



Interim Report **2010**

JPMorgan Brazil
Investment Trust plc

Interim Report & Accounts for the period ended 31st October 2010

Features

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Objective

To provide shareholders with long term total returns, predominantly comprising capital growth but with the potential for income by investing primarily in Brazilian focused companies.

Investment Policies

- To invest primarily in Brazilian companies and those incorporated or listed outside Brazil whose Brazilian operations constitute a material part of their business. Up to 10% of assets may be invested in companies focused on other Latin American countries.
- There will be no limit placed on the market capitalisation or sector of any investee companies. However, the Company may reduce its equity holdings to a minimum of 60% of its gross assets if it is considered to be beneficial to performance.
- The Company may invest in listed or unlisted securities or equity-linked securities, in addition to fixed income bonds. Unlisted securities will not exceed 10% of gross assets at the time of investment.
- To invest no more than 15% of gross assets in any one company or group at the time of investment.
- To invest no more than 10% of gross assets in other UK listed investment companies (including investment trusts).

Benchmark

The Company's benchmark is the MSCI Brazil 10/40 Index (in sterling terms), with net dividends reinvested. This index limits any individual stock constituent to a maximum of 10% and the weighting in any particular sector is capped at 40%.

Capital Structure

At 31st October 2010, there were 56,351,072 Ordinary shares and 9,313,550 Subscription shares in issue.

Management Company

The Company employs JPMorgan Asset Management (UK) Limited ('JPMAM' or the 'Manager') to manage its assets.

Interim Performance

(for the period from 26th April 2010 to 31st October 2010)

Total Returns

+22.0%

'Unit' return to shareholders¹

+15.8%

Undiluted return on net assets

+6.3%

Benchmark²

+17.4%

Return to Ordinary
shareholders

+13.9%

Diluted return on net assets³

A glossary of terms and definitions is provided on page 15.

¹A Unit comprises 5 Ordinary shares and 1 Subscription share.

²Source: Datastream. The Company's benchmark is the MSCI Brazil 10/40 Index, with net dividends reinvested, in sterling terms.

³Return on net assets calculated using the diluted net asset value, which assumes that all outstanding Subscription shares were converted into Ordinary shares at the period end.

Financial Data

	31st October 2010	26th April 2010	% change
Total net assets (£'000)	63,935	45,819	+39.5
Number of Ordinary shares in issue	56,351,072	46,741,352	+20.6
Number of Subscription shares in issue	9,313,550	9,348,270	-0.4
Undiluted net asset value per Ordinary share	113.5p	98.0p	+15.8
Diluted net asset value per Ordinary share	111.6p	98.0p	+13.9
Ordinary share price	119.75p	102.0p ¹	+17.4
Subscription share price	38.5p	12.5p ¹	+208.0
Ordinary share price premium to diluted net asset value per Ordinary share	7.3%	4.1%	

¹Opening mid market price on the first day of trading.

Chairman's Statement



Introduction

I am delighted to present to you my first statement since the Company's incorporation on 1st February 2010 and listing on the London Stock Exchange on 26th April 2010. The Company's launch raised £46.74 million. To date a further £9.84 million has been raised through the issuance of shares at a premium to net asset value.

Investment Performance

Since launch, the Company has deployed cash into Brazilian equities in accordance with its investment policy and currently has net exposure to equities of 96%. The Company's portfolio has a strong bias away from the large cap stocks that comprise much of the MSCI Brazil Index and is tilted towards the smaller and mid cap stocks and consumer names that provide exposure to domestic Brazilian economic growth and investment.

For the period to 31st October 2010, the Company recorded a total undiluted return on net assets of +15.8% (+13.9% return on a diluted basis), strongly outperforming the total return of the benchmark, the MSCI Brazil 10/40 Index which returned +6.3%. The total return to Ordinary shareholders was +17.4% and +22.0% to holders of 'Units' (comprising 5 Ordinary shares and 1 Subscription share).

The Company's Ordinary share price increased from an opening price on the first day of trading of 102.0p to 119.75p at 31st October 2010, and the Subscription share price increased from its opening price of 12.5p at launch to 38.5p at 31st October 2010. It is also satisfactory to report that performance since the period end has remained stable. As at 16th December 2010 the net asset value per share was 111.46p, the Ordinary share price 115.5p and the premium 3.62%. The Subscription share price was 39.5p at that date.

The Investment Managers' report analyses the performance and gives a detailed commentary on the investment strategy and portfolio construction. The Board is very encouraged by the Investment Managers' performance over the Company's initial period of trading since launch.

Share Issuance

At launch on 26th April 2010, the Company issued 46,741,350 Ordinary shares and 9,348,270 Subscription shares. Since then, there has been continued demand for the Company's shares and as a result these shares have continued to trade consistently at a premium to their net asset value. In the face of this demand and having regard to the benefits of enlarging the Company, the Directors have issued since launch 9,775,000 new Ordinary shares at a premium to net asset value, resulting in the enhancement of the Company's net asset value by £382,000. Additionally, 64,990 Ordinary shares have been issued upon conversion of Subscription shares to date. Consequently, there are 56,581,342 Ordinary shares and 9,283,280 Subscription shares in issue. At the General Meeting held on 10th December 2010, the shareholders gave the Directors authority to issue up to 16,970,000 additional new Ordinary shares to grow the Company further.

Outlook

In the near term, continued inflationary fears mean there is a risk of an increase in Brazilian interest rates. Additionally, the risk of excessive currency appreciation in the current climate has to be considered as companies in our portfolio compete with imports. However, your Managers believe that equity markets are well prepared to withstand this. With enhanced certainty that the economic policies and economic growth agenda of the Lula government will be followed by the new incumbent Dilma Rousseff's government, the prospects for the domestic sectors remain positive. The medium to long term outlook for Brazil remains strong, based on the continued underlying themes of domestic growth and investment.

The Board believes that the Investment Managers are well placed to take advantage of opportunities that arise out of such a market environment.

Howard Myles
Chairman

20th December 2010

Investment Managers' Report



Luis Carrillo



Sebastian Luparia

Market Review

During the review period, the Brazilian market faced a triple headwind of monetary tightening, Presidential election concerns and the Petrobras offering.

In Brazil, the story for 2008 and 2009 was the crisis and subsequent recovery. The crisis was extreme, but this is not unusual for Brazil. What was unusual this time was that Brazil was able to implement counter cyclical policies to fight the crisis. This marked the first time that Brazil has had the complete financial toolkit, ranging from monetary to fiscal policies, to help overcome a crisis. Now, in 2010, the story has been of rising rates. The government had to start to cool the economy by withdrawing stimulus and starting a tightening cycle of interest rates. In 2010, Brazil is set to grow by approximately 7.5% and is expected to grow by 4.5% in 2011. Brazil's potential GDP growth is between 4% and 5%, which explains why the government started the tightening cycle.

The second important development this year was the elections. While the year started with much uncertainty, as the year progressed the political area settled and the market became more confident over the direction in which Brazil was heading. As anticipated, the Presidential elections concluded without any big surprises. Dilma Rouseff was elected to succeed President Lula in the run-off election on 31st October with 56% of the valid votes.

The third issue Brazil faced this year was the Petrobras deal. One of the largest deals ever, this was on investor radars for a while and is now finally over. We found several issues with the transaction, but considering its size and the involvement of the government, and what was raised, it can be seen as a successful deal. So while we may find fault with some of the details, we think the overhang on the market for now is over.

As a result, by the end of the review period we saw the resolution of these three outstanding issues (the rising cycle of interest rates, the uncertainty around elections and the overhang of Petrobras) which should now allow the market to develop in a more natural fashion. As such, we believe Brazil's economic trends remain on the right track and expect the market to be largely driven by global dynamics.

Portfolio Review

At the end of October 2010, the Company's portfolio remained almost fully invested, in line with expectations at launch in April 2010, with an equity exposure of 96%. The Company's benchmark, the MSCI Brazil 10/40 Index, was up 6.3% during the period since inception, while the Company outperformed this and produced a significantly higher return of 15.8% on net assets. The key contributor to the outperformance was stock selection adding 6.2%. However, sector allocation was also a notable contributor to performance at 5.1%.

As demonstrated above, stock selection remains key to our investment process which focuses on value, earnings momentum, price momentum and growth potential over a long investment horizon. We believe that the domestic opportunity is not captured

sufficiently by holding the index. We focus on finding restructuring companies that have the potential to graduate to quality companies over the medium term, and as such we seek to invest in companies where the sources of return are well balanced. We believe that in the current market environment the sustainability of earnings will define returns in Brazil over the medium term and, as such, our focus will be on companies with a greater predictability of returns.

We retain a strong bias towards consumer names and those companies with the greatest exposure to a dynamic domestic economy. This includes food and beverage companies such as Brasil Foods and Cia de Bebidas Das Americas but also companies like Duratex, one of the largest manufacturers of wood panels, which is an indirect play on homebuilding. Uncertainties on global macro drivers continue to support our underweight position in materials, driven largely by not having a position in index heavyweight Vale. In part for this reason, we also remain underweight the energy sector. Overall, the portfolio remains with a strong focus on small cap companies.

Outlook

The sluggish expansion in the developed world and second round of quantitative easing, or QE2, has prompted a very supportive monetary environment. Positive foreign inflows are returning to Brazil and we expect a rebound in 2011 as Brazil's growth continues to surpass that of other countries.

We believe that QE2 forces certain choices on EM central banks, particularly in countries where growth is above trend. If those countries resist currency appreciation they are likely to see upward pressure on asset prices or inflation. This is a medium term risk for Brazil where the currency has now become expensive and so the government has resorted to certain capital controls (namely, an increase in the Tax in Financial Transactions for fixed income investments (IOF Tax)) to cool fixed income flow which have been at a record high. We do not discard the risk of higher taxation of equities to curb excessive appreciation of the Brazil Real (BRL).

What 2011 and beyond is going to tell us is whether the government continues to become more activist and, as a result, poses risks to investors. We will carefully monitor the level of government intervention. In summary, Brazil's economic trends remain on the right track; however the pick up in inflation is beginning to become a concern. This, linked with the risk of further government intervention, is the main concern for the Brazilian equity market.

We feel confident that our highly resourced Latin America team, supported by local operations in São Paulo, will help us continuously achieve a concentrated portfolio of best ideas which takes advantage of the differential in valuations and attractive growth opportunities in the market.

Luis Carrillo
Sebastian Luparia
Investment Managers

20th December 2010

Twenty Largest Investments

at 31st October 2010

Company	Sector	Valuation £'000	% ¹
OGX Petróleo e Gas Participações	Energy	3,799	5.9
MMX Mineração e Metálicos	Materials	2,195	3.4
Brasil Brokers Participações	Financials	2,066	3.2
BRF Brasil Foods ADR	Consumer Staples	2,032	3.2
Companhia de Bebidas das Américas ADR	Consumer Staples	1,968	3.1
Marisa Lojas	Consumer Discretionary	1,875	2.9
PDG Realty	Consumer Discretionary	1,831	2.8
MRV Engenharia	Consumer Discretionary	1,822	2.8
Souza Cruz	Consumer Staples	1,741	2.7
Banco ABC Brasil	Financials	1,733	2.7
Wellstream	Energy	1,711	2.7
BR Malls Participações	Financials	1,708	2.6
Gol Linhas Aéreas Inteligentes ADR	Industrials	1,689	2.6
Duratex	Materials	1,688	2.6
Eternit	Materials	1,615	2.5
Wilson Sons	Industrials	1,469	2.3
Banco Industrial e Commercial	Financials	1,467	2.3
Drogasil	Consumer Staples	1,444	2.2
TOTVS	Information Technology	1,418	2.2
Natura Cosméticos	Consumer Staples	1,396	2.2
Total		36,667	56.9

¹Based on total assets less current liabilities of £64.5m.

Sector Analysis

at 31st October 2010

	Portfolio %¹	Benchmark %
Industrials	20.3	4.7
Financials	18.5	28.1
Consumer Staples	15.1	12.2
Consumer Discretionary	12.7	7.0
Materials	12.6	20.9
Energy	8.9	13.8
Utilities	2.8	7.3
Information Technology	2.2	2.4
Healthcare	1.4	–
Telecommunication Services	1.3	3.6
Net current assets	4.2	–
Total	100.0	100.0

¹Based on total assets less current liabilities of £64.5m.

Income Statement

for the period ended 31st October 2010

	(Unaudited) Period ended 31st October 2010		
	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss	–	9,341	9,341
Net foreign currency losses	–	(998)	(998)
Income from investments	436	–	436
Other interest receivable and similar income	6	–	6
Gross return	442	8,343	8,785
Management fee	(253)	–	(253)
Performance fee	–	(527)	(527)
Other administrative expenses	(142)	–	(142)
Net return on ordinary activities before taxation	47	7,816	7,863
Taxation	–	–	–
Net return on ordinary activities after taxation	47	7,816	7,863
Return per Ordinary share (note 4)			
Undiluted	0.09p	15.47p	15.56p
Diluted	0.09p	15.32p	15.41p

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

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

Period ended 31st October 2010 (Unaudited)	Called up share capital £'000	Share premium £'000	Other reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 1st February 2010	–	–	–	–	–	–
Shares issued	563	56,565	–	–	–	57,128
Bonus issue of Subscription shares	93	(93)	–	–	–	–
Issue of Ordinary shares on exercise of Subscription shares	–	34	–	–	–	34
Issue of Founder shares	13	–	–	–	–	13
Fund launch expenses	–	(1,103)	–	–	–	(1,103)
Redesignation of share premium account	–	(45,246)	45,246	–	–	–
Net return on ordinary activities	–	–	–	7,816	47	7,863
At 31st October 2010	669	10,157	45,246	7,816	47	63,935

Balance Sheet

at 31st October 2010

	(Unaudited) 31st October 2010 £'000
Fixed assets	
Investments held at fair value through profit or loss	61,752
Current assets	
Debtors	350
Cash and short term deposits	2,956
	3,306
Creditors: amounts falling due within one year	(595)
Derivative financial instruments	(1)
Net current assets	2,710
Total assets less current liabilities	64,462
Provision for liabilities and charges	
Performance fees	(527)
Total net assets	63,935
Capital and reserves	
Called up share capital	669
Share premium	10,157
Other reserve	45,246
Capital reserve	7,816
Revenue reserve	47
Shareholders' funds	63,935
Net asset value per Ordinary share (note 5)	
Undiluted	113.5p
Diluted	111.6p

Company registration number: 7141630

Cash Flow Statement

for the period ended 31st October 2010

	(Unaudited) Period ended 31st October 2010 £'000
Net cash inflow from operating activities (note 6)	58
Net cash outflow from capital expenditure and financial investment	(52,173)
Net cash inflow from financing	56,068
Increase in cash in the period	3,953
Reconciliation of net cash flow to movement in net funds	
Net cash movement	3,953
Exchange movements	(997)
Movement in net funds in the period	2,956
Net funds at the beginning of the period	–
Net funds at the end of the period	2,956
Represented by:	
Cash and short term deposits	2,956

Notes to the Accounts

for the period ended 31st October 2010

1. Accounting period

The accounts cover the period from the date of incorporation of the Company on 1st February 2010 to 31st October 2010. Dealings in the Company's shares began on 26th April 2010 and the Company began investing on that date.

2. Financial statements

The information contained within the Financial Statements in this interim report has not been audited or reviewed by the Company's auditors.

3. 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 and Venture Capital Trusts' issued by the AIC in January 2009.

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

The accounts have been prepared on a going concern basis.

4. Return per Ordinary share

	(Unaudited) Period ended 31st October 2010 £'000
Return per share is based on the following:	
Revenue return	47
Capital return	7,816
Total return	7,863
Weighted average number of Ordinary shares in issue during the period used for the purpose of the undiluted calculation	50,511,308
Weighted average number of Ordinary shares in issue during the period used for the purpose of the diluted calculation	51,005,805
Undiluted	
Revenue return per share	0.09p
Capital return per share	15.47p
Total return per share	15.56p
Diluted	
Revenue return per share	0.09p
Capital return per share	15.32p
Total return per share	15.41p

The diluted return per Ordinary share represents the return on ordinary activities after taxation divided by the weighted average number of Ordinary shares in issue during the period as adjusted in accordance with Financial Reporting Standard 22 'Earnings per share'.

5. Net asset value per Ordinary share

	(Unaudited) 31st October 2010
Undiluted	
Ordinary shareholders' funds (£'000)	63,935
Number of Ordinary shares in issue	56,351,072
Net asset value per Ordinary share (pence)	113.5
Diluted	
Ordinary shareholders' funds assuming exercise of Subscription shares (£'000)	73,249
Number potential of Ordinary shares in issue	65,664,622
Net asset value per Ordinary share (pence)	111.6

The diluted net asset value per Ordinary share assumes that all outstanding Subscription shares were converted into Ordinary shares at the period end.

6. Reconciliation of total return on ordinary activities before taxation to net cash inflow from operating activities

	(Unaudited) Period ended 31st October 2010 £'000
Total return on ordinary activities before taxation	7,863
Less: capital return on ordinary activities before taxation	(7,816)
Increase in accrued income	(18)
Increase in other debtors	(28)
Increase in accrued expenses	57
Net cash inflow from operating activities	58

Interim Management Report

The Company is required to make the following disclosures in its interim report.

Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company fall into the following broad categories: market; investment and strategy; accounting, legal and regulatory; corporate governance and shareholder relations; operational and financial. Information on each of these areas will be given in the Business Review within the Company's first Annual Report and Accounts for the period ending 30th April 2011. Information on risk factors facing the Company is given on pages 8 to 13 of the Prospectus prepared pursuant to the Placing and Offer for Subscription and issued on 1st March 2010.

Related Parties' Transactions

During the period from the date of Listing on 26th April 2010 to 31st October 2010, no transactions with related parties have taken place which have materially affected the financial position or the performance of the Company.

Directors' Responsibilities

The Board of Directors confirms that, to the best of its knowledge:

- (i) the condensed set of financial statements contained within this interim financial report has been prepared in accordance with the Accounting Standards Board's Statement 'Half Yearly Financial Reports'; and
- (ii) the interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the UK Listing Authority Disclosure and Transparency Rules.

For and on behalf of the Board

Howard Myles
Chairman

20th December 2010

Glossary of Terms and Definitions

Unit return to shareholders

Return to the 'Unit' holder on a mid-market price to mid-market price basis. A Unit comprises 5 Ordinary shares and 1 Subscription share.

Benchmark total return

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

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

Diluted net asset value ('NAV') per Ordinary share

The diluted NAV per Ordinary share assuming that all outstanding Subscription shares were converted into Ordinary shares at the period end.

Diluted return on net assets

Return to the investor based on the change in the diluted net asset value per Ordinary share during the period.

Share price total return

Return to the investor based on the change in the mid-market share price during the period.

Share price discount/premium to net asset value ('NAV')

If the share price of an investment company is lower than the NAV per share, the shares are said to be trading at a discount. The discount is shown as a percentage of the NAV. The opposite of a discount is a premium. It is more common for an investment company's shares to trade at a discount than at premium.

Notes

Information about the Company

Financial Calendar

Financial year end	30th April
Final results announced	July
Half year end	31st October
Half year results announced	December
Interim Management Statements announced	March and September
Annual General Meeting	August

History

JPMorgan Brazil Investment Trust plc is an investment trust which was launched in April 2010 to provide investors with exposure to Brazilian invested equities through a closed-ended structure. The assets of the Company are managed by JPMorgan Asset Management (UK) Limited.

Directors

Howard Myles (Chairman)
Mark Bridgeman
Victor Bulmer-Thomas

Company Numbers

Company registration number: 7141630

Ordinary Shares

London Stock Exchange ISIN code: GB00B602HS43
Bloomberg code: JPB
SEDOL B602HS4

Subscription Shares

London Stock Exchange ISIN code: GB00B3NYCF82
Bloomberg code: JPBS
SEDOL B3NYCF8

Market Information

The Company's unaudited 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 Scotsman, The Independent and on the JPMorgan website at www.jpmbrazil.co.uk, where the share price is updated every fifteen minutes during trading hours.

Website

www.jpmbrazil.co.uk

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. They may also be purchased and held through the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP. These products are all available on the online wealth manager service, J.P. Morgan WealthManager+ available at www.jpmorganwealthmanagerplus.co.uk

Manager and Company Secretary

JPMorgan Asset Management (UK) Limited

Company's Registered Office

Finsbury Dials
20 Finsbury Street
London EC2Y 9AQ
Telephone number: 0207 742 6000

For company secretarial and administrative matters please contact Divya Amin at the above address.

Registrars

Equiniti
Reference 3533
Aspect House
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Lancing
West Sussex BN99 6DA
Telephone number: 0871 384 2317

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 3533. Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk.

Independent Auditors

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Chartered Accountants and Statutory Auditors
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Brokers

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Savings Product Administrators

For queries on the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP, call the JPMorgan Helpline on Freephone 0800 20 40 20 or +44 (0)20 7742 9995.



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Your telephone call may be recorded for your security

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