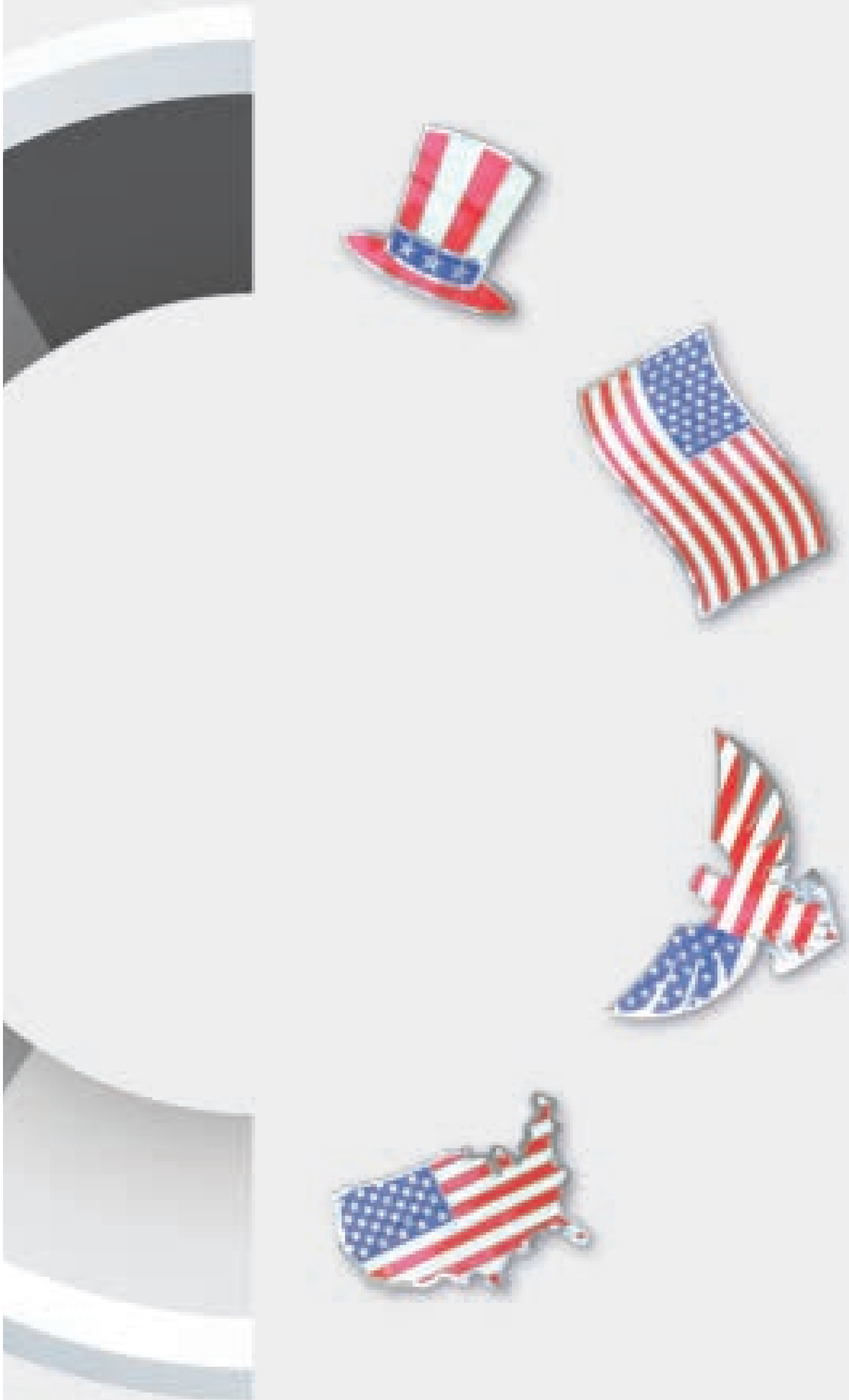
JPMorgan US Smaller Companies Investment Trust plc

Annual Report & Financial Statements for the year ended 31st December 2019



J.P.Morgan
Asset Management

Your Company

Investment Objective

Capital growth from investing in US smaller companies.

Investment Team

The investment team is situated in New York. The lead portfolio manager, Don San Jose, has managed the portfolio since November 2008. The co-managers, Dan Percella and Jon Brachle, were appointed in 2014 and 2017 respectively. They are supported by additional investment professionals dedicated to researching US smaller companies, as well as the wider JPMAM investment management team.

Investment Policy

The portfolio is a product of the investment team's bottom-up investment approach and disciplined portfolio construction. The investment philosophy is simple and straightforward: to invest in companies that have a sustainable competitive advantage; that are run by competent management teams who have a track record of success and are good stewards of capital; and to focus on owning equity stakes in businesses that trade at a discount to their intrinsic value.

Benchmark Index

The Russell 2000 Index total return with net dividends reinvested, expressed in sterling terms. The index is a smaller companies' index and is rebalanced annually to represent the smallest two thousand stocks by market capitalisation of all companies quoted in the Russell 3000 Index. Comparison of JPMorgan US Smaller Companies Investment Trust plc's (the 'Company') performance is with this benchmark.

Capital Structure

At 31st December 2019, the Company's share capital comprised 57,791,928 ordinary shares of 2.5p each, including no shares held in Treasury. Since the year end, a further 960,000 new shares have been issued, and 100,000 repurchased into Treasury resulting in total share capital of 58,751,928 ordinary shares as at 8th April 2020.

Continuation Vote

In accordance with the Company's Articles of Association, the directors are required to propose a resolution that the Company continue as an investment trust at this year's Annual General Meeting and every fifth year thereafter.

Management Company and Company Secretary

The Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') as its Alternative Investment Fund Manager ('AIFM') and Company Secretary. JPMF delegates the management of the Company's portfolio to JPMorgan Asset Management (UK) Limited ('JPMAM').

Financial Conduct Authority ('FCA') Regulation of 'Non-Mainstream Pooled Investments' and MiFID II 'Complex Instruments'

The Company currently conducts its affairs so that the shares issued by JPMorgan US 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. The Company's ordinary shares are not considered to be 'complex instruments' under the FCA's 'Appropriateness' rules and guidance in the COBs sourcebook.

Association of Investment Companies ('AIC')

The Company is a member of the AIC.

Website

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

NOTE: THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial adviser authorised under the Financial Services and Markets Act 2000. If you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your ordinary shares in JPMorgan US Smaller Companies Investment Trust plc, please forward this document, together with the accompanying documents, immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Strategic Report

TOTAL RETURNS (INCLUDING DIVIDENDS REINVESTED)

	2019	2018	3 Year Cumulative	5 Year Cumulative
Return to shareholders[1,A]	+33.4%	-11.6%	+27.0%	+108.1%
Return on net assets[2,A]	+25.8%	-5.8%	+26.1%	+96.8%
Benchmark return[3]	+20.4%	-5.7%	+18.7%	+73.0%
Net asset return performance compared to benchmark return[3]	+5.4%	-0.1%	+7.4%	+23.8%
Dividend[4]	2.5p	2.5p		

[1] Source: Morningstar.

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

[3] Source: Russell Investments. The Company's benchmark is the Russell 2000 Index total return with net dividends reinvested, expressed in sterling terms.

[4] 2019 dividend is subject to approval by shareholders at the 2020 Annual General Meeting.

[A] Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 76 and 77.

SUMMARY OF RESULTS

	2019	2018	% change
Key financial data as at 31st December			
Shareholders' funds (£'000)	198,252	158,831	+24.8
Net asset value per share[A]	343.0p	274.8p	+24.8
Share price	352.0p	266.0p	+32.3
Share price premium/(discount) to net asset value per share[A]	2.6%	(3.2%)	
Exchange rate	£1 = $1.3247	£1 = $1.2736	
Shares in issue (excluding shares held in treasury)	57,791,928	57,791,928	
Revenue for the year ended 31st December			
Net revenue return attributable to shareholders (£'000)	1,590	1,572	+1.1
Revenue return per share	2.76p	2.75p	+0.4
Dividend per share	2.5p	2.5p	–
Gearing at 31st December[A]	5.0%	5.8%	
Ongoing Charges[A]	1.23%	1.36%	

[A] Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 76 and 77.

Davina Walter
Chairman

Performance

I am delighted to report strong returns in 2019 for both the Company's share price and net asset value (NAV) which more than compensate for the negative performance experienced in 2018. During the year the Company's NAV rose by 25.8% which compares favourably with the increase of 20.4% in our benchmark, the Russell 2000 index in sterling terms. Our share price performance was even stronger rising by 33.4% as the shares moved to a small premium to NAV as at the end of the year. These returns are all the more pleasing as they have occurred at a time of recurring concerns over trade wars, politics and the direction of interest rates.

Revenue and Dividend

The revenue for the year, after taxation, was £1,590,000. The Board is therefore delighted to recommend a dividend of 2.5p in respect of the financial year ended 31st December 2019. Subject to shareholders' approval at the Annual General Meeting ('AGM'), this dividend will be paid on 17th June 2020 to shareholders on the register at the close of business on 5th June 2020. Shareholders should note the Company's objective is unchanged and remains one of capital growth and our dividend policy will therefore reflect the naturally occurring income on the underlying portfolio.

Discount and Premium

Despite volatility in both the US small cap market and the US dollar sterling exchange rate, our share price was closely aligned with the changes in NAV through the year. As has been said in the past, it is always going to be a challenge to align our share price movement with the change in the NAV as US smaller companies are seen as riskier assets and are, as a consequence, more volatile in nature. The relationship between the share price and the NAV is, however, monitored on a daily basis by your Board and our professional advisers with the result the discount average for 2019 was kept to 2.8%. To help with the management of the discount, we have in place the authority to repurchase up to 14.99% of the Company's issued share capital and we will be seeking renewal of this authority at the AGM. During the year this authority was exercised and we bought 376,500 shares into Treasury at an average discount of 5.2%. The Company at year end held no shares in Treasury having issued 376,500 from Treasury at an average premium of 1.8%. Since 31st December 2019 the Company has issued a further 960,000 new shares and repurchased 100,000 shares into Treasury.

Change Of Annual Management Fees

In June your Board was delighted to announce, following a review of the Company's investment management fee arrangements with JPMorgan Funds Limited ('JPMF'), a reduction in the annual management fees. With effect from 1st July 2019, the annual investment management fee, which was previously 100bps of gross assets with no tiering, was charged at an annual rate as follows:

- 90bps on the first £100 million of gross assets (excluding any holding in the JPM Liquidity Fund);
- 75bps on gross assets in excess of £100 million (excluding any holding in the JPM Liquidity Fund).

Both the Board and JPMF worked together constructively in agreeing this new investment management fee arrangement. Whilst determining the appropriate level of fees took into account a range of factors, the overriding focus was our obligation to the Company's shareholders to ensure they receive good value investment management. The Board believes that this new fee structure puts the Company in a competitive position relative to peers, and recognises the expertise and resources that the JPMorgan Asset Management investment team bring to this specialist asset class.

Gearing

In April 2019 our revolving credit facility with Scotiabank was renewed at US$25 million with an option to draw a further US$10 million. During November the Company's revolving line of credit was renewed on the same terms. At the end of 2019 US$20 million was drawn and the portfolio was 5% geared; since the start of 2020 the full $25 million has been drawn. This facility matures in November 2020 and the Board will consider renewing the gearing facility at this point.

Currency Hedging

Both our portfolio and our loan facility are denominated in US dollars and these values need to be converted into sterling on a daily basis for calculating and reporting the NAV which exposes the assets to fluctuations in the US dollar/sterling exchange rate. In 2019 the recovery of sterling against the US dollar had a modestly negative impact on our strong returns. By way of illustration the Russell 2000 returned 25.5% but when reported in sterling terms the return was reduced to 20.4%. The Board has the authority to reduce, or eliminate, the exposure to fluctuating currencies through the use of currency hedging. Our policy on currency hedging is reviewed regularly, but to date we have not carried out any hedging and have no plans to do so in the immediate future.

Board Succession Planning

As I indicated in last year's annual report I will be retiring at the forthcoming AGM. It has been an honour to serve as your Chairman and also to have the opportunity to work with the investment team in New York, all the many people at JPMorgan Asset Management who help support the Company and last, but not least, the current Board, as well as those that have retired. Julia Le Blan, in her role as Senior Independent Director, led the review to find my successor and I am delighted to confirm that David Ross will be taking over from me following the AGM. Following my retirement, the Board will consist of five non-executive directors, all with less than nine years' tenure, providing the Company with a strong and appropriate level of skills.

For the past two years, the Company has used an external evaluator to undertake a comprehensive appraisal of the Board which covers the structure, size and composition of the Board. Following on from this process the Board believes it has in place a well-structured succession plan.

Annual General Meeting and Shareholder Contact

We are holding our AGM at 60 Victoria Embankment, London EC4Y 0JP on Tuesday, 26th May 2020 at 11.00 a.m. *Please note that as a result of the COVID-19 pandemic and the imposition of compulsory Stay at Home measures by the UK Government, the AGM will be functional only and follow the minimum legal requirements for an AGM. There will be no investor presentation in person by the investment team and there will be no refreshments.* ***In line with the Stay at Home measures, Shareholders are strongly discouraged from attending the meeting and indeed entry may be refused if Government guidance so requires****. Arrangements will be made by the Company to ensure that the minimum number of Shareholders required to form a quorum will attend the meeting in order that the meeting may proceed and the business concluded.*

Included in the agenda for this year's AGM is a resolution to continue the Company's existence as an investment trust for a further five years. The past five years, since the last vote was taken, have marked an extraordinary period of outstanding returns for investors. In our case the Company's NAV rose by 96.8% and the share price rose by 108.1%. Whilst these returns should not be used as a guide for the next five years, I would urge shareholders to vote in favour of this resolution as the US smaller companies sector has proved to be more rewarding over the longer term than the large cap sector as it always offers exciting growth opportunities.

In light of the changed format, the Board strongly encourages all shareholders to exercise their votes in respect of the meeting in advance, by completing and returning their proxy forms. This will ensure that the votes are registered in the event that attendance at the AGM is not possible.

In addition, shareholders are encouraged to raise any questions in advance of the AGM via the 'Ask the Question' link found under the 'Contact Us' section on the Company's website. Any questions received will be replied to by the Company Secretary.

In the event that the situation changes the Company will update shareholders through an announcement to the London Stock Exchange and on the Company's website.

Illiquid Holdings

As mentioned in the Company's interim report given the scrutiny on holding unquoted and illiquid investments, it seems appropriate to clarify the Company's current structure for the benefit of our shareholders. The portfolio does not consist of any unquoted investments, nor indeed are there plans to explore this area of the market, as the investment managers believe that there are more than enough investment opportunities in the quoted US small cap company universe. It has to be recognised that small cap companies, by their very nature, can be less easily traded and more risky relative to large cap companies, i.e. those in the S&P500 index, but it is these factors that make the sector more rewarding for long term investors.

Outlook

At the time of writing this Statement, a significant portion of the world's population is in 'lockdown' causing a sharp reversal in economic growth and at the same time there is a lack of visibility as to when 'normal life' can resume. Investors do not like uncertainty and this has made US small cap companies particularly vulnerable to profit-taking after the strong recovery experienced in 2019. US small cap companies, however, are best judged over the long term and a good start point is to review the Company's Long Term Financial Record on page 13 as it shows how rewarding this area of the market can be for patient investors. We have in place an exceptional, award-winning investment team based in New York under the strong leadership of Don San Jose. The team has a clearly defined investment philosophy, a strong investment process and the support of an asset management business which is both stable and well-resourced. Over the long term, the US economy has a long history of creating exciting growth businesses in the small cap sector and our Company is well placed to take advantage of these opportunities.

Davina Walter
Chairman 8th April 2020

Don San Jose
Don San Jose has been with J.P. Morgan for 17 years and was responsible for co-managing the Company's portfolio from November 2008 until February 2013. In February 2013, Don assumed lead portfolio management duties of the Company. Don first joined J.P. Morgan as a research analyst and for the past ten years has worked as a co-portfolio manager on JPMAM's US small cap core active strategy.

Dan Percella
With effect from February 2014 Dan Percella became co-manager of the Company's portfolio, with Don remaining as lead portfolio manager. Dan has been with J.P. Morgan since 2008. He was previously a member of institutional investor-ranked equity research teams covering the transportation sector at other investment firms. Prior to equity research, Dan worked as an analyst at an economic consulting firm.

Jon Brachle
With effect from September 2017 Jon Brachle became co-manager of the Company's portfolio, with Don remaining as lead portfolio manager. Jon has been with J.P. Morgan since 2007. He was previously a research assistant covering software and IT services companies for JPMAM's large cap equity group.

Don, Dan and Jon are supported by a team of investment professionals dedicated to researching US smaller companies:

Chris Carter
Chris has been with J.P.Morgan since 2015. He was previously on the Sell Side for seven years covering the Healthcare Services sector, and started his career on the Buy Side as an equity analyst.

Market Review

The Russell 2000 Index ended 2019 with a return of 25.5% in US dollar terms and 20.4% in sterling terms, an impressive result given the negative environment in which 2018 ended.

Despite the strong market performance in 2019, it was not all smooth sailing as investors faced a number of concerns, particularly in the spring and summer, including a 3-month/10-year yield curve inversion, which has historically been a reliable leading indicator of pending recessions. In addition, the US and China trade war continued to fan anxiety throughout much of the year, driving further volatility. The fourth quarter brought about renewed optimism, as the Federal Reserve became dovish, trade tensions eased and global PMI data appeared to be bottoming, resulting in a return of +9.9% in US dollar terms for the Russell 2000 in the fourth quarter alone.

In terms of style and market capitalisation, growth outperformed value, a trend that has been in place for a few years and large stocks outperformed their small cap peers.

Performance

The Company's net asset value increased by 25.8% in 2019. The trust's benchmark, the Russell 2000 Index (Net), returned 20.4% for the year, resulting in outperformance of 5.4% in sterling terms. Our stock selection and sector allocation proved beneficial for the year. Additionally, the portfolio's gearing contributed to the Company's performance during the year.

With regards to relative performance, stock selection in the producer durables and financial services sectors added the most value.

Within producer durables, our overweight position in Douglas Dynamics during the period proved beneficial. Douglas Dynamics is a premier manufacturer and up-fitter of work truck attachments, including snowploughs. Shares outperformed in 2019 as its business outpaced expectations. In spite of a below average snowfall season in 2018 and 2019, the company reported solid earnings and demand remained robust. That demand coupled with strong operational performance, particularly within the Work Truck Solutions segment, sent shares higher. These demand trends continued into Q3 2019 earnings, with the company reporting continued strength in pre-season orders and decent field inventory levels.

Within financial services, our overweight position in Kinsale Capital Group added to performance. The company is a property and casualty insurer that focuses on coverage for newly established companies, higher risk operations, or companies with a history of losses. As some of the larger insurers exit unprofitable business lines, the company has been able to take market share, grow gross written premiums faster than anticipated, and increase pricing selectively. Another contributor to outperformance is the insurance sector's more defensive characteristics which were rewarded for much of the year.

Among individual names, our exposure to Catalent within the health care sector emerged as the top contributor. Catalent is a leading provider of advanced drug delivery solutions to the biotechnology and pharma industries. Shares moved higher in mid-April after the company's USD 1.2 billion acquisition of gene therapy company, Paragon. Paragon gives Catalent exposure to a faster growing, higher margin drug development business. Catalent's strength over the course of the year has been mostly broad based across business segments, with good organic growth.

On the other hand, our stock selection in the technology and health care sectors weighed on relative returns.

Our exposure to Grubhub within the technology sector detracted from performance. Grubhub is the leading online and mobile platform for restaurant pick-up and delivery orders for independent and chain restaurants in the US. The company announced disappointing Q3 2019 earnings along with slower expected industry growth and significant investments to combat competition from the likes of DoorDash, Uber Eats, and others. We are concerned about the growing competitive intensity in the industry and have not added to our position.

In the healthcare sector, our exposure to ICU Medical was the top detractor in 2019. The medical device company experienced a steep sell off in its shares after reporting Q2 2019 results in early August. The company had to reduce annual guidance driven by their IV bag business. Given excess supply and irrational competitor behaviour, the company had to slow down production and make some supply chain adjustments. We still find the business attractive, though acknowledge it will take time to fix some of the near term headwinds.

Within materials & processing, our overweight position in Quaker Chemical was among the top detractors. Quaker Chemical is a global provider of process fluids and lubricants for the steel and automotive industries. Shares of Quaker Chemical traded lower on weaker than expected results as revenues and EBITDA came in below consensus estimates in Q3 2019. The weaker results were somewhat expected, as demand for the company's products faced headwinds from slowing automotive and steel markets, particularly in Europe and China. We remain optimistic on the long term prospects for the company, as the high quality business model generates stable cash flow, further helped by synergies from the acquisition of Houghton International, which closed in August.

PERFORMANCE ATTRIBUTION

YEAR ENDED 31ST DECEMBER 2019

	%	%
Contributions to total returns		
Benchmark return		20.4
Sector allocation	1.2	
Stock selection	4.1	
Investment Managers' contribution		5.3
Portfolio total return		25.7
Gearing	1.3	
Management fee/other expenses	-1.2	
Share buyback/issuance	–	
Other effects		0.1
Return on net assets[A]		25.8
Return to shareholders[A]		33.4

Source: Wilshire, JPMAM and Morningstar.

All figures are on a total return basis.

Performance attribution analyses how the Company achieved its recorded performance relative to its benchmark.

[A] Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 76 and 77.

Portfolio Positioning

With regards to our portfolio positioning, not much has changed as we continue to focus on finding companies with durable franchises, good management teams and stable earnings that trade at a discount to intrinsic value. During the year, we were able to find new names to add to the portfolio, albeit more selectively, and 13 names were added. However, the portfolio's sector positioning remains relatively unchanged. Similar to the previous year, our main allocations are in the financial services, producer durables and consumer discretionary sectors, which make up close to 60% of the overall portfolio's allocation.

On a relative basis, our largest overweights can be found in the producer durables and materials & processing sectors. We expanded our consumer discretionary exposure throughout the year as we initiated new positions and added to others. On the other hand, our largest relative underweight remains in the health care space due to a lack of exposure to biotechnology stocks. We increased our underweight position compared to last year. The next largest underweight is in technology as this remains an area where we have had a difficult time finding opportunities that meet our quality and valuation criteria. Lastly, while our largest absolute weight remains in financial services, we are slightly underweight compared to the benchmark due to our underweight exposure to Real Estate Investment Trusts. At this time, we are comfortable with our relative underweight position as we struggle to add to our exposure mainly due to valuation.

ESG Update

As we have discussed previously, we focus on identifying companies that possess a sustainable competitive advantage, have a durable business model, and are overseen by a competent management team with a track record of success. In recent years there has been an increasing focus on environmental, social and governance (ESG) issues when it comes to investing. We agree that these are important components in determining the sustainability of any business. When we have talked about our investment process, we have not explicitly talked about ESG considerations even though these are things we consider in terms of how they impact a company's future earnings and cash flow streams. For a number of years, we have excluded from our investment universe companies that have been identified by an independent third party provider as being involved in the manufacture, production or supply of cluster munitions, depleted uranium ammunition and armour and/or anti-personnel mines. In addition, we have always had robust governance engagement with companies, particularly given our high ownership levels of many companies. More recently, we have started to articulate how we think about ESG in our investment approach and how we partner with our Stewardship specialists when engaging with companies on these issues.

J.P.Morgan Asset Management recently incorporated a global ESG framework across Equities which includes a checklist questionnaire with questions on Environmental, Social and Governance. We will be incorporating this checklist as part of our fundamental research process. The checklist is not a 'pass/fail' exercise. Rather, it is a tool to inform discussions between portfolio managers and analysts and an important driver behind our engagement with the companies we cover. The checklist is not an exclusionary approach and the portfolio management team can still choose to take a position in the stock. A strong ESG focus will not be at the expense of capital returns. Ultimately we believe both factors are interlinked, especially given we are long term investors. In formulating our ESG policy, we have endeavoured not to discriminate against individual companies or sectors purely on the grounds of the particular business sector in which they are involved. As we continue on this journey we look forward to sharing more with you on these considerations.

Market Outlook

We continue to focus on the fundamentals of the economy and of company earnings. Our expectation entering the year was for moderate economic expansion and continued earnings growth predicated in particular on a healthy US consumer. The outbreak of the COVID-19 virus in China, and subsequent rapid expansion globally has injected significant near-term uncertainty into our near term outlook in particular, though we believe the economy entered this period of uncertainty in a strong fundamental position. While nearly impossible to quantify at this point, we expect economic growth to be materially impacted in the first half of 2020, despite emergency rate cuts by the Fed and growing fiscal and monetary stimulus globally. If the virus is contained in the near term, there's a possibility for re-acceleration in the second half of the year as pent up demand is released, though the bottom is unclear at this point.

We continue to monitor COVID-19 developments closely, and remain steadfast in our focus on owning high quality businesses with durable competitive advantages and robust cash flow generation, which we believe will continue to provide investors with downside protection should uncertainty persist and economic fundamentals deteriorate.

Don San Jose
Dan Percella
Jon Brachle
Investment Managers

8th April 2020

TEN LARGEST INVESTMENTS

AT 31ST DECEMBER 2019

Company[1]	Sector	2019 Valuation £'000	2019 Valuation %[2]	2018 Valuation £'000	2018 Valuation %[2]
Toro	Producer Durables	6,024	2.9	4,291	2.5
Douglas Dynamics	Producer Durables	5,494	2.6	3,732	2.2
Pool	Consumer Discretionary	5,438	2.6	5,139	3.1
Performance Food	Consumer Staples	5,433	2.6	3,604	2.1
AptarGroup	Materials & Processing	5,049	2.4	4,476	2.7
West Pharmaceutical Services[3]	Health Care	4,558	2.2	2,878	1.7
Catalent[3]	Health Care	4,187	2.0	2,486	1.5
Brunswick[3]	Consumer Discretionary	3,681	1.8	2,353	1.4
Brady	Producer Durables	3,527	1.7	3,352	2.0
Encompass Health[3]	Health Care	3,434	1.7	2,590	1.5
Total		**46,825**	**22.5**		

[1] All companies shown are listed in the USA.
[2] Based on total investments of £208.3m (2018: £168.0m).
[3] Not included in the ten largest investments at 31st December 2018.

At 31st December 2018, the value of the ten largest investments amounted to £37.4 million representing 22.3% of total investments.

SECTOR ANALYSIS

AT 31ST DECEMBER

	2019 Portfolio %[1]	2019 Benchmark %	2018 Portfolio %[1]	2018 Benchmark %
Financial Services	24.9	25.8	25.3	25.7
Producer Durables	19.4	14.3	18.8	13.4
Consumer Discretionary	16.2	12.9	15.6	15.2
Technology	11.0	12.4	9.9	13.5
Materials & Processing	10.6	6.6	11.1	6.1
Health Care	9.4	18.0	10.5	15.3
Consumer Staples	3.3	2.5	2.6	2.5
Utilities	3.1	4.2	3.7	4.8
Energy	2.1	3.3	2.5	3.5
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] Based on total investments of £208.3m (2018: £168.0m).

LIST OF INVESTMENTS AT 31ST DECEMBER 2019

Company	Valuation £'000
FINANCIAL SERVICES	
EastGroup Properties	3,321
National Retail Properties	3,128
Western Alliance Bancorp	2,716
Kinsale Capital	2,711
RLI	2,623
First Hawaiian	2,507
Cushman & Wakefield	2,474
Wintrust Financial	2,384
City	2,221
First Financial Bancorp	2,202
BankUnited	2,193
Washington Trust Bancorp	2,165
First Horizon National	1,932
Focus Financial Partners	1,923
Morningstar	1,910
RLJ Lodging Trust	1,888
IBERIABANK	1,850
Moelis	1,829
Assetmark Financial	1,805
CoreLogic	1,739
Eaton Vance	1,602
Outfront Media	1,573
Cadence BanCorp	1,552
Lazard	1,547
	51,795
PRODUCER DURABLES	
Toro	6,024
Douglas Dynamics	5,494
Brady	3,527
Lincoln Electric	3,315
MSA Safety	3,254
Altra Industrial Motion	2,347
Applied Industrial Technologies	2,294
Generac	2,199
Gates Industrial	2,074
Knight-Swift Transportation	2,039
Advanced Disposal Services	2,031
Landstar System	1,970
US Ecology	1,554

Company	Valuation £'000
PRODUCER DURABLES – *CONT*	
BrightView	1,178
Welbilt	1,141
	40,441
CONSUMER DISCRETIONARY	
Pool	5,438
Brunswick	3,681
WillScot	3,339
LCI Industries	3,134
IAA	2,758
Cinemark	2,560
BJ's Wholesale Club	2,112
Acushnet	1,913
Malibu Boats	1,842
Monarch Casino & Resort	1,822
KAR Auction Services	1,296
ServiceMaster Global	1,059
Thor Industries	982
Wendy's	941
EW Scripps	762
National Vision	99
	33,738
TECHNOLOGY	
Tyler Technologies	2,751
Q2	2,671
Aspen Technology	2,218
Cornerstone OnDemand	2,188
Guidewire Software	2,187
Blackbaud	2,178
Power Integrations	2,046
nLight	1,490
Cision	1,373
Envestnet	1,309
SailPoint Technologies	1,289
GrubHub	1,119
Medallia	121
	22,940

Company	Valuation £'000
MATERIALS & PROCESSING	
AptarGroup	5,049
Patrick Industries	3,342
Quaker Chemical	3,113
Cabot Microelectronics	3,026
RBC Bearings	2,945
PQ	2,609
GCP Applied Technologies	1,975
	22,059
HEALTH CARE	
West Pharmaceutical Services	4,558
Catalent	4,187
Encompass Health	3,434
ICU Medical	2,699
Prestige Consumer Healthcare	1,833
Premier	1,394
Envista	865
Neogen	591
	19,561
CONSUMER STAPLES	
Performance Food	5,433
Cott	1,401
	6,834
UTILITIES	
Portland General Electric	3,299
NorthWestern	3,241
	6,540
ENERGY	
Patterson-UTI Energy	2,225
Valvoline	1,479
Core Laboratories	641
	4,345
TOTAL INVESTMENTS	**208,253**

LONG TERM FINANCIAL RECORD

At 31st December	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Shareholders' funds (£'000)	41,399	52,950	52,630	59,214	86,339	99,348	103,805	153,824	166,687	158,831	198,252
Net asset value per share (p)[1,A]	75.5	100.6	101.9	114.7	158.0	177.3	184.3	276.7	294.2	274.8	343.0
Share price (p)[1]	71.0	93.9	92.2	103.3	163.8	172.1	183.9	282.0	303.8	266.0	352.0
Shares in issue[1,2]	54,821,100	52,646,100	51,636,230	51,636,230	54,657,800	56,040,928	56,325,928	55,586,928	56,651,928	57,791,928	57,791,928

Year ended 31st December											
Gross revenue (£'000)	322	853	719	1,255	1,172	1,390	1,728	2,317	2,552	2,693	3,023
Revenue (loss)/return per share (p)[1]	(0.06)	0.71	0.36	1.26	1.00	1.15	1.66	2.51	2.79	2.75	2.76
Dividends per share (p)[1]	nil	nil	nil	0.9	0.7	nil	nil	nil	2.5	2.5	2.5[6]
(Discount)/premium (%)[A]	(6.0)	(6.6)	(9.5)	(10.0)	3.7	(2.9)	(0.2)	1.9	3.3	(3.2)	2.6
(Net cash)/gearing (%)[A]	(1.3)	0.9	5.0	3.1	5.4	6.5	9.8	4.1	5.2	5.8	5.0
Ongoing charges (%)[A]	1.75	1.66	1.79	1.71	1.77	1.73	1.69	1.47	1.33	1.36	1.23
US dollar/sterling exchange rate	1.61	1.57	1.55	1.63	1.65	1.56	1.47	1.24	1.35	1.27	1.32

Annual returns to 31st December											
Total return to shareholders (%)[3,A]	+40.3	+32.3	-1.8	+12.0	+59.7	+5.6	+6.8	+53.4	+7.7	-11.6	+33.4
Total return on net assets (%)[4,A]	+29.0	+33.2	+1.3	+12.5	+38.7	+12.8	+4.0	+50.1	+6.3	-5.8	+25.8
Benchmark total return (%)[5]	+12.9	+30.5	-3.8	+10.9	+35.9	+11.1	+0.9	+44.4	+4.5	-5.7	+20.4

Returns rebased to 100 at 31st December 2009											
Total return to shareholders[3,A]	100.0	132.3	129.9	145.4	232.3	245.3	262.0	401.8	432.8	382.5	510.3
Total return on net assets[3,4,A]	100.0	133.0	134.8	151.6	210.2	237.0	246.4	369.9	393.3	370.6	466.6
Benchmark total return[5]	100.0	130.5	125.6	139.2	189.2	210.3	212.2	306.3	320.2	302.0	363.7

[1] Comparative figures prior to 2014 have been restated following the sub-division of each existing ordinary share of 25p into ten ordinary shares of 2.5p each on 6th March 2014.

[2] Excludes any shares held in Treasury.

[3] Source: Morningstar/J.P. Morgan.

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

[5] Source: Russell Investments. The Company's benchmark is the Russell 2000 Index total return with net dividends reinvested, expressed in sterling terms.

[6] Dividend in relation to 2019 payable on 17th June 2020. See note 10 on page 57 for details.

[A] Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 76 and 77.

Business Review

The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company during the year under review. To assist shareholders with this assessment, the Strategic Report sets out the objective and strategy of the Company, structure of the Company, its investment policies and risk management, investment restrictions and guidelines, performance, total return, revenue and dividends, key performance indicators, share capital, Board diversity, employees, social, community and human rights issues, principal and emerging risks and how the Company seeks to manage those risks, and finally its long term viability.

The Company's purpose, values, strategy and culture

The purpose of the Company is to provide a cost effective, sustainable investment vehicle for investors who seek long term capital growth from a portfolio of US smaller companies, which outperforms its benchmark index over the longer term, taking account of wider issues including environmental, social and governance. To achieve this, the Board of Directors is responsible for employing and overseeing an investment management company that has appropriate investment expertise, resources and controls in place to meet the Company's investment objective. To ensure that it is aligned with the Company's purpose, values and strategy, the Board comprises Directors from a diverse background who have a breadth of relevant experience and contribute in an open boardroom culture that both supports and challenges the investment management company and its other third party suppliers. For more information, please refer to pages 21 and 22.

Investment Objective

JPMorgan US Smaller Companies Investment Trust plc (the 'Company') is an investment trust and has a premium listing on the London Stock Exchange (JUSC LN). In seeking to achieve its objectives, the Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') as its AIFM which, in turn, delegates portfolio management to JPMorgan Asset Management (UK) Limited, to actively manage the Company's assets. The Board has determined investment policies and related guidelines and limits, as described below.

The Company's objective is to achieve capital growth from investing in US smaller companies. It aims to outperform the Russell 2000 Index total return, with net dividends reinvested, expressed in sterling terms.

Strategy of the Company

The dynamic nature of the US small cap market makes small caps both exciting and challenging. As an asset class, small caps tend to be less researched, less liquid and prone to more volatility than large-cap stocks. The same characteristics that make managing small caps so challenging provide a unique opportunity. The extensive resources JPMAM dedicates to the process and JPMAM's commitment to buy-side research underlies its belief that stock selection is the most important component in small-cap investing.

The Company is managed by J.P. Morgan's US small cap investment team. The investment team consists of five dedicated small cap specialists based in New York.

The team employs a bottom-up, stock picking approach to portfolio management. The investment philosophy is based on the belief that long-term investments in companies with leading competitive positions, run by highly motivated and talented management that can sustain growth over a period of many years, will lead to stock market outperformance. Alongside this, the team believes that a disciplined valuation process is necessary to enhance long-term returns.

Structure of the Company

The Company is subject to UK and European legislation and regulations including UK company law, UK Financial Reporting Standards, the FCA Listing, Prospectus, Disclosure Guidance and Transparency Rules, the Market Abuse Regulation, taxation law, the Company's own Articles of Association and the Alternative Investment Fund Managers Directive.

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 and has been approved by HM Revenue & Customs as an investment trust (for the purposes of Sections 1158 and 1159 of the Corporation Tax Act 2010). As a result the Company is not liable for taxation on capital gains on investments within the portfolio. The Directors have no reason to believe that approval will not continue to be retained. The Company is not a close company for taxation purposes.

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 5 to 7, and in the Investment Manager's Report on pages 8 to 10.

Investment Policies and Risk Management

In order to achieve its investment objective, the Company invests in a diversified portfolio and employs a manager with a strong focus on research and company visits in order to identify the most attractive stocks in the US smaller companies universe.

The Board has sought to manage the Company's risk by imposing various investment restrictions and guidelines. These restrictions and guidelines may be varied at any time by the Board at its discretion.

Investment Restrictions and Guidelines

The Board seeks to manage the Company's risk by imposing various investment limits and restrictions:

- No individual investment in the portfolio will be greater than 15% of the Company's gross assets at the time of investment.
- The Company will invest no more than 10% of the Company's gross assets in JPMorgan liquidity funds.
- The Company will invest no more than 10% (subject to Directors' approval) of the Company's gross assets at the time of investment in unquoted investments.
- The Company will not normally invest in derivative instruments, although it can undertake derivative actions to hedge against risk exposure of existing holdings in the portfolio subject to Board approval.
- The Company will use liquidity and borrowings to remain invested within a maximum gearing limit of 15% (+/-2.5% if as a result of market movement).
- The Company will not invest more than 15% of its gross assets in other UK listed investment companies (including investment trusts).
- The Company will not invest more than 10% of its gross assets in companies that themselves may invest more than 15% of their gross assets in UK listed investment companies.

Monitoring of Compliance

Compliance with the Board's investment restrictions and guidelines is monitored by the Manager and is reported to the Board on a monthly basis.

Performance

In the year to 31st December 2019, the Company's total return to shareholders was +33.4% and the total return on net assets was +25.8%. This compares with the total return on the Company's benchmark of +20.4%. As at 31st December 2019, the value of the Company's investment portfolio was £208.3 million. The Investment Manager's Report on pages 8 to 10 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Total Return, Revenue and Dividends

Gross total return for the year amounted to £44,021,000 (2018: £6,691,000 loss). Net return after deducting the management fee, administrative expenses, finance costs and taxation, amounted to £40,765,000 (2018: £9,955,000 loss).

The Directors recommend a final dividend of 2.5 pence (2018: 2.5 pence) per share payable on 17th June 2020 to shareholders on the register at the close of business on 5th June 2020. No other dividends were paid in respect of the year. The revenue reserve after the payment of the dividend will amount to £401,000.

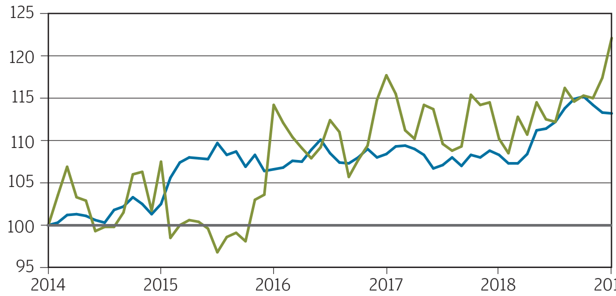
Key Performance Indicators ('KPIs')

The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

- **Performance against the benchmark index**
  This is the most important KPI by which performance is judged. Information on the Company's performance is given in the Chairman's Statement and the Investment Manager's Report.

Performance Relative to Benchmark Index

FIGURES HAVE BEEN REBASED TO 100 AT 31ST DECEMBER 2014



Source: Morningstar/Russell.

JPMorgan US Smaller Companies – share price total return.

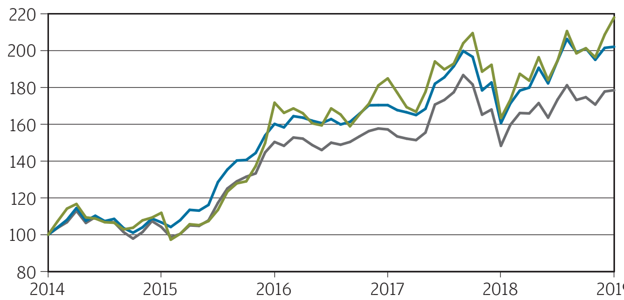
JPMorgan US Smaller Companies – net asset value total return.[1]

Benchmark index total return is represented by the black horizontal line.

[1] Using cum-income net asset value per share.

Five Year Performance

FIGURES HAVE BEEN REBASED TO 100 AT 31ST DECEMBER 2014



Source: Morningstar/Russell.

JPMorgan US Smaller Companies – share price total return.

JPMorgan US Smaller Companies – net asset value total return[1].

Benchmark total return.

[1] Using cum-income net asset value per share.

- **Performance against the Company's peers**
  The principal objective is to achieve capital growth and outperformance relative to the benchmark. The Board also monitors the performance relative to a broad range of competitor funds.

- **Performance attribution**

  The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark, i.e. to understand the impact on the Company's relative performance of the various components such as sector selection and stock selection. Details of the attribution analysis for the year ended 31st December 2019 are given in the Investment Manager's Report on page 9.

Premium/(Discount) Performance

Source: Morningstar.

JPMorgan US Smaller Companies – Premium/(Discount) using cum income net asset value.

- **Share price premium/(discount) to net asset value ('NAV') per share**

  The Board operates a share issuance and share repurchase programme which seeks to address imbalances in supply of and demand for the Company's shares within the market. This aims to manage both discount volatility and the level of discount in absolute terms and relative to its peers in the sector. In the year to 31st December 2019, the shares traded between a discount of 5.1% and a premium of 2.6%, an average discount of 2.8%. Further details of the Company's share capital can be found below in this Strategic Report.

- **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. The ongoing charges for the year ended 31st December 2019 are 1.23% (2018: 1.36%). The Board reviews the ongoing charges of the Company regularly and on an annual basis compares them against other companies with similar investment objectives and policies. Following a review of ongoing charges, the management fee rate was reduced and the basis of calculation was amended (see page 22 for further detail).

Share Capital

Following approval at the Company's General Meeting on 4th March 2014, the Company's ordinary shares were sub-divided into ten ordinary shares for every one share held. This sub-division took effect on 6th March 2014. The Company has authority to both repurchase shares in the market for cancellation or to hold in Treasury and to issue new shares in the market for cash at a premium to net asset value. The Directors re-issue shares held in Treasury only at a premium to net asset value per share.

During the year, the Company did not repurchase (2018: nil) any shares for cancellation. The Company repurchased 376,500 (2018: 135,000) ordinary shares into Treasury. However, 376,500 ordinary shares were reissued from Treasury (2018: 454,000). No new shares were issued during the year. The Board will only issue shares in such a way that it would not be dilutive to existing shareholders.

Since the year end and as at the last practicable date before the publication of this document 960,000 new shares have been issued and 100,000 shares have been repurchased into Treasury.

Special Resolutions to renew the authorities to repurchase and issue shares will be put to shareholders for approval at the forthcoming Annual General Meeting.

Board Diversity

When recruiting a new Director, the Board's policy is to appoint individuals on the basis of merit. However, diversity is important in bringing an appropriate range of skills and experience to the Board.

At 31st December 2019, there were three male Directors and three female Directors on the Board. The Company has no employees and therefore there is nothing further to report in respect of gender representation within the Company.

The Company's policy on diversity is detailed under the Nomination Committee section on page 28.

Employees, Social, Community and Human Rights Issues

The Company has a management contract with JPMF. It has no employees and all of its Directors are non-executive, the day to day activities being carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Board notes JPMorgan Asset Management's ('JPMAM') global policy statements in respect of Social, Community and Environmental and Human Rights issues, as highlighted in italics:

JPMAM believes that companies should act in a socially responsible manner. We believe environmental, social and governance ('ESG') considerations, particularly those related to governance, can play a critical role in long-term investment strategy. As an active investment manager, engagement is an important and ongoing component of our investment process, and we view frequent and direct contact with company management as critically important. When considering investment options, we supplement our proprietary thinking with research from a variety of third-party specialist providers and engage directly with companies on a wide array of ESG issues. Our governance specialists regularly attend scheduled one-on-one company meetings alongside investment *analysts to help identify and discuss relevant issues. Although our priority at all times is the best economic interests of our clients, we recognise that ESG issues have the potential to impact the share price, as well as the reputation of companies.*

JPMAM is also a signatory to the United Nations Principles of Responsible Investment, which commits participants to six principles, with the aim of incorporating ESG criteria into their processes when making stock selection decisions and promoting ESG disclosure.

The Manager has implemented a policy which seeks to restrict investments in securities issued by companies that have been identified by an independent third party provider as being involved in the manufacture, production or supply of cluster munitions, depleted uranium ammunition and armour and/or anti-personnel mines. Shareholders can obtain further details on the policy by contacting the Manager.

Greenhouse Gas Emissions

The Company has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. *JPMAM is a signatory to the Carbon Disclosure Project and JPMorgan Chase is a signatory to the Equator Principles on managing social and environmental risk in project finance.*

The Modern Slavery Act 2015 (the 'MSA')

The MSA requires companies to prepare a slavery and human trafficking statement for each financial year of the organisation. As the Company has no employees and does not supply goods and services, the MSA does not apply directly to it. The MSA requirements more appropriately relate to JPMF and JPMAM. JPMorgan's statement on the MSA can be found on the following website: https://www.jpmorganchase.com/corporate/Corporate-Responsibility/document/modern-slavery-act.pdf

Corporate Criminal Offence

The Company maintains zero tolerance towards tax evasion. Shares in the Company are purchased through intermediaries or brokers, therefore no funds flow directly into the Company.

Principal and Emerging Risks

The Directors confirm that they have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency, liquidity or reputation. The risks identified and the ways in which they are managed or mitigated are summarised below:

With the assistance of the Manager, the Board has drawn up a risk matrix, which identifies the principal and emerging risks to the Company. These risks are reviewed and discussed on a regular basis by the Board and fall broadly under the following categories:

- **Investment and Strategy**

  An inappropriate investment strategy, for example excessive concentration of sector selection or the level of gearing, may lead to underperformance against the Company's benchmark index and peer companies, which may result in the Company's shares trading on a wider discount. The Board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and reported on. The Manager, JPMF, provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the investment managers, who participate at all Board meetings, and reviews data which show statistical measures of the Company's risk profile. The investment managers employ the Company's gearing tactically, within a strategic range set by the Board. In addition to regular Board reviews of investment strategy, the Board holds a separate meeting devoted to strategy each year.

- **Loss of Investment Team or Investment Managers**

  A sudden departure of the investment managers, or several members of the investment management team could result in a short-term deterioration in investment performance. The Manager takes steps to reduce the likelihood of such an event by ensuring appropriate succession planning and the adoption of a team-based approach.

- **Discount**

  A disproportionate widening of the discount could result in a loss of value for shareholders. In order to manage the Company's discount, which can be volatile, the Company operates a share repurchase programme.

- **Market**

  Market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss that the Company might suffer through holding investments in the face of negative market movements. The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines, which are monitored and reported on by JPMAM. The Board monitors the implementation and results of the investment process with the Manager.

- **Accounting, Legal and Regulatory**

  In order to qualify as an investment trust, the Company must comply with Section 1158 of the Corporation Tax Act 2010 ('Section 1158'). Details of the Company's approval are given under 'Structure of the Company' above. Should the Company breach Section 1158, it may lose investment trust status and, as a consequence, gains within the Company's portfolio could be subject to Capital Gains Tax. The Section 1158 qualification criteria are monitored continually by JPMAM and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Act 2006 and, since its shares are listed on the London Stock Exchange, the FCA Listing Rules and Disclosure Guidance and Transparency Rules ('DTRs'). A breach of the Companies Act could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the FCA Listing Rules or DTRs could result in the Company's shares being suspended from listing which in turn would breach Section 1158. The Board relies on the services of its Company Secretary, the Manager, and its professional advisers to ensure compliance with the Companies Act 2006 and the FCA Listing Rules and DTRs.

- **Corporate Governance and Shareholder Relations**
  Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on page 28.

- **Operational**
  Disruption to, or failure of, the Manager's accounting, dealing or payments systems or the depositary's or custodian's records could prevent accurate reporting and monitoring of the Company's financial position. The Company has appointed Bank of New York Mellon (International) Limited to act as its depositary, responsible for oversight of the custody of the Company's assets and for monitoring its cash flows.

  Details of how the Board monitors the services provided by the Manager and its associates and the key elements designed to provide effective internal control are included within the Risk Management and Internal Control section of the Corporate Governance report on page 29.

- **Cybercrime**
  The threat of cyber attack, in all its guises and including cyber risk and risk of data loss, is regarded as at least as important as more traditional physical threats to business continuity and security. JPMF has assured Directors that the Company benefits directly or indirectly from all elements of JPMorgan's Cyber Security programme. The information technology controls around the physical security of JPMorgan's data centres, security of its networks and security of its trading applications are tested by independent reporting accountants and reported every six months against the AAF Standard. Equiniti, the Company's Registrar, also produces an AAF report which is reported on at the Company's Audit Committee meeting.

- **Foreign currency**
  The Company has exposure to foreign currency as part of the risk reward inherent in a company that invests overseas. The income and capital value of the Company's investments can be affected by exchange rate movements as the majority of the Company's assets and income are denominated in currencies other than sterling which is the reporting currency. The Company's loan facility is denominated in US dollars.

  The Board has the authority to reduce or eliminate the exposure to fluctuating currencies through the use of currency hedging. It reviews its policy on this matter regularly.

- **Going concern**
  Boards are now advised to consider going concern as a potential risk, whether or not there is an apparent issue arising in relation thereto. Going concern is considered rigorously on an ongoing basis and the Board's statement on going concern is detailed on page 31.

- **Financial**
  The financial risks faced by the Company include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. Further details are disclosed in note 21 to the financial statements on page 62.

- **Political and Economic**
  Changes in financial or tax legislation, including in the UK as a result of Brexit, and in the European Union and the US, may adversely affect the Company. The Manager makes recommendations to the Board on accounting, dividend and tax policies and the Board seeks external advice where appropriate. In addition, the Company is subject to administrative risks, such as the imposition of restrictions on the free movement of capital. These risks are discussed by the Board on a regular basis.

- **Climate Change**
  Climate change, which barely registered with investors a decade ago, has today become one of the most critical issues confronting asset managers and their investors. Investors can no longer ignore the impact that the world's changing climate will have on their portfolios, with the impact of climate change on returns now inevitable.

  The Board is overseeing the Manager to ensure the formal integration of ESG factors into its investment process over the course of the coming year. Financial returns for long-term diversified investors should not be jeopardised given the investment opportunities created by the world's transition to a low-carbon economy. The Board is also considering the threat posed by the direct impact on climate change on the operations of the Manager and other major service providers. As extreme weather events become more common, the resiliency, business continuity planning and the location strategies of our services providers will come under greater scrutiny.

- **Global Pandemics**
  The recent emergence and spread of coronavirus (COVID-19) has raised the emerging risk of global pandemics, in whatever form a pandemic takes. COVID-19 poses a significant risk to the Company's portfolio. At the date of this report, the virus has contributed to significant volatility in trading recently,

however, the Board and Manager expect that the portfolio's holdings will not suffer a material long-term impact and should recover quickly once containment measures ease. Should the virus spread more aggressively or become more virulent, it may present risks to the operations of the Company, its Manager and other major service providers. The Board and the Manager will continue to monitor developments as they occur and seek to learn lessons which may be of use in the event of future pandemics.

Long Term Viability

The Company is an investment trust with an objective of achieving capital growth from investing in US smaller companies. Taking account of the Company's current position, the principal risks that it faces and their potential impact on its future development and prospects, the Directors have assessed the prospects of the Company, to the extent that they are able to do so, over the next five years. They have made that assessment by considering those principal risks, the Company's investment objective and strategy, the investment capabilities of the Manager and the current outlook for the US economy and equity market.

In determining the appropriate period of assessment the Directors had regard to their view that, given the Company's objective of achieving capital growth, shareholders should consider the Company as a long term investment proposition. This is consistent with advice provided by independent financial advisers and wealth managers, that investors should consider investing in equities for a minimum of five years. Accordingly, the Directors consider five years to be an appropriate time horizon to assess the Company's viability.

The Directors confirm that they have a reasonable expectation, that the Company will continue in operation, subject to shareholders voting in favour of continuation at the forthcoming AGM, and meet its liabilities as they fall due over the five year period of assessment.

By order of the Board
Lucy Dina, for and on behalf of
JPMorgan Funds Limited,
Secretary

8th April 2020

Directors’ Report

Davina Walter (Chairman of the Board, Management Engagement and Nomination Committees)
Director since 2002.
Last reappointed to the Board: 2019.
Current remuneration: £37,000.
She is currently employed as an investment consultant having started her career in 1974 at Cazenove & Co where she spent more than 11 years involved in US equity research. She spent over 16 years as an investment manager of US equity portfolios, most recently as a Managing Director at Deutsche Asset Management. She has been actively involved with investment trusts since 1985 and is currently Chairman and a director of Aberdeen Diversified Income & Growth Trust plc.
Connections with Manager: None.
Shared directorships with other Directors: None.
Shareholding in Company: 89,050.

Shefaly Yogendra (Chairman of the Remuneration Committee)
Director since 2016.
Last reappointed to the Board: 2019.
Current remuneration: £26,000.
She is a risk and decision-making specialist and has spent her career working with technology investors and startups. She earlier worked in Ditto Al and HCL Technologies, and was a founder and a director of Livyora, a fine jewellery venture. She was previously a Trustee of BeyondMe and an Executive Director of Ditto AI. She is currently a Director of Temple Bar Investment Trust plc and an Independent Governor of London Metropolitan University.
Connections with Manager: None.
Shared directorships with other Directors: None.
Shareholding in Company: 1,000.

Julia Le Blan (Chairman of the Audit Committee and Senior Independent Director)
Director since 2012.
Last reappointed to the Board: 2019.
Current remuneration: £30,900.
She is a chartered accountant and has worked in the financial services industry for over 30 years. She was formerly a tax partner at Deloitte and expert on the taxation of investment trust companies. Before retiring from Deloitte she did two terms on the AIC's technical committee. She is currently a director of BMO UK High Income Trust plc, Impax Environmental Markets plc, Aberforth Smaller Companies Trust plc, and the Biotech Growth Trust plc.
Connections with Manager: None.
Shared directorships with other Directors: None.
Shareholding in Company: 15,000.

David Ross
Director since 2015.
Last reappointed to the Board: 2019.
Current remuneration: £26,000.
He is a certified accountant with over 45 years in the investment industry. He was a founding partner of Aberforth Partners LLP and also one of the partners responsible for the launch of two of Aberforth's Investment Trusts. He is currently a director of EP Global Opportunities Trust and BMO Real Estate Investments Ltd.
Connections with Manager: None.
Shared directorships with other Directors: None.
Shareholding in Company: 25,000.

Christopher Metcalfe
Director since 2019
Current remuneration: £26,000.
He has extensive US equity fund management and investment trust experience. He also has a deep understanding of UK investors having worked for a decade each at three of the largest fund management institutions in London; namely in senior positions managing investment funds at Newton Investment Management, Schroder Investment Management and Henderson Administration Group plc. He currently acts as Senior Investor Relations Consultant to National Express Group plc and is a Director of Martin Currie Global Portfolio Trust.
Connections with Manager: None.
Shared directorships with other Directors: None.
Shareholding in Company: 26,000.

Dominic Neary
Director since 2019.
Current remuneration: £26,000.
He has managed US and global equity portfolios over his 20-year investment career, and has been involved with investment trusts throughout this time. He was previously the manager of The Scottish American Investment Company PLC and an investment manager at Baillie Gifford & Co., Edinburgh and numerous other investment institutions. He is currently a Director of the Value and Income Trust, an investment trust focused on generating income from a portfolio of directly-held UK equities and commercial properties.
Connections with Manager: None.
Shared directorships with other Directors: None.
Shareholding in Company: 7,800.

All Directors are members of the Audit Committee (except for Davina Walter who attends Audit Committee meetings by invitation), the Nomination Committee, the Remuneration Committee and the Management Engagement Committee. All Directors are considered independent of the Manager.

The Directors present their report and the audited financial statements for the year ended 31st December 2019.

Management of the Company

The Manager and Company Secretary to the Company is JPMorgan Funds Limited ('JPMF'), a company authorised and regulated by the FCA. The active management of the Company's assets is delegated by JPMF to an affiliate, JPMorgan Asset Management (UK) Limited ('JPMAM') with day to day investment management activity conducted in New York. The Manager is a wholly-owned subsidiary of JPMorgan Chase Bank which, through other subsidiaries, also provides marketing, banking, dealing and custodian services to the Company.

JPMF is employed under a contract which can be terminated on six months' notice, without penalty. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation.

The Board, through the Management Engagement Committee, conducts a formal evaluation of the performance of, and contractual relationship with, the Manager on an annual basis. The evaluation includes consideration of the investment strategy and process of the Manager, noting performance against the benchmark over the long term and the quality of the support that the Company receives from the Manager. As a result of the evaluation process, the Board confirms that it is satisfied that the continuing appointment of the Manager, on the terms agreed, is in the interests of shareholders as a whole.

The Alternative Investment Fund Managers Directive ('AIFMD')

JPMF is the Company's alternative investment fund manager ('AIFM'). It is approved as an AIFM by the FCA. For the purposes of the AIFMD the Company is an alternative investment fund ('AIF').

JPMF has delegated responsibility for the day to day management of the Company's portfolio to JPMAM. The Company has appointed Bank of New York Mellon (International) Limited ('BNY') as its depositary. BNY has appointed JPMorgan Chase Bank, N.A. as the Company's custodian. BNY is responsible for the oversight of the custody of the Company's assets and for monitoring its cash flows.

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. An Investor Disclosure Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available on the Company's website at www.jpmussmallercompanies.co.uk. There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure.

Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

As an authorised AIFM, JPMF will make the requisite disclosures on remuneration levels and policies to the FCA at the appropriate time.

Management Fee

In the year under review until 30th June 2019, the Manager received a basic management fee of 1.0% (2018: 1.0%) of the Company's gross assets. From 1st July 2019, the management fee was reduced to a basic fee of 0.9% of the Company's gross assets (excluding liquidity assets) up to £100 million, and 0.75% of the Company's gross assets (excluding liquidity assets) thereafter.

With effect from 1st January 2019, the management fee was allocated 20% to revenue and 80% to capital (2018: 10% to revenue and 90% to capital). This change brings the allocation of expenses in line with the now expected long term split of returns between capital and revenue from the Company's portfolio and the market in which it invests.

Directors

The Directors of the Company who held office at the date of this report are detailed on pages 21 and 22.

Details of Directors' beneficial shareholdings may be found in the Directors' Remuneration Report on page 35. No changes have been reported to the Directors' shareholdings since the year end.

In accordance with corporate governance best practice, Julia Le Blan, Christopher Metcalfe, Dominic Neary, David Ross and Shefaly Yogendra will retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for reappointment by shareholders. The Chairman of the Nomination Committee, having considered their qualifications, performance and contribution to the Board and committees, confirms that each Director continues to be effective and demonstrates commitment to the role, and the Board recommends to shareholders that those standing for reappointment be reappointed.

Davina Walter will retire from the Board at the conclusion of the 2019 AGM and David Ross will take over as Chairman of the Board.

Director Indemnification and Insurance

As permitted by the Company's Articles of Association, the Directors have the benefit of a deed of indemnity which is a qualifying third party indemnity, as defined by Section 234 of the Companies Act 2006. The indemnities were in place during the year and as at the date of this report.

During the year an insurance policy has been maintained by the Company which indemnifies the Directors of the Company against certain liabilities arising in the conduct of their duties. There is no cover against fraudulent or dishonest actions.

Disclosure of information to Auditor

In the case of each of the persons who are Directors of the Company at the time when this report was approved:

(a) so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's Auditor is unaware; and

(b) each of the Directors has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

The above confirmation is given and should be interpreted in accordance with the provisions of Section 418(2) of the Companies Act 2006.

Independent Auditor

Grant Thornton UK LLP has expressed its willingness to continue in office as Auditor to the Company and a resolution proposing its reappointment and authorising the Directors to determine its remuneration for the ensuing year will be put to shareholders at the forthcoming Annual General Meeting.

The current tenure of the external auditor dates from August 2011 when a tender process was last carried out. Any decision to open the external audit to tender is taken on the recommendation of the Audit Committee.

The Company will be required to hold an audit tender next year. Further details may be found in the Audit Committee Report on page 32.

Capital Structure and Voting Rights

Capital Structure

The Company's capital structure is summarised on the inside front cover of this report. Details of share repurchases have been disclosed in the Strategic Report on page 16.

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in note 16 to the Notice of Annual General Meeting on page 73.

Environmental Matters, Social and Community Issues

Information on environmental matters, social and community issues is set out on pages 16 and 17. Greenhouse gas emissions have been disclosed in the Strategic Report on page 17. The Company has no employees.

Notifiable Interests in the Company's Voting Rights

At the financial year end the following had reported a notifiable interest in the Company's voting rights:

Shareholders	Number of voting rights	%[2]
JPMorgan Asset Management (UK) Limited	4,302,428[1]	7.7
Rathbone Brothers PLC	4,039,980	7.1
Brewin Dolphin Limited	2,776,245	4.8

[1] Includes shares held by JPMorgan Elect plc.

[2] Based on the number of shares in issue on the date of the shareholders' latest notifications to the Company.

The information above is derived from the Company's internal records, as well as disclosures received pursuant to the Disclosure and Transparency Rules. No further changes have been notified since the year end to the date of this report.

The rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or repurchase the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that affect its control following a takeover bid; and no agreements between the Company and its Directors concerning compensation for loss of office.

Listing Rule 9.8.4R

Listing Rule 9.8.4R requires the Company to include certain information in a single identifiable section of the Annual Report and Financial Statements or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard.

Annual General Meeting

NOTE: THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your Ordinary shares in JPMorgan US Smaller Companies Investment Trust plc, please forward this document, together with the accompanying documents, immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The notice covering the Annual General Meeting of the Company to be held on 26th May 2020 is given on pages 73 to 75. The full text of the Resolutions is set out in the Notice of Meeting. Please also refer to the Chairman's statement on page 6 of the Annual Report which explains the format of this year's AGM due to the COVID-19 pandemic.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting ('AGM'):

(i) Continuation of the Company (resolution 11)

Shareholders are requested to approve the continuation of the Company for a further five years. More details are given in the Chairman's Statement on page 6.

(ii) Authority to allot new shares and to disapply statutory pre-emption rights (resolutions 12 and 13)

The Directors will seek authority at the Annual General Meeting to issue up to 5,865,192 new ordinary shares for cash up to an aggregate nominal amount of £146,629, such amount being equivalent to 10% of the present issued share capital. This authority will expire at the Annual General Meeting in 2021 unless renewed at a prior general meeting. The full text of Resolutions 12 and 13 is set out in the Notice of Meeting on page 73.

It is advantageous for the Company to be able to issue new shares (or to sell Treasury shares) to investors when the Directors consider that it is in the best interests of shareholders to do so. As such, issues are only made at prices greater than the net asset value, they increase the assets underlying each share and spread the Company's administrative expenses, other than the management fee which is charged on the value of the Company's assets, over a greater number of shares. The issue proceeds are available for investment in line with the Company's investment policies.

(iii) Authority to repurchase the Company's shares (resolution 14)

At the Annual General Meeting held on 30th April 2019, shareholders gave authority to the Company to purchase up to 14.99% of its then issued share capital. At that time shareholders were informed that this authority would expire on 29th October 2020 and could be renewed by shareholders at any time at a General Meeting of the Company. The Board remains committed to a stable discount, but there is a need to balance the short term of buying shares back for cancellation or holding in Treasury with the long term liquidity implications. It will seek shareholder approval to renew the authority at the forthcoming Annual General Meeting.

The full text of the resolution (to be proposed as a special resolution) to renew the share repurchase authority is set out as Resolution number 14 in the Notice of Meeting on pages 73 and 74.

Recommendation (resolutions 11 to 14)

The Board considers that resolutions 11 to 14 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 163,850 shares representing approximately 0.3% of the voting rights in the Company.

Corporate Governance Statement

Compliance

The Board is committed to high standards of corporate governance. It has considered the principles and provisions of the AIC Code of Corporate Governance published in 2019 (the 'AIC Code'), which addresses the principles and provisions set out in the UK Corporate Governance Code (the 'UK Code') published in 2018, as they apply to investment trust companies. It considers that reporting against the AIC Code, therefore, provides more appropriate information to the Company's shareholders. The Board confirms that the Company has complied with the principles and provisions of the AIC Code, in so far as they apply to the Company's business, throughout the year under review. As all of the Company's day-to-day management and administrative functions are outsourced to third parties, it has no executive directors, employees or internal operations and therefore has not reported in respect of the following:

- the role of the executive directors and senior management;
- executive directors' and senior management remuneration; and
- the workforce.

Copies of the UK Code and the AIC Code may be found on the respective organisations' websites: www.frc.org.uk and www.theaic.co.uk

Directors' Duty to promote the success of the Company

Section 172 of the Companies Act 2006 requires that a Director must act in the way he/she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members (i.e. shareholders) as a whole and in doing so, have regard (amongst other matters) to the likely consequences of any decision in the long term; the need to foster the Company's business relationships with suppliers, customers and others; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the Company.

The Board ensures that it promotes the success of the Company by engaging specialist third party suppliers with appropriate performance records, resources and controls in place to deliver the services that the Company requires. Their performance is monitored by the Board and its committees, who have oversight of the Company's operations. The principle supplier is the Manager, in particular the investment management team who are responsible for managing the Company's assets in order to achieve its stated investment objective. The Board maintains a good working relationship with the Manager, who also provides administrative support and promotes the Company through its investment trust sales and marketing teams. Whilst strong long term investment performance is essential, the Board recognises that to provide an investment vehicle that is sustainable over the long term, both it and the Manager must have regard to ethical and environmental issues that impact society. Hence environmental, social and governance considerations are in the process of being integrated into the Manager's investment process and will continue to evolve.

The Board has sought to engage with and understand the views of the Company's shareholders and other key stakeholders as it regards an understanding of their views as essential in being able to fulfil its duty.

The Directors confirm that they have considered their duty under Section 172 when making decisions during the financial year under review. Key decisions and actions during the year which have required the Directors to have regard to applicable section 172 factors include:

- the change to the management fee arrangement with JPMF to put the Company in a competitive position relative to peers;
- the recommendation that shareholders vote in favour of a continuation vote;
- the recommendation that shareholders vote in favour of the renewal of the allotment and buyback authorities in respect of the current year; and
- the renewal of the Company's loan facility which is utilised in line with the Company's gearing policy.

To ensure continuing engagement with shareholders, a number of shareholder meetings have been held over the last year with brokers and the investment management team in attendance. Shareholders are encouraged to attend the Company's Annual General Meeting or contact the Directors via the Company Secretary. Although we generally encourage the shareholders to attend the AGM, that is not the case this year because of the outbreak of COVID-19.

Role of the Board

A management agreement between the Company and JPMF sets out the matters over which the Manager has authority. This includes management of the Company's assets and the provision of accounting, company secretarial, administrative services and some marketing services. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved to the Board for decision has been approved. This includes determination and monitoring of the Company's investment objectives and policy and its future strategic direction, gearing policy, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Company's corporate governance and risk control arrangements.

At each Board meeting, Directors' interests are considered. These are reviewed carefully, taking into account the circumstances surrounding them, and, if considered appropriate, are approved. It was resolved that there were no actual or indirect interests of a Director which conflicted with the interests of the Company which arose during the year.

The Board has procedures in place to deal with potential conflicts of interest and, following the introduction of The Bribery Act 2010, has adopted appropriate procedures designed to prevent bribery. It confirms that the procedures have operated effectively during the year under review.

The Board meets on at least six occasions during the year and additional meetings are arranged as necessary. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, JPMF, which is responsible for ensuring that the Board complies with applicable rules, regulations and Board procedures..

Board Composition

At the financial year-end, the Board consisted of six non-executive Directors, chaired by Davina Walter, all of whom are regarded by the Board as independent of the Company's Manager. The Chairman's independence was assessed upon her appointment and annually thereafter. The Chairman was appointed to the Board of Aberdeen Diversified Income and Growth Trust plc in February 2019. There have been no further changes to the Chairman's other significant commitments during the year under review.

The Directors have a breadth of investment, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on pages 21 and 22.

In order to provide a balance of skills, experience, length of service and ages, it is the Board's policy to introduce new Directors to provide an orderly succession over time.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board. The Senior Independent Director, Julia Le Blan, leads the evaluation of the performance of the Chairman and is available to shareholders if they have concerns that cannot be resolved through discussion with the Chairman. She also led the review to find the Chairman's successor.

Reappointment of Directors

The Directors of the Company and their brief biographical details are set out on pages 21 and 22. The skills and experience that each Director brings to the Board, and hence why their contributions are important to the long term success of the Company, are summarised below. All of the Directors held office throughout the year under review and will stand for reappointment at the forthcoming AGM, with the exception of Davina Walter who will retire at the conclusion of the AGM.

Resolution 5 concerns the reappointment of Julia Le Blan. She joined the Board in October 2012 and has served for seven years as a Director. Julia is a chartered accountant and has worked in the financial services industry for over 30 years. She chairs the Audit Committee and is the Senior Independent Director.

For details of current directorships, please refer to page 21 of the Report.

Resolution 6 concerns the reappointment of David Ross. He joined the Board in March 2015 and has served for five years as a Director. David is a certified accountant with over 45 years in the investment industry. He will take over as Chairman of the Board, Nomination Committee and Management Engagement Committee following, the forthcoming AGM.

For details of current directorships, please refer to page 21 of the Report.

Resolution 7 concerns the reappointment of Shefaly Yogendra. She joined the Board in November 2016 and has served for three years as a Director. Shefaly is a risk and decision-making specialist and has spent her career working with technology investors and start-ups. She chairs the Remuneration Committee.

For details of current directorships, please refer to page 21 of the Report.

Resolution 8 concerns the reappointment of Christopher Metcalfe. He joined the Board in January 2019 and has served for one year as a Director. Christopher has extensive US equity management and investment trust experience.

For details of current directorships, please refer to page 22 of the Report.

Resolution 9 concerns the reappointment of Dominic Neary. He joined the Board in January 2019 and has served for one year as a Director. Dominic has managed US and global equity portfolios over his 20-year investment career, and has been involved with investment trusts throughout this time.

For details of current directorships, please refer to page 22 of the Report.

The Board confirms that each of the Directors standing for reappointment at the forthcoming AGM continue to contribute effectively and recommends that shareholders vote in favour of their reappointment.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be reappointed by shareholders. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for Directors to seek annual reappointment. The Board has adopted corporate governance best practice and has a succession plan in place. All Directors must stand for annual reappointment.

The Board believes in regular refreshment of the Board and its Committees and in the benefits of having a diverse range of experience, skills, length of service and backgrounds (see our diversity policy on page 16).

The Board is also of the view that length of service will not necessarily compromise the independence or contribution of directors of an investment trust company or, indeed, its chairman. Continuity and experience can add significantly to the strength of the board especially in times of market turbulence. The Board has noted the inference of provisions in the UK Corporate Governance Code that non-executive directors who have served for more than nine years should be presumed not to be independent. However, the AIC does not believe that this presumption is necessarily appropriate for investment companies and therefore does not recommend that long-serving directors be prevented from forming part of an investment trust board. However, in normal circumstances the Chairman and Directors are expected to serve for a nine-year term, but this may be adjusted for reasons of flexibility and continuity.

We note that all of the current Board with the exception of the Chair has served for less than nine years. The Chair, Davina Walter, has stated that she will stand down at the conclusion of the 2020 AGM when David Ross will take over the role. It is our intention henceforth that a majority of the Board excluding the chairman shall have served for less than nine years as is required by the 2019 AIC Code.

The terms and conditions of Directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office and at the Annual General Meeting. With effect from 1st January 2015, any appointment of a new non-executive Director of the Company shall not exceed a nine-year term, in normal circumstances.

A schedule of interests for each Director is maintained by the Company and reviewed at every Board meeting. New interests are considered carefully, taking into account the circumstances surrounding them and, if considered appropriate, are approved.

Induction and Training

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter, regular briefings are provided on changes in law and regulatory requirements that affect the Company and the Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trust companies. Regular reviews of the Directors' training needs are carried out by the Nomination Committee by means of the evaluation process described below.

Meetings and Committees

The Board delegates certain responsibilities and functions to committees. Details of membership of committees are shown with the Directors' profiles on pages 21 and 22. All Directors are members of the Committees.

The table below details the number of meetings attended by each Director. During the financial year there were six Board meetings, including a private meeting of the Directors to evaluate the Manager, three Audit Committee meetings, two Nomination Committee meetings, one Remuneration Committee meeting and one Management Engagement Committee meeting.

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination Committee Meetings Attended	Remuneration Committee Meetings Attended	Management Engagement Committee Meeting Attended
J Le Blan	6	3	2	1	1
C Galleymore[1]	3	1	1	1	1
C Metcalfe	6	3	2	1	1
D Neary	6	3	2	1	1
D Ross	6	3	2	1	1
D Walter	6	3	2	1	1
S Yogendra	6	3	2	1	1

[1] Retired on 30th April 2019.

As well as the formal meetings detailed above, the Board communicates frequently by email or telephone to deal with matters as they arise. Directors also visited the investment management team in New York.

Board Committees

Nomination Committee

The Nomination, chaired by Davina Walter, consists of all of the Directors and meets at least annually to ensure that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary.

At 31st December 2019, there were three female Directors and three male Directors on the Board. The Company has no employees. The Board's policy on diversity is based on its belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds, including but not limited to gender diversity. The policy is always to appoint individuals on merit and there will be no discrimination on the grounds of gender, race, ethnicity, religion, sexual orientation, age or physical ability. The overriding aim of the policy is to ensure that the Board is composed of the best combination of people for ensuring the delivery of investment out performance for shareholders over the long term. The current Directors have a range of business, financial and asset management skills as well as experience relevant to the direction and control of the Company. Brief biographical details of the members of the Board are shown on pages 21 and 22.

The Committee, with the help of Lintstock Ltd, a firm of independent consultants who have no other connection with the Company or individual Directors, conducts an annual performance evaluation of the Board, its committees and individual Directors to ensure that all Directors have devoted sufficient time and contributed adequately to the work of the Board and its Committees. The evaluation of the Board considers the balance of experience, skills, independence, corporate knowledge, its diversity, including gender, and how it works together.

Questionnaires, drawn up by the Board, with the assistance of the Manager and Lintstock Ltd., are completed by each Director. The responses are collated and then discussed by the Committee. The evaluation of individual Directors is led by the Chairman who also meets with each Director. The Chairman of the Audit Committee leads the evaluation of the Chairman's performance.

Following the evaluation it was noted that each Director had devoted sufficient time and contributed satisfactorily to the work of the Board.

Remuneration Committee

The Remuneration Committee, chaired by Shefaly Yogendra, reviews Directors' fees and makes recommendations to the Board as and when appropriate in relation to remuneration policy and implementation. This takes into account the level of fees paid to the directors of the Company's peers and within the investment trust industry generally to ensure that high quality people are attracted and retained.

Management Engagement Committee

The Management Engagement Committee, chaired by Davina Walter, consists of all the Directors, and meets at least annually to review the performance of, and the contractual arrangements with the Manager.

Audit Committee

The report of the Audit Committee, which is chaired by Julia Le Blan, is set out on pages 31 and 32.

Terms of Reference

The Nomination, Remuneration, Management Engagement and Audit Committees have written terms of reference which define clearly their respective responsibilities, copies of which are available for inspection on the Company's website and on request at the Company's registered office and at the Annual General Meeting.

Going Concern

Going Concern is considered rigorously as an ongoing basis and the Directors' statement on going concern is detailed on page 31.

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders two times a year by way of the Annual Report and Financial Statements, and Half Year Report. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares and the Company's level of gearing.

All shareholders have the opportunity, and are encouraged, to attend the Company's AGM at which the Directors and representatives of the Manager are available in person to meet with shareholders and answer their questions. In addition, a presentation is given by the investment managers who review the Company's performance. However, due to the COVID-19 pandemic and the imposition of compulsory Stay at Home measures by the UK Government, this year's AGM will be functional only. Please refer to the Chairman's Statement on page 6.

During the year the Company's broker and the Manager held regular discussions with larger shareholders. The Directors are made fully aware of their views. In addition, on a regular basis the Board invites the Company's brokers, who are independent of the manager, to present to the Directors and also asks them to canvass shareholder views when appropriate. Through them, the Board not only receives an independent and well informed report on shareholder views, but also is able to offer shareholders meetings with the Chairman or the Directors as and when required to address any queries. The Directors may be contacted through the Company Secretary whose details are shown on page 79 or via the Company's website. All communications from shareholders that are intended for the Board are forwarded in full directly to the Chairman for her response.

The Company's Annual Report and Financial Statements is published in time to give shareholders at least 20 working days' notice of the AGM. Shareholders wishing to raise questions in advance of the meeting are encouraged to submit questions via the Company's website or write to the Company Secretary at the address shown on page 79.

Details of the proxy voting position on each resolution will be published on the Company website shortly after the AGM.

Under the PRIIPs Regulation, investment managers must prepare a Key Investment Document (KID) in respect of the Company. This document must be made available to retail investors prior to them making any investment decision. The KID is available on the Company's website.

Risk Management and Internal Control

The UK Corporate Governance Code requires the Directors, at least annually, to review the effectiveness of the Company's system of risk management and internal control and to report to shareholders on that review. This encompasses a review of all controls, which the Board has identified as including business, financial, operational, compliance and risk management.

The Directors are responsible for the Company's system of risk management and internal control which is designed to safeguard the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. However, such a system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can only provide reasonable, but not absolute, assurance against fraud, material misstatement or loss.

Since investment management, custody of assets and all administrative services are provided to the Company by the Manager and its associates, the Company's system of risk management and internal control mainly comprises monitoring the services provided by the Manager and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company (see Principal and Emerging Risks on pages 17 to 19). This process has been in place for the year under review and up to the date of the approval of the annual report and financial statements and it accords with the Financial Reporting Council's guidance. Given the foregoing, and in common with most investment trust companies, the Company does not have an internal audit function of its own. The Manager's internal audit department conducts regular and rigorous reviews of the various functions within its asset management business. Any significant findings that are relevant to the Company and/or the Manager's investment trust business are reported to the Board.

The key elements designed to provide effective internal control are as follows:

- **Financial Reporting**
  Regular and comprehensive review by the Board of key investment and financial data, including management accounts, revenue projections, analysis of transactions and performance comparisons.
- **Management Agreement**
  Appointment of a manager and custodian regulated by the Financial Conduct Authority ('FCA'), whose responsibilities are clearly defined in a written agreement.
- **Management Systems**
  The Manager's system of risk management and internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by JPMAM's Compliance department which regularly monitors compliance with FCA rules and reports to the Board.
- **Investment Strategy**
  Authorisation and monitoring of the Company's investment strategy and exposure limits by the Board.

  The Board, either directly or through the Audit Committee keeps under review the effectiveness of the Company's system of risk management and internal control by monitoring the operation of the key operating controls of the Manager and its associates as follows:

  - the Board, through the Management Engagement Committee and Audit Committee, reviews the terms of the management agreement and receives regular reports from JPMorgan's Compliance department;
  - the Board reviews a report, which is also independently reviewed, on the internal controls and the operations of its custodian, JPMorgan Chase Bank;
  - the Board reviews every six months a report from the Company's Depositary, Bank of New York Mellon (International) Limited, which summarises the activities performed by the Depositary during the reporting period; and
  - the Board reviews every six months an independent report on the internal controls and the operations of JPMF's investment trust department.

Through the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended

31st December 2019 and to the date of approval of this Annual Report and Financial Statements.

During the course of its review of the system of risk management and internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore, a confirmation in respect of necessary actions has not been considered appropriate.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to the Manager.

The following is a summary of the Manager's policy statements on corporate governance, voting policy and stewardship/engagement issues, which has been reviewed and noted by the Board. Details of social and environmental issues are included in the Strategic Report on pages 16 and 17.

Corporate Governance

JPMAM believes that corporate governance is integral to its investment process. As part of its commitment to delivering superior investment performance to its clients, it expects and encourages the companies in which it invests to demonstrate the highest standards of corporate governance and best business practice. JPMAM examines the share structure and voting structure of the companies in which it invests, as well as the board balance, oversight functions and remuneration policy. These analyses then form the basis of JPMAM's proxy voting and engagement activity.

Proxy Voting

JPMAM manages the voting rights of the shares entrusted to it as it would manage any other asset. It is the policy of JPMAM to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. So far as is practicable, we will vote at all of the meetings called by companies in which we are invested.

Stewardship/Engagement

JPMAM recognises its wider stewardship responsibilities to its clients as a major asset owner. To this end, it supports the FRC Stewardship Code, which sets out the responsibilities of institutional shareholders in respect of investee companies. Under the Code, managers should:

- *publicly disclose their policy on how they will discharge their stewardship responsibilities to their clients;*
- *disclose their policy on managing conflicts of interest;*
- *monitor their investee companies;*
- *establish clear guidelines on how they escalate engagement;*
- *be willing to act collectively with other investors where appropriate;*
- *have a clear policy on proxy voting and disclose their voting record; and*
- *report to clients.*

JPMAM endorses the Stewardship Code for its UK investments and supports the principles as best practice elsewhere. We believe that regular contact with the companies in which we invest is central to our investment process and we also recognise the importance of being an 'active' owner on behalf of our clients.

JPMAM's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM's website:
https://am.jpmorgan.com/uk/institutional/corporate-governance. This also sets out its approach to the seven principles of the FRC Stewardship Code, its policy relating to conflicts of interest and its detailed voting record.

By order of the Board
Lucy Dina, for and on behalf of
JPMorgan Funds Limited
Company Secretary

8th April 2020

Audit Committee Report

Role and Composition

The Audit Committee, chaired by Julia Le Blan, comprises all of the Directors (except for Davina Walter who attends by invitation) and meets at least twice each year. The members of the Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee and are satisfied that at least one member (Julia Le Blan) of the Audit Committee has recent and relevant financial experience and that the Committee as a whole has competency relevant to the sector in which the Company operates.

The Committee reviews the actions and judgements of the Manager in relation to the half year, annual report and financial statements, formal announcements and the Company's compliance with the UK Corporate Governance Code. It examines the effectiveness of the Company's internal control systems. It monitors the Company's key risks and controls relating to those risks. It receives controls reports on the Manager and the custodian and monitors the controls and service levels at the Company's other key third party suppliers. It also receives information from the manager's compliance department and reviews the scope and effectiveness of the external audit, and approves the external auditor's remuneration and terms of engagement. The audit committee reviews the independence and objectivity of the auditor and is satisfied that the auditor is independent. The audit committee is also responsible for making recommendations to the main board on the appointment, reappointment and removal of the external auditor.

Financial Statements and Significant Accounting Matters

During its review of the Company's financial statements for the year ended 31st December 2019, the Audit Committee considered the following significant issues, including those communicated by the Auditor during their reporting:

Significant issue	How the issue was addressed
Valuation, existence and ownership of investments	The valuation of investments is undertaken in accordance with the financial statements policies, disclosed in note 1 to the financial statements on page 52. Discussions have been held with the Manager about the valuation process, existence of the investments and the systems in place for the valuation of the Company's portfolio. The Company has appointed Bank of New York Mellon (International) Limited ('BNY') as its depositary. BNY has appointed JPMorgan Chase Bank, N.A., as the Company's custodian. BNY remains responsible for the oversight of the custody of the Company's assets.
Recognition and completeness of investment income	The recognition and completeness of investment income is undertaken in accordance with accounting policy note 1(d) to the financial statements on page 52. The Board reviews the Manager's controls regarding the recognition of income and regularly reviews the Manager's report on the treatment of special dividends and agrees their accounting treatment.
Compliance with Sections 1158 and 1159	Approval for the Company as an investment trust under Sections 1158 and 1159 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis.
Calculation of management fee	The management fee is calculated in accordance with the Investment Management Agreement. The Board reviews the controls reports, expense schedules and the management fees payable to the Manager.

The Board was made fully aware of any significant financial reporting issues and judgements made in connection with the preparation of the financial statements.

Internal Audit

The Committee continues to believe that the Company does not require an internal audit function, as it delegates its day-to-day operations to third parties from whom it receives internal control reports. The Board considers it sufficient to receive relevant and regular updates from the Manager.

Going Concern

The Directors believe that having considered the Company's investment objective (see page 14), risk management policies (see pages 62 to 67), capital management policies and procedures (page 68), the nature of the portfolio and expenditure projections, the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for a period of at least twelve months from the date of approval of these financial statements. The Directors consider it probable that the Company's shareholders will vote in favour of the continuation of the Company at the forthcoming AGM. In addition, and in particular, the Board has considered the impact of COVID-19 and believes that this will have a limited financial impact on the Company's operational resources and existence. For these reasons, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the Company's financial statements. They have not identified any material uncertainties to the Company's ability to continue as a going concern.

The Board is made fully aware of any significant financial reporting issues and judgements made in connection with the preparation of the financial statements. Given the current volatile market conditions, the covenants associated with the Company's gearing facility are calculated and reviewed on a daily basis. The most relevant of these covenants require:

1. that the adjusted asset value of the Company (calculated to exclude certain assets from the Company's net assets) exceed four times the value of the drawn gearing (adjusted asset value of £168.8 million represents 8x the value of the drawn gearing of £20.3 million as at 7th April 2020).
2. that the Company's net asset value does not fall below £80 million (net asset value of £148.5 million as at 7th April 2020).

The Directors therefore believe that the Company has significant headroom versus its covenants at this time.

Risk Management and Internal Control

The Committee examines the effectiveness of the Company's internal control systems, receives information from the Manager's Compliance department and also reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors. In the Directors' opinion the Auditors are independent. A risk matrix has been developed which covers all emerging and principal risks the Company faces, the likelihood of their occurrence and their potential impact, how these risks are monitored and mitigating controls in place. The Board has delegated to the Committee the responsibility for the review and maintenance of the risk matrix and the risks are monitored on a regular basis.

The Directors' statement on the Company's system of internal control is set out on page 29.

Auditor Appointment and Tenure

Representatives of the Company's Auditor attended the Audit Committee meeting at which the draft Annual Report and Financial Statements were considered and also engage with Directors as and when required. Having reviewed the performance of the external Auditor, including assessing the quality of work, timing of communications and work with the Manager, the Committee considered it appropriate to recommend their reappointment. The Board supported this recommendation which will be put to shareholders at the forthcoming Annual General Meeting. The Board reviews and approves any non-audit services provided by the independent auditors and assesses the impact of any non-audit work on the ability of the auditors to remain independent. No non-audit work was carried out by the auditors this year. Details of the auditors fees paid for audit services are disclosed in note 6 on page 55.

The current audit firm, Grant Thornton UK LLP, has audited the Company's financial statements since August 2011. On reaching the 10 year mark in 2021, the Company will be required to hold a tender where the incumbent auditor may be reappointed for a further 10 year term. At the end of the second 10 year term (i.e. when an auditor has been in place for 20 years) a tender must be held again and a new auditor appointed. The audit engagement partner rotates every five years in accordance with good governance guidelines. It is the first year for the current audit partner, Chris Smith, who took over from Andrew Heffron following his recent resignation.

Fair, Balanced and Understandable

Having taken all available information into consideration and having discussed the content of the Annual Report and Financial Statements with the AIFM, the investment managers, the Company Secretary and other third party service providers, the Committee has concluded that the Annual Report and Financial Statements for the year ended 31st December 2019, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 38.

By order of the Board

Lucy Dina, for and on behalf of
JPMorgan Funds Limited,
Company Secretary

8th April 2020

Directors' Remuneration Report

Introduction

The Board presents the Directors' Remuneration Report for the year ended 31st December 2019, which has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006 as amended.

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in their report on page 40.

Directors' Remuneration Policy

The law requires that the Directors' Remuneration Policy Report is subject to a triennial binding vote. However, the Board has resolved that for good governance purposes, the policy will be put to shareholders every year. Accordingly, a resolution to approve this policy will be put to shareholders at the forthcoming Annual General Meeting. The policy subject to the vote, is set out in full below and is currently in force.

The Board's policy for this and subsequent years is that Directors' fees should properly reflect the time spent by the Directors on the Company's business and should be at a level to ensure that candidates of a high calibre are recruited to the Board. The Chairman of the Board and the Chairman of the Audit Committee are paid higher fees than other Directors, reflecting the greater time commitment involved in fulfilling those roles.

The Remuneration Committee, comprising all Directors, reviews Directors' fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, and includes research carried out by third parties on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally. The involvement of remuneration consultants has not been deemed necessary as part of this review.

All of the Directors are non-executive. There are no performance-related elements to their fees and the Company does not operate any type of incentive, share scheme, award or pension scheme and therefore no Directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company. Directors are not granted exit payments and are not provided with compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in attending the Company's business.

During the year under review, Directors' fees were paid at the following rates: £37,000 per annum for the Chairman; £30,900 per annum for the Chairman of the Audit Committee; and £24,750 per annum for each other Director. With effect from 1st January 2020, the Board agreed to increase the fees for 'other' Directors from £24,750 to £26,000. The fees for the Chairman and Audit Committee Chairman remain unchanged.

The fees of the Directors, but not of the Chairman or Audit Committee Chairman have been increased reflecting an assessment of fees paid to directors in other relevant peer investment trusts.

The Company's Articles of Association stipulate that aggregate Directors' fees must not exceed £200,000 per annum. Any increase in this the maximum aggregate amount requires both Board and shareholder approval.

The Company has no Chief Executive Officer and no employees and therefore there was no consultation with employees, and there is no employee comparative data to provide, in relation to the setting of the remuneration policy for Directors.

The Company has not sought shareholder views on its remuneration policy. The Nomination and Remuneration Committee considers any comments received from shareholders on remuneration policy on an ongoing basis and will take account of these views if appropriate.

The Directors do not have service contracts with the Company. The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for review at the Company's Annual General Meeting and the Company's registered office. Details of the Board's policy on tenure are set out on page 27.

Directors' Remuneration Policy Implementation

The Directors' Remuneration Policy Implementation Report, which includes details of the Directors' remuneration policy and its implementation, is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting. There have been no changes to the policy compared with the year ended 31st December 2018 and no changes are proposed for the year ending 31st December 2020.

At the Annual General Meeting held on 30th April 2019, of votes cast in respect of the Remuneration Policy, 99.5% of votes cast were in favour of (or granted discretion to the Chairman who voted in favour of) the remuneration policy and 0.5% voted against. In respect of the Remuneration Report, 99.6% of votes were cast in favour and 0.4% against.

Details of voting on both the Remuneration Policy and the Directors' Remuneration Policy Implementation Report from the 2020 Annual General Meeting will be given in the annual report for the year ending 31st December 2020.

Details of the implementation of the Company's remuneration policy are given below. No advice from remuneration consultants was received during the year under review.

Single total figure of remuneration

The single total figure of remuneration for the Board as a whole for the year ended 31st December 2019 was £180,412. The single total figure of remuneration for each Director is detailed opposite together with the prior year comparative.

There are no performance targets in place for the Directors of the Company and there are no benefits for any of the Directors which will vest in the future. There are no benefits (other than those detailed below), pension, bonus, long term incentive plans, exit payments or arrangements in place on which to report.

Single total figure table[1]

	2019			2018		
Director	Fees £	Taxable benefits[2] £	Total £	Fees £	Taxable benefits[2] £	Total £
Davina Walter	37,000	–	37,000	36,000	–	36,000
Julia Le Blan	30,900	–	30,900	30,000	–	30,000
Christopher Metcalfe[3]	24,750	–	24,750	–	–	–
Dominic Neary[3]	24,750	2,716	27,466	–	–	–
David Ross	24,750	2,546	27,296	24,000	1,635	25,635
Shefaly Yogendra	24,750	–	24,750	24,000	–	24,000
Christopher Galleymore[4]	8,250	–	8,250	24,000	–	24,000
Total	175,150	5,262	180,412	138,000	1,635	139,635

[1] Audited information. Other subject headings for the single figure table as prescribed by regulation are not included because there is nothing to disclose in relation thereto. A total amount of £15,767 (2018: £11,192) was paid on National Insurance.

[2] Taxable travel and subsistence expenses incurred in attending Board and Committee meetings.

[3] Appointed on 1st January 2019.

[4] Retired on 30th April 2019.

A table showing the total remuneration for the Chairman over the five years ended 31st December 2019 is below:

Remuneration for the Chairman over the five years ended 31st December 2019

Year ended 31st December	Fees
2019	£37,000
2018	£36,000
2017	£34,000
2016	£33,350
2015	£31,600

Directors' Shareholdings[1]

There are no requirements pursuant to the Company's Articles of Association for the Directors to own shares in the Company. The beneficial shareholdings of the Directors who held office at the year end are detailed below.

Director	31st December 2019	31st December 2018
Davina Walter	89,050	88,979
Christopher Metcalfe[2]	26,000	–
Dominic Neary[2]	7,800	–
Julia Le Blan	15,000	15,000
David Ross	25,000	25,000
Shefaly Yogendra	1,000	1,000
Christopher Galleymore[3]	–	60,000
Total	163,850	189,979

[1] Audited information.

[2] Appointed on 1st January 2019.

[3] Retired on 30th April 2019.

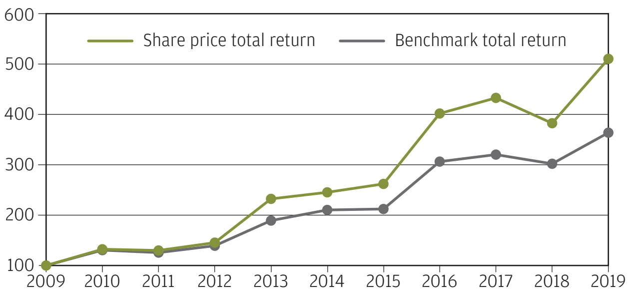
As at the last practicable date before the publication of this document, there have been no further changes to the Directors' shareholdings since the year end.

The Directors have no other share interests or share options in the Company and no share schemes are available.

No amounts (2018: nil) were paid to third parties for making available the services of Directors.

Ten Year Share Price and Benchmark Total Return Performance to 31st December 2019

In accordance with the Companies Act 2006, a graph showing the Company's share price total return compared with its benchmark, the Russell 2000 Index total return with dividends reinvested, in sterling terms, over the last ten years is shown below. The Board believes this Index is the most representative comparator for the Company.



Source: Morningstar.

The table below is provided to enable shareholders to assess the relative importance of expenditure on Directors' remuneration. It compares the remuneration with distributions to shareholders by way of dividends and share repurchases.

Expenditure by the Company on remuneration and distributions to shareholders

	Year ended 31st December 2019	2018
Remuneration paid to all Directors	£180,412	£139,635
Distribution to shareholders by way of:		
– dividend	£1,445,000	£1,422,000
– share repurchases	£1,206,000	£424,000

For and on behalf of the Board
Shefaly Yogendra
Chairman of the Remuneration Committee

8th April 2020

Statement of Directors’ Responsibilities

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare the Annual Report and Financial Statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102') and applicable law). Under Company law the Directors must not approve the Financial Statements unless they are satisfied that taken as a whole, the Annual Report and Financial Statements are fair, balanced and understandable, provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy and that they give a true and fair view of the state of affairs of the Company and of the net return or loss of the Company for that period. 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- notify the Company's shareholders in writing about the use, if any, of disclosure exemptions in FRS 102 in the preparation of the financial statements

and the Directors confirm that they have done so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations the Directors are also responsible for preparing a Directors' Report and Directors' Remuneration Report that comply with that law and those regulations.

Each of the Directors, whose names and functions are listed on pages 21 and 22 confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and return or loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal and emerging risks and uncertainties that it faces.

The Board confirms that it is satisfied that the Annual Report and Financial Statements taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Board also confirms that it is satisfied that the Strategic Report and Directors' Report include a fair review of the development and performance of the business, and the Company, together with a description of the principal risks and uncertainties that it faces.

The Financial Statements are published on the www.jpmussmallercompanies.co.uk website, which is maintained by the Manager. The maintenance and integrity of the website maintained by the Manager is, so far as it relates to the Company, the responsibility of the Manager. The work carried out by the Auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the Auditor accepts no responsibility for any changes that have occurred to the accounts since they were initially presented to the website. The accounts are prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions.

For and on behalf of the Board
Davina Walter
Chairman

8th April 2020

Independent Auditor's Report

Independent auditor's report to the members of JPMorgan US Smaller Companies Investment Trust plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of JPMorgan US Smaller Companies Investment Trust plc (the 'Company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income and Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Company financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Company associated with these particular events.

Conclusions relating to going concern, principal risks and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 17 that describe the principal risks, procedures to identify emerging risks and an explanation of how they are being managed or mitigated (including the impact of Covid-19 and Brexit);
- the directors' confirmation, set out on pages 17 and 18 of the annual report that they have completed a robust assessment of the principal and emerging risks facing the Company (including the impact of Covid-19 and Brexit), including those that would threaten its business model, future performance, solvency or liquidity;

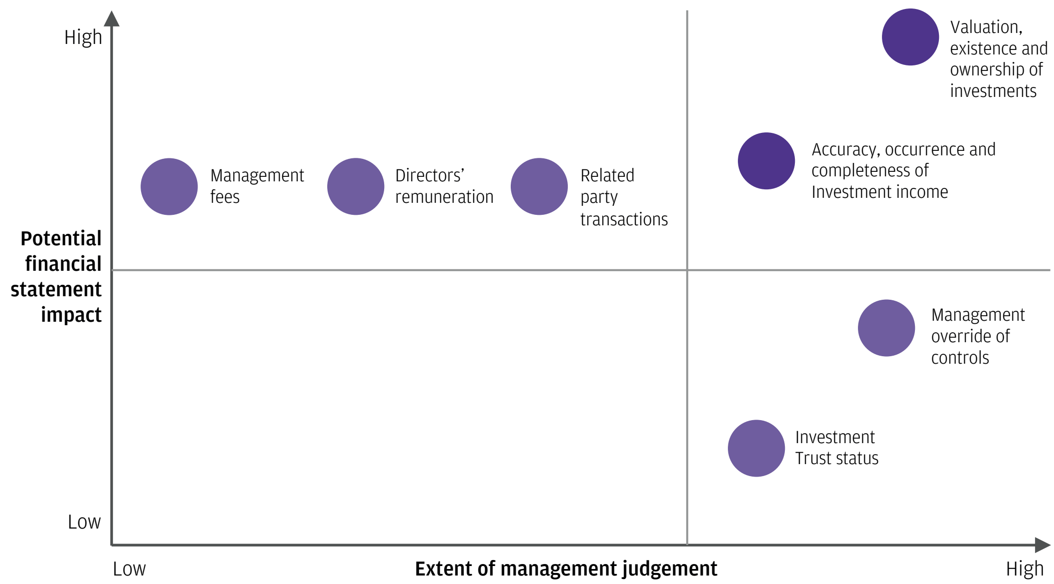
- the directors' statement, set out on page 31 of the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statements relating to going concern and the prospects of the Company required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) are materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation, set out on page 31 of the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

- Overall materiality: £1,982,000, which represents 1% of the Company's net assets;
- Key audit matters were identified as valuation, existence and ownership of investments, and accuracy, occurrence and completeness of investment income; and
- Our audit approach was a risk-based audit focused on investments at the year end and investment income recognised during the year. There is no change in audit scope from prior year.

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
Valuation, existence and ownership of investments The Company's business objective is investing in US smaller companies to achieve long-term capital growth. The investment portfolio has a carrying value of £208,253,000 and is a significant, material balance in the statement of financial position at year-end and the main driver of the Company's performance. Investments might not be properly valued using the market price at the year-end or might not exist or be owned by the Company. We therefore identified valuation, existence and ownership of investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to • Assessing whether the Company's accounting policy for the valuation of investments is in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trust' (the 'SORP') and testing whether management have accounted for valuation of investments in accordance with that accounting policy; • Testing the existence and ownership of investments by agreeing 100% of the holdings listed in the portfolio at year end to an independent confirmation that we received directly from the Company's custodian; • Independently checking the pricing of 100% of the listed equity portfolio by obtaining the bid prices from an independent market source and calculating the total valuation based on the Company's investment holdings, which was agreed to the Company's accounting records maintained by the administrator; and • Extracting a report of trading volumes in the five trading days before and after year end from an independent market source for all the equity investments held at year end to test that investments are actively traded. The Company's accounting policy on valuation of investments is shown in note 1(b) to the financial statements and related disclosures are included in note 11. The Audit Committee identified valuation, existence and ownership of investments as a significant issue in its report on page 31, where the Audit Committee has also described the action that it has taken to address this issue. **Key observations** Our audit work did not identify any material misstatements concerning the valuation, existence and ownership of investments.

Key Audit Matter	How the matter was addressed in the audit
Accuracy, occurrence and completeness of investment income Investment income is the Company's major source of revenue and a significant, material balance in the Statement of Comprehensive Income. Investment income might be incomplete or inaccurate. Under ISA (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to the fraudulent recognition of revenue. We have maintained the presumed risk of material misstatement related to revenue recognition due to fraud. We therefore identified accuracy, occurrence and completeness of investment income as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Assessing whether the Company's accounting policy for revenue recognition is in accordance with United Kingdom Generally Accepted Accounting Practice and the SORP; • Obtaining an understanding of the Company's process for recognising revenue in accordance with the Company's stated accounting policy; • Testing that income transactions were recognised in accordance with the policy by selecting a sample of quoted investments and agreeing the relevant investment income receivable for those quoted equities to the Company's accounting records maintained by the administrator. Also, for the sample of quoted investments, we obtained the respective dividend rate entitlements from an independent market source and checked against the amounts recorded in the Company's accounting records maintained by the administrator. In addition, we agreed the receipt of the dividend income to bank statements; • We checked the categorisation of special dividends as either revenue or capital receipts; and • Testing that income recorded actually occurred by selecting a sample of dividend income recorded in the income ledger and agreeing the relevant income receivable for those quoted equities to the respective dividend rate entitlements from independent sources and agreeing the investments held to Company's accounting records maintained by the administrator. In addition, we agreed the receipt of the dividend income recorded to bank statements. The Company's accounting policy on income is shown in note 1(d) to the financial statements and related disclosures are included in note 4. The Audit Committee identified recognition and completeness of investment income as a significant issue in its report on page 31, where the Audit Committee also described the action that it has taken to address this issue. **Key observations** Our audit work did not identify any material misstatements concerning the accuracy, occurrence and completeness of investment income.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

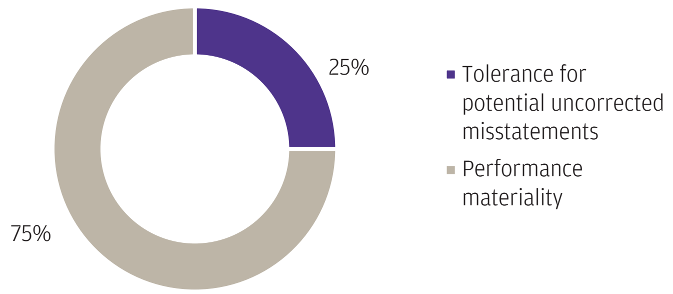
We determined materiality for the audit of the financial statements as a whole to be £1,982,000, which is 1% of the Company's net assets. This benchmark is considered the most appropriate because net assets, which is primarily composed of the Company's investment portfolio, is considered to be the key driver of the Company's total return performance.

Materiality for the current year is higher than the level that we determined for the year ended 31 December 2018 to reflect the increase in the Company's net assets in the current year.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality



We also determine a lower level of specific materiality for certain areas such as investment income, management fees and directors' remuneration.

We determined the threshold at which we will communicate misstatements to the audit committee to be £99,000. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Company's business, its environment and risk profile. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records is outsourced to third-party service providers. Therefore, our audit work was focused on:

- Obtaining an understanding of, and evaluating, relevant internal controls at both the Company and third-party service providers. This included an evaluation of the internal control reports prepared by a third-party auditor detailing the description, design and operating effectiveness of internal controls implemented by the administrator and other relevant third-party service providers; and
- Performing substantive testing, including obtaining direct confirmations on valuation, existence and ownership of investments and agreeing investment income to independent sources for accuracy, occurrence and completeness.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and industry in which it operates. We determined that the following laws and regulations were most significant: FRS 102, Companies Act 2006, UK Corporate Governance Code, Statement of Recommended Practice and compliance with the relevant provisions of HMRC's regulations applicable to an investment trust company.
- We obtained an understanding of how the Company is complying with those legal and regulatory frameworks by making inquiries of management, those responsible for legal and compliance procedures and the Company secretary. We corroborated our inquiries through our review of board minutes and papers provided to the Audit Committee. We identified whether there is culture of honesty and ethical behaviour and whether there is a strong emphasis of prevention and deterrence of fraud.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
  - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
  - understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
  - assessing matters reported through the Company's whistleblowing programme and the results of management's investigation of such matters;
  - challenging assumptions and judgments made by management in its significant accounting estimates;
  - identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- We did not identify any key audit matters relating to irregularities, including fraud.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report & Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable – the statement given by the directors set out on page 32 that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting set out on pages 31 and 32 – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 25 – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors for the financial statements

As explained more fully in the statement of directors' responsibilities set out on page 38, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the Audit Committee in August 2011. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 9 years covering the years ended 31 December 2011 to 31 December 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

8th April 2020

Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2019

	Notes	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Gains/(losses) on investments held at fair value through profit or loss	3	–	40,506	40,506	–	(8,913)	(8,913)
Net foreign currency gains/(losses) on cash and loans		–	492	492	–	(471)	(471)
Income from investments	4	2,828	–	2,828	2,561	–	2,561
Interest receivable	4	195	–	195	132	–	132
Gross return/(losses)		**3,023**	**40,998**	**44,021**	**2,693**	**(9,384)**	**(6,691)**
Management fee	5	(356)	(1,425)	(1,781)	(191)	(1,718)	(1,909)
Other administrative expenses	6	(521)	–	(521)	(477)	–	(477)
Net return/(loss) before finance costs and taxation		**2,146**	**39,573**	**41,719**	**2,025**	**(11,102)**	**(9,077)**
Finance costs	7	(100)	(398)	(498)	(47)	(425)	(472)
Net return/(loss) before taxation		**2,046**	**39,175**	**41,221**	**1,978**	**(11,527)**	**(9,549)**
Taxation	8	(456)	–	(456)	(406)	–	(406)
Net return/(loss) after taxation		**1,590**	**39,175**	**40,765**	**1,572**	**(11,527)**	**(9,955)**
Return/(loss) per share	9	**2.76p**	**67.96p**	**70.72p**	**2.75p**	**(20.17)p**	**(17.42)p**

Dividend declared in respect of the financial year ended 31st December 2019 total 2.5p (2018: 2.5p) per share amounting to £1,445,000 (2018: £1,445,000). Further information on dividends is given in note 10 on page 57.

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

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.

Net return/(loss) after taxation represents the profit/(loss) for the year and also Total Comprehensive Income.

The notes on pages 52 to 68 form an integral part of these financial statements.

FOR THE YEAR ENDED 31ST DECEMBER 2019

	Called up share capital £'000	Share Premium £'000	Capital redemption reserve £'000	Capital reserves[1] £'000	Revenue reserve[1] £'000	Total £'000
At 31st December 2017	**1,424**	**10,421**	**1,851**	**151,440**	**1,551**	**166,687**
Issue of new Ordinary shares	21	2,522	–	–	–	2,543
Shares reissued from Treasury	–	348	–	1,054	–	1,402
Repurchase of shares into Treasury	–	–	–	(424)	–	(424)
Net (loss)/return for the year	–	–	–	(11,527)	1,572	(9,955)
Dividends paid in the year	–	–	–	–	(1,422)	(1,422)
At 31st December 2018	**1,445**	**13,291**	**1,851**	**140,543**	**1,701**	**158,831**
Shares reissued from Treasury	–	101	–	1,206	–	1,307
Repurchase of shares into Treasury	–	–	–	(1,206)	–	(1,206)
Net return for the year	–	–	–	39,175	1,590	40,765
Dividends paid in the year	–	–	–	–	(1,445)	(1,445)
At 31st December 2019	**1,445**	**13,392**	**1,851**	**179,718**	**1,846**	**198,252**

[1] These reserves form the distributable reserves of the Company and may be used to fund distributions to investors.

The notes on pages 52 to 68 form an integral part of these financial statements.

AS AT 31ST DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	**208,253**	**168,014**
Current assets	12		
Debtors		655	1,211
Cash and cash equivalents		4,605	5,382
		5,260	6,593
Creditors: amounts falling due within one year	13	(15,260)	(15,776)
Derivative financial liabilities		(1)	–
Net current liabilities		**(10,001)**	**(9,183)**
Total assets less current liabilities		**198,252**	**158,831**
Net assets		**198,252**	**158,831**
Capital and reserves			
Called up share capital	14	1,445	1,445
Share premium	15	13,392	13,291
Capital redemption reserve	15	1,851	1,851
Capital reserves	15	179,718	140,543
Revenue reserve	15	1,846	1,701
Total shareholders' funds		**198,252**	**158,831**
Net asset value per share	16	**343.0p**	**274.8p**

The financial statements on pages 49 to 68 were approved and authorised for issue by the Directors on 8th April 2020 and were signed on their behalf by:

Davina Walter
Chairman

The notes on pages 52 to 68 form an integral part of these financial statements.

Company registration number: 552775.

FOR THE YEAR ENDED 31ST DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Net cash outflow from operations before dividends and interest	17	(2,297)	(2,385)
Dividends received		2,376	2,186
Interest received		195	139
Overseas tax recovered		23	24
Interest paid		(425)	(531)
Net cash outflow from operating activities		**(128)**	**(567)**
Purchases of investments		(46,362)	(55,685)
Sales of investments		47,557	53,196
Settlement of foreign currency contracts		14	(2)
Net cash inflow/(outflow) from investing activities		**1,209**	**(2,491)**
Dividends paid		(1,445)	(1,422)
Issue of new ordinary shares		–	2,543
Shares reissued from Treasury		921	1,402
Repurchase of shares into Treasury		(1,206)	(424)
Net cash (outflow)/inflow from financing activities		**(1,730)**	**2,099**
Decrease in cash and cash equivalents		**(649)**	**(959)**
Cash and cash equivalents at start of year		5,382	5,891
Exchange movements		(128)	450
Cash and cash equivalents at end of year		4,605	5,382
Decrease in cash and cash equivalents		**(649)**	**(959)**
Cash and cash equivalents consist of:			
Cash and short term deposits		10	18
Cash held in JPMorgan US Dollar Liquidity Fund		4,595	5,364
Total		**4,605**	**5,382**

RECONCILIATION OF NET DEBT

	As at 31st December 2018 £'000	Cash flows £'000	Other non-cash charges £'000	As at 31st December 2019 £'000
Cash and cash equivalents				
Cash	18	(8)	–	10
Cash equivalents	5,364	(641)	(128)	4,595
	5,382	(649)	(128)	4,605
Borrowings				
Debt due within one year	(15,704)	–	607	(15,097)
Total	**(10,322)**	**(649)**	**479**	**(10,492)**

The notes on pages 52 to 68 form an integral part of these financial statements.

FOR THE YEAR ENDED 31ST DECEMBER 2019

1. Accounting policies

(a) Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include fixed asset investments at fair value, and in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including 'the Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') and with 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 October 2019.

All of the Company's operations are of a continuing nature.

The financial statements have been prepared on a going concern basis. The disclosures on going concern on page 31 of the Audit Committee Report form part of these financial statements.

The policies applied in these financial statements are consistent with those applied in the preceding year.

(b) Valuation of investments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. The portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's Board of Directors.

Upon initial recognition the investments are treated by the Company as 'held at fair value through profit or loss'. They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off to capital at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets. For investments which are not traded in active markets, unlisted and restricted investments, the Board takes into account the latest traded prices, other observable market data and asset values based on the latest management accounts.

(c) Accounting for reserves

Gains and losses on sales of investments including the related foreign exchange gains and losses, realised exchange gains and losses on foreign currency, management fee and finance costs allocated to capital and any other capital charges, are included in the Statement of Comprehensive Income and dealt with in the capital reserve 'Gains and losses on sales of investments'.

Increases and decreases in the valuation of investments held at the year end including the related foreign exchange gains and losses, unrealised gains and losses on forward foreign currency contracts, are included in the Statement of Comprehensive Income and dealt with in the capital reserve 'Investment holding gains and losses'.

(d) Income

Dividends receivable from equity shares are included in revenue on an ex-dividend basis except where, in the opinion of the Board, the dividend is capital in nature, in which case it is included in capital.

Overseas dividends are included gross of any withholding tax.

Special dividends are looked at individually to ascertain the reason behind the payment. This will determine whether they are treated as revenue or capital.

Where the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

Deposit interest receivable is taken to revenue on an accruals basis.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to the revenue with the following exceptions:

- with effect from 1st January 2019, the management fee is allocated 20% to revenue and 80% to capital. This change brings the allocation of expenses in line with the now expected long term split of returns between capital and revenue from the Company's portfolio and the market in which it invests. In the previous year these charges were allocated 10% to revenue and 90% to capital.
- expenses incidental to the purchase and sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 11 on page 58.

(f) Finance costs

Finance costs are accounted for on an accruals basis using the effective interest method.

- with effect from 1st January 2019, the finance costs are allocated 20% to revenue and 80% to capital. This change brings the allocation of expenses in line with the now expected long term split of returns between capital and revenue from the Company's portfolio and the market in which it invests. In the previous year these charges were allocated 10% to revenue and 90% to capital.

(g) Financial instruments

Cash and cash equivalents may comprise cash including demand deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Liquidity funds are considered cash equivalents as they are held for cash management purposes as an alternative to cash.

Bank loans are classified as financial liabilities at amortised cost. They are initially measured at proceeds net of direct issue costs and subsequently measured at amortised cost. Interest payable on bank loans is accounted for on an accruals basis in the Statement of Comprehensive Income. The amortisation of direct issue costs are accounted for on an accruals basis in the Statement of Comprehensive Income using the effective interest method.

Other debtors and creditors do not carry any interest, are short term in nature and are accordingly stated at nominal value, with debtors reduced by appropriate allowances for estimated irrecoverable amounts.

(h) Taxation

Current tax is provided at the amounts expected to be paid or recovered.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is more likely than not that taxable profits will be available against which those timing differences can be utilised.

Tax relief is allocated to expenses charged to capital on the 'marginal basis'. On this basis, if taxable income is capable of being entirely offset by revenue expenses, then no tax relief is transferred to the capital column.

Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the balance sheet date and is measured on an undiscounted basis.

(i) Value Added Tax ('VAT')

Expenses are disclosed inclusive of the related irrecoverable VAT. Recoverable VAT is calculated using the partial exemption method based on the proportion of zero rated supplies to total supplies.

1. Accounting policies *continued*

(j) Functional currency

The Company is required to identify its functional currency, being the currency of the primary economic environment in which the Company operates.

The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined that sterling is the functional currency. Sterling is also the currency in which the financial statements are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates at the date of the transaction. Monetary assets and liabilities and equity investments held at fair value denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in revenue or capital, depending on whether the gain or loss is of a revenue or capital nature.

(k) Dividends payable

Dividends are included in the financial statements in the year in which they are approved by shareholders.

(l) Repurchase of shares into Treasury

The cost of repurchasing shares into Treasury, including the related stamp duty and transaction costs is charged to capital reserves and dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. Where shares held in Treasury are subsequently cancelled, the nominal value of those shares is transferred out of called up share capital and into capital redemption reserve.

Should shares held in Treasury be reissued, the sales proceeds will be treated as a realised profit up to the amount of the purchase price of those shares and will be transferred to capital reserves. The excess of the sales proceeds over the purchase price will be transferred to share premium.

2. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements on occasion requires the Directors to make judgements, estimates and assumptions that affect the reported amounts in the primary financial statements and the accompanying disclosures. These assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the current and future periods, depending on circumstance.

The Directors do not believe that any significant accounting judgements or estimates have been applied to this set of financial statements, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

3. Gains/(losses) on investments held at fair value through profit or loss

	2019 £'000	2018 £'000
Realised gains on sales of investments	14,380	14,205
Net change in unrealised gains and (losses) on investments	26,131	(23,112)
Other capital charges	(5)	(6)
Total capital gains/(losses) on investments held at fair value through profit or loss	**40,506**	**(8,913)**

4. Income

	2019 £'000	2018 £'000
Income from investments		
Dividends from investments	2,828	2,561
Interest receivable		
Interest from liquidity fund	195	132
Total income	**3,023**	**2,693**

5. Management fee

	2019			2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee[1,2]	356	1,425	1,781	191	1,718	1,909

[1] In the year under review until 30th June 2019, the Manager received a basic management fee of 1.00% of the Company's gross assets. From 1st July 2019, the management fee was reduced to a basic fee of 0.9% of the Company's gross assets (excluding liquidity assets) up to £100 million, and 0.75% of the Company's gross assets (excluding liquidity assets) thereafter (see note 1e).

[2] With effect from 1st January 2019, the management fee is allocated 20% to revenue and 80% to capital (2018: 10% to revenue and 90% to capital).

6. Other administrative expenses

	2019 £'000	2018 £'000
Administration expenses	263	256
Directors' remuneration[1]	180	140
Depositary fees[2]	26	25
Savings scheme costs[3]	21	29
Fees payable to the Company's Auditor for the audit of the Company's annual accounts[4]	31	27
	521	**477**

[1] Full disclosure is given in the Directors' Remuneration Report on page 35.

[2] Includes £2,000 (2018: £1,000) irrecoverable VAT.

[3] Paid to the Manager for the administration of saving scheme products. Includes £2,000 (2018: £2,000) irrecoverable VAT.

[4] Includes £2,000 (2018: £2,000) irrecoverable VAT.

7. Finance costs

	2019			2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Bank loans and overdraft interest[1]	100	398	498	47	425	472

[1] With effect from 1st January 2019, finance costs are allocated 20% to revenue and 80% to capital (2018: 10% to revenue and 90% to capital).

8. Taxation

(a) Analysis of tax charge for the year

	2019 £'000	2018 £'000
Overseas withholding tax	456	406
Total tax charge for the year	**456**	**406**

(b) Factors affecting total tax charge for the year

Approved investment trusts are exempt from tax on capital gains made within the company.

The UK corporation tax rate is 19%, giving an effective rate of 19% (2018: 19%). The tax assessed is lower (2018: higher) than the Company's applicable rate of corporation tax of 19% (2018: 19%). The factors affecting the total tax charge for the year are as follows:

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Net return/(losses) before taxation	2,046	39,175	41,221	1,978	(11,527)	(9,549)
Corporation tax at the effective rate of 19% (2018: 19%)	389	7,443	7,832	376	(2,190)	(1,814)
Effects of:						
Non taxable capital (gains)/losses	–	(7,790)	(7,790)	–	1,783	1,783
Non taxable overseas dividends	(466)	–	(466)	(418)	–	(418)
Unrelieved expenses	86	347	433	58	407	465
Income taxed in different years	2	–	2	(7)	–	(7)
Overseas withholding tax	456	–	456	406	–	406
Double taxation relief expensed	(11)	–	(11)	(9)	–	(9)
Total tax charge for the year	**456**	**–**	**456**	**406**	**–**	**406**

(c) Deferred taxation

The Company has not recognised a deferred tax asset of £5,710,000 (2018: £4,729,000) based on a prospective corporation tax rate of 19% (2018: 17%). The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the financial statements.

Due to the Company's status as an investment trust company and the intention to continue meeting the conditions required to maintain such status in the foreseeable future, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

9. Return/(loss) per share

	2019 £'000	2018 £'000
Revenue return	1,590	1,572
Capital return/(loss)	39,175	(11,527)
Total return/(loss)	**40,765**	**(9,955)**
Weighted average number of shares in issue during the year	57,641,214	57,156,038
Revenue return per share	2.76p	2.75p
Capital return/(loss) per share	67.96p	(20.17)p
Total return/(loss) per share	**70.72p**	**(17.42)p**

10. Dividends

(a) Dividends paid and declared

	2019 £'000	2018 £'000
Dividend paid		
2018 final dividend of 2.5p (2017: 2.5p) paid to shareholders in May 2019	1,445	1,422
Dividend declared		
2019 final dividend of 2.5p (2018: 2.5p) declared	1,445	1,445

All dividends paid and declared in the year have been funded from the revenue reserve.

The final dividend has been declared in respect of the year ended 31st December 2019. In accordance with the accounting policy of the Company, this dividend will be reflected in the accounts for the year ending 31st December 2020.

(b) Dividends for the purposes of Section 1158 of the Corporation Tax Act 2010 ('Section 1158')

The requirements of Section 1158 are considered on the basis of dividends declared in respect of the financial year as shown below. The revenue available for distribution by way of dividend for the year is £1,590,000 (2018: £1,572,000).

	2019 £'000	2018 £'000
2019 final dividend of 2.5p (2018: 2.5p) declared	1,445	1,445

11. Investments

	2019 £'000	2018 £'000
Investments listed on a recognised stock exchange	208,253	168,014
Opening book cost	132,347	116,629
Opening investment holding gains	35,667	58,779
Opening valuation	168,014	175,408
Movements in the year:		
Purchases at cost	46,382	55,685
Sales proceeds	(46,654)	(54,172)
Gains/(losses) on investments held at fair value through profit or loss	40,511	(8,907)
	208,253	**168,014**
Closing book cost	146,455	132,347
Closing investment holding gains	61,798	35,667
Total investments held at fair value through profit or loss	**208,253**	**168,014**

Transaction costs on purchases during the year amounted to £21,000. (2018: £27,000) and on sales during the year amounted to £18,000 (2018: £20,000). These costs comprise mainly brokerage commission and stamp duty.

12. Current assets

	2019 £'000	2018 £'000
Debtors		
Issue of Company's own shares awaiting settlement	386	–
Dividends and interest receivable	179	206
Securities sold awaiting settlement	61	969
Other debtors	29	36
	655	**1,211**

The Directors consider that the carrying amount of debtors approximates to their fair value.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, short term deposits and liquidity funds. The carrying amount of these represents their fair value.

13. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank loan	15,097	15,704
Loan interest payable	78	5
Securities purchased awaiting settlement	20	–
Other creditors and accruals	65	67
	15,260	**15,776**

The Directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

On 2nd April 2019, the Company renewed its US$25 million loan facility with Scotiabank, with an option to draw a further US$10 million. Interest on the renewed facility is payable at a margin over LIBOR as offered in the market for the loan period plus the 'mandatory costs' rate, which is the lender's cost of complying with certain regulatory requirements. This facility is unsecured and is subject to covenants which are customary for a credit agreement of this nature. On 1st November 2019, the Company renewed the facility on the same terms. The current facility matures on 30th October 2020 at which point the Board will review its borrowing facility.

As at 31st December 2019, the Company had drawn down US$20.0 million (£15.1million) on this facility. As at 31st December 2018, the Company had drawn down US$20.0 million (£15.7 million) on the US$25.0 million facility with Scotiabank.

14. Called up share capital

	2019 £'000	2018 £'000
Ordinary shares allotted and fully paid		
Opening balance of 57,791,928 (2018: 56,651,928) shares excluding shares held in Treasury Issue of nil new ordinary shares (2018: 821,000)	1,445	1,416
Issue of nil new ordinary shares (2018: 821,000)	–	21
Repurchase of 376,500 (2018: 135,000) shares into Treasury	(9)	(3)
Reissue of 376,500 (2018: 454,000) shares from Treasury	9	11
Subtotal of 57,791,928 (2018: 57,791,928) shares of 2.5p each excluding shares held in Treasury	**1,445**	**1,445**
Nil (2018: nil) shares held in Treasury	–	–
Closing balance of 57,791,928(2018: 57,791,928) shares of 2.5p each including shares held in Treasury	**1,445**	**1,445**

Further details of transactions in the Company's shares are given in the Strategic Report on page 16.

15. Capital and reserves

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves[1] Gains and losses on sales of investments £'000	Capital reserves[1] Investment holding gains and losses £'000	Revenue reserve[1] £'000	Total £'000
Opening balance	1,445	13,291	1,851	108,581	31,962	1,701	158,831
Net foreign currency losses on cash and cash equivalents	–	–	–	(114)	–	–	(114)
Unrealised losses on foreign currency contracts	–	–	–	–	(1)	–	(1)
Realised gains on sale of investments	–	–	–	14,380	–	–	14,380
Net change in unrealised gains and losses on investments	–	–	–	–	26,131	–	26,131
Repurchase of shares into Treasury	–	–	–	(1,206)	–	–	(1,206)
Shares reissued from Treasury	–	101	–	1,206	–	–	1,307
Unrealised currency gains on loans	–	–	–	–	607	–	607
Management fee and finance costs charged to capital	–	–	–	(1,823)	–	–	(1,823)
Other capital charges	–	–	–	(5)	–	–	(5)
Dividends paid in the year	–	–	–	–	–	(1,445)	(1,445)
Retained revenue for the year	–	–	–	–	–	1,590	1,590
Closing balance	**1,445**	**13,392**	**1,851**	**121,019**	**58,699**	**1,846**	**198,252**

[1] These reserves form the distributable reserves of the Company and may be used to fund distributions to investors.

16. Net asset value per share

	2019	2018
Net assets (£'000)	198,252	158,831
Number of shares in issue	57,791,928	57,791,928
Net asset value per share	**343.0p**	**274.8p**

17. Reconciliation of net return/(loss) before finance costs and taxation to net cash outflow from operations before dividends and interest

	2019 £'000	2018 £'000
Net return/(loss) before finance costs and taxation	41,719	(9,077)
(Less capital return)/add capital loss before finance costs and taxation	(39,573)	11,102
Decrease in accrued income and other debtors	34	56
(Decrease)/increase in accrued expenses	(2)	7
Management fee charged to capital	(1,425)	(1,718)
Overseas withholding tax	(479)	(430)
Dividends received	(2,376)	(2,186)
Interest received	(195)	(139)
Net cash outflow from operations before dividends and interest	**(2,297)**	**(2,385)**

18. Contingent liabilities and capital commitments

At the balance sheet date there were no capital commitments or contingent liabilities (2018: same).

19a. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on page 23. The management fee payable to the Manager for the year was £1,781,000 (2018: £1,909,000) of which £nil (2018: £nil) was outstanding at the year end.

During the year £21,000 (2018: £29,000), including VAT, was payable to the Manager for the administration of savings scheme products, of which £nil (2018: £nil) was outstanding at the year end.

Included in administration expenses in note 6 on page 55 are safe custody fees amounting to £2,000 (2018: £2,000) payable to JPMorgan Chase Bank, N.A. of which £nil (2018: £nil) was outstanding at the year end.

The Company also holds cash in the JPMorgan US Dollar Liquidity Fund, which is managed by JPMorgan. At the year end this was valued at £4.6 million (2018: £5.4 million). Income amounting to £195,000 (2018: £132,000) was receivable during the year of which £nil (2018: £nil) was outstanding at the year end. The JPMorgan US Dollar Liquidity Fund does not charge a fee and the Company does not invest in any other investment fund managed or advised by JPMorgan.

Handling charges on dealing transactions amounting to £5,000 (2018: £6,000) were payable to JPMorgan Chase Bank, N.A. during the year of which £1,000 (2018: £1,000) was outstanding at the year end.

At the year end, total cash of £10,000 (2018: £18,000) was held with JPMorgan Chase Bank, N.A. A net amount of interest of £nil (2018: £nil) was receivable by the Company during the year from JPMorgan Chase Bank, N.A of which £nil (2018: £nil) was outstanding at the year end.

19b. Transactions with related parties

Full details of Directors' remuneration and shareholdings can be found on page 35 and in note 6 on page 55.

20. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 102 that are held at fair value comprise its investment portfolio.

The investments are categorised into a hierarchy consisting of the following three levels:

(1) The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date

(2) Inputs other than quoted prices included within Level 1 that are observable (i.e.: developed using market data) for the asset or liability, either directly or indirectly

(3) Inputs are unobservable (i.e.: for which market data is unavailable) for the asset or liability

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

Details of the valuation techniques used by the Company are given in note 1(b) on page 52.

The following table sets out the fair value measurements using the FRS 102 hierarchy at 31st December.

	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	208,253	–	168,014	–
Level 2[1]	–	(1)	–	–
Total	**208,253**	**(1)**	**168,014**	**–**

[1] Forward foreign currency contract.

There were no transfers between Level 1, 2 or 3 during the year (2018: none).

21. Financial instruments' exposure to risk and risk management policies

As an investment trust, the Company invests in equities and other securities for the long term so as to secure its investment objective stated on the 'Features' page. In pursuing this objective, the Company is exposed to a variety of financial risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

These financial risks include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year.

The Company's classes of financial instruments are as follows:

- investments in US equity shares, which are held in accordance with the Company's investment objective;
- cash held within a liquidity fund;
- short term debtors, creditors and cash arising directly from its operations;
- short term forward currency contracts for the purpose of settling short term liabilities; and
- bank loans and overdrafts, the purpose of which is to finance the Company's operations.

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these three elements of market risk is given in parts (i) and (iii) of this note, together with sensitivity analysis where appropriate. The Board reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Currency risk

The majority of the Company's assets and income are denominated in currencies other than sterling which is the Company's functional currency and the currency in which it reports. As a result, movements in exchange rates will affect the sterling value of those items.

Management of currency risk

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board, which meets on at least six occasions each year. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. Foreign currency borrowing may be used to limit the Company's exposure to anticipated changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. This borrowing is limited to currencies and amounts commensurate with the asset exposure to those currencies. Income denominated in foreign currencies is converted to sterling on receipt. The Company may use short term forward currency contracts to manage working capital requirements.

Foreign currency exposure

The fair value of the Company's monetary items that have foreign currency exposure at 31st December are shown below. Where the Company's equity investments (which are not monetary items) are priced in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	2019 £'000	2018 £'000
Sterling equivalent of US$ exposure		
Current assets	5,051	6,557
Creditors	(98)	(5)
Bank loans	(15,097)	(15,704)
Foreign currency exposure on net monetary items	(10,144)	(9,152)
Investments held at fair value through profit or loss	208,253	168,014
Total net foreign currency exposure	**198,109**	**158,862**

The above year end amounts are broadly representative of the exposure to foreign currency risk during the current and comparative year.

21. Financial instruments' exposure to risk and risk management policies *continued*

(a) Market risk *continued*

(i) Currency risk *continued*

Foreign currency sensitivity

The following table illustrates the sensitivity of net return after taxation for the year and net assets with regard to the Company's financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's financial instruments held at each balance sheet date and the income receivable in foreign currency and assumes a 10% (2018: 10%) appreciation or depreciation in sterling against the US Dollar which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

	2019		2018	
	If sterling strengthens by 10% £'000	If sterling weakens by 10% £'000	If sterling strengthens by 10% £'000	If sterling weakens by 10% £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	(302)	302	(269)	269
Capital return	(19,811)	19,811	(15,886)	15,886
Total return after taxation	(20,113)	20,113	(16,155)	16,155
Net assets	**(20,113)**	**20,113**	**(16,155)**	**16,155**

In the opinion of the Directors, the above sensitivity analysis is broadly representative of the whole year.

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits, the liquidity fund and the interest payable on the Company's variable rate cash borrowings. The Company has no exposure to fair value interest rate risk as it has no fixed interest investments and borrowings.

Management of interest rate risk

The Company does not normally hold significant cash balances. The Company may finance part of its activities through borrowings at levels approved and monitored by the Board. The Board's policy is to limit gearing within the range of 5% net cash to 15% geared (+/-2.5%).

Derivatives are not used to hedge against the exposure to interest rate risk.

Interest rate exposure

The exposure of financial assets and liabilities to floating interest rates, giving cash flow interest rate risk when rates are reset, is shown below.

	2019 £'000	2018 £'000
Exposure to floating interest rates:		
Cash and short term deposits	10	18
JPMorgan US Dollar Liquidity Fund	4,595	5,364
Bank loan	(15,097)	(15,704)
Total exposure	**(10,492)**	**(10,322)**

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2018: same). The target interest earned on the JPMorgan US Dollar Liquidity Fund is the 7 day $ London Interbank Bid Rate. Details of the bank loan are given in note 13 on page 59.

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2018: 0.5%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date with all other variables held constant.

	2019		2018	
	0.5% increase in rate £'000	0.5% decrease in rate £'000	0.5% increase in rate £'000	0.5% decrease in rate £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	8	(8)	19	(19)
Capital return	(60)	60	(71)	71
Total return after taxation	(52)	52	(52)	52
Net assets	**(52)**	**52**	**(52)**	**525**

In the opinion of the Directors, this sensitivity analysis may not be representative of the Company's future exposure to interest rate changes due to fluctuations in the level of cash balances, cash held in the liquidity fund and amounts drawn down on the Company's loan facilities.

(iii) Other price risk

Other price risk includes changes in market prices, other than those arising from interest rate risk or currency risk, which may affect the value of equity investments.

Management of other price risk

The Board considers on a regular basis the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objectives and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

Other price risk exposure

The Company's total exposure to changes in market prices at 31st December comprises its holdings in equity investments as follows:

	2019 £'000	2018 £'000
Investments held at fair value through profit or loss	208,253	168,014

The above data is broadly representative of the exposure to other price risk during the current and comparative year.

Concentration of exposure to other price risk

A list of the Company's investments is given on page 12. This shows that all of the investments are listed in the USA. Accordingly there is a concentration of exposure to that country. However it should be noted that an investment may not be entirely exposed to the economic conditions in its country of listing.

21. Financial instruments' exposure to risk and risk management policies *continued*

(a) Market risk *continued*

(iii) Other price risk *continued*

Other price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2018: 10%) in the market values. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities, adjusting for changes in the management fee but with all other variables held constant.

	2019		2018	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	(31)	31	(17)	17
Capital return	20,700	(20,700)	16,650	(16,650)
Total return after taxation for the year	20,669	(20,669)	16,633	(16,633)
Net assets	**20,669**	**(20,669)**	**16,633**	**(16,633)**

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft and bank loan facilities.

The Board's policy is for the Company to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities and working capital and to gear the Company as appropriate.

Liquidity risk exposure

Contractual maturities of the financial liabilities based on the earliest date on which payment can be required are as follows:

	2019			2018		
	Three months or less £'000	More than three months but less than one year £'000	Total £'000	Three months or less £'000	More than three months but less than one year £'000	Total £'000
Creditors						
Securities purchased awaiting settlement	20	–	20	–	–	–
Other creditors and accruals	65	–	65	67	–	67
Derivative financial liabilities	1	–	1	–	–	–
Bank loan, including interest	186	15,354	15,540	100	15,706	15,806
	272	**15,354**	**15,626**	**167**	**15,706**	**15,873**

The liabilities shown above represent future contractual payments and therefore differ from the amounts shown in the Statement of Financial Position.

(c) Credit risk

Credit risk is the risk that the failure of the counterparty to a transaction to discharge its obligations under that transaction could result in loss to the Company.

Management of credit risk

Portfolio dealing

The Company invests in markets that operate Delivery Versus Payment ('DVP') settlement. The process of DVP mitigates the risk of losing the principal of a trade during the settlement process. The Manager continuously monitors dealing activity to ensure best execution, a process that involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparty lists are maintained and adjusted accordingly.

Cash and cash equivalents

Counterparties are subject to regular credit analysis by the Manager and deposits can only be placed with counterparties that have been approved by JPMAM's Counterparty Risk Group. The Board regularly reviews the counterparties used by the Manager.

Exposure to JPMorgan Chase

JPMorgan Chase Bank, N.A. is the custodian of the Company's assets. The Company's assets are segregated from JPMorgan Chase's own trading assets. Therefore these assets are designed to be protected from creditors in the event that JPMorgan Chase were to cease trading.

The Depositary, Bank of New York Mellon (International) Limited, is responsible for the safekeeping of all custodial assets of the Company and for verifying and maintaining a record of all other assets of the Company. However, no absolute guarantee can be given on the protection of all the assets of the Company.

Credit risk exposure

The amounts shown in the Statement of Financial Position under debtors and cash and cash equivalents represent the maximum exposure to credit risk at the current and comparative year ends.

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the Statement of Financial Position at fair value or the carrying amount in the Statement of Financial Position is a reasonable approximation of fair value.

22. Capital management policies and procedures

The Company's debt and capital structure comprises the following:

	2019 £'000	2018 £'000
Debt:		
Bank loan	15,097	15,704
Equity:		
Called up share capital	1,445	1,445
Reserves	196,807	157,386
	198,252	158,831
Total debt and equity	**213,349**	**174,535**

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the income and capital return to its equity shareholders through an appropriate level of gearing.

The Board's policy is to utilise liquidity and borrowings to remain invested within a maximum gearing limit of 15% geared (+/-2.5% if as a result of market investment).

	2019 £'000	2018 £'000
Investments held at fair value through profit or loss	208,253	168,014
Net assets	198,252	158,831
Gearing	**5.0%**	**5.8%**

The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account the Manager's views on the market;
- the need to buy back equity shares, either for cancellation or to hold in Treasury, which takes into account the share price discount or premium; and
- the opportunity for issues of new shares, including issues from Treasury.

23. Subsequent events

At 31st December 2019, the Company's share capital comprised 57,791,928 ordinary shares of 2.5p each, including no shares held in Treasury. Since the year end, a further 960,000 new shares have been issued, and 100,000 repurchased into Treasury resulting in total share capital of 58,751,928 ordinary shares as at the date of this report.

Subsequent to the year end, equity markets experienced substantial falls associated with uncertainties linked to the COVID-19 virus pandemic. Since the year end, the NAV of the Company has fallen 26.1%, as at the date of this report.

Regulatory Disclosures

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ('AIFMD') DISCLOSURES (UNAUDITED)

Leverage

For the purposes of the Alternative Investment Fund Managers Directive (AIFMD), leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and is calculated on a gross and a commitment method, in accordance with AIFMD. Under the gross method, exposure represents the sum of the Company's positions without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated after certain hedging and netting positions are offset against each other.

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by the AIFMD (see Glossary of Terms and Alternative Performance Measures on pages 76 and 77), as at 31st December 2019, which gives the following figures:

	Gross Method	Commitment Method
Leverage Exposure		
Maximum limit	200%	200%
Actual	107%	107%

JPMorgan Funds Limited (the '**Management Company**') is the authorised manager of JPMorgan US Smaller Companies Investment Trust plc (the '**Company**') and is part of the J.P. Morgan Chase & Co. group of companies. In this section, the terms 'J.P. Morgan' or 'Firm' refer to that group, and each of the entities in that group globally, unless otherwise specified.

This section of the annual report has been prepared in accordance with the Alternative Investment Fund Managers Directive (the 'AIFMD'), the European Commission Delegated Regulation supplementing the AIFMD, and the 'Guidelines on sound remuneration policies' issued by the European Securities and Markets Authority under the AIFMD. The information in this section is in respect of the most recent complete remuneration period ('**Performance Year**') as at the reporting date.

This section has also been prepared in accordance with the relevant provisions of the Financial Conduct Authority Handbook (FUND 3.3.5).

JPMF Remuneration Policy

A summary of the Remuneration Policy currently applying to the Management Company (the 'Remuneration Policy Statement') can be found at https://am.jpmorgan.com/gb/en/asset-management/gim/per/legal/emea-remuneration-policy. This Remuneration Policy Statement includes details of how remuneration and benefits are calculated, including the financial and non-financial criteria used to evaluate performance, the responsibilities and composition of the Firm's Compensation and Management Development Committee, and the measures adopted to avoid or manage conflicts of interest. A copy of this policy can be requested free of charge from the Management Company.

The Remuneration Policy applies to all employees of the Management Company, including individuals whose professional activities may have a material impact on the risk profile of the Management Company or the Alternative Investment Funds it manages ('AIFMD Identified Staff'). The AIFMD Identified Staff include members of the Board of the Management Company (the 'Board'), senior management, the heads of relevant Control Functions, and holders of other key functions. Individuals are notified of their identification and the implications of this status on at least an annual basis.

The Board reviews and adopts the Remuneration Policy on an annual basis, and oversees its implementation, including the classification of AIFMD Identified Staff. The Board last reviewed and adopted the Remuneration Policy that applied for the 2019 Performance Year in June 2019 with no material changes and was satisfied with its implementation.

Quantitative Disclosures

The table below provides an overview of the aggregate total remuneration paid to staff of the Management Company in respect of the 2019 Performance Year and the number of beneficiaries. These figures include the remuneration of all staff of JP Morgan Asset Management (UK) Ltd (the relevant employing entity) and the number of beneficiaries, both apportioned to the Management Company on an Assets Under Management ('AUM') weighted basis.

Due to the Firm's operational structure, the information needed to provide a further breakdown of remuneration attributable to the Company is not readily available and would not be relevant or reliable. However, for context, the Management Company manages 30 Alternative Investment Funds (with 4 sub-funds) and 2 UCITS (with 38 sub-funds) as at 31st December 2019, with a combined AUM as at that date of £13.8 billion and £17.1 billion respectively.

	Fixed remuneration	Variable remuneration	Total remuneration	Number of beneficiaries
All staff of the Management Company (USD$'000s)	15,972	9,139	25,111	119

The aggregate 2019 total remuneration paid to AIFMD Identified Staff was USD $57,448,000, of which USD $4,425,000 relates to Senior Management and USD $53,024,000 relates to other Identified Staff.[1]

[1] Since 2017, the AIFMD identified staff disclosures includes employees of the companies to which portfolio management has been formally delegated in line with the latest ESMA guidance.

SECURITIES FINANCING TRANSACTIONS REGULATION ('SFTR') DISCLOSURES (UNAUDITED)

The Company does not engage in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-selling back transactions or sell-buy back transactions and margin lending transactions) or Total Return Swaps. Accordingly, disclosures required by Article 13 of the Regulation are not applicable for the year ended 31st January 2020.

Shareholder Information

Notice is hereby given that the sixty-third Annual General Meeting of JPMorgan US Smaller Companies Investment Trust plc will be held at 60 Victoria Embankment, London EC4Y 0JP on Tuesday, 26th May 2020 at 11.00 a.m. for the following purposes:

1. To receive the Directors' Report, the Annual Accounts and the Auditor's Report for the year ended 31st December 2019.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31st December 2019.
4. To approve a final dividend of 2.5 pence per share.
5. To reappoint Julia Le Blan as a Director of the Company.
6. To reappoint David Ross as a Director of the Company.
7. To reappoint Shefaly Yogendra as a Director of the Company.
8. To reappoint Christopher Metcalfe as a Director of the Company.
9. To reappoint Dominic Neary as a Director of the Company.
10. To reappoint Grant Thornton UK LLP as Auditor to the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider the following resolutions:

Continuation – Ordinary Resolution

11. THAT the Company continue in existence as an investment trust for a further five year period.

Authority to allot new ordinary shares – Ordinary Resolution

12. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to and in accordance with Section 551 of the Act to exercise all the powers for the Company to allot shares in the Company and to grant rights to subscribe for, or convert any security into, shares in the Company ('Rights') up to an aggregate nominal amount of £146,629, representing approximately 10% of the Company's issued ordinary share capital (excluding shares held in Treasury, if any) as at the date of the passing of this Resolution, provided that this authority shall expire at the Annual General Meeting of the Company to be held in 2021, unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers or agreement which would or might require shares to be allotted on Rights to be granted after such expiry and so that the Directors of the Company may allot shares and grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

Authority to disapply pre-emption rights on allotment of new ordinary shares – Special Resolution

13. THAT, subject to the passing of the Resolution 11 set out above, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 11 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £146,629, representing approximately 10% of the issued ordinary share capital as at the date of the passing of this resolution at a price of not less than the net asset value per share and shall expire upon the expiry of the general authority conferred by Resolution 12 above, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuant of such offers or agreements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares – Special Resolution

14. THAT the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of Section 693 of the Act) of its issued ordinary shares on such terms and in such manner as the Directors may from time to time determine

    PROVIDED ALWAYS THAT

    (i) the maximum number of ordinary shares hereby authorised to be purchased shall be 8,791,924 or, if less, that number of ordinary shares which is equal to 14.99% of the Company's issued share capital (less shares held in Treasury, if any) as at the date of the passing of this resolution;

    (ii) the minimum price which may be paid for an ordinary share shall be 2.5p;

    (iii) the maximum price which may be paid for an ordinary share shall be an amount equal to: (a) 105% of the average of the middle market quotations for an ordinary share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased; or (b) the price of the last independent trade; or (c) the highest current independent bid;

(iv) any purchase of ordinary shares will be made in the market for cash at prices below the prevailing net asset value per ordinary share (as determined by the Directors);

(v) the authority shall expire on 26th October 2021 unless the Authority is renewed at the Company's Annual General Meeting in 2021 or at any other general meeting prior to such time; and

(vi) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of ordinary shares pursuant to any such contract notwithstanding such expiry.

By order of the Board
Lucy Dina, for and on behalf of
JPMorgan Funds Limited,
Secretary

20th April 2020

Notes

These notes should be read in conjunction with the notes on the reverse of the proxy form.

1. A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person.
3. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form no later than 11.00 a.m. two business days prior to the Meeting (i.e. excluding weekends and bank holidays).
4. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.
5. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.
6. Entry to the Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.

7. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative. Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.

8. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's accounts (including the Auditors' report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with Auditors of the Company ceasing to hold office since the previous AGM, which the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.

9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.

10. Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

11. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

12. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.jpmussmallercompanies.co.uk.

13. The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). it will also be available for inspection at the Annual General Meeting. No Director has any contract of service with the Company.

14. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.

15. As an alternative to completing a hardcopy Form of Proxy/Voting Direction Form, you can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk. You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed under your name on the Form of Proxy/Voting Direction Form). Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview, you can submit your Form of Proxy at www.shareview.co.uk. Full instructions are given on both websites.

16. As at 7th April 2020 (being the latest business day prior to the publication of this Report and Accounts), the Company's issued share capital consists of 58,751,928 ordinary shares (of which 100,000 are held in Treasury), carrying one vote each. Therefore, the total voting rights in the Company are 58,651,928.

Electronic appointment – CREST members

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. See further instructions on the proxy form.

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	Year ended 31st December 2019	Year ended 31st December 2018	
Opening share price (p)	4	266.0	303.8	(a)
Closing share price (p)	4	352.0	266.0	(b)
Total dividend adjustment factor[1]		1.008224	1.009091	(c)
Adjusted closing share price (d = b x c)		354.9	268.4	(d)
Total return to shareholders (e = d / a – 1)		**33.4%**	**–11.6%**	**(e)**

[1] The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the last traded price quoted at the ex-dividend date.

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, without transaction costs, into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

Total return calculation	Page	Year ended 31st December 2019	Year ended 31st December 2018	
Opening cum-income NAV per share (p)	4	274.8	294.2	(a)
Closing cum-income NAV per share (p)	4	343.0	274.8	(b)
Total dividend adjustment factor[2]		1.008010	1.008916	(c)
Adjusted closing cum-income NAV per share (d = b x c)		345.7	277.3	(d)
Total return on net assets (e = d / a – 1)		**25.8%**	**–5.8%**	**(e)**

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 per share when calculating the total return on net assets.

[2] The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the cum-income NAV at the ex-dividend date.

Net asset value per share (APM)

The value of the Company's net assets (total assets less total liabilities) divided by the number of ordinary shares in issue. Please see note 16 page 60 for detailed calculations.

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 follow or ‘track’ this index and consequently, there may be some divergence between the Company’s performance and that of the benchmark.

Returns rebased to 100 as at 31st December 2009:

The total return to shareholders and total return on net assets figures shown in this section represent the cumulative return or loss as at the end of the year shown in the column heading compared to the base year, which has been set at 100.

Return figures above 100 represent cumulative returns greater than the base year level. Conversely, return figures below 100 represent cumulative returns lower than the base year level. E.g. the figure shown in the first column from the right represents ten years’ cumulative return when compared against the base year.

Gearing/(Net Cash) (APM)

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.

Gearing calculation	Page	31st December 2019 £'000	31st December 2018 £'000	
Investments held at fair value through profit or loss	50	208,253	168,014	(a)
Net assets	50	198,252	158,831	(b)
Gearing (c = a / b – 1)		**5.0%**	**5.8%**	**(c)**

Ongoing Charges (APM)

The ongoing charges represent 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.

Ongoing charges calculation	Page	Year ended 31st December 2019 £'000	Year ended 31st December 2018 £'000	
Management Fee	49	1,781	1,909	
Other administrative expenses	49	521	477	
Total management fee and other administrative expenses		2,302	2,386	(a)
Average daily cum-income net assets		186,723	175,980	(b)
Ongoing charges (d = a / c)		**1.23%**	**1.36%**	**(c)**

Share Price Premium/(Discount) 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.

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 (page 4).

Performance attribution

Analysis of how the Company achieved its recorded performance relative to its benchmark.

Performance Attribution Definitions:

– **Stock Selection**
  Measures the effect of investing in securities to a greater or lesser extent than their weighting in the benchmark, or of investing in securities which are not included in the benchmark.

– **Sector allocation**
  Measures the impact of allocating assets differently from those in the benchmark, via the portfolio's weighting in different countries, sectors or asset types.

– **Gearing/(Net Cash)**
  Measures the impact on returns of borrowings or cash balances on the Company's relative performance.

– **Management fee/Other expenses**
  The payment of fees and expenses reduces the level of total assets, and therefore has a negative effect on relative performance.

– **Share Buyback**
  Measures the enhancement to net asset value per share of buying back the Company's shares for cancellation at a price which is less than the Company's net asset value per share

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

1. Via a third party provider

Third party providers include:

AJ Bell
Barclays Smart Investor
Charles Stanley Direct
Fidelity FundsNetwork
Halifax
Hargreaves Lansdown
Interactive Investor
Selftrade
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.

The Board encourages all of its shareholders to exercise their rights and notes that many specialist platforms provide shareholders with the ability to receive company documentation, to vote their shares and to attend general meetings, at no cost. Please refer to your investment platform for more details, or visit the Association of Investment Companies' ('AIC') website at www.theaic.co.uk/aic/shareholder-voting-consumer-platforms for information on which platforms support these services and how to utilise them.

2. 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

FCA
FINANCIAL CONDUCT AUTHORITY

FINANCIAL CALENDAR

Financial year end	31st December
Full year results announced	March/April
Half year end	30th June
Half year results announced	August
Annual General Meeting	April/May

History

JPMorgan US Smaller Companies Investment Trust plc was incorporated in 1955 as Atomic Securities Trust Limited. It was dormant until 1962 when it changed its name to Fledgeling Investments Limited and began operations as an unquoted investment company.

The trust was wholly owned by a number of Fleming investment trusts and invested in listed and unlisted companies in the UK and US which for reasons of small size, illiquidity or risk, were unsuitable for direct investment. In 1982, with assets of £9.2 million, it obtained a listing on the London Stock Exchange and gained investment trust status. At that time it changed its name to The Fleming Fledgeling Investment Trust plc and gradually broadened its investment scope into Europe and the Asian markets. In April 1998, the Company changed its name to The Fleming US Discovery Investment Trust plc and then again to JPMorgan Fleming US Discovery Investment Trust plc in May 2002. The Company adopted its present name in April 2010.

Continuation Vote

At the Annual General Meeting of the Company held in April 2015 a resolution of the shareholders approved the continuation of the Company until the Annual General Meeting to be held in 2020.

Company Numbers

Company registration number: 552775
London Stock Exchange Code: JUSC LN
ISIN: GB00BJL5F346
Bloomberg: JUSC LN
LEI: 549300MDD7SOXDMBN667

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 and The Scotsman, and on the J.P. Morgan internet site at www.jpmussmallercompanies.co.uk, where the share price is updated every 15 minutes during trading hours.

Website

www.jpmussmallercompanies.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.

Manager and Company Secretary

JPMorgan Funds Limited

Company's Registered Office

60 Victoria Embankment
London EC4Y 0JP
Telephone: 020 7742 4000

For company secretarial and administrative matters, please contact Lucy Dina at the above address.

Depositary

The Bank of New York Mellon (International) Limited
1 Canada Square
London E14 5AL

The Depositary has appointed JPMorgan Chase Bank, N.A. as the Company's custodian.

Registrar

Equiniti Limited
Reference 1084
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 1084. Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk.

Independent Auditor

Grant Thornton UK LLP
Chartered Accountants and Statutory Auditor
30 Finsbury Square
London EC2P 2YU

Broker

Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

aic
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J.P.Morgan
Asset Management