
JPMorgan Japan Smaller Companies Trust plc

31 July 2018

JPMorgan Japan Smaller Companies Trust

Quarterly rolling 12 months ending March 2017

%	2017/18	2016/17	2015/16	2014/15	2013/14
Share Price	26.5	25.2	7.8	35.9	0.5
Net Asset Value*	27.8	20.8	12.2	30.9	3.6
Benchmark**	13.2	34.6	6.9	22.4	-4.1

Past performance is not necessarily a reliable indicator for current and future performance.

Source: J.P. Morgan/Morningstar. © Morningstar. All Rights Reserved.

The performance is calculated on mid-market price to mid-market price ex-dividend basis, income reinvested, excluding transaction costs. The Net Asset Value (NAV) Performance has been calculated on NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP.

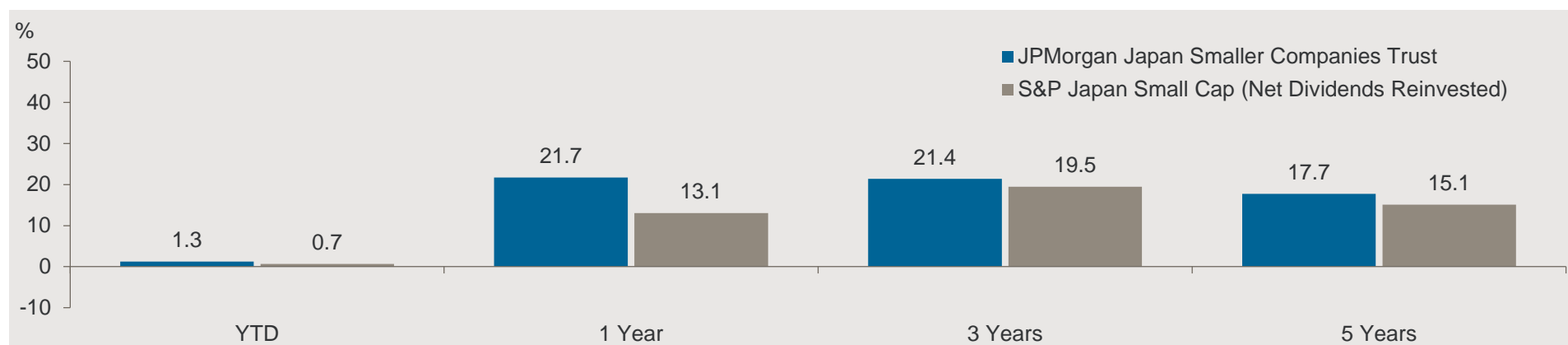
Please note Benchmark Indices do not include fees or operating expenses and are not available for actual investment.

* Cum income only NAV with debt at par, diluted for treasury and/or subscription shares if applicable

**Benchmark is S&P/Citigroup Japan Extended Market Index (Total Return Net)

JPMorgan Japan Smaller Companies Trust – Performance Summary

As of 30 June 2018



	YTD	1 Year	3 Years*	5 Years*
JPMorgan Japan Smaller Companies Trust	1.27	21.71	21.38	17.74
S&P Japan Small Cap	0.66	13.06	19.47	15.12
Excess Return (Geometric**)	0.60	7.66	1.59	2.28

*Annualised returns - the average proportional out-performance or under-performance of a portfolio relative to the associated benchmark for each year of periods greater than one year. An annualised return provides only a snapshot of an investment's performance and does not give any indication of the fluctuations in the returns of the portfolio.

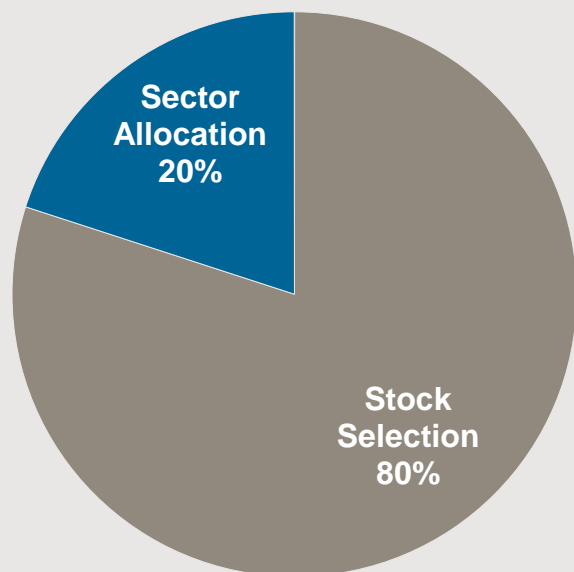
** Geometric excess returns - Geometric Excess Return measures the proportional out-performance or under-performance of a portfolio relative to the associated benchmark. It is the return of the portfolio divided by the return of the benchmark.

Past performance is not necessarily a reliable indicator for current and future performance. Source: J.P. Morgan Asset Management /Morningstar. © Morningstar. All Rights Reserved. Performance data has been 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.

How do we add value?: Investment philosophy in practice

Bottom UP

5-year excess return came predominantly from Stock Selection



Source: J.P. Morgan Asset Management, 30 June 2018

Quality Growth

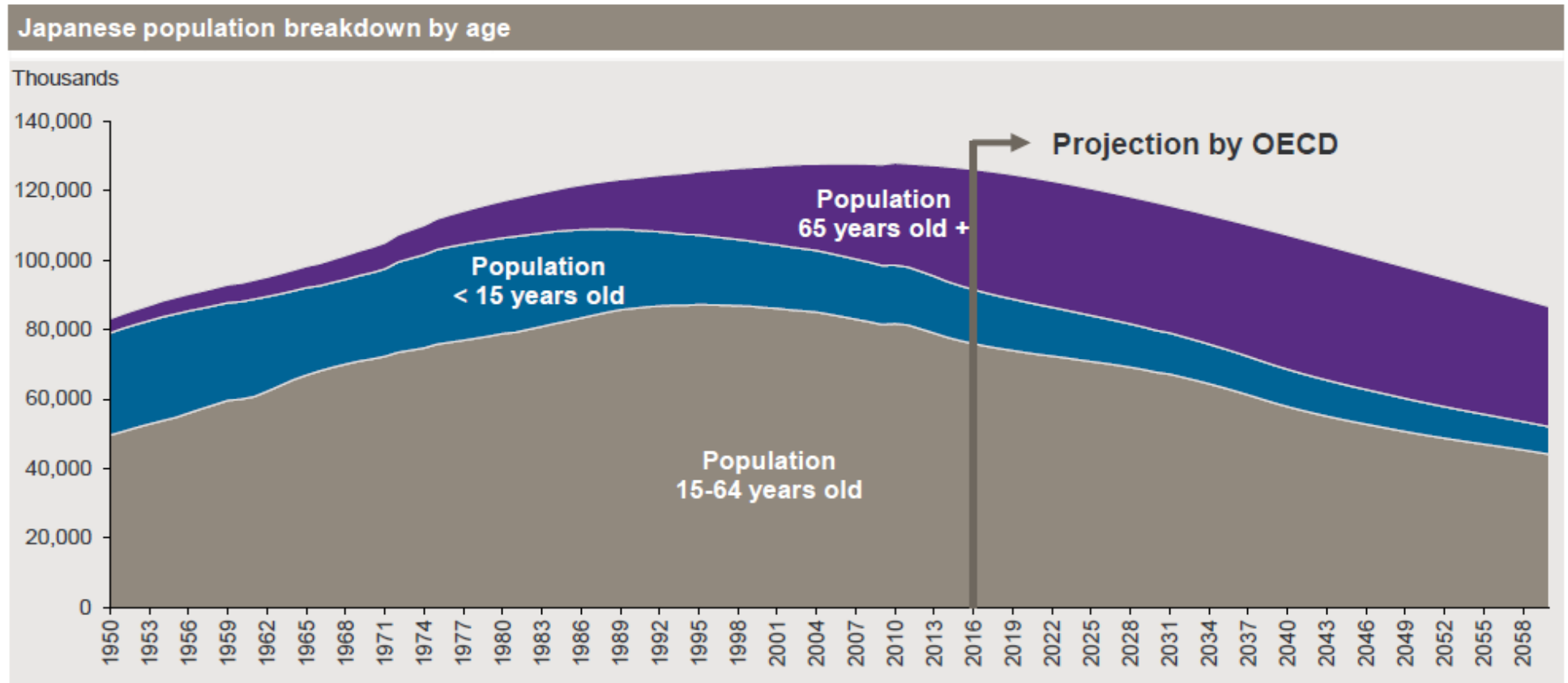
Valuation	Benchmark	JPMorgan Japan Smaller Co Trust
Hist 3Yr EPS Growth	17.40	19.75
Est 3-5 Yr EPS Growth	15.01	21.71
ROE	9.22	12.61
P/E using FY1 Est	16.24	19.93

Source: J.P. Morgan Asset Management, 30 June 2018

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Market Outlook

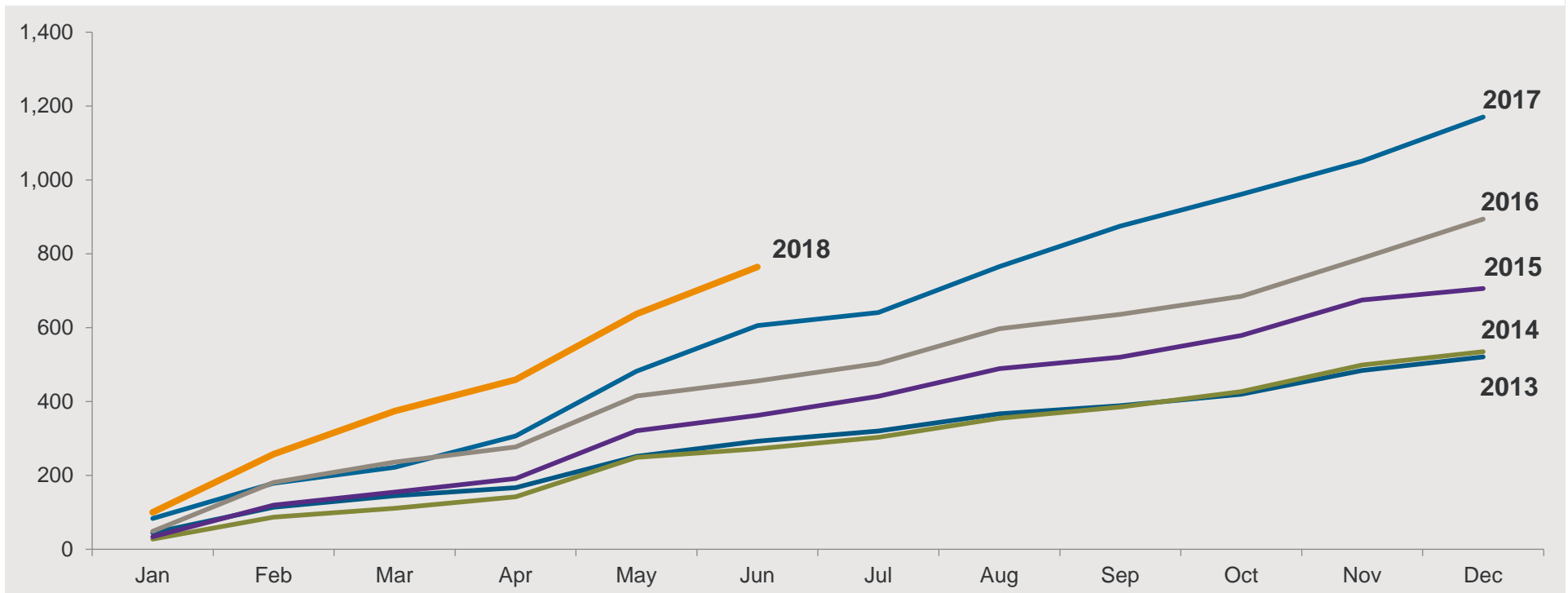
Japan's structural challenge is a new opportunity set



Source: OECD, Bloomberg, J.P. Morgan Asset Management, as of 31 Dec 2016.

Corporate governance: change looks structural

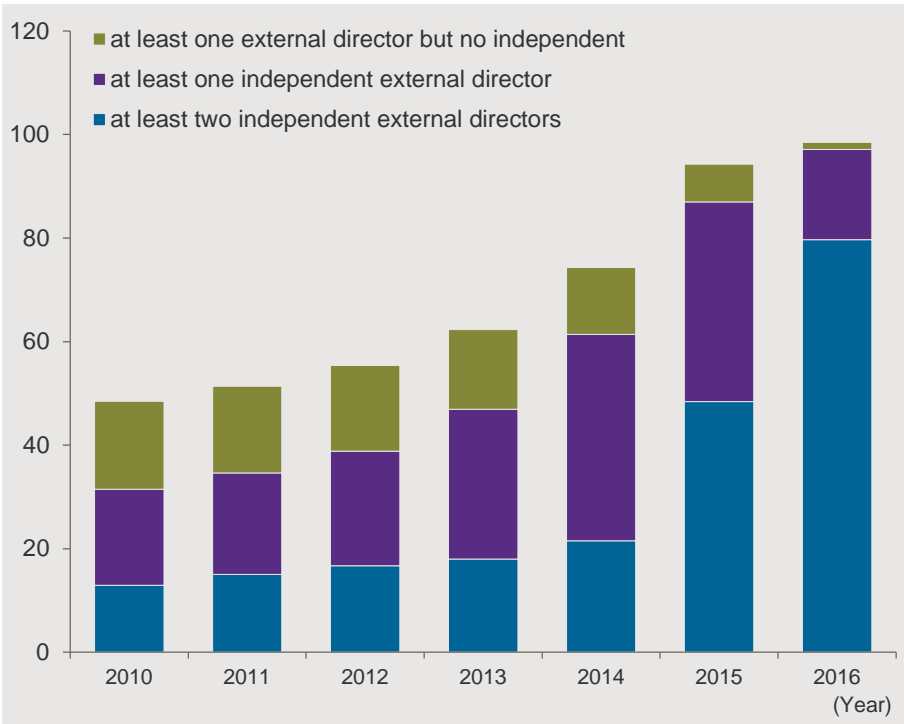
Number of buybacks, excluding duplicates in a single month



Source: Bloomberg, Credit Suisse, J.P. Morgan Asset Management, 30 June 2018

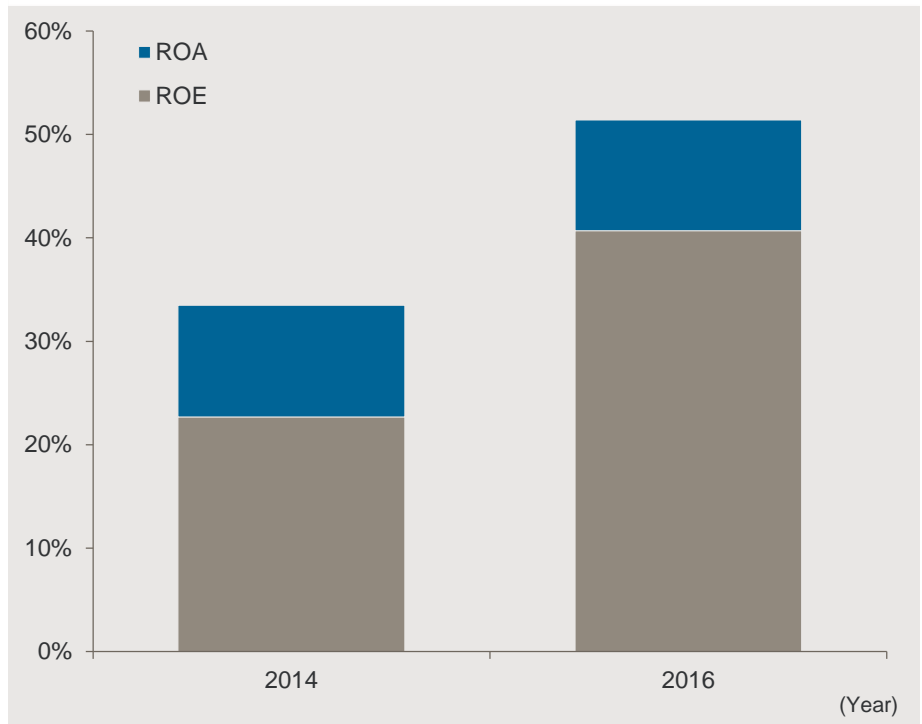
Corporate governance: change looks structural

Almost all companies have appointed independent, outside directors



Source: Goldman Sachs, Tokyo Stock Exchange, J.P. Morgan Asset Management, data from 2010 to 2016.

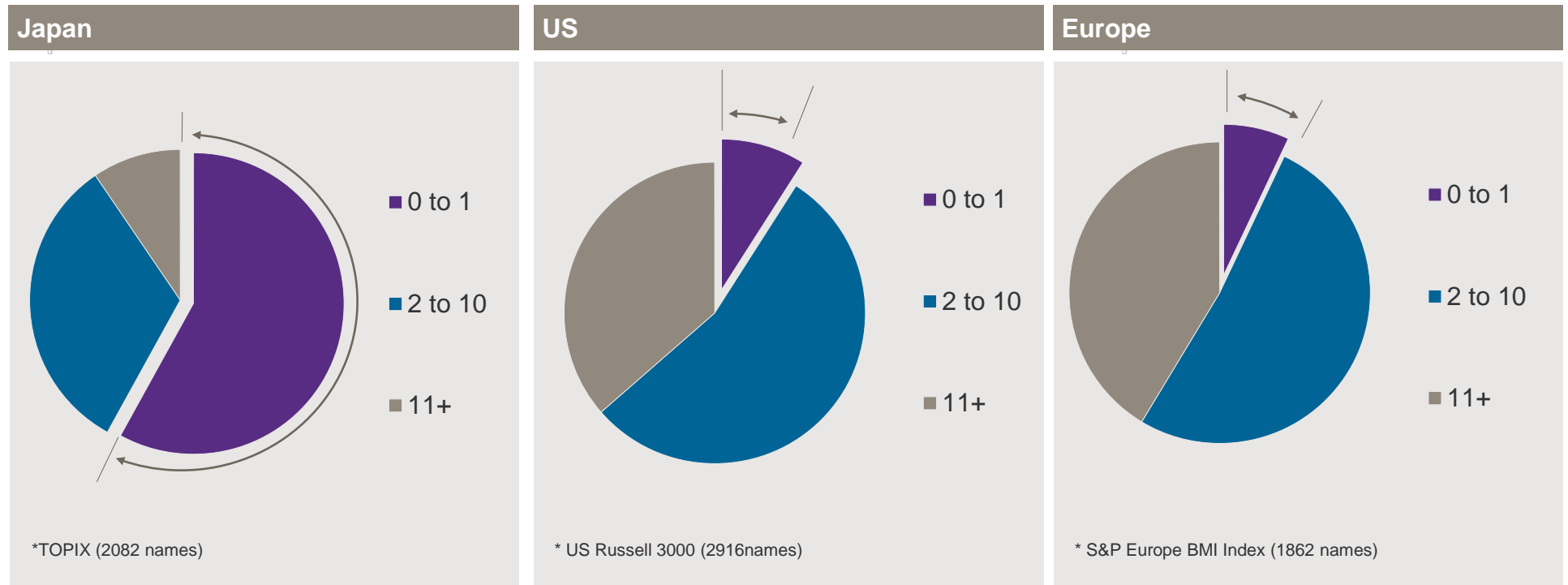
Percentage of companies citing ROE (Return On Equity) / (ROA) Return On Asset targets in medium-term plans



Source: Goldman Sachs, Japan Investor Relations Association, J.P. Morgan Asset Management, data in 2014 and 2016.

Japan is an under-researched market

Breakdown of number of analyst recommendations



Poor sell-side coverage in Japan creates opportunities for active managers

Sources: Bloomberg, J.P. Morgan Asset Management, data as of 30 June 2018

Portfolio Themes/Stocks

Asahi Intecc (7747)

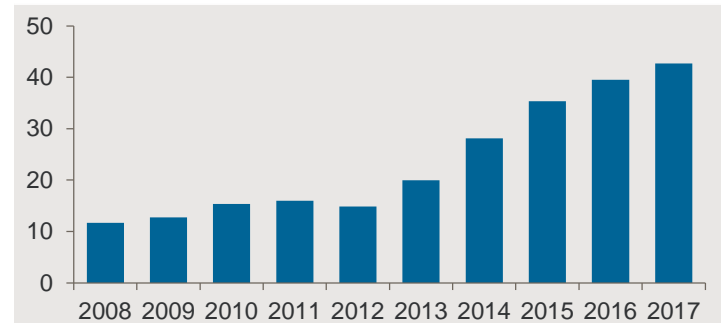
- Asahi Intecc develops, manufactures and distributes medical equipment. Its main products include PTCA guide wires and catheters.
- Structural growth in demand for PTCA guide wires.
- Asahi Intecc will continue to outgrow the market through market share gains and new product launches



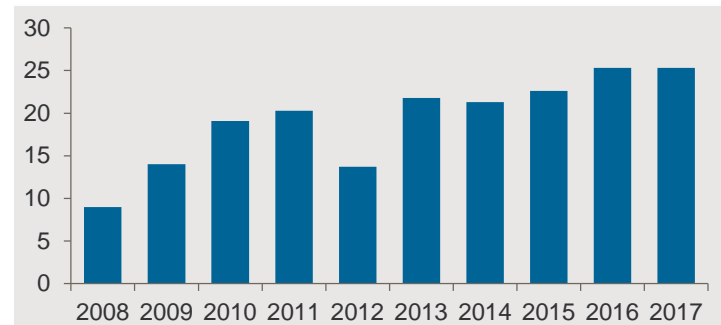
Source: Shutterstock.



Sales (bil yen)



Operation Margin (%)

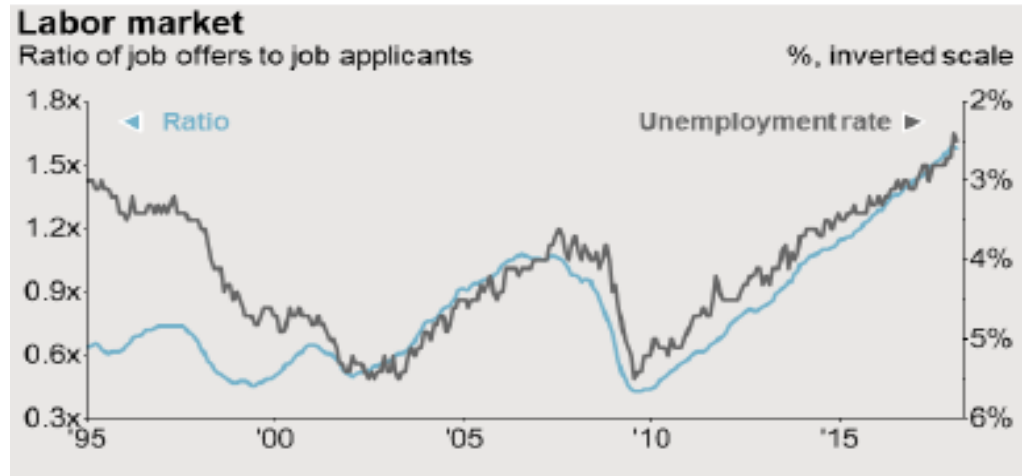


Source: Bloomberg, J.P. Morgan Asset Management, as of 14 May 2018.

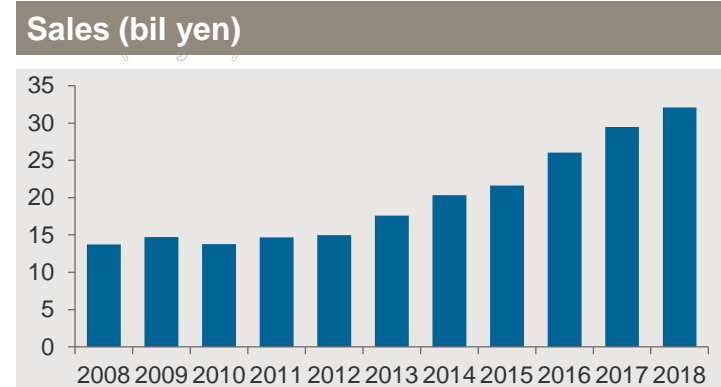
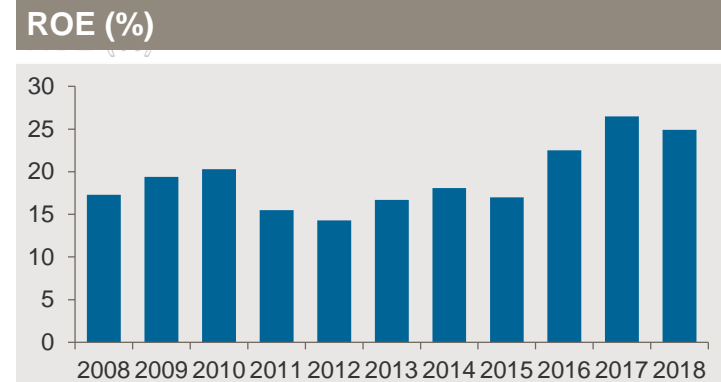
The securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell.

Benefit One (2412)

- Benefit One provides corporate fringe benefits, and they are a pure play on structural issue of tight labour market and increasing outsourcing needs in Japan.
- Fringe benefit industry is growing at double digit %. ROE and Operation Margin is high as the company generates recurring revenue.



Sources: FactSet, Japanese Statistics Bureau and Statistics Center, Ministry of Health, Labour and Welfare, J.P. Morgan Asset Management. As at 30 Apr 2018.

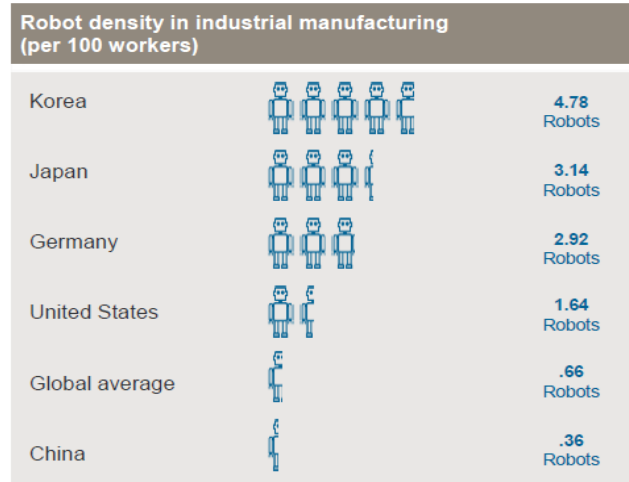


Source: Bloomberg, J.P. Morgan Asset Management, as of 14 May 2018.

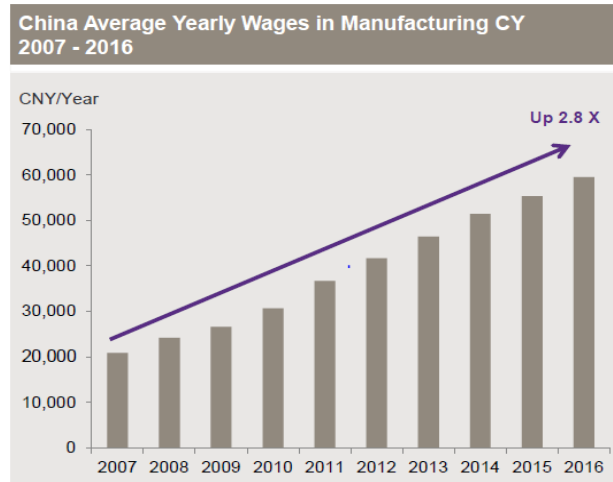
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Harmonic Drive Systems (6324)

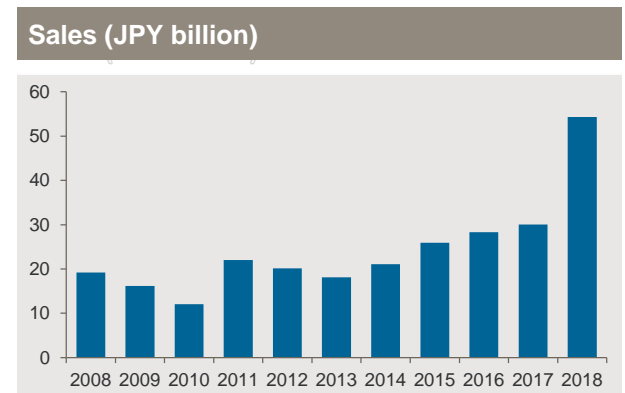
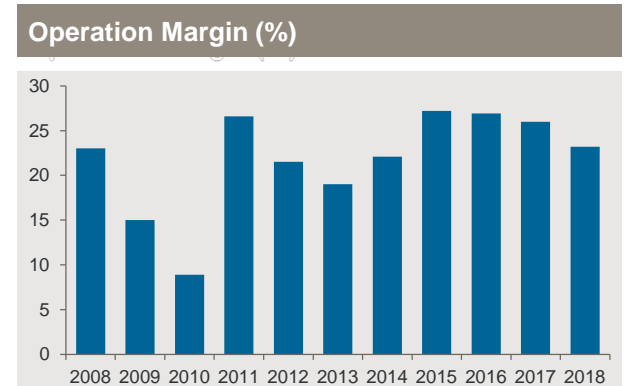
- Harmonic Drive has 90% market share in small-sized reducers used in small robot application.
- Increasing labour cost in China and aging and declining population in Japan are structural reasons behind growing automation demand.
- International Federation of Robots forecasts that global robot installations to increase by at least 15% every year between 2018 and 2020. The company focuses on small robots where we believe would see faster growth than overall industry.



Source: IFR World Robotics 2015, Shutterstock, J.P. Morgan Asset Management, as at 31 July 2017



Source: J.P. Morgan Asset Management, National Bureau Of Statistics of China
The latest data available as at 31 July 2017



Source: Bloomberg, J.P. Morgan Asset Management, as of 14 May 2018.

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Investment objective

Aims to produce long term capital growth through investment in small Aims and medium sized Japanese companies. Investment is permitted in Japanese quoted companies other than the largest 200 measured by market capitalization. The company has the ability to use borrowing to gear the portfolio within the range of 5% net cash to 15% geared in normal market conditions.

Risk Information

- Exchange rate changes may cause the value of underlying overseas Exchange investments to go down as well as up.
- External factors may cause an entire asset class to decline in value. Prices and external and values of all shares or all bonds could decline at the same time, or fluctuate in response to the performance of individual companies and general market conditions.
- This trust may utilise gearing (borrowing) which will exaggerate market movements both up and down.
- This trust may also invest in smaller companies which may increase its risk profile.
- The share price may trade at a discount to the Net Asset Value of the company.
- The single market in which the Trust primarily invests, in this case Japan, may be subject to particular political and economic risks and, as a result, the trust may be more volatile than more broadly diversified trusts.

JPMorgan Japan Smaller Companies Trust

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