

US Discovery

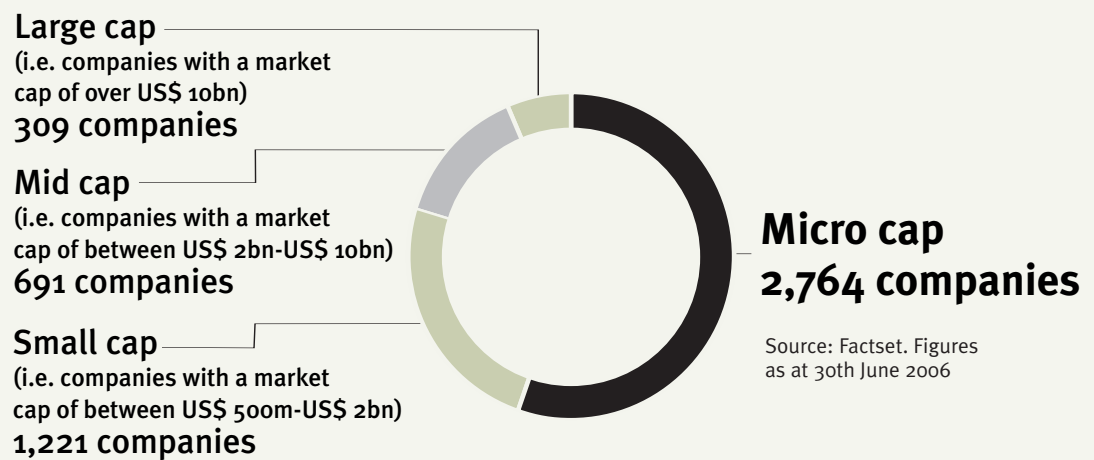


JPMorgan US Discovery Investment Trust plc

INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH JUNE 2006

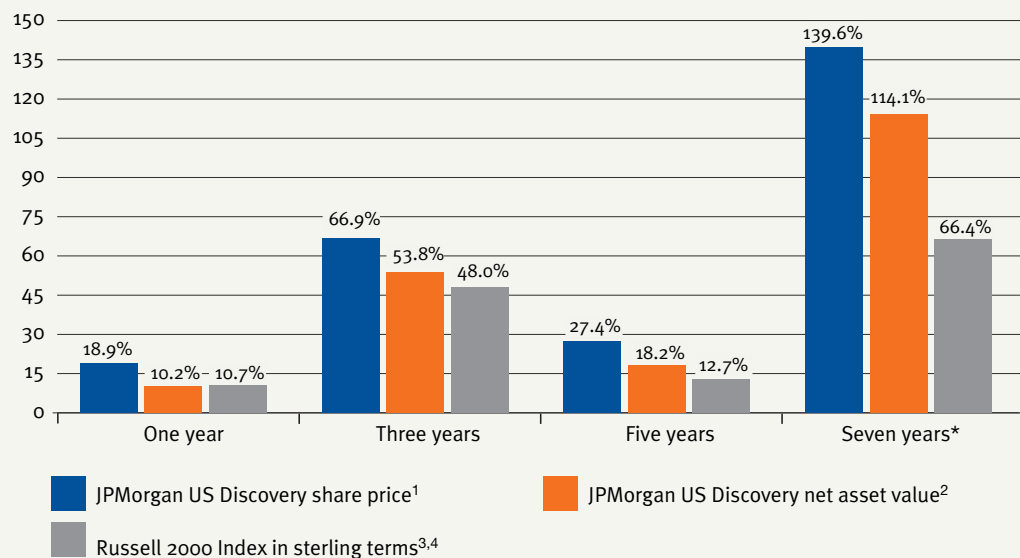
OBJECTIVE

Capital growth from investing in US micro cap companies, which are defined as companies with a market capitalisation of between US\$50m and US\$500m, the majority of which are quoted on the Nasdaq exchange. The pie chart below illustrates the significance of the US micro cap universe.



Cumulative Performance

for periods ended 30th June



*The mandate was changed in April 1998 to US companies capitalised at \$50m-\$500m. The portfolio was fully invested in such companies by December 1998.

Interim Performance

TOTAL RETURNS for the six months ended 30th June 2006

-2.5%	Return to shareholders ¹
-2.5%	Return on net assets ²
+0.3%	Benchmark Index return ^{3,4}

	30th JUNE 2006	31st DEC 2005	% CHANGE
FINANCIAL DATA			
Total assets less current liabilities (£000)	94,239	97,834	-3.7
Shareholders' funds (£000)	93,648	96,028	-2.5
Number of shares in issue	10,159,480	10,159,480	
Net asset value per share ⁵	921.8p	945.2p	-2.5
Share price	813.5p	834.5p	-2.5
Discount of share price to net asset value per share	11.7%	11.7%	

¹Change in share price with net dividends (if any) reinvested (Source: Standard & Poor's – www.funds-sp.com).

²Change in net asset value (with debt valued at par) with net dividends (if any) reinvested (Source: Fundamental Data Ltd).

³Change in value with net dividends (if any) reinvested (Source: Standard & Poor's – www.funds-sp.com).

⁴The Company's benchmark is the Russell 2000 Index (in sterling terms). Comparison of the Company's performance is made with this benchmark. This is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not follow or track this benchmark and, consequently, there may be some divergence between its performance and that of the Company.

⁵Net asset value per share from the accounts with all assets and liabilities at fair value.

Chairman's Statement

Performance

Over the six months to 30th June 2006, the net asset value and share price of your Company were affected by a challenging investment environment.

For the first time since changing the Company's mandate, market performance in the first half of 2006 was driven by larger rather than smaller stocks. Your Company, which focuses on selecting stocks from the micro cap universe (see page 1), was particularly affected, with micro cap stocks further underperforming small cap ones by around 2%. This, combined with some short-term stock specific changes, made for a difficult period.

Your Board encourages Chris Jones and his team to look for long-term investments in growth companies that have a distinct competitive advantage, rather than being benchmark driven. Therefore, short term periods of underperformance, as experienced this year, are not unexpected: over the longer-term they have been more than offset by strong periods of outperformance. The total return on net assets was -2.5%, while the Company's benchmark index, the Russell 2000 Index (in sterling terms) containing small as well as micro cap stocks, rose by 0.3%. The Company's share price also fell by 2.5% over the period.

Discount Management

Over the six months to 30th June 2006, the discount to net asset value of the Company's shares, as with those of most investment trusts, was relatively stable averaging 10.5%. This improvement reflects not only the more positive attitude of the market to the investment trust sector as a whole, but also the increased

marketing and sales activity I mentioned in my annual statement. Your Board will continue to monitor the discount closely, in particular focusing on its volatility. Although no shares were repurchased from the market in the six months to 30th June 2006, at the Annual General Meeting in April 2006 the Directors obtained shareholders' authority to repurchase up to 14.99% of the Company's shares for cancellation for a further period, as they believe it is important to have this facility readily available.

Your Board will continue to follow developments with regard to the introduction and use of treasury shares.

Gearing

As reported in my annual statement, the Manager now uses a single borrowing facility of US\$35m actively to manage gearing to enhance returns to shareholders. The Company had drawn down approximately US\$14.4m as at the date of this report. Gearing has hurt performance at a time when the market has been down, but your Board believes that its use will enhance returns in the long term.

Change of Name

Following shareholder approval at the Annual General Meeting held on 27th April 2006, the Company changed its name from JPMorgan Fleming US Discovery Investment Trust plc to JPMorgan US Discovery Investment Trust plc.

Robin Lewis

Chairman

13th September 2006

Investment Manager's Report

Investment Performance

The Company's net asset value declined 2.5% during the first six months of 2006, compared to the Russell 2000 index's flat return. Performance during the first half of 2006 was negatively impacted by stock selection in the Materials & Processing and Other Energy sectors. The portfolio did benefit from good stock selection in three of its larger sectors, Consumer Discretionary, Financial Services, and Health Care, which represented 38.7%, 14.6%, and 16.2% of the portfolio, respectively.

Portfolio Highlights

The top three contributors to performance were **Illumina**, **Knot**, and **Five Star Quality Care**. Genetic tool developer **Illumina** appreciated 95.3%, as the company began to sign large research contracts and launched new, best-in-class products into an accelerating genotyping research market. **The Knot**, the leading lifestage media company targeting couples planning their weddings, advanced 69.8% as the company reported strong earnings growth and a merger with its top rival. **Five Star Quality Care**, a sheltered housing and nursing home provider, appreciated 30.4%, as the company continued to generate improvements to its core operations and consolidated additional facilities once managed by a third party.

The top three detractors from performance were

Hudson Highland Group, **Audible**, and **LoJack Corp.** **Hudson Highland Group**, a temporary and permanent staffing company, declined 42.3% as software systems issues at its U.S. operations drove disappointing first quarter earnings, despite strong end markets. **Audible**, the leading provider of digital spoken word audio content, declined 34.3% as the company reported decelerating revenue growth. **LoJack Corp.**, a provider of tracking and recovery services for stolen vehicles, declined 27.5% as the company's revenue growth has moderated and gross margins stagnated by its bulk installation program.

Market Outlook

While second quarter earnings results have been mostly favourable, economic news has been less than robust, inflation has continued higher, and investors have renewed their focus on risk and volatility. Valuations reflect this investor uncertainty and while we believe they are more attractive than they have been for some time, going forward, economic growth and inflation expectations will be the key to future performance.

Christopher Jones

Investment Manager

13th September 2006

Income Statement

	(Unaudited)			(Unaudited)			(Audited)		
	Six months ended 30th June 2006			Six months ended 30th June 2005			Year ended 31st December 2005		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
(Losses)/gains from investments held at fair value through profit or loss	—	(2,016)	(2,016)	—	6,340	6,340	—	18,730	18,730
Income from investments	149	—	149	179	—	179	307	—	307
Other interest receivable and similar income	5	—	5	50	—	50	78	—	78
Gross return/(loss)	154	(2,016)	(1,862)	229	6,340	6,569	385	18,730	19,115
Management fee	(51)	(463)	(514)	(41)	(372)	(413)	(89)	(800)	(889)
Performance fee written back/(payable)	—	390	390	—	(35)	(35)	—	(661)	(661)
Other administrative expenses	(155)	—	(155)	(164)	—	(164)	(336)	—	(336)
Net (loss)/return on ordinary activities before finance costs and taxation	(52)	(2,089)	(2,141)	24	5,933	5,957	(40)	17,269	17,229
Interest payable	(22)	(195)	(217)	(3)	(24)	(27)	(15)	(140)	(155)
Breakage cost	—	—	—	—	(1,963)	(1,963)	—	(1,899)	(1,899)
Net (loss)/return on ordinary activities before taxation	(74)	(2,284)	(2,358)	21	3,946	3,967	(55)	15,230	15,175
Taxation	(22)	—	(22)	(25)	—	(25)	(44)	—	(44)
Net (loss)/return on ordinary activities after taxation	(96)	(2,284)	(2,380)	(4)	3,946	3,942	(99)	15,230	15,131
(Loss)/return per share (note 2)	(0.94)p	(22.48)p	(23.42)p	(0.04)p	38.58p	38.54p	(0.97)p	149.38p	148.41p

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

The total column of this statement is the profit and loss account of the Company and the revenue and capital columns represent supplementary information. The total column represents all the information that is required to be disclosed in a 'Statement of Total Recognised Gains and Losses' ('STRGL'). For this reason a STRGL has not been presented.

Reconciliation of Movements in Shareholders' Funds

for the six months ended 30th June 2006 (Unaudited)

	Called up share capital £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
At 31st December 2004	2,560	82,764	582	(4,452)	81,454
Shares bought back and cancelled	(20)	(557)	20	—	(557)
Total return/(loss) on ordinary activities	—	15,230	—	(99)	15,131
At 31st December 2005	2,540	97,437	602	(4,551)	96,028
Total loss on ordinary activities	—	(2,284)	—	(96)	(2,380)
At 30th June 2006	2,540	95,153	602	(4,647)	93,648

Balance Sheet

	(Unaudited) 30th June 2006 £'000	(Unaudited) 30th June 2005 £'000	(Audited) 31st December 2005 £'000
Fixed assets			
Investments at fair value through profit or loss	106,553	82,684	100,628
Current assets			
Debtors	2,689	78	128
Cash and short term deposits	140	5,365	—
	2,829	5,443	128
Creditors:			
amounts falling due within one year	(15,143)	(1,727)	(2,922)
Net current (liabilities)/assets	(12,314)	3,716	(2,794)
Total assets less current liabilities	94,239	86,400	97,834
Provisions for liabilities and charges	(591)	(1,333)	(1,806)
Total net assets	93,648	85,067	96,028
Capital and reserves			
Called up share capital	2,540	2,547	2,540
Capital reserve	95,153	86,381	97,437
Capital redemption reserve	602	595	602
Revenue reserve	(4,647)	(4,456)	(4,551)
Equity shareholders' funds	93,648	85,067	96,028
Net asset value per share (note 3)	921.8p	834.9p	945.2p

Cash Flow Statement

	(Unaudited) Six months ended 30th June 2006 £'000	(Unaudited) Six months ended 30th June 2005 £'000	(Audited) Year ended 31st December 2005 £'000
Net cash outflow from operating activities	(1,738)	(1,129)	(1,653)
Net cash outflow from returns on investments and servicing of finance	(229)	(2,017)	(2,039)
Total tax recovered/(paid)	—	1	(28)
Net cash (outflow)/inflow from capital expenditure and financial investment	(8,909)	7,969	1,707
Net cash inflow/(outflow) from financing	10,430	(4,334)	(2,794)
(Decrease)/increase in cash for the period	(446)	490	(4,807)

Notes to the Accounts

1. Accounting Policies

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' dated 31st December 2005.

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

The accounting policies applied to these interim accounts are consistent with those applied in the accounts for the year ended 31st December 2005.

2. (Loss)/return per share

	(Unaudited) Six months ended 30th June 2006 £'000	(Unaudited) Six months ended 30th June 2005 £'000	(Audited) Year ended 31st December 2005 £'000
Revenue loss	(96)	(4)	(99)
Capital (loss)/return	(2,284)	3,946	15,230
Total (loss)/return	(2,380)	3,942	15,131
Weighted average number of shares in issue	10,159,480	10,227,942	10,195,441
Revenue loss per share	(0.94)p	(0.04)p	(0.97)p
Capital (loss)/return per share	(22.48)p	38.58p	149.38p
Total (loss)/return per share	(23.42)p	38.54p	148.41p

3. Net asset value per share

Net asset value per ordinary share is calculated by dividing equity shareholders' funds by the number of shares in issue at 30th June 2006 of 10,159,480 (30th June 2005: 10,189,480; and 31st December 2005: 10,159,480).

4. 2005 Accounts

The figures and financial information for the year ended 31st December 2005 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 237(2) or 237(3) of the Companies Act 1985.

Portfolio Analysis

Ten Largest Investments as at 30th June 2006

Company	Sector	Market Value	
		£'000	% ¹
Illumina	Healthcare	2,858	3.0
First Service	Product Durables	2,749	2.9
Five Star Quality Care	Health Care	2,645	2.8
Cornell Companies	Consumer Discretionary	2,395	2.6
Interface	Materials & Processing	2,248	2.4
Gaylord Entertainment	Consumer Discretionary	2,056	2.2
Yobet.Com	Consumer Discretionary	2,039	2.2
Orient Express Hotels	Consumer Discretionary	2,010	2.2
Preferred Bank of Los Angeles	Financials	1,931	2.0
Concur Technologies	Technology	1,923	2.0
Total²		22,854	24.3

¹Based on total assets less current liabilities of £94.2m.

²As at the 31st December 2005, the value of the ten largest investments amounted to £20,778,000, representing 21.2% of total assets less current liabilities.

Sector Breakdown

	30th June 2006		31st December 2005	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Total Investments				
Consumer Discretionary	38.7	18.9	33.8	18.2
Technology	17.0	13.6	15.1	13.9
Health Care	16.2	11.6	12.7	11.9
Financial Services	14.6	23.7	12.8	23.4
Producer Durables	8.3	7.3	10.4	7.6
Other Energy	7.8	4.9	6.6	5.5
Materials & Processing	4.3	9.3	3.2	9.6
Auto & Transportation	4.0	4.2	6.3	3.6
Integrated Oils	1.2	0.3	—	0.2
Consumer Staples	1.0	1.9	2.0	1.8
Net current (liabilities)/assets	(13.1)	—	(2.9)	—
Utilities	—	4.0	—	3.7
Other	—	0.3	—	0.6

Based on total assets less current liabilities of £94.2m (2005: £97.8m).

Information about the Company

Financial Calendar

Financial year end	31st December
Interim results announced	September
Final results announced	March
Annual General Meeting	April

History

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

The trust was wholly owned by a number of Fleming investment trusts and invested in listed and unlisted companies in the UK and US which for reasons of small size, illiquidity or risk, were unsuitable for direct investment. In 1982, with assets of £9.2 million, it obtained a listing on the London Stock Exchange and gained investment trust status. At that time it changed its name to The Fleming Fledgeling Investment Trust plc and gradually broadened its investment scope into Europe and the Asian markets. In April 1998, the Company changed its name to The Fleming US Discovery Investment Trust plc (and adopted its present investment policy), and then to JPMorgan Fleming US Discovery Investment Trust plc in May 2002. The Company adopted its present name in April 2006.

Directors

The Hon. RW Lewis OBE (*Chairman*)
M Ansell
CJ Galleymore
AS Kemp
DJ Walter

Company Numbers

Company registration number: 552775
London Stock Exchange Sedol number: 0341710
Bloomberg Code: JPU.LN
Reuters Code: JPU.L

Market Information

The Company's net asset value ('NAV') is published daily via the London Stock Exchange.

The Company's shares are listed on the London Stock Exchange. The market price is shown daily in The Financial Times, The Times, The Daily Telegraph, The Guardian, and The Herald and on the JPMorgan Internet site at www.jpumusdiscovery.com, where the share price is updated every fifteen minutes during trading hours.

Share Transactions

The shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. They may also be purchased and held through the JPMorgan Investment Trust Share Plan, Individual Savings Account (ISA) and Personal Equity Plan (PEP).

Manager and Secretary

JPMorgan Asset Management (UK) Limited

Company's Registered Office

Finsbury Dials
20 Finsbury Street
London EC2Y 9AQ
Telephone: 020 7742 6000

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

Registrars

Lloyds TSB Registrars
Reference 1084,
The Causeway
Worthing
West Sussex BN99 6DA
Telephone number: 0870 600 3984

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

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

Savings Product Administrators

For queries on the JPMorgan ISA, PEP, Share Plan or Pension Account, see contact details overleaf.

Independent Auditors

Ernst & Young LLP
One More London Place,
London SE1 2AF

Brokers

UBS Limited
1 Finsbury Avenue
London EC2M 2PP



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