2013

Annual Report 2013
JPMorgan US Smaller Companies Investment Trust plc

Annual Report & Accounts for the year ended 31st December 2013

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JPMorgan US Smaller Companies Investment Trust plc

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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 2013, the Company's share capital comprised 5,465,780 Ordinary shares of 25p each Following a General Meeting on 4th March 2014 the shares were split on the basis of 10 shares for every one held At 6th March 2014 the Company's share capital comprised 55,557,800 Ordinary shares of 2 5p 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 manager, Don San Jose, has managed the portfolio since November 2008 Don is supported by Dan Percella and three experienced investment professionals dedicated to researching US smaller companies, as well as the wider JPMAM investment management team

FCA regulation of 'non-mainstream pooled investments'

The Company currently conducts its affairs so that the shares issued by JPMorgan US Smaller Companies Investment Trust plc can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust

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)

+59.7%
Return to shareholders
(2012: +12.0%)

+38.7%
Return on net assets[1]
(2012: +12.5%)

+35.9%
Benchmark return[2]
(2012: +10.9%)

Long Term Performance
For periods ended 31st December 2013

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 pages 61 and 62

[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

Strategic Report

Chairman's Statement

Performance

It is an easy job to write this year's Chairman's Statement following such exceptional results, both in terms of increase in the Company's net assets and rise in share price Our net assets rose by 38 7% during 2013, comfortably ahead of the Russell 2000 which increased by 35 9% (in sterling terms) Our assets have now risen by some 171% over the past five years compared with a rise of some 114% for the Russell 2000 over the same period

This outstanding performance by our Investment Manager has helped support strong demand for our shares and the share price gained 58 6% in 2013, with the result our shares moved from standing at a discount to net asset value (NAV) at the end of 2012 to a small premium at the end of 2013

Discount and Premium

The Company's share price in relation to its net asset value is monitored by your Board and our professional advisors on a daily basis US smaller companies are notoriously volatile and the shares, which towards the end of 2013 were standing above NAV, could swiftly move back onto a discount It is important, therefore, that we renew our authority to repurchase up to 14 99% of the Company's issued share capital to allow the Board to be responsive to these events I am pleased to say we have not had to resort to using this authority during 2013 The year marked a significant turning point in our fortunes and there has been strong demand for the shares Since July 2013 the shares have stood at a premium to NAV and the Company has issued shares to meet this demand, in some cases from new shareholders

Given the volatile nature of US smaller companies, together with market timing issues (US markets are trading five hours behind London) and the US dollar fluctuating against sterling, managing a tight discount policy on a daily basis is almost impossible However, as mentioned earlier, your Board recognises that it remains a very important issue and continue to monitor it closely and will try to exercise its best judgement in response to events

General Meeting

In the face of the continuing demand for the Company's shares and having regard to the benefits of enlarging the Company, your Board needs authority to issue shares to meet this demand Given that the Company's existing 10% share issue authority approved at the Annual General Meeting in April 2013 was nearly exhausted, the Directors resolved to convene a General Meeting on 4th March 2014 to renew the allotment authorities At this meeting shareholders authorised Directors to issue up to approximately 20% of the Company's issued share capital, for cash on a non-pre-emptive basis The Directors intend to use this authority when they consider that it is in the best interests of Shareholders to do so and to satisfy continuing demand for the Company's shares Any shares will be issued only pursuant to these authorities at prices greater than the prevailing Net Asset Value per share and therefore will be accretive to the Net Asset Value per share

In addition, at the beginning of 2014, your Board proposed a Share Split which would reduce the Company's share price to a level where smaller sized dealings in the shares would be more efficient, hence increasing the attractiveness of the shares to potential buyers At the General Meeting, shareholders approved a resolution to sub-divide each Existing Share into 10 new shares Shareholders should note that this share split does not affect shareholders' proportionate interest Also, the rights attaching to the new shares are the same as those attaching to the existing shares including, without limitation, the same voting, dividend and other rights The new shares were admitted to the Official List of the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange on 6th March 2014

Revenue and Dividend

The revenue for the year, after taxation, was £526,000 (2012 £653,000) The revenue return per share, calculated on the average number of shares in issue, was 10 04 pence (2012 12 64 pence) Since the change in the Articles at last year's Annual General Meeting, the Company can now distribute its net income despite its revenue reserve deficit The Board is therefore recommending a dividend of 0 7 pence per share in respect of the financial year ended 31st December 2013 (7 0 pence based on the number of shares in issue as at the year end, prior to the subdivision of shares on 6th March 2014) given the Company's return on its Revenue Account Subject to shareholders' approval at the AGM, this dividend will be paid on 6th May 2014 to ordinary shareholders on the register at the close of business on 11th April 2014

Shareholders should note that the Company's objective remains that of capital growth and dividends will be the outcome of that policy and therefore likely to vary from year to year

Gearing

In April 2013 our revolving credit facility with Scotiabank was renewed and increased to US$15 million to reflect the increase in our assets Throughout the year and at the year end only US$10 million was drawn on the credit facility, as at 31st December 2013 the portfolio was 5 4% geared The facility matures on 8th April 2014 at which point the Board will consider another gearing facility

Currency hedging

Each day our US dollar denominated portfolio is converted into sterling for calculating the NAV which exposes the Company's assets to fluctuations in the US dollar/sterling exchange rate 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

Strategic Report continued

Chairman's Statement continued

Alternative Investment Fund Managers' Directive (AIFMD)

The final regulations for the AIFMD have been published and we are moving towards compliance with the new rules We expect to enter into arrangements with our Manager, JPMorgan Asset Management, shortly such that it will act as our Alternative Investment Fund Manager at no additional cost The process of appointing a Depositary, as required by the Directive, is also underway Further announcements will be made in due course

Revised Reporting Requirements

Shareholders will note that there have been a number of changes in reporting requirements which are reflected in this year's Annual Report In particular, there has been the addition of a Strategic Report, which is designed to replace and enhance reporting previously included in the Business Review section of the Directors' Report and includes the Chairman's Statement There have also been consequential changes in the contents of the remainder of the Report and changes to the structure and voting in respect of the Directors' Remuneration Report

Annual General Meeting

We are holding our AGM at Holborn Bars, 138-142 Holborn, London EC1N 2NQ on Tuesday, 29th April 2014 at 2 30 p m As in previous years, there will be a presentation by one of the investment management team which will cover a review of 2013 as well as 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 that hold their shares through CREST are reminded that they are able to lodge their proxy votes electronically

Outlook

After such a strong year for US equities some consolidation is to be expected However, with US economic activity steadily improving, the background for smaller companies, particularly those with a domestic bias which are well represented in the portfolio, is better than it has been for a number of years While valuations are more demanding than twelve months ago, longer term growth prospects for smaller companies still look promising Should market setbacks occur, we believe that the disciplined investment process operated by Don Jose and his team will provide a level of protection to the portfolio Longer term, the US economy has demonstrated its ability to create exciting growth prospects in the small cap sector and we believe that our company can continue to take advantage of these opportunities

Davina Walter
Chairman

20th March 2014

Investment Manager's Report

Don San Jose
Don San Jose has been with J P Morgan for 13 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 nine years has worked as a co-portfolio manager on JPMAM's US small cap core active strategy

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

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

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 US equity due diligence and portfolio construction analyst for JPMAM's asset allocation product, and was the co developer of this product

Jeff Soffen
Jeff has been with J P Morgan since 2010 He was previously a research associate covering the healthcare sector for the US Large Cap Equity Group in addition to the Global Healthcare Fund

Market Review

During 2013 the Russell 2000 Index rose very strongly as investors were coaxed back into the market by low interest rates, manageable inflation levels and a modestly improving economic environment As the year unfolded, investors' risk appetites were spurred on by low levels of volatility and a lack of investment alternatives Investors waded back into the market, embracing risk in general, particularly in small cap stocks In fact, 2013 was the fourth largest annual gain ever in the Russell 2000, and continued a string of double-digit increases in four of the past five years The primary driver of the Russell 2000 gains last year was multiple expansion, as the Russell 2000's P/E multiple increased from around 15x at the start of the year to about 19 5x by year end, while profit growth was not particularly robust The year end multiple on forward earnings is approximately one standard deviation above normal and suggests that investors' fears about the Great Recession have greatly subsided

Clearly, equities are not the bargain they were in 2009 and the easy money has been made That said, while valuations appear fair to slightly elevated at current levels, the risk-reward still seems preferable to other asset classes Yields on the 10-year Treasury are hovering around 2 8%, which is up 100bps from this time last year, but still pales in comparison to the earnings yield on the Russell of 5 1% During 2013, investors, who were overweight cash and fixed income assets, appeared to be re-risking their portfolios at the margins, anxious to participate in potential future upside in equities As investors reduced their fixed income exposure and charged into equities, we witnessed an underlying bid to stocks, which has kept pullbacks relatively short and shallow and suggests that the path of least resistance for stocks continues to be higher, despite rising valuations

Investment Performance

For the year to 31st December 2013, the total return on net assets was 38 7%, which compares with a rise of 35 9% in our benchmark, the Russell 2000 index, in sterling terms The Company's outperformance was driven by strong stock selection and sector allocation Stock selection was strongest in Financials, Technology and Consumer Discretionary, offset by underperformance in Producer Durables and Healthcare

2013 was another challenging year for small cap investors, with only 33% of active small cap core managers beating their benchmark Within the Russell 2000 Index, smaller market caps, higher beta stocks, companies with weaker balance sheets and non-earners tended to outperform for the year We were happy with the Fund's performance in light of these headwinds

Portfolio Positioning

We continue to find investment ideas in the consumer sector and retain a sizable overweight in this sector relative to the benchmark Over the past several quarters, we have reduced our financial overweight, trimming or selling out of some financial

Strategic Report continued

Investment Manager's Report continued

Performance attribution for the year ended 31st December 2013

	%	%
Contributions to total returns		
Benchmark return		+35 9
Sector allocation	+1 1	
Stock selection	+0 5	
Gearing/cash	+2 7	
Investment managers' contribution		+4 3
Portfolio total return		+40 2
Management fee/ other expenses	-1 7	
Share issuance	+0 2	
Other effects		-1 5
Return on net assets		+38 7
Return to shareholders		+59.7

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 pages 61 and 62

names that have appreciated in an effort to take profits, control our sector bets and prudently manage risk in light of the higher valuations in the space We began the year modestly overweight the sector and ended the fourth quarter roughly equal-weight the index Meanwhile, we continue to find it challenging to find companies that meet our investment criteria in the healthcare space, and as a result we maintain a sizable underweight in this sector This underweight weighed on returns in 2013, as the healthcare space was the leading sector in the Russell 2000 this year and finished up 52% versus a 39% increase in the index in aggregate Finally, we continue to have a moderate 400bps underweight in the technology sector, where it is similarly challenging to find companies with a sustainable competitive advantage and high barriers to entry

Portfolio Highlights

The most significant contributors to performance during the 12 months ended 31st December 2013, were Zillow Inc and Jarden Corp Zillow shares increased 194% as housing data points in the US remained strong and Zillow's quarterly earnings reports showed that its investments in brand advertising are yielding strong results, with robust user growth and agent growth highlighting the network effects in the business model Although the stock has had a nice run year-to-date, we think the market still under-appreciates Zillow's long term growth opportunity and the quality of the management team We have taken profits opportunistically throughout the year but continue to think Zillow is a compelling long-term investment Jarden, a provider of consumer goods and outdoor products, contributed positively to overall results with a 78% return during the period as the stock responded to earnings results that generally exceeded expectations Moreover, the company has a strong management team, with a prudent capital allocation and active share repurchase programme, which has also helped the shares outperform in 2013

Over the 12 months ended 31st December 2013, the significant detractors to performance were American Eagle ('AEO') and Joy Global American Eagle retails men's and women's casual apparel, footwear, outerwear and accessories The stock fell 28% during the year, as AEO reported weaker than expected top-line growth and gross margins due to increasing competitive pressures in the teen apparel space This drove negative earnings revisions throughout the year Though we do not feel that AEO has enterprise risk given its strong balance sheet and net cash position, we are reluctant to increase the position size given the secular pressures and the recent change in the management team We think the shares are cheap with valuation at trough levels and margins at all time lows, but we do not have enough confidence in the company's execution to increase the position at this time, so we continue to monitor the situation closely Joy Global manufactures and markets underground mining equipment and surface mining equipment The stock declined 7% in 2013, as weak coal production drove declines in capital spending among Joy's customers, leading to weak revenues for Joy We are sticking with Joy Global for now as the company continues to demonstrate strong cost controls and it continues to produce a lot of free cash flow Management appears willing to return capital to shareholders via share repurchases in 2014, so this could provide somewhat of a floor to the stock until the earnings picture improves Currently, Joy trades at less than 6x EBITDA, so we believe the company is undervalued at these levels

Market Outlook

Though we are reluctant to make specific predictions about the market, as we think our talents lie in analysing and selecting specific stocks rather than making macroeconomic forecasts, we generally believe that robust market gains similar to those we witnessed in 2013 will be difficult to replicate in 2014 Sure, there are some reasons to be optimistic The US economy is improving consumer confidence is up and headed in the right direction, and there are signs of pent up demand for durable goods Corporate profit margins are high and balance sheets are healthy, which could spur M&A and/or higher capital spending, the latter of which could create a positive feedback loop for the economy Nevertheless, we do have some concerns that balance out our optimism First, interest rates are certainly headed higher and this could weigh on the economic recovery, put pressure on the housing market, and raise the cost of capital for corporations that have been issuing cheap debt to reward shareholders through share repurchases and dividends It could also unnerve investors who have become accustomed to easy Fed policy and low volatility Second, valuation levels are somewhat elevated, so we do believe that an improving economic environment is already 'priced in' to some extent Finally, profit margins are already at peak levels, so we would not expect to see material margin expansion from these levels without a corresponding acceleration in revenue growth, which seems unlikely

Given our expectations for a more muted return environment, we believe stock selection will be key in 2014 We will stick to our investment process and judge the investment merits of each individual company and stock We will remain disciplined with regards to our investment strategy identifying companies with a sustainable competitive advantage, durable business models, and solid management teams who have a track record of value creation We will buy stakes in these companies at valuations that we believe are below their intrinsic value and offer a margin of safety Our sector weights will continue to reflect our bottom-up investment analysis and disciplined approach to portfolio construction

Don San Jose
Dan Percella
Investment Managers

20th March 2014

Strategic Report continued

Summary of Results

	2013	2012	% change
Total returns for the year ended 31st December			
Return to shareholders	**+59.7%**	+12 0%	
Return on net assets[1]	**+38.7%**	+12 5%	
Benchmark return[2]	**+35.9%**	+10 9%	
Net asset value, share price and discount at 31st December			
Shareholders' funds (£'000)	**86,339**	59,214	+45 8
Net asset value per share	**1,579.6p**	1,146 7p	+37 8
Share price	**1,637.5p**	1,032 5p	+58 6
Share price premium/(discount) to net asset value per share	**3.7%**	(10 0%)	
Revenue for the year ended 31st December			
Net revenue return attributable to shareholders (£'000)	**526**	653	-19 4
Return per share	**10.04p**	12 64p	-20 6
Shares in issue	**5,465,780**	5,163,623	
Gearing/(net cash) at 31st December[3]	**5.4%**	3 1%	
Ongoing Charges[4]	**1.77%**	1 71%	
Ongoing Charges including performance fee payable[5]	**1.77%**	2 11%	

A glossary of terms and definitions is provided on pages 61 and 62

[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]Gearing represents the excess amount above shareholders' funds of total assets expressed as a percentage of the shareholders' funds. Total assets include total investments and net current assets/liabilities less cash/cash equivalents and excluding bank loans of less than one year If the amount calculated is negative, this is shown as a 'net cash' position

[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 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 In 2013 there was no performance fee payable due to the change in the management fee arrangement. For further details, refer to the Directors' Report on page 21

Long Term Financial Record

At 31st December	2003[1]	2004[1]	2005	2006	2007	2008	2009	2010	2011	2012	**2013**
Shareholders' funds (£'000)	78,826	81,454	96,028	93,192	67,911	34,475	41,399	52,950	52,630	59,214	**86,339**
Net asset value per share (p)	706 0	795 5	945 2	917 3	865 1	586 2	755 2	1,005 8	1,019 2	1,146 7	**1,579.6**
Share price (p)	603 0	651 5	834 5	824 0	761 0	506 0	710 0	939 0	922 0	1,032 5	**1,637 5**
Shares in issue[2]	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	**5,465,780**

Year ended 31st December	2003[1]	2004[1]	2005	2006	2007	2008	2009	2010	2011	2012	**2013**
Gross revenue (£'000)	250	318	385	300	285	297	322	853	719	1,255	**1,172**
(Loss)/return per share (p)	(1 33)	(1 35)	(0 97)	(1 49)	(1 72)	2 53	(0 62)	7 09	3 57	12 64	**10.04**
Dividends per share (p)	nil	nil	nil	nil	nil	nil	nil	nil	nil	9 1	**7.0[3]**
(Discount)/premium (%)[4]	(14 6)	(18 1)	(11 7)	(10 2)	(11 3)	(13 6)	(6 0)	(6 6)	(9 5)	(10 0)	**3.7**
Gearing/(net cash) (%)	8 3	1 2	4 8	12 5	3 2	(6 8)	(1 3)	0 9	5 0	3 1	**5.4**
Ongoing charges (%)[5]	1 43	1 43	1 38	1 30	1 40	1 49	1 75	1 66	1 79	1 71	**1 77**
Ongoing charges including performance fee payable (%)[6]	2 66	2 40	2 56	2 02	1 40	1 49	1 94	1 88	2 19	2 11	**1.77**
US dollar/sterling exchange rate	1 79	1 92	1 73	1 96	1 99	1 44	1 61	1 57	1 55	1 63	**1.65**

Annual returns to 31st December	2003[1]	2004[1]	2005	2006	2007	2008	2009	2010	2011	2012	**2013**
Return to shareholders (%)[7]	+33 4	+8 0	+28 1	-1 3	-7 6	-33 5	+40 3	+32 3	-1 8	+12 0	**+59.7**
Return on net assets (%)[4,7]	+38 9	+12 7	+19 0	-3 0	-6 4	-32 1	+29 0	+33 2	+1 3	+12 5	**+38.7**
Benchmark return (%)[8]	+32 1	+10 0	+16 6	+3 5	-3 5	-8 6	+12 9	+30 5	-3 8	+10 9	**+35 9**

A glossary of terms and definitions is provided on pages 61 and 62

[1]With effect from 1st January 2004, 90% of management fees and finance costs have been charged to capital

[2]Excludes any shares held in Treasury

[3]As at 6th March 2014, the Company's shares were subdivided on a 10 for 1 basis. Therefore, the final dividend proposed will be 0 70p per share

[4]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

[5]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 The Ongoing Charges are calculated in accordance with guidance issued by the Association of Investment Companies in May 2012.

[6]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 In 2013 there was no performance fee payable due to the change in the management fee arrangement. For further details, refer to the Directors' Report on page 21

[7]Source J P Morgan

[8]Source Russell Investments

Strategic Report continued

Ten Largest Investments[1]

Company[2]	Sector	At 31st December 2013 Valuation £'000	At 31st December 2013 Portfolio %[3]	At 31st December 2012 Valuation £'000	At 31st December 2012 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	2,729	3.2	1,895	3.2
Waste Connections 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	2,333	2.7	1,791	3.0
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	2,197	2.5	1,483	2.5
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	2,185	2.5	1,756	3.0
Brinker[4] Brinker is a restaurant operator who owns, operates or franchises establishments in the United States and internationally. These restaurants offer customers burgers, ribs, salads, steaks, classic Italian fare, and Tex Mex offerings.	Consumer Discretionary	1,729	2.0	732	1.2
Associated Banc-Corp[4] Associated Banc-Corp is a Midwest banking franchise headquartered in Green Bay, Wisconsin. The bank offers a full range of financial products and services through banking locations serving communities throughout Wisconsin, Illinois, and Minnesota, and commercial financial services in Indiana, Michigan, Missouri, Ohio and Texas.	Financial Services	1,725	2.0	1,161	1.9
Rexnord[4] Rexnord conducts process and motion control, as well as water management operations. The company offers gears, seals, couplings, industrial and aerospace bearings, special components, industrial chain, conveying equipment, grade specification plumbing, water treatment, and waste water control products. Rexnord serves clients worldwide.	Materials & Processing	1,612	1.9	961	1.6
Douglas Dynamics Douglas Dynamics designs and manufactures snow and ice control equipment. The company produces snow ploughs and sand and salt spreaders.	Producer Durables	1,598	1.9	1,297	2.2
Anixter International[4] Anixter International distributes communications and speciality wire and cable products. The company distributes wiring systems for voice, data, and video networks and electrical power applications in North America, Europe, Asia, and Latin America.	Technology	1,578	1.8	858	1.4
Taminco Corp[4] Taminco Corp is a producer of alkylamines and alkylamine derivatives. The company's products products are used by manufacturers of everyday products primarily for the agriculture, water treatment, personal & home care, animcal nutrition and oil & gas end-markets.	Materials & Processing	1,510	1.7	–	–
Total		19,196	22.2		

[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 £86.3m (2012: £59.2m)

[4]Not included in the ten largest investments at 31st December 2012

At 31st December 2012, the value of the ten largest investments amounted to £15.1m representing 25.4% of total assets less current liabilities.

Sector Analysis

	31st December 2013			31st December 2012		
	Portfolio[1] %	Benchmark %	Active Position* %	Portfolio[1] %	Benchmark %	Active Position* %
Financial Services	**23.7**	**23.8**	**(0.1)**	25.3	23.5	1.8
Consumer Discretionary	**22.1**	**14.4**	**7.7**	22.6	15.1	7.5
Producer Durables	**18.9**	**14.3**	**4.6**	20.5	14.4	6.1
Technology	**10.4**	**14.3**	**(3.9)**	9.3	13.6	(4.3)
Materials & Processing	**9.1**	**7.2**	**1.9**	7.6	7.9	(0.3)
Health Care	**6.5**	**13.3**	**(6.8)**	4.5	12.2	(7.7)
Oils and Other Energy	**4.4**	**5.3**	**(0.9)**	6.1	6.0	0.1
Utilities	**2.6**	**4.0**	**(1.4)**	2.5	4.2	(1.7)
Consumer Staples	**2.3**	**3.4**	**(1.1)**	1.6	3.1	(1.5)
Total	**100.0**	**100.0**		100.0	100.0	

[1]Based on investments, excluding liquidity funds, at fair value of £90.9m (2012: £61.7m)

*A glossary of terms and definitions is provided on pages 61 and 62

Strategic Report continued

List of Investments
at 31st December 2013

Company	Valuation £'000
Financial Services	
ProAssurance	2,197
Associated Banc-Corp	1,725
RLJ Lodging	1,471
HFF	1,332
First of Long Island	1,321
First Republic Bank	1,214
Western Alliance Bancorp	1,199
Umpqua	1,127
Greenhill	1,120
Zillow	1,005
CoreLogic	941
Janus Capital	901
National Retail Properties	842
Glacier Bancorp	760
Morningstar	654
Iberiabank	622
First Horizon National	587
First Financial	557
Marcus & Millichap	522
Mid-America Apartment Communities	499
Advent Software	497
FactSet Research Systems	459
Total Financial Services	**21,552**
Consumer Discretionary	
Jarden	2,729
Brinker	1,729
Pool	1,416
National Cinemedia	1,317
Cinemark	1,302
KAR Auction Services	1,271
American Eagle Outfitters	1,257
Monarch Casino & Resort	1,138
Drew Industries	1,087
Chico's FAS	986
Career Education	973
Papa John's International	971
Brunswick	870
Quicksilver	815
Dana	671
Cracker Barrel	659
Crocs	571
Penn National Gaming	353
Total Consumer Discretionary	**20,115**

Company	Valuation £'000
Producer Durables	
Waste Connections	2,333
Douglas Dynamics	1,598
Toro	1,499
Knight Transportation	1,366
Herman Miller	1,296
Altra	1,120
Allison Transmission	1,117
Joy Global	1,009
Tidewater	991
Ascent Capital	962
Forward Air	938
Generac	912
Team Industrial Services	786
Regal Beloit	729
Liquidity Services	475
Total Producer Durables	**17,131**
Technology	
Anixter International	1,578
Rovi	1,284
Monotype Imaging	1,265
Imperva	1,117
MICROS Systems	766
ScanSource	663
Freescale Semiconductor	596
Sciquest	573
Hittite Microwave	546
NetSuite	454
Solar Winds	347
Fei	232
Total Technology	**9,421**
Materials & Processing	
Silgan	2,185
Rexnord	1,612
Taminco Corp	1,510
RBC Bearings	1,362
Ply Gem Holdings	790
Comfort Systems	400
NN	390
Total Materials & Processing	**8,249**

Company	Valuation £'000
Health Care	
MWI Veterinary Supply	1,254
Idexx Laboratories	1,150
Omnicell	1,139
Wellcare Health Plans	1,076
Magellan Health Services	844
West Pharmaceutical Services	261
Healthsouth	222
Total Health Care	**5,946**
Oils and Other Energy	
Patterson-Uti Energy	1,445
Cimarex Energy	1,257
Resolute Energy	710
Approach Resources	541
Total Oils and Other Energy	**3,953**
Utilities	
Northwestern	1,206
Portland General Electric	1,180
Total Utilities	**2,386**

Company	Valuation £'000
Consumer Staples	
J & J Snack Foods	1,218
Spectrum Brands	896
Total Consumer Staples	**2,114**
Liquidity Funds	
JPMorgan US Dollar Liquidity Fund	1,381
Total Liquidity Funds	**1,381**
Total Portfolio[1]	**92,248**

[1]Comprises the following.	£'000
Equity shares	90,867
Liquidity fund	1,381
	92,248

Strategic Report continued

The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company during the year under review To assist shareholders with this assessment, the Strategic Report sets out the objective and strategy of the Company, structure of the Company, its investment policies and risk management, investment limits and restrictions, performance and key performance indicators, share capital, principal risks and how the Company seeks to manage those risks, the Company's environmental, social and ethical policy and finally its future developments

Business Review

JPMorgan US Smaller Companies was incorporated in 1955 In 1982, with assets of £9 2 million, it obtained a listing on the London Stock Exchange and gained investment trust status The Company adopted its present name in April 2010

Objective and Strategy of the Company

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

The dynamic nature of the US small cap market makes small caps both exciting and challenging As an asset class, small caps tend to be less researched, less liquid and prone to more volatility than large-cap stocks The same characteristics that make managing small caps so challenging provide us with a unique opportunity The extensive resources we dedicate to the process and our commitment to buy-side research underlie our belief that security selection is the most important component in small-cap investing

The Company is managed by J P Morgan's US small cap growth investment team The investment team consists of two dedicated portfolio managers and three research analysts

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

The philosophy has been shaped as a result of the tenure and longevity of the current portfolio management team Years of collective experience in managing small cap assets and self-assessment of their results have contributed to how the philosophy has evolved to where it is today However, the fundamental components of the investment philosophy have remained consistent since the launch of the US Small Cap Growth Strategy in 1984 Additionally, the managers believe that the analytical focus that they place on qualitative factors, both at the business and organisational level, is a differentiating characteristic of their approach and one that serves to add value on a long term basis

While investors can expect the Company to outperform its benchmark, the Russell 2000 Index total return, over a full market cycle, they should also expect performance to be fairly consistent in a variety of market conditions The portfolio is more likely to outperform in high quality driven periods when growth is in favour Likewise, the portfolio may underperform in markets that do not reward growth or high quality

Structure of the Company

The Company has been approved by HM Revenue & Customs ('HMRC') as an investment trust for the purposes of Sections 1158 and 1159 of the Corporation Tax Act 2010 ('Sections 1158 and 1159') for the year ended 31st December 2012 During the year the Company was approved by HMRC as an investment trust under Sections 1158 and 1159 for all financial years commencing on or after 1st October 2012, subject to the Company continuing to meet the relevant eligibility criteria The Directors are of the opinion that the Company has conducted its affairs for the year ended 31st December 2013 so as to be able to continue to obtain approval as investment trust under Section 1158 of the Corporation Tax Act 2010 for that year Approval in previous years 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

Investment Policies and Risk Management

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

The Board has sought to manage the Company's risk by imposing various investment restrictions and guidelines These restrictions and guidelines may be varied at any time by the
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 use liquidity and borrowings to remain invested within a maximum limit of 115% (+2 5% if as a result of market movement)
- The Company will not invest more than 15% of its gross assets in other UK listed investment companies (including investment trusts)
- The Company will not invest more than 10% of its gross assets in companies that themselves may invest more than 15% of their gross assets in UK listed investment companies

Performance

In the year to 31st December 2013, the Company's return to shareholders was +59 7% and the return on net assets was +38 7% This compares with the return on the Company's benchmark of +35 9% As at 31st December 2013, the value of the Company's investment portfolio was £92 2 million The Investment Manager's 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 £24,554,000 (2012 £7,816,000) Net total return after a performance fee (in relation to 2012) provision and deducting the management fee, administrative expenses, finance costs and taxation, amounted to £22,970,000 (2012 £6,585,000)

The Directors recommend a final dividend of 7 00 pence per share payable on 6th May 2014 to holders on the register at the close of business on 11th April 2014 Due to the Company's share split of 10 new shares for 1 existing share on 6th March 2014, the final dividend proposed will be 0 70p per share If approved, this distribution will amount to £383,000 No other dividends were paid in respect of the year

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 Manager's Report

Performance Relative to Benchmark Index

Figures have been rebased to 100 at 31st December 2003

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 2003

Source Morningstar/Russell

- JPMorgan US Smaller Companies – share price
- JPMorgan US Smaller Companies – net asset value
- Benchmark.

Strategic Report continued

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

- **Performance attribution**
  The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark, i e to understand the currency 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 2013 are given in the Investment Manager's 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 2013, the shares traded between a discount of 11 7% and a premium of 5 3% and averaged -3 6% (using month end data with debt at par) Further details of the Company's share capital can be found below in this Strategic Report

Premium/(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, prior to 2013 when the arrangement ceased, expressed as a percentage of the average of the daily net assets during the year
  The Ongoing Charges for the year ended 31st December 2013 are 1 77% (2012 1 71%) 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 (2012 nil) shares for cancellation during the year and issued 302,157 shares (2012 nil) The Company has not held any shares in Treasury during the year

As at the date of this report, the Company has not repurchased any shares since the year end However, it has issued a further 90,000 shares before the stock split and 1,100,000 post the stock split on 6th March 2014

A Special Resolution to renew the authority to repurchase shares will be put to shareholders for approval at the forthcoming Annual General Meeting At the Annual General Meeting on 4th March 2014 shareholders approved a resolution to renew the authority to issue shares up to 20% of the Company's issued share capital

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 or Investment Manager a sudden departure of the investment manager, or several members of the investment management team could result in a short-term deterioration in investment performance The Manager takes steps to reduce the likelihood of such an event by ensuring appropriate succession planning and the adoption of a team-based approach
- Discount a disproportionate widening of the discount 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 US, may adversely affect the Company The Manager makes recommendations to the Board on accounting, dividend and tax policies and the Board seeks external advice where appropriate In addition, the Company is subject to administrative risks, such as the imposition of restrictions on the free movement of capital These risks are discussed by the Board on a regular basis
- Accounting, Legal and Regulatory in order to qualify as an investment trust, the Company must comply with Section 1158 of the Corporation Tax Act 2010 ('Section 1158') Details of the Company's approval are given under 'Structure of the Company' above Should the Company breach Section 1158, it may lose investment trust status and, as a consequence, gains within the Company's portfolio could be subject to Capital Gains Tax The Section 1158 qualification criteria are 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 23 to 28
- 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 26 and 27
- 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

Strategic Report continued

other price risk), liquidity risk and credit risk Further details are disclosed in note 21 to the accounts on page 49

Board Diversity
The Board appoints individuals on the basis of merit However, diversity is important in bringing an appropriate range of skills and experience to the Board At 31st December 2013, there were three male Directors and two female Directors on the Board The Company has no employees and therefore there is nothing further to report in respect of gender representation within the Company

Employees, Social, Community and Human Rights Issues
The Company has a management contract with JPMAM it has no employees and all of its Directors are non-executive The day to day activities are carried out by third parties There are therefore no disclosures to be made in respect of employees The Board notes the JPMAM policy statements in respect of Social, Community and Environmental and Human Rights issues, as highlighted in italics

Social, Community Environmental and Human Rights
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

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

Greenhouse Gas Emissions
The Company is managed by JPMAM, has no employees and all of its Directors are non-executive, the day to day activities being carried out by third parties There are therefore no disclosures to be made in respect of employees The Company has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint 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

Unfortunately close monitoring by the Directors of all the risks cited in this report has historically generated volumes of paperwork Your Board has undertaken a policy to receive, wherever feasible, all of this information electronically

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 Managers discuss the outlook in their report on page 7

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

20th March 2014

Governance

Board of Directors

Davina Walter (Chairman of the Board, Management Engagement and Nomination and Renumeration Committees)

A Director since 2002

Last reappointed to the Board 2013

Current remuneration £31,000

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 7,360

Mark Ansell

A Director since 2005

Last reappointed to the Board 2013

Current remuneration £22,100

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 10,283

Christopher Galleymore

A Director since 2004

Last reappointed to the Board 2013

Current remuneration £22,100

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

Governance continued

Board of Directors

Alan Kemp (Chairman of the Audit Committee)

A Director since 1995

Last reappointed to the Board 2013

Current remuneration £25,450

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 was 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

Last reappointed to the Board 2013

Current remuneration £22,100

She is a chartered accountant and has worked in the financial services industry for over 30 years She was formerly a tax partner at Deloitte and expert on the taxation of investment trust companies Before retiring from Deloitte she did two terms on the AIC's technical committee She is currently a director of Investors Capital Trust plc, Impax Environmental Markets plc and Aberforth Smaller Companies Trust 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 Remuneration and Management Engagement Committees and are considered independent of the Manager

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31st December 2013

A number of disclosures previously incorporated in the Directors' Report are now included in the Strategic Report These include *Business of the Company, Investment Objective, Investment Policies and Risk Management, Investment Restrictions and Guidelines, Performance, Total Return Revenue and Dividends, KPIs, Share Capital, Principal Risks, Employee, Social, Community and Human Rights Issues*

Management of the Company

The Manager and Secretary, JPMorgan Asset Management (UK) Limited ('JPMAM') is employed under a contract which can be terminated on six months' notice, without penalty If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation

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

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

Management and Performance Fees

With effect from 1st January 2013, the Manager 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 and the Manager is no longer entitled to earn a performance fee Previously, 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

Details of Performance Fee Calculation

	31st December	
	2011	2012
Year ended	£	£
Performance fee calculated for the year	348,423	(35,115)
Phased payments year ended		
31st December 2009	66,701	66,701
31st December 2010	31,597	31,597
31st December 2011	–	116,141
31st December 2012	–	–
Performance fee payable	214,439	228,763
Provision carried forward at the year end	263,878	–

Further details of the performance fee are given in note 12 on page 46

Going Concern

The Directors believe that having considered the Company's investment objective (see page 15), risk management policies (see pages 50 to 56), capital management policies and procedures (see page 57), the nature of the portfolio and expenditure projections, the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for 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

Directors

All Directors held office throughout the year under review and the Directors of the Company who held office at the end of the year are detailed on pages 19 and 20

Details of Directors' beneficial shareholdings may be found in the Directors' Remuneration Report on page 30 No changes have been reported to the Directors' shareholdings since the year end

In accordance with corporate governance best practice, all Directors will retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for reappointment by

Governance continued

Directors' Report continued

shareholders The Chairman of the Nomination and Remuneration 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 those standing for reappointment 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 indemnities were in place during the year and as at the date of this report

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 provisions of Section 418(2) of the Companies Act 2006

Independent Auditor

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

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

Capital Structure

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

Voting Rights in the Company's shares

As at 20th March 2014 (being the latest business day prior to the publication of this report), the Company's issued share capital consists of 56,657,800 Ordinary shares carrying one vote Therefore the total voting rights in the Company are 56,657,800

Notifiable Interests in the Company's Voting Rights

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

Shareholders	Number of voting rights	%
JPMorgan Asset Management (UK) Limited	5,153,060[1]	9 1
Rathbone Brothers PLC	4,039,980	7 1
Reliance Mutual	3,059,650	5 4
Hargreaves Lansdown	2,951,330	5 2
West Yorkshire Pension Fund	2,650,000	4 7
Brewin Dolphin Limited	2,624,890	4 6
Investec Wealth & Investment Limited	1,923,680	3 4

[1]Includes 2,753,260 shares held by JPMorgan Elect plc

The information above is derived from the Company's internal records, as well as disclosures received pursuant to the Disclosure and Transparency Rules

No changes to these holdings had been notified as at the date of this report

The Company is also aware that approximately 18% of the Company's total voting rights are held by individuals through savings products managed by JPMAM and registered in the name of Chase Nominees Limited 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

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 repurchase the Company's shares for cancellation (resolution 10)

At the Annual General Meeting held on 30th April 2013, 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 28th October 2014 and could be renewed by shareholders at any time at a General Meeting of the Company The Board remains committed to a stable discount, but there is a need to balance the short term of buying shares back for cancellation 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 10 in the Notice of Meeting on page 58

(ii) To approve a final dividend (resolution 11)

The Directors will seek approval at the Annual General Meeting to pay a final dividend of 0 7 pence per share be and is hereby approved and paid on 6th May 2014 to ordinary shareholders on the register at the close of business on 11th April 2014

Recommendation (resolutions 10 and 11)

The Board considers that resolutions 10 and 11 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 316,430 (post share split) shares representing approximately 0 56% of the voting rights in the Company

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance This statement, together with the Statement of Directors' Responsibilities on page 32, indicates how the Company has applied the principles of good governance of the Financial Reporting Council's UK Corporate Governance Code (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

[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

Governance continued

Directors' Report continued

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 complied with

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 There have been no changes to the Chairman's other significant commitments during the year under review

The Directors have a breadth of investment, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on pages 19 and 20

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 reappointed by shareholders Thereafter, a Director's appointment will run for a term of three years subject to reappointment by shareholders Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the Director to seek an additional term The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking reappointment but, when making a recommendation, the Board will take into account the requirements of the UK Corporate Governance Code, including the need to refresh the Board and its Committees The Board has adopted corporate governance best practice and has a succession plan in place All Directors must stand for annual reappointment

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 AGM

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 19 and 20 All Directors are members of the Committees

The table below details the number of meetings attended by each Director During the financial year there were 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 and Remuneration Committee meeting and one Management Engagement Committee meeting

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination and Remuneration Committee Meetings Attended	Management Engagement Committee Meeting Attended
M Ansell	7	3	1	1
J Le Blan	7	3	1	1
CJ Galleymore	7	3	1	1
AS Kemp	7	3	1	1
DJ Walter	7	3	1	1

Board Committees

Nomination and Remuneration Committee
The Nomination and Remuneration 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 Board's policy on diversity, including gender, is to take account of the benefits of these during the appointment process However, the Board remains committed to appointing the most appropriate candidate, regardless of gender or other forms of diversity Therefore, no targets have been set against which to report

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 appropriate in relation to remuneration policy This takes into account the level of fees paid to the directors of the Company's peers and within the investment trust industry generally to ensure that high quality people are attracted and retained

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

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 and are satisfied that at least one member (Julia Le Blan) of the Audit Committee has recent and relevant financial experience

The Committee reviews the actions and judgements of the Manager in relation to the Half Year and Annual Report & Accounts and the Company's compliance with the UK Corporate Governance Code At the request of the Board, the Audit Committee provides confirmation to the Board as to how it has discharged its responsibilities so that the Board ensures that information presented is fair, balanced and understandable, together with details of how it has done so

During its review of the Company's financial statements for the year ended 31st December 2013, the Audit Committee considered the following significant issues, including those communicated by the Auditors during their reporting

Significant issue	How the issue was addressed
Valuation, existence and ownership of investments	The valuation of investments is undertaken in accordance with the accounting policies, disclosed in note 1 to the accounts on page 40 The audit includes the determination of the existence and ownership of the investments.
Compliance with Sections 1158 and 1159	Approval for the Company as an investment trust under Sections 1158 and 1159 for financial years commencing on or after 1st October 2012 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis

Governance continued

Directors' Report continued

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

The Audit Committee reviews the terms of the management agreement and 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 effectiveness and cost effectiveness, the balance of audit and non-audit services and the independence and objectivity of the external Auditors In the Directors' opinion the Auditors are considered independent In order to safeguard the Auditors' objectivity and independence, any significant non-audit services are carried out through a partner other than the audit engagement partner The Audit Committee also receives confirmations from the Auditors, as part of their reporting, in regard to their objectivity and independence Representatives of the Company's Auditors attend the Audit Committee meeting at which the draft annual report and accounts are considered

The Audit Committee also has a primary responsibility for making recommendations to the Board on the reappointment and removal of external auditors Having reviewed the performance of the external auditors and assessed their effectiveness, including assessing the quality of work, timing of communications and work with JPMAM, 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 No such work was undertaken by the Auditors during the year under review Details of the Auditors' fees are disclosed in note 5 on page 42

The Directors' statement on the Company's system of Risk Management and Internal Control is set out on pages 26 and 27

Terms of Reference

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

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 65

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 65

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

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 16 and 17) 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 Conduct Authority ('FCA'), whose responsibilities are clearly defined in a written agreement

Management Systems - The Manager's system of risk management and internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems These are monitored by JPMAM's Compliance department which regularly monitors compliance with FCA rules and reports to the Board

Investment Strategy - Authorisation and monitoring of the Company's investment strategy and exposure limits by the Board

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

- the Board, through the Management Engagement 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 2013 and to the date of approval of this Annual Report and Accounts

The Board confirms that any failings or weaknesses identified during the course of its review of the system of risk management and internal control were not significant and did not affect the Company

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 Details on social and environmental issues are included in the Strategic Report on page 18

Governance continued

Directors' Report continued

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

JPMAM's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM's website www jpmorganassetmanagement co uk/institutional/CommentaryAndAnalysis/CorporateGovernance 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

20th March 2014

Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 31st December 2013, which has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006 as amended

The law requires the Company's Auditor to audit certain of the disclosures provided Where disclosures have been audited, they are indicated as such The Auditor's opinion is included in their report on page 34

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

During the year under review, Directors' fees were paid at a fixed rate of £30,200 per annum for the Chairman, £24,800 per annum for the Chairman of the Audit Committee and £21,550 per annum for each other Director With effect from 1st January 2014, fees have been increased to £31,000, £25,450 and £22,100 respectively

No amounts (2012 nil) were paid to third parties for making available the services of Directors

Directors' Remuneration Policy

The Directors' Remuneration Policy Report is subject to a triennial binding vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting The policy subject to the vote, is set out in full below and is currently in force

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

The Nomination and Remuneration Committee, comprising all Directors, reviews 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 includes research carried out by third parties on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally The involvement of remuneration consultants has not been deemed necessary as part of this review

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

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

The Company's Articles of Association stipulate that aggregate fees must not exceed £150,000 per annum Any increase in this the maximum aggregate amount requires both Board and shareholder approval

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

Director	Salary/ Fees	Other taxable benefits	Performance related benefit receivable in respect of one financial year	Performance related benefit in respect of periods of more than one year	Pensions related benefits
Chairman	Fee only	n/a	n/a	n/a	n/a
Audit Committee Chairman	Fee only	n/a	n/a	n/a	n/a
All other Directors	Fee only	n/a	n/a	n/a	n/a

Directors' Remuneration Report continued

The Directors do not have service contracts with the Company The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for review at the Company's Annual General Meeting and the Company's registered office Details of the Board's policy on tenure are set out on page 24

The Company's Remuneration policy also applies to new Directors

Directors' Remuneration Policy Implementation

The Directors' Remuneration Report is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting There have been no changes to the policy compared with the year ended 31st December 2012 and no changes are proposed for the year ending 31st December 2014

At the Annual General Meeting held on 30th April 2013, 98 9% of votes cast were in favour of (or granted discretion to the Chairman who voted in favour of) the remuneration report

Details of voting on both the Remuneration Policy and the Directors' Remuneration Report from the 2014 Annual General Meeting will be given in the annual report for the year ending 31st December 2014 Thereafter, the reporting will be annually for the advisory vote on the Directors' Remuneration Report and triennially for the Directors' Remuneration Policy

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

Single total figure of remuneration

The single total figure of remuneration for the Board as a whole for the year ended 31st December 2013 was £119,650 The single total figure of remuneration for each Director is detailed below together with the prior year comparative

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

Single total figure table[1]

	Total fees[3]	
	2013	**2012**
Davina Walter	**£30,200**	£29,400
Alan Kemp	**£24,800**	£24,150
Mark Ansell	**£21,550**	£21,000
Christopher Galleymore	**£21,550**	£21,000
Julia Le Blan[2]	**£21,550**	£5,250
Total	**£119,650**	£100,800

[1]Audited information
[2]Appointed as a Director on 1st October 2012
[3]Directors' remuneration comprises an annual fee only Directors are also reimbursed for out of pocket expenses incurred in attending the Company's business

A table showing the total remuneration for the Chairman over the five years ended 31st December 2013 is below

Remuneration for the Chairman over the five years ended 31st December 2013

Year ended 31st December	Fees
2013	£30,200
2012	£29,400
2011	£28,000
2010	£25,000
2009	£23,000

Directors' Shareholdings[1]

There are no requirements pursuant to the Company's Articles of Association for the Directors to own shares in the Company As at the year-end, the Directors' beneficial shareholdings, including any shares held by connected persons, are detailed below

Directors' Name	2013 Number of shares held	2012 Number of shares held
Davina Walter	**7,360**	4,210
Mark Ansell	**10,283**	8,452
Christopher Galleymore	**5,000**	5,000
Alan Kemp	**7,500**	7,500
Julia Le Blan	**1,500**	1,500
Total	**31,643**	26,662

[1]Audited information

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

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

Five Year Share Price and Benchmark Total Return Performance to 31st December 2013

Source Morningstar/Datastream

- Share price total return
- Benchmark

A table showing actual expenditure by the Company on remuneration and distributions to shareholders for the year and the prior year is below

Expenditure by the Company on remuneration and distributions to shareholders

	Year ended 31st December	
	2013	**2012**
Remuneration paid to all Directors	**£119,650**	£100,800
Distribution to shareholders		
– by way of dividend	**£383,000**	£470,000

Davina Walter

For and on behalf of the Board
Davina Walter
Chairman

20th March 2014

Governance continued

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements 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 prepared 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, taken as a whole, the annual report and accounts provide the information necessary for shareholders to assess the Company's performance, business model and strategy and that they give a true and fair view of the state of affairs of the Company and of the total return or loss of the Company for that period In order to provide these confirmations, and in preparing these financial statements, the Directors must be satisfied that, taken as a whole, the annual report and accounts are fair, balanced and understandable and provide the information necessary for shareholders to assess the performance, business model and strategy of the Company, and the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

and the Directors confirm they have done so

The Directors are responsible for keeping proper 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 enable them to ensure that the financial statements and the Directors' Remuneration Report 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 financial statements since they were initially presented on the website The financial statements 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 Strategic Report, Directors' Report, Directors' Remuneration Report and Statement of Corporate Governance that comply with that law and those regulations

Each of the Directors, whose names and functions are listed in the Directors' Report confirms that, to the best of his/her 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 net return or loss of the Company

The Board confirms that it is satisfied that the annual report and accounts taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the performance, business model, and strategy of the Company

Davina Walter

For and on behalf of the Board
Davina Walter
Chairman

20th March 2014

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 2013 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the 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 auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 32, 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 and express an opinion on 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 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 Financial Reporting Council's website at www frc org uk/apb/scope/private cfm

Auditor commentary

An overview of the scope of our audit

Our audit approach was based on a thorough understanding of the Company's business and is risk-based The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records are outsourced to third-party service providers Accordingly, our audit work is focussed on obtaining an understanding of, and evaluating, internal controls at the Company and relevant third party service providers This included a review of reports on the description, design and operating effectiveness of internal controls at relevant third party service providers We undertook substantive testing on significant transactions, account balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the design effectiveness of controls over individual systems and the management of specific risks

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion For the purpose of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole

We established materiality for the financial statements as a whole to be £900,000 which is 1% of the Company's total assets Due to the significance of the company's total assets over the amounts in the revenue column of the Income Statement, we calculated a separate materiality for the revenue column of the Income Statement of £225,000

We have determined the threshold at which we communicate misstatements to the Audit Committee to be £45,000 In addition, we communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds

Our assessment of risk

Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual transactions, balances or disclosures

Independent Auditor's Report continued

Investments

The company's business is investing in financial assets with a view to profit from the total return in the form of capital gains Accordingly, the investment portfolio is a significant, material item in the financial statements The recognition and measurement of the investment portfolio is therefore a risk that requires particular audit attention

Our audit work included, but was not restricted to, understanding management's process to recognise and measure investments including ownership of those investments, obtaining a confirmation of the number of investments held at the year end directly from the independent custodian, testing the reconciliation of the custodian records to the records maintained by the Company's administrator, testing a selection of investment additions and disposals shown in the Company's records to supporting documentation and agreeing the valuation of quoted investments to an independent source of market prices

The Company's accounting policy on the valuation of quoted investments is included in note 1, and disclosures about investments held at the year end are included in note 9

Investment income

Investment income is the Company's major source of revenue and a significant, material item in the Income Statement Accordingly, the recognition of investment income is a risk that requires particular audit attention

Our audit work included, but was not restricted to, assessing whether the Company's accounting policy for revenue recognition is in accordance with the United Kingdom Generally Accepted Accounting Practice, obtaining an understanding of management's process to recognise revenue in accordance with the stated accounting policy, testing whether a sample of income transactions has been recognised in accordance with the policy, and for a sample of investments held in the period confirming that income that should have been received has been received and recorded and assessing whether any of the dividends should have been treated as capital receipts

The Company's accounting policy on the recognition of income is shown in note 1 and the components of that revenue are included in note 2

Opinion on 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 2013 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

Other reporting responsibilities

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,
- the information given in the Strategic Report and Director's 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 ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is

- materially inconsistent with the information in the audited financial statements, or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit, or
- otherwise misleading

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable, and whether the annual report appropriately discloses those matters that were communicated to the audit committee which we consider should have been disclosed

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 page 21, in relation to going concern; and
- 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.

Marcus Swales

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

● March 2014

20 March 2014

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 page 21, in relation to going concern, and
- 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

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

20th March 2014

Financial Statements

Income Statement
for the year ended 31st December 2013

	Notes	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Gains on investments held at fair value through profit or loss	2	–	**23,204**	**23,204**	–	6,306	6,306
Net foreign currency gains		–	**178**	**178**	–	255	255
Income from investments	3	**1,172**	–	**1,172**	1,254	–	1,254
Other interest receivable and similar income	3	–	–	–	1	–	1
Gross return		**1,172**	**23,382**	**24,554**	1,255	6,561	7,816
Management fee	4	**(96)**	**(866)**	**(962)**	(63)	(569)	(632)
Performance fee	4	–	–	–	–	35	35
Other administrative expenses	5	**(368)**	–	**(368)**	(341)	–	(341)
Net return on ordinary activities before finance costs and taxation		**708**	**22,516**	**23,224**	851	6,027	6,878
Finance costs	6	**(8)**	**(72)**	**(80)**	(11)	(95)	(106)
Net return on ordinary activities before taxation		**700**	**22,444**	**23,144**	840	5,932	6,772
Taxation	7	**(174)**	–	**(174)**	(187)	–	(187)
Net return on ordinary activities after taxation		**526**	**22,444**	**22,970**	653	5,932	6,585
Return per share	9	**10.04p**	**428.44p**	**438.48p**	12 64p	114 88p	127 52p

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 40 to 57 form an integral part of these accounts

Reconciliation of Movements in Shareholders' Funds

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	**Total £'000**
At 31st 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 31st December 2012	1,291	–	1,851	59,579	(3,507)	**59,214**
Shares issued	75	4,550	–	–	–	**4,625**
Net return on ordinary activities	–	–	–	22,444	526	**22,970**
Dividends appropriated in the year	–	–	–	(470)	–	**(470)**
At 31st December 2013	1,366	4,550	1,851	81,553	(2,981)	**86,339**

The notes on pages 40 to 57 form an integral part of these accounts

Financial Statements continued

Balance Sheet
at 31st December 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	**90,867**	61,685
Investments in liquidity funds held at fair value through profit or loss	10	**1,381**	2,803
		92,248	64,488
Current assets	11		
Debtors		**238**	50
Cash and short term deposits		**1**	1,541
		239	1,591
Creditors: amounts falling due within one year	12	**(6,148)**	(6,865)
Net current liabilities		**(5,909)**	(5,274)
Total assets less current liabilities		**86,339**	59,214
Net assets		**86,339**	59,214
Capital and reserves			
Called up share capital	14	**1,366**	1,291
Share premium	15	**4,550**	–
Capital redemption reserve	15	**1,851**	1,851
Capital reserves	15	**81,553**	59,579
Revenue reserve	15	**(2,981)**	(3,507)
Total equity shareholders' funds		**86,339**	59,214
Net asset value per share	16	**1,579.6p**	1,146.7p

The accounts on pages 36 to 57 were approved and authorised for issue by the Directors on 20th March 2014 and were signed on their behalf by

Davina Walter

Davina Walter
Chairman

The notes on pages 40 to 57 form an integral part of these accounts

The Company's registration number is 552775.

Cash Flow Statement
for the year ended 31st December 2013

	Notes	2013 £'000	2012 £'000
Net cash outflow from operating activities	17	**(760)**	(69)
Returns on investments and servicing of finance			
Interest paid		**(83)**	(106)
Net cash outflow from returns on investments and servicing of finance		**(83)**	(106)
Taxation			
Overseas tax recovered		**5**	–
Total tax recovered		**5**	–
Capital expenditure and financial investment			
Purchases of investments		**(50,465)**	(25,923)
Sales of investments		**45,560**	26,015
Other capital charges		**(16)**	(3)
Net cash (outflow)/inflow from capital expenditure and financial investment		**(4,921)**	89
Net cash outflow before management of liquid resources and financing		**(5,759)**	(86)
Management of liquid resources			
Sales/(purchases) of Time Deposits		**1,633**	(1,538)
Net cash inflow/(outflow) from management of liquid resources		**1,633**	(1,538)
Dividend paid		**(470)**	–
Net cash outflow before financing		**(4,596)**	(1,624)
Financing			
Issue of ordinary shares		**4,625**	–
Repurchase and cancellation of the Company's own shares		**–**	(1)
Net cash inflow/(outflow) from financing activity		**4,625**	(1)
Increase/(decrease) in cash	18	**29**	(1,625)

The notes on pages 40 to 57 form an integral part of these accounts

Financial Statements continued

Notes to the Accounts
for the year ended 31st December 2013

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 21 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) Capital 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 10 on page 45

(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 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

(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

(l) Share issue costs

The costs of issuing shares are charged against any premium received on the shares If no premium is receivable, the costs are included in the income statement and charged to capital reserves

Notes to the Accounts continued

	2013 £'000	2012 £'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	**8,519**	4,879
Amounts recognised as investment holding gains in the previous year in respect of investments sold during the year	**(2,284)**	(2,313)
Gains on sales of investments based on the carrying value at the previous balance sheet date	**6,235**	2,566
Net movement in investment holding gains and losses	**16,986**	3,743
Other capital charges	**(17)**	(3)
Total capital gains on investments held at fair value through profit or loss	**23,204**	6,306

	2013 £'000	2012 £'000
3 Income		
Income from investments		
Dividends	**1,167**	1,254
Income from liquidity stocks	**5**	–
Other interest receivable and similar income		
Deposit interest	**–**	1
Total income	**1,172**	1,255

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
4. Management and performance fee[1]						
Management fee	**96**	**866**	**962**	63	569	632
Performance fee	**–**	**–**	**–**	–	(35)	(35)
	96	**866**	**962**	63	534	597

[1]Details of the management fee and performance fee are given in the Directors' Report on page 21

	2013 £'000	2012 £'000
5. Other administrative expenses		
Administration expenses	**176**	174
Directors' fees[1]	**120**	101
Savings scheme costs[2]	**49**	41
Auditors' remuneration for audit services	**23**	23
Auditors' remuneration for non-audit services	**–**	2
Total administrative expenses	**368**	341

[1]Full disclosure is given in the Directors' Remuneration Report on page 30
[2]These fees were paid to JPMAM for the marketing and administration of savings scheme products.

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
6. Finance costs						
Interest on bank loans and overdrafts	**8**	**72**	**80**	11	95	106

7. Taxation

(a) Analysis of tax charge for the year

	2013 £'000	2012 £'000
Overseas withholding tax	**174**	187
Current tax charge for the year	**174**	187

(b) Factors affecting current tax charge for the year

The tax assessed for the year is higher (2012 lower) than the Company's applicable rate of corporation tax for the year of 23 25% (2012 24 50%) The factors affecting the current tax charge for the year are as follows

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Net return on ordinary activities before taxation	**700**	**22,444**	**23,144**	840	5,932	6,772
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax of 23 25% (2012 24 50%)	**163**	**5,218**	**5,381**	206	1,453	1,659
Effects of						
Non taxable capital gains	**–**	**(5,439)**	**(5,439)**	–	(1,607)	(1,607)
Non taxable overseas dividends	**(252)**	**–**	**(252)**	(297)	–	(297)
Unrelieved expenses	**89**	**218**	**307**	93	154	247
Income taxed in different years	**–**	**–**	**–**	(2)	–	(2)
Expenses not allowable for tax purposes	**–**	**3**	**3**	–	–	–
Overseas withholding tax	**174**	**–**	**174**	187	–	187
Current tax charge for the year	**174**	**–**	**174**	187	–	187

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £3,847,200 (2012 £3,910,000) based on a prospective corporation tax rate of 21% (2012 23%) The reduction in the standard rate of corporation tax was substantively enacted on 3rd July 2012 and is effective from 1st April 2013 The Government has also enacted future reductions in the main rate of tax down to 21% by 1st April 2014, and 20% by 1st April 2015 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

Notes to the Accounts continued

8. Dividends

(a) Dividends paid

	2013 £'000	2012 £'000
Final dividend of 9 10p (2011 0 00p)[1]	470	–
Total dividends paid in the year	470	–

[1]The final dividend declared in respect of the year ended 31st December 2012, which was paid in 2013, amounted to £469,890 (2011 £nil) This distribution was paid from capital reserves in accordance with the Company's Articles of Association

The final dividend has been proposed in respect of the year ended 31st December 2013 and is subject to approval at the forthcoming Annual General Meeting In accordance with the accounting policy of the Company, this dividend will be reflected in the accounts for the year ended 31st December 2014

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

The requirements of section 1158 of the Income and Corporation Taxes Act 1988 are considered on the basis of dividends proposed in respect of the financial year, as follows

	2013 £'000	2012 £'000
Final dividend of 700p[1] (2012 9 10p)	383	470
Total dividends for s1158 purposes	383	470

[1]Following the subdivision of the Company's shares on a 10 for 1 basis, effective on 6th March 2014, the final dividend proposed will be 0 70p per share

The revenue available for distribution by way of dividend for the year is £526,000 (2012 £653,000)

9. Return per share

The revenue return per share is based on the earnings attributable to the ordinary shares of £526,000 (2012 £653,000) and on the weighted average number of shares in issue during the year of 5,238,592 (2012 5,163,623)

The capital return per share is based on the capital return attributable to the ordinary shares of £22,444,000 (2012 £5,932,000) and on the weighted average number of shares in issue during the year of 5,238,592 (2012 5,163,623)

The total return per share is based on the total return attributable to the ordinary shares of £22,970,000 (2012 £6,585,000) and on the weighted average number of shares in issue during the year of 5,238,592 (2012 5,163,623)

	2013 £'000	2012 £'000
10. Investments		
Investments listed on a recognised stock exchange	**90,867**	61,685
Investments in liquidity funds	**1,381**	2,803
Total investments held at fair value	**92,248**	64,488
Opening book cost	**53,535**	48,418
Opening investment holding gains	**10,953**	9,523
Opening valuation	**64,488**	57,941
Movements in the year		
Purchases at cost	**50,099**	26,237
Sales - proceeds	**(45,560)**	(25,999)
Gains on sales of investments based on the carrying value at the previous balance sheet date	**6,235**	2,566
Net movement in investment holding gains and losses	**16,986**	3,743
Closing valuation	**92,248**	64,488
Closing book cost	**66,593**	53,535
Closing investment holding gains	**25,655**	10,953
Total investments held at fair value through profit or loss	**92,248**	64,488

During the year, prior year investment holding gains amounting to £2,285,000 (2012 £2,313,000) have been transferred to gains on sales of investments as disclosed in note 15

Transaction costs on purchases during the year amounted to £31,000 (2012 £21,000) and on sales during the year amounted to £20,000 (2012 £17,000) These costs comprise mainly brokerage commission

	2013 £'000	2012 £'000
11. Current assets		
Debtors		
Overseas tax recoverable	**12**	–
Dividends and interest receivable	**196**	20
Other debtors	**30**	30
	238	50

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

Notes to the Accounts continued

	2013 £'000	2012 £'000
12. Creditors: amounts falling due within one year		
Bank loan	**6,038**	6,152
Securities purchased awaiting settlement	**41**	407
Performance fee payable	**–**	229
Other creditors and accruals	**69**	77
	6,148	6,865

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 22(a)(ii) on pages 52 and 53

	2013 £'000	2012 £'000
13. Provisions for liabilities and charges		
Performance fee		
Provision brought forward at the beginning of the year	**–**	264
Performance fee provision for the year	**–**	(35)
Amount payable in respect of the year	**–**	(229)
Provision carried forward at the end of the year	**–**	–

Details of the performance fee are given in the Directors' Report on page 21

	2013 £'000	2012 £'000
14. Called up share capital		
Allotted and fully paid		
Opening balance of 5,163,623 (2012 5,163,623) shares of 25p each	**1,291**	1,291
Issue of 302,157 (2012 nil) shares	**75**	–
Closing balance of 5,465,780 (2012 5,163,623) shares of 25p each	**1,366**	1,291

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves: Gains and losses on sales of investments £'000	Capital reserves: Holding gains and losses on investments £'000	Revenue reserve £'000
15 Reserves						
Opening balance	1,291	–	1,851	48,652	10,927	(3,507)
Foreign currency losses on cash and short term deposits	–	–	–	(31)	–	–
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	6,235	–	–
Net movement in investment holding gains and losses	–	–	–	–	16,986	–
Transfer on disposal of investments	–	–	–	2,284	(2,284)	–
Issue of ordinary shares	75	4,550	–	–	–	–
Unrealised foreign currency gains on loans now realised	–	–	–	–	114	–
Realised foreign currency gains on Time Deposits	–	–	–	95	–	–
Management fee and finance cost charged to capital	–	–	–	(938)	–	–
Other capital charges	–	–	–	(17)	–	–
Dividends appropriated in the year	–	–	–	(470)	–	–
Retained revenue for the year	–	–	–	–	–	526
Closing balance	**1,366**	**4,550**	**1,851**	**55,810**	**25,743**	**(2,981)**

	Net asset value per share 2013 pence	Net asset value per share 2012 pence	Net assets attributable 2013 £'000	Net assets attributable 2012 £'000
16. Net asset value per share				
Ordinary shares	**1,579.6**	1,146.7	**86,339**	59,214

The net asset value per share is based on the net assets attributable to the ordinary shareholders of £86,339,000 (2012 £59,214,000) and on the 5,465,780 (2012 5,163,623) shares in issue at the year end, excluding shares held in Treasury

	2013 £'000	2012 £'000
17 Reconciliation of total return on ordinary activities before finance costs and taxation to net cash outflow from operating activities		
Net return on ordinary activities before finance costs and taxation	**23,224**	6,878
Add back capital return before finance costs and taxation	**(22,516)**	(6,027)
(Increase)/decrease in accrued income	**(176)**	57
Decrease in other debtors	**–**	3
Decrease in accrued expenses	**(5)**	(10)
Management fee charged to capital	**(866)**	(569)
Overseas withholding tax	**(192)**	(187)
Performance fee paid	**(229)**	(214)
Net cash outflow from operating activities	**(760)**	(69)

Notes to the Accounts continued

	At 31st December 2012 £'000	Cash flow £'000	Exchange movements £'000	At 31st December 2013 £'000
18. Analysis of changes in net debt				
Cash at bank and in hand	3	29	(31)	**1**
Short term deposits	1,538	(1,633)	95	**–**
Bank loans falling due within one year	(6,152)	–	114	**(6,038)**
Closing net debt	(4,611)	(1,604)	178	**(6,037)**

19. Contingent liabilities and capital commitments

At the balance sheet date there were no capital commitments or contingent liabilities (2012 none)

20. Transactions with the Manager

Details of the management fee agreement is set out in the Directors' Report on page 21 The management fee payable to JPMorgan Asset Management (UK) Limited ('JPMAM') for the year was £962,000 (2012 £632,000), of which £nil (2012 £nil) was outstanding at the year end For 2012, a performance fee write back amounting to £35,000 occurred in the year, and at the year end there was a creditor of £229,000 outstanding

During the year, £49,000 (2012 £41,000) was payable to JPMAM for the marketing and administration of savings scheme products, of which £nil (2012 £3,000) was outstanding at the year end

Included in administration expenses in note 5 on page 42 are safe custody fees amounting to £729 (2012 £514) payable to JPMorgan Chase of which £nil (2012 £131) was outstanding at the year end

Handling fees on dealing transactions amounting to £3,727 (2012 £3,000) were payable to JPMorgan Chase during the year of which £300 (2012 £nil) 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 2013 this investment was valued at £1 3 million (2012 £2 8 million) During the year the Company made purchases of this investment amounting to £177 million (2012 £7 8 million) and sales amounting to £19 1 million (2012 £7 5 million) Income amounting to £5,000 (2012 £9,000) was receivable from this investment during the year and was reinvested in the fund

At the year end, a bank balance of £1,000 (2012 £2,000) was held with JPMorgan Chase A net amount of interest of £nil (2012 £1,074) was receivable by the Company during the year from JPMorgan Chase of which £nil (2012 £45) was outstanding at the year end

21. 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 40

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

	2013			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets held at fair value through profit or loss at 31st December 2013				
Equity investments	**90,867**	**–**	**–**	**90,867**
Liquidity funds	**1,381**	**–**	**–**	**1,381**
Total	**92,248**	**–**	**–**	**92,248**

	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

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

Notes to the Accounts continued

22. 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

	2013 £'000	2012 £'000
Sterling equivalent of US$ exposure		
Debtors - securities sold awaiting settlement, dividends and interest receivable	**196**	20
Cash and short term deposits	**-**	1,539
Creditors - securities purchased awaiting settlement	**(41)**	(407)
Bank loans	**(6,038)**	(6,152)
Foreign currency exposure on net monetary items	**(5,883)**	(5,000)
Investments held at fair value through profit or loss that are equities	**90,867**	61,685
Investments held at fair value through profit and loss that are monetary items	**1,381**	2,803
Total net foreign currency exposure	**86,365**	59,488

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% (2012 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% (2012 10%) this would have had the following effect

	2013 £'000	2012 £'000
Income statement - return after taxation		
Revenue return	**117**	125
Capital return	**(588)**	(500)
Total return after taxation for the year	**(471)**	(375)
Net assets	**(471)**	(375)

Notes to the Accounts continued

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

(a) Market risk continued

(i) Currency risk continued

Foreign currency sensitivity continued

Conversely if sterling had strengthened by 10% (2012 10%) this would have had the following effect

	2013 £'000	2012 £'000
Income statement – return after taxation		
Revenue return	**(117)**	(125)
Capital return	**588**	500
Total return after taxation for the year	**471**	375
Net assets	**471**	375

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 54

(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 reset, is shown below

	2013 £'000	2012 £'000
Exposure to floating interest rates		
Cash and short term deposits	**1**	1,541
JPMorgan US Dollar Liquidity Fund	**1,381**	2,803
Creditors amounts falling due within one year		
Bank loan	**(6,038)**	(6,152)
Total exposure	**(4,656)**	(1,808)

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

On 9th April 2013, the Company renewed its loan facility with Scotiabank, and extended the floating rate facility to US$15 0 million (an increase from US$10 0m), for a further 364 day period Interest on the renewed facility is payable at a 0 875% (previously 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 The current facility matures on 8th April 2014 at which point the Board will review its gearing facility

As at 31st December 2013, the Company had drawn down US$10 0 million (£6 2 million) on this facility and the interest rate was 1 35% per annum At the comparative year end, the Company had drawn down US$10 0 million (£6 4 million) on the US$10 0 million facility with Scotiabank, which expired during the year (9th April 2013)

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

	2013 £'000	2012 £'000
(Minimum debit)/Maximum credit interest rate exposure to floating rates - net cash and liquidity fund balances	**(1,809)**	(1,061)
Maximum debit interest rate exposure to floating rate - net loan balances	**(5,939)**	(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% (2012 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

	2013		2012	
	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	**4**	**(4)**	19	(19)
Capital return	**(27)**	**27**	(28)	28
Total return after taxation for the year and net assets	**(23)**	**23**	(9)	9

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

22. 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

	2013 £'000	2012 £'000
Equity investments held at fair value through profit or loss	**90,867**	61,685

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% (2012 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

	2013		2012	
	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	**(11)**	**11**	(6)	6
Capital return	**8,989**	**(8,989)**	6,113	(6,113)
Total return after taxation for the year	**8,978**	**(8,978)**	6,107	(6,107)
Net assets	**8,978**	**(8,978)**	6,107	(6,107)

(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

	2013 Three months or less £'000	2013 More than three months but not more than one year £'000	2013 Total £'000	2012 Three months or less £'000	2012 More than three months but not more than one year £'000	2012 Total £'000
Bank loan (including interest) Being Accrued in Accounts	16	6,038	6,054	19	6,152	6,171
For period from 31st December 2013 to 8th April 2014	17	1	18	–	–	–
	33	6,039	6,072	19	6,152	6,171
Securities purchased awaiting settlement	41	–	41	407	–	407
Performance fee payable	–	–	–	229	–	229
Other creditors and accruals	53	–	53	58	–	58
	127	6,039	6,166	713	6,152	6,865

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

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

Notes to the Accounts continued

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

(c) Credit risk continued

Management of credit risk continued

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

	2013 Balance sheet £'000	2013 Maximum exposure £'000	2012 Balance sheet £'000	2012 Maximum exposure £'000
Fixed assets - investments held at fair value through profit or loss	**92,248**	**1,381**	64,488	2,803
Current assets				
Debtors - amount due from brokers, dividends and interest receivable	**238**	**238**	50	50
Cash and short term deposits	**1**	**1**	1,541	1,541
	92,487	**1,620**	66,079	4,394

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 (2012 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

23. Capital management policies and procedures

The Company's debt and capital structure comprises the following

	2013 £'000	2012 £'000
Debt		
Short term bank loan	**6,038**	6,152
Equity		
Share capital	**1,366**	1,291
Reserves	**84,973**	57,923
Total equity	**86,339**	59,214
Total capital	**92,377**	65,366

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

	2013 £'000	2012 £'000
Investments held at fair value excluding liquidity fund holdings	**90,867**	61,685
Current assets excluding cash	**238**	50
Current liabilities excluding bank loans	**(110)**	(713)
Total assets	**90,995**	61,022
Net assets	**86,339**	59,214
Gearing/(net cash)	**5.4%**	3 1%

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

24. Subsequent events

Since the year end, the Company has issued 1,100,000 shares at an average price of 162 10 pence

As a result of the share split on 6th March 2014, each of the Company's existing shares were subdivided into 10 new shares Therefore, the resultant number of shares in issue was 55,557,800 as at that date Due to the share split, the Company's proposed dividend will be 0 70p per share

Shareholder Information

Notice of Annual General Meeting

Notice is hereby given that the fifty seventh 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, 29th April 2014 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 2013

2 To approve the Director's Remuneration Policy

3 To approve the Directors' Remuneration Report for the year ended 31st December 2013

4 To reappoint Julia Le Blan as a Director of the Company

5 To reappoint Mark Ansell as a Director of the Company

6 To reappoint Christopher Galleymore as a Director of the Company

7 To reappoint Alan Kemp as a Director of the Company

8 To reappoint Davina Walter as a Director of the Company

9 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 repurchase the Company's shares - Special Resolution

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

PROVIDED ALWAYS THAT

(i) the maximum number of ordinary shares hereby authorised to be purchased shall be 8,493,004 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 2 5p,

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

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

(v) the authority shall expire on 28th October 2015 unless the Authority is renewed at the Company's Annual General Meeting in 2015 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

To approve a final dividend - Ordinary Resolution

11 THAT, subject to the passing of Resolution 12 set out above, a final dividend of 0 7 pence per share be and is hereby approved and paid on 6th May 2014 to ordinary shareholders on the register at the close of business on 11th April 2014

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

27th March 2014

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,

Shareholder Information continued

Notice of Annual General Meeting continued

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 19th March 2014 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 56,657,800 ordinary shares, carrying one vote each Therefore the total voting rights in the Company are 56 657,800

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

Total return to the investor, on a mid-market price to mid-market price basis, assuming that all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend

Return on Net Assets

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

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

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)

Gearing represents Total Assets (including net current assets/(liabilities) less cash/cash equivalents expressed as a percentage of the net assets If the amount calculated is negative, this is shown as a 'net cash' position

Ongoing Charges

The 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 Ongoing Charges has been changed 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 month end net assets 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

Repurchase of shares into Treasury

Measures the positive effect on relative performance of repurchasing shares into Treasury at a share price discount to the net asset value per share

Shareholder Information continued

Glossary of Terms and Definitions continued

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

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

Shares Issued

The issue of shares at a price in excess of the net asset value per share, has a positive effect on the Company's relative performance

Performance Fee

Measures the effect of a performance fee charge or writeback

Financial Conduct Authority

Beware of share fraud

In association with: icsa Registrars Group

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money

How to avoid share fraud

1. Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares
2. Do not get into a conversation, note the name of the person and firm contacting you and then end the call
3. Check the Financial Services Register from **www fca org uk** to see if the person and firm contacting you is authorised by the FCA
4. Beware of fraudsters claiming to be from an authorised firm copying its website or giving you false contact details
5. Use the firm's contact details listed on the Register if you want to call it back
6. Call the FCA on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date
7. Search the list of unauthorised firms to avoid at **www fca org uk/scams**
8. Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme
9. Think about getting independent financial and professional advice before you hand over any money
10. **Remember**: if it sounds too good to be true it probably is!

Report a scam

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at **www fca org uk/scams**, where you can find out more about investment scams

You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**

5,000 people contact the Financial Conduct Authority about share fraud each year, with victims losing an average of £20,000

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 Company's net asset value ('NAV') per share is published daily via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times, The Times, The Daily Telegraph and The Scotsman and on the 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

aic
The Association of Investment Companies
A member of the AIC

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

With effect from 1st April 2014 the address will change to
60 Victoria Embankment
London EC4Y 0JP

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.

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

Filip Lyapov

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