



Half Year Report 09

JPMorgan European Fledgeling Investment Trust plc

Half Year Report & Accounts for the six months ended 30th September 2009

Features

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Objective

Capital growth from smaller European companies (excluding the United Kingdom).

Investment Policies

- To invest in a diversified portfolio of smaller companies in Europe, excluding the United Kingdom.
- To manage liquidity and borrowings to increase potential returns to shareholders. The Board's current policy is to be between 80% and 120% invested.
- To emphasise capital growth rather than income. Therefore shareholders should not expect a dividend.
- To invest no more than 15% of gross assets in other UK listed investment companies (including investment trusts).

Risk

It should be noted that the Company invests in smaller companies which tend to be more volatile than larger companies and the Company's shares should therefore be regarded as carrying greater than average risk.

Benchmark

HSBC Smaller European Companies (ex UK) Total Return Index in sterling terms.

Capital Structure

The Company has an authorised share capital of 280,000,000 ordinary shares of 25p each.

At the period end 48,713,323 shares were in issue, including 1,653,670 shares held in Treasury.

Management Company

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

Half Year Performance

Total Returns (capital plus income)

+50.0%

Return to shareholders

+45.5%

Return on net assets¹

+62.6%

Benchmark return²

Financial Data

	30th Sept 2009	31st March 2009	% change
Shareholders' funds (£'000)	392,637	270,078	+45.4
Number of shares in issue ³	48,713,323	48,713,323	
Net asset value per share	834.3p	573.6p	+45.4
Net asset value per share assuming reissue of Treasury shares ¹	831.6p	571.6p	+45.5
Share price	690.0p	460.0p	+50.0
Share price discount to net asset value per share	17.3%	19.8%	

A glossary of terms and definitions is provided on page 13.

¹ Net asset value assuming all shares held in Treasury were reissued in accordance with the Board's current policy on the reissuance of Treasury shares.

² Source: HSBC. The Company's benchmark is the HSBC Smaller European Companies (ex UK) Total Return Index in sterling terms.

³ Includes 1,653,670 (31st March 2009 1,628,670) shares held in Treasury.

Chairman's Statement



Performance

Global equity markets rebounded strongly in the first half of the Company's financial year. For the six months to 30th September 2009, the Company produced a total return on net assets of +45.5%. This compares with the return of +62.6% from the benchmark index, the HSBC Smaller European Companies (ex UK) Total Return Index in sterling terms. The return to shareholders over the period was +50.0% as the discount on the Company's shares narrowed from 19.8% as at 31st March 2009 to 17.3% as at 30th September 2009.

Whilst it is pleasing to report a significant positive return for shareholders in absolute terms, it is obviously disappointing to have underperformed the benchmark index over the first half of the financial year. In their report, the Investment Managers provide some insight into the various factors at work during the period, but I would emphasise that we assess the performance of our Managers over the longer term which shows that the Company has outperformed the benchmark over one, three, five and ten years to 30th September 2009.

Revenue and Dividend

Revenue return after tax for the six months to 30th September 2009 was £3.3 million, lower than the revenue generated in the corresponding period in 2008 (£4.4 million), reflecting the fact that many companies have cut their dividends. Despite this, for the first time in many years, the Company has a positive balance on the revenue reserve of £2.9 million at the end of the period. However, the Company's objective is to achieve long term capital growth, rather than producing revenue, and it is unlikely that the Company will be required to pay a dividend for the full financial year in order to maintain investment trust status. Without a requirement to do so, we would not intend to commence paying a dividend.

Share Capital

In the six months to 30th September 2009 the Company has continued to use the authority given by shareholders to repurchase its shares in the market and hold them in Treasury for potential reissue. During the period 25,000 shares were repurchased into Treasury at a total cost of £124,000. Since the end of September, the Company has repurchased a further 290,000 shares into Treasury at a total cost of £1,788,000.

Outlook

Equity markets have returned to more stable conditions over the first six months of our financial year and for the time being continue to benefit from the liquidity which has been provided by central banks. We are mindful that the hurdle of withdrawal of this support has yet to be addressed. That said, and whilst valuations are generally more realistic, the Investment Managers see relative value in European smaller companies and therefore we expect that, in the short term, they will maintain their geared position.

Elisabeth Airey
Chairman

27th November 2009

Investment Managers' Report



Jim Campbell



Francesco Conte

Review

In the first half of the Company's financial year global equity markets continued the recovery which began in February 2009. The initial surge was based upon the realisation that the worst of the banking crisis may have passed, combined with improved readings in measures of industrial confidence. Companies generally have reacted promptly and decisively to reduce their cost bases and working capital positions to meet significantly lower levels of demand. Together with improving economic sentiment, this has led to a significant moderation in the rate at which analysts have downgraded expectations of corporate earnings growth and has fuelled continued momentum in equity markets over the summer. In the six months to the end of September 2009 the large company MSCI World Europe (ex UK) Index rose by 40.8% in sterling terms. Smaller companies, which had suffered most during the market sell-off, benefited from an increase in investor appetite for risk and the benchmark HSBC Smaller European Companies (ex UK) Index comfortably outpaced large companies with an increase of 62.6%.

Portfolio

The net asset value of the portfolio rose by 45.5% in the first half of the Company's year. Whilst performance relative to benchmark is clearly disappointing, it is consistent with the investment process applied to the management of the portfolio's assets. As set out in the annual report each year, the stock selection process focuses on companies delivering relatively strong operating momentum which, over the long term, has proved able to generate significant outperformance.

During the last six months there has been a shift in the market away from defensive sectors, such as healthcare and consumer staples, into cyclical sectors, such as industrials and financials, which are expected to benefit from economic recovery. The portfolio's overweight position in defensives served the Company well in the last financial year, but we were underweight in cyclicals at the start of this period. The portfolio has now been repositioned in order to benefit from the anticipated improvement in corporate earnings and the largest overweight sector positions at the end of September included general financials, media, construction and chemicals. Reflecting an increasing number of attractive investment opportunities, the number of core holdings, i.e. excluding the micro cap holdings, has increased from 48 to 86 during the period. Having started the new financial year with net cash of 2%, the Company has been leveraged for most of the first half and ended the period with gearing of 13%, close to the maximum potential gearing level under existing borrowing facilities.

Investment Managers' Report continued

Outlook

We continue to be positive on the prospects for returns from European equities. Corporate cost bases have been restructured and, with signs of an improvement in demand, earnings are set for a sharp rebound from cyclically depressed levels. As a result of productivity improvements and rising unemployment levels, expectations for inflation remain moderate and interest rates may stay at historically low levels for the foreseeable future. This is good news for both consumer and corporate lending, and the potential returns from equities are attractive, when compared with cash holdings. Having enjoyed an initial rebound, equity valuations have returned to more normal levels, yet smaller companies remain at a discount to large companies. It is to be expected that the portfolio will continue to utilise gearing during the second half of the Company's financial year.

Jim Campbell
Francesco Conte

Investment Managers

27th November 2009

Ten Largest Investments

at 30th September 2009

Company	Country	Valuation £'000	% ¹
Bolsas Y Mercados	Spain	8,422	2.1
Infineon Technologies	Germany	7,513	1.9
Tecnicas Reunidas	Spain	7,199	1.8
Antena 3 Television	Spain	7,102	1.8
TGS Nopec Geophysical	Norway	6,894	1.8
Banca Generali	Italy	6,540	1.7
YIT	Finland	6,113	1.6
Trevi Finanziaria Industriale	Italy	5,956	1.5
Immofinanz	Austria	5,731	1.5
Prosiebensat. 1 Media	Germany	5,715	1.4
Total		67,185	17.1

¹Based on total assets less current liabilities of £392.6m.

At 31st March 2009, the value of the ten largest investments amounted to £61.4m representing 22.7% of total assets less current liabilities.

Portfolio Analyses

Geographical Analysis

	30th September 2009		31st March 2009	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Italy	15.1	12.2	16.3	11.8
Netherlands	13.9	5.1	12.8	5.2
Germany	13.7	14.6	8.5	14.9
France	12.5	12.5	22.6	12.5
Spain	12.3	7.1	4.7	7.0
Switzerland	9.8	9.9	5.4	9.5
Finland	7.4	4.8	3.5	4.5
Denmark	6.3	4.0	5.6	4.2
Austria	4.8	3.6	2.4	3.5
Sweden	4.4	8.1	11.4	8.8
Greece	2.9	4.2	2.2	4.8
Portugal	2.6	2.4	-	2.8
Norway	2.5	5.7	0.6	5.5
Belgium	2.3	3.4	0.8	3.1
Ireland	2.2	2.4	1.3	1.9
Total equities	112.7	100.0	98.1	100.0
Liquidity fund	-	-	2.3	-
Net current liabilities	(12.7)	-	(0.4)	-
Total	100.0	100.0	100.0	100.0

Based on total assets less current liabilities of £392.6m (31st March 2009: £270.1m).

Sector Analysis

	30th September 2009		31st March 2009	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Industrials	35.0	27.6	21.7	23.8
Consumer Discretionary	19.9	15.3	8.9	13.1
Financials	18.5	20.6	20.8	20.6
Information Technology	12.9	6.7	8.4	6.3
Materials	11.8	8.3	-	7.1
Energy	6.0	5.3	8.5	13.2
Health Care	4.7	7.4	18.6	8.2
Telecommunication Services	2.3	1.2	4.1	0.2
Consumer Staples	1.3	5.7	3.7	6.8
Utilities	0.3	1.9	3.4	0.7
Total equities	112.7	100.0	98.1	100.0
Liquidity fund	-	-	2.3	-
Net current liabilities	(12.7)	-	(0.4)	-
Total	100.0	100.0	100.0	100.0

Based on total assets less current liabilities of £392.6m (31st March 2009: £270.1m).

Income Statement

for the six months ended 30th September 2009

	(Unaudited) Six months ended 30th September 2009			(Unaudited) Six months ended 30th September 2008			(Audited) Year ended 31st March 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	-	120,718	120,718	-	(86,266)	(86,266)	-	(121,593)	(121,593)
Net foreign currency losses	-	(1,365)	(1,365)	-	(377)	(377)	-	(115)	(115)
Income from investments	6,348	-	6,348	7,511	-	7,511	9,111	-	9,111
Other interest receivable and similar income	27	-	27	256	-	256	956	-	956
Gross return/(loss)	6,375	119,353	125,728	7,767	(86,643)	(78,876)	10,067	(121,708)	(111,641)
Management fee	(1,617)	-	(1,617)	(2,104)	-	(2,104)	(3,597)	-	(3,597)
VAT recoverable	-	-	-	-	-	-	2,754	-	2,754
Other administrative expenses	(267)	-	(267)	(297)	-	(297)	(620)	-	(620)
Net return/(loss) before finance costs and taxation	4,491	119,353	123,844	5,366	(86,643)	(81,277)	8,604	(121,708)	(113,104)
Finance costs	(521)	-	(521)	(25)	-	(25)	(136)	-	(136)
Net return/(loss) before taxation	3,970	119,353	123,323	5,341	(86,643)	(81,302)	8,468	(121,708)	(113,240)
Taxation	(640)	-	(640)	(902)	-	(902)	(1,105)	-	(1,105)
Net return/(loss) after taxation	3,330	119,353	122,683	4,439	(86,643)	(82,204)	7,363	(121,708)	(114,345)
Return/(loss) per share (note 3)	7.08p	253.61p	260.69p	9.20p	(179.55)p	(170.35)p	15.38p	(254.17)p	(238.79)p

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 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

Six months ended 30th September 2009 (unaudited)	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31st March 2009	12,178	1,312	3,458	-	253,547	(417)	270,078
Repurchase of shares into Treasury	-	-	-	-	(124)	-	(124)
Net return on ordinary activities	-	-	-	-	119,353	3,330	122,683
At 30th September 2009	12,178	1,312	3,458	-	372,776	2,913	392,637

Six months ended 30th September 2008 (unaudited)	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31st March 2008	12,837	1,312	2,799	415	384,374	(7,780)	393,957
Repurchase and cancellation of the Company's own shares	(14)	-	14	(397)	-	-	(397)
Repurchase of shares into Treasury	-	-	-	(18)	(4,915)	-	(4,933)
Net (loss)/return on ordinary activities	-	-	-	-	(86,643)	4,439	(82,204)
At 30th September 2008	12,823	1,312	2,813	-	292,816	(3,341)	306,423

Year ended 31st March 2009 (audited)	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31st March 2008	12,837	1,312	2,799	415	384,374	(7,780)	393,957
Repurchase and cancellation of the Company's own shares	(14)	-	14	(397)	-	-	(397)
Repurchase of shares into Treasury	-	-	-	(18)	(9,119)	-	(9,137)
Cancellation of shares held in Treasury	(645)	-	645	-	-	-	-
Total (loss)/return on ordinary activities	-	-	-	-	(121,708)	7,363	(114,345)
At 31st March 2009	12,178	1,312	3,458	-	253,547	(417)	270,078

Balance Sheet

at 30th September 2009

	(Unaudited) 30th September 2009 £'000	(Unaudited) 30th September 2008 £'000	(Audited) 31st March 2009 £'000
Fixed assets			
Investments held at fair value through profit or loss	442,681	280,640	264,977
Investments in liquidity funds held at fair value through profit or loss	-	-	6,206
Total investments	442,681	280,640	271,183
Current assets			
Debtors	10,448	8,434	3,095
Cash and short term deposits	5,850	22,329	3,649
	16,298	30,763	6,744
Creditors: amounts falling due within one year	(66,342)	(4,980)	(7,849)
Net current (liabilities)/assets	(50,044)	25,783	(1,105)
Total assets less current liabilities	392,637	306,423	270,078
Total net assets	392,637	306,423	270,078
Capital and reserves			
Called up share capital	12,178	12,823	12,178
Share premium	1,312	1,312	1,312
Capital redemption reserve	3,458	2,813	3,458
Capital reserves	372,776	292,816	253,547
Revenue reserve	2,913	(3,341)	(417)
Shareholders' funds	392,637	306,423	270,078
Net asset value per share (note 4)	834.3p	638.6p	573.6p

Cash Flow Statement

for the six months ended 30th September 2009

	(Unaudited) Six months ended 30th September 2009 £'000	(Unaudited) Six months ended 30th September 2008 £'000	(Audited) Year ended 31st March 2009 £'000
Net cash inflow from operating activities	4,005	4,453	6,921
Net cash outflow from returns on investments and servicing of finance	(468)	(25)	(134)
Tax recovered	268	31	48
Net cash (outflow)/inflow from capital expenditure and financial investment	(49,942)	21,113	3,569
Net cash inflow/(outflow) from financing	48,140	(5,330)	(9,098)
Increase in cash for the period	2,003	20,242	1,306
Reconciliation of net cash flow to movement in net funds/debt			
Net cash movement	2,003	20,242	1,306
Net loans drawn down in the period	(50,266)	-	-
Exchange movements	198	(369)	(113)
Movement in net funds/debt in the period	(48,065)	19,873	1,193
Net funds at the beginning of the period	3,649	2,456	2,456
Net (debt)/funds at the end of the period	(44,416)	22,329	3,649
Represented by:			
Cash and short term deposits	5,850	22,329	3,649
Debt falling due within one year	(50,266)	-	-
Net (debt)/funds at the end of the period	(44,416)	22,329	3,649

Notes to the Accounts

for the six months ended 30th September 2009

1. Financial Statements

The information contained within the financial statements in this half year report has not been audited or reviewed by the Company's auditors.

The figures and financial information for the year ended 31st March 2009 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 either Section 498(2) or 498(3) of the Companies Act 2006.

2. 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' issued by the Association of Investment Companies in January 2009.

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

The accounting policies applied to these half year accounts are consistent with those applied in the accounts for the year ended 31st March 2009.

3. Return/(loss) per share

	(Unaudited) Six months ended 30th September 2009 £'000	(Unaudited) Six months ended 30th September 2008 £'000	(Audited) Year ended 31st March 2009 £'000
Return/(loss) per share is based on the following:			
Revenue return	3,330	4,439	7,363
Capital return/(loss)	119,353	(86,643)	(121,708)
Total return/(loss)	122,683	(82,204)	(114,345)
Weighted average number of shares in issue	47,060,579	48,256,977	47,084,653
Revenue return per share	7.08p	9.20p	15.38p
Capital return/(loss) per share	253.61p	(179.55)p	(254.17)p
Total return/(loss) per share	260.69p	(170.35)p	(238.79)p

4. Net asset value per share

The net asset value per share is calculated by dividing shareholders' funds by the number of shares in issue at 30th September 2009 of 47,059,653 (30th September 2008: 47,986,323 and 31st March 2009: 47,084,653) excluding shares held in Treasury.

5. Reconciliation of total return/(loss) on ordinary activities before finance costs and taxation to net cash inflow from operating activities

	(Unaudited) Six months ended 30th September 2009 £'000	(Unaudited) Six months ended 30th September 2008 £'000	(Audited) Year ended 31st March 2009 £'000
Total return/(loss) on ordinary activities before finance costs and taxation	123,844	(81,277)	(113,104)
Less capital (return)/loss before finance costs and taxation	(119,353)	86,643	121,708
Scrip dividends received as income	(478)	(201)	(201)
Decrease/(increase) in accrued income	843	421	(274)
Decrease in other debtors	28	20	58
Increase/(decrease) in accrued expenses	7	(45)	(55)
Overseas withholding tax	(886)	(1,108)	(1,211)
Net cash inflow from operating activities	4,005	4,453	6,921

Interim Management Report

The Company is required to make the following disclosures in its half year report:

Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company fall into five broad categories: Investment and strategy; accounting, legal and regulatory; corporate governance and shareholder relations; operational and financial. Information on each of these areas is given in the Business Review within the Annual Report and Accounts for the year ended 31st March 2009.

Related Parties 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 the performance of the Company during the period.

Directors' Responsibilities

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

- i) the condensed set of financial statements contained within the half yearly 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

Elisabeth Airey

Chairman

27th November 2009

Glossary of Terms

Return to Shareholders

Increase or decrease in the mid-market share price over the period.

Return on Net Assets

Increase or decrease in the net asset value per share over the period, calculated on a bid value basis and assuming all shares held in Treasury were reissued in accordance with the Board's current policy on the reissuance of Treasury shares.

Benchmark Return

Total return on the benchmark, on a mid-market value to mid-market value basis, assuming that all dividends received were reinvested in the shares of the underlying companies at the time the shares 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.

Net Asset Value Per Share Assuming Reissue of Treasury Shares

The resulting 'diluted' net asset value per share assuming all shares held in Treasury have been reissued in accordance with the Board's current policy on the reissuance of Treasury shares.

Share Price Discount/Premium to Net Asset Value Per Share

If the share price of an investment company is lower than the net asset value (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 a premium.

Notes

Notes

Notes

Information about the Company

Financial Calendar

Financial year end	31st March
Final results announced	June
Half year end	30th September
Half year results announced	November
Interim Management Statement announced	January/July
Annual General Meeting	July

History

On 24th April 1990, the Company acquired the undertaking and assets of Fleming European Fledgeling Fund Limited (the 'Fund') in exchange for the issue of its shares and warrants. The Fund was an open-ended, unquoted investment company based in Jersey and formed in June 1987 with the same objectives and investment policies as the Company.

The Company adopted its present name on 12th July 2006.

Directors

Elisabeth Airey (Chairman)
Anthony Davidson
Paul Manduca
Federico Marescotti
Michael Wrobel

Company Numbers

Company registration number: 2431143
London Stock Exchange number: 0341969
ISIN: GB0003419693
Bloomberg Code: JFF LN

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 Scotsman, The Independent and on the JPMorgan Internet site at www.jpmeuropeanfledgeling.co.uk, 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 the Pension Account.

Manager and Secretary

JPMorgan Asset Management (UK) Limited

Company's Registered Office

Finsbury Dials,
20 Finsbury Street,
London EC2Y 9AQ
Telephone number: 020 7742 6000
For company secretarial and administrative matters please contact Jonathan Latter.

Registrars

Equiniti,
Reference 1083,
Aspect House,
Spencer Road,
Lancing,
West Sussex BN99 6DA
Telephone number: 0871 384 2325

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar, quoting reference 1083.

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

Auditors

PricewaterhouseCoopers LLP,
Hay's Galleria,
1 Hay's Lane,
London SE1 2RD

Brokers

Cenkos Securities plc,
6.7.8 Tokenhouse Yard,
London EC2R 7AS

Savings Product Administrators

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

aic

The Association of
Investment Companies

A member of the AIC

