

JPMorgan European Smaller Companies Trust plc

Half Year Financial Report for the six months ended 30th September 2017



Features

Objective

Capital growth from smaller European companies (excluding the United Kingdom).

Investment Policies

- To invest in a diversified portfolio of smaller companies in Europe, excluding the United Kingdom.
- To emphasise capital growth rather than income. Therefore shareholders should expect the dividend to vary from year to year.
- To manage liquidity and borrowings to increase potential returns to shareholders. The Board's current policy is to be between 20% net cash and 20% geared.
- To invest no more than 15% of gross assets in other UK listed investment companies (including investment trusts).

Risk

It should be noted that the Company invests in the shares of smaller companies, which tend to be more volatile than those of larger companies. The Company also employs gearing to generate greater returns. The Company's shares should therefore be regarded as carrying greater than average risk.

Benchmark

Euromoney Smaller European Companies (ex UK) Index in sterling terms.

Capital Structure

At 30th September 2017, the Company's share capital comprised 159,987,885 ordinary shares of 5p each.

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 delegates the management of the Company's portfolio to JPMorgan Asset Management (UK) Limited ('JPMAM').

Association of Investment Companies ('AIC')

The Company is a member of the AIC.

Website

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

FCA regulation of 'non-mainstream pooled investments'

The Company currently conducts its affairs so that the shares it issues can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the rules of the Financial Conduct Authority ('FCA') 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.

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Half Year Performance

TOTAL RETURNS (INCLUDES DIVIDENDS REINVESTED) TO 30TH SEPTEMBER 2017

+19.0%

Share price total return¹

+14.5%

Net asset value total return²

+12.2%

Benchmark total return³

Financial Data

	30th September 2017	31st March 2017	% change
Shareholders' funds (£'000)	705,047	620,846	+13.6
Number of shares in issue	159,987,885	159,987,885	–
Net asset value per share	440.7p	388.1p	+13.6 ⁴
Share price	393.8p	334.0p	+17.9 ⁴
Share price discount to net asset value per share	10.6%	13.9%	
Gearing	2.4%	5.3%	
Ongoing Charges	1.04%	1.13%	

¹ Source: Morningstar.

² Source: Morningstar/J.P. Morgan

³ Source: Euromoney. The Company's benchmark is the Euromoney Smaller European Companies (ex UK) Index in sterling terms.

⁴ % change, excluding dividends paid. Including dividends, the returns are +14.5% and +19.0% respectively.

A glossary of terms and alternative performance measures is provided on page 16.

About the Company

CHAIRMAN'S STATEMENT



Dear Shareholder,

I am pleased to present the Company's results for the six months ended 30th September 2017.

Performance

Net asset value total return of +14.5% in the six months to 30th September 2017 compared with a return of +12.2% over the same period for the Company's benchmark index, the European Smaller Companies (Ex UK) index, an out-performance of 2.3%. The share price return was +19.0%, leading to a narrowing of the discount over the period. As at 30th September 2017 the Company's discount was 10.6% compared to 13.9% at 31st March 2017.

This is another positive result from our Investment Managers and the main contributor to performance was stock selection, with country allocation merely being a consequence of the bottom-up investment process. Their report on pages 5 and 6 reviews the market and provides more detail on the performance drivers within the portfolio and the stocks and countries in which the Company is invested.

Revenue and Dividends

Gross revenue return for the six months to 30th September 2017 was higher than the corresponding period in 2016 at £11.5 million (2016: £7.9 million) and was the result of an increase in dividend receipts. The Board has decided to pay an interim dividend of 1.2 pence (2016: 1.2 pence) per share which will be paid on 19th January 2018 to shareholders on the register as at 22nd December 2017 (the ex-dividend date will be 21st December 2017).

Share Repurchases

The Board continues to monitor the level of the discount carefully and seeks to use its ability to repurchase shares to minimise the short term volatility and the absolute level of the discount. However, no shares were repurchased in the six month period.

Investment Manager

Further to the announcement in March this year Jim Campbell, the Company's co-portfolio manager, remains on personal leave from J.P. Morgan Asset Management and therefore he is not currently a named investment manager. Francesco Conte and Edward Greaves, and the broader investment team, continue to manage the portfolio.

CHAIRMAN'S STATEMENT *CONTINUED*

Outlook

As the managers comment in their report the economic backdrop for Europe is supportive and profit forecasts have been rising through the year. This positive outlook is attracting asset flows into European equities but European Equity markets have already been strong so some correction would not be unexpected.

Carolan Dobson
Chairman

11th December 2017

INVESTMENT MANAGERS' REPORT



Francesco Conte

Review

The economic backdrop was positive for European smaller companies over the period, driven by continued synchronised global economic expansion, supportive central banks and strong forecast earnings growth. This was reflected in companies generating better than expected profits through the year, with the 2017 first quarter European earnings season one of the strongest on record. Moderating political risks following the election of centralist parties in Holland and France were reflected in declining stock market volatility and a narrowing of bond spreads within Europe.

Smaller companies outperformed larger companies with the MSCI Europe (ex UK) Index rising by +8.6% and the Company's benchmark index the Euromoney Smaller European Companies (ex UK) Index rising by +12.2%.



Edward Greaves

Portfolio

With a net asset value total return of +14.5% for the six months to 30th September 2017, the portfolio outperformed its benchmark index.

Top performers included German industrial automation specialist, Aumann, due to strong orders from customers manufacturing electric powered cars, French recreational vehicle manufacturer, Trigano, supported by market growth, market share gains and the company's accretive acquisition strategy and French computer games publisher, Ubisoft, as the sales mix continued to improve due to the strong growth in high margin digital revenues.

Detractors from performance included Norwegian oil services provider, Aker Solutions, as a result of weakness in the sector which was caused by uncertainties around the future outlook for the oil price. In addition, Swedish cosmetics retailer Oriflame underperformed as investors worried about its exposure to emerging markets currency risk and Italian premium apparel retailer, Tod's, as continued weak sales momentum raised questions around management's ability to successfully execute the turnaround strategy.

With equity markets rising ever higher, we added companies to the portfolio that have business models somewhat divorced from the economic cycle. By way of example, we bought into the Finnish company, Huhtamaki, a global leader in the manufacturing of consumer packaging products such as coffee cups and egg cartons. Huhtamaki's valuation had become more attractive following a period of underperformance. Following careful analysis we concluded that the company remained attractively exposed to the mega-trends of the growing middle class in emerging markets and a stronger focus on environmentally friendly products. We also added Belgium semiconductor designer, Melexis, which is benefitting from increasing semiconductor content in automobiles, Italian IT consultant, Reply, due to its exposure to structurally growing themes such as big data analytics, cloud computing, and cybersecurity, and Norwegian industrial, Tomra, which is a machine vision innovator with clear global market leadership positions in structurally growing niche markets such as bottle recycling and food safety.

We financed these purchases by reducing our exposure to more cyclically exposed companies with what we consider to be poor earnings momentum. We reduced our holdings in oil exposed companies such as Swiss industrial, Sulzer, and Norwegian oil services companies, TGS-Nopec, Aker Solutions and Subsea 7. We also reduced our exposure to the financial sector including Danish banks, Jyske Bank and Spar Nord, Swedish lender, Nordax, and Italian asset manager, Banca Generali. Underperforming retailer, Tod's, mentioned above was also sold.

INVESTMENT MANAGERS' REPORT *CONTINUED*

The overall portfolio remained generally pro-cyclical with Industrial Engineering and Automobiles & Parts the two largest sector overweights, and Real Estate the largest underweight sector. France and Italy continued to be the countries where we found the highest number of investment opportunities. At 30th September 2017 the portfolio was slightly geared at 2.4%, versus 5.3% gearing at the end of March 2017.

Outlook

The supportive economic backdrop was illustrated by the fact that, unlike previous years, 2017 forecast profits have actually risen throughout the year. The valuation of European equities remains approximately in line with its long term average and at a significant discount to the US, with meaningful growth potential. Central bank policies are supportive; while the Fed is set to begin reducing its balance sheet, the ECB continues its quantitative easing policy with Mario Draghi reiterating the ECB's commitment to keeping rates low until their bond buying is done. While political risks have increased in Spain and Germany, they nevertheless appear to be contained and do not pose systemic risks as in neither case is the sentiment anti-EU. In Spain, the national government has taken control of Catalonia and has called for new elections in the region. In Germany, while Chancellor Merkel has yet to form a government, the most likely outcomes are either a grand coalition with the socialists or renewed elections which would likely result in another pro-EU centrist government.

We believe that concerns around the impact of the strengthening euro on European manufacturing are overblown. With production spread throughout the world, revenues and costs for many European companies are generally well matched, reducing any foreign exchange impact on profits. As a result, the historic relationship between the euro and the performance of European manufacturers has been poor.

This positive outlook is attracting asset flows into European equities. Overall we are continuing our policy of selectively adding gearing on stock-specific pull-backs, although we are cognisant of the fact that the market has not had a significant correction for some time.

Francesco Conte
Edward Greaves
Investment Managers

11th December 2017

Investment Review

LIST OF INVESTMENTS AT 30TH SEPTEMBER 2017

Company	Value £'000	Company	Value £'000
Italy		Sweden	
Amplifon	18,685	Husqvarna 'B'	17,460
FinecoBank Banca Fineco	16,136	Thule	14,728
De' Longhi	15,774	Dometic	13,589
Cerved Information Solutions	14,382	Oriflame	11,429
Brembo	14,350	Trelleborg 'B'	9,131
Interpump	14,232		66,337
Datalogic	14,186	Netherlands	
Industria Macchine Automatiche	12,763	TKH, CVA	21,553
DiaSorin	10,409	IMCD	18,827
Reply	7,080	Aalberts Industries	15,360
Gima TT	3,215	ForFarmers	10,480
	141,212		66,220
France		Norway	
Sopra Steria	18,795	Skandiabanken	18,768
Trigano	17,848	Bakkafrost	14,219
Remy Cointreau	17,768	Salmar	11,175
Ubisoft Entertainment	16,703	Tomra Systems	8,922
Maisons du Monde	15,400	Borregaard	6,935
IPSOS	12,773	Norway Royal Salmon	2,644
Tarkett	12,754		62,663
Alten	10,210	Denmark	
ID Logistics	10,002	Royal Unibrew	15,096
	132,253	SimCorp	14,583
Germany		FLSmidth	6,877
Jungheinrich Preference	15,581		36,556
Aumann	15,404	Finland	
Hella KGaA Hueck	14,596	Huhtamaki	16,311
Stabilus	14,003	Nokian Renkaat	8,975
HUGO BOSS	11,513	Metso	7,591
SAF-Holland	11,009		32,877
Wacker Neuson	7,815	Belgium	
S&T	7,334	Melexis	12,155
	97,255		12,155
Switzerland		Total Investments	
Forbo	17,532		722,190
AMS	17,466		
Dormakaba	14,347		
Bucher Industries	14,268		
Temenos	11,049		
	74,662		

PORTFOLIO ANALYSES

Geographical

	at 30th September 2017		at 31st March 2017	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
Italy	19.5	12.6	21.6	12.3
France	18.3	11.6	19.5	12.2
Germany	13.5	15.8	11.2	14.4
Switzerland	10.3	9.6	11.4	10.5
Sweden	9.2	13.9	9.4	14.1
Netherlands	9.2	5.4	7.0	4.7
Norway	8.7	4.7	8.0	4.7
Denmark	5.1	4.5	7.6	4.2
Finland	4.5	4.4	4.3	4.5
Belgium	1.7	4.1	–	4.4
Spain	–	7.6	–	7.8
Austria	–	3.4	–	3.8
Portugal	–	1.4	–	1.4
Ireland	–	1.0	–	1.0
Total	100.0	100.0	100.0	100.0

¹ Based on total investments of £722.2m (31st March 2017: £653.6m).

Sector

	at 30th September 2017		at 31st March 2017	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
Industrials	28.9	25.5	35.5	23.6
Consumer Discretionary	27.6	14.4	27.4	15.0
Information Technology	18.0	9.2	13.6	9.4
Consumer Staples	11.5	6.4	3.8	6.6
Financials	6.8	12.8	13.6	12.8
Health Care	4.0	7.6	2.1	7.9
Materials	3.2	7.3	–	7.0
Real Estate	–	7.8	–	7.8
Utilities	–	3.3	–	3.6
Telecommunication Services	–	2.9	–	3.1
Energy	–	2.8	4.0	3.2
Total	100.0	100.0	100.0	100.0

¹ Based on total investments of £722.2m (31st March 2017: £653.6m).

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2017

	(Unaudited) Six months ended 30th September 2017			(Unaudited) Six months ended 30th September 2016			(Audited) Year ended 31st March 2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss	–	81,304	81,304	–	81,875	81,875	–	127,358	127,358
Net foreign currency gains	–	1,426	1,426	–	1,144	1,144	–	164	164
Income from investments	11,445	–	11,445	7,884	–	7,884	10,587	–	10,587
Interest receivable and similar income ¹	60	–	60	33	–	33	184	–	184
Gross return	11,505	82,730	94,235	7,917	83,019	90,936	10,771	127,522	138,293
Management fee	(927)	(2,162)	(3,089)	(772)	(1,801)	(2,573)	(1,622)	(3,785)	(5,407)
Other administrative expenses ¹	(391)	–	(391)	(450)	–	(450)	(896)	–	(896)
Net return on ordinary activities before finance costs and taxation	10,187	80,568	90,755	6,695	81,218	87,913	8,253	123,737	131,990
Finance costs	(61)	(143)	(204)	(120)	(279)	(399)	(218)	(508)	(726)
Net return on ordinary activities before taxation	10,126	80,425	90,551	6,575	80,939	87,514	8,035	123,229	131,264
Taxation ²	(750)	–	(750)	(402)	–	(402)	(228)	–	(228)
Net return on ordinary activities after taxation	9,376	80,425	89,801	6,173	80,939	87,112	7,807	123,229	131,036
Return per share (note 3)	5.86p	50.27p	56.13p	3.85p	50.54p	54.39p	4.88p	76.97p	81.85p

¹ For the year ended 31st March 2017 negative interest paid on the liquidity fund was included within 'Interest receivable and similar income'. This has been reclassified under 'Other administration expenses' in the current year, with retrospective amendments to comparatives.

² For the year ended 31st March 2017, a one-off tax reclaim of £416,000 was received, reducing the full year tax charge from £644,000 to £228,000.

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 on ordinary activities after taxation represents the profit for the period/year and also the total comprehensive income.

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 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 30th September 2017 (Unaudited)						
At 31st March 2017	8,000	1,312	7,636	594,327	9,571	620,846
Net return on ordinary activities	–	–	–	80,425	9,376	89,801
Dividend paid in the period (note 4)	–	–	–	–	(5,600)	(5,600)
At 30th September 2017	8,000	1,312	7,636	674,752	13,347	705,047
Six months ended 30th September 2016 (Unaudited)						
At 31st March 2016	8,008	1,312	7,628	471,545	6,887	495,380
Net return on ordinary activities	–	–	–	80,939	6,173	87,112
Dividend paid in the period (note 4)	–	–	–	–	(3,203)	(3,203)
At 30th September 2016	8,008	1,312	7,628	552,484	9,857	579,289
Year ended 31st March 2017 (Audited)						
At 31st March 2016	8,008	1,312	7,628	471,545	6,887	495,380
Repurchase and cancellation of the Company's own shares	(8)	–	8	(447)	–	(447)
Net return on ordinary activities	–	–	–	123,229	7,807	131,036
Dividends paid in the year (note 4)	–	–	–	–	(5,123)	(5,123)
At 31st March 2017	8,000	1,312	7,636	594,327	9,571	620,846

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

STATEMENT OF FINANCIAL POSITION AT 30TH SEPTEMBER 2017

	(Unaudited) 30th September 2017 £'000	(Unaudited) 30th September 2016 £'000	(Audited) 31st March 2017 £'000
Fixed assets			
Investments held at fair value through profit or loss	722,190	590,937	653,619
Current assets			
Derivative financial assets	–	4	–
Debtors	966	2,877	8,293
Cash and cash equivalents	20,798	40,776	24,285
	21,764	43,657	32,578
Current liabilities			
Creditors: amounts falling due within one year	(38,907)	(55,301)	(65,351)
Derivative financial liabilities	–	(4)	–
Net current liabilities	(17,143)	(11,648)	(32,773)
Total assets less current liabilities	705,047	579,289	620,846
Net assets	705,047	579,289	620,846
Capital and reserves			
Called up share capital	8,000	8,008	8,000
Share premium	1,312	1,312	1,312
Capital redemption reserve	7,636	7,628	7,636
Capital reserves	674,752	552,484	594,327
Revenue reserve	13,347	9,857	9,571
Total equity shareholders' funds	705,047	579,289	620,846
Net asset value per share (note 5)	440.7p	361.7p	388.1p

STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2017

	(Unaudited) Six months ended 30th September 2017 £'000	(Unaudited) Six months ended 30th September 2016 £'000	(Audited) Year ended 31st March 2017 £'000
Net cash inflow/(outflow) from operations before dividends and interest (note 6)	199	1,626	(3,107)
Dividends received	10,666	6,607	8,177
Interest received ¹	–	–	109
Overseas tax recovered	51	173	800
Interest paid	(257)	(397)	(688)
Net cash inflow from operating activities	10,659	8,009	5,291
Purchases of investments and derivatives	(234,636)	(379,646)	(848,845)
Sales of investments and derivatives	252,894	362,106	802,734
Settlement of forward currency contracts	142	128	97
Net cash inflow/(outflow) from investing activities	18,400	(17,412)	(46,014)
Dividends paid	(5,600)	(3,203)	(5,123)
Repurchase and cancellation of the Company's own shares	–	–	(447)
Drawdown of bank loans	22,000	–	60,190
Repayment of bank loans	(49,015)	–	(43,017)
Net cash (outflow)/inflow from financing activities	(32,615)	(3,203)	11,603
Decrease in cash and cash equivalents	(3,556)	(12,606)	(29,120)
Cash and cash equivalents at start of period	24,285	53,392	53,392
Exchange movements	69	(10)	13
Cash and cash equivalents at end of period	20,798	40,776	24,285
Decrease in cash and cash equivalents	(3,556)	(12,606)	(29,120)
Cash and cash equivalents consist of:			
Cash and short term deposits	271	267	265
Cash held in JPMorgan Euro Liquidity Fund	20,527	40,509	24,020
Total	20,798	40,776	24,285

¹ For the year ended 31st March 2017 negative interest paid on the liquidity fund was included within 'Interest receivable and similar income', this has been reclassified under 'Other administrative expenses' in the current year, with retrospective amendments to comparatives.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 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 March 2017 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, 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 have been prepared in accordance with the Companies Act 2006, FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' of the United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the revised 'SORP') issued by the Association of Investment Companies in November 2014 and updated in January 2017.

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 30th September 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 March 2017.

3. Return per share

	(Unaudited) Six months ended 30th September 2017 £'000	(Unaudited) Six months ended 30th September 2016 £'000	(Audited) Year ended 31st March 2017 £'000
Return per share is based on the following:			
Revenue return	9,376	6,173	7,807
Capital return	80,425	80,939	123,229
Total return	89,801	87,112	131,036
Weighted average number of shares in issue	159,987,885	160,147,885	160,090,789
Revenue return per share	5.86p	3.85p	4.88p
Capital return per share	50.27p	50.54p	76.97p
Total return per share	56.13p	54.39p	81.85p

4. Dividends paid

	(Unaudited) Six months ended 30th September 2017 £'000	(Unaudited) Six months ended 30th September 2016 £'000	(Audited) Year ended 31st March 2017 £'000
2017 final dividend of 3.5p (2016: 2.0p) per share	5,600	3,203	3,203
2017 interim dividend of 1.2p per share	–	–	1,920
Total dividends paid in the period/year	5,600	3,203	5,123

All dividends paid in the period have been funded from the revenue reserve.

An interim dividend of 1.2p (2017: 1.2p) has been declared in respect of the six months ended 30th September 2017, amounting to £1,920,000.

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

	(Unaudited) Six months ended 30th September 2017	(Unaudited) Six months ended 30th September 2016	(Audited) Year ended 31st March 2017
Net assets (£'000)	705,047	579,289	620,846
Number of shares in issue	159,987,885	160,147,885	159,987,885
Net asset value per share	440.7p	361.7p	388.1p

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

	(Unaudited) Six months ended 30th September 2017 £'000	(Unaudited) Six months ended 30th September 2016 £'000	(Audited) Year ended 31st March 2017 £'000
Net return on ordinary activities before finance costs and taxation	90,755	87,913	131,990
Less capital return on ordinary activities before finance costs and taxation	(80,568)	(81,218)	(123,737)
Scrip dividends received as income	(302)	(925)	(925)
Decrease/(increase) in accrued income and other debtors	633	451	(377)
Increase/(decrease) in accrued expenses	8	(31)	7
Management fee allocated to capital	(2,162)	(1,801)	(3,785)
Overseas withholding tax	(1,102)	(797)	(1,107)
Dividends received	(10,666)	(6,607)	(8,177)
Interest received ¹	–	–	(109)
Realised gains on foreign exchange transactions	117	705	330
Exchange gain on liquidity fund	3,486	3,936	2,783
Net cash inflow/(outflow) from operations before dividends and interest	199	1,626	(3,107)

¹ For the year ended 31st March 2017 negative interest paid on the liquidity fund was included within 'Interest receivable and similar income', this has been reclassified under 'Other administrative expenses' in the current year, with retrospective amendments to comparatives.

7. Fair valuation of investments

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

	(Unaudited) Six months ended 30th September 2017		(Unaudited) Six months ended 30th September 2016		(Audited) Year ended 31st March 2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	722,190	–	590,937	–	653,619	–
Level 2 ¹	–	–	4	(4)	–	–
Total	722,190	–	590,941	(4)	653,619	–

¹ Includes forward foreign currency contracts.

Interim Management Report

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 have not changed and fall into the following broad categories: investment underperformance and strategy; market and currency; accounting, legal and regulatory; corporate governance and shareholder relations; operational; cyber crime 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 March 2017.

Related Party 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.

Going Concern

The Directors believe that, having considered the Company's investment objective, risk management policies, capital management policies and procedures, the nature of the portfolio and expenditure and cashflow projections, the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. More specifically, they believe that there are no material uncertainties pertaining to the Company that would prevent its ability to continue in such operational existence for at least twelve months from the date of the approval of this half yearly financial report. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the financial statements.

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 Reports' 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 30th September 2017, as required by the UK Listing Authority Disclosure Guidance 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 Guidance 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

Carolyn Dobson

Chairman

11th December 2017

Shareholder Information

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES

Share Price Total Return

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.

Net Asset Value Total Return

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

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

Benchmark Total Return

Total return on the benchmark, on a closing-market value to closing-market value basis, assuming that all dividends received were reinvested, without transaction costs, into the shares of the underlying companies at the time the shares were quoted ex-dividend.

The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not 'track' this

index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

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.

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

If the share price of an investment trust company 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 company's shares to trade at a discount than at a premium.

Ongoing Charges

Estimated annualised management fee and all other operating expenses, excluding finance costs, expressed as a percentage of the average daily net assets during the period. Ongoing Charges are calculated in accordance with guidance issued by the Association of Investment Companies. The figure as at 30th September 2017 is an estimated annualised figure based on the six months to 30th September 2017.

WHERE TO BUY J.P. MORGAN INVESTMENT TRUSTS

You can invest in a J.P. Morgan investment trust through the following;

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 2017/18 tax year, from 6th April 2017 and ending 5th April 2018, the total ISA allowance is £20,000. 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

Third party providers include;

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

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 products 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 trusts through stockbrokers, wealth managers and banks.

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

Be ScamSmart

Investment scams are designed to look like genuine investments

Spot the warning signs

Have you been:

- contacted out of the blue
- promised tempting returns and told the investment is safe
- called repeatedly, or
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

Avoid investment fraud

1 Reject cold calls

If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

2 Check the FCA Warning List

The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

3 Get impartial advice

Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

Remember: if it sounds too good to be true, it probably is!

Report a Scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at www.fca.org.uk/consumers/report-scam-unauthorised-firm. You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk

Find out more at
www.fca.org.uk/scamsmart



Information about the Company

FINANCIAL CALENDAR

Financial year end	31st March
Final results announced	May/June
Half year end	30th September
Half year results announced	November
Annual General Meeting	July
Dividend	July/ November

History

On 24th April 1990, the Company acquired the undertaking and assets of Fleming European Fledgeling Fund Limited (the 'Fund') in exchange for the issue of its shares and warrants. The Fund was an open-ended, unquoted investment company based in Jersey and formed in June 1987 with the same objectives and investment policies as the Company. The Company adopted its present name in July 2010.

Directors

Carolyn Dobson (Chairman)
Marc van Gelder
Ashok Gupta
Nicholas Smith
Stephen White

Company Numbers

Company registration number: 2431143
London Stock Exchange number: 0341969
ISIN: GBO0BMTS0Z37
Bloomberg code: JESC LN

Market Information

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

Website

www.jpmeuropeansmallercompanies.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: 020 7742 4000

For company secretarial issues and administrative matters, please contact Faith Pengelly.

Depository

BNY Mellon Trust and 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 1083
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone number: 0371 384 2325

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 1083.

Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London SE1 2RT

Brokers

Cenkos Securities plc
6.7.8 Tokenhouse Yard
London EC2R 7AS

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.

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The Association of
Investment Companies

A member of the AIC

www.jpmeuropeansmallercompanies.co.uk

J.P. MORGAN HELPLINE

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

Telephone lines are open Monday to Friday,
9.00am to 5.30pm.

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