JUPITER US SMALLER COMPANIES PLC

Half Yearly Financial Report

for the six months to 31 December 2019

JUPITER

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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 Total Return Index (the 'benchmark').

Financial Highlights for the six months to 31 December 2019

Ordinary Share Performance

	31.12.19	30.06.19	% Change
Net Asset Value (pence)	1,232.61	1,152.66	+6.9
Middle market price (pence)	1,132.50	1,045.00	+8.4
Benchmark	6,369.49	6,178.91	+3.1
Discount to Net Asset Value (%)*	(8.1)	(9.3)	–
Ongoing charges ratio (%)*	1.02	0.93	–

* Alternative performance measure.

A Glossary of Terms including alternative performance measures can be found on page 17 of this report.

Chairman's Statement

Dear Shareholders

Performance

In the six month period to 31 December 2019 the Net Asset Value ('NAV') per share of the Company rose 6.9%. This was better than the 3.1% return of the Company's new benchmark, the Russell 2000 Total Return ('TR') Index. An explanation of why we decided to change the benchmark is detailed below.

Performance has been above the benchmark since October 2017: in the period from 31 October 2017 to 31 December 2019, NAV per share gained 32.3%, which compared to the benchmark's return of 14.7%. In October 2017 the Investment Adviser, encouraged by the Board, increased stock specific risk in the portfolio with the aim that it should benefit more from good stock selection. The Investment Adviser's value style of investing had earlier suffered compared to the benchmark in a growth-led market.

The US stock market advanced over the six months: in dollar terms the Russell 2000 TR Index returned 7.3%; the return for the Standard & Poor's Composite Index, however, was 10.9% and that for the technology-oriented NASDAQ Index 12.7%.

Since the end of the period there has been a major fall in equity markets generally as a result of concerns about the economic and financial impact of the COVID-19 pandemic as well as a sharp drop in oil prices. US smaller companies and the Company's NAV have not been immune to these losses.

Change to a total return benchmark

The Board has decided to change the Company's benchmark from the Russell 2000 Index (a price return index) to the Russell 2000 TR Index, both expressed in sterling terms. The Index is the most common benchmark for small-cap funds. It is an index measuring the performance of 2,000 small-cap stocks in the Russell 3000 Index, which is made up of the 3,000 biggest US stocks. FTSE Russell calculates these indices on a daily basis and the TR Index includes the reinvestment of dividends from its constituent companies.

The Board's decision is in response to the views of shareholders and the general move in the UK towards the use of total return benchmarks. The main reasons for their use are that they reflect the full investment return available from a market, both capital and income, and that investors now have widely available alternatives such as Exchange Traded Funds (passive funds that seek to reflect the total return of an index).

Sustainable Investment

Your Fund Manager, Robert Siddles, intends to further integrate Environmental, Social and Governance ('ESG') factors into his investment approach, especially in assessing the risks individual companies face. The investment approach taken is already a conservative one with considerable emphasis on governance and the durability of a Company's competitive position. This will not result in dramatic changes to the portfolio, but the Board believes that ESG is important for shareholders' long term interests. In time this should lead to a portfolio with a lower carbon intensity and one that is more aligned to United Nation's sustainability goals.

Board Composition

I am pleased to welcome to the Board Tina Soderlund-Boley who was appointed as a director effective from 1 January 2020. Tina has a Swedish law degree and spent 18 years as Head of Sales Institutional and Intermediaries Northern Europe for GAM. Since then she has continued to focus on cross-territory investment in smaller companies.

Gearing facility

During the period the Company maintained borrowing at $15 million under its loan facility with Scotia Bank. The current maximum potential gearing is set at 20% of the Company's assets. At 31 December 2019 the net gearing (i.e. debt less cash compared to its equity capital) was 2.9%. As at 12 March 2020, gearing was 3.2%.

Share price and discount

The Board remains committed to its stated policy of using share buybacks with the intention of ensuring that, over a period the market price of its shares reflects a discount of less than 10% of NAV per share.

The share buyback programme contributed 0.4% to performance in the period under review.

The Company bought back 681,499 shares in the period at an average discount of 8.7%. These are included in the 4,892,111 shares that were held in Treasury at 31 December 2019.

The price of the shares rose 8.4% to 1132.5p over the period. The discount to NAV was 8.1% at the end of the period, which compared to a discount of 9.3% at 30 June 2019.

As at 16 March 2020, the NAV per share was 781.5p – a fall of 36.6% since 31 December 2019, with the share price of 710.0p trading at a discount of 9.1% to NAV.

Outlook

The equity market, and particularly the smaller and medium sized companies in which the Company invests, has suffered a sharp setback at the time of writing and it is difficult to predict when the current bear market phase will end. The degree of economic impact is difficult to foresee until the severity of the COVID-19 outbreak is known. A complicating factor is the financial stress that will be induced by business failures as well as the collapse in oil prices, which will have a knock-on effect to US industrial activity. Neither are policy responses clear yet. The impact of the 9-11 tragedy was that consumers tended to focus on home-related activities and spending and a similar thing may happen this year. It is too early to look for an immediate recovery even though the stock market is a discounting mechanism but, when it comes, US recovery may be vigorous.

The US smaller company sector is still an attractive and interesting one for long term investors who are prepared to accept the increased volatility of the sector. It is generally under-researched and offers areas of undiscovered value. Shareholders should continue to benefit from the Company's conservative investment approach that focuses on buying good companies when their shares are out of favour.

Gordon Grender
Chairman
23 March 2020

Investment Adviser's Review

Performance

NAV per share increased 6.9% in the six months' period to 31 December 2019 compared to a 3.1% return for the benchmark. This performance reflected good stock selection, especially in health care.

Market review

US equities made steady progress in the period as the Federal Reserve ("Fed") cut rates three times and boosted liquidity in the banking system. The exception was a minor correction in August when the market was spooked by evidence of a sharp slowdown in manufacturing activity. At the same time the slope of the US Treasury yield curve briefly inverted - meaning that the yield on long term US Treasuries was less than that on short term Treasuries. This is an unusual situation and is sometimes a prelude to a recession. However, investors were reassured by the Fed's timely action and the market soon recovered.

Although US manufacturing undoubtedly slowed to a crawl, the consumer carried the economy forward. Some of the volatile sectors that can have a leveraged impact on the economy moved in opposite directions: on the one hand, the energy industry decelerated as fracking companies bowed to pressure from shareholders to generate more cash. On the other, residential construction appeared to have bottomed earlier in the year and began to expand again.

Fears about corporate profits seem to have been unfounded so far and indeed corporate bond spreads narrowed in the last few months of the period (a sign of confidence in the prospect for corporate profits).

All sectors of the benchmark gained in the period with the exception of energy. The leaders were health care (+11% in dollar terms), technology (+10%) and consumer discretionary (+8%) whereas the laggards were energy (-17%), utilities (0%) and financial services (+6%).

Portfolio Review

The best contribution to performance came from The Pennant Group, which was spun out from The Ensign Group, one of the portfolio's largest holdings. Ensign focuses on buying underperforming nursing homes and then improving them. It separated its homecare, hospice and assisted living operations into Pennant and the market liked the idea of the same strategy being applied to Pennant's businesses. America's Car-Mart has been a long term holding. It finances and sells used cars to consumers of moderate means in small towns in the Midsouth. The end of easy credit for new car purchases resulted in the company seeing a return of customers with better credit quality and, in the period, sales growth improved too. Palomar Holdings is a new stock. It specialises in underwriting earthquake insurance. It aims to grow via superior underwriting. It makes intensive use of technology and more detailed geographical data so that it can price more keenly on better risks and avoid worse ones. It is backed by a large bench of reinsurers. The market responded well to its strong profits growth.

Addus Homecare (social care for the elderly poor) was another healthcare stock that contributed well in the period: although it has a tiny market share it is by far the largest player in a consolidating market.

The Ensign Group was the largest detractor from performance because of the spin-off of Pennant. Covanta Holding, the provider of waste to energy services and another top ten position fell on concerns about the effect of falling commodity prices. It makes a high marginal profit on the extraction of metals from waste. Falling prices will mean lower free cash flow and as this is a key concern for Covanta, it was sold. Ollie's Bargain Outlet Holdings, an off-price retailer, has been a very successful investment since its purchase almost four years ago and it was the largest holding in the portfolio a year ago. Potential concerns about slowing growth led us to take profits and heavily reduce the position. It fell this period after poor second quarter results that seemed to reflect logistical issues related to the larger stores it acquired from Toys R Us. The untimely death of its founder and CEO, Mark Butler, over the Thanksgiving weekend is a significant blow that increases the risks and the remaining position was sold.

There was a technology theme to purchases in the period. As well as Palomar, another example was ON Semiconductor, a leader in providing analogue and power semis to the car and the data centre industries. Its shares were depressed temporarily by concerns about global economic growth and trade wars.

A second area of focus was the materials sector where stocks were also hit by macro concerns. Westlake Chemical has a consistent record of free cash flow and growth, and insiders own over 70% of the shares. Its products are in niche grades where growth of new supply is less of an issue than in chemical grades.

Sales were primarily of stocks with high financial leverage where in addition there were operational concerns. Covanta was an example of this, as was Lions Gate Entertainment.

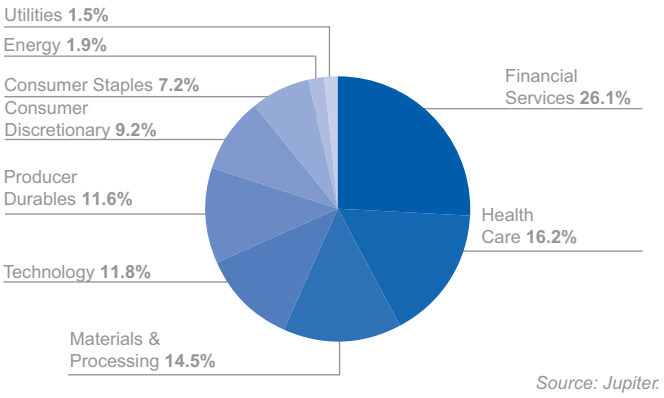
Last but not least, Genesee & Wyoming, the leader in short line rails, was sold after a bid from private equity. The position was originally acquired in 2002 and since then the stock has risen more than ten times.

Outlook

The smaller company sector has suffered more severely than blue chips in the market sell-off following the end of the period, meaning that the smaller companies sector is back at levels compared to large caps that have not been seen since 2003. Blue chips tend to do relatively better in difficult times because investors become risk averse and smaller companies tend to have greater sensitivity to economic growth. The current period of market stress is likely to go on for a while longer: in a bear market, all news is bad news. However, once stocks bottom out, the recovery in the smaller company sector is likely to be much stronger than that of the general market.

Industrial Classification of the Investment Portfolio

as at 31 December 2019



Source: Jupiter.

Robert Siddles
Fund Manager
Jupiter Asset Management Limited
Investment Adviser
23 March 2020

Twenty Largest Equity Holdings at 31 December 2019

Company Description	Sector	31 December 2019 Valuation £'000	%	30 June 2019 Valuation £'000	%
The Chefs' Warehouse Distributor of gourmet foods.	Consumer Staples	9,315	5.5	8,929	5.5
America's Car-Mart Sells and finances used cars.	Consumer Discretionary	9,048	5.3	7,393	4.5
Alleghany Property/casualty insurance and reinsurance underwriter.	Financial Services	7,216	4.2	6,385	3.9
The Ensign Group Nursing homes.	Health Care	6,734	4.0	8,794	5.4
Old Dominion Freight Line Less than truck load carrier.	Producer Durables	6,316	3.7	5,173	3.2
Addus HomeCare Social care for the elderly poor.	Health Care	6,188	3.6	4,956	3.0
Virtusa Outsourcing of corporate IT applications.	Technology	5,403	3.2	4,277	2.6
MSC Industrial Direct 'A' Distributor of supplies to the metal working industry.	Producer Durables	5,323	3.1	5,243	3.2
GMS Distributor of internal building products.	Materials & Processing	5,117	3.0	4,325	2.6
Construction Partners 'A' Road repairs.	Materials & Processing	5,045	3.0	4,692	2.9
American Vanguard Producer of specialised agrichemicals.	Materials & Processing	5,036	3.0	4,141	2.5
The Pennant Group Home care, hospice and assisted living.	Health Care	5,017	3.0	–	–
Palomar Holdings Earthquake insurance underwriter.	Financial Services	4,588	2.7	–	–
LCI Industries Manufacturer of assemblies for RVs.	Consumer Discretionary	4,532	2.7	3,956	2.4
United Rentals Equipment rental.	Producer Durables	4,211	2.5	3,486	2.0
Hallmark Financial Services Property/casualty insurance underwriter.	Financial Services	4,172	2.5	3,507	2.1
INTL FCStone Commodity-related financial services.	Financial Services	4,153	2.4	3,519	2.2
Bottomline Technologies (DE) Fintech: B2B payables.	Technology	4,000	2.4	3,438	2.1
Pacific Premier Bancorp California based bank.	Financial Services	3,893	2.3	3,839	2.3
TechTarget Marketing services for the technology industry.	Technology	3,875	2.3	3,281	2.0

The value of the twenty largest equity holdings as at 31 December 2019 is £109.2 million (30 June 2019: £103.6 million) and amounts to 64.4% (30 June 2019: 63.1%) of the Company's total investments.

Cross Holdings in other Investment Companies

As at 30 June 2019 and 31 December 2019, 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 2019 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 14 and 15 of the 2019 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 2019.

(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 auditors.

For and on behalf of the Board

Gordon Grender
Chairman
23 March 2020

Income Statement

For the six months to 31 December 2019 (unaudited)

	Six months to 31.12.19			Six months to 31.12.18		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) from investments held at fair value through profit or loss (Note 2)	–	10,203	10,203	–	(17,589)	(17,589)
Foreign exchange gain/(loss) on loan	–	463	463	–	(277)	(277)
Currency exchange (loss)/gain	–	(111)	(111)	–	297	297
Income	790	–	790	641	–	641
Gross return/(loss)	790	10,555	11,345	641	(17,569)	(16,928)
Investment management fee	(625)	–	(625)	(591)	–	(591)
Other expenses	(204)	(1)	(205)	(214)	(2)	(216)
Net (loss)/return on ordinary activities before finance costs and taxation	(39)	10,554	10,515	(164)	(17,571)	(17,735)
Finance costs	(188)	–	(188)	(152)	–	(152)
Net (loss)/return on ordinary activities before taxation	(227)	10,554	10,327	(316)	(17,571)	(17,887)
Tax on ordinary activities	(117)	–	(117)	(103)	–	(103)
Net (loss)/return on ordinary activities after taxation	(344)	10,554	10,210	(419)	(17,571)	(17,990)
Net (loss)/return per ordinary share (Note 3)	(2.53)p	77.65p	75.12p	(2.85)p	(119.72)p	(122.57)p

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 2019 (unaudited)

For the six months to 31 December 2019	Called up Share Capital £'000	Share Premium £'000	Non-distributable Reserve £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 July 2019	4,555	19,550	841	9,628	126,946	161,520
Repurchase of ordinary shares to be held in Treasury	–	–	–	–	(7,407)	(7,407)
Net return from ordinary activities	–	–	–	–	10,210	10,210
Balance at 31 December 2019	**4,555**	**19,550**	**841**	**9,628**	**129,749**	**164,323**

For the six months to 31 December 2018 (unaudited)	Called up 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 Treasury	–	–	–	–	(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 year ended 30 June 2019 (audited)	Called up 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 Treasury	–	–	–	–	(8,090)	(8,090)
Net return from ordinary activities	–	–	–	–	6,271	6,271
Balance at 30 June 2019	**4,555**	**19,550**	**841**	**9,628**	**126,946**	**161,520**

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

Statement of Financial Position

As at 31 December 2019

	31.12.19 (unaudited) £'000	30.06.19 (audited) £'000
Fixed asset investments		
Investments at fair value through profit or loss	169,445	163,712
Current assets		
Debtors	47	112
Cash at bank	6,571	9,889
	6,618	10,001
Creditors: amounts falling due within one year	(11,740)	(12,193)
Net current liabilities	(5,122)	(2,192)
Net assets	**164,323**	**161,520**
Capital and reserves		
Called up share capital	4,555	4,555
Share premium	19,550	19,550
Non-distributable reserve	841	841
Capital redemption reserve	9,628	9,628
Retained earnings* (Note 8)	129,749	126,946
Total shareholders' funds	**164,323**	**161,520**
Net Asset Value per ordinary share (Note 6)	**1,232.61p**	**1,152.66p**

* 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 2019

1. Accounting Policies

The significant accounting policies, which have not been changed and have been applied consistently during the period ended 31 December 2019 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 Statement of Financial Position 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 accounted for 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 2019 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 profit for the period is taken to the revenue element of this reserve.

Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements on occasion requires management 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. Management do not believe that any significant accounting judgements have been applied to this set of financial statements.

2. Gains/(losses) on Investments held at fair value through profit or loss

	Six months to 31.12.19 £'000	Six months to 31.12.18 £'000
Net (losses)/gains realised on sale of investments	(717)	6,367
Movement in investment holdings gains/(losses)	10,920	(23,956)
Gains/(losses) on investments held at fair value through profit or loss	**10,203**	**(17,589)**

3. Return/(loss) per ordinary share

	Six months to 31.12.19 £'000	Six months to 31.12.18 £'000
Net revenue (loss)	(344)	(419)
Net capital return/(loss)	10,554	(17,571)
Net total return/(loss)	**10,210**	**(17,990)**
Weighted average number of ordinary shares in issue during the period	13,591,803	14,676,716
Net loss per ordinary share	(2.53)p	(2.85)p
Net capital return/(loss) per ordinary share	77.65p	(119.72)p
Net return/(loss) per ordinary share	**75.12p**	**(122.57)p**

Notes to the Accounts for the six months to 31 December 2019 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 31.12.19 £'000	Six months to 31.12.18 £'000
Purchases	13	10
Sales	16	9
Total	**29**	**19**

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 2019 and 31 December 2018 has not been audited.

The information for the year ended 30 June 2019 has been extracted from the latest published audited financial statements. The audited financial statements for the year ended 30 June 2019 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 2019, calculated in accordance with the Articles of Association, was as follows:

	31.12.19		30.06.19	
	Net Asset Value per share attributable (p)	Net assets attributable £'000	Net Asset Value per share attributable (p)	Net assets attributable £'000
Ordinary shares	1,232.61	164,323	1,152.66	161,520

Net asset value per ordinary share on the balance sheet is based on net assets of £164,323,000 (30 June 2019: £161,520,000) and on 13,331,302 (30 June 2019: 14,012,801) 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:

	31.12.19				30.06.19			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	169,445	–	–	169,445	163,712	–	–	163,712

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 2019	(6,848)	133,794	126,946
Net (loss)/return for the period	(344)	10,554	10,210
Ordinary shares repurchased into Treasury	–	(7,407)	(7,407)
Balance at 31 December 2019	**(7,192)**	**136,941**	**129,749**

Notes to the Accounts for the six months to 31 December 2019 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 £200 million; plus 0.55% of net assets in excess of £200 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 2019 was £625,000 (year to 30 June 2019: £1,169,000) with £308,000 outstanding as at 31 December 2019 (30 June 2019: £289,000).

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 27 of the 2019 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 28.

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.

Retail distribution of non-mainstream products

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.

Important Risk Warnings

Advice to shareholders

In recent years investment related scams have become increasingly sophisticated and difficult to spot. We are therefore warning all our shareholders to be cautious so that they can protect themselves and spot the warning signs.

Fraudsters will often:

- contact you out of the blue
- apply pressure to invest quickly
- downplay the risks to your money
- promise tempting returns that sound too good to be true
- say that they are only making the offer available to you
- ask you to not tell anyone else about it

You can avoid investment scams by:

- **Rejecting unexpected offers** – Scammers usually cold call but contact can also come by email, post, word of mouth or at a seminar. If you have been offered an investment out of the blue, chances are it's a high risk investment or a scam.
- **Checking the FCA Warning List** – Use the FCA Warning List to check the risks of a potential investment. You can also search to see if the firm is known to be operating without proper FCA authorisation.
- **Getting impartial advice** – Before investing get impartial advice and don't use an adviser from the firm that contacted you.

If you are suspicious, report it

- You can report the firm or scam to the FCA by contacting their Consumer Helpline on **0800 111 6768** or using their online reporting form.
- If you have lost money in a scam, contact **Action Fraud** on **0300 123 2040** or **www.actionfraud.police.uk**.

For further helpful information about investment scams and how to avoid them please visit **www.fca.org.uk/scamsmart**.

Glossary of terms including alternative performance measures

Alternative performance measures

The European Securities and Markets Authority ('ESMA') 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 following APMs* are used throughout the annual report, financial statements and notes to the financial statements.

Benchmark total return index

A total return index is a type of equity performance index that tracks both the capital gains of a group of stocks over time, and assumes that any cash distributions, such as dividends, are reinvested back into the index.

Discount*

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

As at 31 December 2019 the share price was 1,132.50p and the net asset value per share (cum income) was 1,232.61p, the discount therefore being (8.12)%.

Discount management

Discount management is the process of the buy-back and issue of company shares by the company, to and from its own holding or 'treasury' with the intention of managing any imbalance between supply and demand for the company's shares and thereby the market price. The aim is to ensure that, in normal market conditions, the market price of the company's shares will not materially vary from its NAV per share. The authority to repurchase the company's shares is voted upon by the shareholders at each annual general meeting.

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.

Gearing is the ratio of the Company's net borrowings (£4,752,000) being gross borrowings (£11,323,000) less cash (£6,571,000) to its net assets (£164,323,000) expressed as a percentage (2.9%).

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 assets 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.

As at 31 December 2019, the net asset value per share was 1,232.61p.

Ongoing charges*

Ongoing charges are the total expenses including both the investment management fee and other costs, but excluding finance costs (if applicable), as a percentage of the average NAV over the financial period.

Premium*

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

Treasury shares

Treasury shares are the part of the issued share capital that is held by the company. They do not rank for dividends and do not have voting rights. The company uses treasury shares for discount management purposes as described above.

* Alternative performance measure.

Company Information

Directors	Gordon Grender, Chairman Norman Bachop* Peter Barton Lisa Booth Clive Parritt Tina Soderlund-Boley**
	* Retired as a Director of the Company with effect from 26 November 2019 ** Appointed as a Director of the Company with effect from 1 January 2020
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
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 and the Prudential Regulation Authority
Registrars	Computershare Investor Services PLC The Pavilions, Bridgwater Road Bristol BS99 6ZZ
Telephone	0370 889 4089
Facsimile	0370 703 6101
Website	www.investorcentre.co.uk
Independent Auditors	haysmacintyre LLP 10 Queen Street Place London EC4R 1AG
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 shares	0346340
ISIN Ordinary shares	GB0003463402
Ticker Ordinary shares	JUS.L

THE COMPANY IS A MEMBER OF THE

aic The Association of Investment Companies

London Stock Exchange LISTED PREMIUM

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www.jupiteram.com/JUS

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