Annual Report 2014

JPMorgan US Smaller Companies Investment Trust plc

Annual Report & Accounts for the year ended 31st December 2014

J.P.Morgan
Asset Management

Features

Contents

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 JPMorgan US Smaller Companies Investment Trust plc's (the "Company") performance is made with this benchmark.

Capital Structure

At the Company's General Meeting on 4th March 2014, a resolution was passed by shareholders to sub-divide each ordinary share of 25p into ten ordinary shares of 2.5p each. Accordingly, as at 31st December 2014, the Company's share capital comprised 56,040,928 (less shares held in Treasury) 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 Funds Limited ('JPMF' or the 'Manager') as its Alternative Investment Fund Manager. JPMF delegates the management of the Company's portfolio to JPMorgan Asset Management ('JPMAM'). 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 two 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)

+5.6%
Return to shareholders
(2013: +59.7%)

+12.8%
Return on net assets[1]
(2013: +38.7%)

+11.1%
Benchmark return[2]
(2013: +35.9%)

Long Term Performance
For periods ended 31st December 2014

- 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 64 and 65.

[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

2014 was a tricky one for small cap managers in the US as domestic investors turned their attention to the large cap companies that had significantly lagged their smaller company counterparts in the previous year. It is therefore very pleasing to report to shareholders that the Company's net asset value ('NAV') rose by 12.8% reflecting both good stock selection and a rise in the US dollar against sterling. Our return on net assets also compared favourably with the Russell 2000 (in sterling terms) which increased by 11.1%. The Company's share price total return at 5.6% was disappointing, lagging the rise in the NAV and as a consequence the shares moved from a small premium at the end of 2013 to a narrow discount at the end of 2014.

Discount and Premium

As commented above, our shares moved to a small discount to the NAV during the middle part of 2014. Whilst this move is disappointing to your Board, given the background to stock markets which saw investors flee from riskier and more volatile assets, we believe Don San Jose and his team's disciplined investment process, as well as recent performance, is being recognised by investors and helped to underpin sentiment in the shares. As I have mentioned in past statements US smaller companies are volatile and trying to align our share price movement with the change in the NAV is always going to be a challenge. During the year we experienced both sides of the equation as we were able to issue shares at a premium to investors in the early part of the year and then we exercised our authority to repurchase shares and bought in 930,000 shares to be held in Treasury. Since the year-end the Company has issued 135,000 shares from Treasury.

Your Board recognises the importance of keeping a tight discount and therefore seeks the authority to repurchase up to 14.99% of the Company's issued share capital at the forthcoming AGM. In addition, your Board will seek authority to issue up to 20% of the Company's issued share capital.

Board Changes

As mentioned in the Half Year Report & Accounts Alan Kemp is retiring at the forthcoming AGM. Alan has made an outstanding contribution to the Company during his time as a Director, Chairman of the Audit Committee and particularly when the Company went through a turbulent period in 2008. His vast experience, knowledge and input will be much missed and the Board would like to place on record their thanks to him. In order to maintain the right balance of skills and ensure an orderly succession, Webster Partners, a specialist head-hunter, was retained and some outstanding candidates were provided. Following this process the Board is pleased to announce the appointment of David Ross as an independent non-executive Director with effect from 1st March 2015. David started his investment career at Ivory & Sime and in 1990 became one of the founding partners of Aberforth Partners, the specialist UK small cap investment manager. The Board is delighted to welcome such an experienced investment professional, with considerable knowledge of both investment trusts and the small cap sector.

Capital Structure, Revenue and Dividend

Shareholders should be reminded that at the Company's General Meeting on 4th March 2014, shareholders approved a resolution to sub-divide each existing ordinary share into 10 new ordinary shares. This share split did not affect shareholders' proportionate interest. 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.

The revenue return for the year, after taxation, was £647,000 (2013: £526,000). Despite the Company generating positive current year revenue, it still has a revenue reserve deficit, and therefore Directors are not proposing payments of a dividend this year. The Board will not consider paying a dividend until the revenue deficit is cleared. Shareholders should note the Company's objective remains that of capital growth.

Gearing

In April 2014 our revolving credit facility with Scotiabank was renewed at US$15 million with an option to draw a further US$5 million. At the end of 2014, US$15 million was drawn on the facility and the portfolio was 6.5% geared. This facility matures on 7th April 2015 and the Board will consider another gearing facility at this point.

Currency Hedging

Our portfolio is denominated in US dollars but is converted into sterling on a daily basis for calculating the NAV which exposes the 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.

Alternative Investment Fund Managers' Directive ('AIFMD')

As mentioned at the interim stage, all the arrangements are now in place to comply with the new regulation from the AIFMD. JPMorgan Funds Limited (a subsidiary of JPMAM) has been appointed as our Alternative Investment Fund Manager and Company Secretary to the Company and BNY Mellon Trust & Depositary (UK) Limited has been appointed as the Company's Depositary.

Annual General Meeting

We are holding our AGM at 60 Victoria Embankment, London EC4Y 0JP on Wednesday, 29th April 2015 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 2014 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

Chairman's Statement continued

would be helpful if you could raise them in advance of the meeting by writing to the Company Secretary at 60 Victoria Embankment, London EC4Y 0JP.

Included in the agenda for this year's AGM is a resolution to continue the Company's existence as an investment trust for a further five years. The past five years, since the last vote was taken, have marked an extraordinary period of outstanding returns for investors as markets recovered from the lows of March 2009. In our case the Company's NAV rose by 137% and the share price rose by 145%. Whilst these returns should not be used as a guide for the next five years, I would urge shareholders to vote in favour of this resolution as the US smaller companies sector has proved to be more rewarding over the longer term than the large cap sector as it always offers exciting growth opportunities that are less dependent on the economy.

Outlook

The past few years have produced many examples of why it is impossible to make short term forecasts as there will always be events or factors that catch out investors and the small cap sector cannot escape the ensuing volatility as it is seen as a riskier asset class. I really do believe, though, that our Company has in place the key ingredients that an investor should look for in any potential investment, you could call them the five 'Ps': people, philosophy, process, proprietor and performance, and performance is deliberately the last 'P' as it is based on the past whereas the other factors will be there in the future. 'People' is definitely the most important factor and with Don San Jose the Company has an experienced and disciplined US small cap manager who has built a strong team culture around him within the New York based group. Of the other 'Ps' the team have a clearly defined investment philosophy, a disciplined investment process and last, but maybe not least, JPMAM has, by way of proprietor, one of the strongest financial institutions which has enabled the business to become one of the best resourced asset managers. Over the long term the US economy has demonstrated its ability to create exciting growth prospects in the small cap sector and our Company should continue to take advantage of these opportunities for the reasons set out above.

Davina Walter
Chairman

19th March 2015

Investment Manager's Report

Don San Jose
Don San Jose has been with J.P. Morgan for 14 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 two 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.

Market Review

2014 was another good year of returns from the US equity market, although a difficult year for many active managers. While many correctly anticipated a positive 2014 for the US stock market, few could have predicted the way it played out. The S&P 500 Index returned 20% (GBP) significantly outpacing small cap stocks, as measured by the Russell 2000 Index, which gained 11% (GBP). However, probably the biggest surprises were the 120 basis points rally in US 30-year bonds, equating to a total return of 29.4%, and the 45% slump in oil.

Of course all was not smooth sailing as the US equity market experienced three major pullbacks in 2014, although overall volatility levels were fairly low. However, the market rebounded strongly each time on improving economic growth, lower unemployment levels, and continued easy monetary policy by the Fed.

There was significant focus on Federal Reserve (Fed) during the year and most of their actions were in line with expectations. One highlight was Fed Chair, Janet Yellen's remark during her March press conference, when she stated that rate hikes could commence six months after the end of asset purchases, implying a liftoff sometime during the second quarter of 2015. This reminder to investors that the punchbowl will be removed at some point in the not too distant future and that no party can go on forever, may have refocused the market on more defensive stocks, with lower valuations, more modest growth expectations, higher profitability and more attractive dividend yields.

Investors were quite perplexed when after an April Employment Report that significantly exceeded expectations, bond yields continued to fall. Geopolitical tensions in Ukraine, unrest in Iraq, and concerns over US growth were cited, particularly after the poor showing of Q1 US GDP, which experienced a -2.9% contraction. Clearly, the low yield environment is less of a reflection of poor growth prospects for the US, but more indicative of a global flight to safety. Moreover, with low yields in developed countries such as Japan, Germany and France, yields in the US look far more attractive.

The year's deepest sell-off began in mid September as the possibility of another recession in Europe rose to the forefront as weakness began to spread to Germany. As expected in October, the Fed ended its quantitative easing programme. The final bout with volatility came in early December amidst concerns over the fierce decline in crude oil prices, the collapse of Russian equity markets and its currency, and increasing political uncertainty in Greece. Nevertheless, markets rebounded from the sell-off on improving US economic data. The current strength of the US economy was also confirmed as the final estimate of Q3 US GDP came in at an annualised rate of 5.0%, higher than the second estimate of 3.9%.

Investment Performance

For the year to 31st December 2014, the Company's total return on net assets was +12.8%, ahead of our benchmark, the Russell 2000 Index, which rose 11.1%. We remain pleased with the Company's performance in 2014 and the value we added

Strategic Report continued

Investment Manager's Report continued

Performance attribution for the year ended 31st December 2014

	%	%
Contributions to total returns		
Benchmark return		**11.1**
Sector allocation	-1.4	
Stock selection	4.7	
Gearing/cash	0.1	
Investment managers' contribution		**3.4**
Portfolio total return		**14.5**
Management fee/ other expenses	-1.7	
Other effects		**-1.7**
Return on net assets		**12.8**
Return to shareholders		**5.6**

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 64 and 65.

through strong stock selection across a number of sectors. Additionally, in a rising equity market the Company's gearing also proved beneficial.

As we mentioned earlier, 2014 was another challenging year for investors, with only 44% of active small cap core managers beating their benchmark. Within the Russell 2000, the top performing sectors over the year were health care, aided by a strong rally in biotechnology names, consumer staples and utilities. The worst performing sectors were energy, producer durables and materials & processing. It is always problematic to generalise about the results of so many individual portfolio managers and the thousands of decisions that they take, but the strong rally in biotechnology, utilities, and REITS were likely headwinds to most active managers.

Thankfully, we were able to navigate through these issues through our disciplined approach to portfolio construction combined with strong stock selection particularly in the financials and materials & processing sectors. Within financials, our real estate exposure added value as names such as Marcus & Millichap, HFF and Zillow proved beneficial.

Marcus & Millichap is a commercial real estate brokerage firm that derives its revenues from the representation of buyers and sellers within investment sales transactions. Almost entirely all of the company's revenues are transaction-based and it is the only national brokerage company focused almost exclusively on the private segment of the commercial sales market, with transactions valued between $1 million to $10 million. The company's share price rallied during the year as its earnings exceeded expectations each quarter, and the company benefited from a fertile commercial real estate transaction environment (aided by persistently low interest rates), market share gains, and increased brand recognition from the initial public offering that has enabled the company to recruit productive new agents.

HFF, a provider of commercial real estate and capital markets services, also reported strong earnings throughout the year. Like Marcus & Millichap, HFF continues to generate strong transaction activity, with market share gains allowing the company to outperform solid industry growth trends. Moreover, we continue to like management's thoughtful approach to the business, balancing investments for headcount growth and share gains against their commitment to capital return.

Finally, online real-estate information provider Zillow enjoyed a strong year with robust growth in its core premier agent business and a rental market that is making significant progress. The company merged with key competitor Trulia during the year, after which we exited the position. Within the materials & processing space Taminco was a strong contributor. Taminco produces alkylamines, which are a key ingredient for agricultural chemicals, animal feed additives, personal care and water treatment products. The company was acquired by Eastman Chemical before year end.

On a stock specific basis, our position in Knight Transportation also added value. The trucking concern reported strong earnings and multiple expansion driven by a strong truckload pricing environment and increased productivity. Though we trimmed some of our position in Knight on the strong stock price movement, we continue to believe Knight is a core position as it operates one of the most efficient truckload businesses, with industry-best operating margins and a strong, disciplined management team.

In contrast, the portfolio's health care positioning disappointed and was the only sector to detract from our relative performance over the period. Health care was the best performing sector in the Russell 2000 in 2014, with the biotechnology segment performing well. Our health care performance was hindered predominately by our lack of exposure to biotechnology names. We find it difficult to find compelling investment ideas within the space that meet our investment criteria and this has resulted in the portfolio being underweight in the health care sector. In terms of names we hold, Hanger detracted during the period as the provider of orthotic and prosthetic patient-care services suffered some weakness in earnings during the period which drove its shares lower. We continue to hold the name as the underlying long term positive industry macros remain in place including an aging population and rising incidence of diabetes. Additionally, Hanger continues to trade at a very compelling valuation.

On a stock specific basis, our position in retail concern Quiksilver also detracted. Shares of Quiksilver declined after the designer and distributor of youth lifestyle apparel reported weak earnings, which dampened investors' expectations of a turnaround. Sales across all of its major wholesale channels declined, leading to a shift in strategy by management that was not well received by the market. We evaluated the position in light of management's shift in strategy around price points and distribution, which increases execution risk at Quiksilver. As a result, we exited our position before year end.

Portfolio Positioning

With regards to our portfolio positioning, there were some minor adjustments during the year but no major changes. Our main allocations remain in the consumer discretionary, financial services and producer durables sectors. We continue to find investment ideas in the consumer space and retain a sizable overweight in this sector relative to the benchmark. With regards to financials, we have maintained a similar weight to our benchmark in terms of overall allocation, and we continue to favour those names that in our opinion are best positioned to navigate the interest rate and regulatory challenges in the sector. While we are overweight the producer durables sector, we did trim our exposure during the year due to profit taking and to control our sector bet.

Conversely, we have less exposure in the health care and technology sectors than our benchmark. Our underweight exposure in health care narrowed during the year as we have gained further conviction in our holdings and found some new ideas in the space. With regards to technology sector we continue to be challenged to find companies that meet our investment criteria in this area.

Market Outlook

So where do we go from here? We have always been somewhat reluctant to make specific predictions about the market, as we think our talents lie in analysing and selecting specific stocks and building a portfolio from the bottom up, rather than making macroeconomic forecasts. However, we believe US equities can deliver reasonably good returns, although probably accompanied by rising volatility as

Strategic Report continued

Investment Manager's Report continued

equity valuations are higher now and the transition to more normal interest rates that lies ahead may result in periodic turbulence for equity investors. There are two reasons for our positive view on equities. Firstly that profits are very strong and likely to rise more before this cycle ends, and secondly the comparison of values between equities and bonds is still somewhat favorable for equities as an asset class.

Current consensus earnings expectations for US small caps is growth of 18% in 2015, which seems too high to us given that expectations for the S&P 500 have come down to about 5%. Even if earnings growth for small caps comes down, at a fundamental level profits are exceptionally strong, with margins at records and still rising. Strong profits and cash flows should encourage continued stock buybacks, higher dividends and acquisitions too.

In terms of valuations, despite the relative underperformance of US small caps in 2014, the relative valuation spread on forward P/E is still above the historical average, suggesting small caps are slightly expensive versus large caps. However, investors may overlook valuations in the search for more domestic exposure and less exposure to USD strength, both factors which favour small caps.

Given our expectations for a more muted return environment, we believe stock selection will be key. 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

19th March 2015

Summary of Results

	2014	2013	% change
Total returns for the year ended 31st December			
Return to shareholders	**+5.6%**	+59.7%	
Return on net assets[1]	**+12.8%**	+38.7%	
Benchmark return[2]	**+11.1%**	+35.9%	
Net asset value, share price and discount at 31st December			
Shareholders' funds (£'000)	**99,348**	86,339	+15.1
Net asset value per share	**177.3p**	158.0p[3]	+12.2
Share price	**172.1p**	163.8p[3]	+5.1
Share price (discount)/premium to net asset value per share	**(2.9)%**	3.7%	
Revenue for the year ended 31st December			
Net revenue return attributable to shareholders (£'000)	**647**	526	+23.0
Return per share	**1.15p**	1.00p[3]	+15.0
Shares in issue	**56,040,928**	54,657,800[3]	
Gearing at 31st December[4]	**6.5%**	5.4%	
Ongoing Charges[5]	**1.73%**	1.77%	

A glossary of terms and definitions is provided on pages 64 and 65.

[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]Comparative figures for the year ended 31st December 2013 have been restated following the sub-division of each existing ordinary share of 25p into ten ordinary shares of 2.5p each on 6th March 2014.

[4]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.

[5]Management fee and all other operating expenses, excluding finance costs expressed as a percentage of the average of the daily net assets during the year. The Ongoing Charges are calculated in accordance with guidance issued by the Association of Investment Companies in May 2013.

Strategic Report continued

Long Term Financial Record

At 31st December	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	**2014**
Shareholders' funds (£'000)	81,454	96,028	93,192	67,911	34,475	41,399	52,950	52,630	59,214	86,339	**99,348**
Net asset value per share (p)[1]	79.6	94.5	91.7	86.5	58.6	75.5	100.6	101.9	114.7	158.0	**177.3**
Share price (p)[1]	65.2	83.5	82.4	76.1	50.6	71.0	93.9	92.2	1,03.3	163.8	**172.1**
Shares in issue[1,2]	102,394,800	101,594,800	101,594,800	78,504,800	58,813,670	54,821,100	52,646,100	51,636,230	51,636,230	54,657,800	**56,040,928**

Year ended 31st December	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	**2014**
Gross revenue (£'000)	318	385	300	285	297	322	853	719	1,255	1,172	**1,390**
(Loss)/return per share (p)[1]	(0.14)	(0.10)	(0.15)	(0.17)	0.25	(0.06)	0.71	0.36	1.26	1.00	**1.15**
Dividends per share (p)[1]	nil	nil	nil	nil	nil	nil	nil	nil	0.9	0.7	**nil**
(Discount)/premium (%)[3]	(18.1)	(11.7)	(10.2)	(11.3)	(13.6)	(6.0)	(6.6)	(9.5)	(10.0)	3.7	**(2.9)**
Gearing/(net cash) (%)	1.2	4.8	12.5	3.2	(6.8)	(1.3)	0.9	5.0	3.1	5.4	**6.5**
Ongoing charges (%)[4]	1.43	1.38	1.30	1.40	1.49	1.75	1.66	1.79	1.71	1.77	**1.73**
US dollar/sterling exchange rate	1.92	1.73	1.96	1.99	1.44	1.61	1.57	1.55	1.63	1.65	**1.56**

Annual returns to 31st December	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	**2014**
Return to shareholders (%)[5]	+8.0	+28.1	-1.3	-7.6	-33.5	+40.3	+32.3	-1.8	+12.0	+59.7	**+5.6**
Return on net assets (%)[3,5]	+12.7	+19.0	-3.0	-6.4	-32.1	+29.0	+33.2	+1.3	+12.5	+38.7	**+12.8**
Benchmark return (%)[6]	+10.0	+16.6	+3.5	-3.5	-8.6	+12.9	+30.5	-3.8	+10.9	+35.9	**+11.1**

A glossary of terms and definitions is provided on pages 64 and 65.

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

[2]Excludes any shares held in Treasury.

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

[4]Management fee and all other operating expenses, excluding finance costs 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]Source: J.P. Morgan.

[6]Source: Russell Investments.

Ten Largest Investments[1]

Company	Sector	2014 Valuation £'000	2014 Valuation %[3]	2013 Valuation £'000	2013 Valuation %[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	**3,009**	**3.0**	2,729	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	**2,694**	**2.7**	2,333	2.7
Brinker Brinker is a restaurant operator which 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	**2,237**	**2.3**	1,729	2.0
Spectrum Brands[4] Spectrum Brands is a global and diversified consumer products company and a supplier of consumer batteries, residential locksets, residential builders' hardware, faucets, shaving and grooming products, personal care products, small household appliances, specialty pet supplies, lawn and garden and home pest control products, and personal insect repellents.	Consumer Staples	**2,143**	**2.2**	896	1.0
Pool[4] Pool Corporation is a wholesale distributor of swimming pool supplies, equipment and related leisure products. The company's inventory includes a diverse range of products, from construction materials, replacement parts and fencing to pool care products and spas.	Consumer Discretionary	**2,000**	**2.0**	1,416	1.6
MWI Veterinary Supply[4] MWI Veterinary Supply distributes animal health products to veterinarians across the United States. The company distributes products sourced from various vendors to veterinary practices from several strategically located distribution centers. MWI sells products such as pharmaceuticals, vaccines, parasiticides, diagnostics, and veterinary pet food.	Health Care	**1,969**	**2.0**	1,254	1.4
Silgan Silgan manufactures consumer goods packaging products. The company produces steel and aluminium containers for human and pet food, custom designed plastic containers for various markets, plastic closures and caps, thermoformed plastic tubs and speciality packaging items. Silgan markets its products in North America.	Materials & Processing	**1,924**	**1.9**	2,185	2.5
Douglas Dynamics Douglas Dynamics designs and manufactures snow and ice control equipment. The company produces snow ploughs and sand and salt spreaders.	Producer Durables	**1,883**	**1.9**	1,598	1.9
Toro[4] The Toro Company designs, manufactures, and markets a range of turf equipment. The company's products include professional turf maintenance equipment, turf and agricultural irrigation systems, landscaping equipment, and residential yard products. Toro's products are sold worldwide under trademarks such as Toro, Wheel Horse, Lawn-Boy, Irritrol, and Dingo.	Producer Durables	**1,872**	**1.9**	1,499	1.6
RLJ Lodging[4] RLJ Lodging Trust is a self-advised and self-administered Maryland real estate investment trust. The trust invests primarily in premium-branded, focused-service and compact full-service hotels. RLJ Lodging owns hotels in multiple states and the District of Columbia.	Financial Services	**1,863**	**1.9**	1,471	1.6
Total		**21,594**	**21.8**		

[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 £99.3m (2013: £86.3m).
[4]Not included in the ten largest investments at 31st December 2013.

At 31st December 2013, the value of the ten largest investments amounted to £19.2m representing 22.2% of total assets less current liabilities.

Strategic Report continued

Sector Analysis

	31st December 2014			31st December 2013		
	Portfolio[1] %	Benchmark %	Active Position* %	Portfolio[1] %	Benchmark %	Active Position* %
Financial Services	**24.8**	**25.4**	**(0.6)**	23.7	23.8	(0.1)
Consumer Discretionary	**21.7**	**14.4**	**7.3**	22.1	14.4	7.7
Producer Durables	**15.5**	**13.4**	**2.1**	18.9	14.3	4.6
Technology	**10.2**	**14.8**	**(4.6)**	10.4	14.3	(3.9)
Health Care	**9.7**	**14.8**	**(5.1)**	6.5	13.3	(6.8)
Materials & Processing	**9.2**	**6.5**	**2.7**	9.1	7.2	1.9
Consumer Staples	**3.3**	**3.0**	**0.3**	2.3	3.4	(1.1)
Utilities	**3.1**	**4.5**	**(1.4)**	2.6	4.0	(1.4)
Oils and Other Energy	**2.5**	**3.2**	**(0.7)**	4.4	5.3	(0.9)
Total	**100.0**	**100.0**		100.0	100.0	

[1]Based on investments, excluding liquidity funds, at fair value of £105.7m (2013: £90.9m).

*A glossary of terms and definitions is provided on pages 64 and 65.

List of Investments
at 31st December 2014

Company	Valuation £'000
Financial Services	
RLJ Lodging	1,863
Associated Banc-Corp	1,851
ProAssurance	1,714
First of Long Island	1,694
HFF	1,519
National Retail Properties	1,328
Advent Software	1,273
CoreLogic	1,213
Western Alliance Bancorp	1,103
Morningstar	1,035
Bankunited	1,035
Umpqua	1,006
Mid-America Apartment Communities	905
Moelis & Co	896
FactSet Research Systems	894
First Republic Bank	850
Greenhill	826
First Financial	807
Marcus & Millichap	788
Great Western Bancorp	771
Glacier Bancorp	765
Iberiabank	701
Janus Capital	698
First Horizon National	694
Total Financial Services	**26,229**
Consumer Discretionary	
Jarden	3,009
Brinker	2,237
Pool	2,000
Career Education	1,671
Cinemark	1,513
Drew Industries	1,342
KAR Auction Services	1,287
Malibu Boats	1,226
Crocs	1,220
Papa John's International	1,090
Chico's FAS	1,048
Brunswick	1,029
Monarch Casino & Resort	996
Dana	936
Servicemaster Global Holdings	864
American Eagle Outfitters	702
EW Scripps	590
National Cinemedia	162
Total Consumer Discretionary	**22,922**

Company	Valuation £'000
Producer Durables	
Waste Connections	2,694
Douglas Dynamics	1,883
Toro	1,872
Generac	1,424
Ascent Capital	1,217
Altra	1,133
Allison Transmission	1,110
Knight Transportation	1,052
Herman Miller	1,011
Regal Beloit	715
Forward Air	692
Tidewater	664
Team Industrial Services	570
US Ecology	316
Total Producer Durables	**16,353**
Technology	
Rovi	1,603
Monotype Imaging	1,432
Freescale Semiconductor	1,253
Fei	1,249
Q2 Holdings	1,199
Imperva	924
GrubHub	885
Anixter International	881
Guidewire Software	581
NetSuite	580
ScanSource	212
Total Technology	**10,799**
Health Care	
MWI Veterinary Supply	1,969
Idexx Laboratories	1,683
West Pharmaceutical Services	1,501
Healthsouth	1,388
Catalent	1,236
Wellcare Health Plans	897
Magellan Health Services	868
Hanger Orthopedic	715
Total Health Care	**10,257**

Strategic Report continued

List of Investments continued
at 31st December 2014

Company	Valuation £'000
Materials & Processing	
Silgan	1,924
AptarGroup	1,541
RBC Bearings	1,320
Patrick Industries	1,185
Rexnord	1,021
Comfort Systems	895
NN	699
Watsco	685
Ply Gem Holdings	417
Total Materials & Processing	**9,687**
Consumer Staples	
Spectrum Brands	2,143
J & J Snack Foods	1,366
Total Consumer Staples	**3,509**
Utilities	
Northwestern	1,691
Portland General Electric	1,630
Total Utilities	**3,321**

Company	Valuation £'000
Oils and Other Energy	
Cimarex Energy	715
Patterson-Uti Energy	580
Dril Quip	556
Laredo Petroleum	388
Oasis Petroleum	293
Approach Resources	54
Total Oils and Other Energy	**2,586**
Liquidity Funds	
JPMorgan US Dollar Liquidity Fund	2,264
Total Liquidity Funds	**2,264**
Total Portfolio[1]	**107,927**

[1]Comprises the following:	£'000
Equity shares	105,663
Liquidity fund	2,264
	107,927

Business Review

The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company during the year under review. To assist shareholders with this assessment, the Strategic Report sets out the objective and strategy of the Company, structure of the Company, its investment policies and risk management, investment 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.

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.

Business of the Company

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

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 a unique opportunity. The extensive resources JPMAM dedicates to the process and JPMAM's commitment to buy-side research underlies its 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 two research analysts.

The team employs a bottom-up, stock picking approach to portfolio management. The 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.

Structure of the Company

The Company is subject to UK and European legislation and regulations including UK company law, UK Financial Reporting Standards, the UKLA Listing, Prospectus, Disclosure and Transparency Rules, taxation law, the Company's own Articles of Association and the Alternative Investment Fund Managers Directive. The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 and has been approved by HM Revenue & Customs as an investment trust (for the purposes of Sections 1158 and 1159 of the Corporation Tax Act 2010). As a result the Company is not liable for taxation on capital gains. The Directors are of the opinion that the Company has conducted its affairs in compliance with Section 1158 since approval was granted and intends to continue to do so. The Company is not a close company for taxation purposes.

Strategic Report continued

Business Review continued

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 Manager's Report on pages 5 to 8.

Investment Policies and Risk Management

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

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

Investment Restrictions and Guidelines

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

- No individual investment in the portfolio will be greater than 15% of the Company's gross assets at the time of investment.
- The Company will invest no more than 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 15% (+2.5% if as a result of market movement).
- The Company will not invest more than 15% of its gross assets in other UK listed investment companies (including investment trusts).
- The Company will not invest more than 10% of its gross assets in companies that themselves may invest more than 15% of their gross assets in UK listed investment companies.

These limits and restrictions may be varied by the Board at any time at its discretion.

Monitoring of Compliance

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

Performance

In the year to 31st December 2014, the Company's return to shareholders was +5.6% and the return on net assets was +12.8%. This compares with the return on the Company's benchmark of +11.1%. As at 31st December 2014, the value of the Company's investment portfolio was £107.9 million. The Investment Manager's Report on pages 5 to 8 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 £13,151,000 (2013: £24,554,000). Net return after deducting the management fee, administrative expenses, finance costs and taxation, amounted to £11,313,000 (2013: £22,970,000). No dividend has been proposed in respect of the financial year (2013: 0.70p).

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 2009

Source: Morningstar.

- JPMorgan US Smaller Companies - share price.
- JPMorgan US Smaller Companies - net asset value.
- The benchmark is represented by the grey horizontal line.

Five Year Performance

Figures have been rebased to 100 at 31st December 2009

Source: Morningstar/Russell.

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

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

- **Performance attribution**
  The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark, i.e. to understand the impact on the Company's relative performance of the various components such as sector selection and stock selection. Details of the attribution analysis for the year ended 31st December 2014 are given in the Investment Manager's Report on page 6.

Premium/(Discount) Performance

Source: Datastream (using month end data).

- JPMorgan US Smaller Companies discount.

- **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 2014, the shares traded between a discount of 7.9% and a premium of 1.9%, an average discount of 2.7% (using month end data with debt at par). Further details of the Company's share capital can be found below in this Strategic Report.

- **Ongoing Charges**
  Ongoing Charges represent the Company's management fee and all other operating expenses excluding finance costs, expressed as a percentage of the average of the daily net assets during the year. The Ongoing Charges for the year ended 31st December 2014 are 1.73% (2013: 1.77%). 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.

Strategic Report continued

Business Review continued

Share Capital

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

During the year, the Company repurchased nil (2013: nil) shares for cancellation. However, the Company repurchased 930,000 ordinary shares into Treasury (2013: nil). In addition, prior to the sub-division of shares, 90,000 new ordinary shares of 25p each were issued to the market. After the sub-division, a further 1,413,128 new ordinary shares of 2.5p each were issued to the market.

As at the date of this report, the Company has not repurchased any shares since the year end. However, 135,000 shares have been re-issued from Treasury.

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

Principal Risks

With the assistance of the Manager, 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. The Manager 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 participates at 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 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, the Manager, 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 26 to 31.
- Operational: disruption to, or failure of, the Manager's accounting, dealing or payments systems or the depositary's or custodian's records could prevent accurate reporting and monitoring of the Company's financial position. On 1st July 2014, the Company appointed BNY Mellon Trust & Depositary (UK) Limited to act as its depositary, responsible for overseeing the operations of the custodian, JPMorgan Chase Bank, N.A., and the Company's cash flows. Details of how the Board monitors the services provided by the Manager and its associates and the key elements designed to provide effective internal control are included within the Risk Management and Internal Control section of the Corporate Governance report on pages 29 and 30.
- 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.
- Going concern: Pursuant to the Sharman Report, Boards are now advised to consider going concern as a potential risk, whether or not there is an apparent issue arising in relation thereto. Going concern is considered rigorously on an ongoing basis and the Board's statement on going concern is detailed on pages 23 and 24.
- Financial: the financial risks faced by the Company include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. Further details are disclosed in note 21 to the accounts on page 53.

Board Diversity

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

At 31st December 2014, 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.

The Company's policy on gender is detailed under the Nomination and Remuneration Committee section on page 27.

Employees, Social, Community and Human Rights Issues

The Company has a management contract with JPMF. it has no employees and all of its Directors are non-executive. The day to day activities are carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Board notes the Manager's 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.

Strategic Report continued

Business Review continued

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 JPMF, with portfolio management delegated to JPMAM. It has no employees and all of its Directors are non-executive, the day to day activities being carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Company 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.

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 pages 7 and 8.

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

19th March 2015

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: 2014.

Current remuneration: £31,600.

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: 73,600.

Mark Ansell

A Director since 2005.

Last reappointed to the Board: 2014.

Current remuneration: £22,500.

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: 136,929.

Christopher Galleymore

A Director since 2004.

Last reappointed to the Board: 2014.

Current remuneration: £22,500.

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: 50,000.

Governance continued

Board of Directors

Alan Kemp

A Director since 1995.

Last reappointed to the Board: 2014.

Current remuneration: £22,500.

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: 60,000.

Julia Le Blan (Chairman of the Audit Committee)

A Director since 2012.

Last reappointed to the Board: 2014.

Current remuneration: £26,000.

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: 15,000.

David Ross

A Director since 2015.

Current remuneration: £22,500.

He is a certified accountant with over 45 years in the investment industry. He was a founding partner of Aberforth Partners LLP and also one of the partners responsible for the launch of two of Aberforth's Investment Trusts. He is currently a director of EP Global Opportunities Trust.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: Nil.

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 2014.

A number of disclosures previously incorporated in the Directors' Report are now included in the Strategic Report. These include: Business of the Company; Objective and Strategy of the Company; Structure of the Company; 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; Greenhouse Gas Emissions and Future Developments.

Management of the Company

The Manager and Company Secretary is JPMorgan Funds Limited ('JPMF'), a company authorised and regulated by the FCA. Prior to 1st July 2014, these roles were undertaken by JPMorgan Asset Management (UK) Limited ('JPMAM'). JPMF is an affiliate of JPMAM and was appointed as the Company's Alternative Investment Fund Manager ('AIFM') from 1st July 2014 to ensure the Company's compliance with the Alternative Investment Fund Managers Directive.

The Manager 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.

JPMF 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 the Manager. 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.

The Alternative Investment Fund Managers Directive ('AIFMD')

JPMF has been appointed as the Company's alternative investment fund manager ('AIFM'). JPMF has been approved as an AIFM by the Financial Conduct Authority ('FCA'). For the purposes of the AIFMD the Company is an alternative investment fund ('AIF').

The Company entered into a new investment management agreement with JPMF on 1st July 2014. JPMF has delegated responsibility for the day to day management of the Company's portfolio to JPMAM.

JPMF is required to ensure that a depositary is appointed to the Company. The Company therefore has appointed BNY Mellon Trust and Depositary (UK) Limited ('BNY') as its depositary. BNY has delegated its safekeeping function to the custodian, JPMorgan Chase Bank, N.A. BNY remains responsible for the oversight of the custody of the Company's assets and for monitoring its cash flows.

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

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

Management Fee

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.

Going Concern

The Directors believe that having considered the Company's investment objective (see page 15), risk management policies (see pages 53 to 59), capital management policies and procedures (see page 60), 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. The Directors have also considered the probability that the Company's shareholders will vote in favour of the continuation of the Company at the

Governance continued

Directors' Report continued

forthcoming AGM. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

Directors

All the Directors who 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 21 and 22.

Details of Directors' beneficial shareholdings may be found in the Directors' Remuneration Report on page 34. Since the year end, Alan Kemp's shareholding has reduced to 60,000 shares.

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

Alan Kemp will retire from the Board at the conclusion of the 2015 AGM.

David Ross, following his recent appointment as non-executive Director of the Company, will offer himself for appointment at the forthcoming AGM.

Director Indemnification and Insurance

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

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

Details of the voting rights in the Company's shares as at the date of this report are given in note 16 to the Notice of Annual General Meeting on page 63.

Environmental Matters, Social and Community Issues

Information on environmental matters, social and community issues is set out on page 19. The Company has no employees.

Notifiable Interests in the Company's Voting Rights

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

Shareholders	Number of voting rights[1]	%[3]
JPMorgan Asset Management (UK) Limited	5,153,060[2]	9.7
Brewin Dolphin Limited	4,561,815	8.1
Rathbone Brothers PLC	4,039,980	7.1
West Yorkshire Pension Fund	2,650,000	4.9
Reliance Mutual	3,450,000	4.0

[1]Number of voting rights recalculated following sub-division of shares.
[2]Includes 2,753,260 shares held by JPMorgan Elect plc.
[3]Based on the number of shares in issue on the date of the shareholders' latest notifications to the Company.

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

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

The Company is also aware that as at 31st December 2014, approximately 17% of the Company's total voting rights are held by individuals through savings products managed by JPMorgan 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 JPMorgan 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) Continuation of the Company (resolution 10)

Shareholders are requested to approve the continuation of the Company for a further five years. More details are given in the Chairman's Statement on page 4.

(ii) Authority to allot new shares and to disapply statutory pre-emption rights (resolutions 11 and 12)

The Directors will seek authority at the Annual General Meeting to issue up to 11,394,185 new ordinary shares for cash up to an aggregate nominal amount of £284,854, such amount being equivalent to 20% of the present issued share capital. This authority will expire at the Annual General Meeting in 2016. The full text of Resolutions 11 and 12 is set out in the Notice of Meeting on page 61.

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

(iii) Authority to repurchase the Company's shares (resolution 13)

At the Annual General Meeting held on 29th April 2014, 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 2015 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

Directors' Report continued

balance the short term of buying shares back for cancellation or holding in Treasury with the long term liquidity implications. It will seek shareholder approval to renew the authority at the forthcoming Annual General Meeting.

The full text of the resolution (to be proposed as a special resolution) to renew the share repurchase authority is set out as Resolution number 13 in the Notice of Meeting on page 61.

Recommendation (resolutions 10 to 13)

The Board considers that resolutions 10 to 13 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommended that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 350,529 (post share split) shares representing approximately 0.62% 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 35, 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 JPMF sets out the matters over which the Manager has authority. This includes management of the Company's assets and the provision of accounting, company secretarial, administrative services and some marketing services. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved to the Board for decision has been approved. This includes determination and monitoring of the Company's investment objectives and policy and its future strategic direction, gearing policy, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Company's corporate governance and risk control arrangements.

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

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

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

Board Composition

At the financial year-end, the Board consisted 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 21 and 22. David Ross was appointed non-executive Director of the Company by the Board on 1st March 2015 and will stand for appointment by shareholders at the forthcoming AGM. Alan Kemp will retire following the 2015 AGM.

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.

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[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

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.

A list of potential conflicts of interest for each Director is maintained by the Company. These are considered carefully, taking into account the circumstances surrounding them, and, if considered appropriate, are approved.

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

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 21 and 22. All Directors are members of the Committees.

The table below details the number of meetings attended by each Director. During the financial year there were 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, two 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	6	1	2	1
J Le Blan	7	3	2	1
CJ Galleymore	7	3	2	1
AS Kemp	7	3	2	1
DJ Walter	7	3	2	1

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

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.

Directors' Report continued

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 JPMF, 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.

Audit Committee

The Audit Committee, now chaired by Julia Le Blan, comprises all of the Directors, and meets at least twice each year. Alan Kemp was previously the Audit Committee Chairman, up until 31st December 2014. 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 2014, the Audit Committee considered the following significant issues, including those communicated by the Auditor during their reporting:

Significant issue	How the issue was addressed
Going concern	The Directors have considered the Company's investment objective. risk management policies. capital management policies and procedures. the nature of the portfolio and expenditure and cash flow projections. As a result, they have determined that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. The Directors have also considered the probability that the Company's shareholders will vote in favour of the continuation of the Company at the forthcoming AGM. See statement of Going Concern on pages 23 and 24.
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 43. Controls are in place to ensure that valuations are appropriate and existence is verified through custodian reconciliations.
Recognition and completeness of investment income	The recognition and completeness of investment income is undertaken in accordance with accounting policy note 1(d) to the accounts on page 43. The Board reviews the Manager's controls regarding the recognition of income and regularly reviews the Manager's report on the treatment of special dividends and agrees their accounting treatment.
Compliance with Sections 1158 and 1159	Approval for the Company as an investment trust under Sections 1158 and 1159 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.
Calculation of management fee	The management fee is calculated in accordance with the Investment Management Agreement and is subject to external audit.

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

Having taken all available information into consideration and having discussed the content of the annual report and accounts with the Alternative Investment Fund Manager, investment managers, Company Secretary and other third party service providers, the Audit Committee has concluded that the Annual Report and Accounts for the year ended 31st December 2014, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 35.

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 Auditor. In the Directors' opinion the Auditor is considered independent. In order to safeguard the Auditor's 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 Auditor, as part of their reporting, in regard to their objectivity and independence. Representatives of the Company's Auditor attends 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 JPMF, 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 Auditor during the year under review. Details of the Auditor's fees are disclosed in note 5 on page 45.

The Directors' statement on the Company's system of Risk Management and Internal Control is set out on pages 29 and 30.

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

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 69.

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 69.

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

Directors' Report continued

business, or published, is reliable. However, such a system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can only provide reasonable, but not absolute, assurance against fraud, material misstatement or loss.

Since investment management, custody of assets and all administrative services are provided to the Company by the Manager and its associates, the Company's system of risk management and internal control mainly comprises monitoring the services provided by the Manager and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. There is an ongoing process for identifying, evaluating and managing significant risks faced by the Company (see Principal Risks on pages 18 and 19). This process has been in place for the year under review and up to the date of approval of the Annual Report & Accounts, and it accords with the Turnbull guidance. Whilst the Company does not have an internal audit function of its own, the Board considers that it is sufficient to rely on the internal audit department of JPMAM. This arrangement is kept under review.

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

Financial Reporting - Regular and comprehensive review by the Board of key investment and financial data, including management accounts, revenue projections, analysis of transactions and performance comparisons.

Management Agreement - Appointment of a manager and custodian regulated by the Financial 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 Depositary, BNY Mellon Trust & Depositary (UK) Limited, and 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 the Manager.

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 2014 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 pages 19 and 20.

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 Funds Limited,
Secretary

19th March 2015

Governance continued

Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 31st December 2014, 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 37.

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 £31,000 per annum for the Chairman, £25,450 per annum for the Chairman of the Audit Committee and £22,100 per annum for each other Director. Fees were increased with effect from 1st January 2015 to £31,600 for the Chairman, £26,000 for the Audit Committee Chairman, and £22,500 for each other Director.

No amounts (2013: 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. However, a decision has been taken to seek approval annually 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, 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 Directors' 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

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

Committee considers any comments received from shareholders on remuneration policy on an ongoing basis and will take account of these views if appropriate.

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

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

Directors' Remuneration Policy Implementation Report

The Directors' Remuneration Policy Implementation Report which includes details of the Directors' Remuneration Policy and its implementation, is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting. There have been no changes to the policy compared with the year ended 31st December 2013 and no changes are proposed for the year ending 31st December 2015.

At the Annual General Meeting held on 29th April 2014, of votes cast in respect of the Remuneration Policy, 98.7% of votes cast were in favour of (or granted discretion to the Chairman who voted in favour of) the remuneration policy and 0.6% voted against. Abstentions were received from less than 0.7% of the votes cast. In respect of the Remuneration Report, 98.6% of votes were cast in favour and 0.7% against. Abstentions were received from less than 0.7%.

Details of voting on both the Remuneration Policy and the Directors' Remuneration Report from the 2015 Annual General Meeting will be given in the annual report for the year ending 31st December 2015.

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 2014 was £122,750. 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[2]	
	2014	**2013**
Davina Walter	**£31,000**	£30,200
Alan Kemp[3]	**£25,450**	£24,800
Mark Ansell	**£22,100**	£21,550
Christopher Galleymore	**£22,100**	£21,550
Julia Le Blan[3]	**£22,100**	£21,550
Total	**£122,750**	£119,650

[1]Audited information.

[2]Directors' remuneration comprises an annual fee only. Directors are also reimbursed for out of pocket expenses incurred in attending the Company's business.

[3]Julia Le Blan took over as Audit Committee Chairman on 1st January 2015.

A table showing the total remuneration for the Chairman over the five years ended 31st December 2014 is below:

Remuneration for the Chairman over the five years ended 31st December 2014

Year ended 31st December	Fees
2014	£31,000
2013	£30,200
2012	£29,400
2011	£28,000
2010	£25,000

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' Remuneration Report continued

Directors' Name	2014 Number of shares held	2013[2] Number of shares held
Davina Walter	**73,600**	73,600
Mark Ansell	**136,929**	102,830
Christopher Galleymore	**50,000**	50,000
Alan Kemp	**75,000**	75,000
Julia Le Blan	**15,000**	15,000
Total	**350,529**	316,430

[1]Audited information.

[2]Comparative figures have been recalculated following the sub-division of shares on 6th March 2014.

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

Following the year end, Alan Kemp reduced his holding in the Company to 60,000 shares.

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 2014

Source: Morningstar.

- 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 2014	2013
Remuneration paid to all Directors	**£122,750**	£119,650
Distribution to shareholders by way of:		
– dividend	**nil**	£383,000
– share repurchases	**£1,350,000**	nil

For and on behalf of the Board
Davina Walter
Chairman

19th March 2015

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law. Under company law the Directors must not approve the financial statements unless they are satisfied that, taken as a whole, the annual report and accounts are fair, balanced and understandable, 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 are required to:

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

and the Directors confirm that they have done so.

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 to enable them to ensure that the financial statements comply with the *Companies Act 2006*. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Under applicable law and regulations the Directors are also responsible for preparing a Directors' Report, Strategic Report, Statement of Corporate Governance and Directors' Remuneration Report that comply with that law and those regulations.

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

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

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, strategy and business model of the Company.

Davina Walter

For and on behalf of the Board
Davina Walter,
Chairman

19th March 2015

Independent Auditor's Report

To the members of JPMorgan US Smaller Companies Investment Trust plc

Our opinion on the financial statements is unmodified

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

JPMorgan US Smaller Companies Investment Trust Plc's financial statements comprise the income statement, the reconciliation of movements in shareholders' funds, the balance sheet, the cash flow statement and the related notes.

The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Practice.

Our assessment of risk

In arriving at our opinions set out in this report, we highlight the following risks that are, in our judgement, likely to be most important to users' understanding of our audit.

Investments

The Company's business is investing in US smaller companies to achieve capital growth. The investment portfolio at £108 million is the most quantitatively significant amount in the net assets value at year-end and the main driver of the Company's performance. Accordingly, the investment portfolio is a significant, material balance in the financial statements. We therefore identified the recognition, existence and measurement of the investment portfolio as a risk that requires particular audit attention. This risk was also identified as a significant issue by the Audit Committee in their report on page 28.

The risk: investments may not exist or may not be legally owned by the Company and may be valued incorrectly due to errors in the relevant administrative processes.

Our response: Our audit work included, but was not restricted to, the following:

- We obtained an understanding of the processes in place to value investments, record all investment transactions and reconcile the investment held against the custodian's statements. In addition, we read the controls report on the design and operations of controls at the custodian to confirm that there were no issues with the controls over safekeeping of assets.
- We confirmed the existence and completeness of investments through checking the holdings listed in the portfolio at year end to an independent confirmation we received directly from the Company's custodian.
- We independently priced all the listed equity portfolio by obtaining the bid prices from independent market sources.
- To test that investments are actively traded, we extracted a report of trading volumes from an independent market source for the equity investments held around year end.

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 10.

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.

The Audit Committee also recognised the recognition and completeness of investment income as a significant issue in their report on page 28.

- The risk: investment income may be incomplete.

Our response:

- We assessed whether the Company's accounting policy for revenue recognition is in accordance with United Kingdom Generally Accepted Accounting Practice and the AIC SORP.
- We selected a sample of investments and agreed the investment income receivable for those quoted equities. For the selected investments, we obtained the respective dividend rate entitlements from independent sources and checked against the amounts recorded in the Company's accounting records. In addition, we agreed the receipt of the dividend income to bank statements.

- We performed, on a sample basis, a search for corporate actions on the equity investments held during the year to check whether dividend income attributable to those investments has been properly recognised.

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.

We have summarised the time we have spent on the different areas of the audit, including the areasof risk outlined above, as follows:

Our application of materiality and an overview of the scope of our audit

Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We determined materiality for the audit of the financial statements as a whole to be £1,090,000, which is 1% of total assets. This benchmark is considered the most appropriate because total assets are fundamental to the performance and financial position of the business. We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality.

For the revenue column of the Income Statement we determined that misstatements of a lesser amount than materiality for the financial statements as a whole was appropriate. We established materiality for the revenue column of the Income Statement of £272,500. We also determine a specific materiality for other areas such as Directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be £54,500. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). Our responsibilities under those standards are further described in the 'Responsibilities for the financial statements and the audit' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

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 is outsourced to third-party service providers. Accordingly, our audit work was focussed on obtaining an understanding of, and evaluating, relevant internal controls at both the Company and third-party service providers. This included obtaining and reading the internal controls reports on the description, design and operating effectiveness of internal controls at relevant third-party service providers. We then identified the controls that would impact upon the financial statements to ensure that no exceptions or deficiencies were noted in these areas. We undertook substantive testing on significant transactions, 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.

Other reporting required by regulations

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

Independent Auditor's Report continued

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the 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 report to you if:

- 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; or
- the annual report does not appropriately disclose 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 35, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

Responsibilities for the financial statements and the audit

What an audit of financial statements involves:

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/auditscopeukprivate.

What the Directors are responsible for:

As explained more fully in the Directors' Responsibilities Statement set out on page 35, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

What we are responsible for:

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.

Who we are reporting to:

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.

Grant Thornton UK LLP

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

19th March 2015

Financial Statements

Income Statement

for the year ended 31st December 2014

	Notes	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Gains on investments held at fair value through profit or loss	2	**–**	**12,132**	**12,132**	–	23,204	23,204
Net foreign currency (losses)/gains		**–**	**(371)**	**(371)**	–	178	178
Income from investments	3	**1,390**	**–**	**1,390**	1,172	–	1,172
Gross return		**1,390**	**11,761**	**13,151**	1,172	23,382	24,554
Management fee	4	**(114)**	**(1,027)**	**(1,141)**	(96)	(866)	(962)
Other administrative expenses	5	**(402)**	**–**	**(402)**	(368)	–	(368)
Net return on ordinary activities before finance costs and taxation		**874**	**10,734**	**11,608**	708	22,516	23,224
Finance costs	6	**(9)**	**(68)**	**(77)**	(8)	(72)	(80)
Net return on ordinary activities before taxation		**865**	**10,666**	**11,531**	700	22,444	23,144
Taxation	7	**(218)**	**–**	**(218)**	(174)	–	(174)
Net return on ordinary activities after taxation		**647**	**10,666**	**11,313**	526	22,444	22,970
Return per share[1]	9	**1.15p**	**18.96p**	**20.11p**	1.00p	42.85p	43.85p

[1]Comparative figures for the year ended 31st December 2013 have been restated following the sub-division of each existing ordinary share of 25p into ten ordinary shares of 2.5p each on 6th March 2014.

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 43 to 60 form an integral part of these accounts.

Financial Statements continued

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 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**
Shares issued	58	3,643	–	–	–	**3,701**
Repurchase of shares into Treasury	–	–	–	(1,350)	–	**(1,350)**
Costs of placing	–	(257)	–	–	–	**(257)**
Net return on ordinary activities	–	–	–	10,666	647	**11,313**
Dividends appropriated in the year	–	–	–	(398)	–	**(398)**
At 31st December 2014	1,424	7,936	1,851	90,471	(2,334)	**99,348**

The notes on pages 43 to 60 form an integral part of these accounts.

Balance Sheet
at 31st December 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	**105,663**	90,867
Investments in liquidity funds held at fair value through profit or loss	10	**2,264**	1,381
		107,927	92,248
Current assets			
Debtors	11	**216**	238
Cash and short term deposits		**907**	1
		1,123	239
Creditors: amounts falling due within one year	12	**(9,702)**	(6,148)
Net current liabilities		**(8,579)**	(5,909)
Total assets less current liabilities		**99,348**	86,339
Net assets		**99,348**	86,339
Capital and reserves			
Called up share capital	13	**1,424**	1,366
Share premium	14	**7,936**	4,550
Capital redemption reserve	14	**1,851**	1,851
Capital reserves	14	**90,471**	81,553
Revenue reserve	14	**(2,334)**	(2,981)
Total equity shareholders' funds		**99,348**	86,339
Net asset value per share[1]	15	**177.3p**	158.0p

[1]Comparative figures for the year ended 31st December 2013 have been restated following the sub-division of each existing ordinary share of 25p into ten ordinary shares of 2.5p each on 6th March 2014.

The accounts on pages 39 to 60 were approved and authorised for issue by the Directors on 19th March 2015 and were signed on their behalf by:

Davina Walter

Davina Walter
Chairman

The notes on pages 43 to 60 form an integral part of these accounts.

The Company's registration number is 552775.

Financial Statements continued

Cash Flow Statement

for the year ended 31st December 2014

	Notes	2014 £'000	2013 £'000
Net cash outflow from operating activities	16	**(364)**	(760)
Returns on investments and servicing of finance			
Interest paid		**(71)**	(83)
Net cash outflow from returns on investments and servicing of finance		**(71)**	(83)
Taxation			
Overseas tax recovered		**23**	5
Total tax recovered		**23**	5
Capital expenditure and financial investment			
Purchases of investments		**(52,986)**	(50,465)
Sales of investments		**49,403**	45,560
Other capital charges		**(5)**	(16)
Net cash outflow from capital expenditure and financial investment		**(3,588)**	(4,921)
Net cash outflow before management of liquid resources and financing		**(4,000)**	(5,759)
Management of liquid resources			
Sale of Time Deposits		**–**	1,633
Net cash inflow from management of liquid resources		**–**	1,633
Dividend paid		**(398)**	(470)
Net cash outflow before financing		**(4,398)**	(4,596)
Financing			
Repayment of short term bank loan		**(6,013)**	–
Draw down of short term bank loan		**9,197**	–
Costs of placing		**(257)**	–
Issue of ordinary shares		**3,701**	4,625
Repurchase of the Company's own shares into Treasury		**(1,350)**	–
Net cash inflow from financing activity		**5,278**	4,625
Increase in cash	17	**880**	29

The notes on pages 43 to 60 form an integral part of these accounts.

Notes to the Accounts
for the year ended 31st December 2014

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 accounts have been prepared on a going concern basis which are based on the reasons given under Going Concern on pages 23 and 24 of the Directors' Report.

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, 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 and unrealised gains and losses on forward foreign currency contracts, 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:

- 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 48.

(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.

Financial Statements continued

Notes to the Accounts continued

1. Accounting policies continued

(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) Dividends payable

In accordance with FRS21,'Events after the Balance Sheet Date', the Final dividend is included in the accounts in the year in which it is approved by shareholders.

(k) 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.

(l) 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 Movements 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.

(m) 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.

(n) Repurchase of shares to hold in Treasury

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

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

	2014 £'000	2013 £'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	**6,337**	8,519
Amounts recognised as investment holding gains in the previous year in respect of investments sold during the year	**(5,882)**	(2,284)
Gains on sales of investments based on the carrying value at the previous balance sheet date	**455**	6,235
Net movement in investment holding gains and losses	**11,682**	16,986
Other capital charges	**(5)**	(17)
Total capital gains on investments held at fair value through profit or loss	**12,132**	23,204

	2014 £'000	2013 £'000
3. Income		
Income from investments:		
Dividends	**1,386**	1,167
Income from liquidity stocks	**4**	5
Total income	**1,390**	1,172

	2014			2013		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
4. Management fee[1]						
Management fee	**114**	**1,027**	**1,141**	96	866	962
	114	**1,027**	**1,141**	96	866	962

[1]Details of the management fee are given in the Directors' Report on page 23.

Financial Statements continued

Notes to the Accounts continued

	2014 £'000	2013 £'000
5. Other administrative expenses		
Administration expenses	**191**	165
Directors' fees[1]	**123**	120
Savings scheme costs[2]	**63**	58
Auditors' remuneration for audit services[3]	**25**	25
Total administrative expenses	**402**	368

[1]Full disclosure is given in the Directors' Remuneration Report on page 33.
[2]These fees were paid to the Manager for the marketing and administration of savings scheme products. Includes irrecoverable VAT of £10,000 (2013: £9,000).
[3]Includes irrecoverable VAT of £2,000 (2013: £2,000).

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
6. Finance costs						
Interest on bank loans and overdrafts	**9**	**68**	**77**	8	72	80

7. Taxation

(a) Analysis of tax charge for the year

	2014 £'000	2013 £'000
Overseas withholding tax	**218**	174
Current tax charge for the year	**218**	174

(b) Factors affecting current tax charge for the year

The tax assessed for the year is lower (2013: higher) than the Company's applicable rate of corporation tax for the year of 21.49% (2013: 23.25%). The factors affecting the current tax charge for the year are as follows:

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Net return on ordinary activities before taxation	**865**	**10,666**	**11,531**	700	22,444	23,144
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax of 21.49% (2013: 23.25%)	**186**	**2,292**	**2,478**	163	5,218	5,381
Effects of:						
Non taxable capital gains	**–**	**(2,527)**	**(2,527)**	–	(5,439)	(5,439)
Non taxable overseas dividends	**(279)**	**–**	**(279)**	(252)	–	(252)
Unrelieved expenses	**93**	**235**	**328**	89	218	307
Expenses not allowable for tax purposes	**–**	**–**	**–**	–	3	3
Overseas withholding tax	**218**	**–**	**218**	174	–	174
Current tax charge for the year	**218**	**–**	**218**	174	–	174

(c) **Deferred taxation**

The Company has an unrecognised deferred tax asset of £3,970,785 (2013: £3,847,200) based on a prospective corporation tax rate of 20% (2013: 21%). 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 maintain approval, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

8. Dividends

(a) Dividend paid

	2014 £'000	2013 £'000
2013 Final dividend of 0.7p[1,2] (2012: 0.9p[1])	**398**	470
Total dividend paid in the year	**398**	470

[1]Dividend rate has been restated following the sub-division of each existing ordinary share of 25p into 2.5p each on 6th March 2014.

[2]The final dividend proposed in respect of the year ended 31st December 2013 amounted to £383,000. However, the actual payment amounted to £398,000 due to shares issued after the balance sheet date but prior to the final dividend record date. This distribution was paid from capital reserves in accordance with the Company's Articles of Association.

(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:

	2014 £'000	2013 £'000
2014 Final dividend of nil (2013: 0.7p[1])	**–**	383
Total dividend for s1158 purposes[2]	**–**	383

[1]Dividend rate has been restated following the sub-division of each existing ordinary share of 25p into 2.5p each on 6th March 2014.

[2]Despite the Company generating positive current year revenue, it still has a revenue reserve deficit, and therefore Directors are not proposing payment of a dividend this year.

9. Return per share

The revenue return per share is based on the earnings attributable to the ordinary shares of £647,000 (2013: £526,000) and on the weighted average number of shares in issue during the year of 56,265,899 (2013: 52,385,920)[1].

The capital return per share is based on the capital return attributable to the ordinary shares of £10,666,000 (2013: £22,444,000) and on the weighted average number of shares in issue during the year of 56,265,899 (2013: 52,385,920)[1].

The total return per share is based on the total return attributable to the ordinary shares of £11,313,000 (2013: £22,970,000) and on the weighted average number of shares in issue during the year of 56,265,899 (2013: 52,385,920)[1].

[1]Comparative figures for the year ended 31st December 2013 have been restated following the sub-division of each existing ordinary share of 25p into ten ordinary shares of 2.5p each on 6th March 2014.

Financial Statements continued

Notes to the Accounts continued

	2014 £'000	2013 £'000
10. Investments		
Investments listed on a recognised stock exchange	**105,663**	90,867
Investments in liquidity funds	**2,264**	1,381
Total investments held at fair value	**107,927**	92,248
Opening book cost	**66,593**	53,535
Opening investment holding gains	**25,655**	10,953
Opening valuation	**92,248**	64,488
Movements in the year:		
Purchases at cost	**52,945**	50,099
Sales - proceeds	**(49,403)**	(45,560)
Gains on sales of investments based on the carrying value at the previous balance sheet date	**455**	6,235
Net movement in investment holding gains and losses	**11,682**	16,986
Closing valuation	**107,927**	92,248
Closing book cost	**76,472**	66,593
Closing investment holding gains	**31,455**	25,655
Total investments held at fair value through profit or loss	**107,927**	92,248

During the year, prior year investment holding gains amounting to £5,882,000 (2013: £2,284,000) have been transferred to gains on sales of investments as disclosed in note 14.

Transaction costs on purchases during the year amounted to £24,000 (2013: £31,000) and on sales during the year amounted to £16,000 (2013: £20,000). These costs comprise mainly brokerage commission.

	2014 £'000	2013 £'000
11. Current assets		
Debtors		
Overseas tax recoverable	**–**	12
Dividends and interest receivable	**188**	196
Other debtors	**28**	30
	216	238

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.

	2014 £'000	2013 £'000
12. Creditors: amounts falling due within one year		
Bank loan	**9,620**	6,038
Securities purchased awaiting settlement	**–**	41
Other creditors and accruals	**82**	69
	9,702	6,148

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

The loan is unsecured and is drawn down on the Company's floating rate loan facility with Scotiabank. Details of the facility are given in note 21(a)(ii) on pages 55 and 56.

	2014 £'000	2013 £'000
13. Called up share capital		
Allotted and fully paid		
Opening balance of 5,465,780 (2013: 5,163,623) shares of 25p each	**1,366**	1,291
Issue of 90,000 (2013: 302,157) shares of 25p each	**23**	75
5,555,780 shares of 25p each	**1,389**	–
Sub-division of 5,555,780 shares of 25p each into 55,557,800 shares of 2.5p each	**–**	–
Issue of 1,413,128 (2013: nil) shares of 2.5p each	**35**	–
Repurchase of 930,000 (2013: nil) shares into Treasury[1]	**(23)**	–
Sub total	**1,401**	1,366
930,000 (2013: nil) shares held into Treasury	**23**	–
Closing balance of 56,970,928[2] (2013: 54,657,800[3]) shares of 2.5p each	**1,424**	1,366

[1]During the year 930,000 shares were bought into Treasury for a total consideration of £1,349,612.

[2]Includes 930,000 (2013: nil) shares held in Treasury.

[3]The 2013 closing balance of 5,465,780 shares of 25p each has been restated as a result of the ten for one sub-division of shares.

Notes to the Accounts continued

	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
14. Reserves						
Opening balance	1,366	4,550	1,851	55,810	25,743	(2,981)
Foreign currency gains on cash and short term deposits	–	–	–	26	–	–
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	455	–	–
Net movement in investment holding gains and losses	–	–	–	–	11,682	–
Transfer on disposal of investments	–	–	–	5,882	(5,882)	–
Repurchase of shares into Treasury	–	–	–	(1,350)	–	–
Issue of ordinary shares	58	3,643	–	–	–	–
Costs of placing	–	(257)	–	–	–	–
Unrealised foreign currency losses on loans now realised	–	–	–	–	(422)	–
Realised gains on repayment of loans	–	–	–	25	–	–
Transfer re loans repaid in period	–	–	–	577	(577)	–
Management fee and finance cost charged to capital	–	–	–	(1,095)	–	–
Other capital charges	–	–	–	(5)	–	–
Dividends appropriated in the year	–	–	–	(398)	–	–
Retained revenue for the year	–	–	–	–	–	647
Closing balance	**1,424**	**7,936**	**1,851**	**59,927**	**30,544**	**(2,334)**

	Net asset value per share 2014 pence	Net asset value per share 2013 pence	Net assets attributable 2014 £'000	Net assets attributable 2013 £'000
15. Net asset value per share				
Ordinary shares	**177.3p**	158.0p	**99,348**	86,339

The net asset value per share is based on the net assets attributable to the ordinary shareholders of £99,348,000 (2013: £86,339,000) and on the 56,040,928 (2013: 54,657,800) shares in issue at the year end, excluding shares held in Treasury.

Comparative figures for the year ended 31st December 2013 have been restated due to the sub-division of each existing ordinary share of 25p into ten ordinary shares of 2.5p each on 6th March 2014.

	2014 £'000	2013 £'000
16. 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	**11,608**	23,224
Less capital return before finance costs and taxation	**(10,734)**	(22,516)
Decrease/(increase) in accrued income	**8**	(176)
Decrease in other debtors	**3**	–
Increase/(decrease) in accrued expenses	**8**	(5)
Management fee charged to capital	**(1,027)**	(866)
Overseas withholding tax	**(230)**	(192)
Performance fee paid	**–**	(229)
Net cash outflow from operating activities	**(364)**	(760)

	At 31st December 2013 £'000	Cash flow £'000	Exchange movements £'000	At 31st December 2014 £'000
17. Analysis of changes in net debt				
Cash and short term deposits	1	880	26	**907**
Bank loans falling due within one year	(6,038)	(3,185)	(397)	**(9,620)**
Closing net debt	(6,037)	(2,305)	(371)	**(8,713)**

18. Contingent liabilities and capital commitments

At the balance sheet date there were no capital commitments or contingent liabilities (2013: none).

19. Transactions with the Manager

Details of the management fee agreement is set out in the Directors' Report on page 23. The management fee payable to the Manager for the year was £1,141,000 (2013: £962,000), of which £1,000 (2013: £nil) was outstanding at the year end.

During the year, £63,000 (2013: £58,000), including £10,000 (2013: £9,000) irrecoverable VAT, was payable to the Manager for the marketing and administration of savings scheme products, of which £nil (2013: £nil) was outstanding at the year end.

Included in administration expenses in note 5 on page 45 are safe custody fees amounting to £848 (2013: £729) payable to JPMorgan Chase of which £152 (2013: £nil) was outstanding at the year end.

Handling fees on dealing transactions amounting to £5,000 (2013: £3,727) were payable to JPMorgan Chase during the year of which £700 (2013: £300) 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 2014 this investment was valued at £2.3 million (2013: £1.3 million). During the year the Company made purchases of this investment amounting to £21.9 million (2013: £17.7 million) and sales amounting to £21.1 million (2013: £19.1 million). Income amounting to £4,000 (2013: £5,000) was receivable from this investment during the year and was reinvested in the fund.

At the year end, a bank balance of £907,000 (2013: £1,000) was held with JPMorgan Chase. A net amount of interest of £nil (2013: £nil) was receivable by the Company during the year from JPMorgan Chase of which £nil (2013: £nil) was outstanding at the year end.

Financial Statements continued

Notes to the Accounts continued

20. Disclosures regarding financial instruments measured at fair value

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

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

Level 1 - valued using quoted prices in active markets.

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 43.

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

	2014			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets held at fair value through profit or loss at 31st December 2014				
Equity investments	**105,663**	**–**	**–**	**105,663**
Liquidity funds	**2,264**	**–**	**–**	**2,264**
Total	**107,927**	**–**	**–**	**107,927**

	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

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

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

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

These risks include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company Secretary, in close cooperation with the Board and the Manager, coordinates the Company's risk management strategy.

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

The Company's financial instruments may comprise:

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

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements - currency risk, interest rate risk and other price risk. The Board reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Currency risk

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

Management of currency risk

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

Notes to the Accounts continued

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

(a) **Market risk** continued

(i) **Currency risk** continued

Foreign currency 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.

	2014 £'000	2013 £'000
Sterling equivalent of US$ exposure		
Debtors - securities sold awaiting settlement, dividends and interest receivable	**188**	196
Cash and short term deposits	**–**	–
Creditors - securities purchased awaiting settlement	**–**	(41)
Bank loans	**(9,620)**	(6,038)
Foreign currency exposure on net monetary items	**(9,432)**	(5,883)
Investments held at fair value through profit or loss that are equities	**105,663**	90,867
Investments held at fair value through profit and loss that are monetary items	**2,264**	1,381
Total net foreign currency exposure	**98,495**	86,365

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% (2013: 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% (2013: 10%) this would have had the following effect:

	2014 £'000	2013 £'000
Income statement - return after taxation:		
Revenue return	**139**	117
Capital return	**(943)**	(588)
Total return after taxation for the year	**(804)**	(471)
Net assets	**(804)**	(471)

Conversely if sterling had strengthened by 10% (2013: 10%) this would have had the following effect:

	2014 £'000	2013 £'000
Income statement - return after taxation		
Revenue return	**(139)**	(117)
Capital return	**943**	588
Total return after taxation for the year	**804**	471
Net assets	**804**	471

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 57.

(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 of 5% net cash to 20% geared (+/-2.5%).

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

Interest rate exposure

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

	2014 £'000	2013 £'000
Exposure to floating interest rates:		
Cash and short term deposits	**907**	1
JPMorgan US Dollar Liquidity Fund	**2,264**	1,381
Creditors: amounts falling due within one year		
Bank loan	**(9,620)**	(6,038)
Total exposure	**(6,449)**	(4,656)

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.

Financial Statements continued

Notes to the Accounts continued

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

(a) Market risk continued

(ii) Interest rate risk continued

Interest rate exposure continued

On 8th April 2014, the Company renewed its US$15.0 million loan facility with Scotiabank for a further 364 day period. Interest on the renewed facility is payable at a 0.70% (previously 0.875%) 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 7th April 2015 at which point the Board will review its gearing facility.

As at 31st December 2014, the Company had drawn down US$15.0 million (£9.6 million) on this facility. At the comparative year end, the Company had drawn down US$10.0 million (£6.2 million) on the US$10.0 million facility with Scotiabank, which expired during the year (8th April 2014).

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

	2014 £'000	2013 £'000
Minimum debit interest rate exposure to floating rates - net loan balances	**(3,685)**	(1,809)
Maximum debit interest rate exposure to floating rate - net loan balances	**(6,449)**	(5,939)

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2013: 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.

	2014		2013	
	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	**11**	**(11)**	4	(4)
Capital return	**(43)**	**43**	(27)	27
Total return after taxation for the year and net assets	**(32)**	**32**	(23)	23

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.

(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:

	2014 £'000	2013 £'000
Equity investments held at fair value through profit or loss	**105,663**	90,867

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 13 and 14. 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% (2013: 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.

	2014		2013	
	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	**(13)**	**13**	(11)	11
Capital return	**10,452**	**(10,452)**	8,989	(8,989)
Total return after taxation for the year	**10,439**	**(10,439)**	8,978	(8,978)
Net assets	**10,439**	**(10,439)**	8,978	(8,978)

Financial Statements continued

Notes to the Accounts continued

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

(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:

	2014 Three months or less £'000	2014 More than three months but not more than one year £'000	2014 Total £'000	2013 Three months or less £'000	2013 More than three months but not more than one year £'000	2013 Total £'000
Bank loan (including interest)						
Being: Accrued in Accounts	21	9,620	9,641	16	6,038	6,054
For period from 31st December 2014 to 7th April 2015 (2013: 31st December 2013 to 8th April 2014)	23	2	25	17	1	18
	44	9,622	9,666	33	6,039	6,072
Securities purchased awaiting settlement	–	–	–	41	–	41
Other creditors and accruals	61	–	61	53	–	53
	105	9,622	9,727	127	6,039	6,166

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.

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.

	2014		2013	
	Balance sheet £'000	Maximum exposure £'000	Balance sheet £'000	Maximum exposure £'000
Fixed assets - investments held at fair value through profit or loss	**107,927**	**2,264**	92,248	1,381
Current assets				
Debtors - amounts due from brokers, dividends and interest receivable	**216**	**216**	238	238
Cash and short term deposits	**907**	**907**	1	1
	109,050	**3,387**	92,487	1,620

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 (2013: 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.

Financial Statements continued

Notes to the Accounts continued

22. Capital management policies and procedures

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

	2014 £'000	2013 £'000
Debt		
Short term bank loan	**9,620**	6,038
Equity		
Share capital	**1,424**	1,366
Reserves	**97,924**	84,973
Total equity	**99,348**	86,339
Total capital	**108,968**	92,377

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.

	2014 £'000	2013 £'000
Investments held at fair value excluding liquidity fund holdings	**105,663**	90,867
Current assets excluding cash	**216**	238
Current liabilities excluding bank loans	**(82)**	(110)
Total assets	**105,797**	90,995
Net assets	**99,348**	86,339
Gearing	**6.5%**	5.4%

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.

Shareholder Information

Notice of Annual General Meeting

Notice is hereby given that the fifty eighth Annual General Meeting of JPMorgan US Smaller Companies Investment Trust plc will be held at 60 Victoria Embankment, London EC4Y 0JP on Wednesday, 29th April 2015 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 2014.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31st December 2014.
4. To appoint David Ross as a Director of the Company.
5. To reappoint Davina Walter as a Director of the Company.
6. To reappoint Julia Le Blan as a Director of the Company.
7. To reappoint Mark Ansell as a Director of the Company.
8. To reappoint Christopher Galleymore 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:

Continuation – Ordinary Resolution

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

Authority to allot new ordinary shares – Ordinary Resolution

11. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to and in accordance with Section 551 of the Act to exercise all the powers for the Company to allot shares in the Company and to grant rights to subscribe for, or convert any security into, shares in the Company ('Rights') up to an aggregate nominal amount of £284,854, representing approximately 20% of the Company's issued ordinary share capital (including shares held in Treasury, if any) as at the date of the passing of this Resolution, provided that this authority shall expire at the Annual General Meeting of the Company to be held in 2016, unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers or agreement which would or might require shares to be allotted on Rights to be granted after such expiry and so that the Directors of the Company may allot shares and grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

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

12. THAT, subject to the passing of the Resolution 11 set out above, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 11 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £284,854, representing approximately 20% of the issued ordinary share capital as at the date of the passing of this resolution at a price of not less than the net asset value per share and shall expire upon the expiry of the general authority conferred by Resolution 11 above, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuant of such offers or agreements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares – Special Resolution

13. 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 8,400,535 or, if less, that number of ordinary shares which is equal to 14.99% of the Company's issued share capital (less shares held in Treasury, if any) as at the date of the passing of this resolution;

Shareholder Information continued

Notice of Annual General Meeting continued

(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 2016 unless the Authority is renewed at the Company's Annual General Meeting in 2016 or at any other general meeting prior to such time; and

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

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

26th March 2015

Notes

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

1. A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person.
3. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form no later than 2.30 p.m. two business days prior to the Meeting (i.e. excluding weekends and bank holidays).
4. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.
5. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.00 p.m. two business days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.00 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice. Changes

to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.

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

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

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

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

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

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

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

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

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

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

16. As at 18th March 2015 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 56,970,928 (of which 795,000 are held in Treasury) ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 56,175,928.

Electronic appointment CREST members

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

Shareholder Information continued

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 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.

Ongoing Charges

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

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.

Leverage

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

The Company's maximum and actual leverage levels at 31st December 2014 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	200.00%	200.00%
Actual	99.50%	99.50%

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.

Information about the Company

Financial Calendar

Financial year end	31st December
Half year results announced	August
Full year results announced	March
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: GB00BJL5F346
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

Manager and Company Secretary

JPMorgan Funds Limited

Company's Registered Office

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

For company secretarial and administrative matters, please contact Lucy Dina.

Depositary

BNY Mellon Trust & Depositary (UK) Limited
BNY Mellon Centre
160 Queen Victoria Street
London EC4V 4LA

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

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 0225.

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

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

Independent Auditor

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

Brokers

Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

Savings Product Administrators

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

A member of the AIC