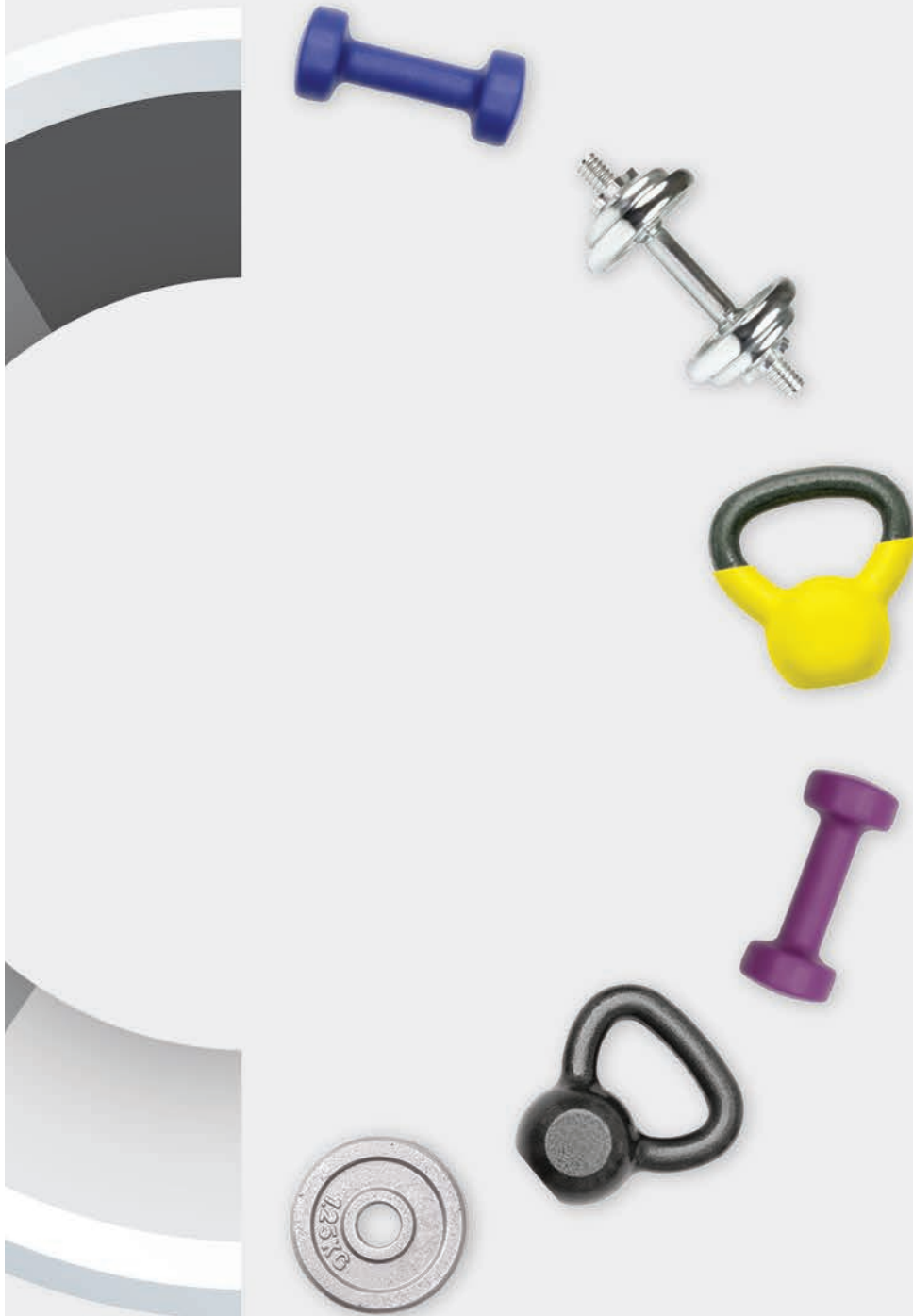


JPMorgan Smaller Companies Investment Trust plc

Half Year Report & Financial Statements for the six months ended 31st January 2018



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.
- Further details on investment policy and risk management are contained in the Business Review of the Company's Annual Report on page 16.

Benchmark

The FTSE Small Cap Index (excluding investment trusts).

Capital Structure

At 31st January 2018, the Company's share capital comprised 15,938,601 Ordinary shares of 25p each.

Continuation Vote

In accordance with the Company's Articles of Association, the Directors are required to propose an ordinary resolution that the Company shall continue in existence at the Annual General Meeting in 2020 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 and MiFID II 'complex instruments'

The Company currently conducts its affairs so that the shares issued by the Company 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. The Company's shares are not classified as 'complex instruments' under the FCA's revised 'appropriateness' criteria adopted in the implementation of MiFID II.

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 2018

+29.1%

Return to shareholders¹

+11.4%

Return on net assets²

+2.2%

Benchmark return³

Financial Data

	31st January 2018	31st July 2017	% change
Shareholders' funds (£'000)	211,308	207,285	+1.9
Ordinary shares in issue	15,938,601	17,099,806	-6.8
Net asset value per Ordinary share	1,325.8p	1,212.2p	+9.4 ⁴
Ordinary share price	1,190.0p	942.0p	+26.3 ⁵
Ordinary share price discount to net asset value per Ordinary share	10.2%	22.3%	
Gearing	9.7%	8.1%	
Ongoing charges	1.00%	1.12%	

¹ Source: Morningstar.

² Source: Morningstar/J.P. Morgan, using cum income net asset value per share.

³ Source: Morningstar. The Company's benchmark is the FTSE Small Cap Index (excluding investment trusts).

⁴ This return excludes dividends reinvested. Including dividends reinvested the return would be +11.4%.

⁵ This return excludes dividends reinvested. Including dividends reinvested the return would be +29.1%.

A glossary of terms and alternative performance measures is provided on pages 18 and 19.

About the Company

CHAIRMAN'S STATEMENT FOR THE 6 MONTHS ENDED 31ST JANUARY 2018



Performance and discount

Equities rose during the period under review, although the return on domestic markets was pedestrian compared with those experienced overseas as both investors and businesses were held back by an uncertain future for the UK. Within domestic markets, smaller companies delivered an average return that lagged that of the largest companies.

Against this background, I am delighted to report that the Company delivered returns significantly in excess of benchmark. This extends the outperformance I was able to report at the year-end, and is welcome compensation for loyal shareholders following an earlier period of underperformance. The total return on the Company's net assets during the six months to 31st January 2018 was 11.4% compared with 2.2% for the benchmark index.

This outperformance was further compounded by a significant narrowing of the share price discount to net asset value from 22.3% to 10.2%. This, together with a good increase in the dividend meant that shareholders enjoyed a total return of 29.1%.

At the Annual General Meeting in 2016, shareholders approved an increase in the maximum amount that can be invested in AIM listed stocks from 20% to 50%. The Investment Managers' have been taking advantage of this extra flexibility and over the last twelve months investment in AIM stocks has increased from 19% to 25%.

Markets are a little lower since 31st January 2018, and as at 15th March 2018, the benchmark index has fallen by 1.8%. Over the same period, the Company's net asset value reduced by 0.9%, but a widening of the discount to 15.3% has resulted in a 6.3% fall in the share price.

The Investment Managers have provided a more detailed commentary on markets and portfolio performance in their Report.

Share buybacks

During the six months to 31st January 2018 the Company undertook a significant level of share buybacks, repurchasing 1,161,205 shares for cancellation at a cost of £12,007,000. These shares were acquired at an average discount of 18.6% enhancing net asset value per share by 0.84 pence. Our objective remains to reduce the volatility of the discount, and our action during this period demonstrates the Board's willingness to make significant purchases should supply and demand for shares get out of balance.

Loan Facility and Gearing

The Company has a highly flexible borrowing facility of £25 million in place with Scotiabank until April 2018. This has been reviewed by the Board and we have decided to renew the facility with Scotiabank for a further year.

During a period of low interest rates, the use of gearing is an attractive way of amplifying the effect of rising markets, but inevitably increases the risk of loss if markets fall. In the recent past, the Company has maintained a fairly constant level of gearing, with the Board giving the Investment Managers flexibility to adjust the gearing tactically within guidelines. During the reporting period, the Company's gearing ranged from 8.1% to 12.0%, ending the half year at 9.7% geared. As at 15th March 2018 the Company's gearing was 9.4%, with total borrowings of £25 million.

CHAIRMAN'S STATEMENT *CONTINUED*

Regulatory Changes

Shareholders may be aware that the Packaged Retail and Insurance-based Investment Products Regulation (the 'PRIIPs Regulation'), came into force on 1st January 2018. This EU regulation requires the Managers to prepare a Key Information Document ('KID') for the Company which is available on our website. Investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by this regulation, and the figures in the KID may not reflect the results investors will experience in the future. As a result, it is recommended that the KID is not considered in isolation but is read in conjunction with other documents published by the Company and its Manager.

Board

As noted in the Annual Report, Ivo Coulson stepped down as a Director at the Annual General Meeting in November. I would like to take this opportunity to repeat my thanks to him for his contribution to the Board. As part of our succession planning, and in anticipation of future retirements, we will be carrying out a formal review of Board roles in the second half of the year.

Outlook

Most economies around the world are currently experiencing good growth, although potentially perverse political decisions could result in a significant reduction in the pace of expansion. This increases the risk of recession for the more exposed economies. The unilateral introduction of trade barriers leading to an increase in protectionism is a significant global risk, and a poor outcome of our negotiations with the EU would hit our domestic economy. These political risks are difficult to assess, and we hope that strong institutions and sound judgements will guide the ultimate outcome.

Markets have enjoyed an extended period of strong returns and whilst average earnings have grown, so have the level of valuations. As demonstrated since the period end, as equities in general have become more expensive, political and economic uncertainties have the capacity to drive a significant increase in short-term volatility.

Smaller company investment should always be considered over an extended period, and whilst conditions are likely to become bumpier, your Board is confident that it remains an attractive sector of the market which should reward the long-term investor.

Michael Quicke OBE

Chairman

26th March 2018

INVESTMENT MANAGERS' REPORT



Georgina Brittain



Katen Patel

Performance and Market Background

The global recovery strengthened in 2017, and the forecast for world GDP growth in 2018 now stands at 3.9%. However, the UK's GDP outcome for 2017 was pedestrian at 1.7%, but this number was still better than had been forecast. This, combined with stubbornly strong UK inflation, led to a 0.25% rise in interest rates in November 2017 (and the Bank of England has strongly indicated a minimum further 0.25% rise in 2018). Consumer confidence continues to remain both negative and volatile due at least in part to falling real wages in 2017, but unemployment remains close to a 40 year low.

Against this backdrop, UK stock market indices were up in the six months to January 2018. The FTSE 100 was up +4.0% but the FTSE Small Cap index (ex Investment Trusts) rose only +2.2%. We are very pleased to report that your Company significantly outperformed this benchmark, and the total return on net assets for the period was +11.4%. In addition, the discount to the net asset value narrowed significantly, providing a share price return of +29.1%.

Portfolio

The strong outperformance of your Company during the half year was mainly due to stock selection, although both sector selection and gearing also added to performance. Key stock contributors included long term holdings such as Plus500, Victoria, Fevertree and 4imprint, although newer additions to the portfolio such as Games Workshop and Keywords Studios were also notable contributors. Avoiding stocks such as Carillion and Empiric Student Property also aided performance. On the negative side, there was only one significant detractor from performance, which was our decision not to own Stock Spirits, a company we view as high risk and over-valued.

New additions to the portfolio included a number of IPOs (new companies coming to the stockmarket) which we continue to find a source of good ideas and strong performance. These included Sabre Insurance (a specialist motor insurance company), Gordon Dadds (a legal acquisition vehicle) and Sumo Group (a computer games developer). We also added a number of other exciting investments, including a mining company, Central Asia Metals, a digital payments and banking services provider, Fairfax, and Hogg Robinson, a provider of corporate services focussing on travel. Sales from the portfolio, other than through take-overs, have included Lookers, the car retailer, Amerisur, an oil E&P company, and Hotel Chocolat, the retailer. These changes have continued the trend of increasing our weighting in AIM companies, following the change in our guidelines, and we now hold approximately 25.7% of AIM stocks within the portfolio.

INVESTMENT MANAGERS' REPORT *CONTINUED*

Outlook

Low consumer confidence, high inflation and rising interest rates, not to mention the on-going and tortuous Brexit negotiations, could lead investors to be wary of the prospects for UK companies - and indeed, many commentators are negative on the outlook for the UK stock market.

Herein lies the opportunity. We strongly believe - and your Company's recent results demonstrate - that especially in the arena of smaller company investing, there are many companies performing extremely well, since they are less linked to the performance of the underlying economy. This is due to a variety of factors, notably their presence in niche markets. We do not see this situation changing - aided, as we have discussed for several years, by on-going M&A (i.e. take-overs of smaller companies where valuation discrepancies have appeared). Indeed, just post this six-month period under review, we have received a bid for one of our recent purchases, Hogg Robinson, and would not be surprised to see more bids appear in the near future.

At the time of writing, global stock markets have experienced a short period of volatility. We see this as an indication of healthy markets, rather than the reverse. Our confidence in the companies we are invested in, supported by an attractive valuation picture, is demonstrated by our choosing at the time of writing to make full use of the gearing level set by your Board.

Georgina Brittain

Katen Patel

Investment Managers

26th March 2018

Investment Review

LIST OF INVESTMENTS AT 31ST JANUARY 2018

Company	Valuation £'000	Company	Valuation £'000
Industrials		Consumer Goods	
Fenner	8,622	Games Workshop	8,471
Forterra	5,675	Victoria ¹	7,452
Avon Rubber	5,400	Fevertree Drinks ¹	6,924
Ricardo	4,646	McBride	5,865
RPS	4,606	MJ Gleeson	5,130
De La Rue	4,349	Hilton Food	3,260
Robert Walters	4,092	Watkin Jones ¹	2,883
Trifast	3,911	Warpaint London ¹	1,702
Morgan Sindall	3,802	Frontier Developments ¹	959
Tyman	3,709	Gear4Music ¹	623
John Menzies	3,509		43,269
Smart Metering Systems ¹	3,349		
Oxford Instruments	3,128	Financials	
Costain	3,082	Plus500 ¹	6,249
SThree	2,893	OneSavings Bank	6,208
Keywords Studios ¹	2,814	Arrow Global	5,460
Henry Boot	2,804	Charter Court Financial Services	4,073
Volution	2,680	Mortgage Advice Bureau ¹	2,806
Somero Enterprises ¹	2,408	TBC Bank	2,467
Wincanton	2,392	CLS	1,884
Porvair	2,297	Sabre Insurance	1,442
Hill & Smith	2,216	Tatton Asset Management ¹	1,111
Hogg Robinson	1,967	Safestore	1,037
Restore ¹	1,915	Urban & Civic	763
Xaar	1,738	Fairfx ¹	730
Staffline ¹	1,518	Palace Capital ¹	628
Marshalls	1,414	Liontrust Asset Management	597
Renold	1,408	Pacific Industrial & Logistics ¹	495
Nexus Infrastructure ¹	1,204		35,950
Judges Scientific ¹	1,040		
Learning Technologies ¹	932		
Gordon Dadds ¹	876		
Alpha Financial Markets Consulting ¹	815		
Luceco	289		
	97,500		

LIST OF INVESTMENTS *CONTINUED*

Company	Valuation £'000	Company	Valuation £'000
Consumer Services		Oil & Gas	
4imprint	9,088	EnQuest	2,582
JD Sports Fashion	4,806	Ophir Energy	2,121
Gocompare.com	2,608	Faroe Petroleum ¹	835
Tarsus	2,505		5,538
Huntsworth	2,295	Basic Materials	
Trinity Mirror	2,033	Central Asia Metals ¹	990
DP Eurasia	1,609	Anglo Pacific	936
888	1,288	Kenmare Resources	561
Next Fifteen Communications ¹	1,249		2,487
ULS Technology ¹	1,008	Total Investments	231,904
STV	958		
NAHL ¹	909		
XLMedia ¹	789		
Quiz ¹	751		
	31,896		
Technology			
FDM	4,220		
Microgen	3,237		
First Derivatives ¹	2,142		
Laird	1,319		
Vitec	1,034		
SDL	1,028		
Softcat	815		
Amino Technologies ¹	770		
Sumo ¹	699		
	15,264		

¹ AIM listed companies, 25.7% (31st July 2017: 22.2%).

SECTOR ANALYSIS

	31st January 2018		31st July 2017	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
Industrials ²	42.0	31.2	42.3	33.0
Consumer Goods ²	18.7	9.1	17.2	8.2
Financials	15.5	25.4	13.4	24.2
Consumer Services	13.7	17.1	13.7	15.9
Technology	6.6	5.0	8.5	7.1
Oil & Gas	2.4	4.2	4.4	4.6
Basic Materials	1.1	3.2	0.5	2.6
Health Care	–	3.8	–	3.4
Telecommunications	–	1.0	–	1.0
Total	100.0	100.0	100.0	100.0

¹ Based on total investments of £231.9m (2017: £224.1m).

² Nexus Infrastructure was reclassified from Consumer Goods in the prior period to Industrials in the current period.

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31ST JANUARY 2018

	(Unaudited) Six months ended 31st January 2018			(Unaudited) Six months ended 31st January 2017			(Audited) Year ended 31st July 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									
Net foreign currency (losses)/gains	–	18,948	18,948	–	19,144	19,144	–	44,934	44,934
Income from investments	–	(15)	(15)	–	–	–	–	22	22
Interest receivable and similar income	2,247	–	2,247	1,915	–	1,915	5,133	–	5,133
	12	–	12	46	–	46	50	–	50
Gross return	2,259	18,933	21,192	1,961	19,144	21,105	5,183	44,956	50,139
Management fee	(276)	(644)	(920)	(224)	(523)	(747)	(474)	(1,106)	(1,580)
Other administrative expenses	(139)	–	(139)	(221)	–	(221)	(452)	–	(452)
Net return on ordinary activities before finance costs and taxation	1,844	18,289	20,133	1,516	18,621	20,137	4,257	43,850	48,107
Finance costs	(40)	(94)	(134)	(34)	(78)	(112)	(66)	(154)	(220)
Net return on ordinary activities before taxation	1,804	18,195	19,999	1,482	18,543	20,025	4,191	43,696	47,887
Taxation	(52)	–	(52)	(36)	–	(36)	(141)	–	(141)
Net return on ordinary activities after taxation	1,752	18,195	19,947	1,446	18,543	19,989	4,050	43,696	47,746
Return per share (note 3)									
– undiluted	10.51p	109.16p	119.67p	8.64p	110.86p	119.50p	24.24p	261.48p	285.72p
– diluted ^{1,2}	10.51p	109.16p	119.67p	8.64p	110.86p	119.50p	24.24p	261.48p	285.72p

¹ As at 31st January 2018 and 31st July 2017 there was no dilution effect as the rights attached to the Subscription shares lapsed on 30th June 2017.

² As at 31st January 2017 the Subscription shares had 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 on ordinary activities after taxation represents the profit for the period and also the total comprehensive income.

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31ST JANUARY 2018

	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 2018 (Unaudited)						
At 31st July 2017	4,275	25,895	2,609	168,812	5,694	207,285
Repurchase and cancellation of the Company's own shares	(290)	–	290	(12,007)	–	(12,007)
Net return on ordinary activities	–	–	–	18,195	1,752	19,947
Dividend paid in the period (note 4)	–	–	–	–	(3,917)	(3,917)
At 31st January 2018	3,985	25,895	2,899	175,000	3,529	211,308
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 (note 4)	–	–	–	–	(3,055)	(3,055)
At 31st January 2017	4,165	18,245	2,508	147,342	3,090	175,350
Year ended 31st July 2017 (Audited)						
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	(172)	–	172	(5,906)	–	(5,906)
Conversion of Subscription shares into Ordinary shares	(1)	1	–	–	–	–
Issue of Ordinary shares on exercise of Subscription shares	215	7,652	–	–	–	7,867
Cancellation of Subscription shares	(3)	–	–	3	–	–
Net return on ordinary activities	–	–	–	43,696	4,050	47,746
Dividend paid in the year (note 4)	–	–	–	–	(3,055)	(3,055)
At 31st July 2017	4,275	25,895	2,609	168,812	5,694	207,285

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 2018

	(Unaudited) 31st January 2018 £'000	(Unaudited) 31st January 2017 £'000	(Audited) 31st July 2017 £'000
Fixed assets			
Investments held at fair value through profit or loss	231,904	189,850	224,092
Current assets			
Debtors	344	2,111	738
Cash and cash equivalents	4,505	3,011	8,649
	4,849	5,122	9,387
Current liabilities			
Creditors: amounts falling due within one year	(25,445)	(19,622)	(26,194)
Net current liabilities	(20,596)	(14,500)	(16,807)
Total assets less current liabilities	211,308	175,350	207,285
Net assets	211,308	175,350	207,285
Capital and reserves			
Called up share capital	3,985	4,165	4,275
Share premium	25,895	18,245	25,895
Capital redemption reserve	2,899	2,508	2,609
Capital reserves	175,000	147,342	168,812
Revenue reserve	3,529	3,090	5,694
Total shareholders' funds	211,308	175,350	207,285
Net asset value per Ordinary share (note 5)			
– undiluted	1,325.8p	1,053.3p	1,212.2p
– diluted ¹	1,325.8p	1,029.0p	1,212.2p

¹ There was no dilutive effect for the periods to 31st January 2018 or 31st July 2017 as the rights attached to the Subscription shares lapsed on 30th June 2017.

Company registration number: 2515996.

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31ST JANUARY 2018

	(Unaudited) Six months ended 31st January 2018 £'000	(Unaudited) Six months ended 31st January 2017 £'000	(Audited) Year ended 31st July 2017 £'000
Net cash outflow from operations before dividends and interest (note 6)	(1,183)	(975)	(1,956)
Dividends received	2,317	1,957	4,696
Interest received	53	16	21
Taxation	(1)	2	2
Interest paid	(131)	(116)	(220)
Net cash inflow from operating activities	1,055	884	2,543
Purchases of investments	(38,205)	(32,949)	(77,062)
Sales of investments	46,269	30,134	70,724
Settlement of foreign currency contracts	(12)	1	(2)
Net cash inflow/(outflow) from investing activities	8,052	(2,814)	(6,340)
Dividend paid	(3,917)	(3,055)	(3,055)
Repurchase and cancellation of the Company's own shares	(12,334)	(2,582)	(5,941)
Issue of Ordinary shares on exercise of Subscription shares	–	3	7,867
Drawdown of bank loan	3,000	–	3,000
Net cash (outflow)/inflow from financing activities	(13,251)	(5,634)	1,871
Decrease in cash and cash equivalents	(4,144)	(7,564)	(1,926)
Cash and cash equivalents at start of period	8,649	10,575	10,575
Cash and cash equivalents at end of period	4,505	3,011	8,649
Decrease in cash and cash equivalents	(4,144)	(7,564)	(1,926)
Cash and cash equivalents consist of:			
Cash and short term deposits	250	623	370
Cash held in JPMorgan Sterling Liquidity Fund	4,255	2,388	8,279
Total	4,505	3,011	8,649

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31ST JANUARY 2018

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 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 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 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 31st January 2018.

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 2017.

3. Return per share

	(Unaudited) Six months ended 31st January 2018 £'000	(Unaudited) Six months ended 31st January 2017 £'000	(Audited) Year ended 31st July 2017 £'000
Return per share is based on the following:			
Revenue return	1,752	1,446	4,050
Capital return	18,195	18,543	43,696
Total return	19,947	19,989	47,746
Weighted average number of shares in issue during the period used for the purposes of the undiluted calculation			
	16,668,680	16,726,551	16,710,754
Weighted average number of shares in issue during the period used for the purposes of the diluted calculation			
	16,668,680	16,726,551	16,710,754
Undiluted			
Revenue return per share	10.51p	8.64p	24.24p
Capital return per share	109.16p	110.86p	261.48p
Total return per share	119.67p	119.50p	285.72p
Diluted^{1,2}			
Revenue return per share	10.51p	8.64p	24.24p
Capital return per share	109.16p	110.86p	261.48p
Total return per share	119.67p	119.50p	285.72p

¹ As at 31st January 2018 and 31st July 2017 there was no dilution effect as the rights attached to the Subscription shares lapsed on 30th June 2017.

² As at 31st January 2017 there was no dilutive effect as the conversion price for the Subscription shares exceeded the average market price of the Ordinary shares.

4. Dividends paid

	(Unaudited) Six months ended 31st January 2018 £'000	(Unaudited) Six months ended 31st January 2017 £'000	(Audited) Year ended 31st July 2017 £'000
2017 Final dividend of 23.0p (2016: 18.3p)	3,917	3,055	3,055

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 2018 (2017: nil).

5. Net asset value per share

	(Unaudited) Six months ended 31st January 2018	(Unaudited) Six months ended 31st January 2017	(Audited) Year ended 31st July 2017
Undiluted			
Net assets (£'000)	211,308	175,350	207,285
Number of Ordinary shares in issue	15,938,601	16,647,368	17,099,806
Net asset value per Ordinary share	1,325.8p	1,053.3p	1,212.2p
Diluted¹			
Net assets assuming exercise of Subscription shares (£'000)	211,308	207,881	207,285
Number of potential Ordinary shares in issue	15,938,601	20,202,687	17,099,806
Net asset value per Ordinary share	1,325.8p	1,029.0p	1,212.2p

¹ As at 31st January 2018 and 31st July 2017 there was no dilution effect as the rights attached to the Subscription shares lapsed on 30th June 2017.

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

	(Unaudited) Six months ended 31st January 2018 £'000	(Unaudited) Six months ended 31st January 2017 £'000	(Audited) Year ended 31st July 2017 £'000
Net return on ordinary activities before finance costs and taxation	20,133	20,137	48,107
Less capital return on ordinary activities before finance costs and taxation	(18,289)	(18,621)	(43,850)
Scrip dividends received as income	(109)	(86)	(127)
Decrease/(Increase) in accrued income and other debtors	259	162	(150)
(Decrease)/increase in accrued expenses	(69)	(32)	19
Management fee charged to capital	(644)	(523)	(1,106)
Overseas withholding tax	(48)	(38)	(156)
EIR amortisation	(43)	–	–
Dividends received	(2,317)	(1,957)	(4,696)
Interest received	(53)	(16)	(21)
Realised (loss)/gain on foreign currency transactions	(3)	(1)	24
Net cash outflow from operations before dividends and interest	(1,183)	(975)	(1,956)

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

7. Fair valuation of investments

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

	(Unaudited) Six months ended 31st January 2018		(Unaudited) Six months ended 31st January 2017		(Audited) Year ended 31st July 2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	231,904	–	189,850	–	224,092	–
Total	231,904	–	189,850	–	224,092	–

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 significantly and fall into the following broad categories: investment and strategy; discount; smaller company investment; political and economic; corporate governance and shareholder relations; market; accounting, legal and regulatory; operational and cybercrime; and financial. Information on each of these areas is given in the Business Review within the Annual Report and Financial Statements for the year ended 31st July 2017.

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 and more specifically, 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 year financial report. 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 2018, 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

26th March 2018

Shareholder Information

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES ('APMS')

Return to shareholders (APM)

Total return to the shareholder, 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.

Total return calculation	Page	Six months ended 31st January 2018	
Opening share price as at 31st July 2017	2	942.0p	
Closing share price as at 31st January 2018	2	1,190.0p	(a)
Reinvestment of dividend paid during the financial year			
Final dividend	15	23.0p	(b)
Share price on ex-dividend date 9th November 2017		1,040.0p	(c)
Total dividend adjustment factor (d = b / c +1)		1.022115	(d)
Adjusted closing share price (e = a x d)		1,216.3p	(e)
Total return to shareholder		29.1%	

Return on Net Assets (APM)

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, into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

Total return calculation	Page	Six months ended 31st January 2018	
Opening cum-income NAV per share as at 31st July 2017	2	1,212.2p	
Closing cum-income NAV per share as at 31st January 2018	2	1,325.8p	(a)
Reinvestment of dividend paid during the financial year			
Final dividend	15	23.0p	(b)
Cum-income NAV per share on ex-dividend date 9th November 2017		1,266.0p	(c)
Total dividend adjustment factor (d = b / c +1)		1.018167	(d)
Adjusted closing cum income NAV per share (e = a x d)		1,349.9p	(e)
Total return on net assets		11.4%	

Benchmark 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, in 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 (APM)

Gearing represents the excess amount above shareholder's 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.

Gearing calculation	Page	31st January 2018 £'000	31st July 2017 £'000	
Investments held at fair value through profit or loss	12	231,904	224,092	(a)
Net assets	12	211,308	207,285	(b)
Gearing/(net cash) (c = a / b - 1)		9.7%	8.1%	(c)

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES ('APMS')

CONTINUED

Ongoing Charges (APM)

The ongoing charges ratio represents the Company's management fee and all other operating expenses excluding finance costs payable, expressed as a percentage of the average of the daily cum-income net assets during the year and is calculated in accordance with guidance issued by the Association of Investment Companies.

The figure as at 31st January 2018 is an estimated annualised figure based on the numbers for the six months ended 31st January 2018.

Ongoing charges calculation	Page	31st January 2018 £'000	31st July 2017 £'000	
Management fee	10	1,840	1,580	
Other administrative expenses	10	278	452	
Total management fee and other administrative expenses		2,118	2,032	(a)
Average daily cum-income net assets		210,850	181,162	(b)
Ongoing Charges (c = a / b)		1.00%	1.12%	(c)

Share Price Discount/Premium to Net Asset Value ('NAV') per share (APM)

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 (see page 2).

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 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	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 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 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)
Frances Davies
Andrew Impey
Andrew Robson
Alice Ryder

Company Numbers

Company registration number: 2515996
LEI: 549300PXALXKUMU9JM18

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 Lucy Dina 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 2341

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

Ernst & Young LLP
Statutory Auditor
1 More London Place
London SE1 2AF

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.