
JPMorgan Smaller Companies Investment Trust plc Annual General Meeting

29 November 2016

Georgina Brittain, Portfolio Manager

Katen Patel, Portfolio Manager

Agenda

- Introduction
- Performance Review
- Current Portfolio / Performance
- EU Referendum
- Economic Outlook
- Stock Outlook

JPMorgan Smaller Companies Investment Trust

Key features

- Investment objective
 - To provide capital growth from investing in UK smaller companies
- Investment policies
 - To specialise in FTSE Small Cap companies
 - Use long and short-term borrowing to increase returns
- Benchmark
 - FTSE Small Cap (ex IT)
- Yield
 - Current yield 2.7%
- Current discount 21%

Investment guidelines

Stock actives	+/- 3%
Sector actives	+/- 10%
AIM holdings	Max 20%
Gearing	Max 110%

Source: J.P. Morgan Asset Management. Yield as of 14 November 2016. The Alternative Investment Market (AIM) is the London Stock Exchange's international market for smaller growing companies. Past performance is not necessarily a reliable indicator for current and future performance. The Investment Manager (Portfolio Manager) seeks to achieve the stated targets/objectives. There can be no guarantee the objectives/targets will be met. The above portfolio characteristics are shown for illustrative purposes only and are subject to change without notice.

JPMorgan Smaller Companies Investment Trust

Key contributors to returns for year ended 31 July 2016

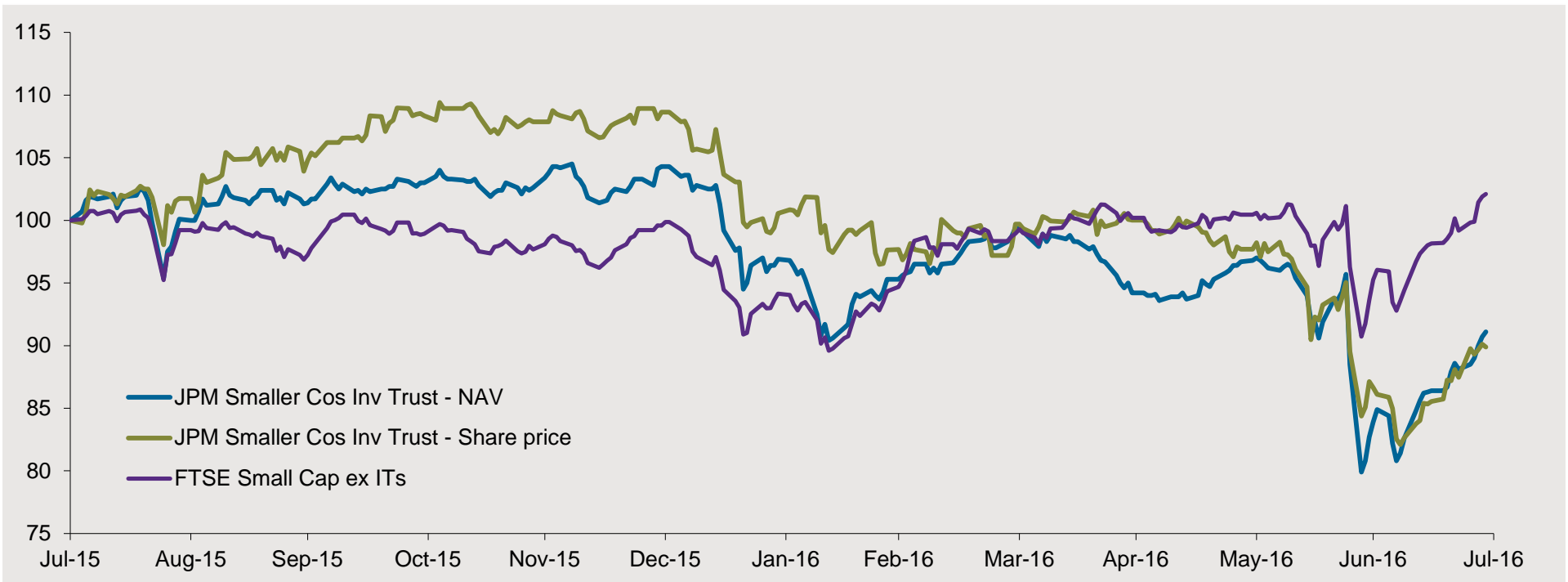
	12 months to 31st July 2016		12 months to 31st July 2015		12 months to 31st July 2014	
	%	%	%	%	%	%
PERFORMANCE ATTRIBUTION						
Contributions to total returns						
Benchmark return		2.1		10.5		15.2
Sector and stock selection	-8.9		4.7		-6.9	
Gearing/net cash	-0.4		0.8		1.4	
Currency	0.1		–		–	
Investment Managers' contribution		-9.2		5.5		-5.5
Portfolio total return		-7.1		16.0		9.7
Management fee/other expenses	-1.2		-1.1		-1.2	
Repurchase of shares for cancellation	0.4		0.8		0.0	
Effect of Subscription shares exercised in the period	0.2		–		–	
Other effects		-0.6		-0.3		-1.2
Undiluted return on net assets		-7.7		15.7		8.5
Enhancement/(dilution) effect of potential exercise of remaining Subscription shares	1.3		-2.3		–	
Diluted return on net assets		-6.4		13.4		8.5
Impact of change in discount		-3.7		1.2		0.9
Return to Ordinary shareholders		-10.1		14.6		9.4
Source: JPMAM/Morningstar. All figures are on a total return basis. A glossary of terms and definitions is provided on page 69.						

Source: J.P. Morgan Asset Management, Morningstar. All data on total return basis at 31 July 2016. Past performance is not necessarily a reliable indicator for current and future performance.

Financial year performance to 31 July 2016

JPMorgan Smaller Companies Investment Trust 31 July 2015 to 31 July 2016

Cumulative returns

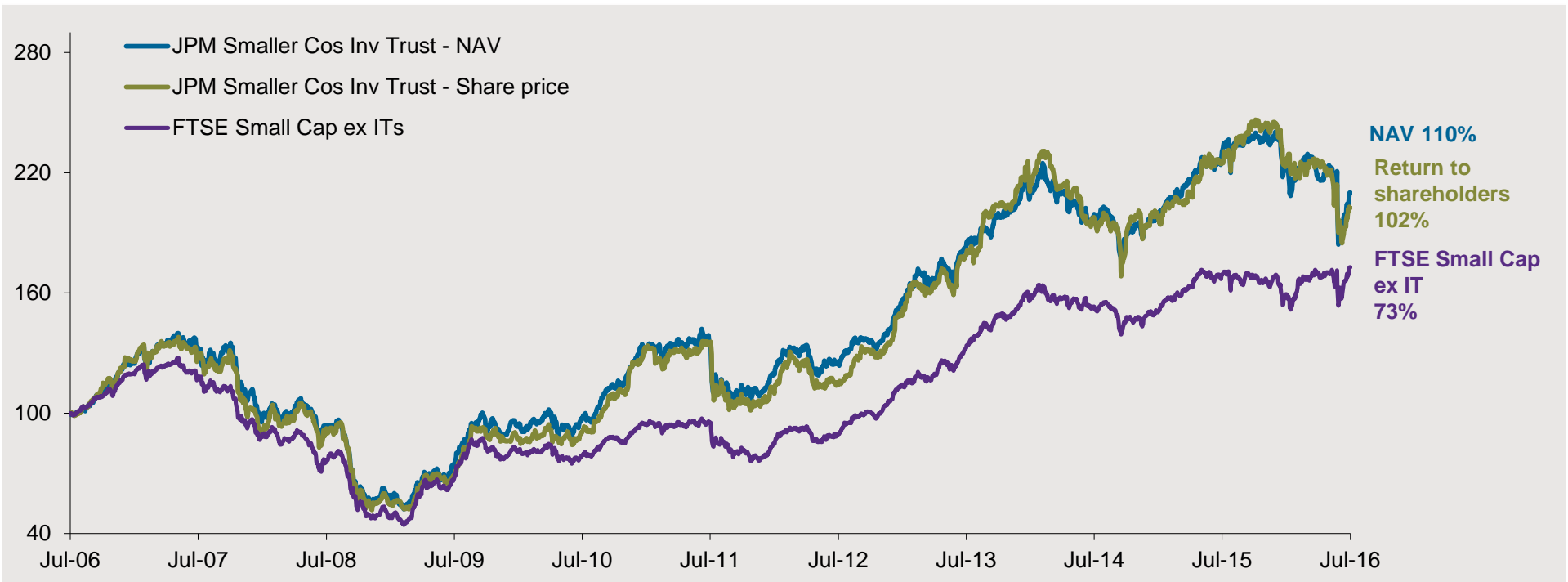


Source: Thomson Reuters Datastream. Data as of 31 July 2016, rebased to 100 as of 31 July 2015, calculated on NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP. Please note Benchmark Indices do not include fees or operating expenses and are not available for actual investment. Data may differ to official numbers due to the source of the data. **Past performance is not necessarily a reliable indicator for current and future performance.**

10 year performance to 31 July 2016

JPMorgan Smaller Companies Investment Trust 31 July 2006 to 31 July 2016

Cumulative returns



Source: Thomson Reuters Datastream. Data as of 31 July 2016, rebased to 100 as of 31 July 2006, calculated on NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP. Please note Benchmark Indices do not include fees or operating expenses and are not available for actual investment. Data may differ to official numbers due to the source of the data. **Past performance is not necessarily a reliable indicator for current and future performance.**

Rolling 12 months performance

JPMorgan Smaller Companies Investment Trust plc

Rolling 12 months ending 31 July 2016					
	11/12	12/13	13/14	14/15	15/16
Share price	-15.0%	57.0%	9.4%	14.6%	-10.1%
Net Asset Value (NAV)	-7.5%	46.3%	8.5%	15.7%	-7.7%
FTSE Small Cap ex Investment Trusts	-6.2%	48.5%	15.2%	10.5%	2.1%

Source: J.P. Morgan, Morningstar, Datastream. NAV calculated on NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP. Share price calculated using the mid price. Please note Benchmark Indices do not include fees or operating expenses and are not available for actual investment. **Past performance is not necessarily a reliable indicator for current and future performance.**

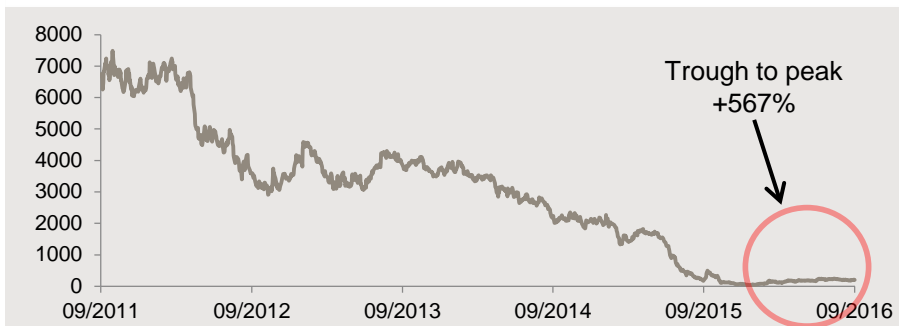
Addressing the recent underperformance

■ Drivers of H2 underperformance:

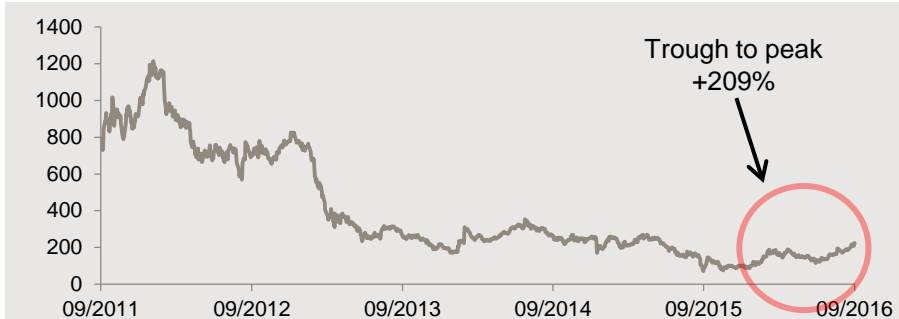
- Macro-driven market
 - Stocks moving out of sync with those fundamentals that we focus on as part of our investment process
- Take-overs
 - Largely of underperforming companies
- Commodity recovery plays
 - Distressed, highly indebted companies
- Consumer facing portfolio going into EU referendum
 - High exposure to domestically focused companies

Source: J.P. Morgan Asset Management data as of 30 September 2016. The opinions and views expressed here are those held by the author at the date of publication which are subject to change and are not to be taken as or construed as investment advice. The companies/securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. J.P. Morgan Asset Management may or may not hold positions on behalf of its clients in any or all of the aforementioned securities. Past performance is not necessarily a reliable indicator for current and future performance.

Lonmin 5 Year Share Price



Kaz Minerals 5 Year Share Price



Addressing the recent underperformance

- Board review:
 - Index constituents
 - 70% decline in number of index constituents in the last 20 years
 - Paucity of investment choice and increased weighting of stocks within the index
 - Confidence in long term investment process
 - Retention of clear focus on smaller companies
- Proposed significant change to AIM guidelines to broaden investment universe
 - Increase AIM limit from 20% to 50%
 - AIM index market cap of £68bn vs. FTSE Small Cap ex IT of £43bn
 - 826 AIM index constituents vs. FTSE Small Cap ex IT 143

Source: J.P. Morgan Asset Management data as of 16 November 2016. The Alternative Investment Market (AIM) is the London Stock Exchange's international market for smaller growing companies. The opinions and views expressed here are those held by the author at the date of publication which are subject to change and are not to be taken as or construed as investment advice. The companies/securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. J.P. Morgan Asset Management may or may not hold positions on behalf of its clients in any or all of the aforementioned securities. Past performance is not necessarily a reliable indicator for current and future performance.

Performance attribution

JPMorgan Smaller Companies Investment Trust – 12 months to 31 July 2016

Attribution summary	Stock: -4.47
	Sector: -3.73
Benchmark	FTSE Small Cap ex IT Index

Stock attribution

Top 10 Contributors	Relative weight (%)	Stock return (%)	Impact (%)
Plus500	1.50	114.82	1.14
Fevertree Drinks	1.32	118.08	1.07
Hill & Smith	1.36	58.67	0.78
JD Sports	1.88	57.19	0.69
Cambian	-0.33	-78.45	0.51
Foxtons Group	-0.66	-35.62	0.46
4imprint Group	2.81	18.90	0.42
SThree	-1.01	-30.94	0.39
Helical Plc	-1.01	-31.79	0.38
Game Digital	-0.33	-68.62	0.35

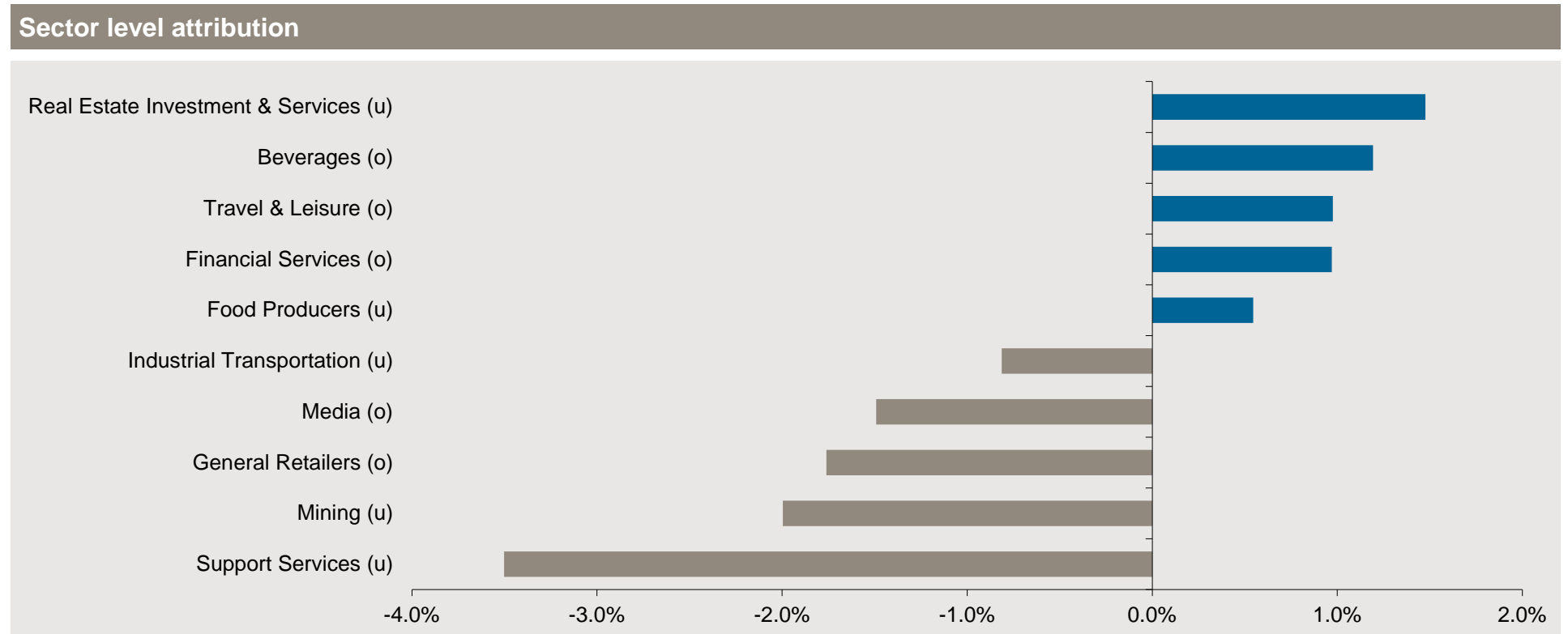
Top 10 Detractors	Relative weight (%)	Stock return (%)	Impact (%)
Melrose Industries	-0.25	65.18	-1.04
Trinity Mirror	1.98	-41.29	-1.01
Staffline	2.02	-36.28	-0.97
Darty	-0.82	39.55	-0.95
Premier Farnell	-1.00	93.58	-0.88
Lonmin	-0.60	128.54	-0.70
Onesavings Plc	2.40	-27.74	-0.67
Renold	0.92	-46.10	-0.67
Pendragon	1.28	-15.39	-0.60
Kaz Minerals	-0.22	102.25	-0.60

Source: Factset. The companies/securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. J.P. Morgan Asset Management may or may not hold positions on behalf of its clients in any or all of the aforementioned securities. Past performance is not necessarily a reliable indicator for current and future performance.



Performance attribution

Major sector contributors to returns – 12 months to 31 July 2016



Source: J.P. Morgan Asset Management, FactSet. The Trust is an actively managed portfolio, holdings, sector weights, allocations and leverage, as applicable are subject to change at the discretion of the Investment Manager without notice. Past performance is not necessarily a reliable indicator for current and future performance.

Portfolio positions

JPMorgan Smaller Companies Investment Trust as of 31 October 2016

Benchmark

FTSE Small Cap ex IT Index

Top 10 overweight positions

Stock	Business	Relative position (%)
4imprint Group	Promotional products	3.0
JD Sports	Sports fashion retailer	3.0
Hill & Smith	Roadwork barrier supplier	2.6
McBride	Household and personal products	2.6
Plus500	Online trading platform	2.5
OneSavings Bank	Banking	2.4
Fevertree Drinks	Premium drink mixers	2.3
Novae Group	Insurance underwriting	1.8
Hilton Food	Meat packing	1.7
James Fisher and Sons	Engineering services	1.7

Source: Factset. The companies/securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. The Trust is an actively managed portfolio, holdings, sector weights, allocations and leverage, as applicable are subject to change at the discretion of the Investment Manager without notice. Past performance is not necessarily a reliable indicator for current and future performance.

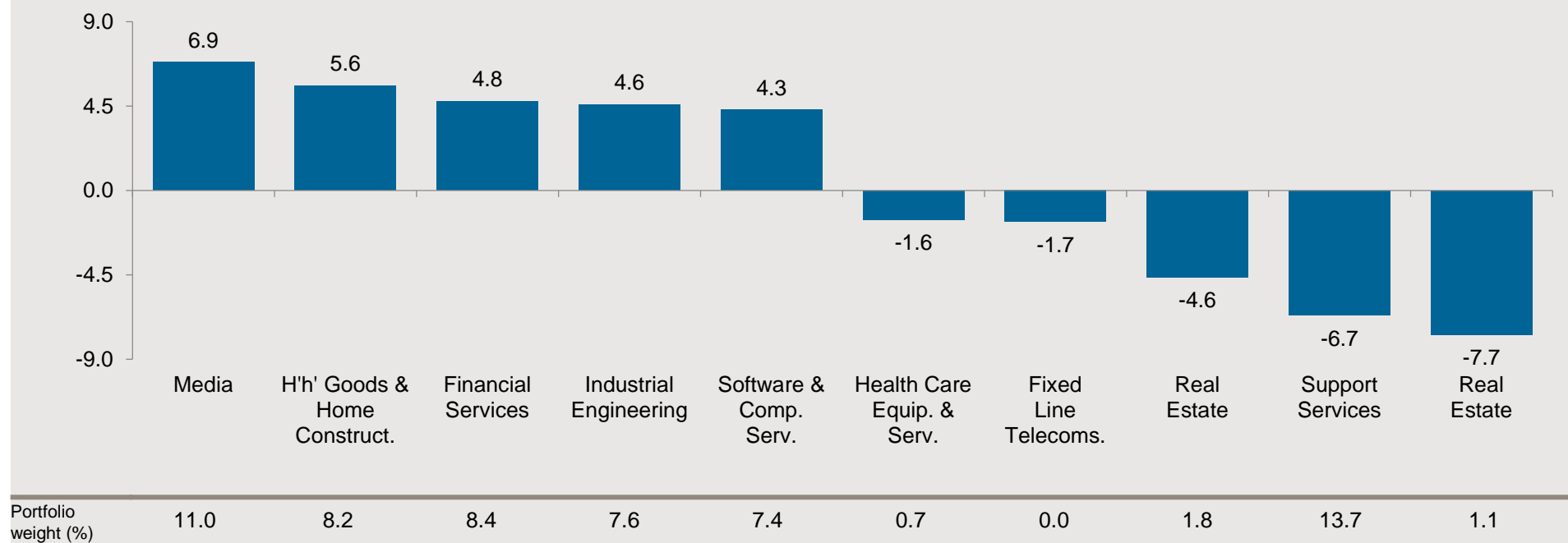
Sector positions

JPMorgan Smaller Companies Investment Trust as of 31 October 2016

Benchmark FTSE Small Cap ex IT Index

Active and absolute sector positions

Relative to benchmark (%)

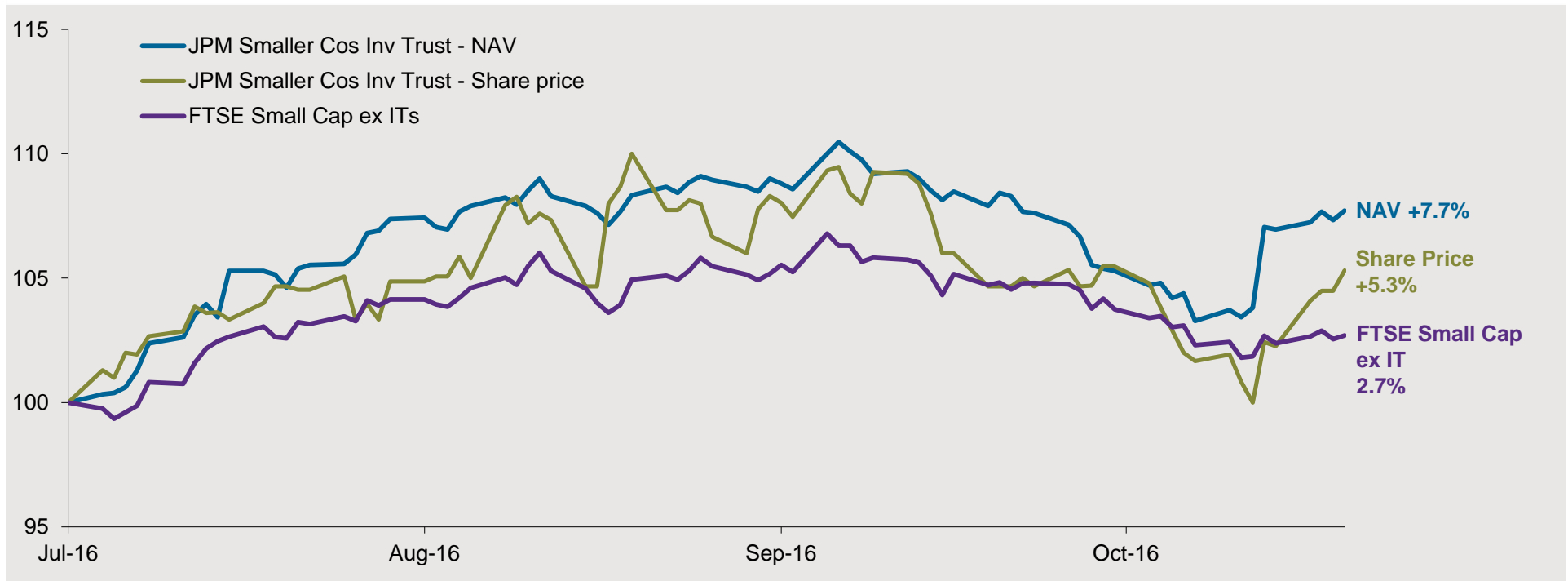


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Performance since the financial year end

JPMorgan Smaller Companies Investment Trust 31 July 2016 to 17 November 2016

Cumulative returns



Source: Thomson Reuters Datastream. Data as of 17 November 2016, rebased to 100 as of 31 July 2016, calculated on NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP. Past performance is not necessarily a reliable indicator for current and future performance.

Seismic political event - EU referendum

■ Pre-referendum

- 12m of preparation speaking to companies, analysts and industry experts
 - Analysis of overseas cost and revenue, overseas debt, FX hedging policies etc.
- UK domestic exposure largely maintained
- Gearing reduced to 6%

■ Post-referendum

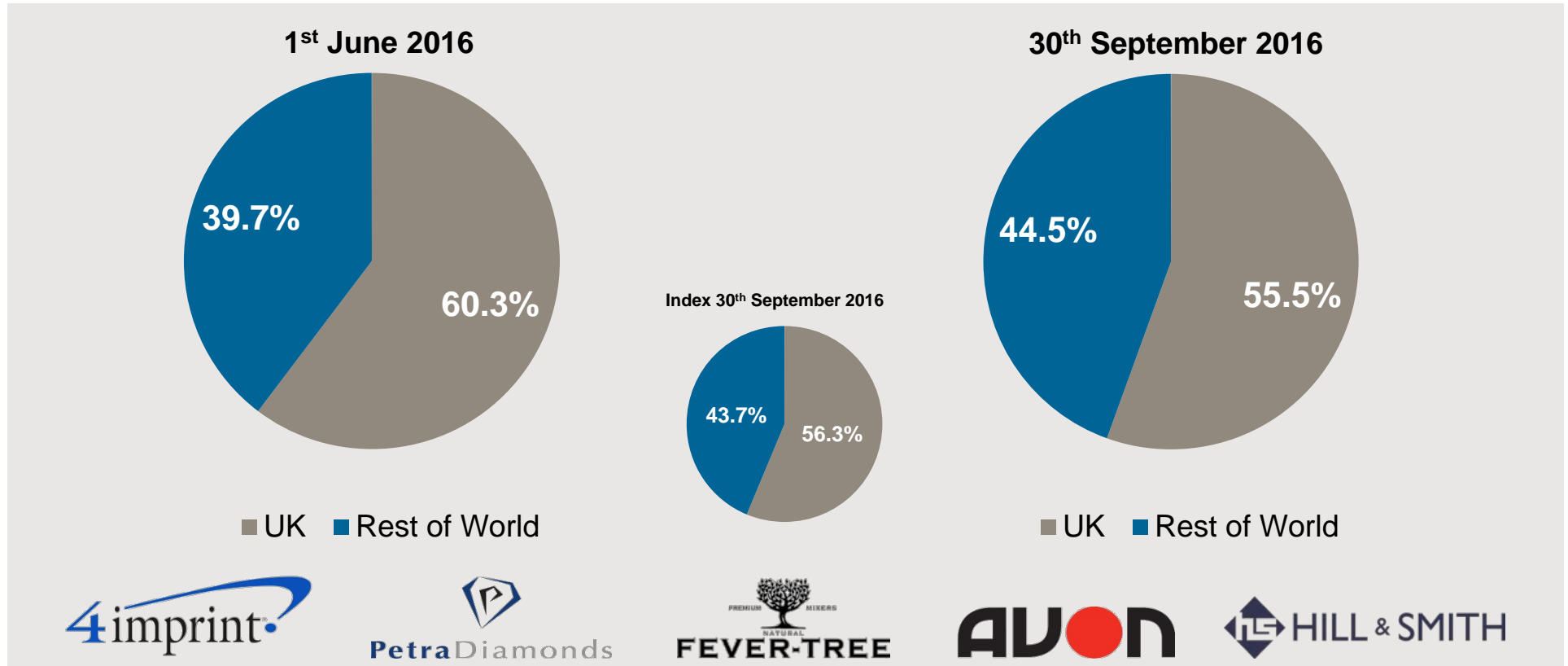
- Selective repositioning of the portfolio with a reduction in domestic cyclical exposure
 - STV, Trinity Mirror, Staffline, Eurocell, Topps Tiles
- Increased exposure to overseas earners and more defensive companies
 - De La Rue, McBride, Restore, Tarsus, Ophir Energy, Smart Metering Systems
- Opportunistic purchases of oversold names
 - Morgan Sindall, Wincanton



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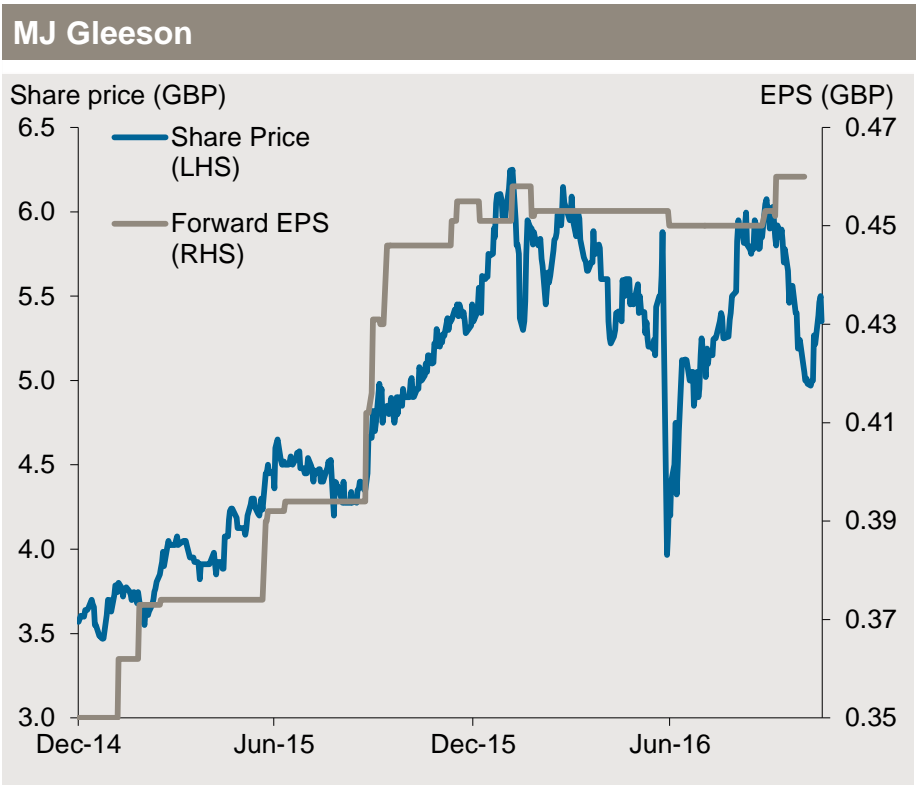
A significant shift in portfolio positioning

JPMorgan Smaller Companies Investment Trust - UK vs Overseas Revenue exposure:



Source: Bloomberg, Company Accounts, Company Refs. The Trust is an actively managed portfolio, holdings, sector weights, allocations and leverage, as applicable are subject to change at the discretion of the Investment Manager without notice. The companies above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. The use of the above company logos is in no way an endorsement for J.P.Morgan Asset Management investment management services.

Many exciting domestic opportunities maintained

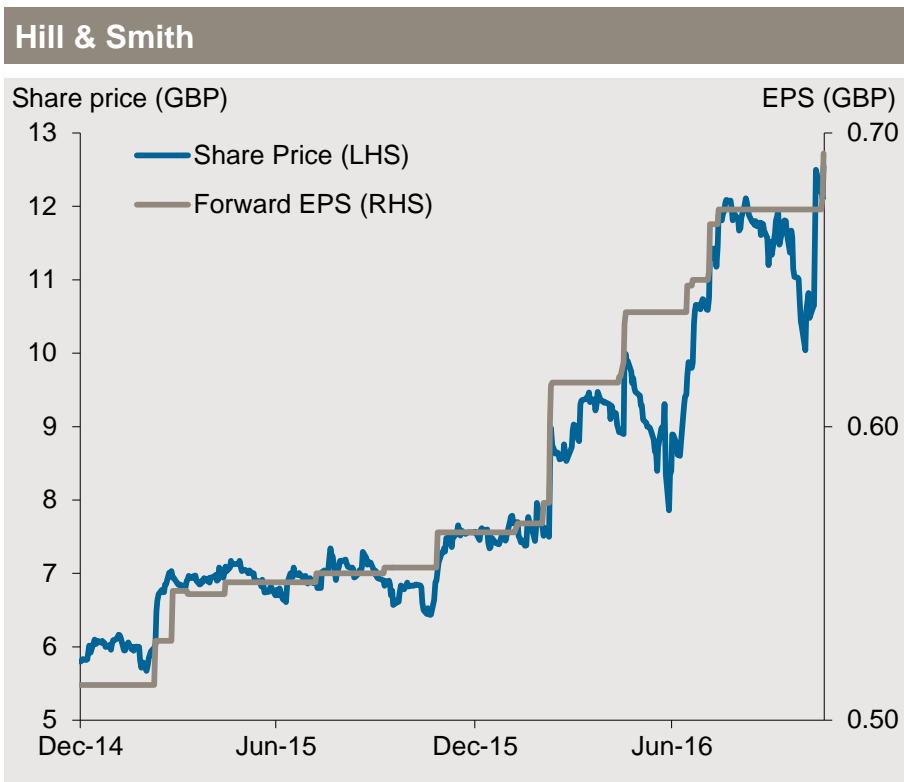


- Developer of low cost homes in northern England
- Land and build costs low, average selling price of £123k
- Amongst the highest returns in the sector due to limited competition and strong demand



Source: J.P. Morgan Asset Management, Bloomberg as of 17 November 2016. The companies/securities above shown are for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. J.P. Morgan Asset Management may or may not have positions on behalf of its clients in any or all of the aforementioned securities. The opinions and views expressed here are those held by the author at the date of publication which are subject to change and are not to be taken as or construed as investment advice. **Past performance is not necessarily a reliable indicator for current and future performance.**

Coupled with world class operators



- Leading provider of road infrastructure products and galvanizing services
- Well placed to grow in large international markets
- Opportunities for accretive M&A given strong cash generation

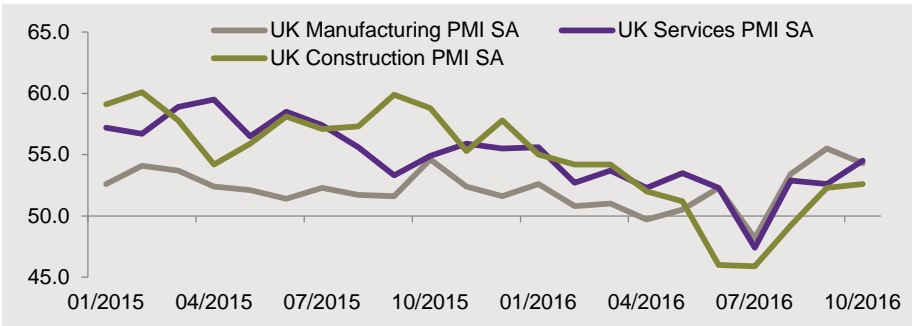


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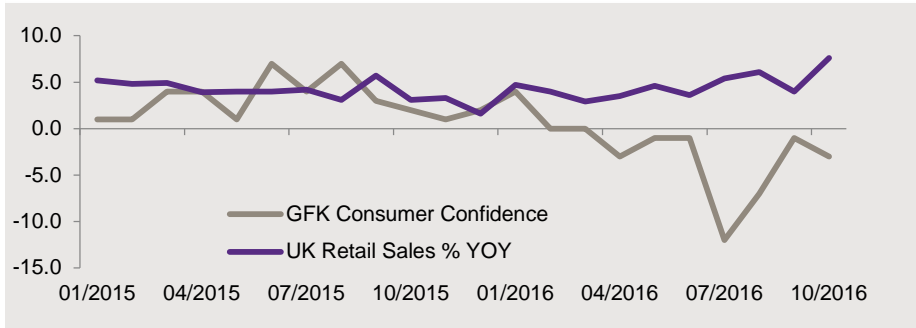
UK economic outlook

- Recent data points have held up better than expected
 - Government stability
 - BoE action
 - Article 50 not yet triggered
- Consumer and business confidence likely to be fragile
- Effectiveness of stimulus may prove short-lived

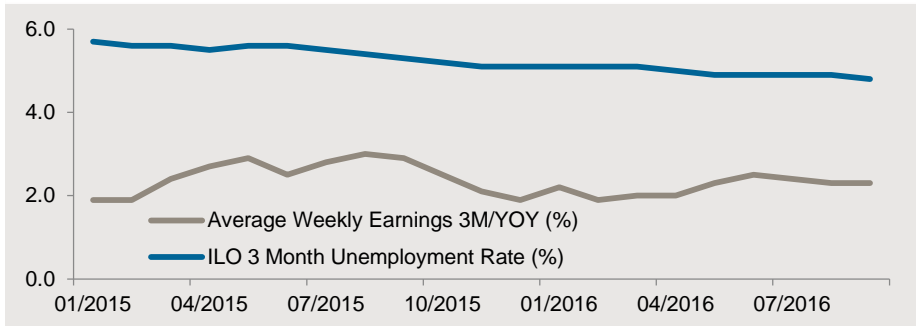
UK PMI's



UK Consumer



UK Wages & Employment

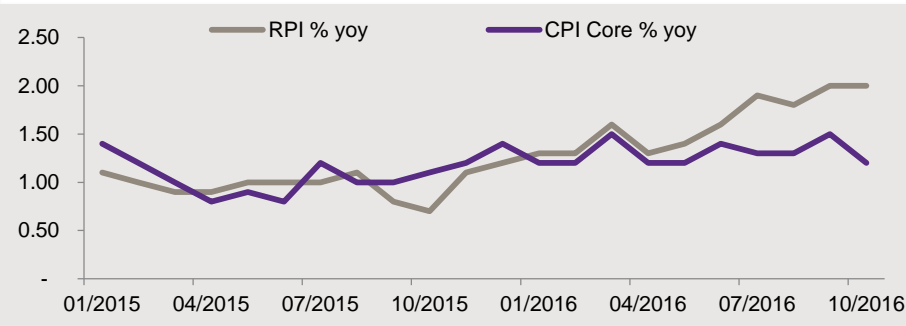


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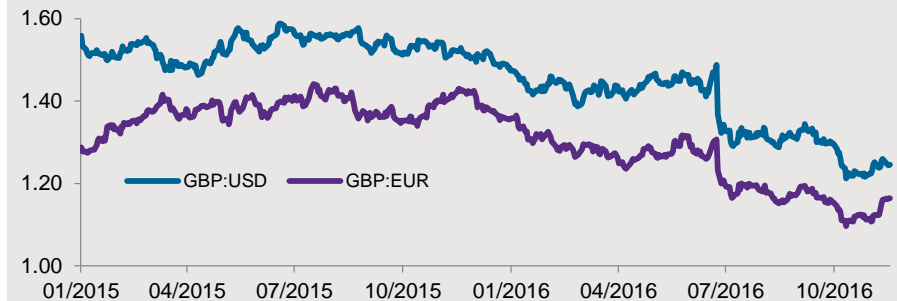
UK economic outlook

- Potential multi-year period of uncertainty
 - Individual data points will continue to cause significant volatility but provide opportunities
- Expected decline in corporate investment
- Inflationary impact on real earnings yet to be felt
- Weaker sterling will benefit certain companies

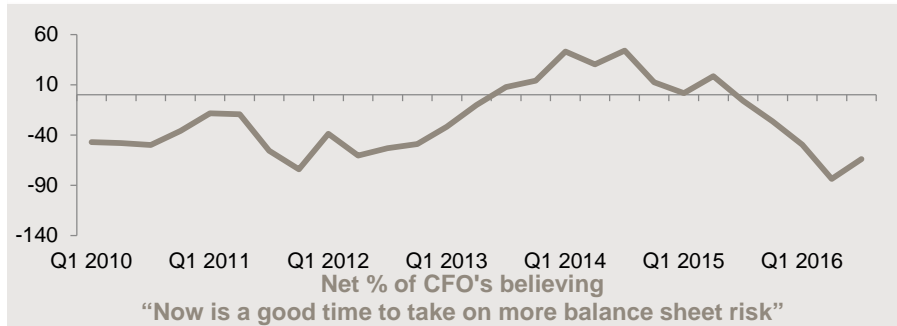
UK Inflation



GBP vs. USD and EUR



Balance sheet risk



Source: Bloomberg (as of 19/10/2016) & Liberum. The opinions and views expressed here are those held by the author at the date of publication which are subject to change and are not to be taken as or construed as investment advice. Forecasts, projections and other forward looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections and other forward statements, actual events, results or performance may differ materially from those reflected or contemplated.

Stock outlook

Attractive investment opportunities remain

- Valuations are cheap – particularly relative to mid and large caps and other asset classes
- Companies continue to increase dividends to shareholders
 - Special dividends still remain a feature
- Corporate activity continues – M&A and IPOs
 - Hollywood Bowl, Autins, Luceco
- Portfolio repositioned for the new environment
 - Share price volatility expected to continue and we will look to take advantage

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Appendix



Biography



Georgina Brittain

Georgina Brittain, Managing Director, is a senior portfolio manager for UK smaller companies within the J.P. Morgan Asset Management European Equity Group. She is the named manager for the JPM Life UK Small Cap Equity Fund, JPMorgan Smaller Companies Investment Trust and for the JPM UK Smaller Companies Fund; She is also joint fund manager on the Pan European small cap funds. An employee since 1995, Georgina was previously an analyst in the UK Research Department. Georgina obtained an M.A. in Classics from Oxford University, and earned a Diploma in Law from City University, London. She is a qualified barrister.



Katen Patel

Katen Patel, Vice president, is a portfolio manager in the Europe Small/Mid Cap Team within the J.P. Morgan Asset Management European Equity Group. He is the co-manager of the UK Smaller Companies Fund, the JPMorgan Smaller Companies Investment Trust and the JPMorgan Mid Cap Investment Trust. An employee since April 2013, he previously worked at HSBC Bank Plc in a European equity sales role. He obtained a B.Sc. in Management from the London School of Economics. Katen is a CFA charterholder.

... expertise, experience and the backing of a large group

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