
JPMorgan Indian Investment Trust

January / February 2017

Rukhshad Shroff, CFA, Managing Director, Emerging Markets and Asia Pacific Equities Team

Rajendra Nair, CFA, Managing Director, Emerging Markets and Asia Pacific Equities Team

JPMorgan Indian Investment Trust plc

Objectives and the Risks

Investment objective and policies

- Aims to provide capital growth from Indian investments by outperforming the MSCI India Index. The company will invest in a diversified portfolio of quoted Indian companies and companies that earn a material part of their revenues from India. The company will not invest in other countries of the Indian sub continent including Sri Lanka. The company has the ability to use borrowing to gear the portfolio to up to 15% of net assets where appropriate.

Risks

- 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.
- 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.

Source: J.P. Morgan Asset Management

JPMorgan Indian Investment Trust plc Performance (GBP)

As of 30 September 2016

Market Value

JPM Indian Investment Trust (Diluted)

GBP 770.3m[^]

Annualised Performance (%)

In GBP	1 Year	2 Years Annualized	3 Years Annualized	5 Years Annualized	10 Years Annualized	Since Inception [#] Annualised
JPM Indian Investment Trust	+27.9	+20.7	+26.5	+12.9	+10.0	+9.6
MSCI India (NDR)*	+23.8	+11.6	+19.7	+9.2	+9.1	+6.9
Excess Return (Arithmetic)	+4.1	+9.1	+6.8	+3.7	+1.0	+2.7
Excess Return (Geometric)	+3.3	+8.1	+5.7	+3.4	+0.9	+2.5

	2011	2012	2013	2014	2015
JPM Indian Investment Trust	-32.3	+18.9	-6.4	+43.7	+3.6
MSCI India (NDR)*	-36.7	+20.4	-5.6	+31.6	-0.7
Excess Return (Geometric)	+7.0	-1.3	-0.9	+9.2	+4.3

[^] JPM shadow valuation

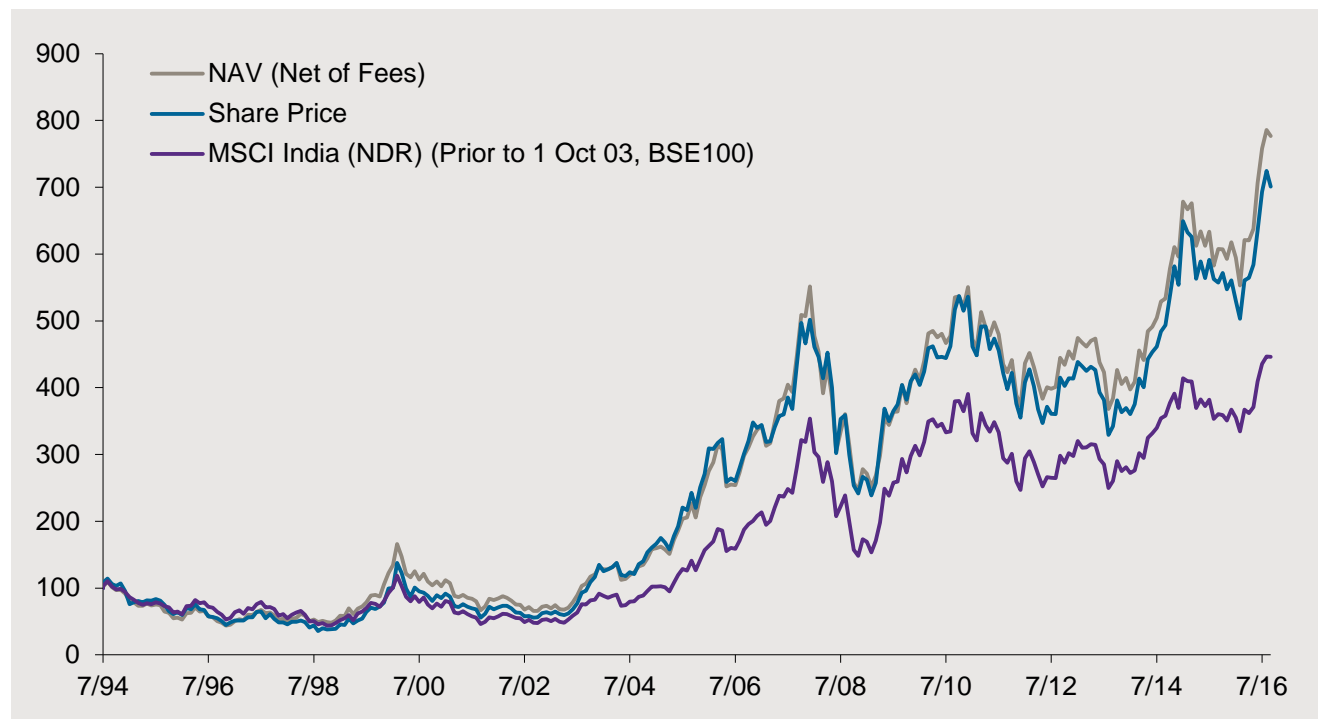
[#] Inception: 1 Jul 1994

* Prior to 1 Oct 03, BSE100

Source: J.P. Morgan Asset Management, MSCI, Thomson Reuters Datastream. Performance data has been calculated on NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP. Past performance is not necessarily a reliable indicator for current and future performance. Indices do not include fees or operating expenses and are not available for actual investment.

JPMorgan Indian Investment Trust plc Performance (GBP)

As of 30 September 2016



15 year CAGR	(%)
JPM Indian Inv Trust (NAV)	15.5
FTSE 100	5.9
S & P 500	7.9
MSCI World	7.5
Gold	11.1

Source: J.P. Morgan Asset Management, 30 Sep 2016
Indices do not include fees or operating expenses and are not available for actual investment.
Past performance is not necessarily a reliable indicator for current and future performance

JPMorgan Indian Investment Trust plc

Portfolio Holdings

As of 30 November 2016

Benchmark MSCI India (NDR)

Holdings	Country	Sector	Fund %	Benchmark %
HDFC Bank Limited	India	Financials	8.5	0.0
Housing Development Finance Corporation Limited	India	Financials	7.3	8.7
Infosys Limited	India	Information Technology	6.8	8.2
UltraTech Cement Limited	India	Materials	5.6	0.6
Maruti Suzuki India Limited	India	Consumer Discretionary	5.4	2.6
IndusInd Bank Ltd.	India	Financials	5.2	0.0
Kotak Mahindra Bank Limited	India	Financials	4.9	0.0
Sun Pharmaceutical Industries Limited	India	Health Care	4.6	3.1
Tata Consultancy Services Limited	India	Information Technology	4.3	4.9
Tata Motors Limited	India	Consumer Discretionary	4.3	3.9
			57.1	32.0

Concentration	Fund	Benchmark
Top 10 Holdings	57.05	47.02
Top 20 Holdings	86.89	64.06
Top 30 Holdings	100.83	75.48

Active Share: 66.3

Source: J.P. Morgan Asset Management

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 an indication of current and future performance.

JPMorgan Indian Investment Trust plc

Active Positions

As of 30 November 2016

Benchmark MSCI India (NDR)

Top Five Active Portfolio Positions

Stock	Country	Sector	Portfolio Weight (%)	Benchmark^ Weight (%)	Relative Position (%)
HDFC Bank Limited	India	Financials	8.5	0.0	8.5
IndusInd Bank Ltd.	India	Financials	5.2	0.0	5.2
UltraTech Cement Limited	India	Materials	5.6	0.6	5.0
Kotak Mahindra Bank Limited	India	Financials	4.9	0.0	4.9
ACC Limited	India	Materials	3.9	0.3	3.6

Bottom Five Active Portfolio Positions

Stock	Country	Sector	Portfolio Weight (%)	Benchmark^ Weight (%)	Relative Position (%)
Reliance Industries Limited	India	Energy	0.0	5.9	-5.9
ITC Limited	India	Consumer Staples	0.0	3.6	-3.6
Hindustan Unilever Limited	India	Consumer Staples	0.0	2.5	-2.5
HCL Technologies Limited	India	Information Technology	0.0	2.1	-2.1
Mahindra & Mahindra Ltd.	India	Consumer Discretionary	0.0	2.0	-2.0

Source: J.P. Morgan Asset Management

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 an indication of current and future performance.

JPMorgan Indian Investment Trust plc

Top 10 Contributors/Detractors to Active Returns

YTD to 30 September 2016

Benchmark MSCI India (NDR)

Top 10 Contributors	Country	Sector	Average Fund Weight %	Average Benchmark Weight %	Stock Return %	Contributions To Active Return %
UltraTech Cement Limited	India	Materials	4.74	0.57	56.54	1.22
IndusInd Bank Ltd.	India	Financials	4.80	0.00	39.72	0.81
Ambuja Cements Limited	India	Materials	3.84	0.76	41.51	0.64
Shree Cement Limited	India	Materials	2.11	0.55	67.40	0.61
Mahindra & Mahindra Financial Services Ltd.	India	Financials	1.73	0.39	70.73	0.53
ACC Limited	India	Materials	4.14	0.32	34.09	0.52
Shriram Transport Finance Co. Ltd.	India	Financials	2.70	0.75	53.37	0.52
Idea Cellular Limited	India	Telecommunication Services	0.00	0.60	-37.47	0.48
Motilal Oswal Financial Services Limited	India	Financials	1.46	0.00	61.70	0.46
Tata Motors Limited	India	Consumer Discretionary	3.68	3.00	54.09	0.38

Top 10 Detractors	Country	Sector	Average Fund Weight %	Average Benchmark Weight %	Stock Return %	Contributions To Active Return %
Jubilant Foodworks Limited	India	Consumer Discretionary	1.55	0.00	-26.80	-0.94
Cummins India Limited	India	Industrials	1.76	0.00	-0.04	-0.55
Ashok Leyland Limited	India	Industrials	4.14	0.53	2.92	-0.39
Vedanta Limited	India	Materials	0.00	0.54	114.57	-0.39
Hindalco Industries Limited	India	Materials	0.00	0.57	104.42	-0.37
Axis Bank Limited	India	Financials	0.89	1.44	19.76	-0.34
UPL Limited	India	Materials	0.00	0.78	74.94	-0.32
Asian Paints Ltd.	India	Materials	0.00	1.37	48.89	-0.31
ITC Limited	India	Consumer Staples	0.00	3.79	27.48	-0.31
JSW Steel Limited	India	Materials	0.00	0.57	89.85	-0.29

Source: FactSet, J.P. Morgan Asset Management, Jaffa

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 an indication of current and future performance.

JPMorgan Indian Investment Trust plc

Performance Attribution

1 Year to 30 September 2016

Market Cap (MSCI then WS) - AVAIL Parent 30/9/2015 GBP	Total Effect
> 10bn	1.7
4 - 10bn	4.6
< 4bn	-1.4
Cash	1.1
N/A	-0.6
Total	5.4

3 Years to 30 September 2016

Market Cap (MSCI then WS) - AVAIL Parent 30/9/2013 GBP	Total Effect
> 10bn	4.9
4 - 10bn	11.5
< 4bn	17.6
Cash	2.6
N/A	0.3
Total	37.0

Holdings data as of

FIIT (621227&618939)_tbr - Transactions 30/9/2015 through 30/9/2016

MSCI India 1/10/2015 through 30/9/2016

Pricing Sources: MSCI India: MSCI - Net

Past performance is not an indication of current and future performance.

Holdings data as of

FIIT (621227&618939)_tbr - Transactions 30/9/2013 through 30/9/2016

MSCI India 31/10/2013 through 30/9/2016

Pricing Sources: MSCI India: MSCI - Net

Risks.....a timely refresher

- **External:** Current accounts, funding/flows, emerging markets correlation, geo-politics
- **Domestic:** fiscal management, politics
- **THE UNEXPECTED:**
 - **2016:** Demonetisation, Tata group saga.....Brexit, Trump
 - Past: nuclear tests, terror attacks, Pakistan/China border tension, elections/politics

Prediction

Strategy focused

Intelligent response

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.

Risks And Returns

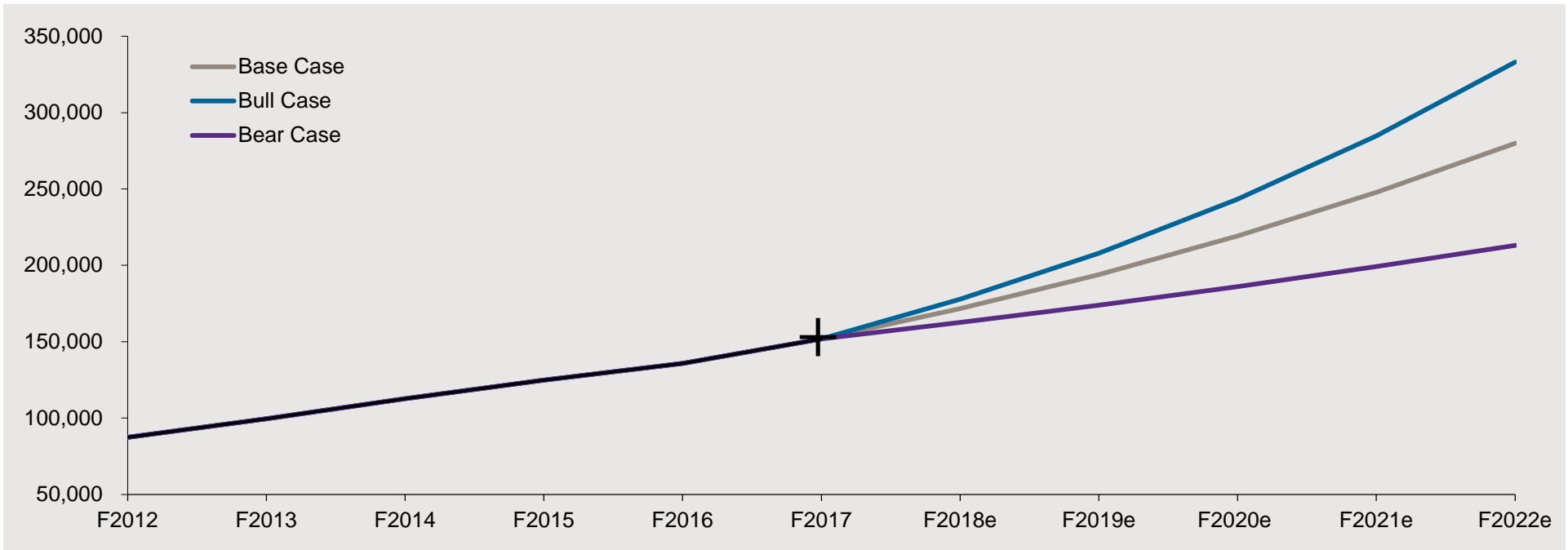
- JPM Indian Trust 10 years returns: 160% or 10% compounded per annum
 - 15 years returns 1053% or 17.68 compounded per annum
- Includes multitudes of risks
- Since 2001, you would have made money if you held this fund for any given 10-year period (on a NAV basis).
- ***Time in*** the market is more important than ***timing*** the market

Biggest risk mitigant: being long term

Source: JPMorgan Asset Management. As of 31 December 2016. 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.

India still remains a growth economy

Nominal GDP (INR bn) - Scenario Analysis

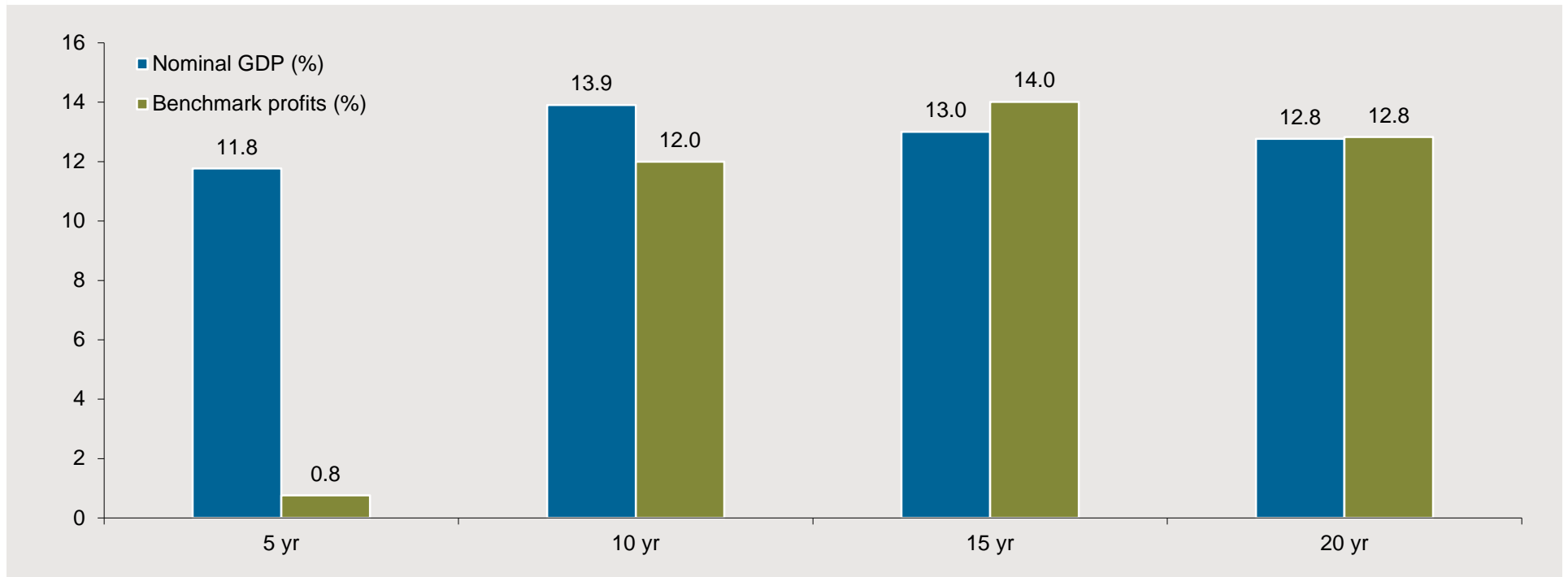


Source: CSO, CEIC, Morgan Stanley Research, 13th January 2017
E-Morgan Stanley Research Estimates

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.

Historical GDP and earnings growth

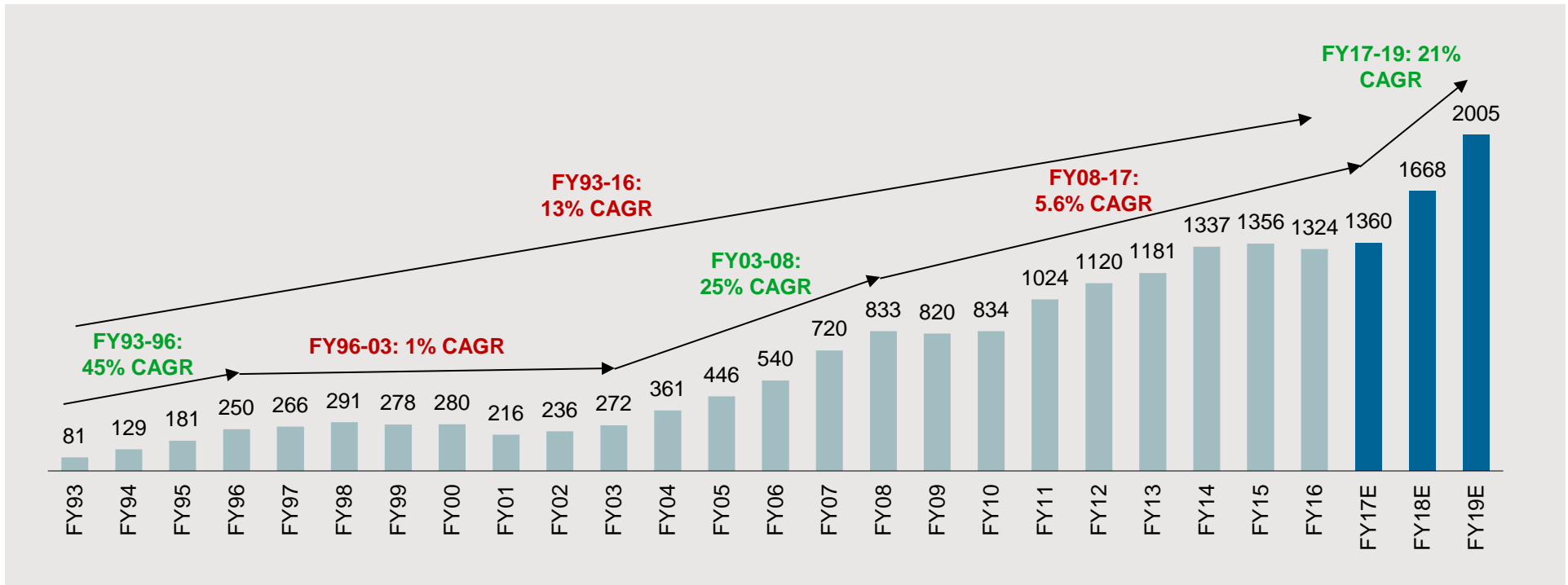
Market vs Economy



Source: Central Statistical Organisation, As of 13th January 2017
Benchmark: BSE 500, CLSA

Long term earnings growth and cyclicalty

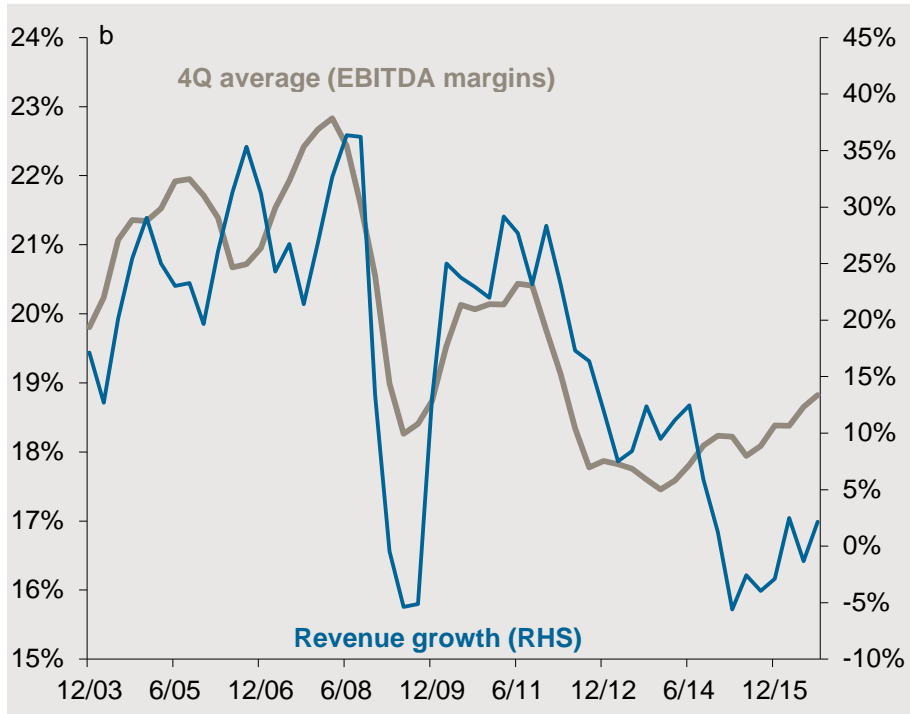
Sensex EPS growth



Source: Motilal Oswal Securities Ltd, 24th January 2017

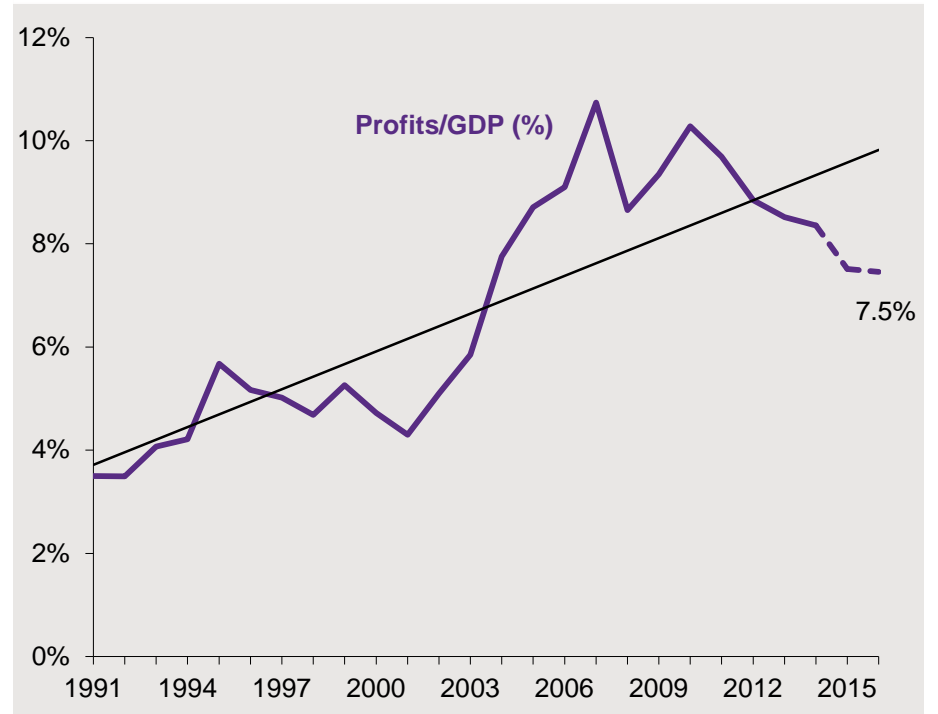
Profits are cyclically depressed

Broad Market Trends (Ex-energy) - 1397 companies



Source: Capitaline, Morgan Stanley Research, 16th January 2017

Corporate earnings trailing GDP



Source: CMIE, Morgan Stanley Research (e) estimates, 16th January 2017

Our research process



Premium - companies which produce very good returns for shareholders (economics) and can continue to do so for a long time because they have a durable competitive position (duration).

Quality – generally well-run businesses which make a good return, but our confidence in their long term value creation is lower than for premium companies.

Trading – companies which do not offer appealing or sustainable creation of value for shareholders, especially when viewed on a risk/reward basis. Instead, changes in valuation are needed to boost the attractiveness of the idea, rather than relying on underlying value created by the company.

India offers a large universe of potential opportunities

- A solid in-house research team, analysis tailor-made to long term investing
- 83 Indian companies (USD850billion market cap) under formal coverage, 12-15 new additions per annum
- 53 companies classified as Premium or Quality (USD500bn+ market cap)

5 year USD expected return (compound annual growth rate)

For 83 stocks under coverage (market cap weighted)	12.6%
For 53 premium and quality stocks (market cap weighted)	14.0%
For 'best 30' Premium & Quality stocks (market cap weighted)	16.0%

'Best 30' Year 6 ROE forecast of 23.5%

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.

Demonetization: The (neglected) Positives

- **Fiscal:** better disclosure; more taxable income; shift from informal to formal economy; better compliance; digital leads to better trail; one-time gain of cancelled notes(?)
- **Banks:** higher deposit base; lower rate structure; higher credit growth
- **Financial savings:** cash hoard to deposits to financial products
- **Informal to formal economy (+GST):** 70% of firms have <10 employees = ~90% of employment; productivity of small vs large firms is 3x
- **Politics:** crusader against corruption; pro-poor focus; Uttar Pradesh (UP) election

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.

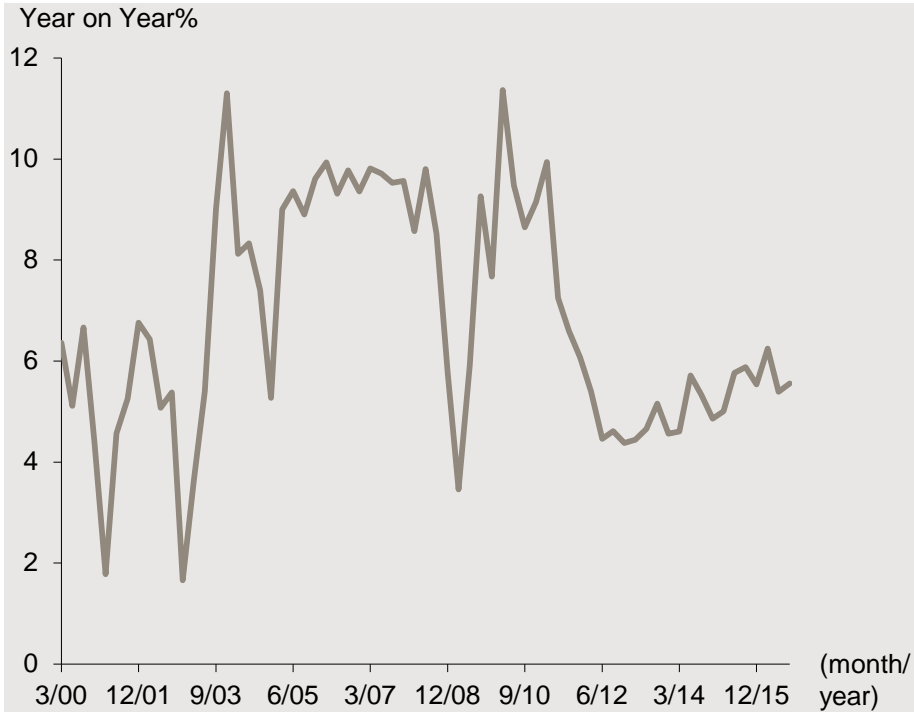
Demonetisation: The Negatives

- Massive move (86% of cash in circulation impacted) with execution challenges
- Hit to growth: how much and for how long?
- NO black money or all laundered?
- Unintended consequences: pressure on employment and consumption

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.

Cyclically depressed

Quarterly GDP* Growth



Source: CSO, CEIC, Morgan Stanley Research, 17th January 2017

* GDP =Gross domestic product

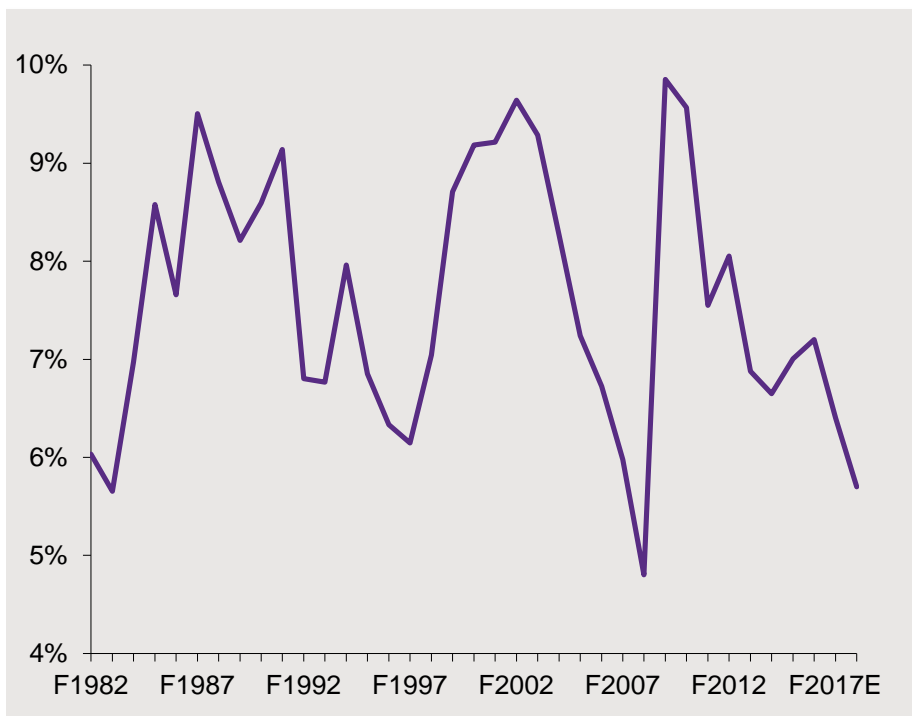
Credit Growth



Source: CMIE, Morgan Stanley Research, 17th January 2017

Fiscal fire power

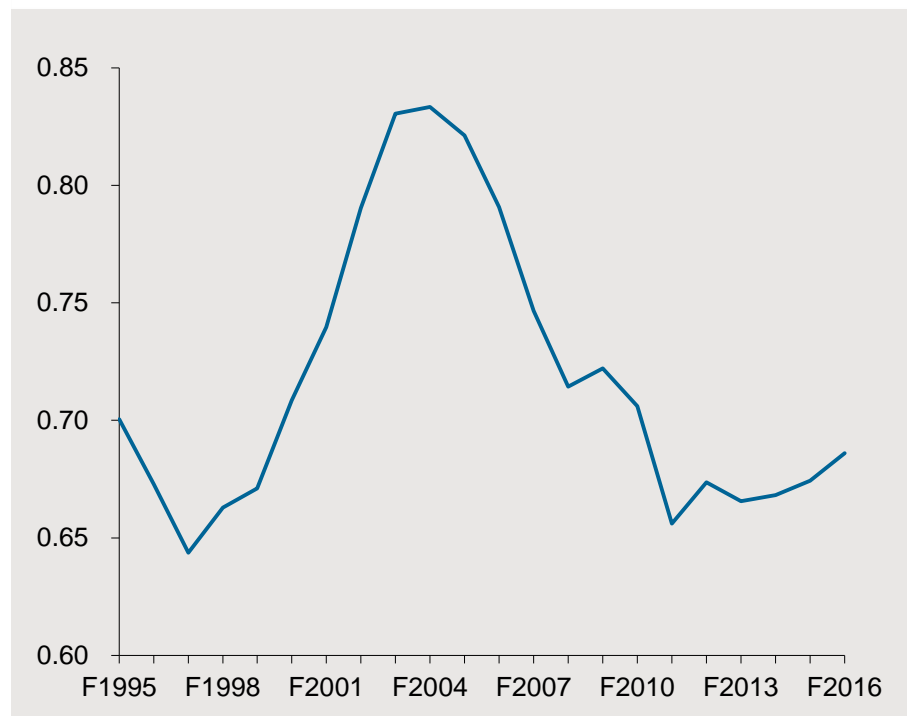
Consolidated Fiscal Deficit % of GDP



Source: CSO, Morgan Stanley Research, 16th 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.

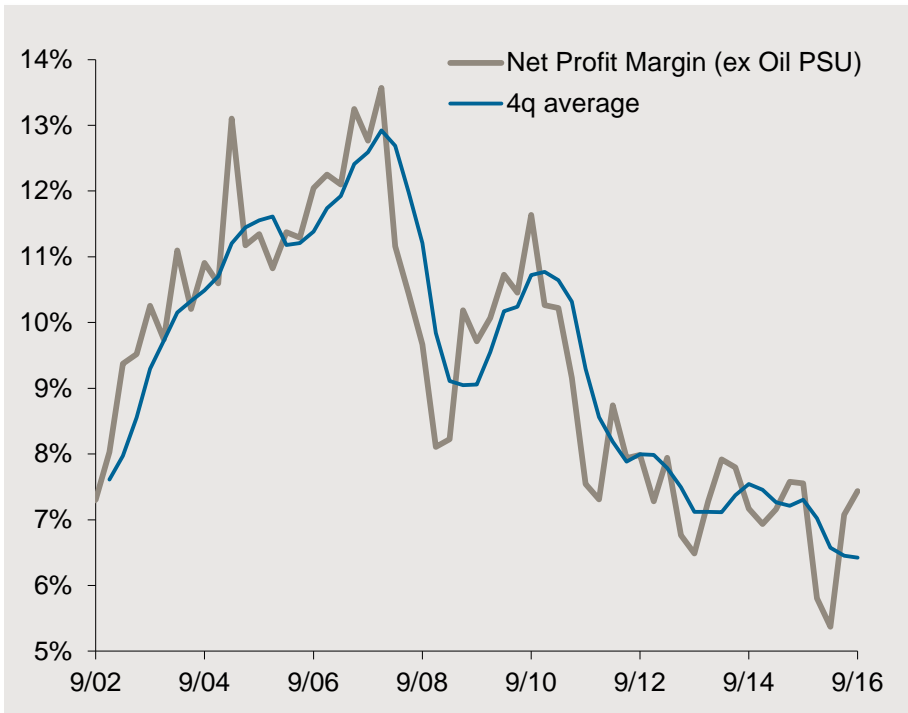
Public debt to GDP (x)



Source: RBI, Capitaline, Morgan Stanley Research, 16th January 2017

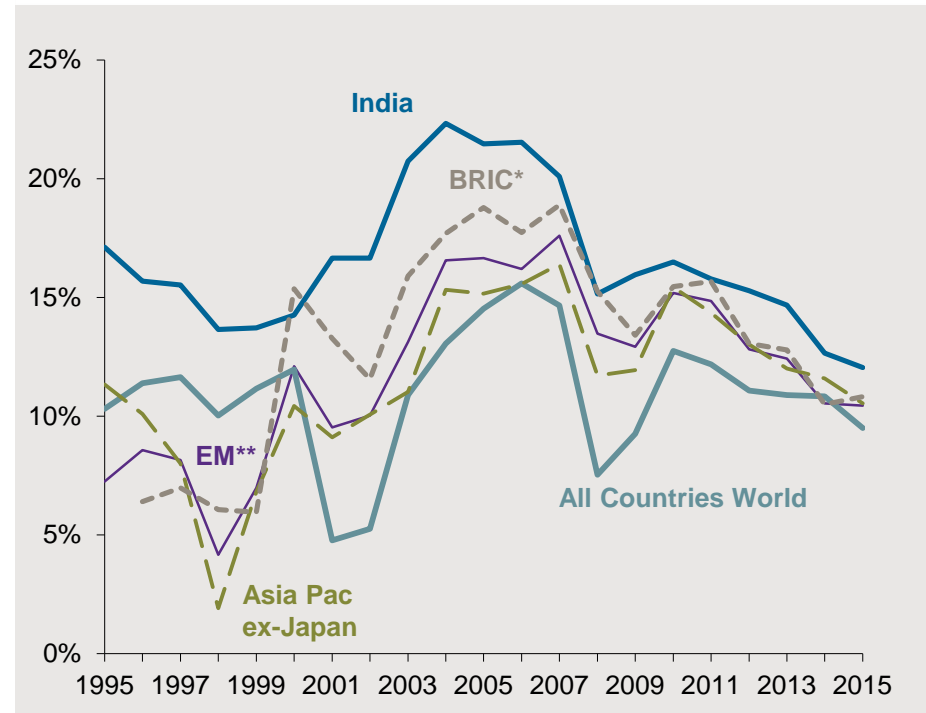
Cyclically depressed

Corporate earnings



Source: Capitaline, Morgan Stanley Research, 17th January 2017

Return on Equity Trend



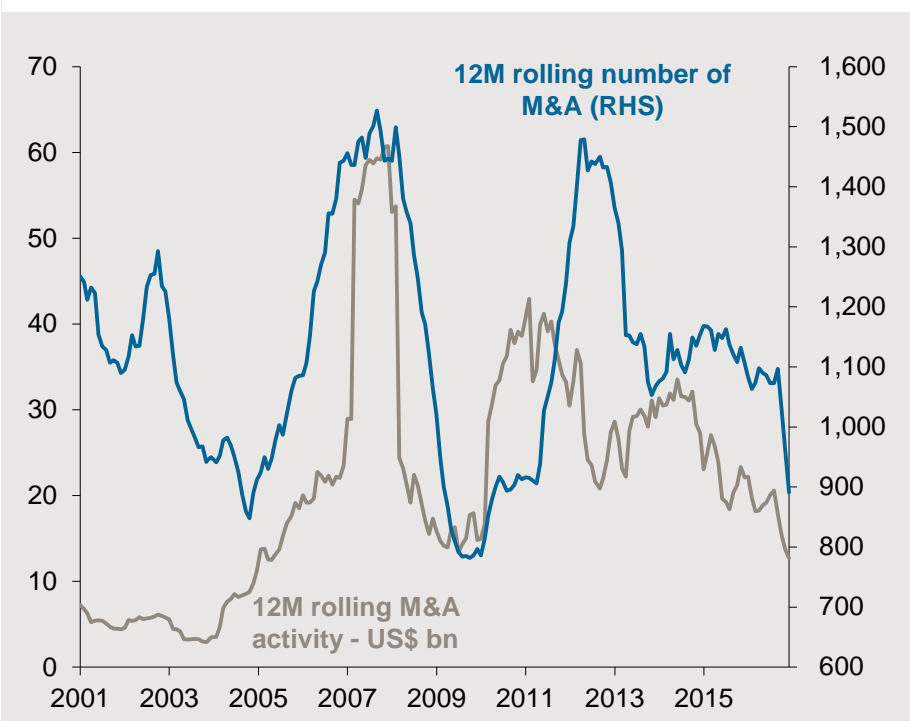
Source: Worldscope, RIMES, MSCI, Morgan Stanley Research, 17th January 2017

* BRIC = Brazil, Russia, India, China

** Emerging Markets

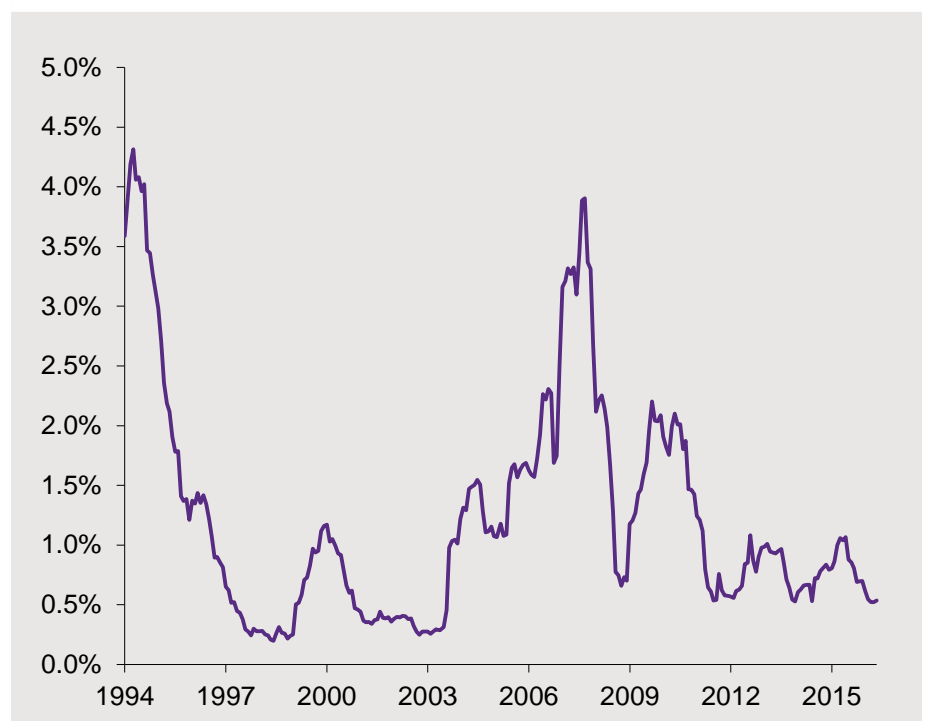
Cyclically depressed

Mergers and Acquisitions activity



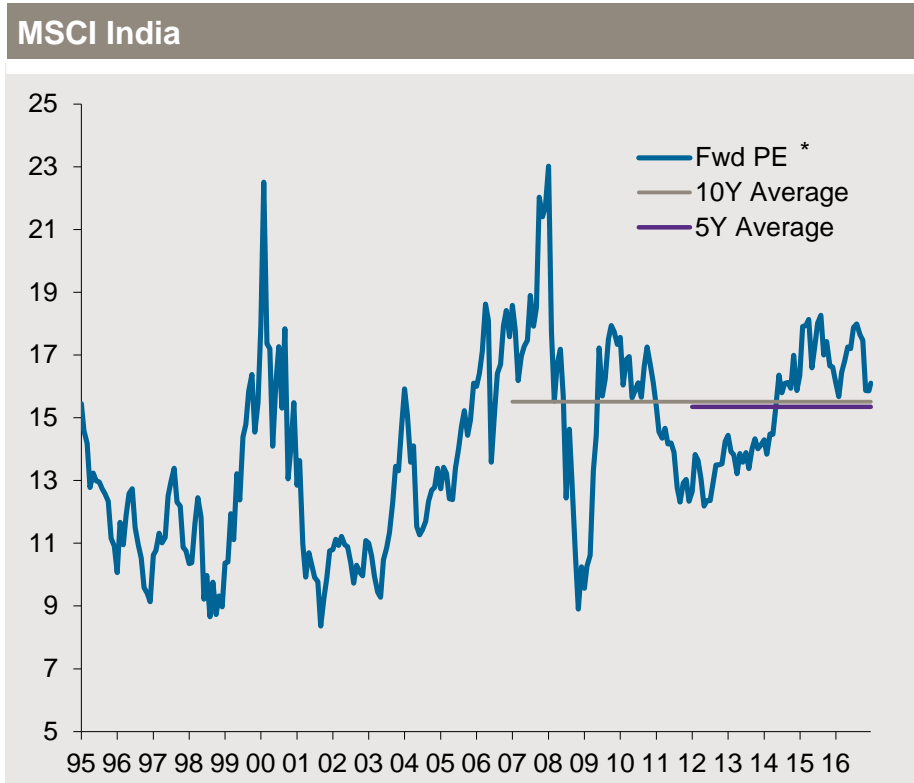
Source: CMIE, Morgan Stanley Research, 17th January 2017

12M Rolling Equity Issuances/GDP

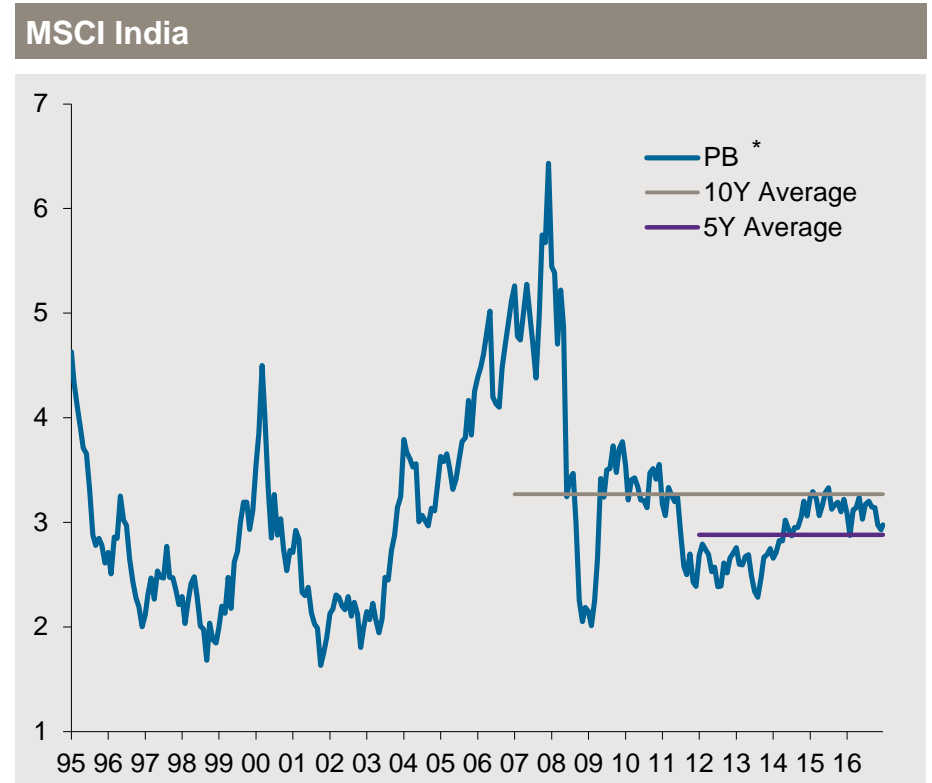


Source: CMIE, Morgan Stanley Research, 17th January 2017

Valuations are average



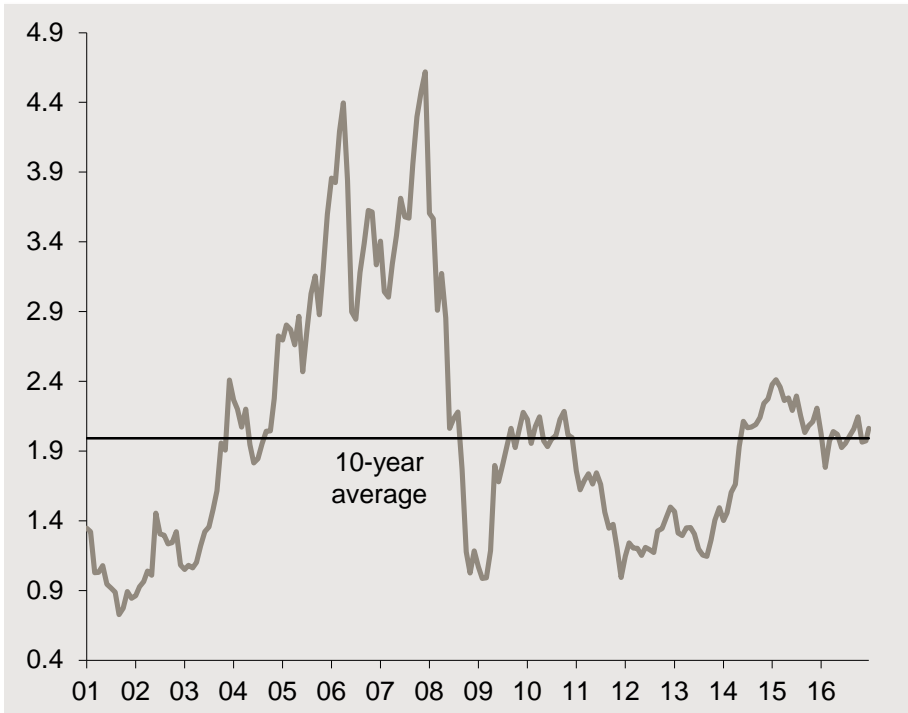
Source: RIMES, MSCI, IBES, Morgan Stanley Research, 23rd January 2017
* Fwd PE = Forward Price to Earning, 10Y= 10 Years, 5 Y= 5 Years



Source: RIMES, MSCI, IBES, Morgan Stanley Research, 23rd January 2017
* PB= Price to Book, 10Y= 10 Years, 5 Y= 5 Years

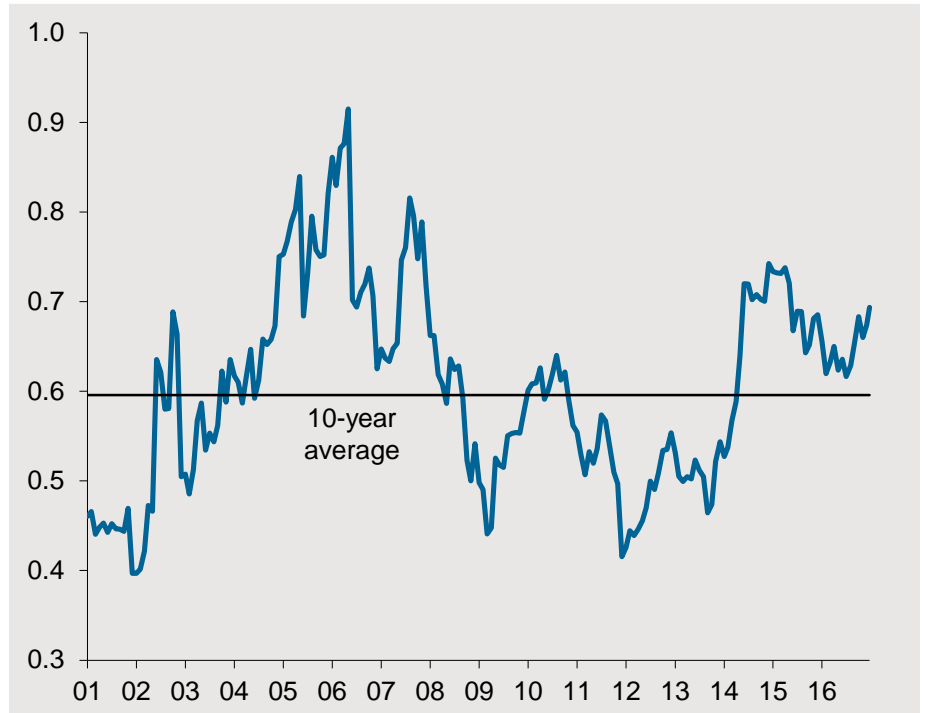
Small caps have rerated

MSCI India Small Cap Trailing PB



Source: RIMES, MSCI, Morgan Stanley Research, 23rd January 2017

MSCI India small cap relative to MSCI India Trailing PB



Source: RIMES, MSCI, Morgan Stanley Research, 23rd January 2017

Cyclically adjusted, valuations are compelling

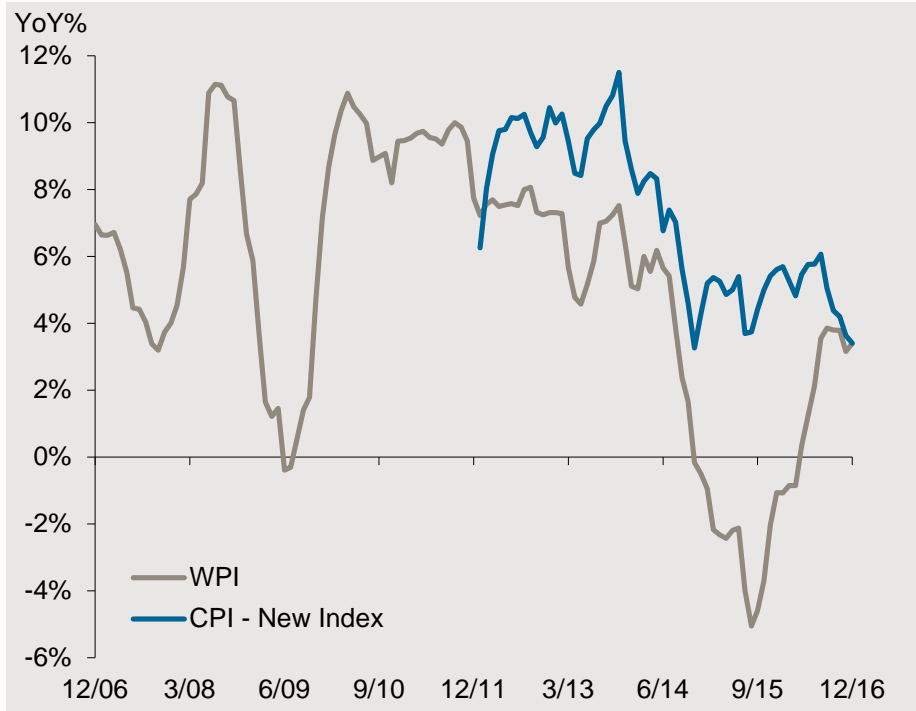
India Shiller Price to Earnings Ratio



Source: Bloomberg, RIMES, MSCI, Morgan Stanley Research, 23rd January 2017

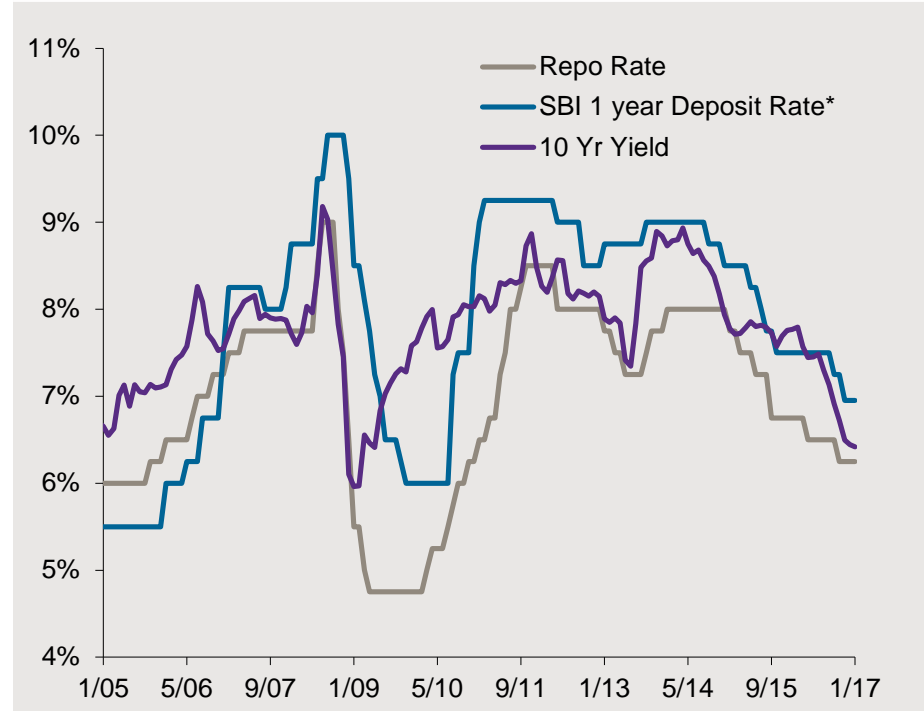
Inflation targeting has worked

Inflation



Note - consumer price index (CPI) (with base 2012) from January 2014
 Source: CEIC, Morgan Stanley Research, 23rd January 2017

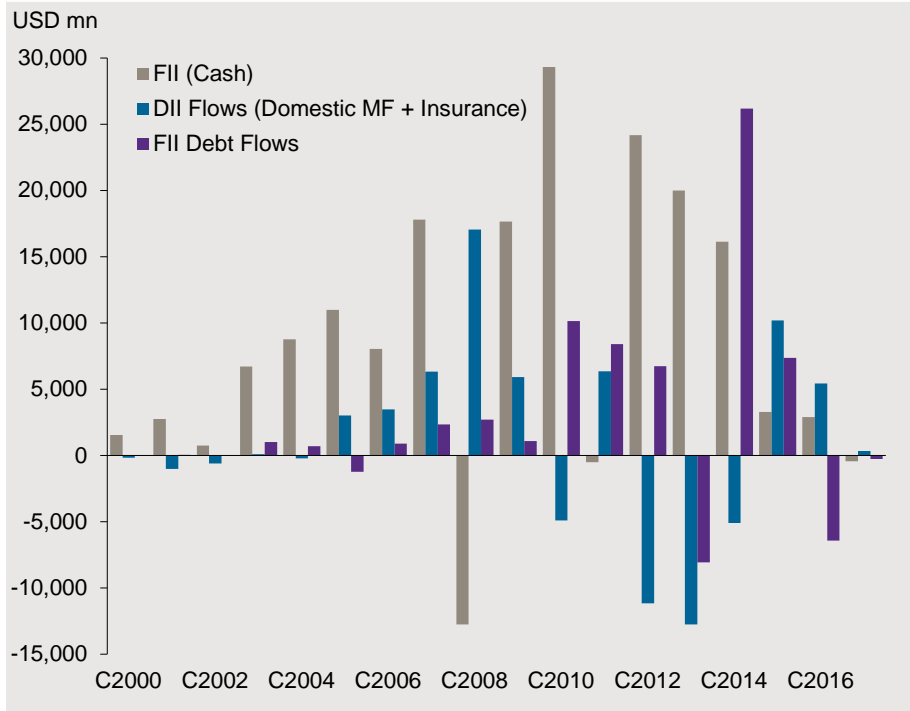
Short-term Policy Rate and 1-year Deposit Rates



* Have used State Bank of India (SBI) 1-year deposit rates. For recent months we have used SBI special deposit rates on 555 days.
 Source: Company data, Morgan Stanley Research, 23rd January 2017

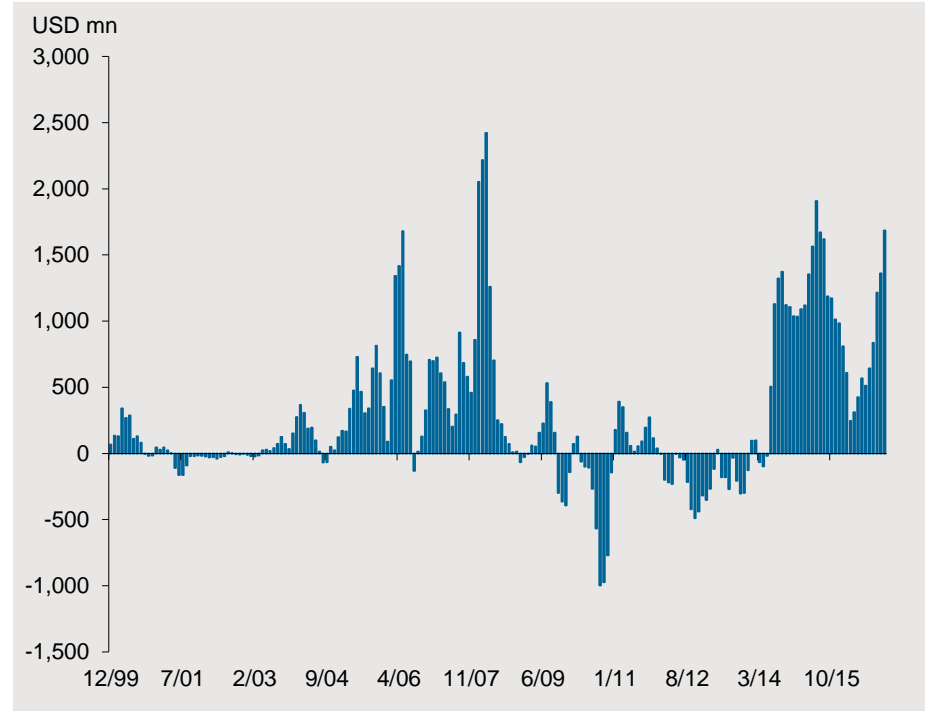
Domestic flows vs foreign flows

India Fund Flows



Source: SEBI, BSE, Morgan Stanley Research. Data as of 19th January 2017
 FII = Foreign Institutional Investor DII = Domestic Institutional Investor
 MF = Mutual Funds

Monthly flows into DMFs (3M avg)



Source: AMFI, Morgan Stanley Research, latest data available as of 19th January 2017
 DMF = Domestic Mutual Funds

Attractive long term opportunity

- India remains an attractive growth opportunity
- With a diverse and profitable corporate sector
- Our process – long term, quality focused - is geared to capitalise on this opportunity
- Cyclically, the timing looks compelling
- Valuations are neutral