
JPMorgan Smaller Companies Investment Trust plc

Half Year Report & Accounts for the six months ended 31st January 2017



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 2017, the Company's share capital comprised 16,647,368 Ordinary shares of 25p each and 3,555,319 Subscription shares of 0.1p each

Subscription Shares

Details of the final opportunity to convert their Subscription shares at the exercise price of 915 pence per share by 30th June 2017 will be sent to shareholders in May 2017 and are also given on page 18 of this report. After this date, the rights on the Subscription shares will lapse.

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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Half Year Performance

TOTAL RETURNS (INCLUDES DIVIDENDS REINVESTED) TO 31ST JANUARY 2017

+12.8%

'Unit' return to
shareholders^{1,2}

+13.1%

Undiluted return on
net assets²

+11.4%

Benchmark return⁵

+12.8%

Return to Ordinary
shareholders³

+11.2%

Diluted return on
net assets²

Financial Data

	31st January 2017	31st July 2016	% change
Shareholders' funds (£'000)	175,350	160,633	+9.2
Ordinary shares in issue	16,647,368	16,930,024	-1.7
Undiluted net asset value per Ordinary share	1,053.3p	948.8p	+11.0
Diluted net asset value per Ordinary share ⁴	1,029.0p	942.9p	+9.1
Ordinary share price	826.0p	750.0p	+10.1
Ordinary share price discount to diluted net asset value per Ordinary share	19.7%	20.5%	
Subscription share price	11.5p	11.0p	
Subscription shares in issue	3,555,319	3,555,679	
Gearing	8.3%	5.7%	
Ongoing charges	1.14%	1.17%	

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

² Source: J.P. Morgan.

³ Source: Morningstar.

⁴ Calculated using the diluted net asset value, which assumes that all outstanding Subscription shares were converted into Ordinary shares at the year end.

⁵ Source: Morningstar. The Company's benchmark is the FTSE Small Cap Index (excluding investment trusts).

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

About the Company

CHAIRMAN'S STATEMENT



Performance and discount

Equity markets were volatile during the period under review which started in the immediate aftermath of the EU referendum result and associated fall in the value of Sterling. The election of Donald Trump in November had not been predicted, but was followed by a significant increase in investor confidence ending the half year on a strong note.

During the six months to 31st January 2017, the total return on the Company's net assets before dilution was 13.1% (11.2% after dilution), which compares with 11.4% for the benchmark index. The return to Ordinary shareholders was 12.8%, with the performance from a combination of five ordinary shares and one subscription share (a 'Unit') also being at 12.8%. The outperformance of the Ordinary shares reflects a narrowing of the share price discount to diluted net asset value from 20.5% to 19.7%.

Since the period end the Company's NAV has risen 6.6% (5.5% after dilution) and share price has risen 8.2% as at 17th March 2017. This compares with a rise of 3.5% for the benchmark index.

It is pleasing to be able to report the outperformance for the year to date which is in contrast to earlier periods of underperformance. The Board is aware of the importance to shareholders of the longer-term results, and is in regular dialogue with the Manager with the aim of this being delivered in the future.

The Investment Managers provide a detailed commentary on markets and the portfolio performance in their Report.

Share buybacks

In line with our policy to reduce the volatility of the discount, during the six months to 31st January 2017 the Company repurchased 283,016 Ordinary shares for cancellation at a cost of £2,207,281. These shares were acquired at an average discount of 19.5%, and have enhanced net asset value per share by 3.1 pence. The Board regularly reviews its policy for managing the discount and will continue to repurchase shares as appropriate.

Exercise of Subscription shares

As set out in detail on page 18 of this report, the final date for the conversion of Subscription Shares is 30th June 2017, and in May we will be writing to shareholders with a reminder of their rights. A decision to convert Subscription Shares should only be made after careful consideration of the prevailing market price of the Ordinary Shares, particularly if they are trading below the exercise price of 915 pence. During the six months to 31st January 2017, the Company has issued 360 Ordinary shares following the exercise of Subscription shares, amounting to proceeds of £3,294.

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

CHAIRMAN'S STATEMENT *CONTINUED*

fall. The Company has a highly flexible borrowing facility of £25 million in place with Scotiabank until April 2017. This has been reviewed by the Board and we have decided to renew the facility with Scotiabank for a further year.

The Board sets the overall gearing guidelines and regularly discusses these with the investment manager. The guidelines set a maximum level of gearing with the facility for temporary increases under special circumstances. The Company's gearing level increased during the period from 5.7% at the beginning of the period to 8.3% at 31st January 2017. At the time of writing the Company's gearing was 8.3%, with total borrowings of £19 million.

Board

As noted in the annual report, Richard Fitzalan Howard stepped down as a Director at the AGM last November and we have welcomed Alice Ryder as a new member of the Board. As part of the Board's succession planning and in anticipation of retirements we expect to commence a recruitment process for a new Director later in the year.

Outlook

The political landscape has changed significantly over the last year, and we may see yet further developments in the months ahead. This has made predicting the future more perilous than usual. Despite this, there has been a marked increase in optimism which if sustained will help growth rates in the future. It will be some time before we know whether this positive outlook takes hold or if we revert to a period of disappointing growth.

Partly as a result of this uncertainty, UK smaller companies have relatively low valuations, yet many are showing rising earnings and dividends helped by a weaker currency. Whilst it is likely that we will see a continuing period of share price volatility, long-term investment in growing, high quality smaller companies is attractive, and the Board is confident that they will deliver good returns for patient investors.

Michael Quicke OBE

Chairman

22nd March 2017

INVESTMENT MANAGERS' REPORT



Georgina Brittain

Performance and Market Background

The political and economic backdrop to the first six months of your Company's financial year was tumultuous. A new UK Prime Minister, a UK interest rate cut and £170 billion Bank of England stimulus, the rapid fall in sterling, the surprise victory of Donald Trump in the US Election, the rise in oil prices after the OPEC deal to cut output and a US interest rate rise are but some of the notable events that provided the backdrop to stockmarkets. Due in part to some of these events, and in part despite them, the FTSE Small Cap index rebounded. Economic newsflow steadily improved over the six months, both globally and in the UK, and it gradually became clear that the predictions of a swift, dramatic and on-going decline in both business and consumer confidence in the UK were wrong, or at least very premature.

Against this volatile background, the FTSE Small Cap (ex Investment Trusts) Index enjoyed a rebound in the second half of 2016 post the Brexit-induced fall in the first half, and returned 11.4%. It is pleasing to report that your Company outperformed its benchmark in the half year and provided a total return on net assets of 13.1% (undiluted).



Katen Patel

Portfolio

In our last Annual Report, we outlined the reshaping of the portfolio that we undertook as a result of the Referendum. This portfolio repositioning continued in the first six months of this financial year. We further reduced our overweight exposure to the UK consumer, selling out of positions, such as Carpetright and Topps Tiles, using the proceeds from these sales to increase our focus on overseas earners and exporters such as Fenner, Next Fifteen Communications and RPS Group. We also increased our exposure to oil, following the OPEC agreement, buying new positions in Enquest and Faroe Petroleum and continued to invest in new IPOs such as Luceco and Warpaint.

During the six months under review, three of our largest holdings, Fevertree, OneSavings Bank and JD Sports all continued to deliver very strong performance, and were amongst the most significant contributors to your Company's outperformance. The shareprices of both OneSavings Bank and JD Sports were severely impacted in the aftermath of the EU referendum result, but bounced back strongly as a result of continued operational outperformance, which translated into positive share price performance. By contrast, the key detractor from performance was our holding in Plus500, a spread-betting provider, which was knocked by regulatory change.

In our last report we referred to our investment process struggling to add value during the first half of 2016. This was due in part to the dramatic rebound in share prices of a number of distressed resources companies which we did not own, which impacted our relative performance. In this first half of your company's financial year the key metrics that we follow, which focus on attractively valued, high quality companies with positive earnings momentum resumed normal service in line with their long term history. In addition, your company has benefitted from an increase in M & A activity, which we had anticipated. During the six month period our holdings in Lavendon, e2v and Constellation Healthcare were all bid for, whilst since the end of January we have also benefitted from bids for Ithaca Energy and 32Red.

INVESTMENT MANAGERS' REPORT *CONTINUED*

Outlook

The outlook for 2017 is one of increased uncertainty. In the UK newsflow will be dominated by the Brexit negotiations and we expect Article 50 to be triggered in March 2017. Outside the UK, focus will be on the European elections in France, Germany and the Netherlands, and on the emergence of Donald Trump's actual policy intentions in the US, rather than the rhetoric heard during the US election campaign.

At the time of writing, global economic data appears more positive than had been predicted, leading to upgraded expectations both for global growth, and for growth forecasts in the UK economy. However, on the negative side we expect to see a significant increase in the rate of inflation in the UK, due to the rebound in commodity prices and the decline in sterling. This will lead to rising pressure on UK real household earnings with an expected knock-on effect on consumer spending.

Therefore, as outlined in the Portfolio section, we have sought to de-emphasise our exposure to the UK consumer at this time and increased our position in companies which make a significant proportion of their profits overseas. However, it should be noted that where we have high conviction in certain consumer-facing secular growth companies, such as Fevertree, JD Sports and Victoria, we remain very comfortable in continuing to own them. In the small cap arena, valuations remain attractive and dividends continue to grow. In addition, M&A activity continues to re-emerge given that the decline in sterling has provided a significant incentive for overseas purchasers to buy UK assets.

Georgina Brittain

Katen Patel

Investment Managers

22nd March 2017

Investment Review

LIST OF INVESTMENTS AT 31ST JANUARY 2017

Company	Valuation £'000	Company	Valuation £'000
Industrials		Consumer Services	
Ricardo	5,500	4imprint Group	7,285
Hill & Smith Holdings	5,268	JD Sports Fashion	5,637
Wincanton	4,807	Trinity Mirror	3,051
Fenner	4,695	Lookers	2,291
Avon Rubber	4,460	Tarsus	1,937
De La Rue	4,065	Gym Group	1,396
Trifast	3,387	Hollywood Bowl Group	1,385
Lavendon Group	3,088	NAHL Group ¹	1,360
e2v technologies	2,983	Pendragon	1,311
Tyman	2,977	32Red ¹	1,127
Oxford Instruments	2,487	STV Group	1,106
Costain Group	2,392	888 Holdings	1,041
Smart Metering Systems ¹	2,267	Warpaint London ¹	973
James Fisher & Sons	2,235	Quarto Group	914
Morgan Sindall Group	2,192	Next Fifteen Communications Group ¹	756
Xaar	2,131	Fuller Smith & Turner 'A'	573
Porvair	2,033	Mothercare	564
Robert Walters	1,998	Crawshaw Group ¹	20
Interserve	1,993		32,727
Volution Group	1,893	Consumer Goods	
Staffline Group ¹	1,685	Fevertree Drinks ¹	5,772
Renold	1,674	McBride	5,397
Somero Enterprises ¹	1,611	MJ Gleeson	3,923
RPS Group	1,602	Victoria ¹	3,154
Restore ¹	1,547	Hilton Food Group	2,374
Henry Boot	1,532	Premier Foods	1,376
Luceco	1,426	Watkin Jones ¹	1,111
Forterra	1,245	Character Group ¹	746
Sanne Group	1,136	Autins Group ¹	689
Charles Taylor	1,088	Hotel Chocolat Group ¹	399
Marshalls	736		24,941
John Menzies	693		
Paysafe Group	592		
	79,418		

LIST OF INVESTMENTS *CONTINUED*

Company	Valuation £'000	Company	Valuation £'000
Financials		Oil & Gas	
OneSavings Bank	5,197	Ophir Energy	3,842
Novae Group	4,333	EnQuest	2,502
Plus500 ¹	3,128	Ithaca Energy ¹	1,226
Mortgage Advice Bureau Holdings ¹	2,123	Cape	1,068
TBC Bank Group	2,028	Soco International	877
Safestore Holdings	1,369	Premier Oil	721
CLS Holdings	1,269	Amerisur Resources ¹	571
S&U	1,133	Faroe Petroleum ¹	420
Arrow Global Group	1,008		11,227
Aldermore Group	775	Basic Materials	
Urban & Civic	538	Petra Diamonds	936
	22,901	Anglo Pacific Group	630
Technology		Kenmare Resources	565
FDM Group Holdings	4,135	Hochschild Mining	559
SDL	2,650	Lonmin	378
Telit Communications ¹	1,587		3,068
Imagination Technologies Group	1,575	Total Investments	189,850
Servelec Group	1,528		
First Derivatives ¹	1,085		
iomart Group ¹	873		
Softcat	848		
Tracsis ¹	732		
Fusionex International ¹	555		
	15,568		

¹ AIM listed companies, 18.7% (31st July 2016: 19.8%).

SECTOR ANALYSIS

	31st January 2017		31st July 2016	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
Industrials	41.8	38.5	36.5	39.1
Consumer Services	17.3	13.9	19.8	12.1
Consumer Goods	13.1	5.7	12.8	6.6
Financials	12.1	21.2	14.3	20.2
Technology	8.2	8.3	8.6	6.6
Oil & Gas	5.9	5.7	4.3	6.8
Basic Materials	1.6	2.7	3.2	5.0
Health care	–	2.9	0.5	2.1
Telecommunications	–	1.1	–	1.5
Total	100.0	100.0	100.0	100.0

¹ Based on total investments of £189.9m (31st July 2016: £169.8m).

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31ST JANUARY 2017

	(Unaudited) Six months ended 31st January 2017			(Unaudited) Six months ended 31st January 2016			(Audited) Year ended 31st July 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	–	19,144	19,144	–	(6,682)	(6,682)	–	(16,063)	(16,063)
Net foreign currency gains	–	–	–	–	–	–	–	5	5
Income from investments	1,915	–	1,915	1,459	–	1,459	4,263	–	4,263
Interest receivable and similar income	46	–	46	5	–	5	21	–	21
Gross return/(loss)	1,961	19,144	21,105	1,464	(6,682)	(5,218)	4,284	(16,058)	(11,774)
Management fee	(224)	(523)	(747)	(241)	(562)	(803)	(463)	(1,081)	(1,544)
Other administrative expenses	(221)	–	(221)	(244)	–	(244)	(487)	–	(487)
Net return/(loss) on ordinary activities before finance costs and taxation	1,516	18,621	20,137	979	(7,244)	(6,265)	3,334	(17,139)	(13,805)
Finance costs	(34)	(78)	(112)	(43)	(100)	(143)	(82)	(192)	(274)
Net return/(loss) on ordinary activities before taxation	1,482	18,543	20,025	936	(7,344)	(6,408)	3,252	(17,331)	(14,079)
Taxation	(36)	–	(36)	(39)	–	(39)	(114)	–	(114)
Net return/(loss) on ordinary activities after taxation	1,446	18,543	19,989	897	(7,344)	(6,447)	3,138	(17,331)	(14,193)
Return/(loss) per share (note 4)									
– undiluted	8.64p	110.86p	119.50p	5.22p	(42.73)p	(37.51)p	18.31p	(101.14)p	(82.83)p
– diluted ¹	8.64p	110.86p	119.50p	5.22p	(42.73)p	(37.51)p	18.31p	(101.14)p	(82.83)p

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 2017

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

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 net return/(loss) on ordinary activities after taxation represents the profit/(loss) for the period and also the total comprehensive income.

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31ST JANUARY 2017

	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 2017 (Unaudited)						
At 31st July 2016	4,236	18,242	2,437	131,019	4,699	160,633
Repurchase and cancellation of the Company's own shares	(71)	–	71	(2,220)	–	(2,220)
Issue of Ordinary shares on exercise of Subscription shares	–	3	–	–	–	3
Net return on ordinary activities	–	–	–	18,543	1,446	19,989
Dividend paid in the period	–	–	–	–	(3,055)	(3,055)
At 31st January 2017	4,165	18,245	2,508	147,342	3,090	175,350
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 paid in the period	–	–	–	–	(1,889)	(1,889)
At 31st January 2016	4,297	18,226	2,375	142,954	2,458	170,310
Year ended 31st July 2016 (Audited)						
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	(90)	–	90	(2,936)	–	(2,936)
Issue of Ordinary shares on exercise of Subscription shares	2	52	–	–	–	54
Net (loss)/return on ordinary activities	–	–	–	(17,331)	3,138	(14,193)
Dividend paid in the year	–	–	–	–	(1,889)	(1,889)
At 31st July 2016	4,236	18,242	2,437	131,019	4,699	160,633

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 2017

	(Unaudited) 31st January 2017 £'000	(Unaudited) 31st January 2016 £'000	(Audited) 31st July 2016 £'000
Fixed assets			
Investments held at fair value through profit or loss	189,850	185,811	169,806
Current assets			
Debtors	2,111	452	485
Cash and cash equivalents ¹	3,011	3,745	10,575
	5,122	4,197	11,060
Current liabilities			
Creditors: amounts falling due within one year	(19,622)	(19,698)	(20,233)
Net current liabilities	(14,500)	(15,501)	(9,173)
Total assets less current liabilities	175,350	170,310	160,633
Net assets	175,350	170,310	160,633
Capital and reserves			
Called up share capital	4,165	4,297	4,236
Share premium	18,245	18,226	18,242
Capital redemption reserve	2,508	2,375	2,437
Capital reserves	147,342	142,954	131,019
Revenue reserve	3,090	2,458	4,699
Total shareholders' funds	175,350	170,310	160,633
Net asset value per Ordinary share (note 5)			
– undiluted	1,053.3p	991.6p	948.8p
– diluted	1,029.0p	978.5p	942.9p

¹ This line item combines the two lines of 'Investment in liquidity fund held at fair value through profit or loss' and 'Cash and short term deposits' in the financial statements for the period ended 31st January 2016.

Company registration number: 2515996.

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31ST JANUARY 2017

	(Unaudited) Six months ended 31st January 2017 £'000	(Unaudited) Six months ended 31st January 2016 £'000	(Audited) Year ended 31st July 2016 £'000
Net cash outflow from operations before dividends and interest (note 6)	(975)	(1,072)	(2,041)
Dividends received	1,957	1,344	3,902
Interest received	16	4	17
Taxation	2	1	1
Interest paid	(116)	(145)	(278)
Net cash inflow from operating activities	884	132	1,601
Purchases of investments	(32,949)	(35,065)	(78,352)
Sales of investments	30,134	37,686	87,897
Settlement of foreign currency contracts	1	–	6
Net cash (outflow)/inflow from investing activities	(2,814)	2,621	9,551
Dividend paid	(3,055)	(1,889)	(1,889)
Repurchase and cancellation of the Company's own shares	(2,582)	(988)	(2,574)
Issue of Ordinary shares on exercise of Subscription shares	3	37	54
Net cash outflow from financing activities	(5,634)	(2,840)	(4,409)
(Decrease)/increase in cash and cash equivalents	(7,564)	(87)	6,743
Cash and cash equivalents at start of period	10,575	3,832	3,832
Cash and cash equivalents at end the period	3,011	3,745	10,575
(Decrease)/increase in cash and cash equivalents	(7,564)	(87)	6,743
Cash and cash equivalents consist of:			
Cash and short term deposits	623	853	249
Cash held in JPMorgan Sterling Liquidity Fund	2,388	2,892	10,326
Total	3,011	3,745	10,575

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31ST JANUARY 2017

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 auditors.

The figures and financial information for the year ended 31st July 2016 are extracted from the latest published financial statements of the Company and do not constitute statutory accounts for that year. Those financial statements have been delivered to the Registrar of Companies and including 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 2017.

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 2016.

3. Dividend paid

	(Unaudited) Six months ended 31st January 2017 £'000	(Unaudited) Six months ended 31st January 2016 £'000	(Audited) Year ended 31st July 2016 £'000
2016 Final dividend of 18.3p (2015: 11.0p)	3,055	1,889	1,889

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 2017 (2016: nil).

4. Return/(loss) per share

	(Unaudited) Six months ended 31st January 2017 £'000	(Unaudited) Six months ended 31st January 2016 £'000	(Audited) Year ended 31st July 2016 £'000
Return/(loss) per share is based on the following:			
Revenue return	1,446	897	3,138
Capital return/(loss)	18,543	(7,344)	(17,331)
Total return/(loss)	19,989	(6,447)	(14,193)
Weighted average number of shares in issue during the period used for the purpose of the undiluted calculation	16,726,551	17,190,970	17,136,321
Weighted average number of shares in issue during the period used for the purpose of the diluted calculation	16,726,551	17,190,970	17,136,321
Undiluted			
Revenue return per share	8.64p	5.22p	18.31p
Capital return/(loss) per share	110.86p	(42.73)p	(101.14)p
Total return/(loss) per share	119.50p	(37.51)p	(82.83)p
Diluted¹			
Revenue return per share	8.64p	5.22p	18.31p
Capital return/(loss) per share	110.86p	(42.73)p	(101.14)p
Total return/(loss) per share	119.50p	(37.51)p	(82.83)p

¹ 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 2017.

5. Net asset value per share

	(Unaudited) Six months ended 31st January 2017	(Unaudited) Six months ended 31st January 2016	(Audited) Year ended 31st July 2016
Undiluted			
Ordinary shareholders' funds (£'000)	175,350	170,310	160,633
Number of Ordinary shares in issue	16,647,368	17,174,750	16,930,024
Net asset value per Ordinary share	1,053.3p	991.6p	948.8p
Diluted			
Ordinary shareholders' funds assuming exercise of Subscription shares (£'000)	207,881	202,860	193,168
Number of potential Ordinary shares in issue	20,202,687	20,732,201	20,485,703
Net asset value per Ordinary share	1,029.0p	978.5p	942.9p

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
6. Reconciliation of net return/(loss) on ordinary activities before finance costs and taxation to net cash outflow from operations before dividends and interest

	(Unaudited) Six months ended 31st January 2017 £'000	(Unaudited) Six months ended 31st January 2016 £'000	(Audited) Year ended 31st July 2016 £'000
Net return/(loss) on ordinary activities before finance cost and taxation	20,137	(6,265)	(13,805)
(Less capital return)/add back capital loss on ordinary activities before finance costs and taxation	(18,621)	7,244	17,139
Scrip dividends received as income	(86)	(147)	(211)
Decrease(increase) in accrued income and other debtors	162	37	(66)
(Decrease)/increase in accrued expenses	(32)	(19)	(10)
Management fee charged to capital	(523)	(562)	(1,081)
Overseas withholding tax	(38)	(12)	(87)
Dividends received	(1,957)	(1,344)	(3,902)
Interest received	(16)	(4)	(17)
Realised gain on foreign exchange transactions	(1)	–	(1)
Net cash outflow from operations before dividends and interest	(975)	(1,072)	(2,041)

7. Fair valuation of investments

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

	(Unaudited)		(Unaudited)		(Audited)	
	Six months ended 31st January 2017		Six months ended 31st January 2016		Year ended 31st July 2016	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	189,850	–	185,811	–	169,272	–
Level 3 ¹	–	–	–	–	534	–
Total	189,850	–	185,811	–	169,806	–

¹ Relates to Autins Group which was admitted to AIM on 22nd August 2016.

There were no transfers between Level 1, 2 or 3 during the year (2016: same).

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 2016.

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 2017, 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

22nd March 2017

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

Shareholder Information

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

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 seven 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 (Uncertified 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, 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 last traded price to last traded price basis. A Unit comprises five Ordinary shares and one Subscription share.

Return to Ordinary shareholders

Total return to the investor, on a last traded price to last traded 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 closing-market value to closing-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 investments, expressed as a percentage of the shareholders' funds. 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 2017 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

You can invest in the shares of this Company and other J.P. Morgan investment trusts as detailed below;

For further details of market and share transaction information required to invest in the Company's shares, please see page 65. The information available on the Company's website is detailed on the Features page found on the inside cover at the front of this document. The Association of Investment Companies (AIC) website also contains information on investment trusts - see inside cover for the AIC's website address.

You can invest in the Company's shares and other J.P. Morgan investment trusts:

- Directly from J.P. Morgan
- Via third party providers
- Through a professional adviser

Before doing so you should take the time to read all the relevant regulatory documents and product materials and make yourself aware of the investment risks involved.

You should, of course, only consider investments that are right for you. If you are in any doubt about the suitability of an investment, please speak to an independent financial adviser.

1. Directly from J.P. Morgan

Investment Account

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

Stocks & Shares Individual Savings Accounts (ISA)

The Company's shares are eligible investments within a J.P. Morgan ISA. For the 2016/17 tax year, from 6th April 2016 and ending 5th April 2017, the total ISA allowance is £15,240 (£20,000 in 2017/18). The shares are also available in a J.P. Morgan Junior ISA. Details are

available from J.P. Morgan Asset Management free on 0800 20 40 20 or via its website at am.jpmorgan.co.uk/investor

2. Via a third party provider

J.P. Morgan investment trusts and funds are available via a range of third party providers.

Note: These websites are third party sites and J.P. Morgan Asset Management does not endorse or recommend any. Please observe each site's privacy and cookie policies as well as their platform charges structure.

Third party providers include;

AJ Bell	Hargreaves Lansdown
Alliance Trust Savings	Interactive Investor
Barclays Stockbrokers	James Brearley
Bestinvest	James Hay
Charles Stanley Direct	Selftrade
FundsNetwork	The Share Centre

Please note this list is not exhaustive and the availability of individual trusts may vary depending on the provider. These websites are third party sites and J.P. Morgan Asset Management does not endorse or recommend any. Please observe each site's privacy and cookie policies as well as their platform charges structure.

3. Through a professional adviser

Professional advisers are usually able to access the Shares of all the companies in the market and can help you find an investment that suits your individual circumstances. An adviser will let you know the fee for their service before you go ahead. You can find an adviser at unbiased.co.uk

You may also buy investment trust Companies Shares through stockbrokers, wealth managers and banks.

To familiarise yourself with the Financial Conduct Authority (FCA) adviser charging and commission rules, visit 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
Andrew Impey
Andrew Robson
Alice Ryder

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, J.P. Morgan ISA and J.P. Morgan Junior ISA. These products are all available on the online service at 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.