

Change in allocation of expenses

With effect from 1st August 2015, the management fee and finance costs incurred by the Company have been allocated 70% to capital and 30% to revenue. In previous periods, these charges were allocated 50% to revenue and 50% to capital. In line with the guidance provided in the SORP, this change is not considered to be a matter of accounting policy and consequently no prior period restatements have been made as a result of this change.

3. Dividend paid¹

	(Unaudited) Six months ended 31st January 2016 £'000	(Unaudited) Six months ended 31st January 2015 £'000	(Audited) Year ended 31st July 2015 £'000
2015 Final dividend of 11.0p (2014: 9.6p)	1,889	1,734	1,734

¹ All dividends paid and declared in the period have been funded from the Revenue Reserve.

No interim dividend has been declared in respect of the six months ended 31st January 2016 (2015: nil).

4. Return/(loss) per share

	(Unaudited) Six months ended 31st January 2016 £'000	(Unaudited) Six months ended 31st January 2015 £'000	(Audited) Year ended 31st July 2015 £'000
Return/(loss) per share is based on the following:			
Revenue return	897	468	2,168
Capital (loss)/return	(7,344)	(3,034)	21,152
Total (loss)/return	(6,447)	(2,566)	23,320
Weighted average number of Ordinary shares in issue during the period used for the purpose of the undiluted calculation	17,190,970	18,033,118	17,772,488
Weighted average number of Ordinary shares in issue during the period used for the purpose of the diluted calculation ¹	17,190,970	–	17,772,488
Undiluted			
Revenue return per share	5.22p	2.59p	12.20p
Capital (loss)/return per share	(42.73)p	(16.82)p	119.02p
Total (loss)/return per share	(37.51)p	(14.23)p	131.22p
Diluted²			
Revenue return per share	5.22p	–	12.20p
Capital (loss)/return per share	(42.73)p	–	119.02p
Total (loss)/return per share	(37.51)p	–	131.22p

¹ There were no Subscription shares in issue as at 31st January 2015.

² There is no dilutive effect as the conversion price for these shares exceeded the average market price of the Ordinary shares from the date of issue to 31st January 2016.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
5. Net asset value per share

	(Unaudited) Six months ended 31st January 2016 £'000	(Unaudited) Six months ended 31st January 2015 £'000	(Audited) Year ended 31st July 2015 £'000
Undiluted			
Ordinary shareholders' funds (£'000)	170,310	158,076	179,597
Number of Ordinary shares in issue	17,174,750	17,838,248	17,283,355
Net asset value per Ordinary share (pence)	991.6	886.2	1,039.1
Diluted			
Ordinary shareholders' funds assuming exercise of Subscription shares (£'000)	202,860	–	212,184
Number of potential Ordinary shares in issue	20,732,201	–	20,844,807
Net asset value per Ordinary share (pence)	978.5	–	1,017.9

6. Reconciliation of total (loss)/return on ordinary activities before finance costs and taxation to net cash outflow from operations before dividends and interest

	(Unaudited) Six months ended 31st January 2016 £'000	(Unaudited) Six months ended 31st January 2015 £'000	(Audited) Year ended 31st July 2015 £'000
Net (loss)/return on ordinary activities before finance cost and taxation	(6,265)	(2,389)	23,679
Add back capital loss/(less capital return) before finance costs and taxation	7,244	2,964	(21,292)
Scrip dividends received as income	(147)	(38)	(380)
Decrease in accrued income and other debtors	37	157	33
(Decrease)/increase in accrued expenses	(19)	(11)	17
Overseas withholding tax	(12)	(37)	(108)
Management fee charged to capital	(562)	(359)	(733)
Dividends received	(1,344)	(1,243)	(3,127)
Interest received	(4)	(9)	(18)
Realised gain on foreign exchange transactions	–	–	12
Net cash outflow from operations before dividends and interest	(1,072)	(965)	(1,917)

7. Fair valuation of investments

The fair value hierarchy analysis for investments held at fair value at the period end is as follows:

	(Unaudited) Six months ended 31st January 2016		(Unaudited) Six months ended 31st January 2015		(Audited) Year ended 31st July 2015	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Quoted prices for identical instruments in active markets ¹	188,703	–	176,448	–	198,831	–
Total value of investments	188,703	–	176,448	–	198,831	–

¹ Includes JPMorgan Sterling Liquidity Fund.

Shareholder Information

INTERIM MANAGEMENT REPORT

The Company is required to make the following disclosures in its half year report:

Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company fall into the following broad categories: investment and strategy; discount; smaller company investment; corporate governance and shareholder relations; market; accounting, legal and regulatory; operational and financial. Information on each of these areas is given in the Business Review within the Annual Report and Accounts for the year ended 31st July 2015.

Related Parties Transactions

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or the performance of the Company during the period.

Going Concern

The Directors believe, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, nature of the portfolio and expenditure projections, 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. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

Directors' Responsibilities

The Board of Directors confirms that, to the best of its knowledge:

- (i) the condensed set of financial statements contained within the half yearly financial report has been prepared in accordance with FRS 104 'Interim Financial Reporting' and gives a true and fair view of the state of affairs of the Company and of the assets, liabilities, financial position and net return of the

Company, as at 31st January 2016, as required by the UK Listing Authority Disclosure and Transparency Rules 4.2.4R; and

- (ii) the interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the UK Listing Authority Disclosure and Transparency Rules.

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 accounting 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 the 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.

For and on behalf of the Board

Michael Quicke
Chairman

23rd March 2016

For further information, please contact:

Divya Amin

For and on behalf of

JPMorgan Funds Limited, Secretary
020 7742 4000

Please note that up to date information on the Company, including daily NAV and share prices, factsheets and portfolio information can be found at www.jpmsmallercompanies.co.uk

SUBSCRIPTION SHARES

On 25th February 2015, JPMorgan Smaller Companies Investment Trust plc issued Subscription shares to Qualifying Shareholders on the basis of one Subscription share for every five Ordinary shares held.

Holders of JPMorgan Smaller Companies Investment Trust plc Subscription shares can choose to convert their Subscription shares at the **exercise price of 915 pence per share** on the last day of each month commencing on 31st March 2015 and finishing on 30th June 2017. After this date, the rights on the Subscription shares will lapse.

The decision to convert Subscription shares should only be made after careful consideration of the prevailing market price of the Ordinary shares and other relevant factors. If there is any doubt, holders are strongly encouraged to seek independent financial advice.

Conversion

Through the J.P. Morgan ISA, Investment Account or SIPP

J.P. Morgan shareholders wishing to convert their JPMorgan Smaller Companies Investment Trust plc Subscription shares should complete and return the relevant conversion form (made available on the Company's website, www.jpmsmallercompanies.co.uk) with a cheque to the freepost address at the top of the form. To be valid for exercise at the end of each month from March 2015 to June 2017, the completed conversion form must be received by J.P. Morgan Asset Management at least 7 business days before the end of the month in which you wish to convert your Subscription shares. The JPMorgan Smaller Companies Investment Trust plc Ordinary shares arising on conversion will be issued, subject to cleared funds being received, within the first 10 business days of the month following the month in which your conversion form is received by J.P. Morgan Asset Management.

Certificated form

Shareholders wishing to convert their JPMorgan Smaller Companies Investment Trust plc Subscription shares, who hold their Subscription shares in Certificated form, should refer to the instructions on the reverse of their Subscription Share Certificate(s). To be exercised, a notice of exercise must be received by the Registrar no later than 5.00 p.m. on the last business day of each month between and including the last business day in March 2015 and the last business day in June 2017. The JPMorgan Smaller Companies Investment Trust plc Ordinary shares arising on conversion will be issued, subject to cleared funds being received, within the first 10 business days of the month following the month in which your conversion form is received by the Registrar.

Through CREST (Uncertificated Shareholders)

If you hold your JPMorgan Smaller Companies Investment Trust plc Subscription shares in uncertificated form (i.e. in CREST), the CREST Participant and Member Account IDs are as follows:

CREST Participant ID = 2RA35

CREST Member Account ID = RA113924

To be exercised, CREST instructions must be submitted no later than 5.00 p.m. on the last business day of each month between and including the last business day in March 2015 and the last business day in June 2017. The JPMorgan Smaller Companies Investment Trust plc Ordinary shares arising on conversion will be issued, subject to cleared funds being received, within the first 10 business days of the month following the month in which your CREST instructions are received.

Tax

For the purpose of UK Taxation, the issue of Subscription shares is treated as a reorganisation of the Company's share capital. Whereas such reorganisations do not trigger a chargeable disposal for the purposes of the taxation of capital gains, they do require shareholders to reallocate the base costs of their Ordinary and Subscriptions shares received.

At the close of business on 25th February 2015 the middle market prices of the Company's Ordinary shares and Subscription shares were as follows:

Ordinary shares: 769.00

Subscription shares: 40.25p

Accordingly an individual investor who on 25th February 2015 held five Ordinary shares (or a multiple thereof) would have received a bonus issue of one Subscription share (or the relevant multiple thereof) and would apportion the base cost of such holding 98.96% to the five Ordinary shares and 1.04% to the Subscription shares.

Additional information

The Subscription shares do not carry any voting rights.

ISIN: GB00BV7L8Z35

Bloomberg ticker: JMIS LN

If you have any further questions, please visit the Company's website at www.jpmsmallercompanies.co.uk. Alternatively, you can call¹:

- (1) the Company's registrars, Equiniti's Shareholder Helpline on 0871 384 2330 (from within the UK) or on +44 121 415 7047 (if calling from outside the UK). Calls to the 0871 384 2330 number are charged at 8 pence per minute from a BT landline. Other providers' costs may vary; or,
- (2) if you hold your shares through the J.P. Morgan ISA, Investment Account or SIPP, then contact the J.P. Morgan UK Retail Client Services team on 0800 20 40 20 or +44(0)20 7742 9995.

¹ Your calls may be recorded for your security or training purposes.

GLOSSARY OF TERMS AND DEFINITIONS

Unit return to shareholders

Return to the 'Unit' holder on a mid-market price to mid-market price basis. A Unit comprises five Ordinary shares and one Subscription share.

Return to Ordinary 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.

Undiluted return on net assets

Return on the undiluted NAV per Ordinary share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

Diluted return on net assets

Return on the diluted NAV per Ordinary share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

Diluted NAV per Ordinary share

The diluted NAV per Ordinary share assuming that all outstanding Subscription shares were converted into Ordinary shares at the year end.

Benchmark return

Total return on the benchmark, on a mid-market value to mid-market value basis, 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 follow or 'track' this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

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 AIC. The figure as at 31st January 2016 is an estimated annualised figure.

Share price discount to diluted NAV per Ordinary share

If the share price of an investment trust is lower than the NAV per share, the 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.

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
Halifax Share Dealing Service	The Share Centre
Hargreaves Lansdown	Tilney Bestinvest
Interactive Investor	Transact

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 July
Final results announced	October
Half year end	31st January
Half year results announced	March
Dividend on ordinary shares paid	December
Annual General Meeting	November/December

History

The Company was formed in June 1990 as River & Mercantile Smaller Companies Trust plc and raised £25 million by a public offer of shares. Its original policy was to invest in a diversified portfolio of investments in UK and foreign smaller companies. Its name was changed to The Fleming Smaller Companies Investment Trust plc in April 1996, and again in November 2002 to JPMorgan Fleming Smaller Companies Investment Trust plc. The Company adopted its present name in 2006.

Directors

Michael Quicke (Chairman)
Ivo Coulson
Frances Davies
Richard Fitzalan Howard
Andrew Impey
Andrew Robson

Company Numbers

Company registration number: 2515996

Ordinary shares

London Stock Exchange SEDOL: 0741600
Bloomberg code: JMI LN
ISIN: GB0007416000

Subscription shares

London Stock Exchange SEDOL: BV7L8Z3
Bloomberg code: JMIS LN
ISIN: GB00BV7L8Z35

Market Information

The Company's unaudited net asset value ("NAV") 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, The Scotsman and on the JPMorgan website at www.jpmsmallercompanies.co.uk, where the share price is updated every fifteen 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, www.jpmorgan.co.uk/online

Manager and Company Secretary

JPMorgan Funds Limited

Company's Registered Office

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

For company secretarial and administrative matters please contact Divya Amin 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 1139
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 call 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 1139. Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk.

Independent Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
2 New Street Square
London EC4A 3ZB

Brokers

Winterflood Securities Limited
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

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.