

**THIS ANNOUNCEMENT AND THE INFORMATION CONTAINED IN IT ARE NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN WHOLE OR IN PART, IN OR INTO, THE UNITED STATES OF AMERICA (INCLUDING ITS TERRITORIES AND POSSESSIONS, ANY STATE OF THE UNITED STATES AND THE DISTRICT OF COLUMBIA), AUSTRALIA, CANADA, JAPAN, NEW ZEALAND, THE REPUBLIC OF AFRICA, IN ANY MEMBER STATE OF THE EUROPEAN UNION OR IN ANY OTHER JURISDICTION IN WHICH THE SAME WOULD BE UNLAWFUL.**

This announcement is not an offer to sell, or a solicitation of an offer to acquire, securities in the United States or in any other jurisdiction in which the same would be unlawful. Neither this announcement nor any part of it shall form the basis of or be relied on in connection with or act as an inducement to enter into any contract or commitment whatsoever.

14 November 2023

**JPMorgan UK Smaller Companies Investment Trust plc**

Legal Entity Identifier: 549300PXALXKUMU9JM18

**Proposed combination with JPMorgan Mid Cap Investment Trust plc**

**Introduction**

The Board of JPMorgan UK Smaller Companies Investment Trust plc ("**JMI**" or the "**Company**") is pleased to announce that it has signed Heads of Terms with the Board of JPMorgan Mid Cap Investment Trust plc ("**JMF**") in respect of a proposed combination with JMF to be effected by way of a section 110 scheme of reconstruction of JMF (the "**Scheme**") and issuance of new ordinary shares of JMI as consideration for the transfer of part of JMF's assets (together with the Scheme, the "**Transaction**").

Following the successful completion of the Transaction, the enlarged JMI shall continue to be managed by JPMorgan Funds Limited ("**JPMorgan**"), with Georgina Brittain and Katen Patel as lead portfolio managers, and the Company shall pursue its existing investment objective and policy.

The Board believes that the Transaction will enable JMI's existing ordinary shareholders to benefit from continued exposure to the UK Smaller companies investment strategy, the greater economies of scale that are expected to result from the enlarged asset base, including cost efficiencies and greater liquidity in JMI's ordinary shares.

As part of the Transaction, the Board has also agreed the following changes:

- an enhanced dividend policy targeting a 4 per cent. yield on NAV per annum, calculated on the basis of 4 per cent. of NAV as at the end of the preceding financial year, payable in equal quarterly instalments;
- lower management fees: to be 0.65 per cent. p.a. on JMI's net assets up to £200 million and 0.55 per cent. p.a. on net assets above £200 million (currently 0.65 per cent. p.a. on JMI's net assets up to £300 million and 0.55 per cent. p.a. on net assets above £300 million);
- Significant cost contribution from JPMorgan by way of fee waiver;
- the enlarged JMI will be renamed JPMorgan UK Small Cap Growth & Income plc, with JUGI as the new ticker; and
- three directors from JMF will join the Board. It is intended that one of the former JMF directors will step down at, or prior to, the 2024 AGM.

The documentation in connection with the Transaction is expected to be published in January 2024 with a view to convening EGMs and completing the Transaction in February 2024.

In accordance with customary practice for such transactions involving investment trusts, the City Code on Takeovers and Mergers is not expected to apply to the Transaction. The Transaction will, amongst other things, be subject to the approval by the shareholders of each of JMI and JMF, in addition to necessary regulatory and tax approvals.

### Summary of the Scheme

The Transaction will be effected by way of a scheme of reconstruction of JMF under section 110 of the Insolvency Act 1986, resulting in the voluntary liquidation of JMF and the transfer of part of JMF's assets to JMI in exchange for the issue of new ordinary shares of JMI ("**New JMI Ordinary Shares**") to existing JMF shareholders ("**JMF Shareholders**"). The number of New Ordinary Shares issued to JMF Shareholders will be determined on a Formula Asset Value ("**FAV**") for FAV basis. The FAVs shall be calculated based on the net asset value of each of JMI and JMF on an agreed calculation date, less each party's transaction costs.

Subject to, and conditional on, the Scheme becoming unconditional in all material respects and the Transaction completing successfully, JMF Shareholders will have the option to elect to receive a cash distribution (the "**JMF Cash Option**") which, on an aggregate basis will be limited to 15 per cent. of the JMF ordinary shares in issue (excluding treasury shares). Should total elections for the JMF Cash Option exceed 15 per cent. of JMF's shares in issue (excluding treasury shares), excess elections for the JMF Cash Option will be scaled back into New JMI Ordinary Shares on a pro rata basis.

The Cash Option will be offered at a discount of 2 per cent. to the JMF FAV (the "**Cash Discount**") less the costs of realising the assets allocated to the cash pool. The Cash Discount will be for the benefit of the enlarged JMI.

The assets subject to the Cash Option will be segregated from, and treated as separate to, the assets to be transferred to JMI pursuant to the Scheme.

### Benefits of the Scheme

The board of directors of both JMI and JMF believe that the Scheme has a strong rationale, which includes the following benefits:

- **Scale:** The enlarged JMI is expected to have net assets in excess of £430 million<sup>[1]</sup>, creating a leading investment vehicle for UK smaller companies that provides exposure to fast growing, innovative companies that help drive the UK domestic economy and an attractive dividend yield. The scale of the enlarged company should improve secondary market liquidity for JMI's shareholders and will allow for cost efficiencies;
- **Lower Management Fee:** Following completion of the Transaction, JPMorgan has agreed to reduce the management fee payable by the enlarged JMI from the current 0.65 per cent. p.a. on JMI's net assets up to £300 million and 0.55 per cent. p.a. on net assets above £300 million to the revised 0.65 per cent. p.a. on JMI's net assets up to £200 million and 0.55 per cent. p.a. on net assets above £200 million (the "**New Management Fee**");
- **Lower ongoing charges:** Existing and new shareholders in JMI will benefit from an ongoing expense ratio reduction of c.20bps compared to the last financial year as a result of both JMI's fixed costs being spread over a larger asset base and the recent and proposed management fee changes;
- **Contribution to costs:** As described below, JPMorgan has agreed to make a significant cost contribution in respect of the Transaction by way of fee waiver, which is expected to offset some of the direct transaction costs for JMI shareholders;
- **Three year continuation vote:** The enlarged JMI will retain JMI's existing continuation vote which is put to shareholders every three years; and
- **Shareholder diversification:** The Transaction will allow a number of shareholders to consolidate their holdings across the two companies while also creating a more diverse shareholder base.

### Costs of the Transaction

Each company will bear its own costs in respect of the Transaction which will be reflected in the FAV for each company.

For the avoidance of doubt, any costs of realignment or realisation of the JMF portfolio prior to the Scheme becoming effective, any stamp duty, stamp duty reserve tax or other transaction tax, or investment costs incurred by JMI for the

acquisition of the JMF portfolio or the deployment of the cash therein upon receipt shall be borne by the enlarged JMI, including the London Stock Exchange admission fees.

#### **JPMorgan Cost Contribution**

JPMorgan has proposed a contribution to the costs of the Transaction in the form of a fee waiver, being six months of the New Management Fee payable by the enlarged JMI in respect of the net asset value of the assets transferred from JMF to JMI under the Scheme ("**Cost Contribution**").

The net asset value of the assets transferred under the Scheme are currently estimated to be approximately £208 million<sup>[2]</sup>.

The Cost Contribution will be for the benefit of the shareholders of the enlarged JMI.

#### **Expected timetable**

It is intended that the documentation in connection with the Transaction will be posted to shareholders in January 2024, with a view to convening general meetings in February 2024. The latest date for the Scheme to be determined to be unconditional is 31 March 2024, unless extended by mutual agreement of JMI and JMF.

#### **The Chairman of JMI, Andrew Impey, commented:**

"Your Board believes that there is a strong case for long-term investment in UK smaller companies. The valuations are attractive in absolute and relative terms, the outlook remains favourable, despite some near term challenges, and the Company provides access to investments in a controlled risk environment that individual investors would find difficult to replicate on their own. The Company's NAV total return has outperformed the benchmark over one, three, five and ten years.

The proposed combination with JPMorgan Mid Cap Investment Trust plc will enhance this opportunity and create a larger, more liquid investment trust but still allow both sets of shareholders to benefit from JPMorgan's expertise and track record in investing in this exciting area of the UK market. Both Boards believe that shareholders will benefit from the reduction in costs, contributing to the good potential for capital growth, and the new enhanced dividend policy, which will allow them to benefit from an attractive yield."

For further information please contact:

**JPMorgan UK Smaller Companies Investment Trust plc**  
Andrew Impey

Contact via Company Secretary

**JPMorgan Funds Limited**  
Simon Crinage  
Fin Bodman

+44 (0) 20 7742 4000

**JPMorgan Funds Limited (Company Secretary)**

+44 (0) 20 7742 4000

**Panmure Gordon (UK) Limited**  
Alex Collins  
Sapna Shah

+44 (0) 20 7886 2767

+44 (0) 20 7886 2783

#### **Important Information**

This announcement contains information that is inside information for the purposes of Article 7 of the UK version of Regulation (EU) No. 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended (the Market Abuse Regulation). The person responsible for arranging for the release of this announcement on behalf of JPMorgan UK Smaller Companies Investment Trust plc is Lucy Dina of JPMorgan Funds Limited.

---

<sup>[1]</sup> Based on the latest estimated NAV as at 10 November 2023 of each of JMI and JMF and assuming no take up of the Cash Option.

<sup>[2]</sup> Based on the latest estimated NAV as at 10 November 2023 and assuming no take up of the JMF Cash Option..

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact [ms@seg.com](mailto:ms@seg.com) or visit [www.ms.com](http://www.ms.com).

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

REPUORORONUAAUA