

JPMorgan US Smaller Companies Investment Trust plc

Annual Report & Financial Statements for the year ended 31st December 2021



KEY FEATURES

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 2021, the Company's share capital comprised 65,431,265 ordinary shares of 2.5p each including 125,000 shares held in Treasury. Since the year end, a further 75,000 new shares have been issued and 125,000 issued from Treasury, and 430,526 repurchased into Treasury, resulting in total share capital of 65,506,265 (including Treasury shares) ordinary shares as at 17th March 2022.

Continuation Vote

In accordance with the Company's Articles of Association, shareholders approved a resolution that the Company continue as an investment trust at the Annual General Meeting on 26th May 2020. The next continuation vote will be in 2025.

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).

Environment, Social and Governance (ESG) Considerations

ESG considerations are fully integrated into the stock selection process. JPMAM research teams compile proprietary ESG analyses on companies as well as using external vendor research to rank them. Following in-depth strategic and financial analysis, these ESG rankings and factors are also taken into consideration as part of the investment case. In addition, the Manager, together with stewardship specialists, engages with investee companies on specific ESG issues. JPMAM endeavours to vote at all of the meetings called by companies in which your portfolio invests. JPMAM is a United Nations Principles of Responsible Investment (UN PRI) signatory and is rated A+. An ESG report is on pages 11 to 13.

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.jpmmussmallercompanies.co.uk, includes useful information on the Company, such as daily share prices, factsheets and current and historic half year and annual reports.

Strategic Report	Independent Auditor's Report
3 Financial Highlights	47
5 Chairman's Statement	
8 Investment Managers' Report	
11 Environmental, Social & Governance ('ESG') Report	Financial Statements
14 Portfolio Information	54 Statement of Comprehensive Income
16 Long Term Financial Record	54 Statement of Changes in Equity
17 Company Purpose, Investment Objective, Policies and Guidelines	55 Statement of Financial Position
21 Principal and Emerging Risks	56 Statement of Cash Flows
24 Long Term Viability	57 Notes to the Financial Statements
25 Duty to Promote the Success of the Company	
	Regulatory Disclosures
Directors' Report	76 Alternative Investment Fund Managers Directive (AIFMD) Disclosures (unaudited)
28 Board of Directors	77 Securities Financing Transactions Regulation (SFTR) Disclosures (unaudited)
30 Directors' Report	
32 Corporate Governance Statement	
38 Audit Committee Report	Shareholder Information
	79 Notice of Annual General Meeting
Directors' Remuneration Report	83 Glossary of Terms and Alternative Performance Measures (APMs) (unaudited)
41	85 Where to buy J.P. Morgan US Smaller Companies Investment Trust PLC
	86 Information about the Company
Statement of Directors' Responsibilities	
45	

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)

	2021	2020	3 Year Cumulative	5 Year Cumulative
Return to shareholders ^{1,A}	+16.5%	+15.5%	+79.5%	+70.9%
Return on net assets ^{2,A}	+17.7%	+16.0%	+71.8%	+72.1%
Benchmark return ³	+15.7%	+16.0%	+61.7%	+59.4%
Net asset return performance compared to benchmark return ^{3,A}	+2.0%	0.0%	+10.1%	+12.7%
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 2021 dividend is subject to approval by shareholders at the 2022 Annual General Meeting.

^A Alternative Performance Measure (APM).

A glossary of terms and APMs is provided on pages 83 and 84.

FINANCIAL HIGHLIGHTS

SUMMARY OF RESULTS

	2021	2020	% change
Key financial data as at 31st December			
Shareholders' funds (£'000)	301,783	236,839	+27.4
Net asset value per share	462.1p	394.9p	+17.0
Share price	467.0p	403.0p	+15.9
Share price premium to net asset value per share ^A	1.1%	2.1%	
Exchange rate	£1 = \$1.3544	£1 = \$1.3669	
Shares in issue (excluding shares held in treasury)	65,306,265	59,969,382	
Revenue for the year ended 31st December			
Net revenue return after taxation attributable to shareholders (£'000)	1,848	1,760	+5.0
Revenue return per share	2.87p	3.00p	-4.3
Dividend per share	2.5p	2.5p	—
Gearing at 31st December^A			
	6.7%	6.1%	
Ongoing Charges^A			
	0.99%	1.07%	

^A Alternative Performance Measure (APM).

A glossary of terms and APMs is provided on pages 83 and 84.



David Ross
Chairman

Performance

I have great pleasure in presenting the Annual Report of JPMorgan US Smaller Companies Investment Trust plc ('the Company') for the year ended 31st December 2021.

Despite the continuing impact of the COVID-19 pandemic, the Company's total return on net assets over the year was +17.7% which compares favourably with the increase of 15.7% in our benchmark, the Russell 2000 index in sterling terms. Our share price performance was also strong, rising by 16.5% as the shares remained at a small premium to net asset value (NAV) as at the end of the year.

This year has seen a continued recovery in markets from the sell-off in early 2020 as sentiment improved and economic activity picked up. The Company's benchmark, whilst still returning a healthy positive return for the 12 months, is down from its highs of November 2021 as concerns around inflation and the Omicron variant started to take hold in the last few weeks of 2021. The Investment Managers continued with their disciplined approach to investing and it is pleasing to report that the Company's NAV outperformed the benchmark for the 12 months to 31st December 2021 especially as I had reported in my 2021 interim statement an underperformance of approximately 5%.

Full details of investment performance, changes to the portfolio and the outlook can be found in the Investment Managers' report on pages 8 to 10 of the Annual Report and Financial Statements.

Discount and Premium

As has been said in the past, the Board aims to align the Company's share price movements to changes in its net asset value and monitors the discount or premium at which the shares trade on a daily basis with the assistance of its financial adviser and Manager. However, a number of factors make it difficult to align share price and net asset value movements including the often volatile prices of US smaller companies investments and the additional volatility introduced by owning assets denominated in dollars whilst having a share price and net asset value reported in sterling

Over the course of the year, the discount averaged 0.9%. Having begun the year trading at a premium of 2.1% to NAV, the Company's shares moved to a discount in June 2021, trading at an average discount of 3.8% until late November when the Company's shares moved back to trading at a premium and ended the year at a premium of 1.1% to NAV.

Share Issuance and Buybacks

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. The Company's move from premium to discount and back to a premium again is reflected in its share buyback and issuance behaviour over the year. In the first half of 2021, while trading at a premium to NAV, the Company issued 5,461,883 shares at an average premium to NAV of just over 1.6%.

In subsequent months, the Company bought back 225,000 shares into Treasury in periods when discount levels were particularly elevated, reflected in the weighted average discount of 5.90% at which these shares were acquired. As the Company again moved to trade at a premium, the Company issued shares at a premium to NAV, issuing 100,000 shares from Treasury. Since the year end the Company has issued a further 125,000 shares from Treasury and 75,000 new ordinary shares under its ordinary share block listing facility. The Company has also repurchased 430,526 shares into Treasury.

The Company's share buyback policy continues to have three major objectives; to buy back shares with the aim of enhancing the NAV for remaining shareholders, to minimise discount volatility and ultimately to ensure that the shares do not trade at an excessive discount for a prolonged period of time. Of course, our ability to achieve these outcomes will depend on prevailing market conditions and the behaviour and risk appetites of investors.

The Company will also look to issue shares to enhance shareholders' NAV and to avoid the formation of an excessive premium which may not be in the best interests of incoming and continuing shareholders alike.

Revenue and Dividend

The impact of the pandemic on the dividends received from the Company's portfolio has remained relatively muted and the Board is therefore delighted to recommend a dividend of 2.5p in respect of the financial year ended 31st December 2021. Subject to shareholders' approval at the Annual General Meeting (AGM), this dividend will be paid on 20th May 2022 to shareholders on the register at the close of business on 19th April 2022.

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.

Change of Annual Management Fees

In September, the 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 January 2022, the annual investment management fee, previously 90bps on the first £100 million of gross assets (excluding any holding in the JPM Liquidity Fund) and 75bps on gross assets in excess of £100 million of assets (excluding any holding in the JPM Liquidity Fund) changed to the following:

- A basic management fee of 70 bps per annum on all gross assets.
- The definition of assets and the exclusions on investments in J.P. Morgan managed funds will remain unchanged from the current arrangements and the fee will continue to be calculated and paid monthly in arrears.

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

During the year, the Company continued to utilise its revolving credit facility to maintain a meaningful but modest level of gearing. The Board renewed the loan facility in October, this is now for USD30 million (previously USD25 million) and is for a 2 year term. It closed the year with a gearing level of 7.4% having averaged approximately 7.5% throughout the year. The Board believes that the use of gearing is a key advantage of the investment trust structure and looks to maintain a consistent level of gearing within its permitted 10% cash to 15% geared range. In response to changes in the Manager's perception of longer-term opportunities and market risks, our policy sees gearing adjusted rather than being used as a short term market-timing tool.

Environment, Social and Governance (ESG) considerations

We provide a full description of how ESG is integrated into the investment management process later in this report. The Board shares the Investment Managers' view of the importance of ESG factors when making investments for the long term and of the necessity of continued engagement with investee companies throughout the duration of the investment. The Investment Managers' report describes the developments in the ESG process that have taken place during the year together with examples of how these are implemented in practice. Further information on the Manager's ESG process and engagement is set out in the ESG Report section within the Annual Report.

Board Succession

In January 2021 the Board, through its Nomination Committee, carried out a comprehensive evaluation of the Board, its committees, the individual Directors and the Chairman. Topics evaluated included the size and composition of the Board, Board information and processes, shareholder engagement and training and accountability. The report confirmed the efficacy of the Board.

Julia Le Blan, our longest-serving director, will retire from the Board at the AGM in April 2022. She joined the Board in October 2012 and has made a significant contribution to the performance of the Company. On behalf of the Board, I would like to thank Julia for her exemplary chairing of the Audit Committee and valuable contribution to the Company over the years.

As part of the succession planning the Board appointed Mandy Donald in January 2022 to succeed Julia Le Blan as Director and Chairman of the Audit Committee. Mandy is a strong successor to Julia, and is an experienced non-executive director and audit committee chair in a portfolio of roles.

In accordance with the UK Corporate Governance Code, Shefaly Yogendra, Christopher Metcalfe, Dominic Neary and myself will retire at the forthcoming AGM and, being eligible, will offer ourselves for reappointment by shareholders. In addition Mandy Donald, having been appointed following the year-end, will stand for appointment at the AGM.

Annual General Meeting

Unfortunately, COVID-19 restrictions prevented the holding of the Company's AGM in April 2021 in the usual format. The Directors were disappointed not to be able to have the usual interaction with shareholders at this forum. However, current indications are that a more traditional format for the AGM should be permissible in April 2022 and, to that end, the Company's sixty-fifth AGM is scheduled to be held on Monday 25th April 2022 at 2.30 p.m. at 60 Victoria Embankment, London EC4Y 0JP. The Board hopes to welcome as many shareholders as possible.

We do of course strongly advise all shareholders to consider their own personal circumstances before attending the AGM in person. For shareholders wishing to follow the AGM proceedings but choosing not to attend, we will be able to welcome you through conferencing software. Details on how to register together with access details can be found on the Company's website: www.jpmsmallercompanies.co.uk, or by contacting the Company Secretary at invtrusts.cosec@jpmorgan.com.

As is normal practice, all voting on the resolutions will be conducted on a poll. Due to technological reasons, shareholders viewing the meeting via conferencing software will not be able to vote on the poll and we therefore encourage all shareholders, and particularly those who cannot attend physically, to exercise their votes in advance of the meeting by completing and submitting their form of proxy. Shareholders are encouraged to send any questions ahead of the AGM to the Board via the Company Secretary at the email address above. We will endeavour to answer relevant questions at the meeting or via the website depending on arrangements in place at the time.

If there are any changes to the above AGM arrangements due to COVID-19, the Company will update shareholders through the Company's website and, as appropriate, through an announcement on the London Stock Exchange.

Outlook

As we move into 2022 we are undoubtedly facing some headwinds. There are concerns around inflation and the levels that this may hit, interest rates rises (both the timing of them and how many there will be) and also the continued impact of supply chain issues. Clearly, the war in Ukraine could have implications both in the medium and long term to global businesses and economies. The Board and the Manager will continue to monitor this situation closely. Whilst these factors may cause further volatility and additional rotation between sectors (some of which we have seen already in the last few weeks of 2021 and the first few weeks of 2022), earnings growth is expected to be above average for 2022 albeit not as high as seen in 2021.

We are optimistic about the outlook for the Company and are confident in the Investment Managers' ability to navigate the further challenges that this year may bring by focusing on finding high quality businesses at attractive valuation levels.

David Ross

Chairman

18th March 2022



Don San Jose

Don San Jose has been with J.P. Morgan for 22 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.

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.

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.

Market Review

After a strong year in 2020 with incredibly resilient performance, the Russell 2000 Index ended 2021 up +14.8% in US dollar terms and +15.7% in sterling terms. Small cap stocks rose for the first half of the year, driven by optimism around vaccine roll-outs and the economic recovery; however, the highest returns were concentrated in unprofitable and lower quality stocks driven by unprecedented retail trading activity. The second half of the year marked a notable shift in investor risk appetite, as higher quality stocks came back into favour, driven largely by expected Fed tapering and associated rate hikes to combat persistent inflation.

Encouraging economic data bolstered by a steady rise in economic activity and robust corporate earnings results buoyed the US equity markets throughout the year. The extraordinary fiscal and monetary stimulus that helped shape the pandemic recovery continued to provide an excellent backdrop for risk assets. The rally was not without its challenges, as several volatility shocks tested the market's resilience. While an unprecedented, targeted short squeeze whipsawed the US equity market in the first quarter, a confluence of mounting inflation fears, threats from COVID-19 variants, a widening fiscal deficit, and supply disruptions loomed over the rest of the year. Finally, a fourth wave of the pandemic in some parts of Europe and the new variant Omicron were identified, triggering a sell-off in November. However, studies suggesting that the Omicron variant might be less severe than previous variants helped lift investors' confidence, and the markets ended on strength for the third consecutive year. Although investors seemed to have looked beyond the uncertainty, tightened lockdowns and restrictions in some parts of Asia and Europe, along with rising COVID-19 cases globally, remain as potential areas of concern that could further disrupt global supply chains and move inflation higher.

In terms of style and market capitalisation, value made a comeback closing the gap with growth, while large cap stocks outperformed small cap stocks this year.

Performance

The Company's net asset value increased by 17.7% in 2021. The Trust outperformed its benchmark, the Russell 2000 Index, which rose by 15.7% in sterling terms. After a more challenging first half to the year, our preference for quality was rewarded, resulting in strong excess returns in the second half of the year. With regard to relative performance, our stock selection as well as sector allocation in health care and financials was beneficial.

A big driver of our outperformance in health care was our lack of exposure to biotech. This cohort meaningfully underperformed as investors shunned unprofitable, speculative companies, particularly in the latter half of the year. Among individual names, our exposure to Syneos Health contributed for the year. Syneos helps its customers conduct clinical trials as well as commercialise new drugs. We like the stock as it allows us to have exposure to mission critical areas of pharma and biotech, without the volatility of investing behind a single product or drug. Syneos has a balanced portfolio of large and small customers and focuses on higher growth therapeutic categories.

Within industrials, our overweight in WillScot Mobile Mini was the top performance contributor for the year. The portable storage provider continues to execute well and management is bullish on future growth. At the company's investor day, management highlighted improving volumes and robust pricing.

Our overweight position in BJ's Wholesale Club within the consumer discretionary sector helped performance. The club grocery store chain and COVID beneficiary continued to report solid earnings with membership renewals on both new and existing members expected to end the year at all-time highs. We continue to like the stock, but have taken some profits on outperformance.

On the other hand, our stock selection in consumer discretionary and technology detracted from performance.

Within technology, our overweight in Q2 Holdings hurt performance. The company is a leading provider of cloud-based digital banking and lending solutions to regional and community financial institutions in the US. As the economy continues to reopen, high growth, high multiple stocks were sold in favour of value and cyclical stocks. Q2 was a casualty of this, however, we believe both near and long term fundamentals are strong. The company stands to benefit from COVID-driven acceleration in digital transformation long term.

Our exposure to WEX within industrials was the largest detractor for the year. WEX provides payment processing and information services to commercial and government vehicle fleets globally, as well as payment processing solutions for the travel industry and B2C payment solutions for consumer directed healthcare services. The stock underperformed as rising COVID cases weighed on travel payment volumes. Investors have also grown concerned with the intensifying competitive landscape within payments. We continue to see demand for WEX's solutions, as new business wins demonstrate how their technology compares favourably to other marketplace solutions.

Among individual names, our exposure to Encompass Health was one of the largest detractors for the year. Encompass Health is one of the largest operators of Inpatient Rehabilitation Facilities (IRF) and Home Health & Hospice centers. The company's third quarter performance was soft, particularly in the Home Health & Hospice segment, as COVID drove staffing challenges and higher than expected costs.

PERFORMANCE ATTRIBUTION

YEAR ENDED 31ST DECEMBER 2021

	%	%
Contributions to total returns		
Benchmark return		15.7
Sector allocation	2.9	
Stock selection	-0.8	
Investment Managers' contribution		2.1
Portfolio total return		17.8
Gearing	0.8	
Management fee/other expenses	-1.0	
Share buyback/issuance	0.1	
Other effects		-0.1
Return on net assets^A		17.7
Return to shareholders^A		16.5

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 83 and 84.

Portfolio Positioning

With regard to our portfolio positioning, we continue to focus on finding companies with durable franchises, good management teams and stable earnings that trade at a discount to intrinsic value.

In the first half of the year, we added slightly more cyclical to the portfolio in areas like consumer and industrials while also adding to other names we like on weakness with strong secular tailwinds. As the year went on, consistent with our approach, we trimmed from positions that had performed well, notably in financials. We redeployed those proceeds into newer positions in consumer discretionary and health care tools and services. We also exited several higher market capitalisation positions and those related to M&A activity.

That being said, our sector exposure remained largely unchanged. On a relative basis, the industrials and financials sectors are our largest overweight exposures, making up over 40% of the portfolio. On the other hand, our largest underweight is in the health care sector. The underweight is primarily a result of our lack of exposure to biotechnology stocks; however, this underweight has narrowed as new ideas made their way into the portfolio. In April 2021 we started a new position in Agiliti Inc., a provider of medical

equipment rental, management and repair services to healthcare providers in the US. They supply over 7,000 hospitals with items such as beds, fall prevention equipment, chairs and surgical equipment. Agiliti also provides a comprehensive onsite and offsite repair services for surgical instruments, biomedical equipment and diagnostic imaging systems. We are attracted to the company given its long operating history and multi-year track record of increasing earnings. The company operates in fairly niche markets which have very limited direct competition and Agiliti is a leading player. We believe the company has a strong competitive advantage given its nationwide approach with approximately 4,500 operators located near key customers. We like that the core of Agiliti's business model is aimed at saving money for customers, and improving operational efficiency. The company generates strong top line growth and its valuation is attractive relative to peers.

Market Outlook

As we entered 2022, US economic activity remained strong, the US consumer in aggregate was in good health, with plenty of spending power, and there seemed to be little evidence to suggest that the economic recovery would be derailed. However, we recognise that we are confronting some challenges. The human toll of any conflict is devastating and events unfolding in Ukraine are deeply upsetting. The Russian invasion of Ukraine resulted in international sanctions on the country and the potential that the markets could face elevated volatility ahead. Oil prices continued to rise due to geopolitical tensions and supply side issues.

In the US, the economic cycle is maturing and the Federal Reserve is about to embark on a more restrictive course, which always presents a headwind for the market, especially highly valued growth stocks. Inflation and other uncertainties, such as the tightening liquidity, fading fiscal and monetary stimulus, more difficult growth comparisons, mid-term elections and sensitivity to the imposed economic sanctions, is likely to be integral to investor sentiment moving forward. Overall, we remain constructive on small cap stocks given the favourable outlook for earnings growth and valuation, especially relative to large cap stocks.

With the most vigorous part of this recovery now behind us, we are likely to maintain a fairly low risk posture, with a particular focus on valuations. Nonetheless, as always, we will remain on the look-out for attractive investment opportunities that may be created by periods of unusual volatility and are confident that our focus on owning high quality companies at reasonable valuations would be rewarded in a more uncertain backdrop.

Don San Jose

Jon Brachle

Dan Percella

Investment Managers

18th March 2022

Integrating Environmental, Social and Governance

As discussed in last year's annual report, J.P. Morgan Asset Management (JPMAM) believes that the consideration of material environmental, social and governance (ESG) issues is an important part of the investment process. ESG issues will increasingly affect a company's ability to successfully operate and generate returns, today and over the long term. Systematically integrating ESG information into each stage of the investment process, including research, portfolio construction and company engagement, where material and relevant, should contribute to achieving an enhanced financial return, through better-informed investment decisions and strengthened risk management.

With access to more ESG data and better analytical capabilities than ever before, companies can now be evaluated in smarter, more holistic ways. The term for this approach is ESG integration: using financially material ESG factors to generate enhanced risk-adjusted returns.

Integrating ESG into investment decision-making brings about a process that is not very different from how investment decisions have been made historically: looking into the future, factoring in potential risks and opportunities around companies' revenue growth trajectories, and investing accordingly, based on the sustainability of those business models. The difference is that, along with applying traditional financial metrics, the Managers now also access and utilise a set of factors that can help them make even better investments.

Comprehensive, Integrated Research

A key strength of the Manager's investment process is its in-house research capabilities which are at the heart of understanding the businesses in which they invest in terms of insights, industry expertise and corporate relationships. The analysts incorporate ESG considerations into their research to gauge the sustainability of a business, the quality of management and potential risks. To gain a clear and comparable view of each company's ESG risks and opportunities, they use a 40 question ESG checklist, which sets a baseline fundamental assessment for the companies in their investment universe.

The checklist asks questions specifically addressing environmental considerations, as well as on social and governance aspects. The questions are worded so that 'yes' is negative, creating a red flag that alerts the Manager to a potential risk. The checklist is not a 'pass/fail' exercise but rather a tool to inform discussion between portfolio managers and analysts, as well as engagement with companies. The checklist allows the investment team to fully assess the ESG risks and opportunities of each of the companies in which they wish to invest or are already invested in. The portfolio managers and research analysts will use these checklists to directly drive their engagement with companies which will address a broad range of ESG issues as part of their bottom-up stock analysis and ongoing interaction with companies. Examples of these engagements are provided later in this document.

JPMAM continues to enhance the ESG checklist to ensure it best captures the analyst's fundamental insights. For example, they are currently introducing some positive questions to highlight companies with ESG strengths or opportunities and introducing some new questions in areas such as workforce diversity. Analysts are also asked to assess the severity of issues on a 1-3 scale in the case of 'yes' answers.

Environmental, Social and Governance (ESG) factors are non-financial considerations that are important for stakeholders to keep in mind when assessing a company's performance and can be used both to mitigate risk and unlock opportunities in an investment portfolio.

ENVIRONMENTAL:

Issues relating to the quality and functioning of the natural environment and natural systems, e.g., carbon emissions, environmental regulations, water stress and waste.

SOCIAL:

Issues relating to the rights, well-being and interests of people and communities, e.g., labour management, health & safety as well as product safety.

GOVERNANCE:

Issues relating to the management and oversight of companies and other investee entities, e.g., board, ownership and pay.

Questions on the checklist include:

ENVIRONMENTAL

- Is the business vulnerable to regulation aimed at limiting greenhouse gas emissions?
- Does the company have issues with toxic emissions, waste management or other environmental damage?
- Is the company failing to manage its use of water resources responsibly?

SOCIAL

- Does the company have issues with labour relations?
- Has the company had issues with privacy or data security?
- Does the company engage in anti-competitive behaviour and/or treat its customers unfairly?

GOVERNANCE

- Does the management fail to admit mistakes?
- Has the company changed key accounting policies?
- Does the owner have a history of poor governance, or of abusing minority shareholders?

Engagement and Proxy Voting

Active engagement with companies has long been an integral part of the Manager's approach to investment and ESG. They use it not only to understand how companies consider issues related to ESG but also try to influence their behaviour and encourage best practices, for the purpose of enhancing returns. They engage with all companies owned in the Company's portfolio on a regular basis, often several times in a year, not just to further their understanding of businesses, but to convey to management any concerns, suggestions, or opinions that they have. Ongoing, meaningful dialogue with the management of companies owned by the Company is fundamental to the investment process. At JPMAM, the Investment Stewardship team is responsible for leading on engagement, understanding regulatory developments, and educating colleagues on best practice and industry evolutions in this area. Engagement is a collaboration between managers, research analysts and the Investment Stewardship team.

During 2021, JPMAM engaged with WillScot Mobile Mini Holdings on board structure, compensation, human capital management and emissions following WillScot's acquisition of Mobile Mini in 2020. While women comprise 30% of the board, the company is heavily focused on adding racial and ethnic diversity as well. That priority also extends down to middle management levels of the employee base, which we believe will further enhance the company's strong employee relations. The company notes the average employment tenure for their drivers is 5.5 years as compared to peers in the 1-2 year range, while annual employee attrition of 15-17% is much lower than peers.

As part of an executive retention strategy, the board granted the CEO and CFO special performance-based grants with shares vesting based on stock price performance measured on four specific dates between 2022 and 2025. With the stock trading at \$28 at the time of the grant and the hurdle prices ranging between \$42.50 and \$60, JPMAM believes management's interest are well-aligned with shareholders. They also engaged with the company about adding Return on Invested Capital (ROIC) as a key performance measure given the capital intensity of the business, and management indicated it would be a key consideration for future compensation plan changes.

While the company has already reduced Greenhouse Gas Emissions by improving its truck fleet efficiency, they are exploring several alternative fuels including natural gas and hydrogen to reduce their environmental footprint even further.

Another example of JPMAM's direct engagement was with RBC Bearings after the company requested the Manager's input following a failed Say-On-Pay vote in 2020. JPMAM believe that while share price performance has been strong relative to peers, the magnitude of CEO compensation at \$13 million was significantly above the peer group average which is under \$4 million. JPMAM also suggested the one-year time frame for performance measurement for the grant, and the use of EBITDA as the sole measure for short term compensation were potentially problematic. The Managers suggested the company add organic growth and operating margin improvement measures, which they believe management will consider, along with alternate time periods for measurement.

In addition to compensation, JPMAM also suggested the company consider publishing an ESG report and/or disclosing more details on ESG matters, as they believe RBC Bearings trail peers in such disclosure. The Managers also elaborated on the growing importance of racial and ethnic diversity on the board, and suggested the company take steps to add such diversity given there was none at the time of our engagement. JPMAM will continue to engage with the company on these matters.

Alongside these direct engagements, JPMAM endeavors to vote at all the meetings called by companies in which the portfolio is invested. A summary of key voting statistics and activity undertaken in respect of stocks in the Company's portfolio for the 12 months to 31st December 2021 is detailed below.

On behalf of the Company, JPMAM voted at all the annual general meetings and extraordinary meetings held during the year by its portfolio companies.

JPMorgan US Smaller Companies Investment Trust plc: Voting at shareholder meetings over the year to 31st December 2021

	For	Against	Abstain	Against/ Abstain Total	Total Items	% Against
Routine Business	90	0	0	0	90	0%
Director Related	502	7	0	7	509	1%
Capitalisation	3	0	0	0	3	0%
Reorganisation & Mergers	3	0	0	0	3	0%
Non-salary Compensation	94	7	0	7	101	7%
Anti-takeover Related	7	0	0	0	7	0%
Total	699	14	0	14	713	2%

Net Zero Asset Managers Initiative

JPMAM has recently become a signatory to the Net Zero Asset Managers Initiative. This is an international group of asset managers committed to supporting investing aligned with the goal of net zero greenhouse gas emissions by 2050 or sooner. In addition to the transition to net zero, they will continue to accelerate corporate engagement and stewardship, consistent with net zero ambitions. The initiative includes 220 members with \$57.4 trillion in assets under management (as at 17th November 2021). In addition, JPMorgan Chase is a member of the Net Zero Banking Alliance - a group of financial institutions representing over a third of global banking assets committed to alighting their lending and investment portfolios with the goal of net-zero emissions by 2050.

The Carbon Scorecard

The carbon footprint is an important starting point to help understand the portfolio's exposure to climate risks. The portfolio companies have a slightly lower weighted average carbon intensity than the Russell 2000. Based on this data, MSCI rates the JPMorgan US Smaller Companies Investment Trust plc as having a moderate exposure to carbon intensive companies.

The table below contains the numbers as at 31st December 2021.

	Carbon Emissions tons CO ₂ e / \$M invested	Carbon Intensity tons CO ₂ e / \$M sales	Weighted Average Carbon Intensity tons CO ₂ e / \$M sales
Portfolio Coverage by Portfolio Weight*	68.5 93.7%	152.3 93.7%	128.0 93.7%
Index Coverage by Portfolio Weight*	80.3 90.4%	130.2 90.4%	128.5 92.2%

Source: MSCI ESG Carbon Footprint Calculator. Gives Scope 1 and 2 emissions.

*Coverage may vary by metric because the metrics are calculated using different underlying factors. Shows the percentage of the Portfolio/Index in respect of which carbon data is calculated.

Looking ahead

Over the last few years, the quantity and quality of ESG-related data available to investors has improved significantly. Organisations that encourage voluntary disclosure - such as CDP (formerly the Carbon Disclosure Project), the Sustainability Accounting Standards Board (SASB) and the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) - have played an important role in helping businesses better understand, measure and communicate to investors the ESG risks they are exposed to. Investors can now access higher quality ESG-related data that is more consistent, comparable, and reliable. Clear new regulations, such as those in the UK set to make disclosures mandatory, have also helped accelerate the availability of data. With access to more ESG data and better analytical capabilities than ever before, the Managers believe they can now evaluate the companies and assets in which they invest in smarter, more holistic ways.

TEN LARGEST INVESTMENTS

AT 31ST DECEMBER 2021

Company ¹	Sector	2021 Valuation		2020 Valuation	
		£'000	% ²	£'000	% ²
WillScot Mobile Mini	Industrials	6,595	2.0	4,693	1.9
Kinsale Capital ³	Financials	5,263	1.6	2,963	1.2
BJ's Wholesale Club ³	Consumer Discretionary	5,037	1.6	3,139	1.2
EastGroup Properties ³	Real Estate	5,031	1.6	3,886	1.5
ICU Medical	Health Care	5,006	1.6	4,182	1.7
Lincoln Electric ³	Industrials	4,959	1.5	3,594	1.4
Syneos Health ³	Health Care	4,748	1.5	3,064	1.2
MSA Safety ³	Industrials	4,509	1.4	3,986	1.6
Novanta ³	Technology	4,502	1.4	3,157	1.3
Casella Waste Systems ³	Utilities	4,495	1.4	2,789	1.1
Total		50,145	15.6		

¹ All companies shown are listed in the USA.

² Based on total investments of £322.1m (2020: £251.2m).

³ Not included in the ten largest investments at 31st December 2020.

At 31st December 2020, the value of the ten largest investments amounted to £45.2 million representing 18.0% of total investments.

SECTOR ANALYSIS

AT 31ST DECEMBER

Sectors	2021		2020	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
Industrials	24.9	15.4	25.0	15.3
Financials	17.2	15.8	19.1	14.9
Consumer Discretionary	13.3	14.5	12.0	15.2
Health Care	12.8	17.5	12.2	20.5
Technology	12.5	13.0	13.9	12.2
Real Estate	7.0	7.6	6.2	6.3
Basic Materials	4.3	3.7	4.7	4.0
Consumer Staples	3.6	3.0	4.1	3.2
Utilities	3.4	3.0	2.8	3.7
Materials & Processing	1.0	–	–	–
Energy	–	4.6	–	2.9
Telecommunications	–	1.9	–	1.8
Total	100.0	100.0	100.0	100.0

¹ Based on total investments of £322.1m (2020: £251.2m).

LIST OF INVESTMENTS AT 31ST DECEMBER 2021

Company	Valuation £'000	Company	Valuation £'000	Company	Valuation £'000
INDUSTRIALS		CONSUMER DISCRETIONARY		TECHNOLOGY - CONT	
WillScot Mobile Mini	6,595	BJ's Wholesale Club	5,037	Duck Creek Technologies	1,918
Lincoln Electric	4,959	IAA	4,074	Xometry	1,421
MSA Safety	4,509	Wendy's	3,888	Cerence	513
WEX	4,335	Driven Brands	3,872		40,308
Brunswick	4,303	LCI Industries	3,837		
AptarGroup	4,302	Monarch Casino & Resort	3,773	REAL ESTATE	
Douglas Dynamics	4,101	Leslie's	3,518	EastGroup Properties	5,031
Hayward	3,805	Planet Fitness	3,277	National Retail Properties	4,092
Landstar System	3,567	Acushnet	3,181	American Campus Communities	3,876
Brady	3,565	Malibu Boats	3,144	Ryman Hospitality Properties	3,827
Knight-Swift Transportation	3,546	National Vision	2,687	Cushman & Wakefield	2,916
Woodward	3,542	Carter's	2,647	Outfront Media	2,774
Applied Industrial Technologies	3,472		42,935		22,516
Patrick Industries	3,412				
Toro	3,408	HEALTH CARE		BASIC MATERIALS	
Gates Industrial	3,053	ICU Medical	5,006	RBC Bearings	4,299
Badger Meter	3,006	Syneos Health	4,748	Valvoline	3,668
Altra Industrial Motion	2,964	Envista	4,359	Ecovyst	2,955
UniFirst	2,639	Encompass Health	4,195	Quaker Chemical	2,946
First Advantage	2,620	Neogen	3,907		13,868
Pactiv Evergreen	2,322	ModivCare	3,693		
Diversey	2,231	Ortho Clinical Diagnostics	3,356	CONSUMER STAPLES	
	80,256	Agiliti	3,204	Primo Water	4,464
		Certara	2,895	Performance Food	4,418
FINANCIALS		HealthEquity	2,497	Utz Brands	2,779
Kinsale Capital	5,263	Progyny	2,292		11,661
RLI	4,480	Definitive Healthcare	1,094		
AssetMark Financial	3,779		41,246	UTILITIES	
First Horizon	3,691	TECHNOLOGY		Casella Waste Systems	4,495
Western Alliance Bancorp	3,594	Novanta	4,502	Portland General Electric	3,478
Washington Trust Bancorp	3,544	Power Integrations	4,284	NorthWestern	2,865
ServisFirst Bancshares	3,525	Q2	4,158		10,838
Wintrust Financial	3,520	Allegro MicroSystems	4,023	MATERIALS & PROCESSING	
Focus Financial Partners	3,488	Envestnet	3,491	Hillman Solutions	2,783
StepStone	3,305	CMC Materials	3,486	Janus Parent	506
BankUnited	3,270	nLight	3,283		3,289
City	3,166	Covetrus	2,811		
First Hawaiian	2,977	Guidewire Software	2,308	TOTAL INVESTMENTS	
Lazard	2,889	Aspen Technology	2,116		322,123
Moelis	2,738	Paycor HCM	1,994		
First Financial Bancorp	1,977				
	55,206				

LONG TERM FINANCIAL RECORD

LONG TERM FINANCIAL RECORD

At 31st December	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Shareholders' funds (£'000)	52,630	59,214	86,339	99,348	103,805	153,824	166,687	158,831	198,252	236,839	301,783
Net asset value per share (p) ¹	101.9	114.7	158.0	177.3	184.3	276.7	294.2	274.8	343.0	394.9	462.1
Share price (p) ¹	92.2	103.3	163.8	172.1	183.9	282.0	303.8	266.0	352.0	403.0	467.0
Shares in issue ^{1,2}	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	59,969,382	65,306,265

Year ended 31st December

Gross return (£'000)	719	1,255	1,172	1,390	1,728	2,317	2,552	2,693	3,023	2,962	3,266
Revenue (loss)/return per share (p) ¹	0.36	1.26	1.00	1.15	1.66	2.51	2.79	2.75	2.76	3.00	2.87
Dividends per share (p) ¹	nil	0.9	0.7	nil	nil	nil	2.5	2.5	2.5	2.5	2.5 ⁶
(Discount)/premium (%) ^A	(9.5)	(10.0)	3.7	(2.9)	(0.2)	1.9	3.3	(3.2)	2.6	2.1	1.1
Gearing (%) ^A	5.0	3.1	5.4	6.5	9.8	4.1	5.2	5.8	5.0	6.1	6.7
Ongoing charges (%) ^A	1.79	1.71	1.77	1.73	1.69	1.47	1.33	1.36	1.23	1.07	0.99
US dollar/sterling exchange rate	1.55	1.63	1.65	1.56	1.47	1.24	1.35	1.27	1.32	1.37	1.35

Annual returns to 31st December

Total return to shareholders (%) ^{3A}	-1.8	+12.0	+59.7	+5.6	+6.8	+53.4	+7.7	-11.6	+33.4	+15.5	+16.5
Total return on net assets (%) ^{4A}	+1.3	+12.5	+38.7	+12.8	+4.0	+50.1	+6.3	-5.8	+25.8	+16.0	+17.7
Benchmark total return (%) ⁵	-3.8	+10.9	+35.9	+11.1	+0.9	+44.4	+4.5	-5.7	+20.4	+16.0	+15.7

Returns rebased to 100 at 31st December 2011

Total return to shareholders ^{3A}	100.0	112.0	178.9	188.9	201.8	309.5	333.3	294.5	393.0	453.8	528.7
Total return on net assets ^{4A}	100.0	112.5	156.0	175.9	182.9	274.5	291.8	275.0	346.0	401.5	472.7
Benchmark total return ⁵	100.0	110.9	150.7	167.4	168.9	243.9	254.9	240.4	289.5	335.9	388.8

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 2021 payable on 20th May 2022. See note 10 on page 62 for details.

^A Alternative Performance Measure (APM).

A glossary of terms and APMs is provided on pages 83 and 84.

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 Section 172 statement on pages 25 and 26 (Directors' Duties/Promoting the Success of the Company) forms part of this Strategic Report.

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 considerations, including environmental, social and governance issues. 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 Manager and other third party suppliers. For more information, please refer to pages 28 and 29.

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 UK Listing, Prospectus, Disclosure Guidance and Transparency Rules, the AIFMD, the Market Abuse Regulations, taxation law and the Company's own Articles of Association.

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 well-diversified portfolio of listed US equities 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 2021, the Company's total return to shareholders was +16.5% and the total return on net assets was +17.7%. This compares with the total return on the Company's benchmark of +15.7%. As at 31st December 2021, the value of the Company's investment portfolio was £322.1 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 £47,021,000 (2020: £34,152,000). Net return after deducting the management fee,

administrative expenses, finance costs and taxation, amounted to £43,529,000 (2020: £31,419,000).

The Directors recommend a final dividend of 2.5 pence (2020: 2.5 pence) per share payable on 20th May 2022 to shareholders on the register at the close of business on 19th April 2022. No other dividends were paid in respect of the year. The revenue reserve after the payment of the dividend will amount to £760,000.

Key Performance Indicators (KPIs)

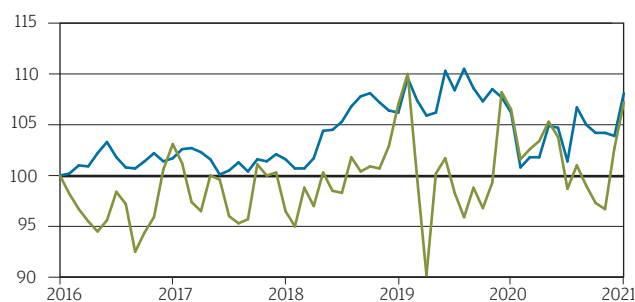
The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

• 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 2016



Source: Morningstar/Russell.

— JPMorgan US Smaller Companies - share price total return.

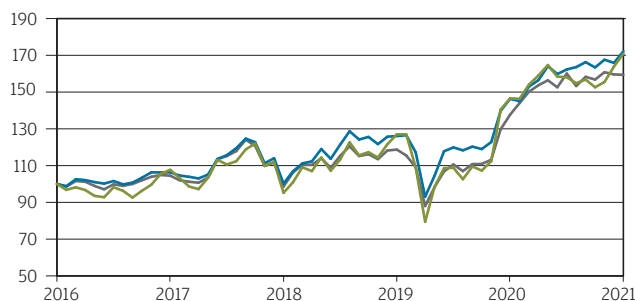
— JPMorgan US Smaller Companies - net asset value total return.¹

— 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 2016



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.

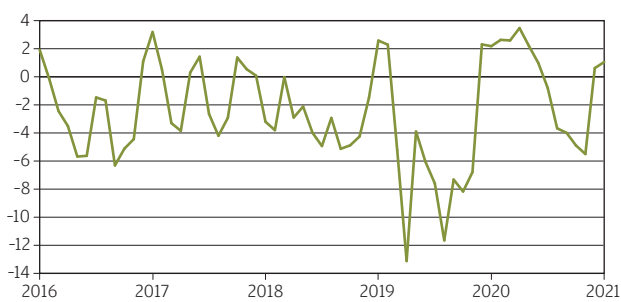
Performance against the Company’s peers

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 via reporting included in the papers for the regular Board meetings held during the year.

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 2021 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 (based on month-end data).

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 2021, the shares traded between a discount of 5.5% and a premium of 3.5%, an average discount of 0.4% (based on month-end data). 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 2021 are 0.99% (2020: 1.07%). Further details can be found on page 84. 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.

With effect from 1st January 2022 the management fee was reduced to 0.70% per annum on all gross assets which has had a positive impact on ongoing charges since the year-end.

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 (2020: nil) any shares for cancellation. The Company repurchased a total of 225,000 (2020: 377,546) ordinary shares into Treasury representing 0.3% of the issued share capital as at 31st December 2021. However, 100,000 ordinary shares were reissued from Treasury (2020: 377,546). 5,461,883 new shares were issued during the year (2020: 2,177,454). Further details, including the nominal value of these movements, the total proceeds received and the total consideration paid, for these transactions can be found in notes 14 and 15 on pages 64 to 66. 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 17th March 2022, the last practicable date before the publication of this document, the Company has issued a further 125,000 shares from Treasury and 75,000 new ordinary shares under its ordinary share block listing facility. The Company has also repurchased 430,526 shares 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.

Other Cash Movements

During the year an additional £3.5 million was drawn down from the loan facility with Scotiabank in order to maintain a modest level of gearing. At the year-end £1.7 million is owed as a settlement creditor as a result of securities purchased with a trade date prior to the year end with a settlement date post the year end. These purchases have now been settled in line with their expected dates.

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 2021, there were three male Directors and two female Directors on the Board. Following the year-end, Mandy Donald was appointed a Director in January 2022 bringing the number of female Directors on the Board to three. However, this number will reduce to two again following the retirement of Julia Le Blan. 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 34.

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.

A comprehensive ESG statement is included on pages 11 to 13.

Greenhouse Gas Emissions

The Company is managed by JPMF with Portfolio Management delegated to JPMAM. 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 Company itself has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint and therefore it qualifies as a low energy user and is exempt from reporting under the Streamlined Energy & Carbon Reporting requirements. The Board notes the JPMAM policy statements in respect of Social, Community and Environmental and Human Rights issues and Greenhouse Gas Emissions and that 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. For more information, please see page 13 of the ESG report.

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/about/ourbusiness/human-rights>

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. As the Company has no employees, the Board's focus is to ensure that the risk of the Company's service providers facilitating tax evasion is also low. To this end it seeks assurance from its service providers that effective policies and procedures are in place.

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 or liquidity. With the assistance of JPMF, the Audit Committee has drawn up a risk matrix, which identifies the key risks to the Company. These are reviewed and noted by the Board and the Board undertakes further work and

engages with the Manager where necessary. The risks identified and the broad categories in which they fall, and the ways in which they are managed or mitigated are summarised below. The AIC Code of Corporate Governance requires the Audit Committee to put in place procedures to identify emerging risks. The key emerging risks identified are also summarised below.

Principal Risk	Description	Mitigating Activities
Investment Management and Performance		
Underperformance	Poor implementation of the investment strategy may lead to underperformance against the Company's benchmark index and peer companies.	<p>A broadly diversified portfolio of equities is managed in line with Board-approved investment restrictions and guidelines. Investments are monitored and reported on by the Manager who provides the Board with regular information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses.</p> <p>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 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.</p>
Market and Economic Risk	<p>Market risk arises from uncertainty about the future prices of the company's investments, which might result from economic, fiscal and regulatory change, including the continuing impact of COVID-19 and possibly further variants and will weigh on recovery as economies try to emerge from the pandemic.</p> <p>At present market risk is heightened due to various risks mentioned in the Chairman and Managers' reports, for example, fear of sustained inflation, interest rate rises and continuing supply chain issues. The mid-term elections may also cause some increased volatility.</p> <p>Geopolitical risks will also affect the market and are currently heightened due to the war in Ukraine and tensions with China. The war in Ukraine has caused volatility in the market and increased energy costs and is likely to continue to disrupt global markets for some time.</p>	<p>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 the Manager. The Board monitors the implementation and results of the investment process with the Manager.</p>

PRINCIPAL AND EMERGING RISKS

Principal Risk	Description	Mitigating Activities
Discount Control Risk	Investment trusts shares often trade at discounts to their underlying NAV; they can also trade at a premium. Discounts and premiums can fluctuate considerably leading to volatile returns for shareholders.	The Board monitors the share price against the absolute and sector relative premium/discount levels. The Board reviews sales and marketing activity and sector relative performance, which it believes are the primary drivers of the relative premium/discount level. The Company has authority to buy back its existing shares or issue new shares to enhance the NAV per share for remaining shareholders when deemed appropriate.
Shareholder Demand	Certain buyers within the sector will only consider investing into an investment trust where its AUM is over a certain level; the Company's AUM currently stands below these levels.	The Board reviews sales and marketing activity and it also receives regular feedback via the Manager's sales team from both existing and prospective shareholders.
Loss of Investment Team or Portfolio Manager	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 Board seeks assurance that 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, as well as special efforts to retain key personnel. The Board engages with the senior management of the Manager in order to mitigate this risk.
Operational Risks		
Outsourcing	Disruption to, or failure of, the Manager's accounting, dealing or payments systems or the Registrar, Depositary or Custodian's records may prevent accurate reporting and monitoring of the Company's financial position or a misappropriation of assets.	<p>Details of how the Board monitors the services provided by JPM and its associates and the key elements designed to provide effective risk management and internal control are included within the Risk Management and Internal Controls section of the Corporate Governance Statement on pages 35 and 36.</p> <p>The Manager has a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption (including and disruption resulting from the COVID-19 pathogen. Since the introduction of the COVID-19 restrictions, Directors have received assurances that the Manager and its key third party service providers have all been able to maintain service levels.</p>
Cyber Crime	The threat of cyber attack, in all guises, is regarded as at least as important as more traditional physical threats to business continuity and security.	<p>The Company benefits directly and/or indirectly from all elements of JPMorgan's Cyber Security programme. The information technology controls around physical security of JPMorgan's data centres, security of its networks and security of its trading applications, are tested by independent auditors and reported every six months against the AAF Standard.</p> <p>The Company and the Manager has sought assurances from the major service providers that they have procedures in place to maintain the best practices in the fight against cybercrime and to ensure business resiliency.</p>
Corporate Governance		
Statutory and Regulatory Compliance	<p>Failure to comply with relevant statute law or regulation may have an impact on the Company both in terms of fines and in terms of its ability to continue to operate.</p> <p>Also, the Company's business model could become non-viable as a result of new or revised rules or regulations arising from, for example, policy change or political impact.</p>	<p>The Board relies on the services of its Company Secretary, the Manager and its professional advisers to ensure compliance with the Companies Act 2006, the UKLA Listing Rules, DTRs, MAR and AIFMD. Details of the Company's compliance with Corporate Governance best practice, are set out in the Corporate Governance Statement on pages 17 and 32.</p> <p>The Board receives regular reports from its broker, depositary, registrar and Manager as well as its legal advisers and the Association of Investment Companies on changes to regulations which could impact the Company and its industry. The Company monitors events and relies on the Manager and its key third party providers to manage this risk by preparing for any changes.</p>

PRINCIPAL AND EMERGING RISKS

Principal Risk	Description	Mitigating Activities
Environmental		
Climate Change	Climate change has become one of the most critical issues confronting companies and their investors. Climate change can have a significant impact on the business models, sustainability and even viability of individual companies, whole sectors and even asset classes.	The Board receives ESG reports from the Manager on the portfolio and the way ESG considerations are integrated into the investment decision-making, so as to mitigate risk at the level of stock selection and portfolio construction. As extreme weather events become more common, the resiliency, business continuity planning and the location strategies of the Company's services providers will come under greater scrutiny.
Emerging Risk	Description	Mitigating Activities
Political and Economic	Political issues and changes in financial or tax legislation in the UK or the US may lead to changes to the operating model of the Company and/or reduce the appeal of the Company to shareholders.	The Manager monitors events and makes recommendations to the Board on accounting, dividend and tax policies and the Board seeks external advice where appropriate.
Global Pandemics	The emergence and spread of coronavirus (COVID-19) is a global pandemic risk that poses a significant risk to the Company's portfolio. COVID-19 has highlighted the speed and extent of economic damage that can arise from a pandemic. While current vaccination programme results are hopeful, the risk remains that new variants may not respond to existing vaccines, may be more lethal and may spread as global travel opens up again.	Time after time, markets have recovered, albeit over varying and sometimes extended time periods, and so the Board does have an expectation that the portfolio's holdings will not suffer a material long-term impact and should recover. The Board receives reports on the business continuity plans of the Manager and other key service providers. The effectiveness of these measures have been assessed throughout the course of the COVID-19 pandemic and the Board will continue to monitor developments as they occur and seek to learn lessons which may be of use in the event of future pandemics. Should the virus become more virulent than is currently the case, it may present risks to the operations of the Company, its Manager and other major service providers. Should efforts to control a pandemic prove ineffectual or meet with substantial levels of public opposition, there is the risk of social disorder arising at a local, national or international level. Even limited or localised societal breakdown may threaten both the ability of the Company to operate, the ability of investors to transact in the Company's securities and ultimately the ability of the Company to pursue its investment objective and purpose.
Market Risk	Inappropriate Government/Central banks fiscal or monetary responses to the debt burden arising from the COVID-19 stimulus packages combined with inflation, the potential of stagflation, economies threatened by recession and the unknown consequences of the war in Ukraine could lead to material adverse movements in asset prices. These factors, in the long term, could also render the Company's objectives and policies unachievable.	The Manager's market strategists are available for the Board and can discuss market trends. External consultants and experts can be accessed by the Board. The Board can, with shareholder approval look to amend the investment policy and objectives of the Company, if required, to enable investment in companies or assets which offer more appealing risk/return characteristics in prevailing economic conditions.
Ongoing shareholder demand	Competing investment vehicles (e.g. ETFs) or new investment technologies may render the Company's shares unappealing to shareholders.	The Manager has a dedicated investment trust sales team that works closely with the Company's broker as well as current and prospective shareholders. Regular meetings are held with shareholders to try to ensure continued demand/interest. Both the Manager and the broker submit a sales activity report to each Board meeting and are available to discuss any issues throughout the year.

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 and emerging 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. The Company has no loan covenants or liabilities that cannot be readily met and the Directors have reviewed income and expense projections and the liquidity of the investment portfolio in making their assessment. They have made that assessment by considering those principal and emerging risks, the Company's investment objective and strategy, the investment capabilities of the Manager and the outlook for the US economy and equity market. They have examined the robustness of these base case estimates using further severe but plausible scenarios, including the market contractions caused by the 2008 financial crisis, the ongoing COVID-19 pandemic and the continuing war in Ukraine.

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. The Directors also take account of the inherent uncertainties of equity markets and the existence of a continuation vote every five years. As a result of all these deliberations, 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 be able to continue in operation, subject to shareholders voting in favour of continuation at the AGM in 2025, and meet its liabilities as they fall due over the next five years until 31st December 2026. This reasonable expectation is subject to there being no significant adverse change to the regulatory or taxation environment for investment trusts; and subject to there being no sustained adverse investment performance by the current or any successive investment manager, that may result in the Company not being able to maintain a supportive shareholder base.

Duty to promote the success of the Company

Section 172 of the Companies Act 2006 requires that a Director must act in the way they consider, 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 is responsible for all decisions relating to the Company's investment objective and policies, gearing, discount management, corporate governance and strategy, and for monitoring the performance of the Company's third party service providers, including the Manager. The Board's philosophy is that the Company should foster a culture where all the Company's stakeholders are treated fairly and with respect and the Board recognises the importance of acting fairly between them, which is front of mind in its key decision making. As an externally managed investment company with no employees, the Board considers that the Company's key stakeholders are its shareholders, its Manager, its investee companies, and its other professional third party service providers (corporate broker, registrar, auditor, custodian and depositary) and wider society. The Board believes the best interests of the Company are aligned with those of these key stakeholders as all parties wish to see and ultimately benefit from the Company achieving its investment objectives whilst carrying on business in compliance with the highest possible regulatory, legal, ethical and commercial standards.

The table below sets out details of the Company's engagement with these stakeholders:

Stakeholder Engagement
<p>Shareholders</p> <p>Continued shareholder engagement is critical to the continued existence of the Company and the successful delivery of its long term strategy. The Board is focused on fostering and maintaining good working relationships with shareholders and understanding the views of shareholders in order to incorporate them into the Board's strategic thinking and objectives. Commentary from shareholders is reviewed on a regular basis and if considered necessary, major shareholders are offered the opportunity to meet with the Chairman.</p>
<p>Manager</p> <p>The principal 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. The Board monitors the Company's investment performance at each Board Meeting in relation to its objective and also to its investment policy and strategy. The Board also maintains strong lines of communication with the Manager via its dedicated company secretary and client director whose interactions extend well beyond the formal business addressed at each Board and Committee meeting. This enables the Board to remain regularly informed of the views of the Manager and the Company's shareholders (and vice versa).</p>
<p>Investee companies</p> <p>The Board is committed to responsible investing and actively monitors the activities of investee companies through its delegation to the Manager. In order to achieve this, the Manager has discretionary powers to exercise voting rights on behalf of the Company on all resolutions proposed by the investee companies. In respect of the year under review, the Manager engaged with many of its investee companies and voted at all of the annual general meetings and extraordinary meetings held during the year by the Company's portfolio companies (full details can be found in the ESG report on pages 12 and 13). The Board monitors investments made and divested and questions the Manager's rationale for exposures taken and voting decisions made.</p>
<p>Other key service providers</p> <p>The Board ensures that it promotes the success of the Company by engaging specialist third party suppliers, with appropriate capability, performance records, resources and controls in place to deliver the services that the Company requires for support in meeting relevant obligations and safeguarding the Company's assets. For this reason, the Board considers the Company's Custodian, Depositary, Registrar, Auditor and Broker to be stakeholders. The Board maintains regular contact with its key external service providers, either directly, or via its dedicated company secretary or client director, and receives regular reporting from these providers at Board and Committee meetings. The Management Engagement Committee meets annually to review and appraise its key service providers.</p>

Wider society and the Environment

Whilst strong long term investment performance is essential for an investment trust, 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 (ESG) considerations are integrated into the Manager's investment process and will continue to evolve. Further details of the Manager's integrated approach to ESG can be found on pages 11 to 13.

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:

Key Decisions and Actions

Management Fee

During the year the Board agreed with JPMF a change to the management fee arrangement to put the Company in a competitive position relative to peers.

Dividends Payable to Shareholders

Although the Company's objective is to deliver capital growth, the level of dividends paid are a key consideration for the Board, given the ongoing demand for income. In the Company's financial year ended 31st December 2021, the Company's revenue for the year, after expenses and tax, marginally increased from the prior year by 5%. The Board has declared a final dividend of 2.5 pence per share.

Succession Planning

The Board has continued to progress its orderly succession plans during the year. Having served as a Director since 2012 and as Audit Committee Chairman, Julia Le Blan will retire from the Board at the Company's 2022 Annual General Meeting and will be succeeded as Audit Committee Chairman by Mandy Donald who was appointed as a Director in January 2022. Your Directors believe that shareholder interests are best served by ensuring a smooth and orderly succession for the Board which serves to provide both continuity and refreshment whilst ensuring diversity of both background and experience.

Increasing the Profile of the Company

It is important that the Company remains front of mind with both institutional and retail investors. The Board employs Kepler to provide research notes for the Company twice a year. In addition, the investment managers also use webcasts and speak at video conferences, organised by brokers and external companies. The Company's website is in the process of being enhanced and various promotional activities have been discussed and will be introduced over 2022.

The Board has also recently engaged a third party to refine the Company's key attributes and attractions, alongside the development of a marketing plan to raise awareness of the Company amongst existing and potential shareholders.

Borrowings and Gearing

Given an increase in the Company's asset base over the year the Company increased its borrowing capacity during the year by increasing the amount under its loan facilities to £30 million. The introduction of the additional debt permits the maintenance of the relative gearing level of the Company which the Board believes will enhance returns to shareholders over the long term.

Miscellaneous

In addition, the Directors have kept under review the Company's other operating costs; continued to hold the Manager to account on investment performance; undertaken a robust review of the principal and emerging risks faced by the Company; and continued to encourage the Manager to enhance its sales and marketing efforts.

Furthermore, throughout the course of the COVID-19 pandemic the Board has been in regular contact with the Manager, receiving regular updates on the operational effectiveness of the Manager and key service providers and on areas such as portfolio activity, portfolio liquidity, gearing and the discount to NAV at which the Company's shares trade.

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

18th March 2022

Directors' Report

BOARD OF DIRECTORS



David Ross (Chairman of the Board, Management Engagement and Nomination Committees)

Director since 2015.

Last reappointed to the Board: 2021.

Current remuneration: £38,500.

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



Shefaly Yogendra (Chairman of the Remuneration Committee)

Director since 2016.

Last reappointed to the Board: 2021.

Current remuneration: £27,500.

She is a risk and decision-making specialist and has spent her career working with technology investors and startups. She earlier worked in Ditto AI 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 Harmony Energy Income Trust plc and 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: 2021.

Current remuneration: £32,500.

She is a chartered accountant and has worked in the financial services industry for over 30 years. She was formerly a director of BMO UK High Income Trust plc and 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 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.



Christopher Metcalfe

Director since 2019

Last reappointed to the Board: 2021

Current remuneration: £27,500.

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 is a Director of Aberdeen Smaller Companies Income Trust plc and Martin Currie Global Portfolio Trust plc.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 26,000.



Dominic Neary

Director since: 2019.

Last reappointed to the Board: 2021

Current remuneration: £27,500.

He 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 a Director of the Value and Indexed Property Income Trust, the manager of The Scottish American Investment Company PLC and an investment manager at Baillie Gifford & Co., Edinburgh and numerous other investment institutions.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 9,750



Mandy Donald

Director since 2022.

Current remuneration: £27,500.

She is an experienced non-executive director and audit committee chair in a portfolio of roles. She is currently a non-executive director and audit & risk committee chair of Liontrust Asset management plc, a non-executive director of Gowling WLG LLP and a non-executive director and audit committee chair of Punter Southall Group.

She qualified as a Chartered Accountant at Ernst & Young LLP and has extensive experience in strategy, governance, finance, audit and risk management.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: nil.

All Directors are members of the Audit Committee (except for David Ross 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 2021.

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.jpmmussmallercompanies.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, the Manager received a basic management fee of 0.90% 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 (2020: 0.75%).

With effect from 1st January 2022 the management fee changed to 0.70% per annum on all gross assets (excluding liquidity assets).

Directors

The Directors of the Company who held office at the date of this report are detailed on pages 28 and 29.

Details of Directors' beneficial shareholdings may be found in the Directors' Remuneration Report on page 42. No changes have been reported to the Directors' shareholdings since the year end.

In accordance with corporate governance best practice, 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.

Julia Le Blan will retire from the Board at the conclusion of the 2022 AGM.

Mandy Donald was appointed on 4th January 2022 following a thorough search exercise conducted during the year. The Company employed Trust Associates, a board advisory firm that specialises in non-executive director search and board advice in the financial sector, as part of the recruitment process. Trust Associates has no connection to the Company or the Manager. In accordance with the Company's Articles of Association, Mandy Donald will stand for appointment at the forthcoming AGM.

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

BDO LLP was appointed as Auditor of the Company with effect from 19th August 2020. BDO LLP has expressed its willingness to continue in office as Auditor to the Company and the Board has proposed a resolution in the Notice of the Company's Annual General Meeting to be held in April 2022 proposing the reappointment of BDO LLP, to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company and authorising the Directors to determine their remuneration. Further details may be found in the Audit Committee Report on page 39.

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 19.

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 17 to the Notice of Annual General Meeting on page 82.

Environmental Matters, Social and Community Issues

Information on environmental matters, social and community issues and Greenhouse gas emissions have been disclosed in the Strategic Report on page 20. 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	% ¹
Rathbone Brothers PLC	6,505,747	9.9
Brewin Dolphin Limited	2,776,245	4.8

¹ 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 25th April 2022 is given on pages 79 to 82. The full text of the Resolutions is set out in the Notice of Meeting. Please also refer to the Chairman's statement on pages 5 to 7 of the Annual Report which explains the format of this year's AGM due to the ongoing COVID-19 pandemic.

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

- (i) **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 6,507,573 new ordinary shares for cash up to an

aggregate nominal amount of £162,689, such amount being equivalent to 10% of the present issued share capital (excluding Treasury shares, if any). This authority will expire at the Annual General Meeting in 2023 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 79.

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.

(ii) Authority to allot further new Ordinary shares and to disapply statutory pre-emption rights (resolutions 14 and 15)

In addition to any authorities granted by resolutions 12 and 13 above, the Directors will seek renewal of the authority at the AGM to issue new Ordinary shares for cash on a non pre-emptive basis up to an aggregate nominal amount of £162,689 such amount being equivalent to 10% of the present issued Ordinary share capital (excluding Treasury shares) as at the last practicable date before the publication of the Notice of Meeting. This authority will expire at the conclusion of the Company's AGM in 2023 unless renewed at a prior general meeting.

The full text of the resolutions 12 to 15 is set out in the Notice of Annual General Meeting on pages 79 and 80. If each of resolutions 12 to 15 are passed, the Company will have the ability to issue, on a non pre-emptive basis, up to 20% of its issued share capital (excluding shares held in Treasury) as at 17th March 2022.

(iii) Authority to repurchase the Company's shares (resolution 16)

At the Annual General Meeting held on 26th April 2021, 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 26th October 2022 and could be renewed by shareholders at any time at a General Meeting of the Company. The Board remains committed to a strong/disciplined discount management policy, 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 16 in the Notice of Meeting on page 80.

Recommendation (resolutions 12 to 16)

The Board considers that resolutions 12 to 16 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 76,750 shares representing approximately 0.1% of the voting rights in the Company.

Other Information

The recommended final dividend, as well as information on acquisition of the Company's own shares and greenhouse gas emissions, can be found in the Business Review. Financial risk management objectives and policies, with information on exposure to price, credit and liquidity risk, can be found in note 21 to the Financial Statements. Information on post balance sheet events can be found in note 23.

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;
- internal audit; 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

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 at least quarterly 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 five non-executive Directors, chaired by David Ross, all of whom are regarded by the Board as independent of the Company's Manager. Mandy Donald was appointed following the year-end. The Chairman's independence was assessed upon his appointment and will be annually thereafter.

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 28 and 29.

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. The Board has appointed Christopher Metcalfe to take over as the Senior Independent Director following the retirement of Julia Le Blan.

Reappointment of Directors

The Directors of the Company and their brief biographical details are set out on pages 28 and 29. 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 Directors will stand for reappointment at the Annual General Meeting, with the exception of Mandy Donald who will stand for appointment and Julia Le Blan who will retire following the 2022 AGM.

Resolution 5 concerns the reappointment of David Ross. He joined the Board in March 2015 and has served for seven years as a Director. David is a certified accountant with over 45 years in the investment industry. He is Chairman of the Board, and also the Chair of the Nomination Committee and Management Engagement Committee.

For details of current directorships, please refer to page 28 of the Report.

Resolution 6 concerns the reappointment of Shefaly Yogendra. She joined the Board in November 2016 and has served for five 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 28 of the Report.

Resolution 7 concerns the reappointment of Christopher Metcalfe. He joined the Board in January 2019 and has served for three years as a Director. Christopher has extensive US equity management and investment trust experience.

For details of current directorships, please refer to page 28 of the Report.

Resolution 8 concerns the reappointment of Dominic Neary. He joined the Board in January 2019 and has served for three years 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 29 of the Report.

Resolution 9 is for the appointment of Mandy Donald. She joined the Board in January 2022 and has served as a Director since then.

For details of current directorships, please refer to page 29 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 19).

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 has served for less than nine years as 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 28 and 29. All Directors are members of the Committees.

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

Director	Board	Audit	Nomination	Remuneration	Management
	Meetings	Committee	Committee	Committee	Engagement
	Attended	Meetings	Meetings	Meetings	Committee
		Attended	Attended	Attended	Meeting
		Attended	Attended	Attended	Attended
J Le Blan	8	3	1	1	1
C Metcalfe	8	3	1	1	1
D Neary	8	3	1	1	1
D Ross	8	3 ¹	1	1	1
S Yogendra	8	3	1	1	1

¹ David Ross is not a member of the Audit Committee but he is invited to attend meetings.

As well as the formal meetings detailed above, the Board communicates frequently by email or telephone to deal with matters as they arise. Ordinarily the Directors would visit the investment management team in New York, however due to the travel restrictions imposed as a result of COVID-19, the visit was postponed.

Board Committees

Nomination Committee

The Nomination Committee, chaired by David Ross, 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 2021, there were two 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 outperformance 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 28 and 29.

The Committee, with the help of Linstock Ltd, a firm of independent consultants who have no other connection with the Company or individual Directors, conducted 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 Linstock, with the assistance of the Board and the Manager, were completed by each Director. The responses are collated and then discussed by the Committee. The evaluation of the Chairman is led by the Chairman of the audit committee. The responses are collated and then discussed by the Committee.

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 David Ross, 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 38 and 39.

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

The Directors' statement on going concern is detailed on page 39.

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.

In normal circumstances all shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet with and answer shareholders' questions. In addition, a presentation is given by the Investment Managers who review the Company's performance.

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 86 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 his 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 86. A formal process is in place for all letters to the Chairman or other Directors to be forwarded immediately. As part of this process, any feedback from shareholders is also communicated to the Board.

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 AIC 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 21 to 23). 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.
- **Depositary**
The Board has appointed Bank of New York Mellon (International) Limited as depositary, with responsibilities for safe keeping of custodial assets and oversight of the records and cash flows.

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 2021 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 as highlighted in *italics*, is a summary of JPMAM's policy statements on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board. Details on social and environmental issues are included in the Strategic Report on page 20.

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 its reasonable judgement of what will best serve the financial interests of its clients. So far as is practicable, JPMAM will vote at all of the meetings called by companies in which it is invested.

Stewardship/Engagement

JPMAM believes effective investment stewardship can materially contribute to helping build stronger portfolios over the long term for our clients. At the heart of JPMAM's approach lies a close collaboration between our portfolio managers, research analysts and investment stewardship specialists to engage with the companies in which JPMAM invests. Regular engagement with JPMAM's investee companies through investment-led stewardship has been a vital component of JPMAM's active management heritage. JPMAM continues to exercise active ownership through regular and ad hoc meetings, and through its voting responsibilities.

JPMAM's formal stewardship structure is designed to identify risks and understand its portfolio companies' activities, in order to enhance value and mitigate risks associated with them. JPMAM has identified five main investment stewardship priorities it believes have universal applicability and will stand the test of time: governance; strategy alignment with the long term; human capital management; stakeholder engagement; and climate risk. Within each priority area, JPMAM identifies related themes it is seeking to address over a shorter time frame. These themes will evolve as JPMAM engages with companies to understand issues and promote best practice. This combination of long-term priorities and evolving, shorter-term themes provides JPMAM with a structured and targeted framework to guide its investors and investment stewardship teams globally as JPMAM engages with investee companies around the world.

JPMAM is also committed to reporting more widely on our activities, including working to meet the practices laid out by the Financial Reporting Council (FRC) in the UK Stewardship Code and on embodying the spirit of those principles across the firm. While JPMAM is not yet a signatory to the recently revised 2020 UK Stewardship Code, its current focus is on ensuring its reporting to the FRC reflects the most robust standards.

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>, which 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

18th March 2022

Audit Committee Report

Role and Composition

The Audit Committee, chaired by Julia Le Blan, comprises all of the Directors (except for David Ross 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. Following the retirement of Julia Le Blan at the forthcoming AGM, Mandy Donald will take on the role of Chairman of the Audit Committee.

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 AIC 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 2021, 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 57. 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.

Significant issue	How the issue was addressed
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 57. 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 risk that the global economic disruption caused by the ongoing COVID-19 will affect the Company's ability to continue in operation due to the impact on the share price of portfolio companies or the ability of key service providers (including the Manager, the Depositary, the Custodian, the Fund Accountant, the Brokers and the Registrar) to maintain business continuity and continue to provide appropriate service levels	The Audit Committee has reviewed the impact of market volatility related to the continuing COVID-19 pandemic on the Company's portfolio and receives regular updates on portfolio performance from the portfolio manager. The Audit Committee has also reviewed recent portfolio liquidity and updated revenue and expense forecasts in light of the ongoing COVID-19 pandemic and its anticipated impact on portfolio liquidity, revenue and market valuations and considers that the Company's business model remains viable and that the Company has sufficient resources to continue in operation and to meet all liabilities as they fall due. The Audit Committee has further reviewed the Company's borrowing facility and considers that the Company has continually met its financial covenants in respect of these facilities and has a wide margin before any relevant thresholds are reached. The Audit Committee is confident that the Company has appropriate controls and processes in place to manage the principal risks and uncertainties identified above and to maintain its operating model, notwithstanding the global economic challenges posed by the continuing COVID-19. The Audit Committee has received representations and updates from the Company's key service providers in respect of their business continuity plans to address the issues posed by COVID-19 and are confident that all such providers will be able to continue to provide the required level of service for the foreseeable future.

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 17), risk management policies (see pages 35 to 37), capital management policies and procedures (pages 73 and 74), 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 12 months from the date of approval of these financial statements. In particular, the Board has considered the ongoing impact of COVID-19 and the war in Ukraine 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. All covenants were complied with during the year. 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 £303.6 million represents 13.26x the value of the drawn gearing of £22.9 million as at 17th March 2022).
2. that the Company's net asset value does not fall below £140 million (net asset value of £303.6 million as at 17th March 2022).

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 pages 35 and 36.

Auditor Appointment and Tenure

The Audit Committee has the primary responsibility for making recommendations to the Board on the reappointment and the removal of the external auditor and their fee.

BDO LLP was appointed as the Company's Auditor with effect from 19th August 2020. The audit engagement partner rotates at least every five years in accordance with ethical guidelines and this is the second year for the current partner.

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 60.

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 2021, 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 45.

By order of the Board

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

18th March 2022

Introduction

The Board presents the Directors' Remuneration Report for the year ended 31st December 2021, 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 47.

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 £26,000 per annum for each other Director. On 1st January 2022 the Directors' fees were increased to the following rates:

£38,500 per annum for the Chairman; £32,500 per annum for the Audit Committee Chairman; and £27,500 per annum for each other Directors.

The Company's existing Articles of Association stipulate that aggregate Directors' fees must not exceed £250,000 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 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 34.

The Company's Remuneration policy also applies to new Directors.

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 2020 and no changes are proposed for the year ending 31st December 2022.

At the Annual General Meeting held on 26th April 2021, of votes cast in respect of the Remuneration Policy, 99.93% of votes cast were in favour of (or granted discretion to the Chairman who voted in favour of) the remuneration policy and 0.07% voted against. In respect of the Remuneration Report, 99.93% of votes were cast in favour and 0.07% against.

Details of voting on both the Remuneration Policy and the Directors' Remuneration Policy Implementation Report from the 2022 Annual General Meeting will be given in the Annual Report for the year ending 31st December 2022.

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.

DIRECTORS' REMUNERATION REPORT

Single total figure of remuneration

The single total figure of remuneration for the Board as a whole for the year ended 31st December 2021 was £146,742. 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 table¹

Director	2021		2020		Total	Total
	Fees	Taxable benefits ²	Fees	Taxable benefits ²		
	£	£	£	£	£	£
Julia Le Blan	30,900	–	30,900	30,900	–	30,900
Christopher Metcalfe	26,000	–	26,000	26,000	–	26,000
Dominic Neary	26,000	–	26,000	26,000	618	26,618
David Ross ³	37,000	842	37,842	32,588	–	32,588
Shefaly Yogendra	26,000	–	26,000	26,000	–	26,000
Davina Walter ⁴	–	–	–	14,942	–	14,942
Total	145,900	842	146,742	156,430	618	157,048

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 £10,993 (2020: £16,297) was paid on National Insurance.

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

³ Chairman from 26th May 2020.

⁴ Retired from the Board on 26th May 2020.

Annual Percentage Change in Directors' Remuneration

The following table sets out the annual percentage change in Directors' fees for the year to 31st December 2021:

Directors' Name	% change	
	for the year to 31st December 2021	for the year to 31st December 2020
David Ross ¹	13.5	31.7
Julia Le Blan	–	–
Christopher Metcalfe	–	5.1
Dominic Neary	–	5.1
Shefaly Yogendra	–	5.1

¹ Chairman from 26th May 2020.

A table showing the total remuneration for the Chairman over the five years ended 31st December 2021 is below:

Remuneration for the Chairman over the five years ended 31st December 2021

Year ended 31st December	Fees
2021	£37,000
2020	£37,000
2019	£37,000
2018	£36,000
2017	£34,000

Directors' Shareholdings¹

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 2021	31st December 2020
Christopher Metcalfe	26,000	26,000
Dominic Neary	9,750	9,750
Julia Le Blan	15,000	15,000
David Ross	25,000	25,000
Shefaly Yogendra	1,000	1,000
Total	76,750	76,750

¹ Audited information.

As at the date of her appointment on 4th January 2022, Mandy Donald held nil shares in the Company.

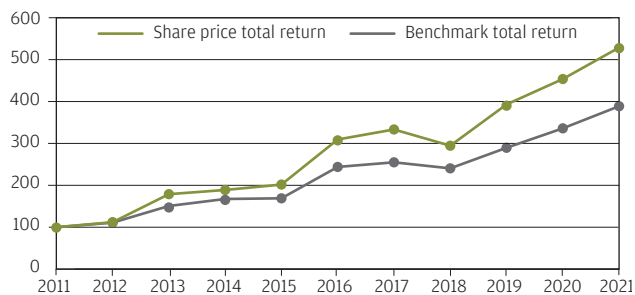
As at the last practicable date before the publication of this document, there have been no further changes to the Directors' shareholdings since the year end.

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

No amounts (2020: 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 2021

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.

Expenditure by the Company on remuneration and distributions to shareholders

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.

	Year ended 31st December	
	2021	2020
Remuneration paid to all Directors	£146,742	£157,048
Distribution to shareholders by way of:		
– dividend	£1,597,000	£1,464,000
– share repurchases	£939,000	£972,000

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

18th March 2022

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 28 and 29 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.jpmsmallercompanies.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
David Ross
Chairman

18th March 2022

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

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of JPMorgan US Smaller Companies Investment Trust plc (the 'Company') for the year ended 31st December 2021 which comprise the Statement of Comprehensive Income and Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the 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 FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 19th August 2020 to audit the financial statements for the year ending 31st December 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is two years, covering the years ending 31st December 2020 to 31st December 2021. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the appropriateness of the Directors' method of assessing going concern by reviewing the information used by the Directors in completing the assessment;
- Challenging Directors' assumptions and judgements made with regards to the base case forecast including discretionary and non-discretionary cash outflows, assessing the reasonableness of these against historic outflows and considering the available cash resources;
- Challenging Directors' assumptions and judgements made with regards to stress-testing forecasts including considering the impact on covenant headroom and sufficiency of the liquidity of the portfolio; and
- Reviewing the loan agreements to identify the covenants and assess the likelihood of them being breached based on the Directors' forecasts and our sensitivity analysis.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Key audit matters	Valuation and ownership of investments	2021	2020
Materiality	£3.0 million (2020:£2.3 million) based on 1% (2020: 1%) of net assets	✓	✓

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

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, including those which 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 scope of our audit addressed the key audit matter

Valuation and ownership of investments (note 1b and 11)

We considered the valuation and ownership of investments to be the most significant audit areas as investments represent the most significant balance in the financial statements and underpin the principal activity of the entity. There is a risk that the investment balance includes investments which are no longer owned by the Company or that the bid price used to value the investment is incorrect leading to a material misstatement.

We responded to this matter by testing the valuation and ownership of 100% of the portfolio of investments. We performed the following procedures:

In respect of quoted investment valuations (100% of the total portfolio by value) we have:

- Confirmed the year end bid price was used by agreeing to externally quoted prices and for all of the investments, assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value, by considering the realisation period for individual holdings.
- Obtained direct confirmation from the custodian regarding all investments and number of shares held at the balance sheet date.
- Recalculated the valuation by multiplying the number of shares held per the statement obtained from the custodian by the valuation per share.

Key observations

Based on our procedures performed we did not identify any matters to suggest that the valuation and ownership of investments was not appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not

necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Company financial statements	
	2021	2020
	£m	£m
Materiality	3.0	2.3
Basis for determining materiality	1% (2020: 1%) of Net Assets	
Rationale for the benchmark applied	Net assets is a primary indicator of performance and is considered to be the key consideration for the users of the Financial Statements.	
Performance materiality	2.2	1.6
Basis for determining performance materiality	75% of materiality based on our knowledge and experience of the client, history of errors identified and low level of expected misstatements.	70% of materiality based on our risk assessment and the fact that it was our first year on the audit.

Lower testing threshold

We determined that for Revenue return before tax, a misstatement of less than materiality for the financial statements as a whole, could influence users of the financial statements as it is a measure of the Company's performance of income generated from its investments after expenses. We have set a lower testing threshold for those items impacting revenue return of £230,000 (2020: £220,000) which is based on 10% of revenue return before taxation (2020: 10% of revenue return before taxation).

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £60,000 (2020: £47,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

INDEPENDENT AUDITOR'S REPORT

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and
- The Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate.

Other Code provisions

- Directors' statement on fair, balanced and understandable;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and
- The section describing the work of the audit committee.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

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.

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.

Directors' remuneration

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

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

As explained more fully in the Statement of Directors' Responsibilities, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

We considered the significant laws and regulations to be the Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP, United Kingdom Generally Accepted Accounting Practice, and the Company's qualification as an Investment Trust under UK tax legislation as any non-compliance of this would lead to the Company losing various deductions and exemptions from corporation tax.

The engagement partner has assessed and confirmed that the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our procedures included:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management and those charged with governance relating to the existence of any fraud and non-compliance with laws and regulations;
- review of minutes of Board and other Committee meetings throughout the period for instances of non-compliance with laws and regulations and fraud;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations; and
- reviewing the calculation in relation to Investment Trust compliance to check that the Company was meeting its requirements to retain its Investment Trust status.

We assessed the susceptibility of the financial statements to material misstatement, including fraud and determined the areas most susceptible to fraud to be management override of controls and the valuation of investments. Our procedures include those set out in the Key Audit Matters section above. We also:

- Recalculated investment management fees in total; and
- Obtained independent confirmation of the loan and bank balances.

In addressing the risk of management override of controls we tested a sample of journals based on risk criteria and agreed these journal to supporting documentation and evaluated whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

INDEPENDENT AUDITOR'S REPORT

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.

Vanessa-Jayne Bradley
(Senior Statutory Auditor)
for and on behalf of BDO LLP
Statutory Auditor, Chartered Accountants
London

18th March 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF CHANGES IN EQUITY

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2021

Notes	Revenue £'000	2021 Capital £'000	Total £'000	Revenue £'000	2020 Capital £'000	Total £'000	
Gains on investments held at fair value through profit or loss	3	–	44,039	44,039	–	30,977	30,977
Net foreign currency (losses)/gains on cash and loans		–	(284)	(284)	–	213	213
Income from investments	4	3,236	–	3,236	2,894	–	2,894
Interest receivable	4	30	–	30	68	–	68
Gross return		3,266	43,755	47,021	2,962	31,190	34,152
Management fee	5	(468)	(1,873)	(2,341)	(329)	(1,314)	(1,643)
Other administrative expenses	6	(422)	–	(422)	(402)	–	(402)
Net return before finance costs and taxation		2,376	41,882	44,258	2,231	29,876	32,107
Finance costs	7	(51)	(201)	(252)	(55)	(217)	(272)
Net return before taxation		2,325	41,681	44,006	2,176	29,659	31,835
Taxation	8	(477)	–	(477)	(416)	–	(416)
Net return after taxation		1,848	41,681	43,529	1,760	29,659	31,419
Return per share	9	2.87p	64.81p	67.68p	3.00p	50.59p	53.59p

Dividend declared in respect of the financial year ended 31st December 2021 total 2.5p (2020: 2.5p) per share amounting to £1,633,000 (2020: £1,499,000). Further information on dividends is given in note 10 on page 62.

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 after taxation represents the profit for the year and also Total Comprehensive Income.

The notes on pages 57 to 74 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2021

	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 2019	1,445	13,392	1,851	179,718	1,846	198,252
Issue of new Ordinary shares	54	8,096	–	–	–	8,150
Repurchase of shares into Treasury	–	–	–	(972)	–	(972)
Reissue of shares from Treasury	–	482	–	972	–	1,454
Net return for the year	–	–	–	29,659	1,760	31,419
Dividends paid in the year	–	–	–	–	(1,464)	(1,464)
At 31st December 2020	1,499	21,970	1,851	209,377	2,142	236,839
Issue of new Ordinary shares	137	23,354	–	–	–	23,491
Shares reissued from Treasury	–	43	–	417	–	460
Repurchase of shares into Treasury	–	–	–	(939)	–	(939)
Net return for the year	–	–	–	41,681	1,848	43,529
Dividends paid in the year	–	–	–	–	(1,597)	(1,597)
At 31st December 2021	1,636	45,367	1,851	250,536	2,393	301,783

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

The notes on pages 57 to 74 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2021

	Notes	2021 £'000	2020 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	322,123	251,210
Current assets			
Debtors	12	559	612
Cash and cash equivalents		3,057	5,985
		3,616	6,597
Creditors: amounts falling due within one year	13a	(1,807)	(20,967)
Derivative financial liabilities		–	(1)
Net current assets/(liabilities)		1,809	(14,371)
Total assets less current liabilities		323,932	236,839
Creditors: amounts falling due after more than one year	13b	(22,149)	–
Net assets		301,783	236,839
Capital and reserves			
Called up share capital	14	1,636	1,499
Share premium	15	45,367	21,970
Capital redemption reserve	15	1,851	1,851
Capital reserves	15	250,536	209,377
Revenue reserve	15	2,393	2,142
Total shareholders' funds		301,783	236,839
Net asset value per share	16	462.1p	394.9p

The financial statements on pages 54 to 74 were approved and authorised for issue by the Directors on 18th March 2022 and were signed on their behalf by:

David Ross
Chairman

The notes on pages 57 to 74 form an integral part of these financial statements.

Company registration number: 552775.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2021

	Notes	2021 £'000	2020 £'000
Net cash outflow from operations before dividends and interest	17	(2,710)	(2,070)
Dividends received		2,694	2,458
Interest received		30	68
Overseas tax recovered		50	41
Interest paid		(240)	(323)
Net cash (outflow)/inflow from operating activities		(176)	174
Purchases of investments		(105,707)	(105,374)
Sales of investments		77,565	96,021
Settlement of foreign currency contracts		5	4
Net cash outflow from investing activities		(28,137)	(9,349)
Dividends paid		(1,597)	(1,464)
Issue of Ordinary shares		23,891	8,136
Shares reissued from Treasury		460	1,454
Repurchase of shares into Treasury		(939)	(972)
Drawdown of bank loan		3,531	3,800
Net cash inflow from financing activities		25,346	10,954
(Decrease)/increase in cash and cash equivalents		(2,967)	1,779
Cash and cash equivalents at start of year		5,985	4,605
Exchange movements		39	(399)
Cash and cash equivalents at end of year		3,057	5,985
(Decrease)/increase in cash and cash equivalents		(2,967)	1,779
Cash and cash equivalents consist of:			
Cash and short term deposits		27	3
Cash held in JPMorgan US Dollar Liquidity Fund		3,030	5,982
Total		3,057	5,985

RECONCILIATION OF NET DEBT

	As at 31st December 2020 £'000	Cash flows £'000	Other non-cash charges £'000	As at 31st December 2021 £'000
Cash and cash equivalents				
Cash	3	(10)	34	27
Cash equivalents	5,982	(3,087)	135	3,030
	5,985	(3,097)	169	3,057
Borrowings				
Debt due after more than one year	(18,289)	(3,531)	(329)	(22,149)
Total	(12,304)	(6,628)	(160)	(19,092)

The notes on pages 57 to 74 form an integral part of these financial statements.

FOR THE YEAR ENDED 31ST DECEMBER 2021**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 April 2021.

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 39 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 adopted 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.

1. Accounting policies *continued*

(e) Expenses

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

- the management fee is allocated 20% to revenue and 80% to capital, in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.
- 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 63.

(f) Finance costs

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

Finance costs are allocated 20% to revenue and 80% to capital, in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.

(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

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

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)

Withholding tax is recognised as a revenue expense, if it is not recoverable.

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.

(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.

(m) Issuance of new Ordinary shares

The nominal value of new Ordinary shares is included under Called Up Share Capital. Any amount in excess of the nominal value is included under 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 Company holds mainly US dollar denominated investments. However, the Company's shareholders are predominantly based in the United Kingdom and the majority of its expenditure is in Sterling. Therefore, the Directors believe that it is appropriate for the Company's presentational and functional currency to be Sterling.

Apart from the functional currency, 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 on investments held at fair value through profit or loss

	2021 £'000	2020 £'000
Realised gains on sales of investments	25,585	25,668
Net change in unrealised gains on investments	18,460	5,315
Other capital charges	(6)	(6)
Total capital gains on investments held at fair value through profit or loss	44,039	30,977

NOTES TO THE FINANCIAL STATEMENTS

4. Income

	2021 £'000	2020 £'000
Income from investments		
Dividends from investments	3,236	2,894
Interest receivable		
Interest from liquidity fund	5	68
Deposit interest	25	–
	30	68
Total income	3,266	2,962

5. Management fee

	Revenue £'000	2021 Capital £'000	Total £'000	Revenue £'000	2020 Capital £'000	Total £'000
Management fee	468	1,873	2,341	329	1,314	1,643

6. Other administrative expenses

	2021 £'000	2020 £'000
Administration expenses	203	183
Directors' remuneration ¹	147	157
Depositary fees ²	36	27
Fees payable to the Company's Auditor for the audit of the Company's annual accounts ³	36	35
	422	402

¹ Full disclosure is given in the Directors' Remuneration Report on page 42.

² Includes £1,000 (2020: £2,000) irrecoverable VAT.

³ Includes £1,000 (2020: £2,000) irrecoverable VAT.

7. Finance costs

	Revenue £'000	2021 Capital £'000	Total £'000	Revenue £'000	2020 Capital £'000	Total £'000
Bank loans and overdraft interest	51	201	252	55	217	272

8. Taxation

(a) Analysis of tax charge for the year

	2021 £'000	2020 £'000
Overseas withholding tax	477	416
Total tax charge for the year	477	416

(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% (2020: 19%). The tax assessed is lower (2020: lower) than the Company's applicable rate of corporation tax of 19% (2020: 19%). The factors affecting the total tax charge for the year are as follows:

	Revenue £'000	2021 Capital £'000	Total £'000	Revenue £'000	2020 Capital £'000	Total £'000
Net return before taxation	2,325	41,681	44,006	2,176	29,659	31,835
Corporation tax at the effective rate of 19% (2020: 19%)	442	7,919	8,361	413	5,635	6,048
Effects of:						
Non taxable capital gains	–	(8,313)	(8,313)	–	(5,926)	(5,926)
Non taxable overseas dividends	(556)	–	(556)	(501)	–	(501)
Unrelieved expenses	123	394	517	90	291	381
Income taxed in different years	–	–	–	6	–	6
Overseas withholding tax	477	–	477	416	–	416
Double taxation relief expensed	(9)	–	(9)	(8)	–	(8)
Total tax charge for the year	477	–	477	416	–	416

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £8,720,000 (2020: £6,088,000) based on a prospective corporation tax rate of 25% (2020: 19%). The deferred tax asset has arisen due to £34,883,000 (2020: £32,049,000) 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 per share

	2021 £'000	2020 £'000
Revenue return	1,848	1,760
Capital return	41,681	29,659
Total return	43,529	31,419
Weighted average number of shares, excluding Treasury shares, in issue during the year	64,314,208	58,620,594
Revenue return per share	2.87p	3.00p
Capital return per share	64.81p	50.59p
Total return per share	67.68p	53.59p

10. Dividends
(a) Dividends paid and declared

	2021 £'000	2020 £'000
Dividend paid		
2020 final dividend of 2.5p (2019: 2.5p) paid to shareholders in May 2021	1,597	1,464
Dividend declared		
2021 final dividend of 2.5p (2020: 2.5p) declared	1,633	1,499

All dividends paid and declared in the year have been funded from the revenue reserve. The dividend declared in respect of the year ended 31st December 2020 amounted to £1,499,000. However, the amount paid amounted to £1,597,000 due to shares issued after the balance sheet but prior to the share register record date.

The final dividend has been declared in respect of the year ended 31st December 2021. In accordance with the accounting policy of the Company, this dividend will be reflected in the accounts for the year ending 31st December 2022.

(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 £1,848,000 (2020: £1,760,000).

	2021 £'000	2020 £'000
2021 final dividend of 2.5p (2020: 2.5p) declared	1,633	1,499

11. Investments

	2021 £'000	2020 £'000
Investments listed on a recognised stock exchange	322,123	251,210
Opening book cost	184,097	146,455
Opening investment holding gains	67,113	61,798
Opening valuation	251,210	208,253
Movements in the year:		
Purchases at cost	104,792	107,940
Sales proceeds	(77,924)	(95,966)
Gains on investments held at fair value through profit or loss	44,045	30,983
	322,123	251,210
Closing book cost	236,550	184,097
Closing investment holding gains	85,573	67,113
Total investments held at fair value through profit or loss	322,123	251,210

The Company received £77,924,000 (2020: £95,966,000) from investments sold in the year. The book cost of these investments when they were purchased was £52,328,000 (2020: £70,298,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Transaction costs on purchases during the year amounted to £43,000 (2020: £39,000) and on sales during the year amounted to £18,000 (2020: £28,000). These costs comprise mainly brokerage commission and stamp duty.

12. Current assets

	2021 £'000	2020 £'000
Debtors		
Issue of Company's own shares awaiting settlement	–	400
Dividends and interest receivable	173	158
Securities sold awaiting settlement	353	–
Other debtors	33	54
	559	612

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.

13a. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Bank loan (see note 13b for details)	–	18,289
Loan interest payable	39	27
Securities purchased awaiting settlement	1,671	2,586
Other creditors and accruals	97	65
	1,807	20,967

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

13b. Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Bank loan	22,149	–

On 20th May 2021 the Company's loan agreement was amended and restated and the loan commitment was increased from US\$25 million to US\$30 million.

On 29th October 2021, the Company renewed its US\$30 million loan facility with Scotiabank, with an option to draw a further US\$10 million. Calculation of interest in connection with drawdowns in Sterling and US dollars is linked to alternative benchmark rates (being, for each such currency, compounded SONIA (Sterling Overnight Interest Average) and compounded SOFR (Secured Overnight Financing Rate) respectively). This facility is unsecured and is subject to covenants which are customary for a credit agreement of this nature (please refer to page 19 for more details). The current facility matures on 27th October 2023 at which point the Board will review its borrowing facility.

As at 31st December 2021, the Company had drawn down US\$30.0 million (£22.1 million) on this facility. As at 31st December 2020, the Company had drawn down US\$25.0 million (£18.3 million) on the US\$25.0 million facility with Scotiabank.

14. Called up share capital

	2021 £'000	2020 £'000
Ordinary shares allotted and fully paid		
Opening balance of 59,969,382 (2020: 57,791,928) shares excluding shares held in Treasury	1,499	1,445
Issue of 5,461,883 new ordinary shares (2020: 2,177,454)	137	54
Repurchase of 225,000 (2020: 377,546) shares into Treasury	(6)	(9)
Reissue of 100,000 (2020: 377,546) shares from Treasury	3	9
Subtotal of 65,306,265 (2020: 59,969,382) shares of 2.5p each excluding shares held in Treasury	1,633	1,499
125,000 (2020: nil) shares held in Treasury	3	–
Closing balance of 65,431,265 (2020: 59,969,382) shares of 2.5p each including shares held in Treasury	1,636	1,499

Further details of transactions in the Company's shares are given in the Strategic Report on page 19.

15. Capital and reserves

2021	Capital reserves ¹						Total £'000
	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Gains and losses on sales of investments £'000	Investment holding gains and losses £'000	Revenue reserve ¹ £'000	
Opening balance	1,499	21,970	1,851	144,755	64,622	2,142	236,839
Net foreign currency gains on cash and cash equivalents	–	–	–	46	–	–	46
Unrealised losses on foreign currency contracts from prior period now realised	–	–	–	(1)	1	–	–
Realised gains on sale of investments	–	–	–	25,585	–	–	25,585
Net change in unrealised gains and losses on investments	–	–	–	–	18,460	–	18,460
Issue of new Ordinary shares	137	23,354	–	–	–	–	23,491
Repurchase of shares into Treasury	–	–	–	(939)	–	–	(939)
Shares reissued from Treasury	–	43	–	417	–	–	460
Unrealised currency losses on loans	–	–	–	–	(330)	–	(330)
Management fee and finance costs charged to capital	–	–	–	(2,074)	–	–	(2,074)
Other capital charges	–	–	–	(6)	–	–	(6)
Dividends paid in the year	–	–	–	–	–	(1,597)	(1,597)
Retained revenue for the year	–	–	–	–	–	1,848	1,848
Closing balance	1,636	45,367	1,851	167,783	82,753	2,393	301,783

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

15. Capital and reserves *continued*

	Capital reserves ¹						
	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Gains and losses on sales of investments £'000	Investment holding gains and losses £'000	Revenue reserve ¹ £'000	Total £'000
Opening balance	1,445	13,392	1,851	121,019	58,699	1,846	198,252
Net foreign currency losses on cash and cash equivalents	–	–	–	(394)	–	–	(394)
Unrealised losses on foreign currency contracts	–	–	–	–	(1)	–	(1)
Unrealised losses on foreign currency contracts from prior period now realised	–	–	–	(1)	1	–	–
Realised gains on sale of investments	–	–	–	25,668	–	–	25,668
Net change in unrealised gains and losses on investments	–	–	–	–	5,315	–	5,315
Issue of new Ordinary shares	54	8,096	–	–	–	–	8,150
Repurchase of shares into Treasury	–	–	–	(972)	–	–	(972)
Reissue of shares from Treasury	–	482	–	972	–	–	1,454
Unrealised currency capital gains on loans	–	–	–	–	608	–	608
Management fee and finance costs charged to capital	–	–	–	(1,531)	–	–	(1,531)
Other capital charges	–	–	–	(6)	–	–	(6)
Dividends paid in the year	–	–	–	–	–	(1,464)	(1,464)
Retained revenue for the year	–	–	–	–	–	1,760	1,760
Closing balance	1,499	21,970	1,851	144,755	64,622	2,142	236,839

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

	2021	2020
Net assets (£'000)	301,783	236,839
Number of shares in issue	65,306,265	59,969,382
Net asset value per share	462.1p	394.9p

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

	2021 £'000	2020 £'000
Net return before finance costs and taxation	44,258	32,107
Less: capital return before finance costs and taxation	(41,882)	(29,876)
Decrease/(increase) in accrued income and other debtors	6	(4)
Increase in accrued expenses	32	–
Management fee charged to capital	(1,873)	(1,314)
Overseas withholding tax	(527)	(457)
Dividends received	(2,694)	(2,458)
Interest received	(30)	(68)
Net cash outflow from operations before dividends and interest	(2,710)	(2,070)

18. Contingent liabilities and capital commitments

At the balance sheet date there were no capital commitments or contingent liabilities (2020: same).

19a. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on page 30. The management fee payable to the Manager for the year was £2,341,000 (2020: £1,643,000) of which £nil (2020: £nil) was outstanding at the year end.

Included in administration expenses in note 6 on page 60 are safe custody fees amounting to £3,000 (2020: £2,000) payable to JPMorgan Chase Bank, N.A. of which £1,000 (2020: £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 £3.0 million (2020: £6.0 million). Income amounting to £5,000 (2020: £68,000) was receivable during the year of which £nil (2020: £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 £6,000 (2020: £6,000) were payable to JPMorgan Chase Bank, N.A. during the year of which £1,000 (2020: £1,000) was outstanding at the year end.

At the year end, total cash of £27,000 (2020: £3,000) was held with JPMorgan Chase Bank, N.A. A net amount of interest of £25,000 (2020: £nil) was receivable by the Company during the year from JPMorgan Chase Bank, N.A. of which £nil (2020: £nil) was outstanding at the year end.

19b. Transactions with related parties

Full details of Directors' remuneration and shareholdings can be found on page 42 and in note 6 on page 60.

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 57.

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

	2021		2020	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	322,123	–	251,210	–
Level 2 ¹	–	–	–	(1)
Total	322,123	–	251,210	(1)

¹ Spot foreign currency contract.

There were no transfers between Level 1, 2 or 3 during the year (2020: 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.

	2021 £'000	2020 £'000
Sterling equivalent of US\$ exposure		
Current assets	3,583	6,542
Creditors	(1,711)	(2,613)
Bank loans	(22,149)	(18,289)
Foreign currency exposure on net monetary items	(20,277)	(14,360)
Investments held at fair value through profit or loss	322,123	251,210
Total net foreign currency exposure	301,846	236,850

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

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% (2020: 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.

21. Financial instruments' exposure to risk and risk management policies *continued*
(a) Market risk *continued*
(i) Currency risk *continued*
Foreign currency sensitivity *continued*

	2021		2020	
	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	(324)	324	(296)	296
Capital return	30,185	(30,185)	(23,685)	23,685
Total return after taxation	30,509	(30,509)	(23,981)	23,981
Net assets	30,509	(30,509)	(23,981)	23,981

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.

	2021 £'000	2020 £'000
Exposure to floating interest rates:		
Cash and short term deposits	27	3
JPMorgan US Dollar Liquidity Fund	3,030	5,982
Bank loan	(22,149)	(18,289)
Total exposure	(19,092)	(12,304)

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above compounded SOFR (Secured Overnight Financing Rate) in respect of Dollar denominated loans (2020: Interest receivable on cash balances, or payable on overdrafts, is at a margin below or above LIBOR respectively). 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 64.

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2020: 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.

	2021		2020	
	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	(7)	7	12	(12)
Capital return	(89)	89	(73)	73
Total return after taxation	(96)	96	(61)	61
Net assets	(96)	96	(61)	61

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:

	2021 £'000	2020 £'000
Investments held at fair value through profit or loss	322,123	251,210

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 15. 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 the USA.

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 20% (2020: 20%) 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.

	2021		2020	
	20% increase in fair value £'000	20% decrease in fair value £'000	20% increase in fair value £'000	20% decrease in fair value £'000
Statement of Comprehensive Income - return after taxation				
Revenue return	(98)	98	(76)	76
Capital return	64,038	(64,038)	49,940	(49,940)
Total return after taxation for the year	6,940	(63,940)	49,864	(49,864)
Net assets	(63,940)	(63,940)	49,864	(49,864)

(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:

	2021			2020		
	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	1,671	–	1,671	2,586	–	2,586
Other creditors and accruals	97	–	97	65	–	65
Derivative financial liabilities	–	–	–	1	–	1
Bank loan, including interest	103	22,560	22,663	65	18,378	18,443
	1,871	22,560	24,431	2,717	18,378	21,095

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:

	2021 £'000	2020 £'000
Debt:		
Bank loan	22,149	18,289
Equity:		
Called up share capital	1,636	1,499
Reserves	300,147	235,340
	301,783	236,839
Total debt and equity	323,932	255,128

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).

22. Capital management policies and procedures *continued*

	2021 £'000	2020 £'000
Investments held at fair value through profit or loss	322,123	251,210
Net assets	301,783	236,839
Gearing	6.7%	6.1%

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 2021, the Company's share capital comprised 65,431,265 ordinary shares of 2.5p each, including 125,000 shares held in Treasury. Since the year end and as at 17th March 2022, the last practicable date before the publication of this document, the Company has issued a further 125,000 shares from Treasury and 75,000 new ordinary shares under its ordinary share block listing facility. The Company has also repurchased 430,526 shares into Treasury.

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 83 and 84), as at 31st December 2021, 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 2020 Performance Year in June 2020 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 2020 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 40 sub-funds) as at 31st December 2021, with a combined AUM as at that date of £23.4 billion and £24.8 billion respectively.

	Fixed remuneration	Variable remuneration	Total remuneration	Number of beneficiaries
All staff of the Management Company (USD \$'000s)	23,244	16,065	39,309	153

The aggregate 2021 total remuneration paid to AIFMD Identified Staff was USD \$84,714, of which USD \$6,570 relates to Senior Management and USD \$78,144 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 December 2021.

Shareholder Information

Notice is hereby given that the sixty-fifth Annual General Meeting of JPMorgan US Smaller Companies Investment Trust plc will be held at 60 Victoria Embankment, London EC4Y 0JP on Monday, 25th April 2022 at 2.30 p.m. for the following purposes:

1. To receive the Directors' Report and Financial Statements and the Auditor's Report for the year ended 31st December 2021.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31st December 2021.
4. To approve a final dividend of 2.5 pence per share.
5. To reappoint David Ross as a Director of the Company.
6. To reappoint Shefaly Yogendra as a Director of the Company.
7. To reappoint Christopher Metcalfe as a Director of the Company.
8. To reappoint Dominic Neary as a Director of the Company.
9. To appoint Mandy Donald as a Director of the Company.
10. To reappoint BDO LLP as Auditor to the Company.
11. To authorise the Directors to determine the Auditors' remuneration.

Special Business

To consider the following resolutions:

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 £162,689, 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 2023, 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 12 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 12 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 £162,689, 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 pursuance of such offers or agreements as if the power conferred hereby had not expired.

Authority to allot further new Ordinary shares - Ordinary Resolution

14. THAT, in addition to any authority granted by Resolution 12 above, the Directors of the Company be and they are hereby generally and unconditionally authorised, pursuant to and in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot Ordinary shares in the Company and to grant rights to subscribe for, or to convert any security into, Ordinary shares in the Company ('Rights') up to an aggregate nominal amount of £162,689 (representing approximately 10% of the Company's issued Ordinary share capital (excluding shares held in Treasury) as at 17th March 2022, this being the latest practicable date prior to the publication of this notice), provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2023 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers or agreements which would or might require Ordinary shares to be allotted or Rights to be granted after such expiry and so that the Directors of the Company may allot Ordinary 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 further relevant securities – Special Resolution

15. THAT, subject to the passing of Resolution 14 set out above, and in addition to any authority granted by Resolution 13 above, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 and 573 of the Companies Act 2006 (the ‘Act’) to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 14 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities and the sale of Treasury shares for cash up to an aggregate nominal amount of £162,689 (representing approximately 10% of the issued Ordinary share capital (excluding shares held in Treasury) of the Company as at 17th March 2022, this being the latest practicable date prior to the publication of this notice) 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 13 above, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted or Treasury shares to be sold after such expiry and so that the Directors of the Company may allot equity securities or sell Treasury shares pursuant to such offers or agreements as if the power conferred hereby had not expired.

Authority to repurchase the Company’s shares – Special Resolution

16. 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 9,754,853 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 24th October 2023 unless the Authority is renewed at the Company’s Annual General Meeting in 2023 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,
 Company Secretary

25th March 2022

Notes

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

1. If law or Government guidance so requires at the time of the Meeting, the Chairman of the Meeting will limit, in his sole discretion, the number of individuals in attendance at the Meeting. In addition, the Company may still impose entry restrictions on certain persons wishing to attend the AGM in order to secure the orderly and proper conduct of the Meeting.
2. 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. However, please note that, in the light of the ongoing COVID-19 pandemic and associated Government guidance, it may be the case that your vote will not be counted where a proxy other than the Chairman of the Meeting is appointed as additional third parties may not be permitted entry to the meeting.
3. 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. However, please note that in the current circumstances, your vote may not be counted where a proxy other than the Chairman of the Meeting is appointed as additional third parties may not be permitted entry to the meeting.
4. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form no later than 2.30 p.m. two business days prior to the Meeting (i.e. excluding weekends and bank holidays).
5. 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.
6. 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.
7. Entry to the Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.
8. 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. However, please note that, in the light of the COVID-19 pandemic and associated Government guidance, including the rules on physical distancing and limitations on public gatherings, it is unlikely that your vote will be counted where a representative other than the Chairman of the Meeting is appointed as additional third parties are unlikely to be permitted entry to the meeting. Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.
9. 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.
10. 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.
11. 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

NOTICE OF ANNUAL GENERAL MEETING

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.

12. 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.
13. 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.
14. 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.

15. 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.

16. As an alternative to completing a hardcopy Form of Proxy, 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). 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.

17. As at 17th March 2022 (being the latest business day prior to the publication of this Report and Accounts), the Company's issued share capital consists of 65,506,265 ordinary shares (of which 430,526 are held in Treasury), carrying one vote each. Therefore, the total voting rights in the Company are 65,075,739.

Electronic appointment – CREST Members and Proximity

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.

If you are an institutional investor you may be able to appoint a proxy electronically via the Proximity platform. 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	Year ended	
		31st December 2021	31st December 2020	
Opening share price (p)	4	403.0	352.0	(a)
Closing share price (p)	4	467.0	403.0	(b)
Total dividend adjustment factor ¹		1.005574	1.008562	(c)
Adjusted closing share price (d = b x c)		469.6	406.5	(d)
Total return to shareholders (e = d / a - 1)		16.5%	15.5%	(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	Year ended	
		31st December 2021	31st December 2020	
Opening cum-income NAV per share (p)	4	394.9	343.0	(a)
Closing cum-income NAV per share (p)	4	462.1	394.9	(b)
Total dividend adjustment factor ¹		1.005760	1.007660	(c)
Adjusted closing cum-income NAV per share (d = b x c)		464.8	397.9	(d)
Total return on net assets (e = d / a - 1)		17.7%	16.0%	(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.

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 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 66 for more details.

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 2011

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 2021 £'000	31st December 2020 £'000	
Investments held at fair value through profit or loss	55	322,123	251,210	(a)
Net assets	55	301,783	236,798	(b)
Gearing (c = a / b - 1)		6.7%	6.1%	(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 2021 £'000	Year ended 31st December 2020 £'000	
Management Fee	54	2,341	1,643	
Other administrative expenses	54	422	402	
Total management fee and other administrative expenses		2,763	2,045	(a)
Average daily cum-income net assets		280,180	191,914	(b)
Ongoing charges (c = a / b)		0.99%	1.07%	(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**
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/Issuance**
Measures the enhancement to net asset value per share of buying back the Company's shares at a price which is less than the Company's net asset value per share or issuing the Company's shares at a price which is more 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	Fidelity Personal Investing
Barclays Smart Investor	Halifax
Charles Stanley Direct	Hargreaves Lansdown
EQi	Interactive Investor

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



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 2020 a resolution of the shareholders approved the continuation of the Company until the Annual General Meeting to be held in 2025.

Company Numbers

Company registration number: 552775
 London Stock Exchange Code: JUSC LN
 ISIN: GBO0BJL5F346
 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, and on the J.P. Morgan internet site at www.jpmsmallercompanies.co.uk, where the share price is updated every 15 minutes during trading hours.

Website

www.jpmsmallercompanies.co.uk

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf.

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.

Depository

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

The Depository 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

BDO LLP
 Statutory Auditor
 55 Baker Street
 London W1U 7EU

Broker

Numis Securities Limited
 45 Gresham Street
 London EC2V 7BF



The Association of
 Investment Companies

A member of the AIC

CONTACT

60 Victoria Embankment
London
EC4Y 0JP
Tel +44 (0) 20 7742 4000
Website www.jpmsmallercompanies.co.uk

