# Jupiter US Smaller Companies PLC

Half Yearly Financial Report

for the six months to 31 December 2018



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# Investment Objective, Investment Policy and Benchmark Index

#### **Investment Objective**

The investment objective of Jupiter US Smaller Companies PLC ('the Company') is to achieve long-term capital growth by investing in a diversified portfolio primarily of quoted US smaller and medium-sized companies.

#### **Investment Policy**

The Investment Adviser takes a risk-averse approach to investment, emphasising capital preservation. The approach is long-term and focuses on good quality companies whose share valuation reflects limited downside risk. The Investment Adviser believes that this sector is a diverse and dynamic part of the North American market and continues to provide opportunities for capital growth over the long term. The sector is highly diversified with a great many investment opportunities. Many companies are relatively immature, whether financially, operationally or in terms of management or market position. They tend to be highly geared to growth and are particularly vulnerable to market and other changes.

Against this background, the Company has adopted a disciplined and relatively conservative investment style that focuses on companies with a strong franchise, free cash flow and insider ownership by management, whose shares are considered by the Investment Adviser to be cheap at the time of investment. Whilst shares in these companies will not always be the best performing, the Investment Adviser believes that this is an excellent approach to long-term investment in this sector.

No more than 10% of the total assets of the Company may be invested in other listed investment companies (including investment trusts) except in such other investment companies which themselves have stated that they will invest no more than 15% of their total assets in other listed investment companies, in which case the limit is 15%.

#### **Benchmark Index**

Sterling adjusted Russell 2000 Index (which is a price return index).

THE COMPANY IS A MEMBER OF THE



# Financial Highlights for the six months to 31 December 2018

# **Ordinary Share Performance**

	31.12.18	30.06.18	% Change
Net Asset Value (pence)	980.80	1,103.43	(11.1)
Mid-market price (pence)	916.00	1,030.00	(11.1)
Russell 2000 Index (Sterling adjusted)	1,058.86	1,244.47	(14.9)
Discount to Net Asset Value (%)*	(6.6)	(6.7)	_
Ongoing charges ratio (%)*	0.97	1.02	(4.9)

<sup>\*</sup> Alternative performance measure.

A Glossary of Terms including alternative performance measures can be found on page 16 of this report.

#### **Chairman's Statement**

Fellow Shareholders

#### **Performance**

It is disappointing to have to report that in the six months to 31 December 2018 the Net Asset Value ('NAV') per share of the Company fell 11.1%. This was better than the 14.9% loss for the Company's benchmark, the sterling-adjusted Russell 2000 Index. Accordingly, I am pleased to report that we achieved a small element of capital preservation, despite these more difficult market conditions.

US equities had a poor six months: in dollar terms the Russell 2000 Index fell 17.9%, which was significantly worse than both the Standard & Poor's Composite Index which fell 7.8% and the technology-oriented NASDAQ Index which fell 11.7%.

#### **Gearing facility**

During the period the Company maintained borrowing under its loan facility with Scotia Bank of \$10 million. The current maximum potential gearing is set at 20% of the Company's assets. At 31 December 2018 the net gearing (i.e. debt less cash compared to its equity capital) was 0.1%. As at 28 February 2019, gearing was 0.0%.

#### Share price and discount

The Company's share price fell 11.1% to 916p over the period. The discount to NAV was 6.6% at the end of the period, which compared to a discount of 6.7% at 30 June 2018. As at 28 February 2019, the discount was 8.3%.

The Company bought back 224,421 Ordinary shares in the period at an average discount of 8.5%. At 31 December 2018 3,645,515 Ordinary shares were held in Treasury. The Board will continue to apply its policy of buying back shares at appropriate times with a view to limiting any discount in the longer term to less than 10% in normal market conditions.

#### **Outlook**

We believe the US smaller company sector is still an attractive and interesting one for long term investors. It is generally under-researched and offers areas of undiscovered value.

#### Gordon Grender

Chairman 15 March 2019

#### **Investment Adviser's Review**

#### **Performance**

Although NAV per share fell by 11.1% in the six months period to 31 December 2018 it performed relatively well compared to the benchmark's loss of 14.9%. The drop reflects especially difficult market conditions in the period. The favourable relative comparison reflects the Investment Adviser's conservative investment approach that aims to provide a degree of capital preservation.

#### **Market review**

Although equities initially made new highs, concerns soon mounted and they suffered their worst losses since the 2011 Eurozone debt crisis. Investors worried about the sustainability of corporate profits, the impact of the US trade dispute with China and the effect of rising interest rates, particularly on the housing market. Despite this, the US economy seemed to be growing robustly with high readings from the usually reliable ISM Manufacturing indicator (or purchasing managers' index).

The Federal Reserve increased interest rates twice in the period. Credit markets were under pressure and corporate bond spreads widened significantly (normally a harbinger of problems for corporate profits). In December the market for new issuance of high yield bonds closed because of a lack of investor demand.

Intense political pressure was applied to the Federal Reserve to reverse its policy of interest rate increases. There were dovish comments from the Fed and reports of progress in trade negotiations with China. As a result, the equity market began to recover in the final days of the year.

All sectors of the Russell 2000 Index fell in the period. The worst performers included cyclical sectors, as might be expected: energy (-42% in dollar terms), materials and processing (-26%) and health care (-20%). The more defensive utilities sector (-3%) had the least negative showing, followed by technology (-13%) and consumer discretionary (-16%) sectors.

#### **Portfolio Review**

The Investment Adviser continued the policy begun in October 2017 of putting more emphasis on running winners and concentrating the portfolio. The weighting in the top ten holdings increased to 41% at the end of the period from 36% at the start.

The Investment Adviser took advantage of market weakness to make new purchases in more cyclical stocks. Examples were LCI Industries, a manufacturer of assemblies for recreational vehicles ('RVs'), and Univar, the leading US distributor of chemicals. Both have good growth prospects; millennials are increasingly buying RVs in order to enjoy the outdoors and the chemical distribution industry is relatively immature.

The period saw a significant level of corporate activity in the portfolio. Civitas Solutions and REIS both received agreed bids. Civitas is the leading provider of care for intellectually disabled adults and was sold to Centrebridge Partners, a private equity firm. REIS, a provider of commercial real estate data to lenders and investors, was bought by Moody's.

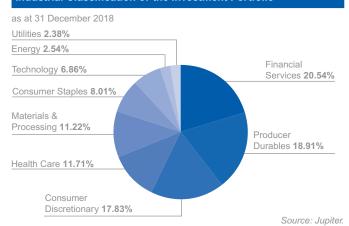
Acxiom and NETGEAR both announced major restructurings. Acxiom's \$2.2bn sale of its mature consumer marketing data division to Interpublic was well-received by the market. The remaining marketing technology business was renamed LiveRamp. Home wi-fi equipment producer NETGEAR spun out to shareholders its faster growing wi-fi security camera operations, Arlo Technologies. In other M&A-related activity, the portfolio received shares in Tulsa-based bank BOK Financial

in exchange for Denver-based CoBiz Financial. After Gray Television's successful bid for Raycom Media earlier in the year, the holding was sold as the merger benefits seemed fully recognised by the market.

The best contribution to performance was from The Chefs' Warehouse, the leading distributor of specialised food to upmarket restaurants, which benefited from better integration of recent acquisitions. Acxiom performed strongly after the restructuring already mentioned. America's Car-Mart provides finance for the used cars that it sells to credit-impaired consumers and it contributed well: the end of easy credit is resulting in weaker competition and much stronger results for the company.

On the negative side Parsley Energy detracted most from performance: weak oil prices hurt the shares of this oil and gas exploration and production company. However, there are good prospects to boost oil production and it is a potential takeover target given the high quality of its Permian Basin assets. GMS, the leading distributor of internal building products, suffered from a weaker housing market and discounting by competitors; pressures from discounting are likely to fade and the shares should benefit as debt is reduced using its strong cash flow. American Vanguard, a niche producer of agricultural chemicals was hit by concerns about a trade war. A trade deal with China is quite possible, and there are good opportunities from M&A and a recovery in US farm incomes.

#### **Industrial Classification of the Investment Portfolio**



# Outlook

The market began to recover at the end of the period and continued afterwards, rising strongly. A less aggressive stance by the Fed brightens prospects for US equities. There is however some concern about the pace of future earnings growth overall, although a cessation of hostilities with China on tariffs would provide a boost. Many of the companies in the portfolio operate in niche areas and the prospects for profit growth are in many cases considerably better than for the market overall.

#### **Robert Siddles**

Fund Manager
Jupiter Asset Management Limited
Investment Adviser
15 March 2019

# Twenty Largest Equity Holdings at 31 December 2018

Company Description	Sector	31 Decembe Valuatio £'000		30 June 2018 Valuation £'000 %	
The Chefs' Warehouse	Consumer	2 000	70	2 000	70
Distributor of gourmet foods.	Staples	8,132	5.7	6,995	4.3
Ollie's Bargain Outlet Holdings Retailer of deeply discounted branded goods.	Consumer Discretionary	8,100	5.7	8,516	5.2
America's Car-Mart Sells and finances used cars.	Consumer Discretionary	6,217	4.3	5,125	3.2
The Ensign Group Nursing homes.	Health Care	5,986	4.2	5,332	3.3
Genesee & Wyoming 'A' Operator of short line railroads.	Producer Durables	5,870	4.1	6,221	3.8
Alleghany Specialist insurance underwriter.	Financial Services	5,832	4.1	5,203	3.2
MSC Industrial Direct 'A' Distributor of supplies to the metal working industry.	Producer Durables	5,426	3.8	5,772	3.6
Covanta Holding Waste to energy services.	Producer Durables	4,551	3.2	5,401	3.3
Addus HomeCare Social care for the elderly poor.	Health Care	4,494	3.1	3,654	2.2
Old Dominion Freight Line Less than truck load carrier.	Producer Durables	4,276	3.0	4,977	3.1
American Vanguard Producer of specialised agrichemicals.	Materials & Processing	4,084	2.9	5,956	3.7
Bottomline Technologies Fintech: B2B payables.	Technology	3,725	2.6	3,731	2.3
DMC Global Manufacturer of pipe perforation tools for fracking.	Materials & Processing	3,707	2.6	4,566	2.8
ATN International Holding company focusing on telecoms.	Utilities	3,410	2.4	2,428	1.5
Civitas Solutions Care for intellectually disabled adults.	Health Care	3,339	2.3	3,021	1.9
Sanderson Farms Specialised chicken producer.	Consumer Staples	3,316	2.3	3,388	2.1
Virtusa Outsourcing of corporate IT applications.	Technology	3,296	2.3	3,632	2.2
Pacific Premier Bancorp California based bank.	Financial Services	3,169	2.2	4,565	2.8
Lions Gate Entertainment 'A' Premium cable channels and film and tv program production.	Consumer Discretionary	3,045	2.1	4,534	2.8
LCI Industries Manufacturer of assemblies for RVs.	Consumer Discretionary	2,939	2.1	_	_

The value of the twenty largest equity holdings represents £92.9 million (2018: £100.0 million) and 65.0% (2018: 61.5%) of the Company's total investments.

# **Cross Holdings in other Investment Companies**

As at 30 June 2018 and 31 December 2018, none of the Company's assets were invested in the securities of other listed closed-ended investment companies.

### Interim Management Report

#### **Related Party Transactions**

During the first six months of the current financial year no transactions with related parties have taken place which have materially affected the financial position or performance of the Company. Details of related party transactions are contained in the Annual Report & Accounts for the year ended 30 June 2018 and on page 14 of this report.

#### **Principal Risks and Uncertainties**

The principal risks and uncertainties associated with the Company's business are set out on pages 15 and 16 of the 2018 Annual Report & Accounts.

In the view of the Board these principal risks and uncertainties are as applicable to the remaining six months of the financial year as they were to the six months under review.

#### **Going Concern**

The Half Yearly Financial Report has been prepared on a going concern basis. The Directors consider that this is the appropriate basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In considering this, the Directors took into account the Company's investment objective (see page 2), risk management policies and capital management policies, the diversified portfolio of readily realisable securities which can be used to meet short-term funding commitments and the ability of the Company to meet all of its liabilities and ongoing expenses. Thus the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### **Directors' Responsibility Statement**

The Directors of Jupiter US Smaller Companies PLC confirm to the best of their knowledge that:

- (a) the condensed set of financial statements, prepared in accordance with the applicable set of accounting standards gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company at, or, as applicable, for the period ended 31 December 2018.
- (b) the Chairman's Statement and the Interim Management Report include a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules; and
- (c) the Interim Management Report includes a fair review of the information required by DTR 4.2.8R of the Disclosure and Transparency Rules.

The Half Yearly Financial Report has not been audited or reviewed by the Company's auditor.

For and on behalf of the Board

#### **Gordon Grender**

Chairman 15 March 2019

# Income Statement

#### For the six months to 31 December 2018 (unaudited)

	Six	<b>Six months to 31.12.18</b>		Six	months to 31.	12.17
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains from investments held at fair val	lue –	(17,589)	(17,589)	_	9,432	9,432
Foreign exchange (loss)/gain on loan	_	(277)	(277)	_	472	472
Currency exchange gain/(loss)	-	297	297	-	(332)	(332)
Income	641	_	641	850	_	850
Gross return/(loss)	641	(17,569)	(16,928)	850	9,572	10,422
Investment management fee	(591)	_	(591)	(642)	_	(642)
Other expenses	(214)	(2)	(216)	(241)	(2)	(243)
Net (loss)/return on ordinary activities before finance costs and taxation	(164)	(17,571)	(17,735)	(33)	9,570	9,537
Finance costs	(152)	_	(152)	(75)	_	(75)
Net (loss)/return on ordinary activities before ta	exation (316)	(17,571)	(17,887)	(108)	9,570	9,462
Tax on ordinary activities	(103)	-	(103)	(136)	-	(136)
Net (loss)/return on ordinary activities after tax	ation (419)	(17,571)	(17,990)	(244)	9,570	9,326
Net (loss)/return per Ordinary share (Note 3)	(2.85)p	(119.72)p	(122.57)p	(1.33)p	52.13p	50.80p

The total column of this statement is the profit and loss account of the Company prepared in accordance with UK Generally Accepted Accounting Practice ('UK GAAP').

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued in the period.

The financial information does not constitute 'accounts' as defined in section 434 of the Companies Act 2006.

The Notes on pages 11 to 14 form part of these financial statements.

# Statement of Changes in Equity

# For the six months to 31 December 2018 (unaudited)

For the six months to 31 December 2018	Share Capital £'000	Share Premium £'000	Non- distributable Reserve £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 July 2018	4,555	19,550	841	9,628	128,765	163,339
Repurchase of Ordinary shares to be held in Treasur	у –	_	-	-	(2,369)	(2,369)
Net loss from ordinary activities	_	-	-	-	(17,990)	(17,990)
Balance at 31 December 2018	4,555	19,550	841	9,628	108,406	142,980

For the six months to 31 December 2017 (unaudited)	Salled up Share Capital £'000	Share Premium £'000	Reserve	Redemption Reserve	Retained Earnings £'000	Total £'000
Balance at 1 July 2017	4,985	19,550	841	9,198	147,113	181,687
Repurchase of Ordinary shares for cancellation	(430)	_	_	430	(14,372)	(14,372)
Repurchase of Ordinary shares to be held in Treasury	y –	_	_	_	(10,862)	(10,862)
Net return from ordinary activities	-	_	_	_	9,326	9,326
Balance at 31 December 2017	4,555	19,550	841	9,628	131,205	165,779

	Called up Share	Share	Non–	Capital Redemption	Retained	
For the year ended 30 June 2018 (audited)	Capital £'000	Premium £'000	Reserve £'000	Reserve £'000	Earnings £'000	Total £'000
Balance at 1 July 2017	4,985	19,550	841	9,198	147,113	181,687
Repurchase of Ordinary shares for cancellation	(430)	_	_	430	(14,379)	(14,379)
Repurchase of Ordinary shares to be held in Treas	ury –	_	_	_	(29,952)	(29,952)
Net return from ordinary activities	_	_	_	_	25,983	25,983
Balance at 30 June 2018	4,555	19,550	841	9,628	128,765	163,339

The Notes on pages 11 to 14 form part of these financial statements.

# Statement of Financial Position

# As at 31 December 2018

Net Asset Value per Ordinary share (Note 6)	980.80p	1,103.43
Total shareholders' funds	142,980	163,339
Retained earnings* (Note 8)	108,406	128,765
Capital redemption reserve	9,628	9,628
Non-distributable reserve	841	841
Share premium	19,550	19,550
Called up share capital	4,555	4,555
Capital and reserves		
Net assets	142,980	163,339
Net current (liabilities)/assets	(5)	811
Creditors: amounts falling due within one year	(8,274)	(8,135)
	8,269	8,946
Cash at bank	8,147	8,814
Debtors	122	132
Current assets		
Investments at fair value through profit or loss	142,985	162,528
Fixed asset investments		
	(unaudited) £'000	(audited) £'000
	31.12.18	30.06.18

<sup>\*</sup> Under the Company's Articles of Association any dividends must be distributed only from the revenue element of retained earnings.

The Notes on pages 11 to 14 form part of these financial statements.

### Notes to the Accounts for the six months to 31 December 2018

#### 1. Accounting Policies

The significant accounting policies, which have not been changed and have been applied consistently during the period ended 31 December 2018 (except to align with changes to the AIC SORP and FRS 102 - the impact of which is substantially in relation to presentational, disclosure and non-quantifiable aspects), are stated below.

FRS 104, 'Interim Financial Reporting', issued by the FRC in March 2015 has been applied in preparing the financial statements included in this half yearly report.

#### (a) Basis of accounting

The accounts of the Company are prepared on a going concern basis under the historical cost convention, modified to include fixed asset investments at fair value through profit or loss and in accordance with the Companies Act 2006, UK GAAP and with the Statement of Recommended Practice ('SORP') for Investment Trust Companies and Venture Capital Trusts issued by the Association of Investment Companies ('AIC') in November 2014 and updated in February 2018.

The functional and reporting currency of the Company is pounds sterling because that is the currency of the primary economic environment in which the Company operates.

In accordance with the SORP, the Income Statement has been analysed between a revenue account (dealing with items of a revenue nature) and a capital account (relating to items of a capital nature). Revenue returns include, but are not limited to, dividend income, operating expenses and tax. Net revenue returns are allocated via the revenue account to the retained earnings, out of which dividend payments may be made. Capital returns include, but are not limited to, profits and losses on the disposal and revaluation of fixed asset investments and currency profits and losses on cash and borrowings. Net capital returns may not be distributed by way of dividend and are allocated via the capital account to the retained earnings.

## (b) Principal accounting policies

### (i) Financial instruments

Financial instruments include fixed asset investments, derivative assets and liabilities and long-term debt instruments. Accounting standards recognise a hierarchy of fair value measurements for financial instruments which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The classification of financial instruments depends on the lowest significant applicable input, as follows:

Level 1 – Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Included within this category are investments listed on any recognised stock exchange.

Level 2 – Quoted prices for similar assets or liabilities, or other directly or indirectly observable inputs which exist for the duration of the period of investment. Examples of such instruments would be those for which the quoted price has been recently suspended, forward exchange contracts and certain other derivative instruments.

Level 3 – External inputs are unobservable. Value is the Directors' best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and on assumptions as to what inputs other market participants would apply in pricing the same or similar instruments. Included within this category are unquoted investments.

#### (ii) Fixed asset investments

As an investment trust, the Company measures its fixed asset investments at "fair value through profit or loss" and treats all transactions on the realisation and revaluation of investments as transactions on the capital account. Purchases are recognised on the relevant trade date, inclusive of expenses which are incidental to their acquisition. Sales are also recognised on the trade date, after deducting expenses incidental to the sales. Quoted investments are valued at bid value at the close of business on the relevant date on the exchange on which the investment is quoted.

#### (iii) Foreign currency

Monetary assets, monetary liabilities and equity investments denominated in a foreign currency are expressed in sterling at rates of exchange ruling at the balance sheet date. Purchases and sales of investment securities, dividend income, interest income and expenses are translated at the rates of exchange prevailing at the respective dates of such transactions. Foreign exchange profits and losses on fixed asset investments are included within the changes in fair value in the capital account. Foreign exchange profits and losses on other currency balances are separately credited or charged to the capital account except where they relate to revenue items when they are credited or charged to the revenue account.

#### (iv) Income

Income from equity shares is brought into the revenue account (except where, in the opinion of the Directors, its nature indicates it should be recognised within the capital account) on the ex-dividend date or, where no ex-dividend date is quoted, when the Company's right to receive payment is established.

Dividends are reported in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' on the basis of income actually receivable, without adjustment for the tax credit attaching to the dividends. Dividends from overseas companies are shown gross of withholding tax.

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

#### (v) Expenses, including finance charges

Expenses are charged to the revenue account of the Income Statement, except as noted below:

 expenses incidental to the acquisition or disposal of fixed asset investments are included within the cost of the investments or deducted from the disposal proceeds of investments and are thus charged to the capital element of retained earnings - arising on investments sold via the capital account;

#### Notes to the Accounts for the six months to 31 December 2017 continued

#### 1. Accounting Policies continued

All expenses are accounted for on an accruals basis. Finance charges are accrued using the effective interest rate method.

#### (vi) Taxation

Withholding tax deducted at source from income received is treated as part of the taxation charge in the income account, in instances where it cannot be recovered.

Deferred tax is provided in accordance with FRS 102, on an undiscounted basis, on all timing differences that have originated but not reversed by the balance sheet date, based on the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. In line with the recommendations of the SORP, the allocation method used to calculate the tax relief on expenses charged to capital is the "marginal" basis. Under this basis, if taxable income is capable of being offset entirely by expenses charged through the revenue account, then no tax relief is transferred to the capital account.

#### (vii) Capital redemption reserve

The nominal value of ordinary share capital purchased and cancelled is transferred out of called-up share capital and into the capital redemption reserve.

#### (viii) Retained earnings

Capital reserve - arising on investments sold

The following are included in this reserve:

- gains and losses on the realisation of fixed asset investments:
- · realised foreign exchange differences of a capital nature;
- costs of professional advice, including related irrecoverable VAT, relating to the capital structure of the Company;
- other capital charges and credits charged or credited to this account in accordance with the above policies; and
- the costs of purchasing Ordinary share capital.

Capital reserve - arising on investments held

The following are included in this reserve:

- increases and decreases in the valuation of fixed asset investments held at the period end;
- unrealised foreign exchange differences of a capital nature; and

The revenue loss for the period is taken to the revenue element of this reserve.

## 2. (Losses)/gains on Investments held at fair value through profit or loss

	Six months to 31.12.18 £'000	Six months to 31.12.17 £'000
Net gains realised on sale of investments	6,367	951
Movement in investment holdings (losses)/gains	(23,956)	8,481
(Losses)/gains on investments held at fair value through profit or loss	(17,589)	9,432

# 3. Return per Share

Six months to 31.12.18 £'000	Six months to 31.12.17 £'000
(419)	(244)
(17,571)	9,570
(17,990)	9,326
14,676,716	18,358,582
(2.85)p	(1.33)
(119.72)p	52.13բ
(122.57)p	50.80p
	31.12.18 £'000 (419) (17,571) (17,990) 14,676,716 (2.85)p (119.72)p

### Notes to the Accounts for the six months to 31 December 2017 continued

#### 4. Transaction Costs

During the period expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains on investments in the Income Statement. The total costs were as follows:

	Six months to 31.12.18 £'000	Six months to 31.12.17 £'000
Purchases	10	102
Sales	9	94
Total	19	196

#### 5. Comparative Information

The financial information contained in this interim report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the six months to 31 December 2018 and 31 December 2017 has not been audited.

The information for the year ended 30 June 2018 has been extracted from the latest published audited financial statements. The audited financial statements for the year ended 30 June 2018 have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under section 498(2) or (3) of the Companies Act 2006.

### 6. Net Asset Value per Ordinary share

The Net Asset Value per Ordinary share as at 31 December 2018, calculated in accordance with the Articles of Association, was as follows:

	31.12.18			30.06.18	
	Net Asset Value per share attributable (p)	Net assets attributable £'000	Net Asset Value per share attributable (p)	Net assets attributable £'000	
Ordinary shares	980.80	142,980	1,103.43	163,339	

Net Asset Value per Ordinary share on the balance sheet is based on net assets of £142,980,000 (30 June 2018: £163,339,000) and on 14,577,898 (30 June 2018: 14,802,819) Ordinary shares, being the number of Ordinary shares in issue at the end of the period.

#### 7. Fair valuation of investments

The fair value hierarchy analysis for investments held at fair value at the period end is as follows:

		31.12.18			30.06.18			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	142,985	_	_	142,985	162,528	_	_	162,528

## 8. Retained earnings

The table below shows the movement in the retained earnings analysed between revenue and capital items:

	Revenue return £'000	Capital return £'000	Total £'000
Balance at 1 July 2018	(6,173)	134,938	128,765
Net loss for the period	(419)	(17,571)	(17,990)
Ordinary shares repurchased into Treasury	_	(2,369)	(2,369)
Balance at 31 December 2018	(6,592)	114,998	108,406

Notes to the Accounts for the six months to 31 December 2018 continued

#### 9. Related parties

Jupiter Unit Trust Managers Limited ('JUTM'), the Alternative Investment Fund Manager, is a company within the same group as Jupiter Asset Management Limited, the Investment Adviser. JUTM receives an investment management fee as set out below.

JUTM is contracted to provide investment management services to the Company subject to termination by not less than twelve months' notice by either party. The investment management fee is 0.75% of Net Assets up to £150 million; plus 0.65% of Net Assets in excess of £150 million but less than or equal to £250 million; plus 0.55% of Net Assets in excess of £250 million. The investment management fee is paid on a quarterly basis.

The investment management fee payable to JUTM for the period 1 July to 31 December 2018 was £591,000 (year to 30 June 2018: £1,221,000) with £269,000 outstanding as at 31 December 2018 (30 June 2018: £303,000).

No investment management fee is payable by the Company to JUTM in respect of the Company's holdings in investment trusts, open-ended funds and investment companies in respect of which Jupiter Investment Management Group Limited, or any subsidiary undertaking of Jupiter Investment Management Group Limited, receives fees as investment manager or investment adviser.

There are no transactions with the Directors other than the remuneration paid to the Directors as disclosed in the Directors' Remuneration Report on page 28 of the 2018 Annual Report & Accounts and as set out in Note 5 to the Accounts on page 40 and the beneficial interests of the Directors in the Ordinary shares of the Company as disclosed on page 29.

#### Investor Information

#### **Performance Updates**

The Company publishes a monthly factsheet which contains key information about its performance, investment portfolio and pricing. The factsheets, together with electronic copies of the most recent full and interim reports and accounts, are available for download from www.jupiteram.com/JUS. Should you wish to be added to an email distribution list for future editions of the monthly factsheet, please send an email to investmentcompanies@jupiteram.com. For investors who do not have access to the internet, these documents are also available on request from Jupiter's Customer Services Team on 0800 561 4000.

The Company currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the Financial Conduct Authority's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The Company's Ordinary shares are excluded from the Financial Conduct Authority's restrictions which apply to non-mainstream investment products because they are Ordinary shares in an investment trust.

Further information about the Company is also available from third party websites such as www.morningstar.co.uk and www.theaic.co.uk.

#### **Dividend Tax Allowance**

With effect from 6 April 2016 the dividend tax credit was replaced by an annual tax-free dividend allowance. Dividend income in excess of this allowance will be taxed according to your personal income tax bracket. The Company's Registrar will continue to provide shareholders with confirmation of dividends paid; Shareholders should retain such confirmations to enable them to calculate and report total dividend income received. Shareholders should note that it is their sole responsibility to report any dividend income in excess of their annual tax-free allowance to HMRC.

Further information on changes to dividend tax allowance can be obtained from the HMRC website at: https://www.gov.uk/government/publications/income-tax-changes-to-dividend-taxation

#### **Changes to our Data Privacy Notice**

We have updated our Privacy Notice to align with the new data privacy law in the European Union, known as the General Data Protection Regulation (GDPR) to which we are subject. Data protection and the security of your information always has been and remains of paramount importance to us.

Any information concerning Shareholders and other related natural persons (together the **Data Subjects**) provided to, or collected by or on behalf of, Jupiter Unit Trust Managers Limited and/or Jupiter US Smaller Companies Plc (the **Controllers**) (directly from Data Subjects or from publicly available sources) may be processed by the Controllers as joint controllers, in compliance with the GDPR.

You are not required to take any action in respect of this notice, but we encourage you to read our Privacy Notice. Our Privacy Notice can be found on our website, www.jupiteram.com/Shared-Content/Legal-content-pages/Privacy/Investment-trusts. In the event that you hold your shares as a nominee, we request that you promptly pass on the details of where to find our Privacy Notice to the underlying investors and/or the beneficial owners.

#### Managing your account online

The company's registrar, Computershare Investor Services PLC, allows you to manage your shareholding online. If you are a direct investor you can view your shareholding, change the way the registrar communicates with you and buy and sell shares. If you haven't used this service before, all you need to do is enter the name of the Company and register your account at https://www-uk.computershare.com/investor. You'll need your Investor code (IVC) printed on your share certificate in order to register.

Computershare's contact details are as follows:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
BRISTOL BS99 6ZZ

Telephone: +44 (0)370 889 4089

\* Calls to this number are charged at the standard geographical rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open from 09:00 – 17:30 Monday to Friday.

## Glossary of terms including alternative performance measures

#### Benchmark price return index

A price return index is a type of equity performance index that tracks the capital gains of a group of stocks over time and ignores any cash distributions, such as dividends.

#### Discount\*

The amount, expressed as a percentage, by which the share price is less than the net asset value per share.

#### Gearing\*

Gearing is the borrowing of cash to buy more assets for the portfolio with the aim of making a gain on those assets larger than the cost of the loan. However, if the portfolio doesn't perform well the gain might not cover the costs. The more an investment company gears, the higher the risk.

#### Mid-market price

The mid-market price is the mid-point between the buy and the sell prices.

#### **NAV** per share

The net asset value ('NAV') is the value of the investment company's asset less its liabilities. The NAV per share is the NAV divided by the number of shares in issue. The difference between the NAV per share and the share price is known as the discount or premium.

#### Ongoing charges\*

Ongoing charges are the total expenses including both the investment management fee and other costs but excluding finance costs on borrowing, expressed as a percentage of NAV.

#### Premium\*

The amount, expressed as a percentage, by which the share price is more than the net asset value per share.

\* Alternative performance measures.

The European Securities and Markets Authority published its guidelines on Alternative Performance Measures ('APMs'). APMs are defined as being a 'financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable accounting framework.' The guidelines are aimed at promoting the usefulness and transparency of APMs included in regulated information and aim to improve comparability, reliability and/or comprehensibility of APMs. The above APMs are used throughout the annual report, financial statements and notes to the financial statements.

# Company Information

Directors	Gordon Grender, Chairman Norman Bachop Peter Barton Lisa Booth Clive Parritt
Registered Office	The Zig Zag Building 70 Victoria Street London SW1E 6SQ
Alternative Investment Fund Manager	Jupiter Unit Trust Managers Limited The Zig Zag Building 70 Victoria Street London SW1E 6SQ Authorised and regulated by the Financial Conduct Authority
Investment Adviser & Secretary	Jupiter Asset Management Limited The Zig Zag Building 70 Victoria Street London SW1E 6SQ
Telephone	020 3817 1000
Facsimile	020 3817 1820
Website	www.jupiteram.com/JUS
Email	investmentcompanies@jupiteram.com
	Authorised and regulated by the Financial Conduct Authority
Custodian	J.P. Morgan Chase Bank N.A. 25 Bank Street Canary Wharf London E14 5JP Authorised and regulated by the Financial Conduct Authority
Depositary	J.P. Morgan Europe Limited 25 Bank Street Canary Wharf London E14 5JP Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority
Registrars	Computershare Investor Services PLC The Pavilions, Bridgwater Road Bristol BS99 6ZZ
Telephone	0370 889 4089 (Lines are open from 9.00am to 5.30pm Monday to Friday. Calls cost 10 pence per minute plus network extras)
Facsimile	0370 703 6101
Website	www.investorcentre.co.uk
Independent Auditors	PriceWaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT
Company Registration Number	02781968 Registered in England and Wales An investment company under s.833 of the Companies Act 2006
Investor Codes	The Ordinary shares of the Company are traded on the London Stock Exchange.
Sedol Number Ordinary Income shares ISIN	0346340
Ordinary Income shares Ticker	GB0003463402
Ordinary Income shares	JUS.L



Jupiter Asset Management Limited is authorised and regulated by the Financial Conduct Authority whose address is 25 The North Colonnade, Canary Wharf, London E14 5HS. It is a subsidiary of Jupiter Investment Management Group Limited, The Zig Zag Building, 70 Victoria Street, London SWIE 6SQ. If you are unsure of any investment decisions you should consult an Independent Financial Adviser.