

---

# JPMorgan Russian Securities plc Annual General Meeting

---

March 2017

# JPMorgan Russian Securities plc

## Summary of results

	2016	2015	
<b>Total returns for the year ended 31st October</b>			
Benchmark <sup>1</sup>	+50.8%	-13.4%	
Return on net assets <sup>2</sup>	+56.2%	-14.2%	
Return to shareholders <sup>3</sup>	+53.1%	-13.5%	
<b>Net asset value, share price and discount at 31st October</b>			
			<b>% change</b>
Net asset value per share	544.3p	371.9p	+46.4
Share price	455.0p	320.5p	+42.0
Share price discount to net asset value per share	16.4%	13.8%	

1. Source: MSCI. The benchmark is the MSCI Russian 10/40 Equity Indices Index in sterling terms. Effective from 1st November 2016, the Company's benchmark is the RTS Index in sterling terms (RTS)

2. Source: J.P. Morgan

3. Source: Morningstar

© 2017 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

## JPMorgan Russian Securities plc Actions taken since the last AGM

---

- Appointment of a new non-executive director, Tamara Sakovksa
- Change of benchmark to the RTS Index in sterling terms
- Review of dividend policy; payment of interim dividend subject to income receipts
- Introduction of tender offer

# Financial Year Performance

JPMorgan Russian Securities plc - Data as of 31<sup>st</sup> October 2016 – 12 month rolling returns

(%)	31/10/15 – 31/10/16	31/10/14 – 31/10/15	31/10/13 – 31/10/14	31/10/12 – 31/10/13	31/10/11 – 31/10/12	31/10/10 – 31/10/11
Portfolio return (Net Asset Value)*	56.2	-14.2	-26.7	13.7	-1.6	-17.0
Index (MSCI Russia 10/40)	50.8	-13.4	-21.0	7.1	-5.8	-2.9
Ordinary share price return**	53.1	-13.5	-28.8	12.5	-6.2	-16.7

Source: J.P. Morgan Asset Management, Morningstar.

Copyright © 2015- Morningstar UK Limited. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed (save (i) as incidentally necessary in the course of viewing it on-line (ii) in the course of printing off single copies of web pages on which it appears for the use of those authorised to view it on-line), or adapted in any way (3) is not warranted to be accurate, complete or timely. This Morningstar-sourced information is provided to you by [COMPANY] and is at your own risk. You agree that Morningstar and or [COMPANY] are not responsible for any damages or losses arising from any use of this information and that the information must not be relied upon by you the user without appropriate verification. [COMPANY] informs you as follows: (i) The information provided should not form the sole basis of any investment decision (ii) no investment decision should be made in relation to any of the information provided other than on the advice of a professional financial advisor; (iii) past performance is no guarantee of future results; and (iv) the value and income derived from investments can go down as well as up.

Inception Date: 15 September 1994

Benchmark History – 15 Sept 1994 to 31 Oct 2006 = CSFB ROS Index (CAP). 01 Nov 2006 to Current = MSCI Russia 10/40

\* NAV – Net of Fees GBP

\*\* Mid – Share Price (Ord) GBP

Past performance is not a guide to the future. Please note Benchmark Indices do not include fees or operating expenses and are not available for actual investment. Performance data has been calculated on NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP.

© 2017 Morningstar. . All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

## Calendar Year Performance

JPMorgan Russian Securities plc - Data as of 31<sup>st</sup> December 2016 – 12 month rolling returns

(%)	31/12/15 – 31/12/16	31/12/14 – 31/12/15	31/12/13 – 31/12/14	31/12/12 – 31/12/13	31/12/11 – 31/12/12	31/12/10 – 31/12/11
Portfolio return (Net Asset Value)*	89.2	16.5	-47.1	5.2	12.7	-32.0
Index (MSCI Russia 10/40)***	84.1	13.4	-39.5	-3.7	9.3	-23.1
Ordinary share price return**	87.4	12.4	-46.6	3.8	9.8	-33.9

Source: J.P. Morgan Asset Management.

Inception Date: 15 September 1994

Benchmark History – 15 Sept 1994 to 31 Oct 2006 = CSFB ROS Index (CAP). 01 Nov 2006 to Current = MSCI Russia 10/40 \*\*\* On 1 November 2016 benchmark changed to RTS Index.

\* NAV – Net of Fees GBP

\*\* Mid – Share Price (Ord) GBP

Past performance is not a guide to the future. Performance data has been calculated on NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP.

© 2017 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

# Performance Summary

JPMorgan Russian Securities plc

## 12 Months to 31<sup>st</sup> October 2016

Portfolio return (Net Asset Value)	56.2%
Index (MSCI Russia 10/40)	50.8%
Ordinary share price return	53.1%

Cumulative performance	3 year performance	5 year performance	10 year performance
Return to shareholders (Ordinary share price return)	-5.8%	-0.6%	20.8%
Portfolio Return (Net Asset Value)	-1.8%	-9.8%	28.8%
Index (MSCI Russia 10/40)	3.2%	4.2%	55.5%

Source: J.P. Morgan Asset Management, Morningstar.

Copyright © 2015 - Morningstar UK Limited. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed (save (i) as incidentally necessary in the course of viewing it on-line (ii) in the course of printing off single copies of web pages on which it appears for the use of those authorised to view it on-line), or adapted in any way (3) is not warranted to be accurate, complete or timely. This Morningstar-sourced information is provided to you by [COMPANY] and is at your own risk. You agree that Morningstar and or [COMPANY] are not responsible for any damages or losses arising from any use of this information and that the information must not be relied upon by you the user without appropriate verification. [COMPANY] informs you as follows: (i) The information provided should not form the sole basis of any investment decision (ii) no investment decision should be made in relation to any of the information provided other than on the advice of a professional financial advisor; (iii) past performance is no guarantee of future results; and (iv) the value and income derived from investments can go down as well as up.

Inception Date: 15 September 1994

Benchmark History – 15 Sept 1994 to 31 Oct 2006 = CSFB ROS Index (CAP). 01 Nov 2006 to Current = MSCI Russia 10/40 . Past performance is not a guide to the future. Please note Benchmark Indices do not include fees or operating expenses and are not available for actual investment. Performance data has been calculated on NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP.

© 2017 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

# Performance Summary

---

JPMorgan Russian Securities plc

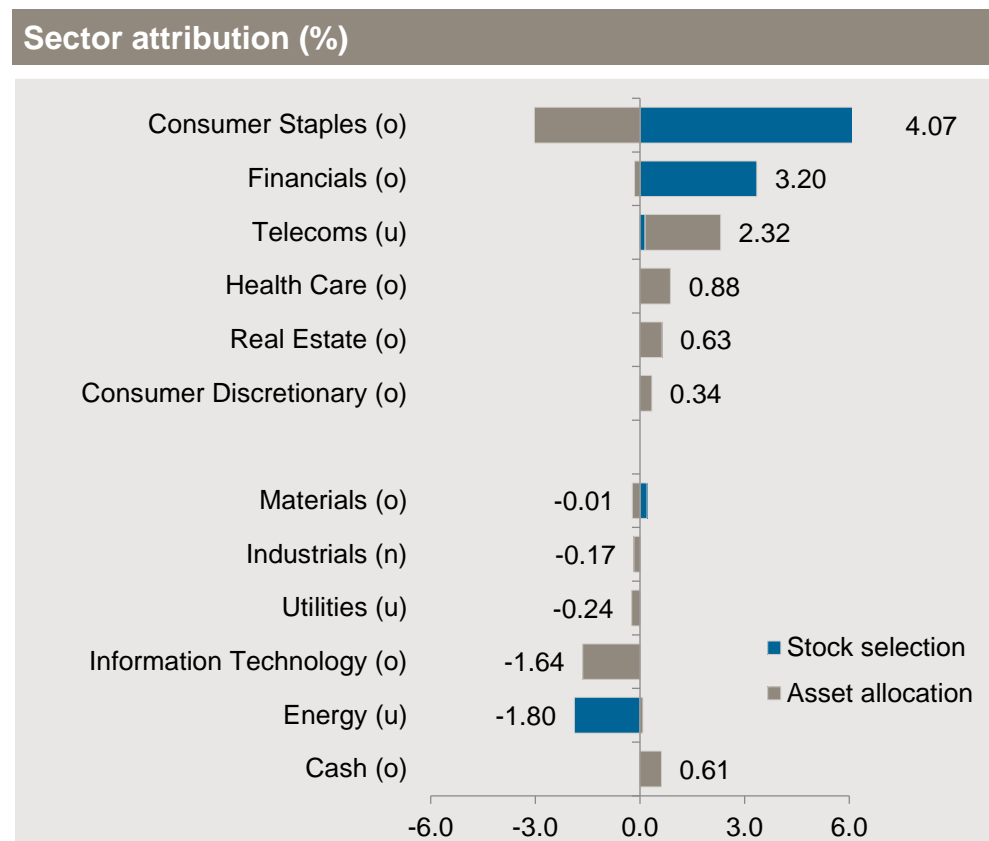
- Oil price weakness into early 2016 caused equities to slide, however this was reversed by the 90% jump in price from the lows of February 2016 to June 2016
- Sentiment was lifted by positive newsflow as economic conditions stabilised and domestic consumption showed signs of bottoming. An increase in payout ratios has helped to improve the dividend yield of the market
- The companies that contributed to returns were broad-based. In the financials sector, our longstanding exposure to Sberbank, the dominant banking franchise in Russia and a clear market leader, was positive, as was our avoidance of VTB, the second-largest bank, which has state involvement

Source: J P. Morgan Asset Management

# Performance attribution

JPMorgan Russian Securities plc - Year ending 31<sup>st</sup> October 2016

Attribution summary	Stock: 8.93
	Sector: -0.73
Benchmark	MSCI Russia 10/40 Net Index



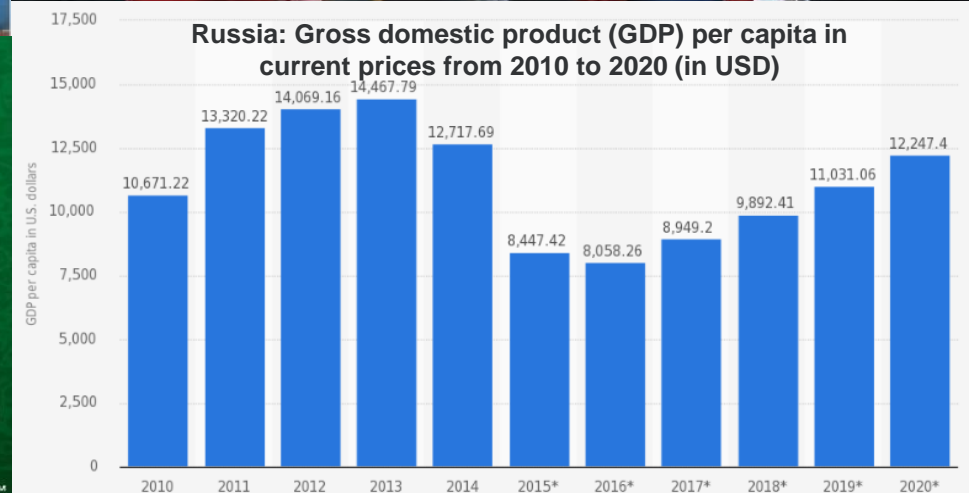
Top Contributors	Relative weight (%)	Stock return (%)	Impact (%)
Ros Agro*	3.98	84.91	2.67
Magnit	-0.42	25.32	1.50
Rostelecom	-4.21	15.14	1.40
Sberbank of Russia	3.07	114.79	1.29
VTB Bank	-4.46	23.02	1.24

Top Detractors	Relative weight (%)	Stock return (%)	Impact (%)
Lukoil	-4.11	79.04	-1.09
Qiwi*	1.60	14.78	-0.88
Alrosa	-0.37	126.62	-0.72
Cherkizovo*	1.68	11.43	-0.57
Surgutneftegas	0.58	10.25	-0.54

Source: J.P. Morgan Asset Management, MSCI, Factset, gross of fees in GBP to 31<sup>st</sup> December 2016. Data for Total Attribution shown (stock selection plus country allocation). Attribution may not match official returns due to differences in systems rounding. The Fund is an actively managed portfolio, holdings, sector weights, allocations and leverage, as applicable are subject to change at the discretion of the Investment Manager without notice. Past performance is not necessarily a reliable indicator for current and future. \*Not in benchmark. . O = overweight, N = neutral, U - underweight



# The long term story...



Source: Internet images for illustration purposes only. Data: IMF, 2015. Forecasts, projections and other forward looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections and other forward statements, actual events, results or performance may differ materially from those reflected or contemplated

## Ros Agro highlights small cap potential in Russia

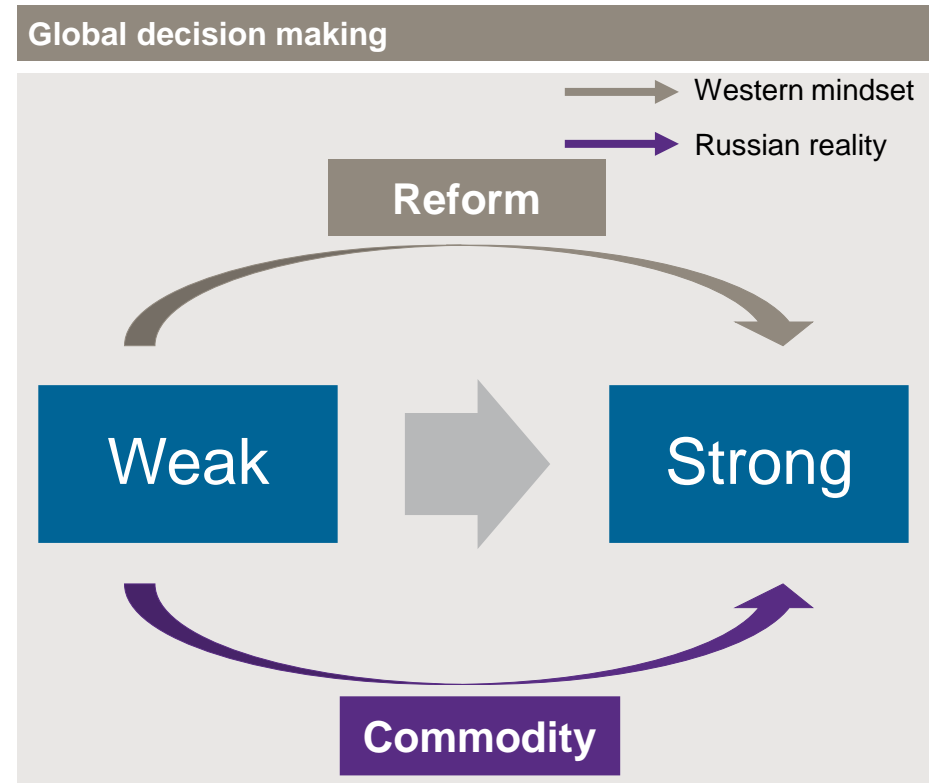
- Ros Agro is a vertically integrated Russian food producer and the **second largest player in the domestic pork and sugar market**
- With key product prices linked to international USD-base, Ros Agro is a **major beneficiary of RUB devaluation**
- Import substitution combined with a RUB cost base allows Ros Agro to enjoy **high profitability** without sacrificing sales volumes
- Ros Agro has an **ambitious long term growth strategy**
  - ✓ Volume growth
  - ✓ A shift towards more processed, higher margin products
- The **strongest balance sheet** in the sector allows for sustainable dividend distribution and acquisitions



Source: Ros Agro Website. As of February 2017. The companies/securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. J.P. Morgan Asset Management may or may not hold positions on behalf of its clients in any or all of the aforementioned securities. The opinions and views expressed here are those held by the author as at date of this document, which are subject to change and are not to be taken as or construed as investment advice.

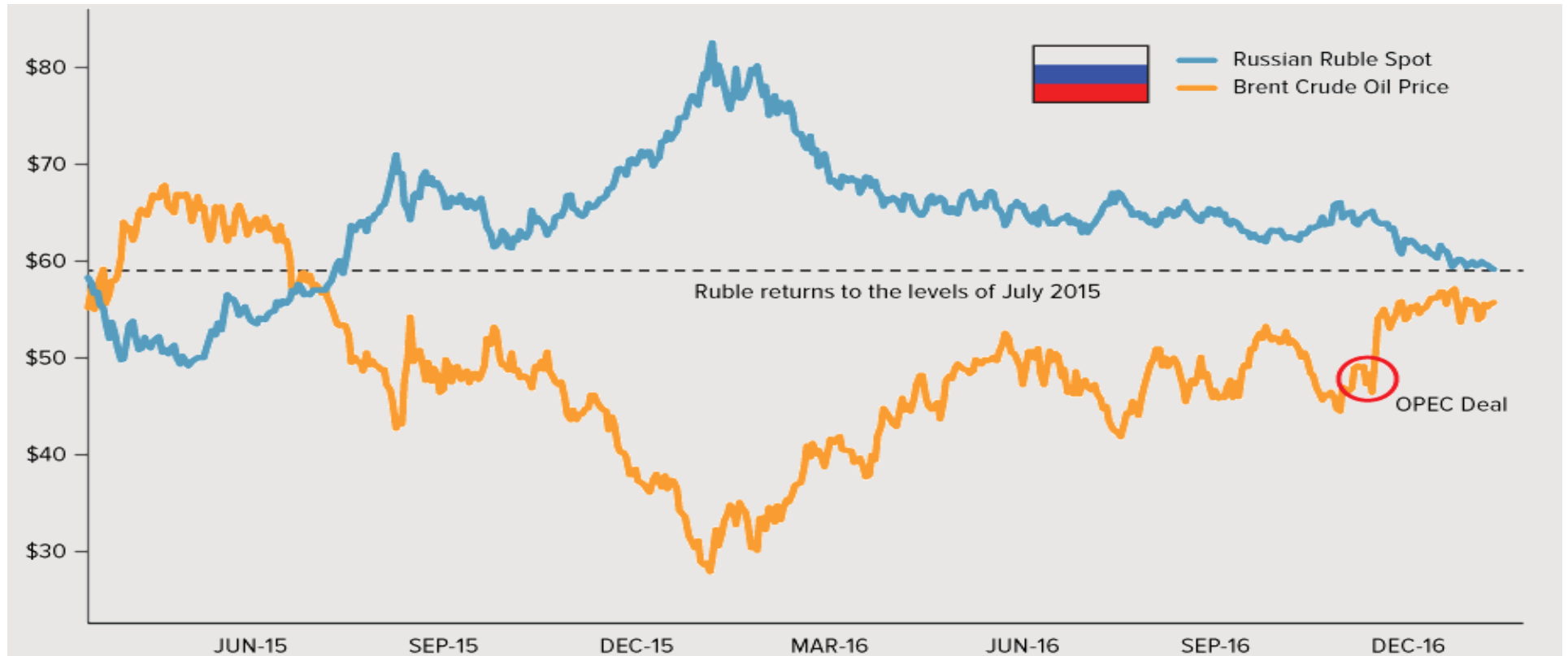
## Politics remains at the forefront

- **Global decision making (US, Brexit)**
- **Elections in Russia**
- **Situation in Ukraine**
- **Politicians playing to domestic political audiences**
  
- **Our base case continues to be that Russia retains influence and Ukraine is economically marginalised**



Source: J.P. Morgan Asset Management. As of March 2017. For illustrative purposes only. The opinions and views expressed here are those held by the author at the date of publication which are subject to change and are not to be taken as or construed as investment advice.

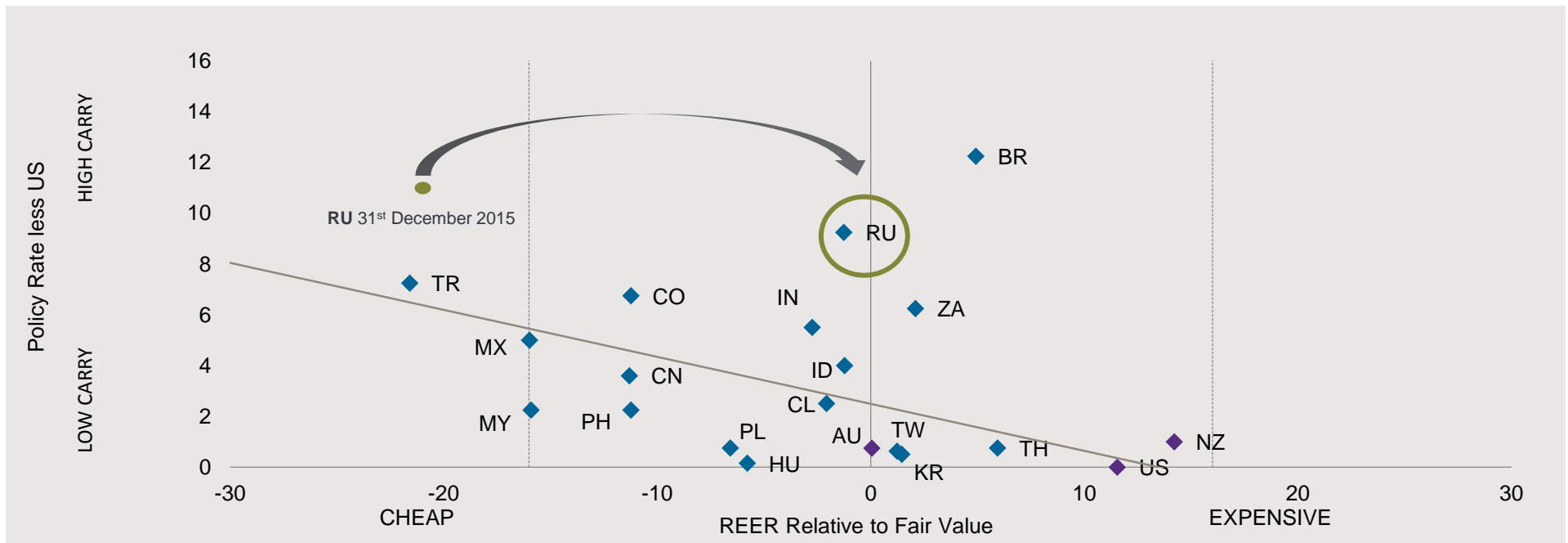
## Russian Ruble bounces back – currency mirrors oil recovery



Source: Bloomberg, U.S. Global Investors. Data as of 31st December 2016

# Macro environment is improving

## Currency valuation and support

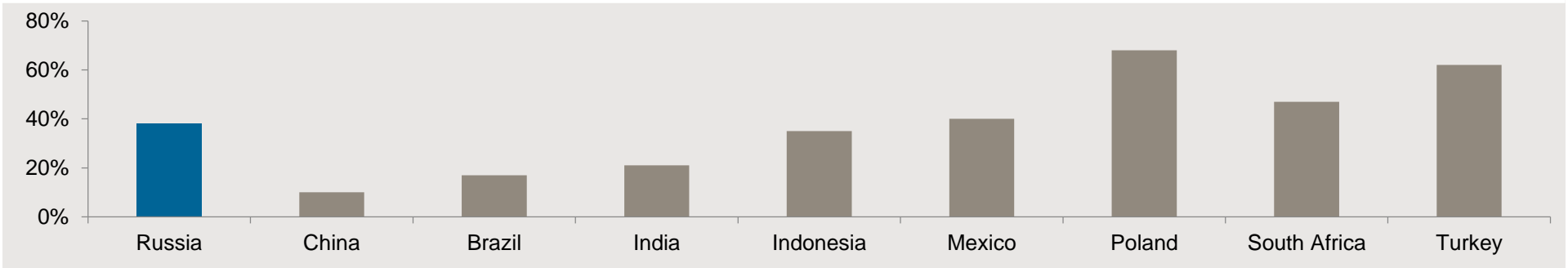


Source: J.P. Morgan Asset Management estimates. Data as of 31<sup>st</sup> January 2017. Forecasts, projections and other forward looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections and other forward statements, actual events, results or performance may differ materially from those reflected or contemplated

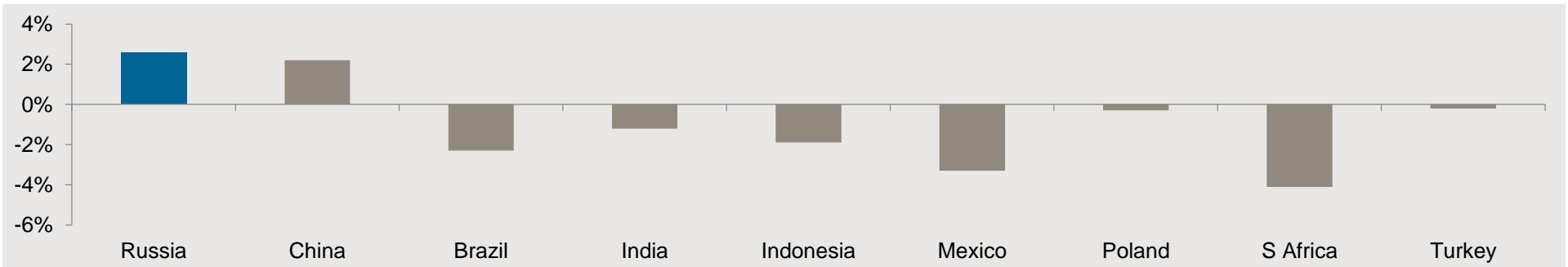
- REER (real effective exchange rate) relative to fair value (export-adjusted 10 year average REER) on the x axis and policy rate on the y axis.
- CARRY (a currency with a high Interest Rate)
- Countries over the line of best fit provide good carry for their currency valuation

# Macro environment is improving

## External debt as % of GDP



## Current account % of GDP

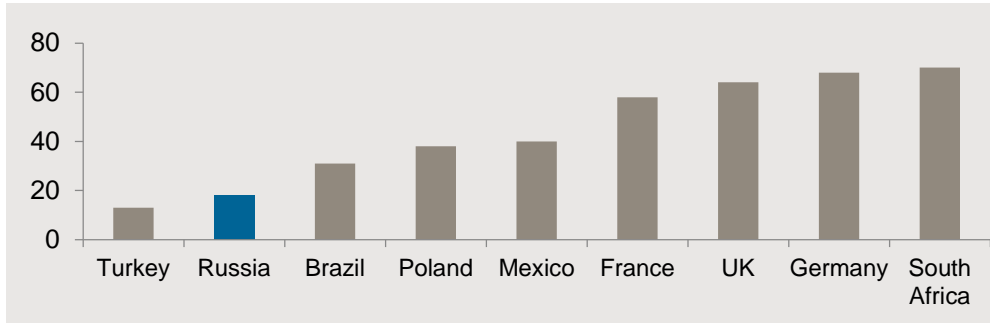


Source: J.P. Morgan Asset Management. Factset. Data as of end December 2016

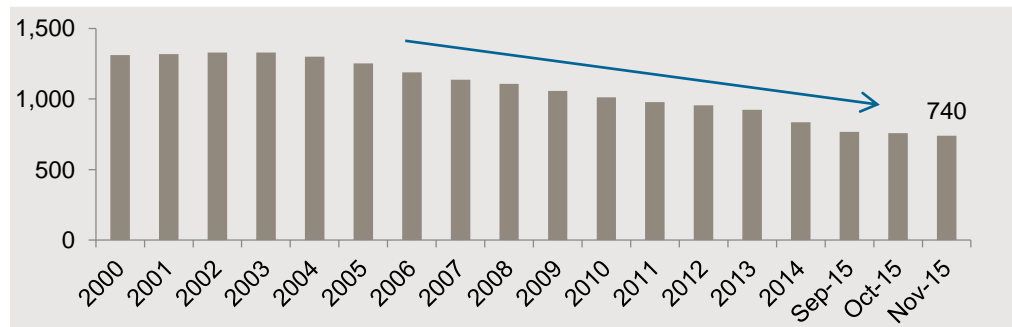
# Consolidation of fragmented sectors

The strong get stronger and the weak disappear

High fragmentation: market share (%) of top five food retailers



Number of active banks in Russia



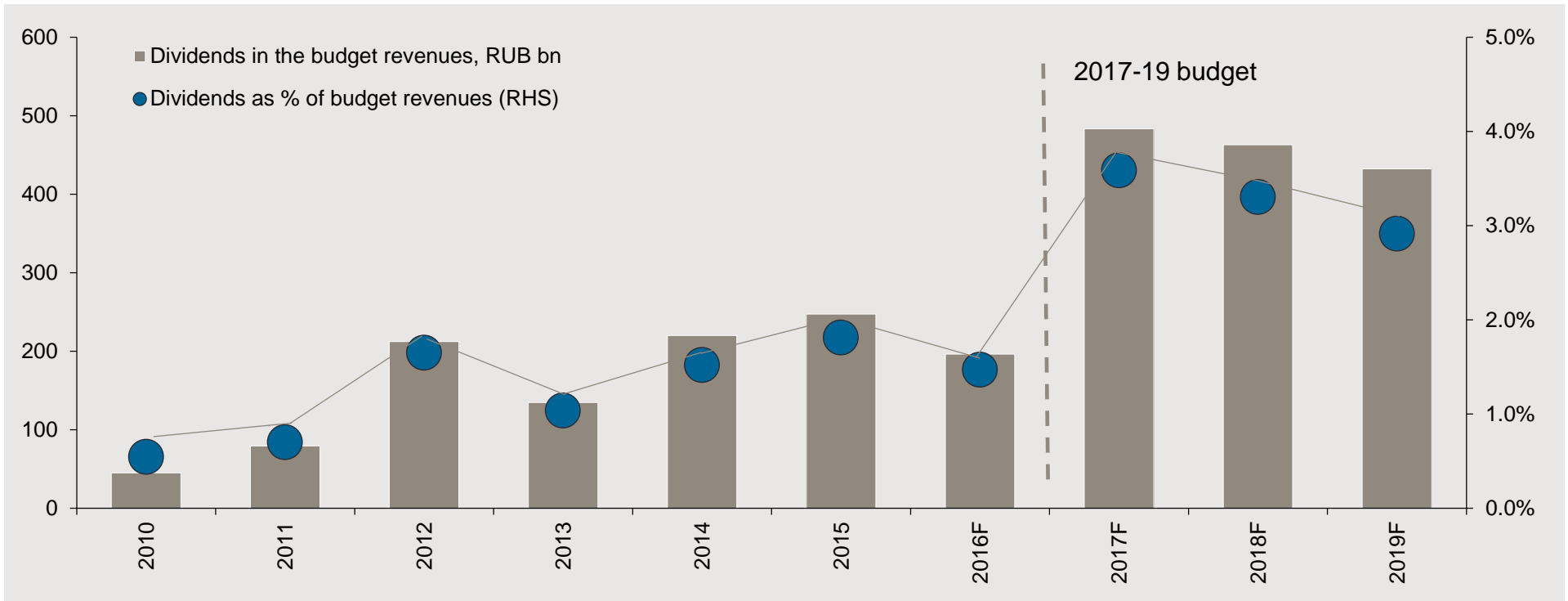
...Market leaders will get stronger in tough market environment

Source: Planet retail, J.P. Morgan Asset Management. Goldman Sachs. Data as of Dec 2015. The opinions and views expressed here are those held by the author at the date of publication which are subject to change and are not to be taken as or construed as investment advice.

## There are signs of change...

The importance of dividends in the Federal budget has increased through time

### Dividends



Source: VTB Capital. Data as of January 2017. Forecasts, projections and other forward looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections and other forward statements, actual events, results or performance may differ materially from those reflected or contemplated.



## What type of companies do we like?

JPMorgan Russian Securities plc – Top ten positions

Company	Sector
Sberbank	Financials
Gazprom	Energy
Magnit	Consumer Staples
Rosneft	Energy
Lukoil	Energy
Novatek	Energy
Moscow Exchange	Financials
Alrosa	Materials
Norilsk Nickel	Materials
Tatneft	Energy



Source: JPMorgan Russian Securities plc Annual Report and Accounts for year ended 31<sup>st</sup> October 2016. The companies above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. The use of the above company logos is in no way an endorsement for J.P. Morgan Asset Management investment management services.

## In summary

---

- 2016 was a **good year** for Russian equities
- We believe that **economic stabilisation** is underway in Russia, and two years on from the introduction of the sanctions, we have started to see early signs of a recovery in domestic demand
- **Privatization** can be useful tool for Government to address budget constraints and we would anticipate a number of such transactions in the coming year
- We maintain the long held preference for **national champions** with regional and global potential
- We intend to maintain the portfolio's existing exposure to **smaller companies** in the belief that it will generate the best returns for shareholders over the longer term
- We believe that current equity **valuations are attractive** for long-term investors

# Risk profile

---

## JPMorgan Russian Securities plc

### Investment objective

- Investing in emerging markets may involve a higher element of risk due to political and economic instability and underdeveloped markets and systems, and may be illiquid.
- Exchange rate changes may cause the value of underlying overseas investments to be volatile.
- Investments in smaller companies may involve a higher degree of risk as their prices are usually more volatile than the share prices of companies with a large market capitalization.
- Investment trusts may borrow to finance further investment (gearing). The use of gearing will increase the volatility of movements in the Net Asset Value (NAV) per share. This means that a relatively small change, down or up, in the value of a trust's assets will result in a magnified fall or rise, in the same direction, of the investment trust's NAV per share.

### Risk profile

- Exchange rate changes may cause the value of underlying overseas investments to go down as well as up.
- Investments in emerging markets may involve a higher element of risk due to political and economic instability and underdeveloped markets and systems. Shares may also be traded less frequently than those on established markets. This means that there may be difficulty in both buying and selling shares and individual share prices may be subject to short-term price fluctuations.
- The fund typically invests in a concentrated portfolio of investments and should a particular investment decline in value, this will have a pronounced effect on the overall value of the fund.
- External factors may cause an entire asset class to decline in value. Prices and values of all shares or all bonds could decline at the same time.
- This trust may utilise gearing (borrowing) which will exaggerate market movements both up and down.
- This trust may also invest in smaller companies which may increase its risk profile.

Please refer to the Investment Trust Profiles document for more information relating to the Trust. The Investment Manager (Portfolio Manager) seeks to achieve the stated targets/objectives. There can be no guarantee the objectives/targets will be met.

# J.P. Morgan Asset Management

---

This is a promotional document and as such the views contained herein are not to be taken as an advice or recommendation to buy or sell any investment or interest thereto. Reliance upon information in this material is at the sole discretion of the reader. Any research in this document has been obtained and may have been acted upon by J.P. Morgan Asset Management for its own purpose. The results of such research are being made available as additional information and do not necessarily reflect the views of J.P. Morgan Asset Management. Any forecasts, figures, opinions, statements of financial market trends or investment techniques and strategies expressed are unless otherwise stated, J.P. Morgan Asset Management's own at the date of this document. They are considered to be reliable at the time of writing, may not necessarily be all-inclusive and are not guaranteed as to accuracy. They may be subject to change without reference or notification to you.

It should be noted that the value of investments and the income from them may fluctuate in accordance with market conditions and taxation agreements and investors may not get back the full amount invested. Changes in exchange rates may have an adverse effect on the value, price or income of the product(s) or underlying overseas investments. Both past performance and yield may not be a reliable guide to current and future performance. There is no guarantee that any forecast made will come to pass. Furthermore, whilst it is the intention to achieve the investment objective of the investment product(s), there can be no assurance that those objectives will be met.

J.P. Morgan Asset Management is the brand name for the asset management business of JPMorgan Chase & Co and its affiliates worldwide. You should note that if you contact J.P. Morgan Asset Management by telephone those lines may be recorded and monitored for legal, security and training purposes. You should also take note that information and data from communications with you will be collected, stored and processed by J.P. Morgan Asset Management in accordance with the EMEA Privacy Policy which can be accessed through the following website <http://www.jpmorgan.com/pages/privacy>.

Investment is subject to documentation (Investor Disclosure Statement, Key Features and Terms and Conditions), copies of which can be obtained free of charge from JPMorgan Asset Management Marketing Limited. Issued by JPMorgan Asset Management Marketing Limited which is authorised and regulated in the UK by the Financial Conduct Authority. Registered in England No: 288553. Registered address: 25 Bank St, Canary Wharf, London E14 5JP.