Annual Report 2012
JPMorgan US Smaller Companies Investment Trust plc

Annual Report & Accounts for the year ended 31st December 2012

J.P.Morgan
Asset Management

Features

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Objective

Capital growth from investing in US smaller companies

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, 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

The Russell 2000 Index total return with net dividends reinvested, expressed in sterling terms This index is a smaller companies' index and is rebalanced annually to represent the bottom 10% by market capitalisation of all quoted companies in the US Comparison of the Company's performance is made with this benchmark

Capital Structure

At 31st December 2012, the Company's share capital comprised 5,163,623 Ordinary shares of 25p each

Continuation Vote

In accordance with the Company's Articles of Association, the Directors are required to propose a resolution that the Company continue as an investment trust at the Annual General Meeting in 2015 and every fifth year thereafter

Management Company

The Company employs JPMorgan Asset Management (UK) Limited ('JPMAM' or the 'Manager') to manage its assets and act as Company Secretary The investment team is situated in New York The portfolio managers, Glenn Gawronski and Don San Jose, have co-managed the portfolio since November 2008 Since the year end Glenn Gawronski has taken a sabbatical from JPMAM and Don San Jose has assumed the lead manager role Don is supported by three experienced investment professionals dedicated to researching US smaller companies, as well as the wider JPMAM investment management team

AIC

The Company is a member of the Association of Investment Companies

Website

The Company's website can be found at www jpmussmallercompanies co uk and provides useful information on the Company including the latest share price, factsheets and published documentation such as previous Annual Reports

Financial Results

Total returns (includes dividends reinvested)

+12.0%	+12.5%	+10.9%
Return to shareholders	Return on net assets[1]	Benchmark return[2]
(2011: -1.8%)	(2011: +1.3%)	(2011: -3.8%)

Performance

The bar chart below shows the performance of the Company over various time periods since the current management team took over on 13th November 2008

■ JPMorgan US Smaller Companies return to shareholders[3]
■ JPMorgan US Smaller Companies return on net assets[3]
■ Benchmark return[2]

A glossary of terms and definitions is provided on page 56

[1]Source J P Morgan

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

[3]Source Morningstar

Chairman's Statement

Performance

I am pleased to report, despite yet another year of uncertainty in markets, our net asset value (NAV) per share increased by 12 5% which compared favourably with the Russell 2000, our benchmark index, which rose by 10 9% in sterling terms During the year a weaker dollar detracted some value for UK investors as the Russell 2000 increased by over 16% in US dollar terms Our share price gained 12 0% over this same period, reflecting a small widening of the discount to NAV

2012 followed a similar pattern to each year since the financial crisis of 2008 as investors faced the same set of worries, namely government finances, lack of economic growth and uncertainty over the Eurozone In the US, one of the main concerns was the inability of the Administration to tackle the ever-increasing budget deficit Markets feared that if the draconian automatic tax increases and spending cuts, mandated back in 2011 when Congress could not reach an agreement on the deficit, were to take effect on 1st January 2013, the economy would be pushed back into recession, the so-called 'Fiscal Cliff' In a year with a presidential election it was inevitable that it became a last-minute scramble to reach any form of agreement on cutting spending and increasing taxes, as Republicans and Democrats argued their respective causes and stuck to their party dogma Hopefully the eleventh-hour agreement, which increased some taxes, keeps the economy moving in the right direction The Republicans are already battling these tax increases and, as we are yet to see any spending cuts, we are likely to see some market reaction in the coming months as the two political parties do battle to resolve their differences Hurricane Sandy also had a major impact on the US market as it hit the most densely populated part of the US and ranks only behind Hurricane Katrina in cost to the economy It also marked the first time in well over 100 years that Wall Street had to shut for weather-related reasons for two consecutive sessions

Change in lead fund manager

With mixed emotions I have to report that Glenn Gawronski, who took over running the portfolio in November 2008 with so much success, has decided to take a sabbatical from JPMorgan Asset Management (UK) Limited ('JPMAM') However, I am pleased to say that we have a strong replacement for him as Don San Jose, who is taking over as the lead on the team, has co-managed the Company's portfolio since November 2008 and has partnered Glenn in the management of JPMAM's US smaller company strategies for the past nine years Don will continue to be supported by the team of dedicated US smaller companies research analysts whose biographies are set out on page 5

Management fee and performance fee

During the year the Board reviewed its fee structure and concluded that a change needed to be made to ensure the Company remained competitive and offered good long term value to shareholders With the old fee arrangement JPMAM could earn up to 2% of gross assets in any one year, made up of the basic management fee of 1% plus the performance fee of 1% The performance fee was devised in such a way that it proved to be a cumbersome calculation and it did not reward long term performance as it lacked a high watermark An agreement was reached with JPMAM to simplify the fee structure, by removing the performance fee, and revert to a management fee only with effect from 1st January 2013 All outstanding performance fees due as at 31st December 2012 will be paid to JPMAM and the management fee has been increased to 1 2% of the Company's gross assets up to £100 million and 1% per annum on any assets above that amount

Revenue and dividend

The revenue for the year, after taxation, was £653,000 (2011 £187,000) The revenue return per share, calculated on the average number of shares in issue, was 12 64 pence (2011 3 57 pence)

Historically, the Company was prohibited from paying a dividend from positive revenue where a deficit existed on the revenue reserve and has therefore not paid a dividend since 1998 However, following recent regulatory changes, the Company is now required to distribute its net income despite its revenue reserve deficit In line with these changes, the Board recommends that the Company changes its Articles at the forthcoming Annual General Meeting ('AGM') and is recommending a dividend of 9 1 pence per share in respect of the financial year ended 31st December 2012 given the Company's return on its Revenue Account Subject to shareholders' approval at the Annual General Meeting, this dividend will be paid on 7th May 2013 to ordinary shareholders on the register at the close of business on 12th April 2013

Shareholders should note that the Company's objective remains that of capital growth and dividends will vary from year to year accordingly

Board succession planning

As I mentioned in our most recent Half Year Report and Accounts, the Board decided to recruit an additional director in order to provide an orderly succession over time and ensure we kept the right balance of skills I would particularly like to thank Webster Partners, a specialist head-hunter who provided some outstanding candidates and through this process I am very pleased to welcome Julia Le Blan, who joined the Board in October Julia is a chartered accountant by profession and has spent over 30 years in the financial services industry including two terms on the Association of Investment Companies' Technical Committee

Discount Management and share buy-backs

The Board has shareholder approval to repurchase up to 14 99% of the Company's issued share capital but I am pleased to say we did not have to resort to using this authority during 2012 The daily management of the discount has yet again proved difficult, as there were times during the year when the shares moved outside our target Our shares, however, often lack liquidity and by actively buying-in our shares we will exacerbate this problem over the long term Against this liquidity concern your Board is keen that the return to shareholders through the share price should match the returns that are being achieved in the portfolio so we will continue to monitor the discount to NAV closely and take action when appropriate

Currency hedging

We are exposed to fluctuations in the US dollar/sterling exchange rate as the daily valuation of our US dollar denominated assets is converted into sterling for calculating the NAV The Board has the authority to reduce or eliminate the exposure to fluctuating currencies through the use of currency hedging We review our policy on currency hedging regularly but to date we have not carried out any hedging and have no plans to do so in the immediate future

Chairman's Statement continued

Gearing

In April 2012 our revolving credit facility of $10 million with Scotiabank was renewed and was fully drawn during the year At the end of the year the portfolio was 3 1% geared

Annual General Meeting

We are changing again the location of our AGM and we hope it is convenient for our shareholders It will now be held at Holborn Bars, 138-142 Holborn, London EC1N 2NQ on Tuesday 30th April 2013 at 2 30 p m There will, as in previous years, be a presentation by one of the investment management team which will cover a review of 2012 and the outlook for the current year Following the meeting some refreshments will be served which will provide shareholders with the opportunity to meet the Directors and the representatives from JPMAM and ask any questions on the portfolio and performance

If you have any detailed or technical questions, it would be helpful if you could raise them in advance of the meeting by writing to the Company Secretary at Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ Shareholders who are unable to attend the AGM are encouraged to use their proxy votes Shareholders who hold their shares through CREST are reminded that they are able to lodge their proxy votes electronically

Outlook

Short term fears of the economy not being able to sustain its growth as well as any further battles on the budget deficit and steps to reduce government debt are likely to upset markets On a positive note, Don and his team have now been responsible for the portfolio for over four years and have demonstrated, through one of the most challenging investment periods, an ability to take advantage of opportunities (see pages 5 to 7) by adhering to their disciplined investment process which focuses on balance sheet strength as well as cash flow generation

Small cap as an asset class is deemed to be a risky area of investment and therefore volatile, but it can also be a very rewarding area of investment over the long term The US economy is particularly good at creating exciting growth prospects in the small cap sector and we believe that our Company is well positioned to take advantage of these opportunities

Davina Walter
Chairman

22nd March 2013

Investment Managers' Report

Don San Jose
Don San Jose has been with J P Morgan for 12 years and has been 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 9 years has worked as a co portfolio manager on JPMAM's US small cap core active strategy

Glenn Gawronski
Glenn Gawronski managed the portfolio from November 2008 until February 2013 He worked for five years as a senior analyst in the US micro cap team until 2004 when he was promoted to be the portfolio manager for JPMAM's US small cap core active strategy

Don is supported by a team of three investment professionals dedicated to researching US smaller companies

Dan Percella
Dan has been with J P Morgan since 2008 He was previously a member of institutional investor ranked equity research teams covering the transportation sector at other investment firms Prior to equity research Dan worked as an analyst at an economic consulting firm

Jon Brachle
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

Jason Blumstein
Jason has been with J P Morgan since 2007 He was previously the lead U S equity due diligence and portfolio construction analyst for JPMAM s asset allocation product and was the co-developer of this product

Market Review

In 2012, continued low interest rates, manageable inflation levels, modest improvement in unemployment, high levels of corporate profits, and equity valuations that are not stretched by historical standards provided an underlying bid to the market For the full year, the Russell 2000 Index increased 10 9% in sterling terms, grinding higher as investors received clarity on certain issues – such as who will be President for the next four years – and climbed the wall of worry on the fiscal cliff, tax rates and sequestration While these uncertainties added some volatility within the fourth quarter and intermittently throughout the year, ultimately investors remained constructive on equities and willing to embrace risk It probably didn't hurt that investment alternatives remain somewhat unattractive, with yields on 10 year Treasury Bonds hovering around 1 8% for most of the year, which compares unfavourably versus the earnings yield on the Russell 2000 of 5 8% (P/E of 17x)

By year end, the Russell 2000 was up 143% in US dollar terms from its March 2009 low and within 2% of its all time high While equities do not look as inexpensive as they were three years ago, valuations are relatively fair and there are various 'greenshoots' that are supportive of equities The unemployment rate started the year at 8 2%, but finished modestly lower at 79%, and seems poised to go lower, driven by a recovering housing sector that should provide a tailwind to GDP and job growth Consumer net worth is increasing, driven by higher home prices and lower debt levels Bank loans began to grow in earnest, after contracting sharply from 2009 to mid-2011 Finally, the consumer has deleveraged over the last three years with current debt levels as a percentage of disposable income at 15 7% - a 29 year low - and down from the 2008 peak of 19% For corporations, profits are high and margins appear sustainable, while balance sheets have been repaired over the last three years, leaving companies with plenty of cash, which will likely be put to use via dividends, share repurchase and acquisitions

Investment Performance

For the year to 31st December 2012, the total return on net assets was +12 5%, outperforming our benchmark, the Russell 2000 Index, which rose 10 9%, both in sterling terms The Company's outperformance was driven by strong stock selection and sector allocation Stock selection was strongest in Consumer Discretionary and Health Care, offset by underperformance in Financial Services and Producer Durables

2012 was a tough year for most small cap investors, and only 30% of active small cap core managers beat their benchmark Within the Russell 2000 Index, smaller market caps, weaker balance sheets and non-earners tended to outperform for the year We were happy with the portfolio's performance in light of these headwinds

Investment Managers' Report continued

Performance attribution for the year ended 31st December 2012

	%	%
Contributions to total returns		
Benchmark return		**10 9**
Sector allocation	1 3	
Stock selection	1 5	
Gearing/cash	0 7	
Investment managers' contribution		**3.5**
Portfolio total return		**14 4**
Management fee/ other expenses	-1 8	
Performance fee	-0 1	
Other effects		**-1 9**
Return on net assets		**12 5**
Effect of increase in discount	-0 5	
Return to shareholders		**12 0**

Source- Xamin JPMAM and Morningstar
All figures are on a total return basis

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

A glossary of terms and definitions is provided on page 56

Portfolio Positioning

We reduced our exposure to the Consumer Discretionary sector during the year, though we continue to maintain a sizable overweight We also reduced our allocation to health care given some large buyouts of our healthcare names in 2012 and our difficulty finding ideas that adhere to our investment process in this space We increased our weighting in the technology sector, but we retain a sizable underweight

Our sector weights remain a by-product of our bottom-up investment analysis and our disciplined approach to portfolio construction We adhere to a consistent investment process, which focuses on identifying companies that possess a sustainable competitive advantage, have a durable business model, and are overseen by a competent management team with a track record of success Finally, we seek to acquire equity stakes in businesses which trade at a discount to what we would deem to be their intrinsic value

Portfolio Highlights

The most significant contributors to performance were Jarden and Coventry HealthCare Jarden, a provider of consumer goods and outdoor products, contributed positively to overall results with a 73% return during the period as the stock responded to earnings results that generally exceeded expectations and an active share repurchase program Coventry is a managed health care company operating health plans and insurance companies under a variety of names Shares of Coventry rose 44% for the year driven partly by its acquisition by Aetna

The significant detractors to performance were Active Network and Travelzoo The Active Network is the leading organisation-based software-as-a-service provider serving business events, community activities, outdoors and sports customer groups The stock fell 64% during the year, as Active reported third quarter results that were weaker than expectations and announced an unexpected shift in strategy in conjunction with weak 2013 guidance While the economy was a headwind, the poor execution by the management team is mostly to blame Our conviction in the story has decreased, which is reflected in the position size in the portfolio However, we believe the stock's 10% free cash flow yield provides good downside protection until we find a more attractive exit point Travelzoo provides online marketing solutions to the travel industry The stock fell 29% during the year, as the company pre-announced disappointing third quarter results Sales fell 8% in the third quarter, unexpectedly, which caused concern over Travelzoo's competitive position In addition, Travelzoo announced a significant increase in marketing spend over the following six quarters in order to reaccelerate subscriber growth We believe Travelzoo is starting to feel the negative effects of a changing competitive landscape and we have since sold out of our position completely We believe there are better investment opportunities elsewhere in the technology space

Market Outlook

Looking forward, our optimism around a recovering US economy, lower unemployment rising housing starts and lower consumer debt levels is balanced against our belief that there will be a drag from US fiscal policy in 2013 While the conclusion of the U S Presidential election eliminated some uncertainty, we remain unsure to what degree Republicans and Democrats will work together to help put the country's fiscal house in order and put the US on stronger footing What we do know is that tax rates are going up for high income earners, while the payroll tax will take a bite out of all paychecks relative to previous years, these tax hikes in conjunction with government spending reductions (to be determined later this year) will present a headwind to economic growth However, the market has shrugged off this issue, for now

We also believe that as the US economy continues to heal, the Fed may choose to become more restrictive with respect to monetary policy This has the potential to unnerve investors, who have grown accustomed to easy Fed policy and quantitative easing, and potentially introduce higher levels of volatility into the market

As always, rising economic growth is the key determinant for the market to work Corporate balance sheets remain solid with cash at record levels, and management teams seem more willing to be shareholder friendly through stock buybacks and dividend increases Mergers and acquisitions announcements appear to be increasing, as management teams have the cash on hand to engage in corporate transactions, debt markets remain wide open, and CEO confidence is increasing Market valuations appear relatively fair to us so we will stick to our investment process and continue to judge the investment merits of each individual company and stock We believe stock selection remains critical and we plan to stay disciplined with regards to our investment strategy identifying companies with a sustainable competitive advantage, durable business models, and solid management teams with a track record of value creation We will buy stakes in these companies at valuations that we believe are below their intrinsic value Our sector weights will continue to reflect our bottom-up investment analysis and disciplined approach to portfolio construction

Don San Jose
Investment Manager

22nd March 2013

Summary of Results

	2012	2011	
Total returns for the year ended 31st December			
Return to shareholders	**+12.0%**	-1 8%	
Return on net assets[1]	**+12.5%**	+1 3%	
Benchmark return[2]	**+10.9%**	-3 8%	
			% change
Net asset value, share price and discount at 31st December			
Net asset value per share	**1,146.7p**	1,019 2p	+12 5
Share price	**1,032.5p**	922 0p	+12 0
Share price discount to net asset value per share	**10.0%**	9 5%	
Shareholders' funds (£'000)	**59,214**	52,630	+12 5
Revenue for the year ended 31st December			
Net revenue return attributable to shareholders (£'000)	**653**	187	+249 2
Return per share	**12.64p**	3 57p	+254 1
Shares in issue	**5,163,623**	5,163,623	
Gearing/(net cash)	**3 1%**	4 5%	
Ongoing Charges[3]	**1.71%**	1 79%	
Ongoing Charges including performance fee payable[4]	**2.11%**	2 19%	

A glossary of terms and definitions is provided on page 56

[1]Source J P Morgan

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

[3]Management fee and all other operating expenses, excluding finance costs and any performance fee payable expressed as a percentage of the average of the daily net assets during the year (2011 Total Expense Ratio Management fee and all other operating expenses excluding finance costs and any performance fee payable, expressed as a percentage of the average of the month end net assets during the year) The Ongoing Charges are calculated in accordance with guidance issued by the Association of Investment Companies in May 2012

[4]Management fee and all other operating expenses and any performance fee payable, excluding finance costs, expressed as a percentage of the average of the daily net assets during the year (2011 Total Expense Ratio Management fee and all other operating expenses and any performance fee payable, excluding finance costs, expressed as a percentage of the average of the month end net assets during the year)

Ten Year Financial Record

At 31st December	2002	2003[1]	2004[1]	2005	2006	2007	2008	2009	2010	2011	**2012**
Shareholders' funds (£'000)	59,879	78,826	81,454	96,028	93,192	67,911	34,475	41,399	52,950	52,630	**59,214**
Net asset value per share (p)	508 3	706 0	795 5	945 2	917 3	865 1	586 2	755 2	1,005 8	1,019 2	**1,146.7**
Share price (p)	452 0	603 0	651 5	834 5	824 0	761 0	506 0	710 0	939 0	922 0	**1,032.5**
Shares in issue[2]	11,779,480	11,164,480	10,239,480	10,159,480	10,159,480	7,850,480	5,881,367	5,482,110	5,264,610	5,163,623	**5,163,623**

Year ended 31st December	2002	2003[1]	2004[1]	2005	2006	2007	2008	2009	2010	2011	**2012**
Gross revenue (£'000)	270	250	318	385	300	285	297	322	853	719	**1,255**
(Loss)/return per share (p)	(10 89)	(1 33)	(1 35)	(0 97)	(1 49)	(1 72)	2 53	(0 62)	7 09	3 57	**12.64**
Dividends per share (p)	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil	**9.1**
Discount (%)[3]	11 1	14 6	18 1	11 7	10 2	11 3	13 6	6 0	6 6	9 5	**10.0**
Gearing/(net cash) (%)	6 0	8 3	1 2	4 8	12 5	3 2	(6 8)	(1 3)	0 9	5 0	**3.1**
Ongoing charges (%)[4]	1 42	1 43	1 43	1 38	1 30	1 40	1 49	1 75	1 66	1 79	**1 71**
Ongoing charges including performance fee payable (%)[5]	1 89	2 66	2 40	2 56	2 02	1 40	1 49	1 94	1 88	2 19	**2.11**
US dollar/sterling exchange rate	1 61	1 79	1 92	1 73	1 96	1 99	1 44	1 61	1 57	1 55	**1 63**

Annual returns to 31st December	2002	2003[1]	2004[1]	2005	2006	2007	2008	2009	2010	2011	**2012**
Return to shareholders (%)[5]	-32 7	+33 4	+8 0	+28 1	-1 3	-7 6	-33 5	+40 3	+32 3	-1 8	**+12.0**
Return on net assets (%)[3 5]	-33 8	+38 9	+12 7	+19 0	-3 0	-6 4	-32 1	+29 0	+33 2	+1 3	**+12.5**
Benchmark return (%)[6]	-28 3	+32 1	+10 0	+16 6	+3 5	-3 5	-8 6	+12 9	+30 5	-3 8	**+10.9**

A glossary of terms and definitions is provided on page 56

[1] With effect from 1st January 2004, 90% of management fees and finance costs have been charged to capital Figures prior to 2003 have not been restated

[2] Excludes any shares held in Treasury

[3] Calculated on the assumption that any shares held in Treasury have been reissued in accordance with the Board's policy on the reissuance of Treasury shares

[4] Management fee and all other operating expenses, excluding finance costs and any performance fee payable expressed as a percentage of the average of the daily net assets during the year (2011 Total Expense Ratio Management fee and all other operating expenses excluding finance costs and any performance fee payable, expressed as a percentage of the average of the month end net assets during the year) The Ongoing Charges are calculated in accordance with guidance issued by the Association of Investment Companies in May 2012

[5] Management fee and all other operating expenses and any performance fee payable, excluding finance costs, expressed as a percentage of the average of the daily net assets during the year (2011 Total Expense Ratio Management fee and all other operating expenses and any performance fee payable, excluding finance costs, expressed as a percentage of the average of the month end net assets during the year)

[6] Source J P Morgan

[7] Source Russell Investments

Ten Largest Investments[1]

Company[2]	Sector	At 31st December 2012 Valuation £'000	Portfolio %[3]	At 31st December 2011 Valuation £'000	Portfolio %[3]
Jarden Jarden provides a broad range of consumer goods and outdoor products The company sells branded products through a variety of distribution channels including club department store drug grocery mass merchant sporting goods and speciality retailers, as well as direct to consumers	Consumer Discretionary	**1,895**	**3 2**	1 464	2 8
Waste Connections[4] Waste Connections provides solid waste collection transfer disposal and recycling services in secondary markets of the western United States The company owns and operates collection facilities transfer stations landfills and recycling facilities	Producer Durables	**1,791**	**3 0**	1,027	1 9
Silgan Silgan manufactures consumer goods packaging products The company produces steel and aluminium containers for human and pet food custom designed plastic containers for various markets plastic closures and caps thermoformed plastic tubs and speciality packaging items Silgan markets its products in North America	Materials & Processing	**1,756**	**3 0**	1 322	2 5
ProAssurance ProAssurance is a risk management and claims defence company with a licence to write business across the United States The company provides medical professional liability insurance to policy holders throughout the United States	Financial Services	**1,483**	**2 5**	1,309	2 5
Patterson-Uti Energy[4] Patterson UTI Energy provides land based drilling services to major and independent oil and natural gas companies The company conducts drilling operations in Texas New Mexico Utah Oklahoma, Louisiana and western Canada Patterson UTI is also involved in pressure pumping oil and gas exploration and production and drilling and completion fluids services	Oils and Other Energy	**1,437**	**2 4**	858	1 6
RBC Bearings RBC Bearings designs manufactures and markets a broad portfolio of bearing products including precision plain roller and ball bearings	Materials & Processing	**1,437**	**2 4**	1,111	2 1
American Eagle Outfitters[4] American Eagle Outfitters retails men s and women s casual apparel footwear outerwear and accessories The company s products include jeans khakis T shirts and other similar apparel American Eagle operates in the United States	Consumer Discretionary	**1,382**	**2 3**	890	1 7
Penn National Gaming Penn National Gaming owns and operates Charles Town Races in West Virginia which features slot machines casinos in Mississippi and a riverboat gaming facility in Louisiana. The company also owns racetracks and off track betting facilities in Pennsylvania as well as managing a gaming facility in the Province of Ontario Canada	Consumer Discretionary	**1,301**	**2 2**	1,416	2 7
Douglas Dynamics Douglas Dynamics designs and manufactures snow and ice control equipment The company produces snow ploughs and sand and salt spreaders	Producer Durables	**1,297**	**2 2**	1 172	2 2
TD Ameritrade[4] TD Ameritrade provides online brokerage services The company through its private client and institutional client divisions provides tiered levels of brokerage products and services tailored to meet the varying investing trading and execution needs of self directed individual investors financial institutions, and corporations	Financial Services	**1,292**	**2 2**	792	1 5
Total		**15,071**	**25 4**		

[1]Excludes the holding in the JPMorgan US Dollar Liquidity Fund
[2]All companies shown are listed in the USA
[3]Based on total assets less current liabilities of £59 2m (2011 £52 9m)
[4]Not included in the ten largest investments at 31st December 2011

At 31st December 2011, the value of the ten largest investments amounted to £12 8m representing 24 2% of total assets less current liabilities

Sector Analysis

	31st December 2012			31st December 2011		
	Portfolio[1] %	Benchmark %	Active Position* %	Portfolio[1] %	Benchmark %	Active Position* %
Financial Services	**25.3**	**23.5**	**1.8**	250	232	18
Consumer Discretionary	**22 6**	**15.1**	**7.5**	231	144	87
Producer Durables	**20.5**	**14.4**	**6 1**	158	141	17
Technology	**9.3**	**13 6**	**(4.3)**	81	146	(6 5)
Materials & Processing	**7.6**	**7.9**	**(0.3)**	68	69	(0 1)
Oils and Other Energy	**6.1**	**6.0**	**0.1**	61	64	(0 3)
Health Care	**4.5**	**12.2**	**(77)**	103	127	(2 4)
Utilities	**2.5**	**4.2**	**(1.7)**	31	45	(1 4)
Consumer Staples	**1.6**	**3.1**	**(1.5)**	14	32	(1 8)
Telecommunication Services	–	–	–	03	–	03
Total	**100.0**	**100.0**		1000	1000	

[1]Based on investments, excluding liquidity funds, at fair value of £61 7m (2011 £55 2m)

*A glossary of terms and definitions is provided on page 56

List of Investments
at 31st December 2012

Company	Valuation £'000
Financial Services	
ProAssurance	1,484
TD Ameritrade	1,292
RLJ Lodging	1,195
HFF	1,193
First Republic Bank	1,165
Associated Banc-Corp	1,162
First of Long Island	986
Greenhill	967
Janus Capital	727
Western Alliance Bancorp	696
Umpqua	599
JMP	596
Morningstar	595
Zillow	575
FirstService	537
Calamos Asset Management	534
Diamond Hill Investor	495
First Financial	475
Glacier Bancorp	342
Total Financial Services	**15,615**
Consumer Discretionary	
Jarden	1,895
American Eagle Outfitters	1,382
Penn National Gaming	1,301
Papa John's International	1,134
Harley Davidson	1,114
Drew Industries	939
Pool	854
KAR Auction Services	822
Cracker Barrel	779
Brinker International	733
Deckers Outdoor	732
Cinemark	646
Monarch Casino & Resort	629
SHFL Entertainment	534
Brunswick	457
Total Consumer Discretionary	**13,951**

Company	Valuation £'000
Producer Durables	
Waste Connections	1,791
Douglas Dynamics	1,297
Team Industrial Services	1,254
Herman Miller	1,194
Allison Transmission	1,184
Joy Global	1,052
Altra	1,043
Toro	874
Tidewater	856
Knight Transportation	758
Dice	491
Forward Air	438
Acco Brands	368
Total Producer Durables	**12,600**
Technology	
MICROS Systems	866
Anixter International	858
Solera	812
Monotype Imaging	780
Solar Winds	616
Freescale Semiconductor	410
NetSuite	410
Imperva	391
Trulia	313
Sciquest	167
Active Network	102
Total Technology	**5,725**
Materials & Processing	
Silgan	1,756
RBC Bearings	1,437
Rexnord	961
Comfort Systems	547
Total Materials & Processing	**4,701**

Company	Valuation £'000
Oils and Other Energy	
Patterson-Uti Energy	1,437
Cimarex Energy	1,125
Approach Resources	633
Resolute Energy	573
Total Oils and Other Energy	**3,768**
Health Care	
Laboratory	927
MWI Veterinary Supply	744
Omnicell	640
Wellcare Health Plans	422
Cumberland Pharmaceuticals	56
Total Health Care	**2,789**
Utilities	
Northwestern	953
Northwest Natural Gas	588
Total Utilities	**1,541**

Company	Valuation £'000
Consumer Staples	
J & J Snack Foods	995
Total Consumer Staples	**995**
Liquidity Funds	
JPMorgan US Dollar Liquidity Fund	2,803
Total Liquidity Funds	**2,803**
Total Portfolio[1]	**64,488**

[1]Comprises the following	£'000
Equity shares	61,685
Liquidity fund	2,803
	64,488

Board of Directors

Davina Walter (Chairman since 2008)

A Director since 2002

Last reappointed to the Board 2011

Remuneration £30,200 *

She has been employed in the investment business in the City of London since 1974, having spent over 11 years involved in US equity research at Cazenove & Co and more than 16 years as an investment manager of US equity portfolios Most recently she was a Managing Director at Deutsche Asset Management Limited, and has been involved in investment trusts since 1985 She was a Director of Henderson Strata Investment Trust plc and is currently employed as an Investment Consultant

Connections with Manager None

Shared directorships with other Directors None

Shareholding in Company 4,210

Mark Ansell

A Director since 2005

Last reappointed to the Board 2011

Remuneration £21,550 *

He has wide experience of negotiating and completing acquisitions and disposals and improving performance in engineering businesses, including in the USA He was formerly Chief Executive of the Flow Group Limited, which manufactured specialist flow control equipment for the global energy industry

Connections with Manager None

Shared directorships with other Directors None

Shareholding in Company 8,452

Christopher Galleymore

A Director since 2004

Last reappointed to the Board 2011

Remuneration £21,550 *

He is a board level investment professional with 30 years experience of managing US equity portfolios including several years working in New York He has worked for a variety of major international investment companies, most recently as senior portfolio manager and Head of the North American Desk at Henderson Global Investors from 1991 to 2002 where he was actively involved in running investment trusts

Connections with Manager None

Shared directorships with other Directors None

Shareholding in Company 5,000

Alan Kemp (Chairman of the Audit Committee)

A Director since 1995

Last reappointed to the Board 2011

Remuneration £24,800 *

He has been involved in investment management since 1970 and with investment trusts since 1972 During his career as Deputy Manager of the Edinburgh Investment Trust plc he was responsible for the management of its US portfolio for a number of years He was subsequently Deputy Chief Executive of Dunedin Fund Managers Limited and is a Director of Aberdeen Asian Smaller Companies Investment Trust plc

Connections with Manager None

Shared directorships with other Directors None

Shareholding in Company 7,500

Julia Le Blan

A Director since 2012

Remuneration £21,550 *

She is a chartered accountant and has worked in the financial services industry for over 30 years She was formerly a tax partner at Deloitte and expert on the taxation of investment trust companies More recently she did two terms on the AIC's technical committee and is also a director of Investors Capital Trust plc and Impax Environmental Markets plc

Connections with Manager None

Shared directorships with other Directors None

Shareholding in Company 1,500

All Directors are members of the Audit, Nomination and Management Engagement Committees and are considered independent of the Manager

*Current remuneration (with effect from 1st January 2013)

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31st December 2012

Business Review

Business of the Company
The Company carries on business as an investment trust and was approved by HM Revenue & Customs as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 for the year ended 31st December 2011 In the opinion of the Directors, the Company has subsequently conducted its affairs so that it should continue to qualify as an investment trust under HM Revenue & Customs' qualifying rules

Approval for the year ended 31st December 2011 is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 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 2 to 4 and in the Investment Managers' Report on pages 5 to 7

Objective
The Company's objective is to achieve capital growth from investing in US smaller companies

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

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

Investment Restrictions and Guidelines

- 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 5% of the Company's gross assets in JPMorgan liquidity funds
- The Company will invest no more than 5% 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 utilise liquidity and borrowings to remain invested within the range 95%-115% (+/-2 5%)
- 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

Performance
In the year to 31st December 2012, the Company's return to shareholders was 12 0% and the return on net assets was 12 5% This compares with the return on the Company's benchmark of 10 9% As at 31st December 2012, the value of the Company's investment portfolio was £64 5 million The Investment Managers' Report on pages 5 to 7 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 £7,816,000 (2011 £2,018,000) Net total return after a performance fee provision and deducting the management fee, administrative expenses, finance costs and taxation, amounted to £6,585,000 (2011 £524,000)

Recent amendments to Part 23 of the Companies Act 2006 include the removal of the prohibition of the distribution of realised capital profits This amendment coupled with a similar amendment to the criteria for qualification as an investment trust under section 1158 Corporation Tax Act 2010 means that the Company has distributable reserves and is required to distribute them in order to continue to qualify as an investment trust for tax purposes

Pending amendment of the Company's Articles of Association, the Directors recommend a final dividend of 9 1 pence per share payable on 7th May 2013 to holders on the register at the close of business on 12th April 2013 If approved, this distribution will amount to £470,000 The revenue reserve after transfer of the dividend will amount to a deficit of £3,977,000

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**
  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 Managers' Report

Performance Relative to Benchmark Index

Figures have been rebased to 100 at 31st December 2002

Source Morningstar/Russell
- JPMorgan US Smaller Companies - share price
- JPMorgan US Smaller Companies - net asset value
- The benchmark is represented by the grey horizontal line

Ten Year Performance

Figures have been rebased to 100 at 31st December 2002

Source Morningstar/Russell
- JPMorgan US Smaller Companies - share price
- JPMorgan US Smaller Companies - net asset value
- Benchmark

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

- **Performance attribution**
  The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark, i e to understand the impact on the Company's relative performance of the various components such as sector selection and stock selection Details of the attribution analysis for the year ended 31st December 2012 are given in the Investment Managers' Report on page 6

- **Share price (discount)/premium 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 the volatility and absolute level of the discount to NAV per share at which the Company's shares trade in relation to its peers in the sector In the year to 31st December 2012, the shares traded between a discount of 5 4% and 12 8% and averaged 9 2% (using month end data with debt at par)

Discount Performance

Source Datastream (using month end data)
- JPMorgan US Smaller Companies discount

- **Ongoing Charges**
  Ongoing Charges represent the Company's management fee and all other operating expenses excluding finance costs and performance fee payable, expressed as a percentage of the average of the daily net assets during the year The method of calculating the total expenses has been changed in accordance with guidance issued by the AIC In previous years, the Total Expense Ratio ('TER') was calculated, which represented the Company's management fee and other operating expenses excluding finance costs and performance fee payable, expressed as a percentage of the average of the month end net assets during the year The Ongoing Charges for the year ended 31st December 2012 are 1 71% (2011 TER 1 79%) The

Directors' Report continued

Ongoing Charges including the performance fee payable at the year ended 31st December 2012 are 2 11% (2011 TER 2 19%) The Board reviews Ongoing Charges of the Company regularly and on an annual basis compares its Ongoing Charges against other companies with similar investment objectives and policies

Share Capital

The Company has authority to both repurchase shares in the market for cancellation and issue new shares in the market for cash at a premium to net asset value

The Company repurchased nil (2011 100,987) shares for cancellation during the year and also issued nil shares (2011 nil) The Company has not held any shares in Treasury during the year

As at the date of this report, the Company has not issued or repurchased any shares since the year end

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

Principal Risks

With the assistance of the Manager, JPMorgan Asset Management (UK) Limited ('JPMAM'), the Board has drawn up a risk matrix, which identifies the key risks to the Company These key risks fall broadly under the following categories

- Investment and Strategy an inappropriate investment strategy, for example excessive concentration of sector selection or the level of gearing may lead to underperformance against the Company s benchmark index and peer companies, which may result in the Company's shares trading on a wider discount The Board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and reported on JPMAM provides the Directors with timely and accurate management information including performance data and attribution analyses revenue estimates, liquidity reports and shareholder analyses The Board monitors the implementation and results of the investment process with the Investment Manager, who attends all Board meetings, and reviews data which show statistical measures of the Company's risk profile The Investment Manager employs the Company's gearing tactically, within a strategic range set by the Board In addition to regular Board reviews of investment strategy the Board holds a separate meeting devoted to strategy each year
- Loss of Investment Team a sudden departure of several members of the investment management team could result in a short-term deterioration in investment performance The Manager takes steps to reduce the likelihood of such an event by ensuring appropriate succession planning and the adoption of a team-based approach
- Discount a disproportionate widening of the discount relative to the Company's peers could result in a loss of value for Shareholders In order to manage the Company's discount, which can be volatile, the Company operates a share repurchase programme
- Market market risk arises from uncertainty about the future prices of the Company's investments It represents the potential loss that the Company might suffer through holding investments in the face of negative market movements The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines, which are monitored and reported on by JPMAM The Board monitors the implementation and results of the investment process with the Manager
- Political and Economic changes in financial or tax legislation, including in the European Union and the U S , may adversely affect the Company The Manager makes recommendations to the Board on accounting, dividend and tax policies and the Board seeks external advice where appropriate In addition, the Company is subject to administrative risks, such as the imposition of restrictions on the free movement of capital These risks are discussed by the Board on a regular basis
- Accounting, Legal and Regulatory in order to qualify as an investment trust, the Company must comply with Section 1158 of the Corporation Tax Act 2010 ('Section 1158') Details of the Company's approval are given under 'Business of the Company' above Should the Company breach Section 1158, it may lose investment trust status and, as a consequence, gains within the Company's portfolio could be subject to Capital Gains Tax The Section 1158 qualification criteria are continually monitored by JPMAM and the results reported to the Board each month The Company must also comply with the provisions of the Companies Act 2006 and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules and Disclosure and Transparency Rules ('DTRs') A breach of the Companies Act could result in the Company and/or the Directors being fined or the subject of criminal proceedings Breach of the UKLA Listing Rules or DTRs could result in the Company's shares being suspended from listing which in turn would breach Section 1158 The Board relies on the services of its Company Secretary, JPMAM, and its professional advisers to ensure compliance with the Companies Act 2006 and the UKLA Listing Rules and DTRs

- Corporate Governance and Shareholder Relations details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 22 to 26

- Operational disruption to, or failure of, JPMAM's accounting, dealing or payments systems or the custodian's records may prevent accurate reporting and monitoring of the Company's financial position Details of how the Board monitors the services provided by JPMAM and its associates and the key elements designed to provide effective internal control are included within the Internal Control section of the Corporate Governance report on pages 25 and 26

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

  The Board has the authority to reduce or eliminate the exposure to fluctuating currencies through the use of currency hedging It reviews its policy on this matter regularly, to date no hedging has been carried out and there are no plans to do so in the immediate future

- Financial the financial risks faced by the Company include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk Further details are disclosed in note 21 to the accounts on pages 44 to 50

Future Developments

Clearly, the future development of the Company is much dependent upon the success of the Company's investment strategy in the light of economic and equity market developments The Investment Manager discusses the outlook in his report on page 7

Management of the Company

The Manager and Secretary is JPMorgan Asset Management (UK) Limited ('JPMAM') JPMAM is employed under a contract terminable 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

JPMAM is a wholly-owned subsidiary of JPMorgan Chase Bank which, through other subsidiaries, also provides banking, dealing, marketing and custodian services to the Company

The Board conducts a formal evaluation of the Manager on an annual basis The evaluation includes consideration of the investment strategy, process and performance of the Investment Manager and the support that the Company receives from JPMAM 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 interest of shareholders as a whole

Details of Performance Fee Calculation

	31st December		
	2010	2011	2012
Year ended	£	£	£
Performance fee calculated for the year	94,792	348,423	(35,115)
Phased payments			
Year ended 31st December 2009	66,701	66,701	–
Year ended 31st December 2010	31,597	31,597	31,597
Year ended 31st December 2011	–	116,141	232,281[1]
Year ended 31st December 2012	–	–	(35,115)
Performance fee payable	98,298	214,439	228,763
Provision carried forward at the year end	129,894	263,878	–

[1]Includes £116 140 performance fee payable for the year ended 31st December 2011, originally due to be paid in 2013

Further details of the performance fee are given in notes 11 and 12 on page 40

Directors' Report continued

Management and Performance Fees

For the year ended 31st December 2012, the management fee was charged at 1% per annum of gross assets, calculated and paid monthly, excluding investments in any funds on which JPMAM earns a management fee In addition to the basic annual management fee, a performance fee is payable to JPMAM This is calculated at 15% of the amount by which the change in the capital net asset value over the relevant period exceeds that of the change in the value of the capital only Russell 2000 Index (expressed in sterling terms), increased by a 2% hurdle Payment of any amount earned under the performance fee in any relevant period will be spread equally over three years No payment is made in any year unless the net asset value per share has risen during the year

Any performance fee accrued but not paid will be reduced by the extent of any underperformance in subsequent years Any adjustment in respect of underperformance will be deducted at the first opportunity from any amount payable in respect of previous years' outperformance The total amount of any performance and management fee paid in any one year will be capped at 2% of the total net assets of the Company at the end of the relevant period

The underperformance against index plus hurdle rate for the year gives rise to a reduction of £35,000 which, when deducted from the balance brought forward of £264,000, gives a provision of £229,000 The Board have made a decision to pay this amount in full and to carry forward a nil amount

With effect from 1st January 2013, the Manager now receives a basic management fee of 1 2% per annum of the Company's gross assets up to £100 million and 1% on any gross assets in excess of that amount In addition, the Manager is no longer entitled to earn a performance fee

Going Concern

The Directors believe that having considered the Company's investment objective (see page 16), risk management policies (see pages 44 to 50), capital management policies and procedures (see page 51), the nature of the portfolio and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts

Payment Policy

It is the Company's policy to obtain the best terms for all business and therefore there are no standard payment terms In general, the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by these terms As at 31st December 2012, the Company had no outstanding trade creditors (2011 none)

Directors

The Directors of the Company who held office at the end of the year, together with their beneficial interests in the Company's ordinary share capital, are given below

	31st December 2012 Number of shares	1st January 2012 Number of shares
M Ansell	8,452	6,452
J Le Blan[1]	1,500	-
CJ Galleymore	5,000	5,000
AS Kemp	7,500	7,500
DJ Walter	4,210	4,210

[1]Appointed as a Director on 1st October 2012

As at the date of this report, there have been no changes in the Directors' shareholdings in the Company since the year end

Julia Le Blan, having been appointed to the Board on 1st October 2012 will stand for appointment at the Annual General Meeting

In accordance with corporate governance best practice, all remaining Directors will retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for reappointment The Nomination Committee, having considered their qualifications, performance and contribution 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 they be reappointed

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 deeds of indemnity were in place during the year and as at the date of this report

During the year an insurance policy was 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 Auditors

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 Auditors are 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 auditors are aware of that information

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

Independent Auditor

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

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

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

(i) Authority to allot new shares and to disapply statutory pre-emption rights (resolutions 9 and 10)
The Directors will seek authority at the Annual General Meeting to issue up to 516,362 new ordinary shares for cash up to an aggregate nominal amount of £129,091, such amount being equivalent to 10% of the present issued share capital This authority will expire at the Annual General Meeting in 2014 The full text of Resolutions 9 and 10 is set out in the Notice of Meeting on page 52

It is advantageous for the Company to be able to issue new shares (or to sell Treasury shares) to participants purchasing shares through the JPMorgan savings products and also to other 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 repurchase the Company's shares for cancellation (resolution 11)
At the Annual General Meeting held on 1st May 2012, 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 31st October 2013 and could be renewed by shareholders at any time at a General Meeting of the Company The Board remains committed to a stable discount, targeting a figure of no wider than around 9%, but there is a need to balance the short term of buying shares back for cancellation 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 11 in the Notice of Meeting on pages 52 and 53

(iii) Amendment of the Company's Articles of Association to permit the distribution of capital profits (resolution 12)
The Companies Act 2006 (Amendment of Part 23) (Investment Companies) Regulations 2012 removed the requirement that the articles of association of an investment company must prohibit the distribution of capital profits In line with many other investment companies, the Company proposes to amend its articles of association in order to allow the flexibility to take advantage of this change in the future The proposed amendments therefore reflect this change and remove all references to the prohibition of the distribution of capital profits by way of dividend No other changes to the articles of association are being proposed at this time

The full text of the proposed amendments is set out in the notice of Annual General Meeting on page 53

(iv) To approve a final dividend (resolution 13)
Subject to the passing of Resolution 12, the Directors will seek approval at the Annual General Meeting to pay a final dividend of 9 1 pence per share be and is hereby approved and paid on 7th May 2013 to ordinary shareholders on the register at the close of business on 12th April 2013

Recommendation (resolutions 9 to 13)

The Board considers that resolutions 9 to 13 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 recommended 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 26,662 shares representing approximately 0 52% of the voting rights in the Company

Directors' Report continued

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance This statement, together with the Statement of Directors' Responsibilities on page 28, indicates how the Company has applied the principles of good governance of the Financial Reporting Council's UK Corporate Governance Code 2010 (the 'UK Corporate Governance Code') and the AIC's Code of Corporate Governance (the 'AIC Code'), which complements the UK Corporate Governance Code and provides a framework of best practice for investment trusts[1]

The Board is responsible for ensuring the appropriate level of Corporate Governance and considers that the Company has complied with the best practice provisions of the UK Corporate Governance Code and the AIC Code, insofar as they are relevant to the Company's business, throughout the year under review

Role of the Board

A management agreement between the Company and JPMAM 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

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

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

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

Board Composition

The Board consists of five non-executive Directors, chaired by Davina Walter, all of whom are regarded by the Board as independent of the Company's Manager The Chairman's independence was assessed upon her appointment and annually thereafter

The 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 14 and 15

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, details of which may be found below The Board has considered whether a senior independent director should be appointed and has concluded that, as the Board comprises entirely non-executive directors, this is unnecessary However, the Chairman of the Audit Committee 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

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 appointed by shareholders The Board has agreed that, in accordance with corporate governance best practice, all Directors must seek annual reappointment

The Board does not believe that length of service compromises the independence or contribution of directors of investment

[1]Copies of the UK Corporate Governance Code and the AIC Code may be found on the respective organisations websites www frc org uk and www theaic co uk

trust companies as experience and continuity can be a significant strength to the Company Moreover the Board believes that all its five non-executive directors, including Davina Walter and Alan Kemp who have both served over nine years, are independent of the Company and the Manager When making a recommendation, the Board will take into account the ongoing requirements of the UK Corporate Governance Code, including the need to refresh the Board and its committees

The Board recommends the reappointment of each of the Directors, following a performance review conducted by the Nomination Committee which concluded that they continue to be effective and demonstrate commitment to their roles

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

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 Chairman 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 14 and 15

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

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination Committee Meetings Attended	Management Engagement Committee Meeting Attended
M Ansell	6	2	1	1
J Le Blan[1]	1	–	–	–
CJ Galleymore	7	3	1	1
AS Kemp	7	3	1	1
DJ Walter	7	3	1	1

[1]Appointed as a Director on 1st October 2012

Board Committees

Nomination Committee

The Nomination Committee, chaired by Davina Walter consists of all of the Directors and meets at least annually to ensure that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary The appointment process takes account of the benefits of all aspects of diversity, including gender An independent third party, Webster Partners Ltd , was employed to conduct the search for a new Director which resulted in the appointment of Julia Le Blan

The Committee conducts an annual performance evaluation of the Board, its committees and individual Directors to ensure that all Directors have devoted sufficient time and contributed adequately to the work of the Board and its Committees The evaluation of the Board considers the balance of experience, skills, independence, corporate knowledge, its diversity, including gender, and how it works together Questionnaires, drawn up by the Board with the assistance of JPMAM, are completed by each Director The responses are collated and then discussed by the Committee The evaluation of individual Directors is led by the Chairman who also meets with each Director The Chairman of the Audit Committee leads the evaluation of the Chairman's performance

The Committee also reviews Directors' fees and makes recommendations to the Board as and when required

Management Engagement Committee

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

Directors' Report continued

Audit Committee
The Audit Committee, chaired by Alan Kemp, comprises all of the Directors, 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

The Committee reviews the actions and judgements of the Manager in relation to the half year and annual accounts and the Company's compliance with the UK Corporate Governance Code It examines the effectiveness of the Company's internal control systems, receives information from the Manager's Compliance department and reviews the scope and results of the external audit, its cost effectiveness, the balance of audit and non-audit services and the independence and objectivity of the external auditors Non-audit work was undertaken by the auditors in the year under review amounting to £2,000 In the opinion of the Directors the auditors are considered independent Representatives of the Company's auditors attend the Committee meeting at which the draft Annual Report and Accounts is considered

Having reviewed the performance of the external auditors, 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 the Auditors' fees and any non-audit services provided by the independent auditors and assesses the impact of any non-audit work on the ability of the auditor to remain independent

The Directors' statement on the Company's system of risk management and internal control is set out overleaf

Terms of Reference

The Nomination, 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

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 four times a year by way of the Annual Report and Accounts, Half Year Report and two Interim Management Statements This is supplemented by the daily publication through the London Stock Exchange, of the net asset value of the Company's shares

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 shareholders and answer questions In addition, a presentation is given by the Investment Manager who reviews the Company's performance

During the year the Company's brokers and JPMAM hold regular discussions with larger shareholders The Directors are made fully aware of their views The Chairman and Directors make themselves available as and when required to address shareholder queries The Directors may be contacted through the Company Secretary whose details are shown on page 61

The Company's Annual Report and Accounts is published in time to give shareholders at least 20 working days' notice of the Annual General Meeting 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 61

Details of the proxy voting position on each resolution will be published on the Company website shortly after the Annual General Meeting

Capital Structure
The Company's capital structure is summarised on the inside front cover of this report

Voting Rights in the Company's shares
Details of the voting rights in the Company's shares as at the date of this report are given in Note 16 to the Notice of AGM on page 55

Environmental Matters, Social and Community Issues

Information on environmental matters, social and community issues is set out in page 26 The Company has no employees

Notifiable Interests in the Company's Voting Rights
At the financial year end the following had declared a notifiable interest in the Company's voting rights

Shareholders	Number of voting rights	%
JPMorgan Asset Management (UK) Limited	558,488	10 8
F&C Asset Management	467,978	9 1
West Yorkshire Pension Fund	420,000	8 1
Rathbone Brothers PLC	273,030	5 3
Investec Wealth & Investment Limited	205,193	4 0

Since the year end, Investec Wealth & Investment Limited notified the Company that their number of voting rights in the Company had decreased to 192,368 (3 7%)

The Company is also aware that approximately 19% of the Company's total voting rights are held by individuals through savings products managed by JPMAM If those voting rights are not exercised by the beneficial holders, in accordance with the terms and conditions of the savings products, under certain circumstances JPMAM has the right to exercise those voting rights That right is subject to certain limits and restrictions and falls away at the conclusion of the relevant general meeting

The rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or buy back 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

Risk Management and Internal Control

The UK Corporate Governance Code requires the Directors, at least annually, to review the effectiveness of the Company's system of risk management and internal control and to report to shareholders that they have done so 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 JPMAM and its associates, the Company's system of risk management and internal control mainly comprises monitoring the services provided by JPMAM 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 significant risks faced by the Company (see Principal Risks on pages 18 and 19) This process has been in place for the year under review and up to the date of approval of the Annual Report & Accounts, and it accords with the Turnbull guidance Whilst the Company does not have an internal audit function of its own, the Board considers that it is sufficient to rely on the internal audit department of JPMAM This arrangement is kept under review

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 Services Authority ('FSA'), 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 FSA 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 and Audit Committee reviews the terms of the management agreement and receives regular reports from JPMAM's Compliance department,
- the Board reviews the report on the risk management and internal controls and the operations of its custodian, JPMorgan Chase Bank, which is itself independently reviewed, and
- the Directors review every six months an independent report on the risk management and internal controls and the operations of JPMAM

By the means of 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 2012 and to the date of approval of this Annual Report and Accounts

Directors' Report continued

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.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM. The following 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.

Corporate Governance

JPMAM believes that corporate governance is integral to our investment process. As part of our commitment to delivering superior investment performance to our clients, we expect and encourage the companies in which we invest to demonstrate the highest standards of corporate governance and best business practice. We examine the share structure and voting structure of the companies in which we invest, as well as the board balance, oversight functions and remuneration policy. These analyses then form the basis of our proxy voting and engagement activity.

Proxy Voting

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

Stewardship/Engagement

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

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

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

Social & Environmental

JPMAM believes that companies should act in a socially responsible manner. Although our priority at all times is the best economic interests of our clients, we recognise that, increasingly, non-financial issues such as social and environmental factors have the potential to impact the share price, as well as the reputation of companies. Specialists within JPMAM's environmental, social and governance ('ESG') team are tasked with assessing how companies deal with and report on social and environmental risks and issues specific to their industry. This analysis is then used to identify outliers which require further engagement.

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. Our detailed approach to how we implement the principles is available on request. JPMAM is also a signatory to Carbon Disclosure Project. JPMorgan Chase is a signatory to the Equator Principles on managing social and environmental risk in project finance.

JPMAM's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM's website: *http://www.jpmorganinvestmenttrusts.co.uk/Governance*. This also sets out its approach to the seven principles of the FRC Stewardship Code, its policy relating to conflicts of interest and its detailed voting record.

By order of the Board
Lucy Dina, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
22nd March 2013

Directors' Remuneration Report

The Board presents this report, which has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006 An ordinary resolution to approve this report will be put to the members at the forthcoming Annual General Meeting

The law requires the Company's auditors to audit certain of the disclosures provided Where disclosures have been audited they are indicated as such The auditors' opinion is included in their report on page 29

Directors' Remuneration[1]

Directors' Name	2012 £	2011 £
DJ Walter	**29,400**	28,000
M Ansell	**21,000**	20,000
CJ Galleymore	**21,000**	20,000
AS Kemp	**24,150**	23,000
J Le Blan[2]	**5,250**	–
Total	**100,800**	91,000

[1]Audited information

[2]Appointed as a Director on 1st October 2012

In the year under review, Directors' fees were paid at the following rates Chairman £29,400, Chairman of the Audit Committee £24,150, and other Directors £21,000 With effect from 1st January 2013 fees have been increased to £30,200 £24,800 and £21,550 respectively

The total Directors' fees of £101,000 (2011 £91,000) were all paid to Directors and £nil (2011 £nil) paid to third parties

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 the other Directors, reflecting the greater time commitment involved in fulfilling these roles

As all of the Directors are non-executive, the Board has not established a Remuneration Committee Instead, the Nomination Committee 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, JPMAM, and relevant third parties on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally The Directors' fees are not performance-related The Company's Articles currently stipulate that aggregate fees must not exceed £150,000 per annum Directors' fees are reviewed regularly and any increase in the maximum aggregate amount requires both Board and shareholder approval

The terms and conditions of Directors' appointments are set out in formal letters of appointment Details of the Board's policy on tenure are set out on pages 22 to 23

The Company does not operate any type of incentive 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 paid compensation for loss of office No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in connection with attending to the Company's business

A graph showing the Company's share price compared with its benchmark, the Russell 2000 Index in sterling terms, over the last five years is shown below

Five Year Share Price and Benchmark Total Return Performance to 31st December 2012

Source Morningstar/Russell Investments

- Share price
- Benchmark

By order of the Board
Lucy Dina, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary

22nd March 2013

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and accounts in accordance with applicable law and regulations

Company law requires the Directors to prepare 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 and applicable law) Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the return or loss of the Company for that period 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 have been followed, subject to any material departures disclosed and explained in the financial accounts, and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

The accounts are published on the www jpmussmallercompanies co uk website, which is maintained by the Company's Manager, JPMorgan Asset Management (UK) Limited ('JPMAM') The maintenance and integrity of the website maintained by JPMAM is, so far as it relates to the Company, the responsibility of JPMAM The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the auditors accept no responsibility for any changes that have occurred to the accounts since they were initially presented on the website The accounts are prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions

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 in the Directors' Report 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 Directors' 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 risks and uncertainties that it faces

Davina Walter.

For and on behalf of the Board
Davina Walter
Chairman

22nd March 2013

Independent Auditor's Report

Independent Auditor's Report to the members of JPMorgan US Smaller Companies Investment Trust plc

We have audited the financial statements of JPMorgan US Smaller Companies Investment Trust plc (the 'Company') for the year ended 31st December 2012 which comprise the Income Statement, Reconciliation of Movements in Shareholders' Funds, Balance Sheet, Cash Flow Statement, and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 28, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

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 2012 and of its net return for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required 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

Under the Listing Rules we are required to review

- the Directors' statement, set out on pages 20 and 21, in relation to going concern,
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- certain elements of the report to shareholders by the Board on Directors' remuneration

Grant Thornton UK LLP.

Marcus Swales (Senior Statutory Auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditors, Chartered Accountants
London

22nd March 2013

Income Statement

for the year ended 31st December 2012

	Notes	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
Gains on investments held at fair value through profit or loss	2	**–**	**6,306**	**6,306**	–	1,493	1,493
Net foreign currency gains/(losses)		**–**	**255**	**255**	–	(194)	(194)
Income from investments	3	**1,254**	**–**	**1,254**	719	–	719
Other interest receivable and similar income	3	**1**	**–**	**1**	–	–	–
Gross return		**1,255**	**6,561**	**7,816**	719	1,299	2,018
Management fee	4	**(63)**	**(569)**	**(632)**	(58)	(522)	(580)
Performance fee	4	**–**	**35**	**35**	–	(348)	(348)
Other administrative expenses	5	**(341)**	**–**	**(341)**	(357)	–	(357)
Net return on ordinary activities before finance costs and taxation		**851**	**6,027**	**6,878**	304	429	733
Finance costs	6	**(11)**	**(95)**	**(106)**	(10)	(92)	(102)
Net return on ordinary activities before taxation		**840**	**5,932**	**6,772**	294	337	631
Taxation	7	**(187)**	**–**	**(187)**	(107)	–	(107)
Net return on ordinary activities after taxation		**653**	**5,932**	**6,585**	187	337	524
Return per share	8	**12.64p**	**114.88p**	**127.52p**	3 57p	6 42p	9 99p

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 The Total column represents all the information that is required to be disclosed in a Statement of Total Recognised Gains and Losses ('STRGL') For this reason a STRGL has not been presented

The notes on pages 34 to 51 form an integral part of these accounts

Reconciliation of Movements in Shareholders' Funds

	Called up share capital £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 December 2010	1,316	1,826	54,155	(4,347)	**52,950**
Repurchase and cancellation of the Company's own shares	(25)	25	(844)	–	**(844)**
Net return on ordinary activities	–	–	337	187	**524**
At 31 December 2011	1,291	1,851	53,648	(4,160)	**52,630**
Repurchase and cancellation of the Company's own shares	–	–	(1)	–	**(1)**
Net return on ordinary activities	–	–	5,932	653	**6,585**
At 31 December 2012	1,291	1,851	59,579	(3,507)	**59,214**

The notes on pages 34 to 51 form an integral part of these accounts

Balance Sheet
at 31st December 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Investments held at fair value through profit or loss	9	**61,685**	55,241
Investments in liquidity funds held at fair value through profit or loss	9	**2,803**	2,700
		64,488	57,941
Current assets	10		
Debtors		**50**	126
Cash and short term deposits		**1,541**	1,655
		1,591	1,781
Creditors: amounts falling due within one year	11	**(6,865)**	(6,828)
Net current liabilities		**(5,274)**	(5,047)
Total assets less current liabilities		**59,214**	52,894
Provisions for liabilities and charges	12	**–**	(264)
Net assets		**59,214**	52,630
Capital and reserves			
Called up share capital	13	**1,291**	1,291
Capital redemption reserve	14	**1,851**	1,851
Capital reserves	14	**59,579**	53,648
Revenue reserve	14	**(3,507)**	(4,160)
Total equity shareholders' funds		**59,214**	52,630
Net asset value per share	15	**1,146.7p**	1,019.2p

The accounts on pages 30 to 51 were approved and authorised for issue by the Directors on 22nd March 2013 and were signed on their behalf by

Davina Walter

Davina Walter
Chairman

The notes on pages 34 to 51 form an integral part of these accounts

The Company's registration number is 552775.

Cash Flow Statement

for the year ended 31st December 2012

	Notes	2012 £'000	2011 £'000
Net cash outflow from operating activities	16	**(69)**	(497)
Returns on investments and servicing of finance			
Interest paid		**(106)**	(94)
Net cash outflow from returns on investments and servicing of finance		**(106)**	(94)
Capital expenditure and financial investment			
Purchases of investments		**(25,923)**	(33,895)
Sales of investments		**26,015**	33,994
Other capital charges - handling fees		**(3)**	(3)
Net cash inflow from capital expenditure and financial investment		**89**	96
Net cash outflow before management of liquid resources and financing		**(86)**	(495)
Management of liquid resources			
Purchases of Time Deposits		**(1,538)**	–
Net cash outflow from management of liquid resources		**(1,538)**	–
Financing			
Draw down of short term bank loan		**–**	1,835
Repurchase and cancellation of the Company's own shares		**(1)**	(844)
Net cash (outflow)/inflow from financing activity		**(1)**	991
(Decrease)/increase in cash	17	**(1,625)**	496

The notes on pages 34 to 51 form an integral part of these accounts

Notes to the Accounts
for the year ended 31st December 2012

1. Accounting policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', issued by the Association of Investment Companies in January 2009 All of the Company's operations are of a continuing nature

The disclosures on going concern on page 20 of the Directors' Report form part of these accounts

The policies applied in these accounts are consistent with those applied in the preceding year

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their capital growth This 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 Accordingly, upon initial recognition the investments are designated 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 Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets

All purchases and sales are accounted for on a trade date basis

(c) Accounting for reserves

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

(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

Deposit interest receivable is taken to revenue on an accruals basis

(e) Expenses

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

- any performance fee is allocated 100% to capital
- any performance fee provision is not discounted
- the management fee is allocated 10% to revenue and 90% 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 of an investment are included within the cost of the investment and those incidental to the sale are deducted from the sale proceeds These expenses are commonly referred to as transaction costs and comprise mainly brokerage commission Details of transaction costs are given in note 9 on page 39

(f) Finance costs

Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest method

Interest bearing bank loans and overdrafts are classified as loans and receivables and measured at amortised cost They are recorded at the proceeds received net of direct issue costs

Finance costs are allocated 10% to revenue and 90% 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 short term deposits may comprise cash and demand deposits

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

(h) Foreign currency

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 accounts are presented

Transactions denominated in foreign currencies are converted at actual exchange rates as at the date of the transaction Assets and liabilities 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

(i) Taxation

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

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 capital

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

Notes to the Accounts continued

1. Accounting policies continued

(j) Value Added Tax ('VAT')

Recoverable VAT is calculated using the partial exemption method based on the proportion of supplies that give the right to VAT recovery to total supplies

(k) Repurchases of ordinary shares for cancellation

The cost of repurchasing ordinary shares including the related stamp duty and transactions costs is charged to capital reserves and dealt with in the Reconciliation of Movement in Shareholders' Funds Share repurchase transactions are accounted for on a trade date basis The nominal value of ordinary share capital repurchased and cancelled is transferred out of called up share capital and into the capital redemption reserve

	2012 £'000	2011 £'000
2. Gains on investments held at fair value through profit or loss		
Gains on sales of investments held at fair value through profit or loss based on historical cost	**4,879**	4,513
Amounts recognised as investment holding gains in the previous year in respect of investments sold during the year	**(2,313)**	(3,430)
Gains on sales of investments based on the carrying value at the previous balance sheet date	**2,566**	1,083
Net movement in investment holding gains and losses	**3,743**	413
Other capital charges - handling fees	**(3)**	(3)
Total capital gains on investments held at fair value through profit or loss	**6,306**	1,493

	2012 £'000	2011 £'000
3. Income		
Income from investments		
Dividends	**1,254**	719
Other interest receivable and similar income		
Deposit interest	**1**	–
Total income	**1,255**	719

	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
4 Management and performance fee[1]						
Management fee	**63**	**569**	**632**	58	522	580
Performance fee	**–**	**(35)**	**(35)**	–	348	348
	63	**534**	**597**	58	870	928

[1]Details of the management fee and performance fee are given in the Directors Report on pages 19 and 20

	2012 £'000	2011 £'000
5 Other administrative expenses		
Administration expenses	**174**	202
Directors' fees[1]	**101**	91
Savings scheme costs[2]	**41**	40
Auditors' remuneration for audit services	**23**	24
Auditors' remuneration for non-audit services	**2**	–
Total administrative expenses	**341**	357

[1]Full disclosure is given in the Directors' Remuneration Report on page 27
[2]These fees were paid to JPMAM for the marketing and administration of savings scheme products

	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
6 Finance costs						
Interest on bank loans and overdrafts	**11**	**95**	**106**	10	92	102

7. Taxation

(a) Analysis of tax charge for the year

	2012 £'000	2011 £'000
Overseas withholding tax	**187**	107
Current tax charge for the year	**187**	107

Notes to the Accounts continued

7. **Taxation** continued

(b) Factors affecting current tax charge for the year

The tax assessed for the year is lower (2011 lower) than the Company's applicable rate of corporation tax for the year of 24 5% (2011 26 5%) The factors affecting the current tax charge for the year are as follows

	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
Net return on ordinary activities before taxation	**840**	**5,932**	**6,772**	294	337	631
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax of 24 5% (2011 26 5%)	**206**	**1,453**	**1,659**	78	89	167
Effects of						
Non taxable capital gains	**–**	**(1,607)**	**(1,607)**	–	(344)	(344)
Non taxable overseas dividends	**(297)**	**–**	**(297)**	(185)	–	(185)
Unrelieved expenses	**93**	**154**	**247**	109	255	364
Income taxed in different years	**(2)**	**–**	**(2)**	(2)	–	(2)
Overseas withholding tax	**187**	**–**	**187**	107	–	107
Current tax charge for the year	**187**	**–**	**187**	107	–	107

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £3,910,000 (2011 £3,997,000) based on a prospective corporation tax rate of 23% (2011 25%) The reduction in the standard rate of corporation tax was substantively enacted on 12th July 2012 and is effective from 1st April 2013 The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the accounts

Given the Company's status as an Investment Trust Company and the intention to continue meeting the conditions required to obtain approval, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments

8 Return per share

The revenue return per share is based on the earnings attributable to the ordinary shares of £653,000 (2011 £187,000) and on the weighted average number of shares in issue during the year of 5,163 623 (2011 5,245,193)

The capital return per share is based on the capital return attributable to the ordinary shares of £5,932 000 (2011 £337,000) and on the weighted average number of shares in issue during the year of 5,163,623 (2011 5,245,193)

The total return per share is based on the total return attributable to the ordinary shares of £6,585,000 (2011 £524,000) and on the weighted average number of shares in issue during the year of 5,163,623 (2011 5,245,193)

	2012 £'000	2011 £'000
9 Investments		
Investments listed on a recognised stock exchange	**61,685**	55 241
Investments in liquidity funds	**2,803**	2,700
Total investments held at fair value	**64,488**	57,941
Opening book cost	**48,418**	43,815
Opening investment holding gains	**9,523**	12,540
Opening valuation	**57,941**	56,355
Movements in the year		
Purchases at cost	**26,237**	33,988
Sales - proceeds	**(25,999)**	(33,898)
Gains on sales of investments based on the carrying value at the previous balance sheet date	**2,566**	1,083
Net movement in investment holding gains and losses	**3,743**	413
Closing valuation	**64,488**	57,941
Closing book cost	**53,535**	48,418
Closing investment holding gains	**10,953**	9,523
Total investments held at fair value through profit or loss	**64,488**	57,941

During the year, prior year investment holding gains amounting to £2,313,000 have been transferred to gains on sales of investments as disclosed in note 14

Transaction costs on purchases during the year amounted to £21,000 (2011 £30,000) and on sales during the year amounted to £17,000 (2011 £27,000) These costs comprise mainly brokerage commission

Notes to the Accounts continued

	2012 £'000	2011 £'000
10 Current assets		
Debtors		
Securities sold awaiting settlement	–	16
Dividends and interest receivable	**20**	77
Other debtors	**30**	33
	50	126

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

Cash and short term deposits
Cash and short term deposits comprises bank balances and cash held by the Company, including short term bank deposits The carrying amount of these represents their fair value Cash balances in excess of a predetermined amount are placed on short term deposit at market rates of interest

	2012 £'000	2011 £'000
11 Creditors amounts falling due within one year		
Bank loan	**6,152**	6,434
Securities purchased awaiting settlement	**407**	93
Performance fee payable	**229**	214
Other creditors and accruals	**77**	87
	6,865	6,828

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

The loan is unsecured and is drawn down on the Company's floating rate loan facility with Scotiabank Details of the facility are given in note 21(a)(ii) on page 47

	2012 £'000	2011 £'000
12 Provisions for liabilities and charges		
Performance fee		
Provision brought forward at the beginning of the year	**264**	130
Performance fee provision for the year	**(35)**	348
Amount payable in respect of the year	**(229)**	(214)
Provision carried forward at the end of the year	**–**	264

Details of the performance fee are given in the Directors' Report on pages 19 and 20

	2012 £'000	2011 £'000
13 Called up share capital		
Allotted and fully paid		
Opening balance of 5,163,623 (2011 5,264,610) shares of 25p each	**1,291**	1,316
Repurchase of nil (2011 100,987) shares for cancellation	**–**	(25)
Closing balance of 5,163,623 (2011 5,163,623) shares of 25p each	**1,291**	1,291

		Capital reserves		
	Capital redemption reserve £'000	Gains and losses on sales of investments £'000	Holding gains and losses on investments £'000	Revenue reserve £'000
14 Reserves				
Opening balance	1,851	44,517	9,131	(4,160)
Repurchase and cancellation of the Company's own shares	–	(1)	–	–
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	2,566	–	–
Foreign currency losses on cash and short term deposits	–	(27)	–	–
Performance fee provision for the year	–	–	35	–
Performance fee payable	–	(229)	229	–
Net movement in investment holding gains and losses	–	–	3,743	–
Transfer on disposal of investments	–	2,313	(2,313)	–
Unrealised foreign currency losses on loans	–	–	282	–
Unrealised foreign currency gains on loans now realised	–	180	(180)	–
Management fee and finance cost charged to capital	–	(664)	–	–
Other capital charges - handling fees	–	(3)	–	–
Retained revenue for the year	–	–	–	653
Closing balance	**1,851**	**48,652**	**10,927**	**(3,507)**

Revenue reserves are distributable by way of dividend As explained on page 21, a resolution is to be put to the shareholders at the AGM to permit dividend distributions to also be made from realised capital reserves

	Net asset value per share		Net assets attributable	
	2012 pence	2011 pence	2012 £'000	2011 £'000
15 Net asset value per share				
Ordinary shares	**1,146.7**	1,019 2	**59,214**	52,630

The net asset value per share is based on the net assets attributable to the ordinary shareholders of £59,214,000 (2011 £52,630,000) and on the 5 163,623 (2011 5,163 623) shares in issue at the year end

Notes to the Accounts continued

	2012 £'000	2011 £'000
16 Reconciliation of total return on ordinary activities before finance costs and taxation to net cash outflow from operating activities		
Total return on ordinary activities before finance costs and taxation	**6,878**	733
Add back capital return before finance costs and taxation	**(6,027)**	(429)
Decrease/(increase) in accrued income	**57**	(45)
Decrease in other debtors	**3**	4
Decrease in accrued expenses	**(10)**	(33)
Management fee charged to capital	**(569)**	(522)
Overseas withholding tax	**(187)**	(107)
Performance fee paid	**(214)**	(98)
Net cash outflow from operating activities	**(69)**	(497)

	At 31st December 2011 £'000	Cash flow £'000	Exchange movements £'000	At 31st December 2012 £'000
17. Analysis of changes in net debt				
Cash at bank and in hand	1,655	(1 625)	(27)	**3**
Short term deposits	–	1,538	–	**1,538**
Bank loans falling due within one year	(6,434)	–	282	**(6,152)**
Closing net debt	(4,779)	(87)	255	**(4,611)**

18 Contingent liabilities and capital commitments

At the balance sheet date there were no capital commitments or contingent liabilities (2011 none)

19. Transactions with the Manager

Details of the management and performance fee agreements are set out in the Directors' Report on pages 19 and 20 The management fee payable to JPMorgan Asset Management (UK) Limited ('JPMAM') for the year was £632,000 (2011 £580,000), of which £nil (2011 £nil) was outstanding at the year end A performance fee write back amounting to £35,000 (2011 £348,000 charge) occurred in the year, at the year end there was a creditor of £229,000 (2011 £214,000) outstanding

During the year, £41,000 (2011 £40,000) was payable to JPMAM for the marketing and administration of savings scheme products, of which £3,000 (2011 £nil) was outstanding at the year end

Included in administration expenses in note 5 on page 37 are safe custody fees amounting to £514 (2011 £531) payable to JPMorgan Chase of which £131 (2011 £217) was outstanding at the year end

Handling fees on dealing transactions amounting to £3,000 (2011 £3 000) were payable to JPMorgan Chase during the year of which £nil (2011 £1,000) was outstanding at the year end

The Company holds an investment in the JPMorgan US Dollar Liquidity Fund which is managed by JPMAM At 31st December 2012 this investment was valued at £2 8 million (2011 £2 7 million) During the year the Company made purchases of this investment amounting to £78 million (2011 £10 6 million) and sales amounting to £75 million (2011 £10 9 million) Income amounting to £9,000 (2011 £7,000) was receivable from this investment during the year and was reinvested in the fund

At the year end, a bank balance of £2,000 (2011 £1,655,000) was held with JPMorgan Chase A net amount of interest of £1,074 (2011 £342) was receivable by the Company during the year from JPMorgan Chase of which £45 (2011 £29) was outstanding at the year end

20 Disclosures regarding financial instruments measured at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio

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

Level 1 - valued using quoted prices

Level 2 - valued by reference to valuation techniques using observable inputs other than quoted market prices included within Level 1

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data

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 34

The following table sets out the fair value hierarchy at 31st December

	2012			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets held at fair value through profit or loss at 31st December 2012				
Equity investments	**61,685**	**–**	**–**	**61,685**
Liquidity funds	**2,803**	**–**	**–**	**2,803**
Total	**64,488**	**–**	**–**	**64,488**

	2011			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets held at fair value through profit or loss at 31st December 2011				
Equity investments	55,241	–	–	55,241
Liquidity funds	2,700	–	–	2,700
Total	57,941	–	–	57,941

There have been no transfers into or out of Level 3 during the year

Notes to the Accounts continued

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 risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends

These 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 Company Secretary, in close cooperation with the Board and the Manager, coordinates the Company's risk management strategy

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 financial instruments may comprise

- investments in the shares of US companies and a US Dollar liquidity fund, which are held in accordance with the Company's investment objective,
- 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 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

Most of the Company's assets, liabilities 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

	2012 £'000	2011 £'000
Sterling equivalent of US$ exposure		
Investments held at fair value through profit and loss that are monetary items	**2,803**	2,700
Debtors - securities sold awaiting settlement, dividends and interest receivable	**20**	94
Cash and short term deposits	**1,539**	1,655
Creditors - securities purchased awaiting settlement	**(407)**	(308)
Bank loans	**(6,152)**	(6,434)
Foreign currency exposure on net monetary items	**(2,197)**	(2,293)
Investments held at fair value through profit or loss that are equities	**61,685**	55,241
Total net foreign currency exposure	**59,488**	52,948

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

Foreign currency sensitivity

The following tables illustrate the sensitivity of the return after taxation for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates

The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and the income receivable in foreign currency, and assumes a 10% (2011 10%) appreciation or depreciation of sterling against the US dollar which is deemed a reasonable illustration based on the volatility of exchange rates during the year

If sterling had weakened by 10% (2011 10%) this would have had the following effect

	2012 £'000	2011 £'000
Income statement - return after taxation		
Revenue return	**125**	72
Capital return	**(220)**	(229)
Total return after taxation for the year	**(95)**	(157)
Net assets	**(95)**	(157)

Conversely if sterling had strengthened by 10% (2011 10%) this would have had the following effect

Notes to the Accounts continued

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

(a) Market risk continued

(i) Currency risk continued

Foreign currency sensitivity continued

	2012 £'000	2011 £'000
Income statement - return after taxation		
Revenue return	(125)	(72)
Capital return	220	229
Total return after taxation for the year	95	157
Net assets	95	157

In the opinion of the Directors, the above sensitivity analysis with respect to monetary financial assets and financial liabilities is broadly representative of the whole year The sensitivity with regard to the Company's investments and foreign currency is subsumed into other price risk sensitivity on page 48

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and 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 or 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 95% to 115% (+/-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 re-set, is shown below

	2012 £'000	2011 £'000
Exposure to floating interest rates		
Cash and short term deposits	1,541	1,655
JPMorgan US Dollar Liquidity Fund	2,803	2,700
Creditors amounts falling due within one year		
Bank loan	(6,152)	(6,434)
Total exposure	(1,808)	(2,079)

Interest receivable is at the following rates

- Interest receivable on cash balances is at a margin below LIBOR
- The target interest earned on the JPMorgan US Dollar Liquidity Fund is the 7 day US$ London Interbank Bid Rate

During the year, the Company arranged a US$10 0 million 364 day floating rate loan facility with Scotiabank, which expires on 9th April 2013 Interest is payable at a 1 00% margin over LIBOR as offered in the market for the loan period plus the 'mandatory costs' rate, which is the lender's cost of complying with certain regulatory requirements This facility is unsecured and is subject to covenants which are customary for a credit agreement of this nature At the year end, the Company had drawn down the whole US$10 0 million (£6 2 million) on this facility and the interest rate at the year end was 1 35% per annum At the comparative year end, the Company had drawn down US$10 0 million (£6 4 million) on a similar facility with Scotiabank, which expired during the year

The exposure to floating interest rates during the year fluctuated as follows

	2012 £'000
(Minimum debit)/Maximum credit interest rate exposure to floating rates - net cash and liquidity fund balances	**(1,061)**
Maximum debit interest rate exposure to floating rate - net loan balances	**(3,669)**

Interest rate sensitivity
The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0 5% (2011 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

	2012		2011	
	0 5% increase in rate £'000	**0.5% decrease in rate £'000**	0 5% increase in rate £'000	0 5% decrease in rate £'000
Income statement - return after taxation				
Revenue return	**19**	**(19)**	19	(19)
Capital return	**(28)**	**28**	(29)	29
Total return after taxation for the year and net assets	**(9)**	**9**	(10)	10

In the opinion of the Directors, the above sensitivity may not be representative of the Company's future exposure to interest rate changes due to fluctuations in the level of cash balances, investments in liquidity funds and borrowings

Notes to the Accounts continued

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

(a) Market risk continued

(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 meets on at least six occasions each year to consider 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 other changes in market prices at 31st December comprises its holdings in equity investments as follows

	2012 £'000	2011 £'000
Equity investments held at fair value through profit or loss	**61,685**	55,241

The above data is broadly representative of the exposure to other price risk during the year

Concentration of exposure to other price risk

A list of the Company's investments is given on pages 12 and 13 This shows that all of the investments are listed in the USA Accordingly there is a concentration of exposure to that country However it should be noted that an investment may not be entirely exposed to the economic conditions in its country of listing

Other price risk sensitivity

The following table illustrates the sensitivity of the return after tax and net assets to an increase or decrease of 10% (2011 10%) in the fair value of equity investments 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 and adjusting for change in the management fee, but with all other variables held constant

	2012		2011	
	10% Increase in fair value £'000	**10% Decrease in fair value £'000**	10% Increase in fair value £'000	10% Decrease in fair value £'000
Income statement - return after taxation				
Revenue return	**(6)**	**6**	(6)	6
Capital return	**6,113**	**(6,113)**	5,474	(5,474)
Total return after taxation for the year	**6,107**	**(6,107)**	5,468	(5,468)
Net assets	**6,107**	**(6,107)**	5,468	(5,468)

(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 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 at the year end, based on the earliest date on which payment can be required are as follows

	2012 Three months or less £'000	2012 More than three months but not more than one year £'000	2012 Total £'000	2011 Three months or less £'000	2011 More than three months but not more than one year £'000	2011 Total £'000
Bank loan (including interest)	**19**	**6,152**	**6,171**	25	6,434	6,459
Securities purchased awaiting settlement	**407**	**–**	**407**	93	–	93
Performance fee payable	**229**	**–**	**229**	214	–	214
Other creditors and accruals	**58**	**–**	**58**	69	–	69
	713	**6,152**	**6,865**	401	6,434	6,835

The liabilities shown above represent future contractual payments and therefore differ from the amounts shown in the balance sheet

(c) Credit risk

Credit risk is the risk that a counterparty to a transaction fails to discharge its obligations under that transaction which could result in loss to the Company

Management of credit risk

Portfolio dealing

The Company invests in markets that operate DVP (Delivery Versus Payment) settlement The process of DVP mitigates the risk of losing the principal of a trade during the settlement process The Manager regularly 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

Notes to the Accounts continued

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

(c) Credit risk continued

Cash

Counterparties are subject to daily credit analysis by the Manager and trades can only be placed with counterparties that have a minimum rating of A1/P1 from Standard & Poor's and Moody's, respectively

Exposure to JPMorgan Chase

JPMorgan Chase is the custodian of the Company's assets The custody agreement grants a general lien over the securities credited to the securities account 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 However, no absolute guarantee can be given on the protection of all the assets of the Company

Credit risk exposure

The following amounts shown in the Balance Sheet represent the maximum exposure to credit risk at the current and comparative year end

	2012		2011	
	Balance sheet £'000	**Maximum exposure £'000**	**Balance sheet £'000**	**Maximum exposure £'000**
Fixed assets – investments held at fair value through profit or loss	**64,488**	**2,803**	57,941	2,700
Current assets				
Debtors – amount due from brokers, dividends and interest receivable	**50**	**50**	126	126
Cash and short term deposits	**1,541**	**1,541**	1,655	1,655
	66,079	**4,394**	59,722	4,481

The fixed asset exposure to credit risk comprises the Company's investment in the JPMorgan US Dollar Liquidity Fund This fund has been given an AAA credit rating by Standard & Poor's The fund's investments comprise mainly certificates of deposit, commercial paper and floating rate notes with a weighted average maturity of 45 days

Cash and short term deposits comprises balances held at banks with an AA credit rating or higher (2011 same)

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the balance sheet at fair value or the carrying amount in the balance sheet is a reasonable approximation of fair value

22. Capital management policies and procedures

The Company's debt and capital structure comprises the following

	2012 £'000	2011 £'000
Debt		
Short term bank loan	**6,152**	6,434
Equity		
Share capital	**1,291**	1,291
Reserves	**57,923**	51,339
Total equity	**59,214**	52,630
Total capital	**65,366**	59,064

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

The Board's policy is to limit gearing within the range 5% net cash to 15% geared (+/- 2 5%) Gearing for this purpose is defined as Total Assets (including net current assets/liabilities) less cash/cash equivalents), expressed as a percentage of net assets

	2012 £'000	2011 £'000
Investments	**61,685**	55,241
Currents assets excluding cash	**50**	126
Current liabilities excluding bank loans	**(713)**	(394)
Total Assets	**61,022**	54,973
Net assets	**59,214**	52,630
Gearing/(net cash)	**3.1%**	4 5%

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

- 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

Notice of Annual General Meeting

Notice is hereby given that the fifty sixth Annual General Meeting of JPMorgan US Smaller Companies Investment Trust plc will be held at Holborn Bars, 138-142 Holborn, London EC1N 2NQ on Tuesday, 30th April 2013 at 2 30 p m for the following purposes

1 To receive the Directors' Report, the Annual Accounts and the Auditor's Report for the year ended 31st December 2012

2 To approve the Directors' Remuneration Report for the year ended 31st December 2012

3 To appoint Julia Le Blan as a Director of the Company

4 To reappoint Mark Ansell as a Director of the Company

5 To reappoint Christopher Galleymore as a Director of the Company

6 To reappoint Alan Kemp as a Director of the Company

7 To reappoint Davina Walter as a Director of the Company

8 To reappoint Grant Thornton UK LLP as Auditor to the Company and to authorise the Directors to determine their remuneration

Special Business

To consider the following resolutions

Authority to allot new ordinary shares - Ordinary Resolution

9 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 £129,091, representing approximately 10% of the Company's issued ordinary share capital 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 2014, 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 shares to be allotted or 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

10 THAT, subject to the passing of Resolution 8 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 8 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 £129,091, 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 9 above, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuant of such offers or agreements as if the power conferred hereby had not expired

Authority to repurchase the Company's shares - Special Resolution

11 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 774,027 or, if less that number of ordinary shares which is equal to 14 99% of the Company's issued share capital as at the date of the passing of this resolution,

(ii) the minimum price which may be paid for an ordinary share shall be 25p,

(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 29th October 2014 unless the Authority is renewed at the Company's Annual General Meeting in 2014 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

Amendment of Articles of Association to permit the distribution of capital profits – Special Resolution

12 THAT the Articles of Association be amended by deleting the existing Articles 120 and 121(1)(b) and inserting the following new Articles 120 and 121(1)(b) in their place

- **Article 120** Any surplus over the book value derived from the sale or realisation of any capital asset (including any surplus arising on changes or transpositions of investments) shall be credited to a Capital Reserve or applied for some capital purpose, including a distribution to shareholders out of capital There shall also be credited to such Reserve, or applied as aforesaid, any other sums representing accretions to capital assets, including in particular any sums resulting from the writing up of the book values of any capital assets Such Reserve may be used to meet depreciation of capital assets or for the improvement of capital assets or for such other capital purposes as the Board may think fit Any taxation arising in consequence of the disposal of any capital asset and any deficit below book value resulting on the disposal of any capital asset may be debited in whole or in part against such Reserve

- **Article 121(1)(b)** appropriate the sum resolved to be capitalised to the members in proportion to the nominal amounts of the shares (whether or not fully paid) held by them respectively which would (or in the case of treasury shares, which would if such shares were not held as treasury shares) entitle them to participate in a distribution of that sum if the shares were fully paid and the sum were then distributable and were distributed by way of dividend and apply such sum on their behalf either in or towards paying up the amounts, if any, for the time being unpaid on any shares held by them respectively, or in paying up in full shares or debentures of the Company of a nominal amount equal to that sum, and allot such shares or debentures credited as fully paid to those members or as they may direct, in those proportions, or partly in one way and partly in the other

To approve a final dividend – Ordinary Resolution

13 THAT, subject to the passing of Resolution 12 set out above, a final dividend of 91 pence per share be and is hereby approved and paid on 7th May 2013 to ordinary shareholders on the register at the close of business on 12th April 2013

By order of the Board
Lucy Dina, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary

28th March 2013

Notice of Annual General Meeting continued

Notes

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

1 A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend speak and vote at the Meeting A member can appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attaching to different shares held by him

2 A proxy does not need to be a member of the Company but must attend the Meeting to represent you Your proxy could be the Chairman another Director of the Company or another person who has agreed to attend to represent you Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form If a voting box on the proxy form is left blank the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting Your proxy must attend the Meeting for your vote to count Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person If you attend the Meeting in person your proxy appointment will automatically be terminated

3 Any instrument appointing a proxy to be valid must be lodged in accordance with the instructions given on the proxy form no later than 2 30 p m two business days prior to the Meeting (i e excluding weekends and bank holidays)

4 You may change your proxy instructions by returning a new proxy appointment The deadline for receipt of proxy appointments also applies in relation to amended instructions Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share

5 To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6 00 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 00 p m two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting at the time specified in that notice Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting

6 Entry to the Meeting will be restricted to shareholders and their proxy or proxies with guests admitted only by prior arrangement

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

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

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

10 Under Sections 338 and 338A of the 2006 Act members meeting the threshold requirements in those sections have the right to require the Company (i) to give to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting A resolution may properly be moved, or a matter

properly included in the business unless (a) (in the case of a resolution only) it would, if passed be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise) (b) it is defamatory of any person or (c) it is frivolous or vexatious A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request

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

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

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

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

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

16 As at 21st March 2013 (being the latest business day prior to the publication of this Notice) the Company's issued share capital consists of 5 163 623 ordinary shares carrying one vote each Therefore the total voting rights in the Company are 5 163 623

Electronic appointment CREST members

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

Glossary of Terms and Definitions

Return to Shareholders

Share price return, on a mid-market price to mid-market price basis

Return on Net Assets

Return on net asset value per share, on a bid value to bid value basis

Benchmark Return

Total return on the benchmark assuming that all dividends received were reinvested into the shares of the underlying companies at the time the shares were quoted ex-dividend

The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe The Company's investment strategy does not 'track' this index and consequently, there may be some divergence between the Company's performance and that of the benchmark

Net Asset Value ('NAV')

The net value of the Company's assets, cash and other current net assets, having deducted all debt, including bank loans at par value and provisions at their fair value Current financial year income is included

Gearing/(Net Cash)

The excess amount above shareholders' funds of total assets less cash and cash equivalents, expressed as a percentage of shareholders' funds If the amount so calculated is negative, this is shown as a 'net cash' position

Ongoing Charges

Ongoing charges represent the Company's management fee and all other operating expenses excluding interest and performance fee payable, expressed as a percentage of the average of the daily net assets during the year and is calculated in accordance with guidance issued by the Association of Investment Companies

The method of calculating the total expenses (2011 total expense ratio or 'TER') has changed The TER represented the Company's management fee and all other operating expenses excluding interest, expressed as a percentage of the average of the month end net asset during the year

Active Position

The active position shows the difference between the Company's holding of an individual stock or sector compared with that stock or sector's weighting in the Company's benchmark index A positive number indicates an active decision by the manager to own more of (i e be overweight) a particular stock or sector versus the benchmark and a negative number indicates a decision to hold less of (i e be underweight) a particular stock or sector versus the benchmark

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

If the share price of an investment trust is lower than the NAV per share, the Company's 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

Performance Attribution

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

Performance Attribution Definitions

Sector Allocation

The impact of allocating assets differently from those in the benchmark, via the portfolio's weighting in different sectors or asset types

Stock Selection

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

Gearing/Cash

The impact of borrowings or cash balances on the Company's performance relative to the benchmark, which includes no such balances

Management Fee/Other Expenses

The negative effect on performance relative to the benchmark arising from the management fee and other expenses

Share Repurchases

The enhancement to net asset value ('NAV') per share arising from the repurchase and cancellation of the Company's own shares at a share price discount to NAV per share

Performance Fee

Measures the effect of a performance fee charge or writeback

Notes

Notes

Warning to shareholders – Boiler Room Scams

In recent years, many companies have become aware that their shareholders have been targeted by unauthorised overseas-based brokers selling what turn out to be non-existent or high risk shares, or expressing a wish to buy their shares If you receive unsolicited investment advice or requests

- Make sure you get the correct name of the person or organisation
- Check that they are properly authorised by the FSA before getting involved by visiting **www.fsa.gov uk/pages/register/**
- Report the matter to the FSA by calling **0845 606 1234**
- If the calls persist hang up

More detailed information on this can be found on the Money Advice Service website **www moneyadviceservice.org uk**

Information about the Company

Financial Calendar

Financial year end	31st December
Half year results announced	August
Full year results announced	March
Interim Management Statements	April and October
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 JPMorgan 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 2010 a resolution of the shareholders approved the continuation of the Company until the Annual General Meeting to be held in 2015

Company Numbers

Company registration number 552775
London Stock Exchange Code JUSC LN
ISIN GB0003417101
Bloomberg JUSC LN

Market Information

The shares are listed on the London Stock Exchange and are quoted daily in the Financial Times The Times, The Daily Telegraph, The Scotsman The Independent and The Herald and on the JPMorgan internet site at www jpmussmallercompanies co uk, where the share price is updated every 15 minutes during trading hours

Website

www jpmussmallercompanies co uk

Share Transactions

The Company s shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf They may also be purchased and held through the J P Morgan Investment Account, J P Morgan ISA and J P Morgan SIPP These products are all available on the online wealth manager service J P Morgan WealthManager+ available at www jpmorganwealthmanagerplus co uk

Manager and Company Secretary

JPMorgan Asset Management (UK) Limited

Company's Registered Office

Finsbury Dials
20 Finsbury Street
London EC2Y 9AQ
Telephone 020 7742 4000

For company secretarial and administrative matters, please contact Lucy Dina

Custodian

JPMorgan Chase Bank N A
25 Bank Street
Canary Wharf
London E14 5JP

Registrars

Equiniti Limited
Reference 1084
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone 0871 384 2326

Calls to this number cost 8p per minute plus network extras Lines are open from 8 30 a m to 5 30 p m, Monday to Friday The overseas helpline number is +44 (0)121 415 7047

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1084

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

Independent Auditor

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

Brokers

Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

Savings Product Administrators

For queries on the J P Morgan Investment Account, J P Morgan ISA and J P Morgan SIPP, see contact details on the back cover of this report

A member of the AIC

J.P. Morgan Helpline
Freephone 0800 20 40 20 or +44 (0)20 7742 9995

Your telephone call may be recorded for your security

www jpmussmallercompanies co uk