JPMorgan US Smaller Companies Investment Trust plc

Investing in the heart of America

Annual Report & Financial Statements
for the year ended 31st December 2022

J.P.Morgan
ASSET MANAGEMENT

Key Features

Investment 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, that are run by competent management teams who have a track record of success and are good stewards of capital, and to focus on owning equity stakes in businesses that trade at a discount to their intrinsic value.

Investment team

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

Benchmark Index

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 smallest two thousand stocks by market capitalisation of all companies quoted in the Russell 3000 Index. Comparison of the JPMorgan US Smaller Companies Investment Trust plc's (the 'Company') performance is made with this benchmark.

Capital Structure

At 31st December 2022, the Company's share capital comprised 65,506,265 ordinary shares of 2.5p each including 760,643 shares held in Treasury. Since the year end, a further 109,821 shares have been repurchased into Treasury.

Continuation Vote

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

Management Company and Company Secretary

The Company employs JPMorgan Funds Limited (JPMF or the Manager) as its Alternative Investment Fund Manager (AIFM) and Company Secretary. JPMF delegates the management of the Company's portfolio to JPMorgan Asset Management (UK) Limited (JPMAM). All of these entities are wholly owned subsidiaries of J.P. Morgan Chase & Co.

Environment, Social and Governance (ESG) Considerations

ESG considerations are fully integrated into the stock selection process. JPMAM research teams compile proprietary ESG analyses on companies as well as using external vendor research to rank them. Following in-depth strategic and financial analysis, these ESG rankings and factors are also taken into consideration as part of the investment case. In addition, the Manager, together with stewardship specialists, engages with investee companies on specific ESG issues. JPMAM endeavours to vote at all of the meetings called by companies in which your portfolio invests. JPMAM is a United Nations Principles of Responsible Investment (UN PRI) signatory and is rated A+. The Manager reports to the Board on its ESG considerations on a regular basis and an ESG report is on pages 13 to 16.

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

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

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust. The Company's ordinary shares are not considered to be 'complex instruments' under the FCA's 'Appropriateness' rules and guidance in the Conduct of Business sourcebook.

Association of Investment Companies ('AIC')

The Company is a member of the AIC.

Website

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

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Total returns (including dividends reinvested) to 31st December 2022

	2022	2021	3 Years Cumulative	5 Years Cumulative	10 Years Cumulative
Return to shareholders[1,A]	–15.7%	+16.5%	+13.4%	+33.7%	+297.8%
Return on net assets[2,A]	–8.2%	+17.7%	+25.4%	+48.7%	+285.8%
Benchmark return[3]	–10.6%	+15.7%	+20.0%	+36.3%	+213.5%
Net asset return performance compared to benchmark return[3,A]	+2.4%	+2.0%	+5.4%	+12.4%	+72.3%
Dividend[4]	2.5p	2.5p			

[1] Source: Morningstar.
[2] Source: Morningstar/J.P. Morgan, using cum-income net asset value per share with debt at par value.
[3] Source: Russell Investments. The Company's benchmark is the Russell 2000 Index total return with net dividends reinvested, expressed in sterling terms.
[4] 2022 dividend is subject to approval by shareholders at the 2023 Annual General Meeting.
[A] Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 86 and 87.

Financial Highlights

Summary of results

	2022	2021	% change
Key financial data as at 31st December			
Shareholders' funds (£'000)	273,057	301,783	–9.5
Net asset value per share	421.7p	462.1p	–8.7
Share price	391.0p	467.0p	–16.3
Share price (discount)/premium to net asset value per share[A]	(7.3)%	1.1%	
Exchange rate	£1 = $1.2029	£1 = $1.3544	
Shares in issue (excluding shares held in Treasury)	64,745,622	65,306,265	
Revenue for the year ended 31st December			
Net revenue return after taxation attributable to shareholders (£'000)	1,772	1,848	–4.1
Revenue return per share	2.72p	2.87p	–5.2
Dividend per share	2.5p	2.5p	—
Gearing at 31st December[A]	6.8%	6.7%	
Ongoing Charges[A]	**0.95%**	**0.99%**	

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

A glossary of terms and APMs is provided on pages 86 and 87.

David Ross
Chairman

Performance

I am delighted to present the Annual Report of JPMorgan US Smaller Companies Investment Trust plc ('the Company') for the year ended 31st December 2022.

Having navigated the challenges of the COVID-19 pandemic, the Company was faced with further market global headwinds from heightened tensions between the US and China and the Russian invasion of Ukraine. During the year, the US equity market grappled with numerous interest rate hikes, high inflation levels, continued supply chain constraints, fast-paced tightening liquidity and recessionary risks. However, the Investment Managers continued with their disciplined approach to investing and it is pleasing to report that the Company's NAV outperformed the benchmark for the 12 months to 31st December 2022.

Despite the extreme volatility in the market, the Company's total return on net assets over the year was –8.2% which compares favourably with the –10.6% return for our benchmark, the Russell 2000 index in sterling terms. Return to shareholders was –15.7% for the year. An explanation as to why the return to shareholders is worse than the total return on net assets is given below.

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

Discount and Premium

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

Over the course of the year, the discount averaged 8.5%. Having begun the year trading at a premium of 1.1% to NAV, the Company's shares quickly moved to a discount in January 2022 and ended the year at a discount of 7.3% to NAV. The movement of the shares from a premium to discount is what led the total return to shareholders to fall behind the total return on net assets.

Share Issuance and Buybacks

To help with the management of the discount, we have in place the authority to repurchase up to 14.99% of the Company's issued share capital and we will be seeking renewal of this authority at the AGM. The Company's move from premium to discount is reflected in its share issuance and buyback behaviour over the year.

In January 2022 the Company issued 125,000 shares from Treasury and 75,000 new ordinary shares. In the subsequent months, the Company bought back 760,643 shares into Treasury in periods when discount levels were particularly elevated, reflected in the weighted average discount of 8.2% at which these shares were acquired. Since the year end, the Company has repurchased 109,821 shares into Treasury.

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

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

Revenue and Dividend

The impact of the global concerns on the dividends received from the Company's portfolio has remained relatively muted and the Board is therefore delighted to recommend a dividend of 2.5p in respect of the financial year ended 31st December 2022 (2021: 2.5p). Subject to shareholders' approval at the Annual General Meeting (AGM), this dividend will be paid on 19th May 2023 to shareholders on the register at the close of business on 21st April 2023.

Shareholders should note the Company's objective is unchanged and remains one of capital growth and our dividend policy will therefore reflect the naturally occurring income on the underlying portfolio.

Gearing

During the year, the Company continued to utilise its revolving credit facility to maintain a meaningful but modest level of gearing. The Board renewed its USD30 million loan facility, with an option to draw a further USD10 million, in October 2021 for a 2-year term. The current facility matures on 27th October 2023 at which point the Board will review its borrowing requirements.

As at 31st December 2022, the Company had drawn down USD30 million (GBP 24.9 million). It closed the year with a gearing level of 6.8% having averaged approximately 6.9% throughout the year. The Board believes that the use of gearing is a key advantage of the investment trust structure and looks to maintain a consistent level of gearing within its permitted 10% cash to 15% geared range.

Our policy sees gearing levels adjusted to reflect changes in the Manager's perception of longer-term opportunities and market risks rather than being used as a short-term market-timing tool.

Environment, Social and Governance (ESG) considerations

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

Board Succession

In January 2023 the Board, through its Nomination Committee, carried out a comprehensive evaluation of the Board, its committees, the individual Directors and the Chairman. Topics discussed included the size and composition of the Board, Board information and processes, shareholder engagement, and training and accountability. The report confirmed the efficacy of the Board.

During the year, as part of its succession planning the Board appointed Mandy Donald as a Director in January 2022 to succeed Julia Le Blan as Chairman of the Audit Committee following Julia's retirement in April 2022. The Board continues to monitor succession planning.

In accordance with the UK Corporate Governance Code, Mandy Donald, Christopher Metcalfe, Dominic Neary, Shefaly Yogendra and myself will retire at the forthcoming AGM and, being eligible, will offer ourselves for reappointment by shareholders.

Annual General Meeting

We are inviting shareholders to join us in person for the Company's sixty-sixth AGM to be held on Monday, 24th April 2023 at 2.30 p.m. at 60 Victoria Embankment, London EC4Y 0JP. The Board hopes to welcome as many shareholders as possible.

As with previous years, you will have the opportunity to hear from the Investment Managers. Their presentation will be followed by a question and answer session. There will also be refreshments afterwards, when shareholders will be able to meet members of the Board. Shareholders wishing to follow the AGM proceedings but choosing not to attend will be able to view them live and ask questions through conferencing software. Details on how to register together with access details can be found on the Company's website: www.jpmussmallercompanies.co.uk, or by contacting the Company Secretary at invtrusts.cosec@jpmorgan.com.

In accordance with normal practice, all voting on the resolutions will be conducted on a poll. Due to technological reasons, shareholders viewing the meeting via conferencing software will not be able to vote on the poll and we therefore encourage all shareholders, and particularly those who cannot attend physically, to submit their proxy votes in advance of the meeting, so that they are registered and recorded at the AGM. Proxy votes can be lodged in advance of the AGM either by post or electronically: detailed instructions are included in the Notes to the Notice of Annual General Meeting in the Annual Report. In addition, shareholders are encouraged to send any questions ahead of the AGM to the Board via the Company Secretary at the email address above. We will endeavour to answer relevant questions at the meeting or via the website depending on arrangements in place at the time.

If there are any changes to the above AGM arrangements, the Company will update shareholders through its website and, as appropriate, through an announcement on the London Stock Exchange.

Outlook

2022 was a difficult year with a number of headwinds and, while some still remain, there are reasons to be optimistic as 2023 unfolds. As the Investment Managers note in their report, we see small cap valuations at historic lows despite an improving earnings picture. Inflation, although remaining high, is now in retreat and we may be nearing the end of material interest rate increases. However, there are likely to be setbacks, as evidenced by recent issues in the banking sector. In addition, the potential for recession has not gone away and the Board and the Manager continue to communicate regularly and monitor the associated risks.

Whatever challenges 2023 throws our way, we remain confident that your Investment Managers' disciplined approach to investment will continue to identify high quality businesses that will deliver good long term returns.

David Ross
Chairman

20th March 2023

Investment Managers' Report

Don San Jose
Investment Manager

Jon Brachle
Investment Manager

Dan Percella
Investment Manager

Market Review

2022 was a difficult year for market participants, to say the least. Equities marched steadily higher throughout 2021, driving valuations to elevated levels exiting the year. As the calendar turned, optimism gave way to pessimism as macro conditions deteriorated on the back of persistent inflation, a hawkish Fed and geopolitical concerns, all of which increased the risk of recession.

After three years of strength, equity markets were whiplashed with a volatile year, beginning with a Fed that no longer considered inflation to be transitory and vowed to tame it with increasingly aggressive rate hikes. Compounding inflationary concerns was the war in Ukraine, which drove oil and gas prices higher and placed further pressure on the Fed to act. As risk of recession increased, and investors re-priced assets on the back of higher interest rates, developed equity markets saw the worst first half performance in over two decades. Over the course of the year, the Fed hiked rates by a cumulative 425 basis points after entering the year with a view that 75 basis points would be sufficient. As a result of unsnarling supply chains and aggressive Fed actions, US CPI peaked in June 2022 at 9.1% and trended down to 7.1% by November, providing some hope for a 'soft' economic landing in the US. Throughout 2022, Corporate America battled high interest rates, contraction in manufacturing and dampened consumer sentiment. As a result, earnings forecasts for 2023 witnessed sharp cuts towards the end of the year.

Large cap stocks as represented by the S&P 500 Index outperformed the small cap Russell 2000 Index, as they returned –18.1% (in US dollar terms) vs. –20.4%, respectively. Value outperformed Growth by a massive margin, as the Russell 3000 Value Index returned –8.0% and the Russell 3000 Growth Index returned –29.0%.

Performance

The Portfolio's net asset value decreased by 8.2% in 2022. The Company outperformed its benchmark, the Russell 2000 Index (Net), which fell by 10.6% in sterling terms in the face of a challenging year and steep market decline. Stock selection was the primary driver of outperformance.

With regard to relative performance, our stock selection in the consumer discretionary and industrials sectors contributed the most.

Within industrials, our position in **WillScot Mobile Mini**, and our exposure to **WEX**, were among the top contributors. WillScot Mobile Mini, one of the largest providers of modular office space and portable storage, reported strong quarterly earnings results and provided a favourable outlook for FY23 as it continues to execute on robust demand. Strong pricing and volumes aided the company's performance. We continue to like the business and think that the company is well positioned to weather any potential macroeconomic slowdown. WEX, a payment processing and technology solutions provider also reported strong quarterly results that demonstrated solid revenue upside and benefitted from re-opening trends as fleet and travel volumes rebounded. Moreover, WEX's fleet segment benefitted from rising fuel prices, acting as an inflation hedge, which has been a positive in this macro environment. We remain comfortable with our position in the company.

Among individual names, our exposure to **Encompass Health**, one of the largest Inpatient Rehab Facilities (IRF) within the health care sector, aided performance. Shares soared despite inflationary and higher cost pressures which led to a lower guidance for profitability. The optimism around non-cyclical revenue growth, coupled with growth in beds/facilities and solid pricing boosted the stock's performance. We think that investors have been willing to look past near term transitory margin headwinds mostly related to new facility opening and labour costs, as topline momentum should continue into 2023 and margins start to move off the bottom. We continue to like the name and view its valuation as attractive.

The contributions to relative performance of your portfolio's sector positioning were all positive, with the exception of the continuing underweight in energy. The energy sector rose due to a rally in oil prices during the year and continued to rise despite oil prices remaining range-bound. Rumours of an end to the Covid-Zero policy in China boosted hopes for an oil demand recovery in Asia. Energy remains an underweight for us, but we continue to assess the long-term sustainability of capital allocation discipline in the space and search for new ideas that will both benefit from secular trends and fit our quality-oriented investment philosophy.

Among individual names, our exposure to **Syneos Health**, a biopharmaceutical solutions organisation, was the largest detractor for the year. Low reimbursable expenses and foreign exchange headwinds impacted the company's earnings results. Moreover, weak performance of its clinical business segment was one of the main drivers of underperformance. We continue to hold a position in the company due to its attractive valuation and long-term potential.

Our exposure to **Hayward**, a manufacturer of pool equipment and associated automation systems, within the industrials sector proved lackluster. Along with many other COVID beneficiaries, the stock underperformed as demand trends normalised and excess channel inventory needed to be addressed. We maintain our conviction in the company as its valuation looks attractive on a longer-term basis.

Performance Attribution

Year ended 31st December 2022

	%	%
Contributions to total returns		
Benchmark return		**–10.6%**
Asset Allocation	–1.3%	
Stock Selection*	6.2%	
Investment Manager Contribution		**4.9%**
Portfolio total return		**–5.7%**
Impact of cash/gearing*	–1.6%	
Management fee/other expenses	–1.0%	
Share issuance	0.1%	
Other effects		**–2.5%**
Cum Income Net Asset Value Total Return		**–8.2%**
Share Price Total Return		**–15.7%**

* Includes impact of FX movement on USD loan

Source: Wilshire, JPMAM and Morningstar. All figures are on a total return basis.

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

A glossary of terms and APMs is provided on pages 86 and 87.

Portfolio Positioning

With regard to our portfolio positioning, we continue to focus on finding companies with durable franchises, good management teams and stable earnings that trade at a discount to their intrinsic value. We continue to believe that smaller companies are worth investing in for long term investors as they include innovative companies that serve market niches and thereby can be a way to get in early on innovation.

We have been trimming cyclical outperformers and expensive defensives and COVID winners as the strength in the market during the last quarter of 2022, and our outperformance, provided an opportunity to take some profits. We continue to add to high quality growth names in a measured fashion and added to most beaten down cyclicals, given the strength of the franchises and depressed valuations. We also modestly added to software names within the technology sector. Our largest absolute and relative weight remains in industrials, followed by financials.

Investment Managers' Report

On the other hand, our largest underweights remain in the energy and health care sectors. While we have struggled to find high quality assets within the traditional energy sector, we believe there are more interesting opportunities within the alternative energy space.

Market Outlook

We remain optimistic about small caps as we begin 2023 given the constructive backdrop and valuation. The last decade has been challenging for small caps when compared to large caps, and 2022 was no exception. However, small cap valuations are at historic lows akin to those witnessed during the Technology-media-telecoms bubble of the late 1990s/early 2000s or the Great Financial Crisis in 2008-2009. Forward looking performance coming out of those periods was very favourable for small caps for several years. The promising backdrop for small caps also includes an improving earnings picture in the face of high, but declining inflation coupled with higher rates.

While the economy teeters on the edge of recession, we remain balanced and continue to monitor incremental risks that could represent headwinds for U.S. equities. Through the volatility, we continue to focus on high conviction stocks and take advantage of market dislocations for compelling stock selection opportunities.

Don San Jose
Jon Brachle
Dan Percella
Investment Managers

20th March 2023

Environmental, Social and Governance ('ESG') Report

Consideration of ESG issues has increased significantly in recent years within the asset management industry, shareholder community and society at large. The Investment Managers and Board of your Company believe that the consideration of such issues within the investment process is imperative for a successful long-term investment outcome.

What is ESG?

E is for Environmental. This component considers a company's impact on the world we live in, relating to the quality and functioning of the natural environment and natural systems.

S is for Social. Social factors address the way that companies act within society; this includes the way that employee interests are managed, and the broader impact a company has on society.

G is for Governance. This component relates to how companies are managed. It considers the measures that protect shareholder interests as well as the way any company meets regulatory and other external obligations.

Why integrate ESG into the investment process?

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

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

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

While the Manager does not explicitly exclude individual stocks on ESG criteria, ESG factors influence their level of conviction and thus impact a stock's position size within the portfolio.

Comprehensive, Integrated Research

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

The checklist asks questions specifically addressing environmental considerations, as well as on social and governance aspects. The questions are worded so that 'yes' is negative, creating a red flag that alerts the Manager to a potential risk. The checklist is not a 'pass/fail' exercise but rather a tool to inform discussion between portfolio managers and analysts, as well as engagement with companies.

Environmental, Social and Governance ('ESG') Report

Questions on the checklist include:

ENVIRONMENTAL	• Is the business vulnerable to regulation aimed at limiting greenhouse gas emissions? • Does the company have issues with toxic emissions, waste management or other environmental damage? • Is the company failing to manage its use of water resources responsibly?
SOCIAL	• Does the company have issues with labour relations? • Has the company had issues with privacy or data security? • Does the company engage in anti-competitive behaviour and/or treat its customers unfairly?
GOVERNANCE	• Does the management fail to admit mistakes? • Has the company changed key accounting policies? • Does the owner have a history of poor governance, or of abusing minority shareholders?

Engagement

Active engagement with companies has long been an integral part of the Manager's approach to investment and ESG. They use it not only to understand how companies consider issues related to ESG but also to try to influence their behaviour and encourage best practices, for the purpose of enhancing returns. They engage with all companies owned in the Company's portfolio on a regular basis, often several times in a year, not just to further their understanding of businesses, but to convey to management any concerns, suggestions, or opinions that they have. Ongoing, meaningful dialogue with the management of companies owned by the Company is fundamental to the investment process.

At JPMAM, the Investment Stewardship team is responsible for leading on engagement, understanding regulatory developments, and educating colleagues on best practice and industry evolutions in this area. Engagement is a collaboration between managers, research analysts and the Investment Stewardship team. For further details on JPMAM's engagement processes, please see the Annual Investment Stewardship Report (embed link https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/sustainable-investing/investment-stewardship-report.pdf).

During 2022, JPMorgan Asset Management met with 30 companies in the Company's portfolio with regards to stewardship and engagement. We engaged with **Knight-Swift Transportation Holdings** (KNX) on climate issues. We sought to encourage them to report against the Task Force on Climate-Related Financial Disclosures (TCFD) framework and to better understand what actions were available to them to achieve 2025 and 2035 emissions reductions targets. The company reported that they are in the process of evaluating the TCFD framework and what it would take to be able to disclose against it. And while it is not something they expect to do by 2023, it is on their roadmap. KNX has developed sustainability reports and are in a position where they are gathering the data to be able to eventually report against TCFD or for the U.S. Securities and Exchange Commission (SEC) disclosures. SEC required disclosures are seemingly headed in the direction of TCFD.

The 2025 target is a 5% reduction in emissions per mile by 2025 vs. 2019. After two years, KNX have gotten 90% of the way there. Progress with stop-and-start technology known as Opti-Idle has driven emission reductions for the fleet. Opti-Idle has been rolled out to two-thirds of the fleet. Also, fuel is the company's biggest cost and they incentivise drivers to manage fuel efficiency by using a monthly dispatched MPG (amount of fuel consumed vs. time they are dispatched over a month) programme. Drivers can earn a bonus by improving that number, which would happen by minimising truck use and reducing unnecessary idling.

While they are working to improve driver behaviour, the biggest win would be in electrification. The company is working with original equipment manufacturers (OEM) like PACCAR to purchase up to 20 trucks and helping to develop a large facility in the Los Angeles area including charging stations (a healthy level of capital commitment). They view it as an opportunity to understand the technology and real-world applications.

The 2035 target is a 50% reduction in emissions per mile vs 2019. KNX recognises that meeting this target is highly dependent on electric and hydrogen. Hydrogen has great range, but it is very expensive and there is not a great infrastructure base. They believe hybrid could also be a great opportunity because it gives great range, but it is very expensive and might not be acceptable in certain areas with more rigid/strong political positions like California . They are in talks with OEMs that would like to work on a hybrid solution that would have meaningful savings on emissions.

Environmental, Social and Governance ('ESG') Report

We were encouraged by the fact that KNX is aggregating the data to be able to report to the SEC and/or the TCFD. They are taking real steps to reduce their carbon footprint and sharing their experiences and the TCFD framework would allow shareholders to better understand the challenges, risks and opportunities for the business.

An overview is provided below of the engagement we had by themes as well as by sector in 2022:

ESG pillars engagement

Environmental	Social	Governance
7 companies	21 companies	31 companies

ESG themes

Climate change	Natural capital and ecosystems	Social stakeholder managment	Human capital	Business conduct	Governance	Executive pay
13.8%	0.0%	8.6%	44.8%	1.7%	19.0%	12.1%

Engagement by Sector

- Consumer Discretionary 16.6%
- Consumer Staples 6.7%
- Financials 3.3%
- Health Care 20.0%
- Industrials 33.3%
- Information Technology 6.7%
- Materials 6.7%
- Real Estate 6.7%

Proxy Voting

Alongside these direct engagements, JPMAM endeavors to vote at all the meetings called by companies in which the portfolio is invested. We believe that corporate governance is integral to our investment process. 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. For full details, please see the J.P. Morgan Asset Management Corporate Governance Policy & Voting Guidelines, copies of which are available on request, or to download from our website.

A summary of key voting statistics and activity undertaken in respect of stocks in the Company's portfolio for the 12 months to 31st December 2022 is detailed below.

JPMorgan US Smaller Companies Investment Trust plc: Voting at shareholder meetings over the year to 31st December 2022

	For	Against	Abstain	Against/ Abstain Total	Total Items	% Against/ Abstain
Audit Related	93	0	0	0	93	0.0
Capitalisation	2	0	0	0	2	0.0
Corporate Governance	1	1	0	1	2	50.0
Compensation	97	8	0	8	105	7.6
Director Related	560	2	3	5	565	0.9
Routine Business	1	0	0	0	1	0.0
Social	1	1	0	1	2	50.0
Strategic Transactions	9	1	0	1	10	10.0
Total	**764**	**13**	**3**	**16**	**780**	**2.1**

Environmental, Social and Governance ('ESG') Report

The Carbon Scorecard

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

The table below contains the numbers as at 31st December 2022.

	Carbon Emissions tons CO2e / $M invested	Carbon Intensity tons CO2e / $M sales	Weighted Average Carbon Intensity tons CO2e / $M sales
Portfolio	**55.7**	**135.2**	**116.5**
Coverage by Portfolio Weight*	96.7%	96.7%	97.7%
Index	**97.3**	**141.0**	**154.3**
Coverage by Portfolio Weight*	93.8%	93.8%	96.7%

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

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

Looking ahead

In investing your Company's assets, we have always looked for companies with the ability to create value in a financially sustainable way. That scrutiny remains firmly embedded in our process and we know that the Directors of the Company, shareholders and potential investors, view attention to ESG factors as important in their assessment of us as Investment Managers. We expect ESG to remain a major theme in the Company's portfolio and the course being taken by regulators suggests that its importance will only increase in years to come. The research we do and the approach we take in investing the Company's assets will continue to reflect that and to evolve as necessary.

On 7th September 2022, J.P.Morgan Asset Management successfully became a signatory to the UK Stewardship Code. This reflects our commitment to our stewardship responsibilities to drive positive corporate change and industry developments that benefit our clients and the communities we serve.

J.P. Morgan Asset Management

Ten Year Record

At 31st December	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Shareholders' funds (£'000)	59,214	86,339	99,348	103,805	153,824	166,687	158,831	198,252	236,839	301,783	273,057
Net asset value per share (p)[1]	114.7	158.0	177.3	184.3	276.7	294.2	274.8	343.0	394.9	462.1	421.7
Share price (p)[1]	103.3	163.8	172.1	183.9	282.0	303.8	266.0	352.0	403.0	467.0	391.0
Shares in issue[1,2]	51,636,230	54,657,800	56,040,928	56,325,928	55,586,928	56,651,928	57,791,928	57,791,928	59,969,382	65,306,265	64,745,622
Year ended 31st December											
Gross return (£'000)	1,255	1,172	1,390	1,728	2,317	2,552	2,693	3,023	2,962	3,266	3,336
Revenue return per share (p)[1]	1.26	1.00	1.15	1.66	2.51	2.79	2.75	2.76	3.00	2.87	2.72
Dividends per share (p)[1]	0.9	0.7	nil	nil	nil	2.5	2.5	2.5	2.5	2.5	2.5[6]
(Discount)/premium (%)[A]	(10.0)	3.7	(2.9)	(0.2)	1.9	3.3	(3.2)	2.6	2.1	1.1	(7.3)
Gearing (%)[A]	3.1	5.4	6.5	9.8	4.1	5.2	5.8	5.0	6.1	6.7	6.8
Ongoing charges (%)[A]	1.71	1.77	1.73	1.69	1.47	1.33	1.36	1.23	1.07	0.99	0.95
US dollar/sterling exchange rate	1.63	1.65	1.56	1.47	1.24	1.35	1.27	1.32	1.37	1.35	1.20
Annual returns to 31st December											
Total return to shareholders (%)[3,A]	+12.0	+59.7	+5.6	+6.8	+53.4	+7.7	–11.6	+33.4	+15.5	+16.5	–15.7
Total return on net assets (%)[4,A]	+12.5	+38.7	+12.8	+4.0	+50.1	+6.3	–5.8	+25.8	+16.0	+17.7	–8.2
Benchmark total return (%)[5]	+10.9	+35.9	+11.1	+0.9	+44.4	+4.5	–5.7	+20.4	+16.0	+15.7	–10.6
Returns rebased to 100 at 31st December 2012											
Total return to shareholders[3,A]	100.0	159.7	168.7	180.2	276.3	297.6	263.0	350.9	405.2	472.1	397.8
Total return on net assets[4,A]	100.0	138.6	156.3	162.5	243.9	259.4	244.4	307.7	357.0	420.2	385.8
Benchmark total return[5]	100.0	135.9	151.0	152.4	220.0	229.9	216.9	261.2	303.0	350.6	313.5

[1] Comparative figures prior to 2014 have been restated following the sub-division of each existing ordinary share of 25p into ten ordinary shares of 2.5p each on 6th March 2014.
[2] Excludes any shares held in Treasury.
[3] Source: Morningstar/J.P. Morgan.
[4] Source: Morningstar/J.P. Morgan, using cum income net asset value per share.
[5] Source: Russell Investments. The Company's benchmark is the Russell 2000 Index total return with net dividends reinvested, expressed in sterling terms.
[6] Dividend in relation to 2022 payable on 19th May 2023. See note 10 on page 66 for details.
[A] Alternative Performance Measure (APM).

A glossary of terms and APMs is provided on pages 86 and 87.

Portfolio Information

Ten largest investments

At 31st December

Company[1]	Sector	2022 Valuation £'000	2022 Valuation %[2]	2021 Valuation £'000	2021 Valuation %[2]
WillScot Mobile Mini	Industrials	5,763	2.0	6,595	2.0
MSA Safety	Industrials	5,092	1.7	4,509	1.4
Encompass Health[3]	Health Care	4,792	1.6	4,195	1.3
Lincoln Electric	Industrials	4,582	1.6	4,959	1.5
Power Integrations[3]	Technology	4,525	1.6	4,284	1.3
AssetMark Financial[3]	Financials	4,377	1.5	3,779	1.2
AptarGroup[3]	Industrials	4,315	1.5	4,302	1.3
WEX[3]	Industrials	4,224	1.4	4,335	1.3
Wendy's[3]	Consumer Discretionary	4,160	1.4	3,888	1.2
Primo Water[3]	Consumer Staples	4,029	1.4	4,464	1.4
Total		**45,859**	**15.7**		

[1] All companies shown are listed in the USA.
[2] Based on total investments of £291.7m (2021: £322.1m).
[3] Not included in the ten largest investments at 31st December 2021.

At 31st December 2021, the value of the ten largest investments amounted to £50.1 million representing 15.6% of total investments.

Sector analysis

At 31st December

	2022 Portfolio %[1]	2022 Benchmark %	2021 Portfolio %[1]	2021 Benchmark %
Industrials	27.4	16.9	25.9	15.4
Financials	17.4	17.0	17.2	15.8
Consumer Discretionary	13.8	12.4	13.3	14.5
Technology	12.2	10.5	12.5	13.0
Health Care	11.7	16.5	12.8	17.5
Real Estate	5.7	6.6	7.0	7.6
Basic Materials	5.4	4.1	4.3	3.7
Utilities	3.5	3.9	3.4	3.0
Consumer Staples	2.8	3.3	3.6	3.0
Energy	0.1	7.1	—	4.6
Telecommunication	—	1.7	—	1.9
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] Based on total investments of £291.7m (2021: £322.1m).

List of investments

At 31st December 2022

Company	Valuation £'000
Industrial	
WillScot Mobile Mini	5,763
MSA Safety	5,092
Lincoln Electric	4,582
AptarGroup	4,315
WEX	4,224
Douglas Dynamics	4,017
Toro	3,870
UniFirst	3,687
Brunswick	3,518
Landstar System	3,436
Applied Industrial Technologies	3,344
Simpson Manufacturing	3,158
Janus International	3,035
Badger Meter	2,974
Brady	2,883
First Advantage	2,831
Knight-Swift Transportation	2,800
Hillman Solutions	2,533
Woodward	2,514
Gates Industrial	2,361
Hayward	2,322
Patrick Industries	1,947
AZEK	1,709
Altra Industrial Motion	1,516
Diversey	1,376
	79,807
Financials	
AssetMark Financial	4,377
Wintrust Financial	3,901
Focus Financial Partners	3,852
RLI	3,669
Western Alliance Bancorp	3,585
StepStone	3,463
Evercore	3,459
BankUnited	3,384
Moelis	3,010
Kinsale Capital	2,862
ServisFirst Bancshares	2,833
First Hawaiian	2,797
Washington Trust Bancorp	2,658
First Financial Bancorp	2,591
First Interstate BancSystem	2,316
City Holding	2,090
	50,847

Company	Valuation £'000
Consumer Discretionary	
Wendy's	4,160
BJ's Wholesale Club	3,904
Planet Fitness	3,901
IAA	3,624
Driven Brands	3,512
Monarch Casino & Resort	3,368
Bright Horizons Family Solutions	3,278
Acushnet	2,709
Malibu Boats	2,702
LCI Industries	2,471
National Vision	2,442
Carter's	2,200
Leslie's	2,001
	40,272
Technology	
Power Integrations	4,525
Novanta	3,740
Envestnet	3,517
MACOM Technology Solutions	3,348
Allegro MicroSystems	3,080
Clearwater Analytics	2,954
Guidewire Software	2,697
Paycor HCM	2,401
Q2	2,183
Workiva	2,013
Xometry	1,791
nLight	1,691
Definitive Healthcare	1,558
	35,498
Health Care	
Encompass Health	4,792
ICU Medical	3,794
HealthEquity	3,574
Agiliti	2,945
ModivCare	2,662
QuidelOrtho	2,509
Envista	2,470
Azenta	2,359
Neogen	2,343
Progyny	2,307
Certara	2,263
Syneos Health	2,145
	34,163

List of investments

List of investments continued

At 31st December 2022

Company	Valuation £'000
Real Estate	
EastGroup Properties	3,928
Ryman Hospitality Properties	3,430
National Retail Properties	3,175
Cushman & Wakefield	3,141
Outfront Media	2,931
	16,605
Basic Materials	
Quaker Chemical	3,693
RBC Bearings	3,633
Valvoline	3,423
Ecovyst	2,835
Perimeter Solutions	2,103
	15,687
Utilities	
Casella Waste Systems	3,705
Portland General Electric	3,526
NorthWestern	3,109
	10,340
Consumer Staples	
Primo Water	4,029
Utz Brands	2,872
Freshpet	1,348
	8,249
Energy	
Shoals Technologies	255
	255
Total Investments	**291,723**

Business Review

The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company during the year under review. To assist shareholders with this assessment, the Strategic Report sets out the objective and strategy of the Company, structure of the Company, its investment policies and risk management, investment restrictions and guidelines, performance, total return, revenue and dividends, key performance indicators, share capital, Board diversity, employees, social, community and human rights issues, principal and emerging risks and how the Company seeks to manage those risks, and finally its long term viability. The Section 172 statement on pages 30 and 31 (Directors' Duties/Promoting the Success of the Company) forms part of this Strategic Report.

The Company's purpose, values, strategy and culture

The purpose of the Company is to provide a cost effective, financially sustainable investment vehicle for investors who seek long term capital growth from a portfolio of US smaller companies, which outperforms its benchmark index over the longer term, taking account of wider considerations, including environmental, social and governance issues. To achieve this, the Board of Directors is responsible for employing and overseeing an investment management company that has appropriate investment expertise, resources and controls in place to meet the Company's investment objective. To ensure that it is aligned with the Company's purpose, values and strategy, the Board comprises Directors from a diverse background who have a breadth of relevant experience and contribute in an open boardroom culture that both supports and challenges the Manager and other third party suppliers. For more information, please refer to page 33.

Investment Objective

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

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

Strategy of the Company

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

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

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

Structure of the Company

The Company is subject to UK and European legislation and regulations including UK company law, UK Financial Reporting Standards, the UK Listing, Prospectus, Disclosure Guidance and Transparency Rules, the AIFMD, the Market Abuse Regulations, taxation law and the Company's own Articles of Association.

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

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 7 to 9, and in the Investment Managers' Report on pages 10 to 12.

Investment Policies and Risk Management

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

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

Business Review

Investment Restrictions and Guidelines

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

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

Monitoring of Compliance

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

Performance

In the year to 31st December 2022, the Company's total loss to shareholders was 15.7% and the total loss on net assets was 8.2%. This compares with the total loss on the Company's benchmark of 10.6%. As at 31st December 2022, the value of the Company's investment portfolio was £291.7 million. The Investment Managers' Report on pages 10 to 12 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 loss for the year amounted to £21,259,000 (2021: return of £47,021,000). Net loss after deducting the management fee, administrative expenses, finance costs and taxation, amounted to £25,026,000 (2021: return of £43,529,000).

The Directors recommend a final dividend of 2.5 pence (2021: 2.5 pence) per share payable on 19th May 2023 to shareholders on the register at the close of business on 21st April 2023. No other dividends were paid in respect of the year. The revenue reserve after the payment of the dividend will amount to £923,000.

Key Performance Indicators (KPIs)

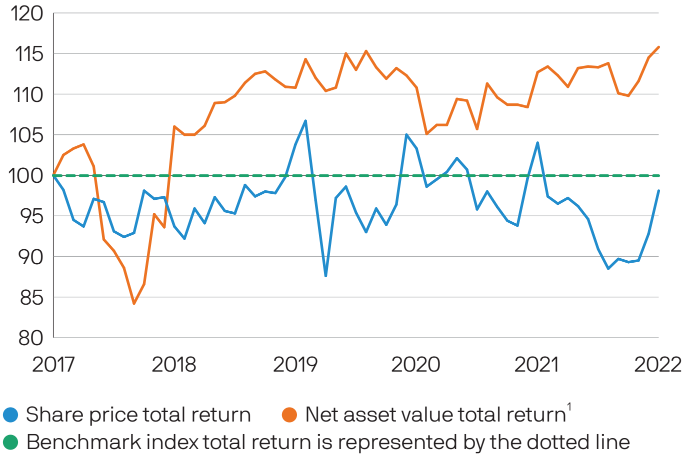
The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

- **Performance against the benchmark index**

  This is the most important KPI by which performance is judged. Information on the Company's performance is given in the Chairman's Statement and the Investment Managers' Report.

Performance Relative to Benchmark Index

Figures have been rebased to 100 at 31st December 2017

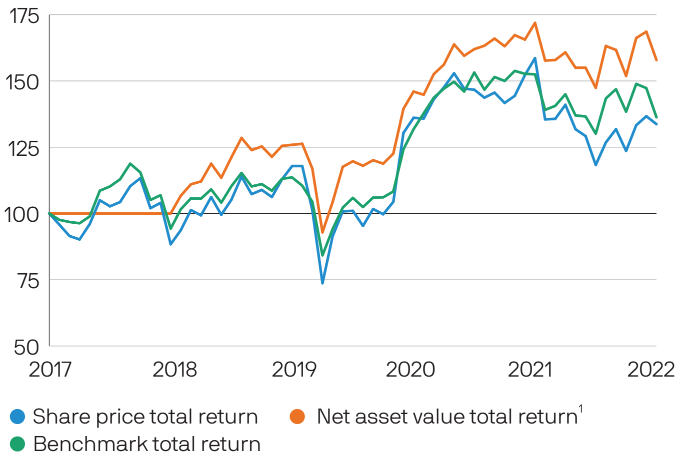


Source: Morningstar/Russell.

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

Five Year Performance

Figures have been rebased to 100 as at 31st December 2017



Source: Morningstar/Datastream (total return).

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

- **Performance against the Company's peers**

  The principal objective is to achieve capital growth and outperformance relative to the benchmark. The Board also monitors the performance relative to a broad range of competitor funds via reporting included in the papers for the regular Board meetings held during the year.

- **Performance attribution**

  The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark, i.e. to understand the impact on the Company's relative performance of the various components such as sector selection and stock selection. Details of the attribution analysis for the year ended 31st December 2022 are given in the Investment Managers' Report on page 11.

Premium/(Discount) Performance

Source: Morningstar.

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

  The Board operates a share issuance and share repurchase programme which seeks to address imbalances in supply of and demand for the Company's shares within the market. This aims to manage both discount volatility and the level of discount in absolute terms and relative to its peers in the sector. In the year to 31st December 2022, the shares traded between a discount of –4.0% and –14.9% and an average discount of –9.3% (based on month-end data). Further details of the Company's share capital can be found below in this Strategic Report.

- **Ongoing charges**

  The ongoing charges represent the Company's management fee and all other operating expenses excluding finance costs, expressed as a percentage of the average of the daily net assets during the year. The ongoing charges for the year ended 31st December 2022 are 0.95% (2021: 0.99%). Further details can be found on page 87. The Board reviews the ongoing charges of the Company regularly and on an annual basis compares them against other companies with similar investment objectives and policies.

Share Capital

The Company has authority to both repurchase shares in the market for cancellation or to hold in Treasury and to issue new shares in the market for cash at a premium to net asset value. The Directors re-issue shares held in Treasury only at a premium to net asset value per share.

During the year, the Company did not repurchase (2021: nil) any shares for cancellation. The Company repurchased a total of 760,643 (2021: 225,000) ordinary shares into Treasury representing 1.2% of the issued share capital as at 31st December 2022. However, 125,000 ordinary shares were reissued from Treasury (2021: 100,000), and 75,000 new shares were issued during the year (2021: 5,461,883). Further details, including the nominal value of these movements, the total proceeds received and the total consideration paid, for these transactions can be found in notes 14 and 15 on page 68. The Board will only issue shares in such a way that it would not be dilutive to existing shareholders.

Since the year end and as at 17th March 2023, the last practicable date before the publication of this document, the Company has repurchased a further 109,821 shares into Treasury. The Company has not issued any additional shares from Treasury or new ordinary shares under its ordinary share block listing facility.

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

Board Diversity

At 31st December 2022, there were three male Directors and two female Directors on the Board.

When recruiting a new Director, the Board's policy is to appoint individuals on merit. Diversity is important in bringing an appropriate range of skills and experience to the Board. When completing a review of the skills and experience of Directors, the Board feels that Directors are equipped with the necessary attributes required for the sound stewardship of the Company and that their diverse knowledge sets allow for lively and engaging debates. Please refer to page 39 for more information on the workings of the Nomination Committee.

The Board's policy on diversity, including gender, is to take account of the benefits of this during the appointment process. The Board remains committed to appointing the most appropriate candidate and complies with the Hampton-Alexander recommendation of having 33% female representation on the Board (the figure is currently 40% for this Company). The Nomination Committee is cognisant of the

Business Review

Davies and Hampton-Alexander reviews, as well as the Parker Review recommendations and the FCA's guidance announced in April 2022 on diversity and inclusion on company boards. The Board currently complies with the recommendations of all these reviews.

Employees, Social, Community and Human Rights Issues

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

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

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

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

A comprehensive ESG statement is included on pages 13 to 16.

Greenhouse Gas Emissions

The Company is managed by JPMF with Portfolio Management delegated to JPMAM. It has no employees and all of its Directors are Non-executive, the day to day activities being carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Company itself has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint and therefore it qualifies as a low energy user and is exempt from reporting under the Streamlined Energy & Carbon Reporting requirements. The Board notes the JPMAM policy statements in respect of Social, Community and Environmental and Human Rights issues and Greenhouse Gas Emissions and that JPMAM, is a signatory to the Carbon Disclosure Project and JPMorgan Chase is a signatory to the Equator Principles on managing social and environmental risk in project finance. For more information, please see page 16 of the ESG report.

The Modern Slavery Act 2015 (the 'MSA')

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

Corporate Criminal Offence

The Company maintains zero tolerance towards tax evasion. Shares in the Company are purchased through intermediaries or brokers, therefore no funds flow directly into the Company. As the Company has no employees, the Board's focus is to ensure that the risk of the Company's service providers facilitating tax evasion is also low. To this end it seeks assurance from its service providers that effective policies and procedures are in place.

Principal and Emerging Risks

The Directors confirm that they have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. With the assistance of JPMF, the Audit Committee has drawn up a risk matrix, which identifies the key risks to the Company. These are reviewed and noted by the Board and the Board undertakes further work and engages with the Manager where necessary. The risks identified and the broad categories in which they fall, and the ways in which they are managed or mitigated are summarised below. The AIC Code of Corporate Governance requires the Audit Committee to put in place procedures to identify emerging risks. The key emerging risks identified are also summarised below.

Principal risk	Description	Mitigating activities
Investment Management and Performance		
Underperformance	Poor implementation of the investment strategy may lead to underperformance against the Company's benchmark index and peer companies.	A broadly diversified portfolio of equities is managed in line with Board-approved investment restrictions and guidelines. Investments are monitored and reported on by the Manager who provides the Board with regular information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Managers, who participate at all Board meetings, and reviews data which show statistical measures of the Company's risk profile. The Investment Managers employ the Company's gearing within a strategic range set by the Board. In addition to regular Board reviews of investment strategy, the Board holds a separate meeting devoted to strategy each year.
Market and Economic Risk	Market risk arises from uncertainty about the future prices of the company's investments, which might result from economic, fiscal and regulatory change, including the continuing impact of COVID–19 and possibly further variants and will weigh on recovery as economies try to emerge from the pandemic. At present market risk is heightened due to various risks mentioned in the Chairman and Managers' reports, for example, fear of sustained inflation, interest rate rises and continuing supply chain issues. The mid-term elections may also cause some increased volatility. Geopolitical risks will also affect the market and are currently heightened due to the war in Ukraine and tensions with China. The war in Ukraine has caused volatility in the market and increased energy costs and is likely to continue to disrupt global markets for some time.	This risk is managed to some extent by diversification of investments and by regular communication with the Manager on matters of investment strategy and portfolio construction which will directly or indirectly include an assessment of these risks. The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines, which are monitored and reported on by the Manager. The Board monitors the implementation and results of the investment process with the Manager.
Discount Control Risk	Investment trusts shares often trade at discounts to their underlying NAV; they can also trade at a premium. Discounts and premiums can fluctuate considerably leading to volatile returns for shareholders.	The Board monitors the share price against the absolute and sector relative premium/discount levels. The Board reviews sales and marketing activity and sector relative performance, which it believes are the primary drivers of the relative premium/discount level. The Company has authority to buy back its existing shares or issue new shares to enhance the NAV per share for remaining shareholders when deemed appropriate.

Principal and Emerging Risks

Principal risk	Description	Mitigating activities
Investment Management and Performance		
Shareholder Demand	Certain buyers within the sector will only consider investing into an investment trust where its AUM is over a certain level; the Company's AUM currently stands below these levels.	The Board reviews sales and marketing activity and it also receives regular feedback via the Manager's sales team from both existing and prospective shareholders.
Loss of Investment Team or Portfolio Manager	A sudden departure of the Investment Managers, or several members of the investment management team could result in a short term deterioration in investment performance.	The Board seeks assurance that the Manager takes steps to reduce the likelihood of such an event by ensuring appropriate succession planning and the adoption of a team-based approach, as well as special efforts to retain key personnel. The Board engages with the senior management of the Manager in order to mitigate this risk.
Operational Risks		
Outsourcing	Disruption to, or failure of, the Manager's accounting, dealing or payments systems or the Registrar, Depositary or Custodian's records may prevent accurate reporting and monitoring of the Company's financial position or a misappropriation of assets.	Details of how the Board monitors the services provided by JPM and its associates and the key elements designed to provide effective risk management and internal control are included within the Risk Management and Internal Controls section of the Corporate Governance Statement on pages 40 and 41. The Manager has a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption (including disruption resulting from a pandemic). Directors have received evidence that the Manager and its key third party service providers have business continuity plans in place and that these are regularly tested. The response to the restrictions imposed during the COVID-19 pandemic gives assurance that the controls are in place and that the Manager and the service providers are working as expected.
Cyber Crime	The threat of cyber attack, in all guises, is regarded as at least as important as more traditional physical threats to business continuity and security.	The Company benefits directly and/or indirectly from all elements of JPMorgan's Cyber Security programme. The information technology controls around physical security of JPMorgan's data centres, security of its networks and security of its trading applications, are tested by independent auditors and reported every six months against the AAF Standard. The Company and the Manager have evidence from the major service providers that they have procedures in place to maintain the best practices in the fight against cybercrime and to ensure business resiliency.

Principal and Emerging Risks

Principal risk	Description	Mitigating activities
Corporate Governance		
Statutory and Regulatory Compliance	Failure to comply with relevant statute law or regulation may have an impact on the Company both in terms of fines and in terms of its ability to continue to operate. Also, the Company's business model could become non-viable as a result of new or revised rules or regulations arising from, for example, policy change or political impact.	The Board relies on the services of its Company Secretary, the Manager and its professional advisers to ensure compliance with the Companies Act 2006, the UKLA Listing Rules, DTRs, MAR and AIFMD. Details of the Company's compliance with Corporate Governance best practice, are set out in the Corporate Governance Statement on pages 21 and 36. The Board receives regular reports from its broker, depositary, registrar and Manager as well as its legal advisers and the Association of Investment Companies on changes to regulations which could impact the Company and its industry. The Company monitors events and relies on the Manager and its key third party providers to manage this risk by preparing for any changes.
Environmental		
Climate Change	Climate change has become one of the most critical issues confronting companies and their investors. Climate change can have a significant impact on the business models, sustainability and even viability of individual companies, whole sectors and even asset classes.	The Board receives ESG reports from the Manager on the portfolio and the way ESG considerations are integrated into the investment decision-making, so as to mitigate risk at the level of stock selection and portfolio construction. As extreme weather events become more common, the resiliency, business continuity planning and the location strategies of the Company's services providers will come under greater scrutiny.
Emerging risk	**Description**	**Mitigating activities**
Political and Economic	Political issues and changes in financial or tax legislation in the UK or the US may lead to changes to the operating model of the Company and/or reduce the appeal of the Company to shareholders.	The Manager monitors events and makes recommendations to the Board on accounting, dividend and tax policies and the Board seeks external advice where appropriate.

Principal and Emerging Risks

Emerging risk	Description	Mitigating activities
Global Pandemics	The outbreak and spread of COVID-19 has highlighted the speed and extent of economic damage that can arise from a pandemic. Should a new form of the virus or another pandemic emerge that spreads more aggressively or is more virulent, it may present risks to the operations of the Company, its Manager and other major service providers.	Time after time, markets have recovered, albeit over varying and sometimes extended time periods, and so the Board does have an expectation that the portfolio's holdings will not suffer a material long-term impact and should recover. The Board receives reports on the business continuity plans of the Manager and other key service providers. The effectiveness of these measures have been assessed throughout the course of the COVID-19 pandemic and the Board will continue to monitor developments as they occur and seek to learn lessons which may be of use in the event of future pandemics. Should the virus become more virulent than is currently the case, it may present risks to the operations of the Company, its Manager and other major service providers. Should efforts to control a pandemic prove ineffectual or meet with substantial levels of public opposition, there is the risk of social disorder arising at a local, national or international level. Even limited or localised societal breakdown may threaten both the ability of the Company to operate, the ability of investors to transact in the Company's securities and ultimately the ability of the Company to pursue its investment objective and purpose.
Market Risk	Inappropriate Government/Central banks fiscal or monetary responses to the debt burden arising from the COVID-19 stimulus packages combined with inflation, the potential of stagflation, economies threatened by recession and the unknown consequences of the war in Ukraine could lead to material adverse movements in asset prices. These factors, in the long term, could also render the Company's objectives and policies unachievable.	The Manager's market strategists are available for the Board and can discuss market trends. External consultants and experts can be accessed by the Board. The Board can, with shareholder approval look to amend the investment policy and objectives of the Company, if required, to enable investment in companies or assets which offer more appealing risk/return characteristics in prevailing economic conditions.
Ongoing shareholder demand	Competing investment vehicles (e.g. ETFs) or new investment technologies may render the Company's shares unappealing to shareholders.	The Manager has a dedicated investment trust sales team that works closely with the Company's broker as well as current and prospective shareholders. Regular meetings are held with shareholders to try to ensure continued demand/interest. Both the Manager and the broker submit a sales activity report to each Board meeting and are available to discuss any issues throughout the year. In addition, the Manager's marketing team has focused on marketing more effectively to retail shareholders which represent a vast majority of the Company's shareholder base.

Long Term Viability

The Company is an investment trust with an objective of achieving capital growth from investing in US smaller companies. The Company enjoys the benefit of the closed ended structure and is therefore better able to withstand market movements since it is not subject to forced liquidation of investments due to sudden or large redemptions by shareholders.

The Board notes by way of context that the Company has invested through many difficult economic and market cycles since its incorporation in 1955. The Board is cognisant of the unusually high levels of political, economic and market uncertainty being experienced at the current time and its potential impact on the prospects of many of the Company's portfolio holdings. This includes the continuing war in Ukraine and the political tensions between the US and China. Notwithstanding this crisis, given the factors stated below, the Board expects the Company to continue for the foreseeable future and has conducted its assessment for a period of five years.

In conducting its assessment of the long term viability of the Company, the Board has taken account of the Company's current financial position, its debt level and debt covenants, the liquidity of its holdings as well as the principal and emerging risks that it faces (see page 25), the investment capabilities of the Manager, the Manager's historic longer term investment performance and the current outlook for the US economy and its equity markets.

The Board has further considered the mitigation measures which key service providers, including the Manager, have in place to maintain operational resilience.

In addition to the above, the Company has carried out stress testing of a number of scenarios where the Company might be put under significant stress due to market volatility. This included modelling the impact of substantial market falls and testing portfolio liquidity under stress. The results demonstrated the impact on the Company's NAV, its expenses, its debt levels and the covenants attached to that debt as well as the Company's ability to meet its liabilities. In even the most stressed scenario, the Company was shown to have sufficient cash, or to be able to liquidate a sufficient portion of its listed holdings, in order to meet its liabilities as they fall due. See notes 13 and 14 on pages 67 and 68.

In determining the appropriate period of assessment the Directors had regard to their view that, given the Company's objective of achieving capital growth, shareholders should consider the Company as a long term investment proposition. This is consistent with advice provided by independent financial advisers and wealth managers, that investors should consider investing in equities for a minimum of five years. The Directors also take account of the inherent uncertainties of equity markets and the existence of a continuation vote every five years. As a result of all these deliberations, the Directors consider five years to be an appropriate time horizon to assess the Company's viability.

The Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation, subject to shareholders voting in favour of continuation at the AGM in 2025, and meet its liabilities as they fall due over the next five years until 31st December 2027. This reasonable expectation is subject to there being no significant adverse change to the regulatory or taxation environment for investment trusts; and subject to there being no sustained adverse investment performance by the current or any successive Investment Managers, that may result in the Company not being able to maintain a supportive shareholder base.

Duty to Promote the Success of the Company

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

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

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

Stakeholder Engagement

Shareholder Engagement

Continued shareholder engagement is critical to the continued existence of the Company and the successful delivery of its long term strategy. The Board is focused on fostering and maintaining good working relationships with shareholders and understanding the views of shareholders in order to incorporate them into the Board's strategic thinking and objectives. Commentary from shareholders is reviewed on a regular basis and if considered necessary, major shareholders are offered the opportunity to meet with the Chairman.

Manager

The principal supplier is the Manager, in particular the investment management team who are responsible for managing the Company's assets in order to achieve its stated investment objective. The Board maintains a good working relationship with the Manager, who also provides administrative support and promotes the Company through its investment trust sales and marketing teams. The Board monitors the Company's investment performance at each Board Meeting in relation to its objective and also to its investment policy and strategy. The Board also maintains strong lines of communication with the Manager via its dedicated company secretary and client director whose interactions extend well beyond the formal business addressed at each Board and Committee meeting. This enables the Board to remain regularly informed of the views of the Manager and the Company's shareholders (and vice versa).

Investee companies

The Board is committed to responsible investing and actively monitors the activities of investee companies through its delegation to the Manager. In order to achieve this, the Manager has discretionary powers to exercise voting rights on behalf of the Company on all resolutions proposed by the investee companies. In respect of the year under review, the Manager engaged with many of its investee companies and voted at all of the annual general meetings and extraordinary meetings held during the year by the Company's portfolio companies (full details can be found in the ESG report on page 15). The Board monitors investments made and divested and questions the Manager's rationale for exposures taken and voting decisions made.

Other key service providers

The Board ensures that it promotes the success of the Company by engaging specialist third party suppliers, with appropriate capability, performance records, resources and controls in place to deliver the services that the Company requires for support in meeting relevant obligations and safeguarding the Company's assets. For this reason, the Board considers the Company's Custodian, Depositary, Registrar, Auditor and Broker to be stakeholders. The Board maintains regular contact with its key external service providers, either directly, or via its dedicated company secretary or client director, and receives regular reporting from these providers at Board and Committee meetings. The Management Engagement Committee meets annually to review and appraise its key service providers.

Duty to Promote the Success of the Company

Stakeholder Engagement

Wider society and the Environment

Whilst strong long term investment performance is essential for an investment trust, the Board recognises that to provide an investment vehicle that is sustainable over the long term, both it and the Manager must have regard to ethical and environmental issues that impact society. Hence environmental, social and governance (ESG) considerations are integrated into the Manager's investment process and will continue to evolve. Further details of the Manager's integrated approach to ESG can be found on pages 13 to 16.

During the year, the Manager became a signatory to the UK Stewardship Code. This reflects the Manager's commitment to stewardship responsibilities and to drive positive corporate change and industry developments to benefit not only the Company but also the environment and wider society over the long-term.

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

Key Decisions and Actions

Dividends Payable to Shareholders

Although the Company's objective is to deliver capital growth, the level of dividends paid are a key consideration for the Board, given the ongoing demand for income. In the Company's financial year ended 31st December 2022, the Company's revenue for the year, after expenses and tax, decreased from the prior year by 4.1%. The Board has declared a final dividend of 2.5 pence per share.

Succession Planning

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

Increasing the Profile of the Company

It is important that the Company remains front of mind with both institutional and retail investors. The Board employs Kepler to provide research notes for the Company twice a year. In addition, the Investment Managers also use webcasts and speak at video conferences, organised by brokers and external companies. The Company's website is also in the process of being enhanced.

The Board has also engaged a third party to refine the Company's key attributes and attractions, alongside the development of a marketing plan to raise awareness of the Company amongst existing and potential shareholders. The Board continues to encourage the Manager to enhance its sales, marketing and PR efforts, having initiated a series of new promotional activities over 2022 and more in 2023 to raise awareness of the Company.

Borrowings and Gearing

The Board, with discussion with the portfolio managers, regularly reviews the Company's debt position. This process includes identifying the need for finance, the type of finance and the parties to work with. This leads to pricing and term discussions including covenants with the selected debt provider. The Company, through its Manager, maintains the relationship and continued engagement with the debt provider which includes regular debt compliance reporting.

Key Decisions and Actions

Miscellaneous

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

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

20th March 2023

Board of Directors

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

A Director since 2015.

Last reappointed to the Board: 2022.

He is a certified accountant with over 46 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 Global Opportunities Trust and CT Property Trust Ltd.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 25,000.

Shefaly Yogendra (Chairman of the Remuneration Committee)

A Director since 2016.

Last reappointed to the Board: 2022.

She is a risk and decision-making specialist and has spent her career working with technology investors and startups. She earlier worked in Ditto AI and HCL Technologies, and was a founder and a director of Livyora, a fine jewellery venture. She was previously a Trustee of BeyondMe and an Executive Director of Ditto AI. She is currently a Director of Harmony Energy Income Trust plc, Temple Bar Investment Trust plc and Witan Investment Trust plc, and an Independent Governor of London Metropolitan University.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 1,000.

Christopher Metcalfe (Senior Independent Director)

A Director since 2019.

Last reappointed to the Board: 2022.

He has extensive US equity fund management and investment trust experience. He also has a deep understanding of UK investors having worked for a decade each at three of the largest fund management institutions in London; namely in senior positions managing investment funds at Newton Investment Management, Schroder Investment Management and Henderson Administration Group plc. He currently is a Director of Aberdeen Smaller Companies Income Trust plc and Martin Currie Global Portfolio Trust plc.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 26,000.

Dominic Neary

A Director since 2019.

Last reappointed to the Board: 2022.

He managed US and global equity portfolios over his 20-year investment career, and has been involved with investment trusts throughout this time. He was previously a Director of the Value and Indexed Property Income Trust, the manager of The Scottish American Investment Company PLC and an investment manager at Baillie Gifford & Co., Edinburgh and numerous other investment institutions.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 9,750.

Mandy Donald (Chairman of the Audit Committee)

A Director since 2022.

Last appointed to the Board: 2022.

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

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

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: Nil.

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31st December 2022.

Management of the Company

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

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.

The Board, through the Management Engagement Committee, conducts a formal evaluation of the performance of, and contractual relationship with, the Manager on an annual basis. The evaluation covers the performance of, and contractual relationship with the Manager, its management processes, investment style, resources and risk controls and the quality of support that the Company receives from the Manager including the marketing support provided. As part of this process and under normal circumstances, the Board completes a due diligence visit of the Manager's operations in New York each year. As a result of the evaluation process, the Board confirms that it is satisfied that the continuing appointment of the Manager, on the terms agreed, is in the interests of shareholders as a whole.

The Alternative Investment Fund Managers Directive (AIFMD)

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

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

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

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

The Company's leverage and JPMF's remuneration disclosures are set out on pages 79 and 80.

Management Fee

In the year under review, the annual investment management fee was 70 bps per annum on all gross assets (excluding any holding in the JPM Liquidity Fund).

Prior to 1st January 2022, the Manager received a management fee of 90bps of the Company's gross assets (excluding any holding in the JPM Liquidity Fund) up to £100 million, and 75bps of the Company's gross assets (excluding any holding in the JPM Liquidity Fund) thereafter.

Directors

The Directors of the Company who held office at the date of this report are detailed on page 33.

Details of Directors' beneficial shareholdings may be found in the Directors' Remuneration Report on page 47. No changes have been reported to the Directors' shareholdings since the year end.

In accordance with corporate governance best practice, all Directors will retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for reappointment by shareholders. The Chairman of the Nomination Committee, having considered their qualifications, performance and contribution to the Board and committees, confirms that each Director continues to be effective and demonstrates commitment to the role, and the Board recommends to shareholders that those standing for reappointment be reappointed. Statements supporting the Directors' reappointments can be found on page 37.

Director Indemnification and Insurance

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

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

Directors' Report

Disclosure of information to Auditor

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

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

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

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

Independent Auditor

BDO LLP was appointed as Auditor of the Company with effect from 19th August 2020. BDO LLP has expressed its willingness to continue in office as Auditor to the Company and the Board has proposed a resolution in the Notice of the Company's Annual General Meeting to be held on 24th April 2023 proposing the reappointment of BDO LLP, to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company and authorising the Directors to determine their remuneration. Further details may be found in the Audit Committee Report on page 43.

Companies Act 2006 Requirements

The following disclosures are made in accordance with Section 992 Companies Act 2006:

Capital Structure

The Company's capital structure is summarised on the inside front cover of this report. Details of share repurchases have been disclosed in the Strategic Report on page 23.

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in note 17 to the Notice of Annual General Meeting on page 85.

Dividends

Details of the Company's dividend payments are given on page 22.

Financial Instruments

Details of the Company's financial instruments are given in note 21 of the financial statements.

Notifiable Interests in the Company's Voting Rights

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

Shareholders	Number of voting rights	%[1]
Rathbone Brothers PLC	6,505,747	9.9
1607 Capital Partners LLC	3,241,563	5.0
RBC Brewin Dolphin	2,776,245	4.8

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

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

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

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

Listing Rule 9.8.4R

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

Annual General Meeting

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

Corporate Governance Statement

The notice covering the Annual General Meeting of the Company to be held on Monday 24th April 2023 is given on pages 82 to 85.

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

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

The Directors will seek authority at the Annual General Meeting to issue up to 6,463,580 new ordinary shares for cash up to an aggregate nominal amount of £161,589, such amount being equivalent to 10% of the present issued share capital (excluding Treasury shares, if any). This authority will expire at the Annual General Meeting in 2024 unless renewed at a prior general meeting.

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

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

In addition to any authorities granted by resolutions 12 and 13 above, the Directors will seek renewal of the authority at the AGM to issue new Ordinary shares for cash on a non pre-emptive basis up to an aggregate nominal amount of £161,589 such amount being equivalent to 10% of the present issued Ordinary share capital (excluding Treasury shares) as at the last practicable date before the publication of the Notice of Meeting. This authority will expire at the conclusion of the Company's AGM in 2024 unless renewed at a prior general meeting.

The full text of the resolutions 12 to 15 is set out in the Notice of Annual General Meeting on pages 82 and 83. If each of resolutions 12 to 15 are passed, the Company will have the ability to issue, on a non pre-emptive basis, up to 20% of its issued share capital (excluding shares held in Treasury) as at 20th March 2023.

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

At the Annual General Meeting held on 25th April 2022, 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 24th October 2023 and could be renewed by shareholders at any time at a General Meeting of the Company. The Board remains committed to a strong/disciplined discount management policy, but there is a need to balance the short term of buying shares back for cancellation or holding in Treasury with the long term liquidity implications. It will seek shareholder approval to renew the authority at the forthcoming Annual General Meeting.

The full text of the resolution (to be proposed as a special resolution) to renew the share repurchase authority is set out as Resolution number 16 in the Notice of Meeting on page 83.

Recommendation (resolutions 12 to 16)

The Board considers that resolutions 12 to 16 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 61,750 shares representing approximately 0.1% of the voting rights in the Company.

Other Information

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

Corporate Governance Statement

Compliance

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

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

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

Role of the Board

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

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

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

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

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

Board Composition

At the financial year-end, the Board consisted of five non-executive Directors, chaired by David Ross, all of whom are regarded by the Board as independent of the Company's Manager, including the Chairman.

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 page 33.

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

A review of Board composition and balance is included as part of the annual performance evaluation of the Board. The Senior Independent Director, Christopher Metcalfe, who took over from Julia Le Blan following her retirement, 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.

Reappointment of Directors

The Directors of the Company and their brief biographical details are set out on page 33. The skills and experience that each Director brings to the Board, and hence why their contributions are important to the long term success of the Company, are summarised below. All Directors will stand for reappointment at the Annual General Meeting.

For details of current directorships, please refer to page 33 of the Report.

Resolution 5 is for the reappointment of Mandy Donald. She joined the Board in January 2022 and has served as a Director for one year. Mandy is a Chartered Accountant and has extensive experience in audit and risk management. She chairs the Audit Committee.

For details of current directorships, please refer to page 33 of the Report.

Resolution 6 concerns the reappointment of Christopher Metcalfe. He joined the Board in January 2019 and has served for four years as a Director. Christopher has extensive US equity management and investment trust experience. He is the Senior Independent Director.

For details of current directorships, please refer to page 33 of the Report.

Resolution 7 concerns the reappointment of Dominic Neary. He joined the Board in January 2019 and has served for four years as a Director. Dominic has managed US and global equity portfolios over his 21-year investment career, and has been involved with investment trusts throughout this time.

For details of current directorships, please refer to page 33 of the Report.

Resolution 8 concerns the reappointment of David Ross. He joined the Board in March 2015 and has served for eight years as a Director. David is a certified accountant with over 46 years in the investment industry. He is Chairman of the Board, and also the Chair of the Nomination Committee and Management Engagement Committee.

For details of current directorships, please refer to page 33 of the Report.

Resolution 9 concerns the reappointment of Shefaly Yogendra. She joined the Board in November 2016 and has served for six years as a Director. Shefaly is a risk and decision-making specialist and has spent her career working with technology investors and start-ups. She chairs the Remuneration Committee.

For details of current directorships, please refer to page 33 of the Report.

Corporate Governance Statement

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

Tenure

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

The Board believes in regular refreshment of the Board and its Committees and in the benefits of having a diverse range of experience, skills, length of service and backgrounds (see our diversity policy on pages 23 and 24).

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

We note that all of the current Board has served for less than nine years as required by the 2019 AIC Code.

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

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

Induction and Training

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

Meetings and Committees

The Board delegates certain responsibilities and functions to committees. Details of membership of committees are shown with the Directors' profiles on page 33. All Directors are members of the Committees.

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

Director	Board Meetings Attended	Audit Committee Meetings Attended
M Donald[1]	6	2
J Le Blan[2]	3	1
C Metcalfe	6	2
D Neary[3]	5	1
D Ross[4]	6	2
S Yogendra	6	2

Director	Nomination Committee Meetings Attended	Remuneration Committee Meetings Attended	Management Engagement Committee Meeting Attended
M Donald[1]	1	1	1
J Le Blan[2]	1	1	1
C Metcalfe	1	1	1
D Neary	1	1	1
D Ross	1	1	1
S Yogendra	1	1	1

[1] Appointed on 4th January 2022.
[2] Retired on 25th April 2022.
[3] Unable to attend Board and Audit Committee meetings in March 2022 due to a family bereavement.
[4] David Ross is not a member of the Audit Committee but he is invited to attend meetings.

As well as the formal meetings detailed above, the Board communicates frequently by email or telephone to deal with matters as they arise. In addition, there was regular contact between the Directors and the Manager and Company Secretary throughout the year.

Board Committees

Nomination Committee

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

At 31st December 2022, there were two female Directors and three male Directors on the Board. The Company has no employees. The Board's policy on diversity is based on its belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds, including but not limited to gender diversity. The policy is always to appoint individuals on merit and there will be no discrimination on the grounds of gender, race, ethnicity, religion, sexual orientation, age or physical ability. The overriding aim of the policy is to ensure that the Board is composed of the best combination of people for ensuring the delivery of investment outperformance for shareholders over the long term. The current Directors have a range of business, financial and asset management skills as well as experience relevant to the direction and control of the Company. Brief biographical details of the members of the Board are shown on page 33.

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

Questionnaires, drawn up by Lintstock, with the assistance of the Board and the Manager, were completed by each Director. The responses are collated and then discussed by the Committee. The evaluation of the Chairman is led by the Chairman of the audit committee. The responses are collated and then discussed by the Committee.

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

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. There were no actual or indirect interests of a Director which conflicted with the interests of the Company, which arose during the year.

Remuneration Committee

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

Management Engagement Committee

The Management Engagement Committee, chaired by David Ross, consists of all the Directors, and meets at least annually to review the performance of the Manager, review the performance of other third party suppliers, consider Management fee levels, to review the notice period that the Board has with the Manager and to make recommendations to the Board.

Audit Committee

The report of the Audit Committee, which is chaired by Mandy Donald, is set out on pages 42 and 43.

Terms of Reference

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

Going Concern

The Directors' statement on going concern is detailed on page 43.

Relations with Shareholders

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

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

During the year the Company's broker and the Manager held regular discussions with larger shareholders. The Directors are made fully aware of their views. In addition, on a regular basis the Board invites the Company's brokers, who are independent of the manager, to present to the Directors and

Corporate Governance Statement

also asks them to canvass shareholder views when appropriate. Through them, the Board not only receives an independent and well informed report on shareholder views, but also is able to offer shareholders meetings with the Chairman or the Directors as and when required to address any queries. The Directors may be contacted through the Company Secretary whose details are shown on page 89 or via the Company's website. All communications from shareholders that are intended for the Board are forwarded in full directly to the Chairman for his response.

The Company's Annual Report and Financial Statements is published in time to give shareholders at least 20 working days' notice of the AGM. Shareholders wishing to raise questions in advance of the meeting are encouraged to submit questions via the Company's website or write to the Company Secretary at the address shown on page 89. A formal process is in place for all letters to the Chairman or other Directors to be forwarded immediately. As part of this process, any feedback from shareholders is also communicated to the Board.

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

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

Risk Management and Internal Control

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

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

Since investment management, custody of assets and all administrative services are provided to the Company by the Manager and its associates, the Company's system of risk management and internal control mainly comprises monitoring the services provided by the Manager and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company (see Principal and Emerging Risks on pages 25 to 28). This process has been in place for the year under review and up to the date of the approval of the annual report and financial statements and it accords with the Financial Reporting Council's guidance.

Given the foregoing, and in common with most investment trust companies, the Company does not have an internal audit function of its own. The Manager's internal audit department conducts regular and rigorous reviews of the various functions within its asset management business. Any significant findings that are relevant to the Company and/or the Manager's investment trust business are reported to the Board.

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

- **Financial Reporting**

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

- **Management Agreement**

  Appointment of a manager and custodian regulated by the FCA, whose responsibilities are clearly defined in a written agreement.

- **Management Systems**

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

- **Investment Strategy**

  Authorisation and monitoring of the Company's investment strategy and exposure limits by the Board.

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

  - the Board, through the Management Engagement Committee and Audit Committee, reviews the terms of the management agreement and receives regular reports from JPMorgan's Compliance department;
  - the Board reviews a report, which is also independently reviewed, on the internal controls and the operations of its custodian, JPMorgan Chase Bank;
  - the Board reviews every six months a report from the Company's Depositary, Bank of New York Mellon

(International) Limited, which summarises the activities performed by the Depositary during the reporting period; and

- the Board reviews every six months an independent report on the internal controls and the operations of JPMF's investment trust department.

Through the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended 31st December 2022 and to the date of approval of this Annual Report and Financial Statements.

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

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to the Manager.

The following as highlighted in italics, is a summary of JPMAM's policy statements on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board. Details on social and environmental issues are included in the Strategic Report on page 24.

Corporate Governance

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

Proxy Voting

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

Stewardship/Engagement

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

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

JPMAM is also committed to reporting more widely on our activities, including working to meet the practices laid out by the Financial Reporting Council ('FRC') in the UK Stewardship Code, to which JPMAM is a signatory.

JPMAM's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM's website:

https://am.jpmorgan.com/gb/en/asset-management/institutional/about-us/investment-stewardship/

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

20th March 2023

Audit Committee Report

Role and Composition

The Audit Committee, chaired by Mandy Donald, comprises all of the Directors (except for David Ross who attends by invitation) and meets at least twice each year. Mandy Donald took on the role of Chairman of the Audit Committee following the retirement of Julia Le Blan. 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 (Mandy Donald) of the Audit Committee has recent and relevant financial experience and that the Committee as a whole has competency relevant to the sector in which the Company operates.

The Committee reviews the actions and judgements of the Manager in relation to the Half Year, Annual Report and Financial Statements, formal announcements and the Company's compliance with the AIC Code. It examines the effectiveness of the Company's internal control systems. It monitors the Company's key risks and controls relating to those risks. It receives controls reports on the Manager, Depositary and the Custodian. It also receives information from the Manager's compliance department and reviews the scope and effectiveness of the external audit, and approves the external Auditor's remuneration and terms of engagement. The Audit Committee reviews the independence and objectivity of the Auditor and is satisfied that the Auditor is independent. The Audit Committee is also responsible for making recommendations to the main Board on the appointment, reappointment and removal of the external Auditor. It is also responsible for reporting any significant financial reporting issues to the Board and for providing review and challenge of key areas of judgement, including any assumptions used, in support of the going concern and Viability statements.

Financial Statements and Significant Accounting Matters

During its review of the Company's financial statements for the year ended 31st December 2022, the Audit Committee considered the following significant issues, including those communicated by the Auditor during their reporting:

Significant issue	How the issue was addressed
Valuation existence and ownership of investments	The valuation of investments is undertaken in accordance with the financial statements policies, disclosed in note 1 to the financial statements on page 61. Discussions have been held with the Manager about the valuation process, existence of the investments and the systems in place for the valuation of the Company's portfolio. The Company has appointed Bank of New York Mellon (International) Limited (BNY) as its depositary. BNY has appointed JPMorgan Chase Bank, N.A., as the Company's custodian. BNY remains responsible for the oversight of the custody of the Company's assets.
Recognition and completeness of investment income	The recognition and completeness of investment income is undertaken in accordance with accounting policy note 1(d) to the financial statements on page 61. The Board reviews the Manager's controls regarding the recognition of income and regularly reviews the Manager's report on the treatment of special dividends and agrees their accounting treatment.
Compliance with Sections 1158 and 1159	Approval for the Company as an investment trust under Sections 1158 and 1159 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis.
Calculation of management fee	The management fee is calculated in accordance with the Investment Management Agreement. The Board reviews the controls reports, expense schedules and the management fees payable to the Manager.
The risk that the global economic disruption and market volatility caused by the war in Ukraine, and geopolitical tensions between USA and China will affect the Company's ability to continue in operation due to the impact on the share price of portfolio companies or the ability of key service providers (including the Manager, the Depositary, the Custodian, the Fund Accountants, the Brokers and the Registrar) to maintain business continuity and continue to provide appropriate service levels.	The Audit Committee has reviewed the impact of market volatility related to the war in Ukraine and tensions between USA and China on the Company's portfolio and receives regular updates on portfolio performance from the portfolio manager. The Audit Committee has also reviewed recent portfolio liquidity and updated revenue and expense forecasts in light of the impact of market volatility on portfolio liquidity, revenue and market valuations and considers that the Company's business model remains viable and that the Company has sufficient resources to continue in operation and to meet all liabilities as they fall due. The Audit Committee has further reviewed the Company's borrowing facility and considers that the Company has continually met its financial covenants in respect of these facilities and has a wide margin before any relevant thresholds are reached. The Audit Committee is confident that the Company has appropriate controls and processes in place to manage the principal risks and uncertainties identified above and to maintain its operating model. The Audit Committee has received representations and updates from the Company's key service providers in respect of their business continuity plans and is confident that all such providers will be able to continue to provide the required level of service for the foreseeable future.

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

Audit Committee Report

Internal Audit

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

Going Concern

The Directors believe that having considered the Company's investment objective (see page 21), risk management policies (see pages 40 and 41), capital management policies and procedures (see pages 76 and 77), the nature of the portfolio and expenditure projections, the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements.
In particular, the Board has considered the ongoing impact of the war in Ukraine and the tensions between the USA and China and believes that this will have a limited financial impact on the Company's operational resources and existence. For these reasons, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the Company's financial statements. They have not identified any material uncertainties to the Company's ability to continue as a going concern.

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

1. that the adjusted asset value of the Company (calculated to exclude certain assets from the Company's net assets) exceed four times the value of the drawn gearing (adjusted asset value of £292.6 million represents 11.8x the value of the drawn gearing of £24.7 million as at 17th March 2023).
2. that the Company's net asset value does not fall below £140 million (net asset value of £267.9 million as at 17th March 2023).

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

Risk Management and Internal Control

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

The Directors' statement on the Company's system of internal control is set out on pages 40 and 41.

Auditor Appointment and Tenure

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

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

Representatives of the Company's Auditor attended the Audit Committee meeting at which the draft Annual Report and Financial Statements were considered and also engage with Directors as and when required. Having reviewed the performance of the external Auditor, including assessing the quality of work, timing of communications and work with the Manager, the Committee considered it appropriate to recommend their reappointment. The Board supported this recommendation which will be put to shareholders at the forthcoming Annual General Meeting. The Board reviews and approves any non-audit services provided by the independent auditors and assesses the impact of any non-audit work on the ability of the auditors to remain independent. No non-audit work was carried out by the Auditor this year. Details of the Auditor's fees paid for audit services are disclosed in note 6 on page 64.

Fair, Balanced and Understandable

Having taken all available information into consideration and having discussed the content of the Annual Report and Financial Statements with the AIFM, the Investment Managers, the Company Secretary and other third party service providers, the Committee has concluded that the Annual Report and Financial Statements for the year ended 31st December 2022, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 49.

By order of the Board
For and on behalf of the Board
Mandy Donald
Chairman of the Audit Committee

20th March 2023


ROY'S
VACANCY
MOTEL
CAFE
ROUTE
66

Directors' Remuneration Report

Introduction

The Board presents the Directors' Remuneration Report for the year ended 31st December 2022, 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 51.

Directors' Remuneration Policy

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

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

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

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

During the year under review, Directors' fees were paid at the following rates: £38,500 per annum for the Chairman; £32,500 per annum for the Chairman of the Audit Committee; and £27,500 per annum for each other Director. Following the retirement of Julia LeBlan on 25th April 2022, Christopher Metcalfe was appointed Senior Independent Director and paid a higher fee of £29,000 with immediate effect. On 1st January 2023 the Directors' fees were increased to the following rates: £41,000 per annum for the Chairman; £34,500 per annum for the Audit Committee Chairman; £31,000 per annum for the Senior Independent Director; and £29,000 per annum for each of the other Directors.

The Company's existing Articles of Association stipulate that aggregate Directors' fees must not exceed £250,000 per annum. Any increase in this the maximum aggregate amount requires both Board and shareholder approval. The total amount of Directors' fees paid in the year under review was £166,601.

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

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

The Directors do not have service contracts with the Company. The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for review at the Company's Annual General Meeting and the Company's registered office. Details of the Board's policy on tenure are set out on page 38.

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

Directors' Remuneration Policy Implementation

The Directors' Remuneration Policy Implementation Report, which includes details of the Directors' remuneration policy and its implementation, is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting. There have been no changes to the policy compared with the year ended 31st December 2021 and no changes are proposed for the year ending 31st December 2023.

At the Annual General Meeting held on 25th April 2022, of votes cast in respect of the Remuneration Policy, 99.9% of votes cast were in favour of (or granted discretion to the Chairman who voted in favour of) the remuneration policy and 0.1% voted against. In respect of the Remuneration Report, 99.7% of votes were cast in favour and 0.3% against.

Details of voting on both the Remuneration Policy and the Directors' Remuneration Policy Implementation Report from the 2023 Annual General Meeting will be given in the Annual Report for the year ending 31st December 2023.

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 2022 was £166,601.

Directors' Remuneration Report

The single total figure of remuneration for each Director is detailed opposite together with the prior year comparative.

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

Single Total Figure Table[1]

Directors' Name	2022 Fees £	2022 Taxable expenses[2] £	2022 Total £	2021 Fees £	2021 Taxable expenses[2] £	2021 Total £
Mandy Donald[3]	30,114	—	30,114	—	—	—
Julia Le Blan[4]	10,357	—	10,357	30,900	—	30,900
Christopher Metcalfe[5]	28,522	—	28,522	26,000	—	26,000
Dominic Neary	27,500	1,673	29,173	26,000	—	26,000
David Ross	38,500	2,435	40,935	37,000	842	37,842
Shefaly Yogendra	27,500	—	27,500	26,000	—	26,000
Total	**162,493**	**4,108**	**166,601**	**145,900**	**842**	**146,742**

[1] Audited information. Other subject headings for the single figure table as prescribed by regulation are not included because there is nothing to disclose in relation thereto.

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

[3] Appointed to the Board on 4th January 2022 and appointed as Audit Committee Chairman on 25th April 2022.

[4] Retired on 25th April 2022.

[5] Appointed as Senior Independent Director on 25th April 2022.

Annual Percentage Change in Directors' Remuneration

The following table sets out the annual percentage change in Directors' fees, excluding taxable expenses, for the year to 31st December 2022:

Directors' name	% change for the year to 31st December 2022	% change for the year to 31st December 2021	% change for the year to 31st December 2020
David Ross	4.1	13.5	31.7
Julia Le Blan[1]	n/a	—	—
Christopher Metcalfe[2]	9.7	—	5.1
Dominic Neary	5.8	—	5.1
Shefaly Yogendra	5.8	—	5.1
Mandy Donald[3]	n/a	n/a	n/a

[1] Retired on 25th April 2022.

[2] Assumed role of Senior Independent Director on 25th April 2022. This role pays a higher fee of £29,500 per annum.

[3] Appointed on 4th January 2022.

The requirements to disclose this information came into force for companies with financial years starting on or after 10th June 2019 and, as such, this is the third year the Company has disclosed this information. The comparison will be expanded in future annual reports until such time it covers a five year period.

A table showing the total remuneration for the Chairman over the five years ended 31st December 2022 is below:

Remuneration for the Chairman over the five years ended 31st December 2022

Year ended 31st December	Fees
2022	£38,500
2021	£37,000
2020	£37,000
2019	£37,000
2018	£36,000

Directors' Remuneration Report

Directors' Shareholdings[1]

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

Director	31st December 2022	31st December 2021
Mandy Donald[2]	nil	n/a
Julia Le Blan[3]	n/a	15,000
Christopher Metcalfe	26,000	26,000
Dominic Neary	9,750	9,750
David Ross	25,000	25,000
Shefaly Yogendra	1,000	1,000
Total	**61,750**	**76,750**

[1] Audited information.
[2] Appointed as a Director on 4th January 2022.
[3] Retired as a Director on 25th April 2022.

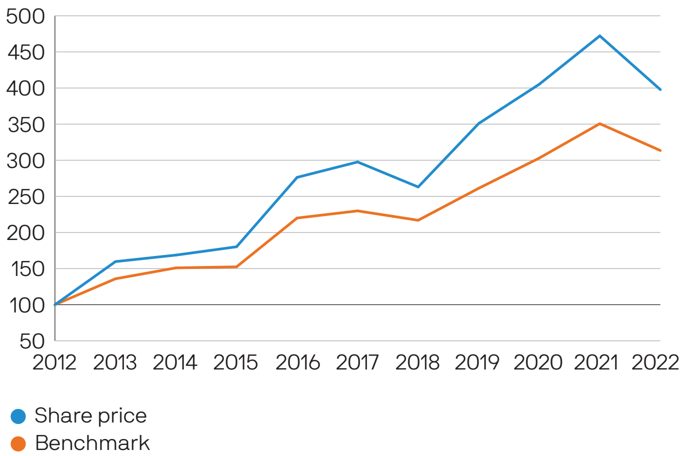
As at the last practicable date before the publication of this document, there have been no further changes to the Directors' shareholdings since the year end.

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

No amounts (2021: nil) were paid to third parties for making available the services of Directors.

Ten Year Share Price and Benchmark Total Return Performance to 31st December 2022

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



Source: Morningstar.

Expenditure by the Company on remuneration and distributions to shareholders

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

	Year ended 31st December 2022	2021
Remuneration paid to all Directors	£166,601	£146,742
Distribution to shareholders		
— by way of dividend	£1,626,000	£1,597,000
— by way of share repurchases	£2,941,000	£939,000

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

20th March 2023

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare the Annual Report and Financial Statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and applicable law). Under Company law the Directors must not approve the Financial Statements unless they are satisfied that taken as a whole, the Annual Report and Financial Statements are fair, balanced and understandable, provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy and that they give a true and fair view of the state of affairs of the Company and of the net return or loss of the Company for that period. In order to provide these confirmations, and in preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- notify the Company's shareholders in writing about the use, if any, of disclosure exemptions in FRS 102 in the preparation of the financial statements

and the Directors confirm that they have done so.

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

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

Each of the Directors, whose names and functions are listed on page 33 confirm that, to the best of their knowledge:

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

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

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

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

For and on behalf of the Board
David Ross
Chairman

20th March 2023

Independent Auditor's Report

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of JPMorgan US Smaller Companies Investment Trust plc (the 'Company') for the year ended 31st December 2022 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 19th August 2020 to audit the financial statements for the year ended 31st December 2020 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ended 31st December 2020 to 31st December 2022. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

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

- Evaluating the appropriateness of the Directors' method of assessing the going concern in light of market volatility by reviewing the information used by the Directors in completing their assessment;
- Assessing the appropriateness of the Directors' assumptions and judgements made by comparing the prior year forecasted costs to the actual costs incurred to check that the projected costs are reasonable;
- Reviewing the loan agreements to identify the covenants and assessing the likelihood of them being breached based on the Directors' forecasts and our sensitivity analyses;
- Assessing the liquidity position available to meet the future obligations, including repayment of the bank loan when due and operating expenses for the next 12 months; and
- Challenging the appropriateness of the Directors' assumptions and judgements made with regards to forecasts, including stress-testing and reverse stress testing forecasts which included consideration of the covenant headroom.

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

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

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

Overview

		2022	2021
Key audit matters	Valuation and ownership of quoted investments	✔	✔
Materiality	£2.7 million (2021: £3.0 million) based on 1% (2021: 1%) of net assets		

Independent Auditor's Report

An overview of the scope of our audit

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

Key audit matters

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

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation and ownership of quoted investments (Note 1b and Note 11)	The investment portfolio at the year end comprised of quoted equity investments. There is a risk that the prices used for the listed investments held by the Company are not reflective of fair value and the risk that errors made in the recording of investment holdings result in the incorrect reflection of investments owned by the Company. Therefore we considered the valuation and ownership of quoted investments to be the most significant audit area as the quoted investments also represent the most significant balance in the financial statements and underpin the principal activity of the entity. Furthermore, we consider the valuation disclosures to be a significant area as they are expected to be a key area of interest for the users of the financial statements. For these reasons and the materiality of the balance in relation to the financial statements as a whole, we considered this to be a key audit matter.	We responded to this matter by testing the valuation and ownership of the whole portfolio of quoted investments. We performed the following procedures: Confirmed the year end bid price was used by agreeing to externally quoted prices; Assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value by considering the realisation period for individual holdings; Recalculated the valuation by multiplying the number of shares held per the statement obtained from the custodian by the valuation per share; and Obtained direct confirmation of the number of shares held per equity investment from the custodian regarding all investments held at the year end sheet date. We also considered the completeness, accuracy and clarity of investment-related disclosures against the requirements of relevant accounting standard. ***Key observations:*** Based on our procedures performed we did not identify any matters to suggest the valuation or ownership of the quoted equity investments was not appropriate.

Our application of materiality

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

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Independent Auditor's Report

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

	Company Financial Statements	
	2022 £m	2021 £m
Materiality	2.7	3.0
Basis for determining materiality	1% (2021: 1%) of Net assets	
Rationale for the benchmark applied	Net assets is a primary indicator of performance and is considered to be the key consideration for the users of the Financial Statements	
Performance materiality	2.0	2.2
Basis for determining performance materiality	75% (2021: 75%) of materiality	
Rationale for the percentage applied for performance materiality	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year	

Lower testing threshold

We determined that for Revenue return before tax, a misstatement of less than materiality for the financial statements as a whole, could influence users of the financial statements as it is a measure of the Company's performance of income generated from its investments after expenses. As a result, we determined a lower testing threshold for those items impacting revenue return of £220,000 (2021: £230,000) based on 10% of Revenue return before tax (2021: 10% of Revenue return before tax).

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £135,000 (2021: £60,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report & Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

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

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

Independent Auditor's Report

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and • The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate.
Other Code provisions	• Directors' statement on fair, balanced and understandable; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and • The section describing the work of the Audit Committee.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or • the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Independent Auditor's Report

Auditor's responsibilities for the audit of the financial statements

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

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

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

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations;

we considered the significant laws and regulations to be Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP, the applicable accounting framework, and qualification as an Investment Trust under UK tax legislation as any non-compliance of this would lead to the Company losing various deductions and exemptions from corporation tax.

Our procedures in respect of the above included:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Enquiries of management and those charged with governance relating to the existence of any non-compliance with laws and regulations;
- Reviewing minutes of meeting of those charged with governance throughout the period for instances of non-compliance with laws and regulations; and
- Reviewing the calculation in relation to Investment Trust compliance to check that the Company was meeting its requirements to retain their Investment Trust Status.

Fraud

We assessed the susceptibility of the financial statement to material misstatement including fraud.

Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud; and
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.

Based on our risk assessment, we considered the areas most susceptible to be management override of controls.

Our procedures in respect of the above included:

- The procedures set out in the Key Audit Matters section above;
- Recalculating investment management fees in total;
- Obtaining independent confirmation of bank balances; and
- Testing journals which met a defined risk criteria by agreeing to supporting documentation and evaluating whether there was evidence of bias by the Investment Manager and Directors that represented a risk of material misstatement due to fraud.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

Independent Auditor's Report

Use of our report

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

Vanessa-Jayne Bradley

(Senior Statutory Auditor)
For and on behalf of BDO LLP,
Statutory Auditor
London, UK

20th March 2023

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

Statement of Comprehensive Income

For the year ended 31st December 2022

	Notes	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
(Losses)/gains on investments held at fair value through profit or loss	3	—	(22,082)	(22,082)	—	44,039	44,039
Net foreign currency losses on cash and loans		—	(2,513)	(2,513)	—	(284)	(284)
Income from investments	4	3,218	—	3,218	3,236	—	3,236
Interest receivable	4	118	—	118	30	—	30
Gross return/(loss)		**3,336**	**(24,595)**	**(21,259)**	**3,266**	**43,755**	**47,021**
Management fee	5	(416)	(1,664)	(2,080)	(468)	(1,873)	(2,341)
Other administrative expenses	6	(547)	—	(547)	(422)	—	(422)
Net return/(loss) before finance costs and taxation		**2,373**	**(26,259)**	**(23,886)**	**2,376**	**41,882**	**44,258**
Finance costs	7	(135)	(539)	(674)	(51)	(201)	(252)
Net return/(loss) before taxation		**2,238**	**(26,798)**	**(24,560)**	**2,325**	**41,681**	**44,006**
Taxation	8	(466)	—	(466)	(477)	—	(477)
Net return/(loss) after taxation		**1,772**	**(26,798)**	**(25,026)**	**1,848**	**41,681**	**43,529**
Return/(loss) per share	9	**2.72p**	**(41.21)p**	**(38.49)p**	**2.87p**	**64.81p**	**67.68p**

Dividend declared in respect of the financial year ended 31st December 2022 total 2.5p (2021: 2.5p) per share amounting to £1,616,000 (2021: £1,626,000). Further information on dividends is given in note 10 on page 66.

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

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies.

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

The notes on pages 61 to 77 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31st December 2022

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves[1] £'000	Revenue reserve[1] £'000	Total £'000
At 31st December 2020	**1,499**	**21,970**	**1,851**	**209,377**	**2,142**	**236,839**
Issue of new Ordinary shares	137	23,354	—	—	—	23,491
Shares reissued from Treasury	—	43	—	417	—	460
Repurchase of shares into Treasury	—	—	—	(939)	—	(939)
Net return for the year	—	—	—	41,681	1,848	43,529
Dividends paid in the year	—	—	—	—	(1,597)	(1,597)
At 31st December 2021	**1,636**	**45,367**	**1,851**	**250,536**	**2,393**	**301,783**
Issue of new Ordinary shares	2	329	—	—	—	331
Shares reissued from Treasury	—	62	—	522	—	584
Repurchase of shares into Treasury	—	—	—	(2,941)	—	(2,941)
Block listing fees	—	—	—	(48)	—	(48)
Net (loss)/return for the year	—	—	—	(26,798)	1,772	(25,026)
Dividends paid in the year	—	—	—	—	(1,626)	(1,626)
At 31st December 2022	**1,638**	**45,758**	**1,851**	**221,271**	**2,539**	**273,057**

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

The notes on pages 61 to 77 form an integral part of financial statements.

Statement of Financial Position

As at 31st December 2022

	Notes	2022 £'000	2021 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	**291,723**	**322,123**
Current assets	12		
Debtors		405	559
Cash and cash equivalents		6,652	3,057
		7,057	**3,616**
Creditors: amounts falling due within one year	13	(25,723)	(1,807)
Net current (liabilities)/assets		**(18,666)**	**1,809**
Total assets less current liabilities		**273,057**	**323,932**
Creditors: amounts falling due after more than one year	14	—	(22,149)
Net assets		**273,057**	**301,783**
Capital and reserves			
Called up share capital	15	1,638	1,636
Share premium	16	45,758	45,367
Capital redemption reserve	16	1,851	1,851
Capital reserves	16	221,271	250,536
Revenue reserve	16	2,539	2,393
Total shareholders' funds		**273,057**	**301,783**
Net asset value per share	17	**421.7p**	**462.1p**

The financial statements on pages 58 to 77 were approved and authorised for issue by the Directors on 20th March 2023 and were signed on their behalf by:

David Ross
Chairman

The notes on pages 61 to 77 form an integral part of these financial statements.

Company registration number: 552775.

Statement of Cash Flows

For the year ended 31st December 2022

	Notes	2022 £'000	2021 £'000
Net cash outflow from operations before dividends and interest	18	(2,629)	(2,710)
Dividends received		2,726	2,694
Interest received		93	30
Overseas tax recovered		42	50
Interest paid		(530)	(240)
Net cash (outflow) from operating activities		**(298)**	**(176)**
Purchases of investments		(76,428)	(105,707)
Sales of investments		83,743	77,565
Settlement of foreign currency contracts		—	5
Net cash inflow/(outflow) from investing activities		**7,315**	**(28,137)**
Dividends paid		(1,626)	(1,597)
Issue of Ordinary shares		331	23,891
Shares reissued from Treasury		584	460
Repurchase of shares into Treasury		(2,941)	(939)
Drawdown of bank loan		—	3,531
Block listing fees		(48)	—
Net cash (outflow)/inflow from financing activities		**(3,700)**	**25,346**
Increase/(decrease) in cash and cash equivalents		**3,317**	**(2,967)**
Cash and cash equivalents at start of year		3,057	5,985
Exchange movements		278	39
Cash and cash equivalents at end of year		**6,652**	**3,057**
Cash and cash equivalents consist of:			
Cash and short term deposits		3	27
Cash held in JPMorgan US Dollar Liquidity Fund		6,649	3,030
Total		**6,652**	**3,057**

Reconciliation of net debt

	As at 31st December 2021 £'000	Cash flows £'000	Other non-cash charges £'000	As at 31st December 2022 £'000
Cash and cash equivalents				
Cash	27	(429)	405	3
Cash equivalents	3,030	3,746	(127)	6,649
	3,057	3,317	278	6,652
Borrowings				
Debt due within one year	—	—	(24,940)	(24,940)
Debt due after more than one year	(22,149)	—	22,149	—
	(22,149)	—	(2,791)	(24,940)
Total	**(19,092)**	**3,317**	**(2,513)**	**(18,288)**

The notes on pages 61 to 77 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31st December 2022

1. Accounting policies

(a) Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include fixed asset investments at fair value, and in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice (UK GAAP), including 'the Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the Association of Investment Companies in July 2022.

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

The Directors believe that having considered the Company's investment objective (see page 21), risk management policies (see pages 40 and 41), capital management policies and procedures (see pages 76 and 77), the nature of the portfolio and expenditure projections, the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. In particular, the Board has considered the ongoing impact of the war in Ukraine and the tensions between the USA and China and believes that this will have a limited financial impact on the Company's operational resources and existence. For these reasons, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the Company's financial statements. They have not identified any material uncertainties to the Company's ability to continue as a going concern.

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

(b) Valuation of investments

The Company has adopted Sections 11 and 12 of FRS 102 in respect of financial instruments.

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

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

(c) Accounting for reserves

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

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

(d) Income

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

Overseas dividends are included gross of any withholding tax.

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

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

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

Notes to the Financial Statements

1. Accounting policies (continued)

(e) Expenses

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

- the management fee is allocated 20% to revenue and 80% to capital, in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.
- expenses incidental to the purchase and sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 11 on page 67.

(f) Finance costs

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

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

(g) Financial instruments

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

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

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

(h) Taxation

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

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

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

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

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

(i) Value Added Tax ('VAT')

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

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

(j) Functional currency

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

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

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

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

(k) Dividends payable

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

(l) Repurchase and re-issue of shares into or from Treasury

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

For shares re-issued from Treasury 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 realised capital reserves. The excess of the sales (issue) proceeds over the purchase price will be transferred to share premium.

(m) Issuance of new Ordinary shares

The nominal value of new Ordinary shares is included under Called Up Share Capital. Any amount in excess of the nominal value is included under Share Premium.

2. Significant accounting judgements, estimates and assumptions

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

The Company holds mainly US dollar denominated investments. However, the Company's shareholders are predominantly based in the United Kingdom and the majority of its expenditure is in Sterling. Therefore, the Directors believe that it is appropriate for the Company's presentational and functional currency to be Sterling.

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

3. (Losses)/gains on investments held at fair value through profit or loss

	2022 £'000	2021 £'000
Realised gains on sales of investments	25,365	25,585
Net change in unrealised (losses)/gains on investments	(47,441)	18,460
Other capital charges	(6)	(6)
Total capital (losses)/gains on investments held at fair value through profit or loss	**(22,082)**	**44,039**

Notes to the Financial Statements

4. Income

	2022 £'000	2021 £'000
Income from investments		
Dividends from investments	3,218	3,236
Interest receivable		
Interest from liquidity funds	118	5
Deposit interest	—	25
	118	30
Total income	**3,336**	**3,266**

5. Management fee

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	416	1,664	2,080	468	1,873	2,341

6. Other administrative expenses

	2022 £'000	2021 £'000
Administration expenses	309	203
Directors' remuneration[1]	162	147
Depositary fees[2]	36	36
Fees payable to the Company's Auditor for the audit of the Company's annual accounts[3]	40	36
	547	**422**

[1] Full disclosure is given in the Directors' Remuneration Report on page 46.

[2] Includes £nil (2021: £1,000) irrecoverable VAT.

[3] Includes £nil (2021: £1,000) irrecoverable VAT.

7. Finance costs

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Bank loans and overdraft interest	135	539	674	51	201	252

8. Taxation

(a) Analysis of tax charge for the year

	2022 £'000	2021 £'000
Overseas withholding tax	466	477
Total tax charge for the year	**466**	**477**

(b) Factors affecting the total tax charge for the year

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

The UK corporation tax rate is 19%, giving an effective rate of 19% (2021: 19%). The tax assessed is higher (2021: lower) than the Company's applicable rate of corporation tax of 19% (2021: 19%). The factors affecting the total tax charge for the year are as follows:

		2022			2021	
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return/(loss) before taxation	2,238	(26,798)	(24,560)	2,325	41,681	44,006
Corporation tax at the effective rate of 19% (2021: 19%)	425	(5,091)	(4,666)	442	7,919	8,361
Effects of:						
Non taxable capital (losses)/gains	—	4,673	4,673	—	(8,313)	(8,313)
Non taxable overseas dividends	(547)	—	(547)	(556)	—	(556)
Unrelieved expenses	135	418	553	123	394	517
Income taxed in different years	(4)	—	(4)	—	—	—
Overseas withholding tax	466	—	466	477	—	477
Double taxation relief expensed	(9)	—	(9)	(9)	—	(9)
Total tax charge for the year	**466**	**—**	**466**	**477**	**—**	**477**

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £9,436,000 (2021: £8,720,000) based on a prospective corporation tax rate of 25% (2021: 25%). The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from 1st April 2023. This increase in the standard rate of corporation tax was substantively enacted on 24th May 2021 and became effective from 2nd June 2021. The deferred tax asset has arisen due to £37,771,000 (2021: £34,883,000) cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the financial statements.

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

Notes to the Financial Statements

9. Return/(loss) per share

	2022 £'000	2021 £'000
Revenue return	1,772	1,848
Capital (loss)/return	(26,798)	41,681
Total (loss)/return	**(25,026)**	**43,529**
Weighted average number of shares, excluding Treasury shares, in issue during the year	65,029,256	64,314,208
Revenue return per share	2.72p	2.87p
Capital (loss)/return per share	(41.21)p	64.81p
Total (loss)/return per share	**(38.49)p**	**67.68p**

10. Dividends

(a) Dividends paid and declared

	2022 £'000	2021 £'000
Dividends paid		
2021 final dividend of 2.5p (2020: 2.5p) paid to shareholders in May 2022	1,626	1,597
Dividend declared		
2022 Final dividend proposed of 2.5p (2021: 2.5p) declared	1,616	1,633

All dividends paid and declared in the year have been funded from the underlying earnings in the financial year. The dividend declared in respect of the year ended 31st December 2021 amounted to £1,633,000. However, the amount paid amounted to £1,626,000 due to shares issued after the balance sheet but prior to the share register record date.

The final dividend has been declared in respect of the year ended 31st December 2022. In accordance with the accounting policy of the Company, this dividend will be reflected in the accounts for the year ending 31st December 2023.

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

The requirements of Section 1158 are considered on the basis of dividends declared in respect of the financial year as shown below. The revenue available for distribution by way of dividend for the year is £1,772,000 (2021: £1,848,000).

	2022 £'000	2021 £'000
2022 final dividend of 2.5p (2021: 2.5p) declared	1,616	1,633

Notes to the Financial Statements

11. Investments

	2022 £'000	2021 £'000
Investments listed on a recognised stock exchange	291,723	322,123
Opening book cost	236,550	184,097
Opening investment holding gains	85,573	67,113
Opening valuation	322,123	251,210
Movements in the year:		
Purchases at cost	75,242	104,792
Sales proceeds	(83,566)	(77,924)
(Losses)/gains on investments held at fair value through profit or loss	(22,076)	44,045
	291,723	**322,123**
Closing book cost	253,591	236,550
Closing investment holding gains	38,132	85,573
Total investments held at fair value through profit or loss	**291,723**	**322,123**

The Company received £83,566,000 (2021: £77,924,000) from investments sold in the year. The book cost of these investments when they were purchased was £58,201,000 (2021: £52,328,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Transaction costs on purchases during the year amounted to £34,000 (2021: £43,000) and on sales during the year amounted to £26,000 (2021: £18,000). These costs comprise mainly brokerage commission.

12. Current assets

	2022 £'000	2021 £'000
Debtors		
Dividends and interest receivable	182	173
Securities sold awaiting settlement	170	353
Other debtors	53	33
	405	**559**

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

Cash and cash equivalents

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

13. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Bank loan (see note 14 for details)	24,940	—
Loan interest payable	183	39
Securities purchased awaiting settlement	485	1,671
Other creditors and accruals	115	97
	25,723	**1,807**

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

Notes to the Financial Statements

14. Creditors: amounts falling due after more than one year

	2022 £'000	2021 £'000
Bank loan	—	22,149

On 29th October 2021, the Company renewed its US$30 million revolving loan facility with The Bank of Nova Scotia, London Branch (new entity of the previous Scotiabank) for a further two years. Under the terms of this current agreement, the Company may draw down up to US$30 million loan facility (with an accordion facility of an additional US$10 million), at an interest rate of compounded SOFR (Secured Overnight Financing Rate) (in respect of Dollar denominated loans), as offered in the market for the relevant currency and loan period, plus a margin of 0.9% (Dollar denominated loans) and plus 'Mandatory Costs', which are the lender's costs of complying with certain regulatory requirements of the Bank of England and the Financial Conduct Authority.

Commitment fees are also payable on the facility. The facility is subject to the following covenants and restrictions:

- The Company's adjusted asset coverage must not fall below 4:1;
- The Company's net asset value must not be less than £140 million; and
- The Company's maximum borrowing limit cannot be exceeded at any time.

These covenants and restrictions are customary for a credit facility of this nature. All of the covenants and restrictions have been met during the year and continue to be met.

As at 31st December 2022, the Company had drawn down US$30.0 million (£24.9 million) on this facility. As at 31st December 2021, the Company had drawn down US$30.0 million (£22.1 million) on this facility.

15. Called up share capital

	2022		2021	
	Number of shares	£'000	Number of shares	£'000
Ordinary shares allotted and fully paid:				
Opening balance of shares excluding shares held in Treasury	65,306,265	1,633	59,969,382	1,499
Issue of new ordinary shares	75,000	2	5,461,883	137
Repurchase of shares into Treasury	(760,643)	(19)	(225,000)	(6)
Re-issue of shares from Treasury	125,000	3	100,000	3
Subtotal of shares of 2.5p each excluding shares held in Treasury	**64,745,622**	**1,619**	**65,306,265**	**1,633**
Shares held in Treasury	760,643	19	125,000	3
Closing balance of shares of 2.5p each including shares held in Treasury	**65,506,265**	**1,638**	**65,431,265**	**1,636**

Further details of transactions in the Company's shares are given in the Strategic Report on page 23.

16. Capital and reserves

2022				Capital reserves			
	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Realised gains and losses[1] £'000	Investment holding gains and losses £'000	Revenue reserve[1] £'000	Total £'000
Opening balance	1,636	45,367	1,851	167,783	82,753	2,393	301,783
Net foreign currency gains on cash and cash equivalents	—	—	—	278	—	—	278
Realised gains on sale of investments	—	—	—	25,365	—	—	25,365
Net change in unrealised gains and losses on investments	—	—	—	—	(47,441)	—	(47,441)
Issue of new Ordinary shares	2	329	—	—	—	—	331
Repurchase of shares into Treasury	—	—	—	(2,941)	—	—	(2,941)
Shares re-issued from Treasury	—	62	—	522	—	—	584
Unrealised currency losses on loans	—	—	—	—	(2,791)	—	(2,791)
Management fee and finance costs charged to capital	—	—	—	(2,203)	—	—	(2,203)
Other capital charges	—	—	—	(6)	—	—	(6)
Block listing fees	—	—	—	(48)	—	—	(48)
Dividends paid in the year	—	—	—	—	—	(1,626)	(1,626)
Retained revenue for the year	—	—	—	—	—	1,772	1,772
Closing balance	**1,638**	**45,758**	**1,851**	**188,750**	**32,521**	**2,539**	**273,057**

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

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

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

Notes to the Financial Statements

17. Net asset value per share

	2022	2021
Net assets (£'000)	273,057	301,783
Number of shares in issue	64,745,622	65,306,265
Net asset value per share	**421.7p**	**462.1p**

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

	2022 £'000	2021 £'000
Net (loss)/return before finance costs and taxation	(23,886)	44,258
Add capital loss/(less capital return) before finance costs and taxation	26,259	(41,882)
Increase/(decrease) in accrued income and other debtors	(29)	6
Increase in accrued expenses	18	32
Management fee charged to capital	(1,664)	(1,873)
Overseas withholding tax	(508)	(527)
Dividends received	(2,726)	(2,694)
Interest received	(93)	(30)
Net cash outflow from operations before dividends and interest	**(2,629)**	**(2,710)**

19. Contingent liabilities and capital commitments

At the balance sheet date there were no capital commitments or contingent liabilities (2021: same).

20a. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on page 34. The management fee payable to the Manager for the year was £2,080,000 (2021: £2,341,000) of which £nil (2021: £nil) was outstanding at the year end.

Included in administration expenses in note 6 on page 64 are safe custody fees amounting to £2,000 (2021: £3,000) payable to JPMorgan Chase Bank, N.A. of which £1,000 (2021: £1,000) was outstanding at the year end.

The Company also holds cash in the JPMorgan US Dollar Liquidity Fund, which is managed by JPMorgan. At the year end this was valued at £6.6 million (2021: £3.0 million). Income amounting to £118,000 (2021: £5,000) was receivable during the year of which £nil (2021: £nil) was outstanding at the year end. The JPMorgan US Dollar Liquidity Fund does not charge a fee and the Company does not invest in any other investment fund managed or advised by JPMorgan.

Handling charges on dealing transactions amounting to £6,000 (2021: £6,000) were payable to JPMorgan Chase Bank, N.A. during the year of which £1,000 (2021: £1,000) was outstanding at the year end.

At the year end, total cash of £3,000 (2021: £27,000) was held with JPMorgan Chase Bank, N.A. A net amount of interest of £nil (2021: £25,000) was receivable by the Company during the year from JPMorgan Chase Bank, N.A. of which £nil (2020: £nil) was outstanding at the year end.

20b. Transactions with related parties

Full details of Directors' remuneration and shareholdings can be found on page 46 and in note 6 on page 64.

21. Disclosures regarding financial instruments measured at fair value

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

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

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

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

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

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

Details of the valuation techniques used by the Company are given in note 1(b) on page 61.

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

	2022		2021	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	291,723	—	322,123	—
Total	**291,723**	**—**	**322,123**	**—**

There were no transfers between Level 1, 2 or 3 during the year (2021: none).

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

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

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

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

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

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

(a) Market risk

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

Notes to the Financial Statements

22. Disclosures regarding financial instruments measured at fair value (continued)

(a) Market risk (continued)

(i) Currency risk

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

Management of currency risk

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

Foreign currency exposure

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

	2022 £'000	2021 £'000
Sterling equivalent of US$ exposure		
Current assets	7,001	3,583
Creditors	(668)	(1,711)
Bank loans	(24,940)	(22,149)
Foreign currency exposure on net monetary items	(18,607)	(20,277)
Investments held at fair value through profit or loss	291,723	322,123
Total net foreign currency exposure	**273,116**	**301,846**

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

Foreign currency sensitivity

The following table illustrates the sensitivity of net return after taxation for the year and net assets with regard to the Company's financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's financial instruments held at each balance sheet date and the income receivable in foreign currency and assumes a 10% (2021: 10%) appreciation or depreciation in sterling against the US Dollar which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

	2022		2021	
	If sterling strengthens by 10% £'000	If sterling weakens by 10% £'000	If sterling strengthens by 10% £'000	If sterling weakens by 10% £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	(334)	334	(324)	324
Capital return	(27,311)	27,311	(30,185)	30,185
Total return after taxation	(27,645)	27,645	(30,509)	30,509
Net assets	**(27,645)**	**27,645**	**(30,509)**	**30,509**

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

(ii) Interest rate risk

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

Management of interest rate risk

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

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

Interest rate exposure

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

	2022 £'000	2021 £'000
Exposure to floating interest rates:		
Cash and short term deposits	3	27
JPMorgan US Dollar Liquidity Fund	6,649	3,030
Bank loan	(24,940)	(22,149)
Total exposure	**(18,288)**	**(19,092)**

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above compounded SOFR (Secured Overnight Financing Rate) in respect of Dollar denominated loans (2021: same). The target interest earned on the JPMorgan US Dollar Liquidity Fund is the 7 day US$ London Interbank Bid Rate. Details of the bank loan are given in note 13 on page 67.

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 4.0% (2021: 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 and the increase in interest rates over the past year. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date with all other variables held constant.

Notes to the Financial Statements

22. Disclosures regarding financial instruments measured at fair value (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	2022		2021	
	4.0% increase in rate £'000	4.0% decrease in rate £'000	0.5% increase in rate £'000	0.5% decrease in rate £'000
Statement of Comprehensive Income – return after taxation				
Revenue loss	67	(67)	(7)	7
Capital return	(798)	798	(89)	89
Total return after taxation	(731)	731	(96)	96
Net assets	**(731)**	**731**	**(96)**	**96**

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

(iii) Other price risk

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

Management of other price risk

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

Other price risk exposure

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

	2022 £'000	2021 £'000
Investments held at fair value through profit or loss	291,723	322,123

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

Concentration of exposure to other price risk

A list of the Company's investments is given on page 19. This shows that all of the investments are listed in the USA. Accordingly there is a concentration of exposure to that country. However it should be noted that an investment may not be entirely exposed to the economic conditions in the USA.

Other price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 20% (2021: 20%) in the market values. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities, adjusting for changes in the management fee but with all other variables held constant.

	2022		2021	
	20% increase in fair value £'000	20% decrease in fair value £'000	20% increase in fair value £'000	20% decrease in fair value £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	(82)	82	(98)	98
Capital return	58,018	(58,018)	64,038	(64,038)
Total return after taxation for the year	57,936	(57,936)	63,940	(63,940)
Net assets	**57,936**	**(57,936)**	**63,940**	**(63,940)**

(b) Liquidity risk

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

Management of the risk

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

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

Liquidity risk exposure

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

	2022		
	Three months or less £'000	More than three months but less than one year £'000	Total £'000
Creditors:			
Securities purchased awaiting settlement	485	—	485
Other creditors and accruals	115	—	115
Bank loan, including interest	440	25,543	25,983
	1,040	**25,543**	**26,583**

	2021		
	Three months or less £'000	More than three months but less than one year £'000	Total £'000
Creditors:			
Securities purchased awaiting settlement	1,671	—	1,671
Other creditors and accruals	97	—	97
Bank loan, including interest	103	22,560	22,663
	1,871	**22,560**	**24,431**

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

Notes to the Financial Statements

22. Disclosures regarding financial instruments measured at fair value (continued)

(c) Credit risk

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

Management of credit risk

Portfolio dealing

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

Cash and cash equivalents

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

Exposure to JPMorgan Chase

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

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

Credit risk exposure

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

(d) Fair values of financial assets and financial liabilities

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

23. Capital management policies and procedures

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

	2022 £'000	2021 £'000
Debt:		
Bank loans	24,940	22,149
Equity:		
Called up share capital	1,638	1,636
Reserves	271,419	300,147
	273,057	301,783
Total debt and equity	**297,997**	**323,932**

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

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

	2022 £'000	2021 £'000
Investments held at fair value through profit or loss	291,723	322,123
Net assets	273,057	301,783
Gearing	**6.8%**	**6.7%**

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

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

24. Subsequent events

At 31st December 2022, the Company's share capital comprised 65,506,265 ordinary shares of 2.5p each, including 760,643 shares held in Treasury. Since the year end and as at 17th March 2023, the last practicable date before the publication of this document, the Company has repurchased a further 109,821 shares into Treasury. The Company has not issued any further shares from Treasury or any new ordinary shares under its ordinary share block listing facility.

Regulatory Disclosures

Alternative Investment Fund Managers Directive ('AIFMD') Disclosures (Unaudited)

Leverage

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

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by the AIFMD (see Glossary of Terms and Alternative Performance Measures on pages 86 and 87), as at 31st December 2022, which gives the following figures:

	Gross Method	Commitment Method
Leverage Exposure		
Maximum limit	200%	200%
Actual	109%	109%

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

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

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

AIFMD Remuneration disclosures

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

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

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

Remuneration Policy

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

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

The Board reviews and adopts the Remuneration Policy on an annual basis, and oversees its implementation, including the classification of AIFMD Identified Staff. The Board last reviewed and adopted the Remuneration Policy that applied for the 2022 Performance Year in July 2022 with no material changes and was satisfied with its implementation.

Quantitative Disclosures

The table overleaf provides an overview of the aggregate total remuneration paid to staff of the Management Company in respect of the 2022 Performance Year and the number of beneficiaries. These figures include the remuneration of all staff of JP Morgan Asset Management (UK) Ltd (the relevant employing entity) and the number of beneficiaries, both apportioned to the Management Company on an AUM weighted basis.

Due to the Firm's structure, the information needed to provide a further breakdown of remuneration attributable to the Company is not readily available and would not be relevant or reliable. However, for context, the Management Company manages 25 Alternative Investment Funds (with 4 sub-funds) and 2 UCITS (with 44 sub-funds) as at 31st December 2022, with a combined AUM as at that date of £21.6 billion and £21.3 billion respectively.

Regulatory Disclosures

	Fixed remuneration	Variable remuneration	Total remuneration	Number of beneficiaries
All staff| ($'000s)	21,662	14,069	35,731	146

No carried interest was paid to any employees by JPMorgan US Smaller Companies Investment Trust plc in the year.

The aggregate 2022 total remuneration paid to AIFMD Identified Staff was USD 114,556k, of which USD 1,232k relates to Senior Management and USD 113,324k relates to other Identified Staff[1].

[1] For 2022, the identified staff disclosures includes employees of the companies to which portfolio management has been formally delegated in line with the latest ESMA guidance.

Securities Financing Transactions Regulation ('SFTR') Disclosure (Unaudited)

The Company does not engage in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-selling back transactions or sell-buy back transactions and margin lending transactions) or Total Return Swaps. Accordingly, disclosures required by Article 13 of the Regulation are not applicable for the year ended 31st December 2022.

Notice of Annual General Meeting

Notice is hereby given that the sixty-sixth Annual General Meeting of JPMorgan US Smaller Companies Investment Trust plc will be held at 60 Victoria Embankment, London EC4Y 0JP on Monday, 24th April 2023 at 2.30 p.m. for the following purposes:

1. To receive the Directors' Report and Financial Statements and the Auditor's Report for the year ended 31st December 2022.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31st December 2022.
4. To approve a final dividend of 2.5 pence per share.
5. To reappoint Mandy Donald as a Director of the Company.
6. To reappoint Christopher Metcalfe as a Director of the Company.
7. To reappoint Dominic Neary as a Director of the Company.
8. To reappoint David Ross as a Director of the Company.
9. To reappoint Shefaly Yogendra as a Director of the Company.
10. To reappoint BDO LLP as Auditor to the Company.
11. To authorise the Directors to determine the Auditors' remuneration.

Special Business

To consider the following resolutions:

Authority to allot new ordinary shares – Ordinary Resolution

12. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to and in accordance with Section 551 of the Act to exercise all the powers for the Company to allot shares in the Company and to grant rights to subscribe for, or convert any security into, shares in the Company ('Rights') up to an aggregate nominal amount of £161,589 (representing approximately 10% of the Company's issued Ordinary share capital (excluding shares held in Treasury) as at 17th March 2023, this being the latest practicable date prior to the publication of this notice), provided that this authority shall expire at the Annual General Meeting of the Company to be held in 2024, unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers or agreement which would or might require shares to be allotted on Rights to be granted after such expiry and so that the Directors of the Company may allot shares and grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

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

13. THAT, subject to the passing of the Resolution 12 set out above, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 12 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £161,589 (representing approximately 10% of the issued Ordinary share capital (excluding shares held in Treasury) of the Company as at 17th March 2023, this being the latest practicable date prior to the publication of this notice) at a price of not less than the net asset value per share and shall expire upon the expiry of the general authority conferred by Resolution 12 above, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuant of such offers or agreements as if the power conferred hereby had not expired.

Authority to allot further new Ordinary shares – Ordinary Resolution

14. THAT, in addition to any authority granted by Resolution 12 above, the Directors of the Company be and they are hereby generally and unconditionally authorised, pursuant to and in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot Ordinary shares in the Company and to grant rights to subscribe for, or to convert any security into, Ordinary shares in the Company ('Rights') up to an aggregate nominal amount of £161,589 (representing approximately 10% of the Company's issued Ordinary share capital (excluding shares held in Treasury) as at 17th March 2023, this being the latest practicable date prior to the publication of this notice), provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2024 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers or agreements which would or might require Ordinary shares to be allotted or Rights to be granted after such expiry and so that the Directors of the Company may allot Ordinary shares and grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

Authority to disapply pre-emption rights on allotment of further relevant securities – Special Resolution

15. THAT, subject to the passing of Resolution 14 set out above, and in addition to any authority granted by Resolution 13 above, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 and 573 of the Companies Act 2006 (the 'Act') to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 14 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities and the sale of Treasury shares for cash up to an aggregate nominal amount of £161,589 (representing approximately 10% of the issued Ordinary share capital (excluding shares held in Treasury) of the Company as at 17th March 2023, this being the latest practicable date prior to the publication of this notice) at a price of not less than the net asset value per share and shall expire upon the expiry of the general authority conferred by Resolution 13 above, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted or Treasury shares to be sold after such expiry and so that the Directors of the Company may allot equity securities or sell Treasury shares pursuant to such offers or agreements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares – Special Resolution

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

    PROVIDED ALWAYS THAT

    (i) the maximum number of ordinary shares hereby authorised to be purchased shall be 9,688,906 or, if less, that number of ordinary shares which is equal to 14.99% of the Company's issued share capital (less shares held in Treasury, if any) as at the date of the passing of this resolution;

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

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

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

    (v) the authority shall expire on 23rd October 2024 unless the Authority is renewed at the Company's Annual General Meeting in 2024 or at any other general meeting prior to such time; and

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

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

24th March 2023

Notice of Annual General Meeting

Notes

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

1. If law or Government guidance so requires at the time of the Meeting, the Chairman of the Meeting will limit, in his sole discretion, the number of individuals in attendance at the Meeting. In addition, the Company may still impose entry restrictions on certain persons wishing to attend the AGM in order to secure the orderly and proper conduct of the Meeting.
2. A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person. However, please note that in the current circumstances, your vote may not be counted where a proxy other than the Chairman of the Meeting is appointed as additional third parties may not be permitted entry to the meeting.
4. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form no later than 2.30 p.m. two business days prior to the Meeting (i.e. excluding weekends and bank holidays).
5. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.
6. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.
7. Entry to the Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.
8. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative. Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.
9. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's accounts (including the Auditors' report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with Auditors of the Company ceasing to hold office since the previous AGM, which the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.
10. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any

question relating to the business being dealt with at the AGM which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.

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

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

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

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

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

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

17. As at 17th March 2023 (being the latest business day prior to the publication of this Report and Accounts), the Company's issued share capital consists of 65,506,265 ordinary shares (of which 870,464 are held in Treasury), carrying one vote each. Therefore, the total voting rights in the Company are 64,635,801.

Electronic appointment – CREST Members and Proxymity

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

If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform. See further instructions on the proxy form.

Glossary of Terms and Alternative Performance Measures ('APMS') (Unaudited)

Return to Shareholders (APM)

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

Total return calculation	Page	Year ended 31st December 2022	Year ended 31st December 2021	
Opening share price (p)	6	467.0	403.0	(a)
Closing share price (p)	6	391.0	467.0	(b)
Total dividend adjustment factor[1]		1.006361	1.005574	(c)
Adjusted closing share price (d = b x c)		393.5	469.6	(d)
Total return to shareholders (e = d / a – 1)		**–15.7%**	**16.5%**	(e)

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

Return on Net Assets (APM)

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

Total return calculation	Page	Year ended 31st December 2022	Year ended 31st December 2021	
Opening cum-income NAV per share (p)	6	462.1	394.9	(a)
Closing cum-income NAV per share (p)	6	421.7	462.1	(b)
Total dividend adjustment factor[1]		1.005893	1.005760	(c)
Adjusted closing cum-income NAV per share (d = b x c)		424.2	464.8	(d)
Total return on net assets (e = d / a – 1)		**–8.2%**	**17.7%**	(e)

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

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

Benchmark return

Total return on the benchmark, on a closing-market value to closing-market value basis, assuming that all dividends received were reinvested, without transaction costs, in the shares of the underlying companies at the time the shares were quoted ex-dividend.

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

Glossary of Terms and Alternative Performance Measures ('APMS') (Unaudited)

Gearing/(Net Cash) (APM)

Gearing represents the excess amount above shareholders' funds of total investments, expressed as a percentage of the shareholders' funds. If the amount calculated is negative, this is shown as a 'net cash' position.

Gearing calculation	Page	As at 31st December 2022 £'000	As at 31st December 2021 £'000	
Investments held at fair value through profit or loss	59	291,723	322,123	(a)
Net assets	59	273,057	301,783	(b)
Gearing/(net cash) (c = a / b – 1)		**6.8%**	**6.7%**	(c)

Ongoing charges (APM)

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

Ongoing charges calculation	Page	Year ended 31st December 2022 £'000	Year ended 31st December 2021 £'000	
Management Fee	58	2,080	2,341	
Other administrative expenses	58	547	422	
Total management fee and other administrative expenses		2,627	2,763	(a)
Average daily cum-income net assets		275,843	280,180	(b)
Ongoing charges (c = a / b)		**0.95%**	**0.99%**	(c)

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

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The discount is shown as a percentage of the NAV per share.

The opposite of a discount is a premium. It is more common for an investment trust's shares to trade at a discount than at a premium (page 6).

Performance attribution

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

Performance Attribution Definitions:

Asset allocation

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

Stock selection

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

Gearing/(net cash)

Measures the impact on returns of borrowings or cash balances on the Company's relative performance.

Management fee/Other expenses

The payment of fees and expenses reduces the level of total assets, and therefore has a negative effect on relative performance.

Share Buyback

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

Where to Buy J.P. Morgan US Smaller Companies Investment Trust plc

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

1. Via a third party provider

Third party providers include:

AJ Bell You Invest	Hargreaves Lansdown
Barclays Smart investor	iDealing
Bestinvest	IG
Charles Stanley Direct	Interactive investor
Close brothers A.M. Self	IWeb
Directed Service	ShareDeal active
Fidelity Personal Investing	Willis Owen
Freetrade	X-O.co.uk
Halifax Share Dealing	

Please note this list is not exhaustive and the availability of individual trusts may vary depending on the provider. These websites are third party sites and J.P. Morgan Asset Management does not endorse or recommend any. Please observe each site's privacy and cookie policies as well as their platform charges structure.

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

2. Through a professional adviser

Professional advisers are usually able to access the products of all the companies in the market and can help you to find an investment that suits your individual circumstances. An adviser will let you know the fee for their service before you go ahead. You can find an adviser at unbiased.co.uk.

You may also buy investment trusts through stockbrokers, wealth managers and banks.

To familiarise yourself with the Financial Conduct Authority (FCA) adviser charging and commission rules, visit fca.org.uk.

Information About the Company

FINANCIAL CALENDAR

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

History

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

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

Continuation Vote

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

Company Numbers

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

Market Information

The Company's net asset value (NAV) per share is published daily via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times and on the J.P. Morgan internet site at www.jpmussmallercompanies.co.uk, where the share price is updated every 15 minutes during trading hours.

Website

www.jpmussmallercompanies.co.uk

Share Transactions

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

Manager and Company Secretary

JPMorgan Funds Limited

Company's Registered Office

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

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

Depositary

The Bank of New York Mellon (International) Limited
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: 0371 384 2321

Lines open 8.30 a.m. to 5.30 p.m. Monday to Friday. Calls to the helpline will cost no more than a national rate call to a 01 or 02 number. Callers from overseas should dial +44 121 415 0225.

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

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

Independent Auditors

BDO LLP
Statutory Auditor
55 Baker Street
London W1U 7EU

Brokers

Numis Securities Limited
45 Gresham Street
London EC2V 7BF

aic
The Association of Investment Companies
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ASSET MANAGEMENT