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# JPMorgan Russian Securities plc

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Half Year Report & Accounts for the six months ended 30th April 2016



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# Features

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## Objective

To provide shareholders with capital growth.

## Investment Policies

- To maintain a diversified portfolio of investments primarily in quoted Russian securities or other companies which operate principally in Russia. The Company may also invest up to 10% of its gross assets in companies that operate or are located in former Soviet Republics.

## Investment Limits and Restrictions

- No more than 10% of the Company's gross assets are to be invested in companies that operate or are located in former Soviet Union Republics.
- The Company will not normally invest in unlisted securities.
- At the time of purchase the maximum permitted exposure to each individual company is 15% of the Company's gross assets.
- The Company will not normally invest in derivatives.
- The Company will utilise liquidity and borrowings in a range of 10% net cash to 15% geared in typical market conditions.
- No more than 15% of gross assets are to be invested in other listed closed-ended investment funds (including investment trusts).

## Benchmark

The MSCI Russian 10/40 Equity Indices Index in sterling terms.

## Capital Structure

At 30th April 2016, the Company's share capital comprised 52,337,112 ordinary shares of 1p each.

## Continuation Vote

A resolution that the Company continues as an investment trust will be put to shareholders at the Annual General Meeting in 2017 and every five years thereafter.

## Management Company and Company Secretary

The Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') as its Alternative Investment Fund Manager. JPMF delegates the management of the Company's portfolio to JPMorgan Asset Management (UK) Limited ('JPMAM').

## FCA regulation of 'non-mainstream pooled investments'

The Company currently conducts its affairs so that its shares can be recommended by independent financial advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

## Association of Investment Companies (AIC)

The Company is a member of the AIC.

## Website

The Company's website, which can be found at [www.jpmmussian.co.uk](http://www.jpmmussian.co.uk), includes useful information on the Company, such as daily prices, factsheets and current and historic half year and annual reports.

# Half Year Performance to 30th April 2016

## TOTAL RETURNS (INCLUDES DIVIDENDS REINVESTED)

**+16.9%**

Return to shareholders<sup>1</sup>

**+17.3%**

Return on net assets<sup>2</sup>

**+17.9%**

Benchmark return<sup>3</sup>

### Financial Data

	6 months to 30th April 2016	12 months to 31st October 2015	% change
Total net assets (£'000)	216,432	194,640	+11.2
Number of shares in issue	52,337,112	52,337,112	
Net asset value per share	413.5p	371.9p	+11.2
Share price	352.3p	320.5p	+9.9
Share price discount to net asset value per share	14.8%	13.8%	
Revenue return per share	1.77p	19.60p	
Gearing/(net cash)	(1.2)%	(2.2)%	
Ongoing charges	1.39%	1.43%	

<sup>1</sup> Source: Morningstar. See glossary of terms and definitions on page 18.

<sup>2</sup> Source: J.P. Morgan.

<sup>3</sup> Source: MSCI/CSFB. The Company's benchmark is the MSCI Russian 10/40 Equity Indices Index in sterling terms. See glossary of terms and definitions on page 18.

# About the Company

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## CHAIRMAN'S STATEMENT



### Performance

It is pleasing to be able to report positive performance of the Company over the half year under review to 30th April 2016. This reflected the significant improvements in some areas of the Russian market.

The Company's net asset value on a total return basis was a positive 17.3% and the Company's return to shareholders on a total return basis was positive 16.9% over the period. The Company's discount to net asset value experienced little change and ended the period at 14.8%. The Company's performance in terms of return to shareholders on a total return basis was 1% below the benchmark, which ended the reporting period up 17.9%.

In comparison to the previous year, the markets in the current period were relatively calm, which is almost certainly attributable to the increasing oil price. The higher oil price also led to a significant upward movement in the Russian stock market and strengthening of the ruble, demonstrating how closely the Russian stock market is linked to the oil price. There have also been no significant change in the US/EU relations with Russia although economic sanctions continue. However, the breaking of economic ties with Turkey in late 2015 could have a material negative impact on the Russian economy over a prolonged period.

At the Company's AGM in March 2016 the shareholders approved the Board's recommendation to widen the Company's investment objective. This now allows the Company to invest 10% of its gross assets in companies that operate or are located in former Soviet Union republics. During the period three new investments were made in interesting companies in this region (see more details in the Investment Manager's Report). Following these investments the percentage of the fund invested in this region is 2.8%.

### Discount Control

The Board's objective remains to use the share repurchase authority to assist in managing any imbalance between supply and demand for the Company's shares, thereby reducing the volatility of the discount.

During the period the discount ranged from 18.6% to 12.6%. The Board decided to review the Company's discount control policy in light of the recent high market volatility. It concluded that buybacks of shares should be considered when the Company's discount was above 10% (previously 8%) and the absolute level of the Company's discount should be taken into account, together with the relative level of discount amongst peers in emerging markets.

Applying this revised policy to the current reporting period, the Board refrained from buying back shares as the average discount for emerging market investment trusts was increasing and it was concluded that buybacks would be ineffective against a rising trend of widening discounts.

### Revenue and Earnings

The significant decline in investment income in the first half of the year to 31st October 2016 was expected following an exceptional year of dividend income in 2015. Most of the Company's income usually arises in the second half of the year and therefore the Company will not consider the level of dividend distribution to shareholders until after the year end.

## CHAIRMAN'S STATEMENT *CONTINUED*

### Board of Directors

Following Lysander Tennant's planned retirement as a Director at the Company's AGM in March 2016, the Company has engaged the services of an independent non-executive search consultancy to identify a suitably qualified director to join the Board.

### Investment Managers

Sonal Tanna has transferred into J.P.Morgan's Global Fund team and so is no longer involved as an Investment Manager of the Company. Oleg Biryulyov will remain as the lead Investment Manager and will continue to be supported by a team of portfolio managers in the Global Emerging Markets Group.

### Outlook

As already mentioned above the price of oil is a major determining factor for the Russian economy and if recent increases continue it seems likely that it will have a positive economic impact on the Russian economy and the stock market in the second half of the Company's financial year.

The Investment Manager has maintained his consistent approach of investing in well managed companies with strong balance sheets. He continues to believe that the equity market in Russia provides a good long term investment opportunity if the right stocks are selected.

However, economic sanctions against Russia remain and the political outlook is uncertain in both the middle-East, USA and Europe. These significant geopolitical and economic issues will continue to impact the Russian market, together with concerns regarding the state of the domestic economy. Thus, the outlook remains uncertain but with some potential for upside if the oil price continues to strengthen.

**Gill Nott**  
Chairman

9th June 2016

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## INVESTMENT MANAGER'S REPORT



### Market backdrop and performance

The six months under review were dominated by oil price moves and the impact on market prices of the wide variations in risk tolerance displayed by investors over the period. The oil price rose 4% in GBP terms over the period; however, this performance masks a 70%+ rally in prices of Brent crude oil between 11th February 2016 and the end of April 2016. This was such a powerful move that the MSCI Russia 10/40 index moved up by 36.3% and the ruble by almost 20% over the same period. For the review period as a whole, the MSCI Russian 10/40 Equity Index gained 17.9%.

The total return on net assets was 17.3%, underperforming the benchmark by 0.6%. The total return to shareholders increased to 16.9%, with the discount widening, as is usual in periods of heightened volatility.

### Economic and political events

US and European sanctions imposed following Russia's involvement in Ukraine and the annexation of Crimea remain in place. There have been few new developments in the situation, and while there is hope of change, there is a lack of political will. Meanwhile, relations between Russia and Turkey deteriorated over the period following the shooting down of a Russian fighter jet by Turkey in November 2015, with Russia introducing economic sanctions against Turkey. Given the characteristics of the national leaders involved, we do not expect a quick resolution.

On the domestic front, the Central Bank of Russia has been very cautious, delaying further interest rates cuts until there is a significant drop in the inflation run rate and greater clarity about the timing of US interest rate rises.

The Government worked on potential taxation adjustments for oil and gas sector, in the shadow of low oil price and growing concern about the budget deficit. Given the oil price then started to rise, it reduced the need for extra tax hikes. In the longer term there remains the open question of rebalancing of tax take from business to households in line with the OECD structure of budget revenues. But we do not expect any serious changes to take place prior to the Presidential elections in 2018.

Our major concern on the economic front is related to investment and consumption, which are both under severe pressure, creating a negative feedback loop. Businesses are not ready to invest in an environment of downward pressure on demand and low spending power, while a lack of investment makes households nervous about spending cash.

Since the bounce in share prices and upward move in the currency, there has been some increase in investor interest in the Russian market. Consensus is slowly building that Russian assets are cheap and may be rerated one day, but timing is still very unclear. We expect volatility to remain elevated for the rest of the year, while liquidity is improving slowly.

We believe valuations and the earnings outlook are attractive. Corporate earnings reports suggest that we are going through the bottom of the cycle. We are seeing some early signs of earnings upgrades as well as a slow shift in the consensus on the outlook for dividends. There is a sizable debate surrounding Gazprom and what total payout they should make sustainably.

### Performance

The major negative contributors over the period were:

- Surgutneftegaz - The stabilisation of the exchange rate and the rising oil price represented significant headwinds for this name. The large US dollar cash position means a stronger ruble would be damaging for the stock.

## INVESTMENT MANAGER'S REPORT *CONTINUED*

- Transneft - We do not hold the stock due to its very poor corporate governance story, which means we sometimes miss out when investor optimism pushes the price up. We believe the index weighting is too big for the stock's current liquidity and free float. We will not invest until substantial restructuring takes place.
- QIWI - This payment services provider was hurt by concerns about regulation and legislation changes. We believe the stock is a good long-term story with strong upside potential in the event of a normalisation of market conditions, so we used weakness to add to our position.
- Alrosa - We missed the rerating of this diamond miner related to privatisation speculation, but closed the underweight position as soon as rumours became a fact. The company has benefited significantly from the currency devaluation and better capital allocation. It is a national market leader, with potential to become a global one.
- MTS - We underestimated the potential for multiple expansion in this mobile phone network provider, and missed out on the strong rally in the name over the period.

Positive contributions came from:

- Gazprom - The valuation and dividend make the outlook for Gazprom more attractive than the market has recognised. We closed our underweight position in the period, moving overweight, and participated in the sharp rally.
- Ros Agro - This agribusiness company was one of the top active bets in the portfolio, and we benefited as both the company and the share price performed strongly over the period. This stock is a good example of the benefits of investing through an investment trust, as we were able to accumulate a position in a period in which liquidity and interest in the name were very low.
- Magnit - We reduced our position in this retailer last year, anticipating slowing sales and falling margins, and remained underweight for most of the review period. This generated positive relative performance as our expected scenario played out. We continue to like the business, so will use price weakness to add to our holding. The stock has the potential to be a good play on the economic normalisation story, as consumption will spike when incomes stabilise.
- VTB Bank - This was another underweight position that benefited relative performance. The bank is badly managed and has a very risky business model, so we maintain our underweight.

The Company has an active position of 38%. The notable difference relative to the index can potentially create significant deviation from the performance of the benchmark on monthly and quarterly periods.

### Portfolio activity

In the review period, we made two adjustments to the portfolio:

- Ros Agro - We took part in the capital raising under which the company increased its capital base by USD 250 million. The new cash will be used for funding M&A, greenhouse projects and expansion in the Far East. In the last year, the company has become a clear national leader in its industry and an absolute leader in profitability. We expect this position to be a core holding in the fund for some time.

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- CIS countries - Following adjustments to the investment guidelines, we initiated positions in the Commonwealth of Independent States. Luxoft and EPAM Systems are both high-quality IT companies with very bright growth and profit outlooks, while TBC Bank is the leading bank in Georgia, with a very low valuation. We believe that these holdings will provide diversification and enable the fund to achieve broader representation of different sectors of the economy.

These purchases were funded by a reduction of positions in MICEX and Surgutneftegas, as the earnings outlook for both companies will be less exciting in a more 'normal' economic situation of a stronger currency, lower interest rates and a growth recovery.

### **Outlook**

We believe that the long-term fundamental case for the Russian equity market remains intact and continues to provide ample opportunity for active fund managers to add value. We maintain our fundamental and rational investment approach, and our belief that, over the long term, returns for shareholders will be driven by earnings growth and return on equity. We focus on consolidating holdings in long-term, sustainable businesses and, ideally, long-term compounders of returns. The existence of such companies in the Russian market remains limited, and as a result they are likely to trade at a premium. We would welcome new issuance and improving market diversification, but it may take time to come.

We expect the earnings revision cycle to improve in the second half of the year, and should start to see some positive revisions to economic and corporate profit outlooks in the third quarter. As in any equity market, such revisions are likely to drive the general direction of the market and help investors to differentiate among market participants.

We do not expect any lifting of sanctions in 2016, but think the election cycle in the US and the European Union has the potential to begin driving change in 2017.

**Oleg I. Biryulyov**  
Investment Manager

9th June 2016

# Investment Review

## LIST OF INVESTMENTS AT 30TH APRIL 2016

Company	Sector <sup>1</sup>	Valuation £'000	%
Gazprom <sup>2</sup>	Energy	27,707	13.1
Sberbank Rossii <sup>3</sup>	Financials	25,586	12.1
Magnit	Consumer Staples	17,773	8.4
Rosneft GDR	Energy	15,175	7.2
Surgutneftegaz <sup>4</sup>	Energy	12,783	6.0
Alrosa AO	Materials	12,142	5.7
Moscow Exchange	Financials	10,950	5.2
Tatneft <sup>5</sup>	Energy	10,582	5.0
Lukoil ADR	Energy	9,957	4.7
MMC Norilsk Nickel ADR	Materials	8,351	3.9
Ros Agro GDR	Consumer Staples	8,181	3.9
Phosagro GDR	Materials	7,606	3.6
AO Severstal GDR	Materials	4,543	2.1
Acron	Materials	4,478	2.1
Megafon GDR	Telecommunication Services	3,769	1.8
Cherkizovo GDR	Consumer Staples	3,697	1.7
Etalon GDR	Financials	3,355	1.6
X5 Retail GDR	Consumer Staples	3,281	1.5
Qivi ADR	Information Technology	3,051	1.4
Highland Gold Mining	Materials	2,456	1.2
Sollers	Consumer Discretionary	2,357	1.1
MD Medical GDR	Health Care	2,155	1.0
TBC Bank	Financials	2,130	1.0
Luxoft	Information Technology	2,016	1.0
EPAM systems	Information Technology	1,924	0.9
M Video	Consumer Discretionary	1,899	0.9
Sistema	Telecommunication Services	1,222	0.6
Mail Ru GDR	Information Technology	962	0.5
Volga Gas	Energy	882	0.4
Global Ports Investments GDR	Industrials	786	0.4
<b>Total Portfolio</b>		<b>211,756</b>	<b>100.0</b>

<sup>1</sup> Sector classification as used by MSCI.

<sup>2</sup> Includes ADR valued at £25,546,000.

<sup>3</sup> Includes preference shares valued at £16,772,000.

<sup>4</sup> Comprises preference shares entirely.

<sup>5</sup> Includes ADR valued at £495,000 and preference shares valued at £10,087,000.

## SECTOR ANALYSIS

	30th April 2016			31st October 2015		
	Portfolio % <sup>1</sup>	Benchmark %	Active Position %	Portfolio % <sup>1</sup>	Benchmark %	Active Position %
Energy	36.4	41.3	(4.9)	31.3	41.1	(9.8)
Financials	19.9	18.0	1.9	20.9	18.4	2.5
Materials	18.6	13.4	5.2	18.7	13.6	5.1
Consumer Staples	15.5	9.0	6.5	18.3	8.7	9.6
Information Technology	3.8	–	3.8	4.3	–	4.3
Telecommunication Services	2.4	13.7	(11.3)	1.7	13.8	(12.1)
Consumer Discretionary	2.0	–	2.0	3.4	–	3.4
Health Care	1.0	–	1.0	0.9	–	0.9
Industrials	0.4	–	0.4	0.5	–	0.5
Utilities	–	4.6	(4.6)	–	4.4	(4.4)
<b>Total</b>	<b>100.0</b>	<b>100.0</b>		<b>100.0</b>	<b>100.0</b>	

Sector classification as used by MSCI.

<sup>1</sup> Based on total investments of £211.8m (2015: £191.9m).

# Financial Statements

## STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30TH APRIL 2016

	(Unaudited) Six months ended 30th April 2016			(Unaudited) Six months ended 30th April 2015			(Audited) Year ended 31st October 2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Gains/(losses) on investments held at fair value through profit or loss</b>	–	30,041	30,041	–	(10,076)	(10,076)	–	(43,618)	(43,618)
Net foreign currency gains	–	356	356	–	38	38	–	199	199
Income from investments	1,785	–	1,785	3,615	–	3,615	13,598	–	13,598
<b>Gross return/(loss)</b>	<b>1,785</b>	<b>30,397</b>	<b>32,182</b>	<b>3,615</b>	<b>(10,038)</b>	<b>(6,423)</b>	<b>13,598</b>	<b>(43,419)</b>	<b>(29,821)</b>
Management fee	(198)	(790)	(988)	(200)	(799)	(999)	(397)	(1,587)	(1,984)
Other administrative expenses	(361)	–	(361)	(348)	–	(348)	(840)	–	(840)
<b>Net return/(loss) on ordinary activities before taxation</b>	<b>1,226</b>	<b>29,607</b>	<b>30,833</b>	<b>3,067</b>	<b>(10,837)</b>	<b>(7,770)</b>	<b>12,361</b>	<b>(45,006)</b>	<b>(32,645)</b>
Taxation	(302)	158	(144)	(410)	–	(410)	(2,093)	324	(1,769)
<b>Net return/(loss) on ordinary activities after taxation</b>	<b>924</b>	<b>29,765</b>	<b>30,689</b>	<b>2,657</b>	<b>(10,837)</b>	<b>(8,180)</b>	<b>10,268</b>	<b>(44,682)</b>	<b>(34,414)</b>
<b>Return/(loss) per share</b> (note 4)	<b>1.77p</b>	<b>56.87p</b>	<b>58.64p</b>	<b>5.07p</b>	<b>(20.67)p</b>	<b>(15.60)p</b>	<b>19.60p</b>	<b>(85.31)p</b>	<b>(65.71)p</b>

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.

## STATEMENT OF CHANGES IN EQUITY

### FOR THE SIX MONTHS ENDED 30TH APRIL 2016

	Called up share capital £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve <sup>1</sup> £'000	Total £'000
<b>Six months ended 30th April 2016 (Unaudited)</b>						
<b>At 31st October 2015</b>	524	77	47,204	136,342	10,493	194,640
Net return on ordinary activities	–	–	–	29,765	924	30,689
Dividends paid in the period	–	–	–	–	(8,897)	(8,897)
<b>At 30th April 2016</b>	524	77	47,204	166,107	2,520	216,432
<b>Six months ended 30th April 2015 (Unaudited)</b>						
<b>At 31st October 2014</b>	526	75	47,764	181,024	7,029	236,418
Repurchase of the Company's own shares for cancellation	(2)	2	(559)	–	–	(559)
Net (loss)/return on ordinary activities	–	–	–	(10,837)	2,657	(8,180)
Dividends paid in the period	–	–	–	–	(6,804)	(6,804)
<b>At 30th April 2015</b>	524	77	47,205	170,187	2,882	220,875
<b>Year ended 31st October 2015 (Audited)</b>						
<b>At 31st October 2014</b>	526	75	47,764	181,024	7,029	236,418
Repurchase of the Company's own shares for cancellation	(2)	2	(560)	–	–	(560)
Net (loss)/return from ordinary activities	–	–	–	(44,682)	10,268	(34,414)
Dividends paid in the year	–	–	–	–	(6,804)	(6,804)
<b>At 31st October 2015</b>	524	77	47,204	136,342	10,493	194,640

<sup>1</sup> The revenue reserve forms the distributable reserve of the Company and may be used to fund distribution of profits to investors via dividend payments.

**STATEMENT OF FINANCIAL POSITION AT 30TH APRIL 2016**

	(Unaudited) 30th April 2016 £'000	(Unaudited) 30th April 2015 £'000	(Audited) 31st October 2015 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	211,756	218,656	191,910
<b>Current assets</b>			
Debtors	3,266	4,880	552
Cash and cash equivalents <sup>1</sup>	2,554	497	4,330
	<b>5,820</b>	<b>5,377</b>	<b>4,882</b>
<b>Current liabilities</b>			
<b>Creditors:</b> amounts falling due within one year	(1,144)	(3,158)	(2,152)
<b>Net current assets</b>	<b>4,676</b>	<b>2,219</b>	<b>2,730</b>
<b>Total assets less current liabilities</b>	<b>216,432</b>	<b>220,875</b>	<b>194,640</b>
<b>Net assets</b>	<b>216,432</b>	<b>220,875</b>	<b>194,640</b>
<b>Capital and reserves</b>			
Called up share capital	524	524	524
Capital redemption reserve	77	77	77
Other reserve	47,204	47,205	47,204
Capital reserves	166,107	170,187	136,342
Revenue reserve	2,520	2,882	10,493
<b>Shareholders' funds</b>	<b>216,432</b>	<b>220,875</b>	<b>194,640</b>
<b>Net asset value per share</b> (note 5)	<b>413.5p</b>	<b>422.0p</b>	<b>371.9p</b>

<sup>1</sup> This line item combines the two lines of 'Investments in liquidity funds held at fair value through profit or loss' and 'Cash and short term deposits' in the financial statements for the year ended 31st October 2015 into one.

## STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30TH APRIL 2016

	(Unaudited) Six months ended 30th April 2016 £'000	(Unaudited) Six months ended 30th April 2015 £'000	(Audited) Year ended 31st October 2015 £'000
<b>Net cash outflow from operations before dividends and interest</b> (note 6)	<b>(1,047)</b>	<b>(1,261)</b>	<b>(2,616)</b>
Dividends received	1,866	2,850	11,918
Interest received	11	5	8
Overseas tax recovered	–	64	66
<b>Net cash inflow from operating activities</b>	<b>830</b>	<b>1,658</b>	<b>9,376</b>
Purchases of investments and derivatives	(45,917)	(60,698)	(107,157)
Sales of investments and derivatives	52,174	64,677	107,228
Settlement of forward currency contracts	36	(12)	(9)
<b>Net cash inflow from investing activities</b>	<b>6,293</b>	<b>3,967</b>	<b>62</b>
Dividends paid	(8,897)	(6,804)	(6,804)
Repurchase of the Company's own shares for cancellation	–	(559)	(560)
<b>Net cash outflow from financing activities</b>	<b>(8,897)</b>	<b>(7,363)</b>	<b>(7,364)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(1,774)</b>	<b>(1,738)</b>	<b>2,074</b>
Cash and cash equivalents at start of period/year	4,330	2,248	2,248
Exchange movements	(2)	(13)	8
Cash and cash equivalents at end of period/year	2,554	497	4,330
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(1,774)</b>	<b>(1,738)</b>	<b>2,074</b>
<b>Cash and cash equivalents consist of:</b>			
Cash and short term deposits	492	497	911
Cash held in JPMorgan US Dollar Liquidity Fund	2,062	–	3,419
<b>Total</b>	<b>2,554</b>	<b>497</b>	<b>4,330</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH APRIL 2016

### 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 October 2015 are extracted from the latest published financial statements of the Company and do not constitute statutory accounts for that year. Those financial statements 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 498(2) or 498(3) of the Companies Act 2006.

### 2. Accounting policies

The financial statements are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the Association of Investment Companies in November 2014.

FRS 104, 'Interim Financial Reporting', issued by the Financial Reporting Council ('FRC') in March 2015 has been applied in preparing this condensed set of financial statements for the six months ended 30th April 2016.

In March 2016, the FRC published amendments to FRS 102 concerning fair value hierarchy disclosures. These amendments are effective for accounting periods beginning on or after 1st January 2017. The Company has elected to early adopt these amendments in these interim financial statements. Full disclosure is given in note 7.

As a result of the first time adoption of FRS 102 and the revised SORP, comparative numbers and presentational formats have been restated where required.

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

The accounting policies applied to this condensed set of financial statements are consistent with those applied in the financial statements for the year ended 31st October 2015.

### 3. Dividends paid<sup>1</sup>

	(Unaudited) Six months ended 30th April 2016 £'000	(Unaudited) Six months ended 30th April 2015 £'000	(Audited) Year ended 31st October 2015 £'000
Final dividend paid in respect of the year ended 31st October 2015 of 13.00p (2014: 13.00p)	6,804	6,804	6,804
2015 Special dividend of 4.00p (2014: 0.00p)	2,093	–	–
	<b>8,897</b>	<b>6,804</b>	<b>6,804</b>

<sup>1</sup> All dividends paid and declared in the period have been funded from the Revenue Reserve.

No interim dividend has been declared in respect of the six months ended 30th April 2016 (2015: nil).

#### 4. Return/(loss) per share

	(Unaudited) Six months ended 30th April 2016 £'000	(Unaudited) Six months ended 30th April 2015 £'000	(Audited) Year ended 31st October 2015 £'000
Return/(loss) per share is based on the following:			
Revenue return	924	2,657	10,268
Capital return/(loss)	29,675	(10,837)	44,682
<b>Total return/(loss)</b>	<b>30,689</b>	<b>(8,180)</b>	<b>34,414</b>
Weighted average number of shares in issue	52,337,112	52,421,725	52,379,071
Revenue return per share	1.77p	5.07p	19.60p
Capital return/(loss) per share	56.87p	(20.67)p	(85.31)p
<b>Total return/(loss) per share</b>	<b>58.64p</b>	<b>(15.60)p</b>	<b>(65.71)p</b>

#### 5. Net asset value per share

	(Unaudited) Six months ended 30th April 2016 £'000	(Unaudited) Six months ended 30th April 2015 £'000	(Audited) Year ended 31st October 2015 £'000
Net assets (£'000)	216,432	220,875	194,640
Number of shares in issue	52,337,112	52,337,112	52,337,112
Net asset value per share	413.5p	422.0p	371.9p

#### 6. Reconciliation of net loss on ordinary activities before taxation to net cash outflow from operations before dividends and interest

	(Unaudited) Six months ended 30th April 2016 £'000	(Unaudited) Six months ended 30th April 2015 £'000	(Audited) Year ended 31st October 2015 £'000
Net return/(loss) on ordinary activities before taxation	30,833	(7,770)	(32,645)
(Less capital return)/Add capital loss on ordinary activities before taxation	(29,607)	10,837	45,006
Decrease/(increase) in accrued income and other debtors	237	(372)	(389)
Decrease in accrued expenses	(22)	(32)	(40)
Overseas withholding tax	(143)	(387)	(1,290)
Management fee charged to capital	(790)	(799)	(1,587)
Dividends received	(1,866)	(2,850)	(11,918)
Interest received	(11)	(5)	(8)
Realised gains on foreign currency transactions	13	63	200
Exchange gains on liquidity funds and Time Deposits	309	54	55
<b>Net cash outflow from operating activities</b>	<b>(1,047)</b>	<b>(1,261)</b>	<b>(2,616)</b>

## NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

### 7. Fair valuation of investments

The fair value hierarchy analysis for financial instruments held at fair value at the period end is as follows:

	(Unaudited)		(Unaudited)		(Audited)	
	Six months ended 30th April 2016		Six months ended 30th April 2015		Year ended 31st October 2015	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000	£'000	£'000
Level 1: Quoted prices for identical instruments in active markets	211,756	–	218,656	–	191,910	–
<b>Total value of investments</b>	<b>211,756</b>	<b>–</b>	<b>218,656</b>	<b>–</b>	<b>191,910</b>	<b>–</b>

# Interim Management Report

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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 remain unchanged and fall into the following broad categories: investing in Russia; share price discount and Net Asset Value per share; investment underperformance and strategy; failure of investment process; loss of investment team and Manager; operational and cyber crime; board relationship and shareholders; political and economic regulatory and legal market 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 October 2015.

## 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.

## Going Concern

The Directors believe, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, nature of the portfolio and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future and, more specifically, that there are no material uncertainties pertaining to the Company that would prevent its ability to continue in such operation existence for at least twelve months from the date of the approval of this half yearly financial report. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

## 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 FRS 104 'Interim Financial Reporting' and gives a true and fair view of the state of affairs of the Company and of the assets/liabilities, financial position and net return/loss of the Company, as at 30th April 2016 as required by the UK Listing Authority Disclosure and Transparency Rule ('DTR') 4.2.4R; and
- (ii) the interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R .

In order to provide these confirmations, and in preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;

and the Directors confirm that they have done so.

For and on behalf of the Board

**Gill Nott**  
Chairman

9th June 2016

# Shareholder Information

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## GLOSSARY OF TERMS AND DEFINITIONS

### Return to Shareholders

Total return to the shareholder per share, on a mid-market share price to mid-market share price basis assuming that all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

### Return on Net Assets

Total return on the net asset value (NAV) per share includes the underlying stocks held in the Company's portfolio priced on a bid value to bid value basis. The total return basis assumes that all dividends paid out by the Company were reinvested into shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

### Benchmark 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, 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 is not to follow or 'track' this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

### Gearing

Gearing represents the excess amount above shareholders' funds of total assets expressed as a percentage of the shareholders' funds. Total assets include total investments and net current assets/liabilities less cash/cash equivalents and excluding bank loans of less than one year.

### Ongoing Charges

The ongoing charges represents the Company's management fee and all other operating expenses excluding interest expressed as a percentage of the average daily net assets during the period. The figure as at 30th April 2016 is an estimated annualised figure, based on the six months to 30th April 2016.

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

If the share price of an investment trust 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 trust's shares to trade at a discount than at a premium.

### Active position

The active position shows the difference between the Company's holding of an individual stock or sector compared with that stock or sector's weighting in the Company's benchmark index. A positive number indicates an active decision by the Manager to own more of (i.e. be overweight) a particular stock or sector versus the benchmark and a negative number indicates a decision to hold less of (i.e. be underweight) a particular stock or sector versus the benchmark.

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## WHERE TO BUY J.P. MORGAN INVESTMENT TRUSTS

### Savings Plan

The Company participates in the J.P. Morgan Investment Trusts Savings Plan, which facilitates both regular monthly investments and occasional lump sum investments in the Company's ordinary shares. Shareholders who would like information on the Savings Plan should call J.P. Morgan Asset Management free on 0800 02 40 20 or visit its website at [am.jpmorgan.co.uk](http://am.jpmorgan.co.uk)

### Stocks & Shares Individual Savings Accounts (ISA)

The Company's shares are eligible investments within J.P. Morgan's Stocks & Shares ISA. For the 2016/17 tax year, from 6th April 2016 and ending 5th April 2017, the total ISA allowance is £15,240. Details are available from J.P. Morgan Asset Management free on 0800 20 40 20 or via its website at [jpmorgan.co.uk](http://jpmorgan.co.uk)

There are a number of ways that you can buy shares in investment trust companies; you can invest through J.P. Morgan Online or on the following: fund supermarkets:

AJ Bell	James Brearley
Alliance Trust Savings	James Hay
Barclays Stockbrokers	Stocktrade
Charles Stanley Direct	TD Direct
Halifax Share Dealing Service	The Share Centre
Hargreaves Lansdown	Tilney Bestinvest
Interactive Investor	Transact

Alternatively you can invest through an Investment Professional (e.g. a Financial Adviser) on the following 3rd party platforms:

Ascentric	Nucleus
Avalon	Praemium
Axa Elevate	Transact
Novia	

Please note that these websites are third party websites and J.P. Morgan Asset Management does not endorse or recommend any of them. This list is not exhaustive and is subject to change. Please observe each site's privacy and cookie policies as well as their platform charges structure.

You can also buy investment trusts through stockbrokers, wealth managers and banks.

To familiarise yourself with the Financial Conduct Authority adviser charging and commission rules, visit [www.fca.org.uk](http://www.fca.org.uk).

## Financial Conduct Authority

### Beware of share fraud



In association with:  
**icsa.**  
Registrar's  
Group

**Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money.**

#### How to avoid share fraud

- 1 Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
- 2 Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
- 3 Check the Financial Services Register from [www.fca.org.uk](http://www.fca.org.uk) to see if the person and firm contacting you is authorised by the FCA.
- 4 Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
- 5 Use the firm's contact details listed on the Register if you want to call it back.
- 6 Call the FCA on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date.
- 7 Search the list of unauthorised firms to avoid at [www.fca.org.uk/scams](http://www.fca.org.uk/scams).
- 8 Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
- 9 Think about getting independent financial and professional advice before you hand over any money.
- 10 **Remember:** if it sounds too good to be true, it probably is!

#### Report a scam

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at [www.fca.org.uk/scams](http://www.fca.org.uk/scams), where you can find out more about investment scams.

You can also call the FCA Consumer Helpline on **0800 111 6768**.

If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

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**5,000 people contact the Financial Conduct Authority about share fraud each year, with victims losing an average of £20,000**

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# Information about the Company

## FINANCIAL CALENDAR

Financial year end	31st October
Final results announced	January
Half year end	30th April
Half year results announced	June
Dividend	March
Annual General Meeting	March

## History

The Company was launched in December 2002 by a placing and offer for subscription. It is the successor Company to The Fleming Russia Securities Fund Limited, a closed-ended investment company incorporated in Jersey and listed on the Irish Stock Exchange. The Company adopted its present name on 1st March 2006.

## Directors

Gill Nott (Chairman and Nomination Committee Chairman)  
Robert Jeens (Audit Committee Chairman)  
Alexander Easton  
George Nianias

## Company Numbers

Company registration number: 4567378  
London Stock Exchange Sedol number: 0032164732  
ISIN: GB0032164732  
Bloomberg ticker: JRS LN

## Market Information

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 and on the JPMorgan website at [www.jpmmussian.co.uk](http://www.jpmmussian.co.uk) where the share price is updated every fifteen minutes during trading hours.

## Website

[www.jpmmussian.co.uk](http://www.jpmmussian.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, and J.P. Morgan ISA. These products are all available on the online service, at [www.jpmmorgan.co.uk/online](http://www.jpmmorgan.co.uk/online)

## Manager and Company Secretary

JPMorgan Funds Limited

## Company's Registered Office

60 Victoria Embankment  
London EC4Y 0JP  
Telephone number: 020 7742 4000

For company secretarial and administrative matters, please contact Paul Winship at the Company's registered office.

## Depository

BNY Mellon Trust & Depository (UK) Limited  
BNY Mellon Centre  
160 Queen Victoria Street  
London EC4V 4LA

The Depository has appointed JPMorgan Chase Bank, N.A. as the Company's custodian.

## Registrars

Equiniti Limited  
Reference 2610  
The Causeway  
Worthing,  
West Sussex BN99 6DA  
Telephone number: 0871 384 2030

Calls to this number cost 8p per minute from a BT landline. Other providers' costs may vary. Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday. The overseas helpline number is +44 (0)121 415 0225.

Notifications of changes of address and all enquiries regarding certificates should be sent to the Registrar quoting reference 2610.

Registered shareholders can obtain further details on individual holdings on the internet by visiting [www.shareview.co.uk](http://www.shareview.co.uk)

## Independent Auditor

Ernst & Young LLP  
Statutory Auditor  
1 More London Place  
London SE1 2AF

## Brokers

Cenkos Securities plc  
6,7,8 Tokenhouse Yard  
London EC2R 7AS

## Savings Product Administrators

For queries on the J.P. Morgan Investment Account and J.P. Morgan ISA see contact details on the back cover of this report.

**aic**

The Association of  
Investment Companies

A member of the AIC

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[www.jpmrussian.co.uk](http://www.jpmrussian.co.uk)

**J.P. Morgan Helpline**

Freephone **0800 20 40 20** or +44 (0) 1268 444470.  
Telephone lines are open Monday to Friday, 9am to 5.30pm.

Telephone calls may be recorded and monitored for security and training purposes.