
JPMorgan Indian Investment Trust plc AGM

February 2018

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Portfolio Performance and Positioning

Performance

JPMorgan Indian Investment Trust plc as of 31st December 2017

Market value

JPMorgan Indian Investment Trust plc (Diluted) GBP 915.5m[^]

Annualised performance (%)

	Three months	Six Months	YTD	One year	Three years	Five years	Since Inception [#]
JPMorgan Indian Investment Trust plc	8.89	10.24	29.87	29.87	15.66	15.78	9.91
MSCI India (NDR)*	10.91	10.55	26.74	26.74	13.96	12.94	7.49
Excess return (Geometric)	-1.81	-0.28	2.46	2.46	1.49	2.51	2.25

Calendar year performance (%)

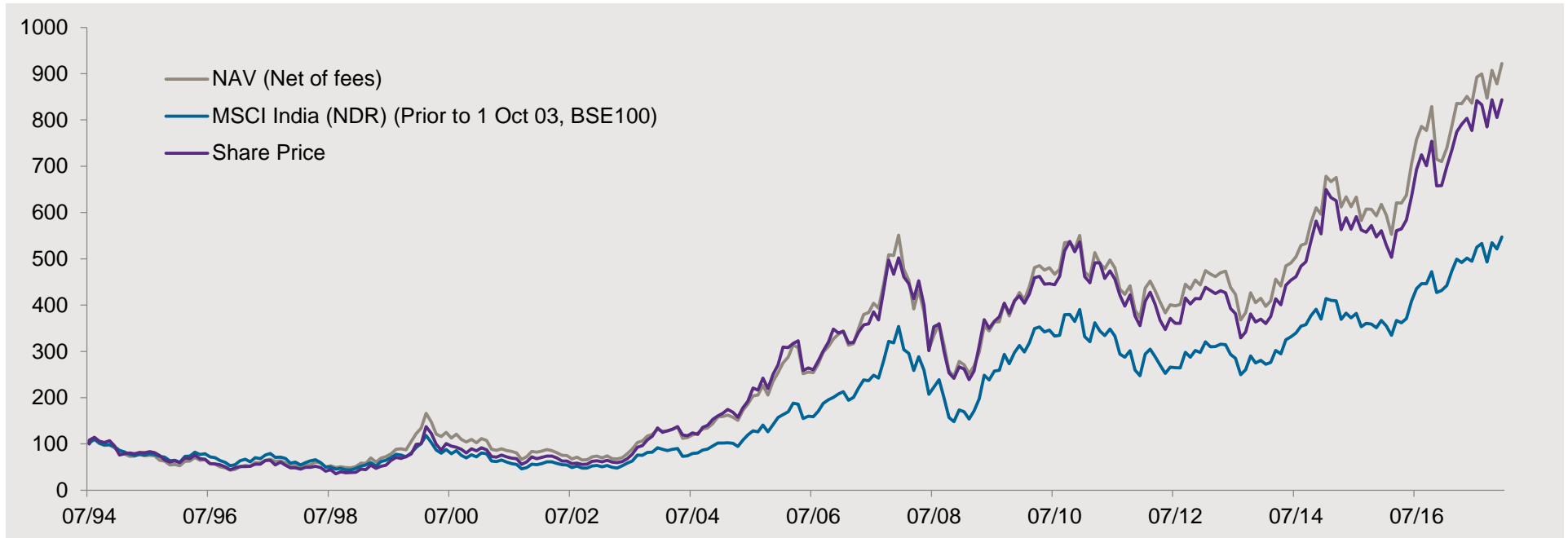
	2011	2012	2013	2014	2015	2016	2017
JPMorgan Indian Investment Trust plc	-32.29	18.92	-6.43	43.71	3.59	15.01	29.87
MSCI India (NDR)*	-36.70	20.43	-5.62	31.57	-0.69	17.57	26.74
Excess return (Geometric)	6.96	-1.26	-0.86	9.22	4.31	-2.18	2.46

[^]JPM shadow valuation, [#] Inception: 1 Jul 1994 * Prior to 1 Oct 2003, BSE100 index

Source: J.P. Morgan Asset Management, MSCI, Thomson Reuters Datastream. Net asset value performance data has been calculated on a NAV to NAV (using the cum income NAV with debt at fair) basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP. Past performance is not a reliable indicator of current and future results

Performance (GBP)

JPMorgan Indian Investment Trust plc as of 31st December 2017



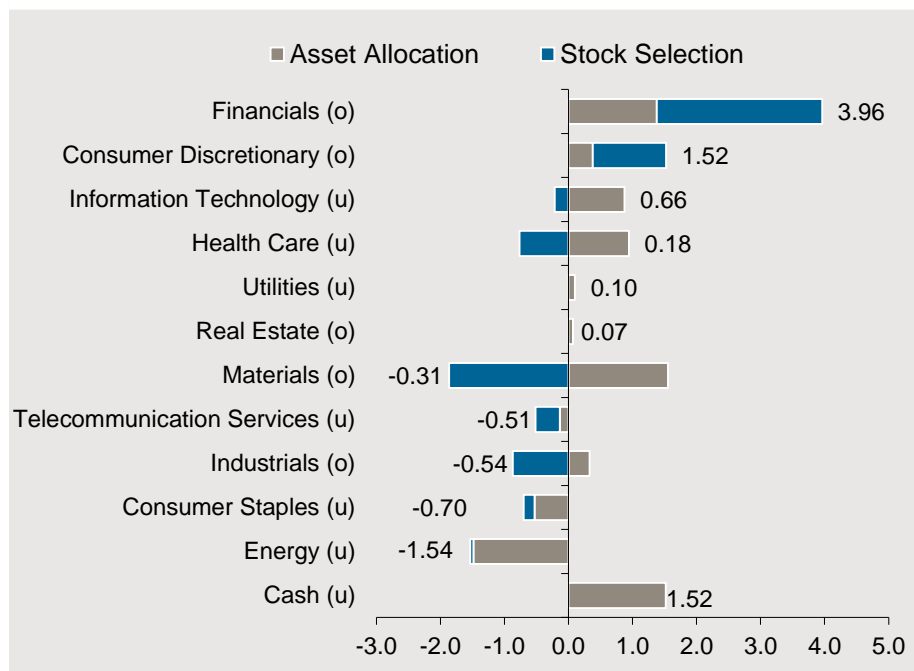
Source: J.P. Morgan Asset Management. Past performance is not necessarily a reliable indicator of current and future performance.

Performance attribution

JPMorgan Indian Investment Trust plc Calendar Year 2017

Attribution summary	Stock: -0.59
	Sector: 5.00
Benchmark	MSCI India (NDR)

Sector attribution (%)



Top five contributors	Relative weight (%)	Stock return (%)	Impact (%)
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Motilal Oswal Financial Services Limited	2.11	179.58	1.91
Maruti Suzuki India Limited	3.31	79.35	1.30
IndusInd Bank Ltd.	6.15	45.00	1.03
HDFC Bank Limited	8.81	39.46	0.91
Jubilant Foodworks Limited	1.56	100.78	0.80

Top five detractors	Relative weight (%)	Stock return (%)	Impact (%)
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Reliance Industries Limited	-7.11	66.49	-2.05
Hindustan Unilever Limited	-2.61	63.28	-0.69
Multi Commodity Exchange of India Limited	1.04	-29.03	-0.68
Bharat Heavy Electricals Limited	0.72	-20.79	-0.59
Bharti Airtel Ltd.	-1.67	68.73	-0.56

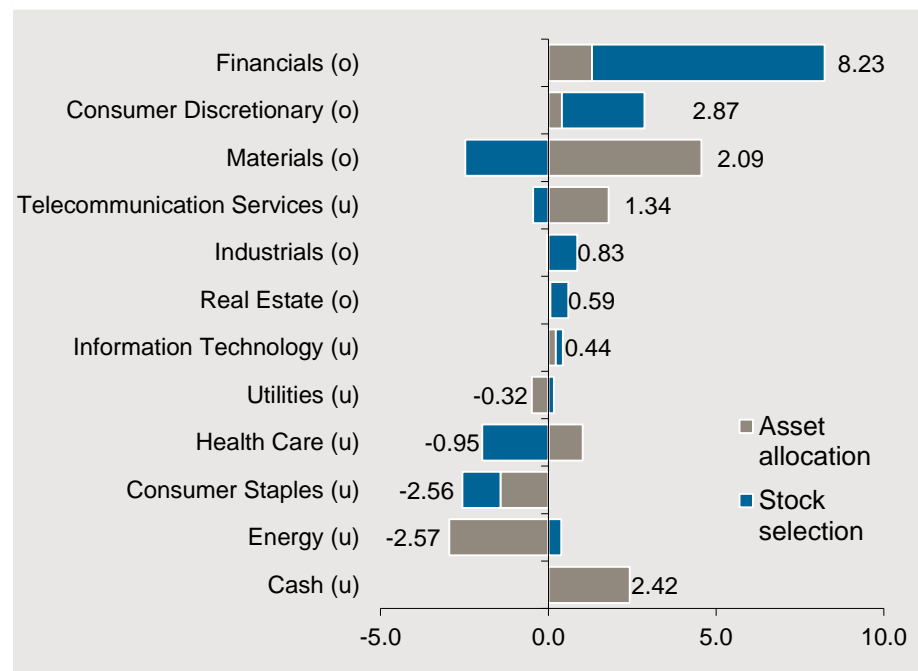
Source: J.P. Morgan Asset Management, MSCI, FactSet, gross of fees in GBP. Data for Total Attribution shown (stock selection plus sector allocation). Attribution may not match official returns due to differences in systems, rounding. Past performance is not an indication of current and future performance. The trust 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.

Performance attribution

JPMorgan Indian Investment Trust plc 36M to 31st December 2017

Attribution summary	Stock: 5.53
	Sector: 5.89
Benchmark	MSCI India (NDR)

Sector attribution (%)



Top five contributors	Relative weight (%)	Stock return (%)	Impact (%)
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Maruti Suzuki India Limited	2.97	232.47	3.61
Motilal Oswal Financial Services Limited	1.67	599.03	3.42
Ashok Leyland Limited	3.69	171.91	3.35
HDFC Bank Limited	8.25	102.49	3.21
IndusInd Bank Ltd.	5.07	116.82	2.68

Top five detractors	Relative weight (%)	Stock return (%)	Impact (%)
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Reliance Industries Limited	-5.32	12.53	-3.28
Hindustan Unilever Limited	-2.99	116.38	-1.41
Bharat Heavy Electricals Limited	0.41	-61.48	-1.40
Gujarat Pipavav Port Limited	1.44	-20.98	-1.06
Sun Pharmaceutical Industries Limited	1.06	-20.88	-1.01

Source: J.P. Morgan Asset Management, MSCI, FactSet, gross of fees in GBP. Data for Total Attribution shown (stock selection plus sector allocation). Attribution may not match official returns due to differences in systems, rounding. Past performance is not an indication of current and future performance. The trust 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.

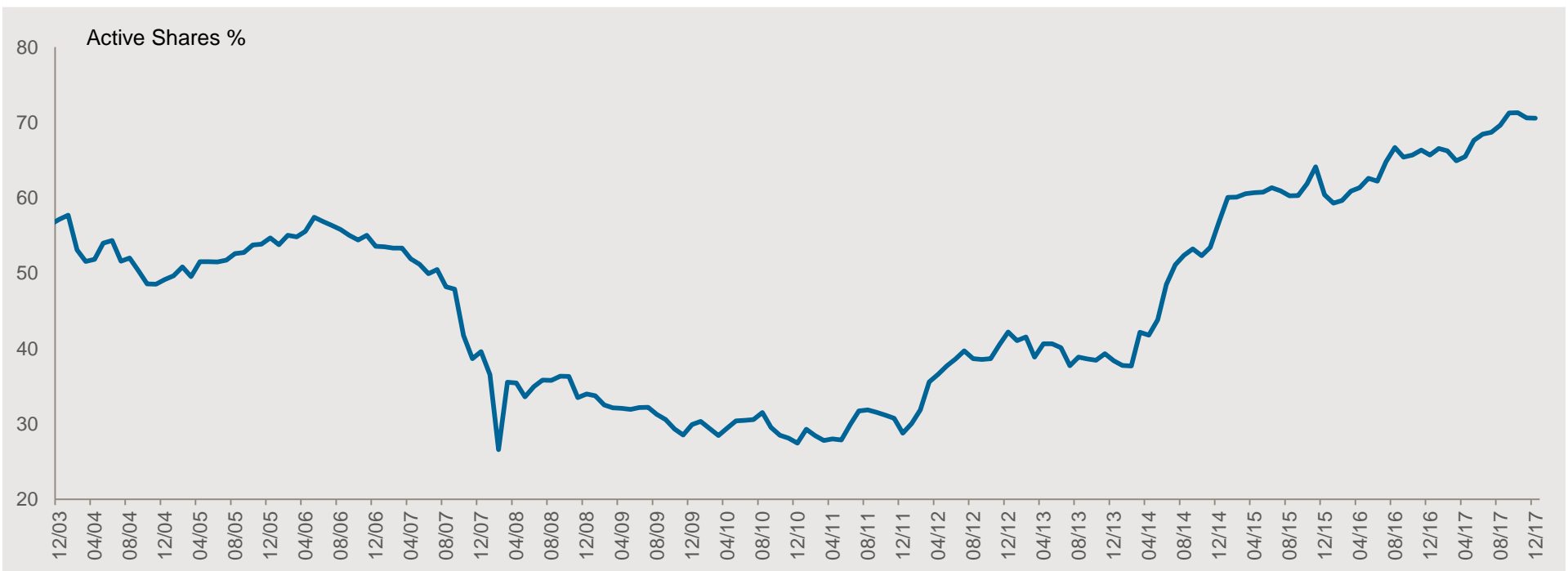
Active Share

JPMorgan Indian Investment Trust plc as of 31st December 2017

Benchmark

MSCI India (NDR)

Active Shares (%)



Source: J.P. Morgan Asset Management. Active Shares is a measure of the percentage of stock holdings in the portfolio that differ from the benchmark index. Past performance is not a reliable indicator of current and future results

Portfolio positions

JPMorgan Indian Investment Trust plc as of 31st December 2017

Benchmark

MSCI India (NDR)

Top 10 holdings	Fund weight (%)
HDFC Bank Limited	9.0
Housing Development Finance Corporation Limited	7.6
Maruti Suzuki India Limited	7.4
Axis Bank Limited	5.2
UltraTech Cement Limited	5.0
IndusInd Bank Ltd.	4.9
Bajaj Auto Limited.	4.4
Ashok Leyland Limited	4.0
ITC Limited	4.0
ACC Limited	3.9

Top 5 overweights	Fund weight (%)	Relative position (%)
HDFC Bank Limited	9.0	9.0
IndusInd Bank Ltd.	4.9	4.9
Maruti Suzuki India Limited	7.4	4.0
Kotak Mahindra Bank Limited	3.8	3.8
UltraTech Cement Limited	5.0	3.7

Top 5 underweights	Fund weight (%)	Relative position (%)
Reliance Industries Limited	0.0	-7.9
Infosys Limited	0.0	-6.3
Hindustan Unilever Limited	0.0	-2.9
ICICI Bank Limited	0.0	-2.5
Bharti Airtel Ltd.	0.0	-2.1

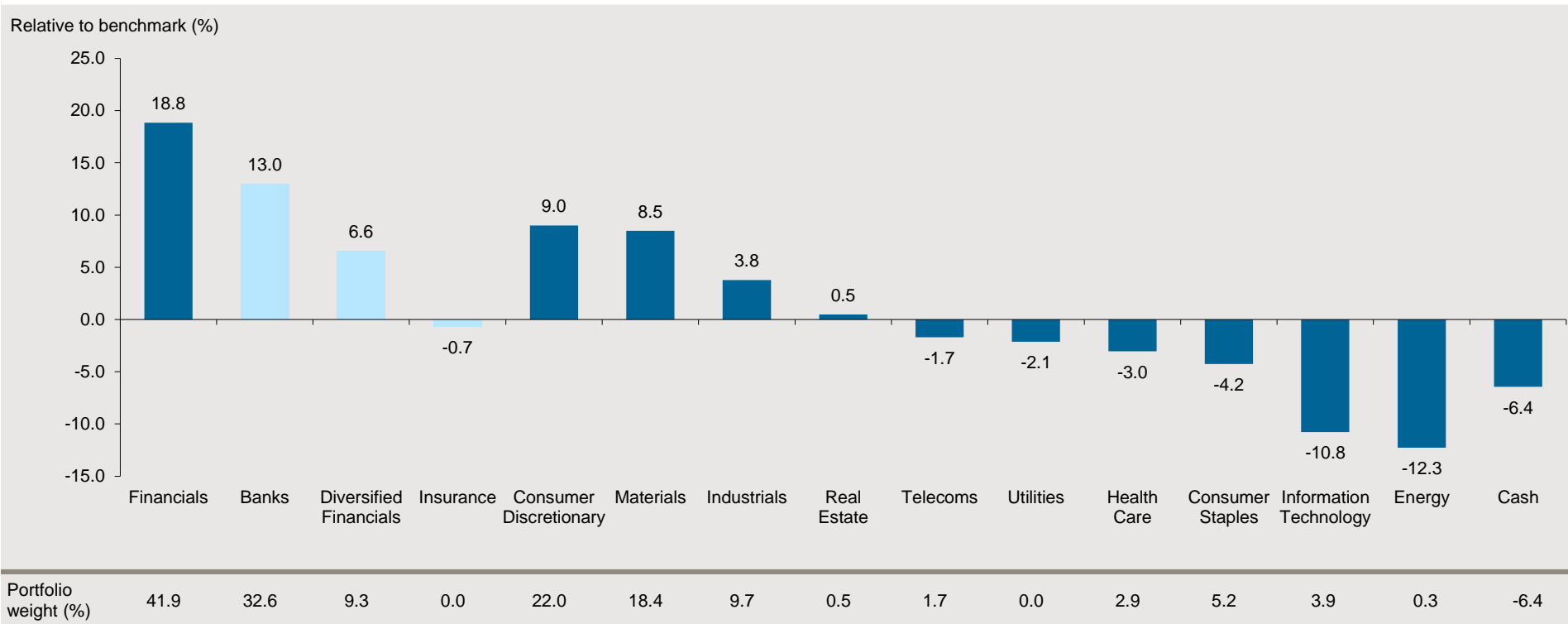
Source: J.P. Morgan Asset Management. The trust is an actively managed portfolio, holdings, sector weights, allocations and leverage, as applicable are subject to change at the discretion of the Investment Manager without notice.

Sector positions

JPMorgan Indian Investment Trust plc as of 31st December 2017

Benchmark MSCI India (NDR)

Active and absolute sector positions



Source: J.P. Morgan Asset Management. Individual figures may not add up exactly to the total due to rounding.

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Portfolio characteristics

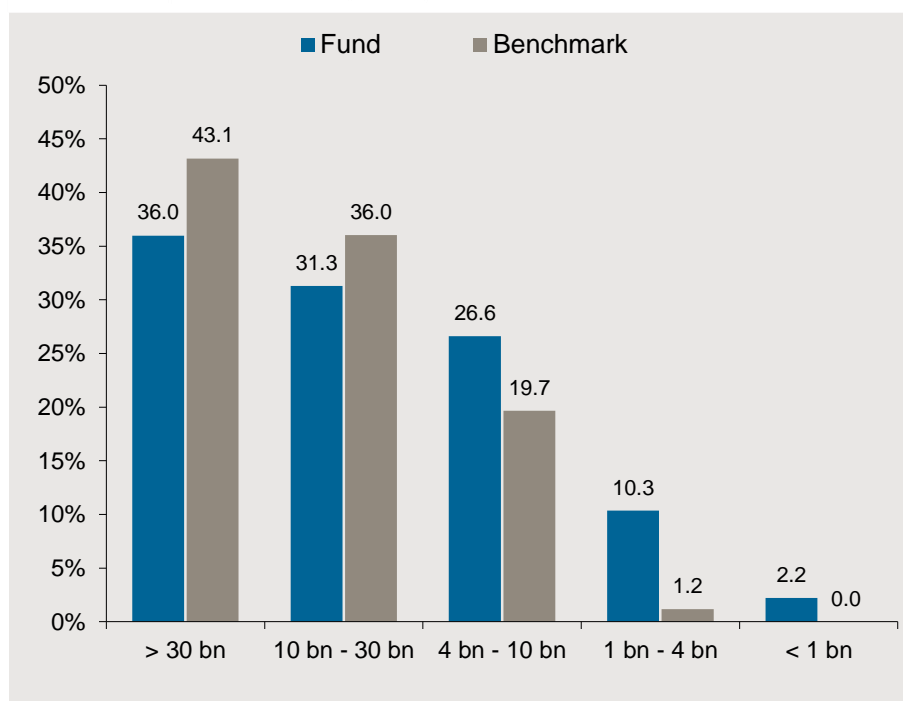
JPMorgan Indian Investment Trust plc as of 31st December 2017

Benchmark

MSCI India (NDR)

Portfolio	Fund	Benchmark
Number of Holdings	42	78
Top 10 Holdings (% of Fund/Benchmark)	55.3	44.1
Top 20 Holdings (% of Fund/Benchmark)	85.7	61.2
Top 30 Holdings (% of Fund/Benchmark)	100.9	72.3
12-Month Forward Price to Earnings (x)	22.9	18.7
3-5 Year Earnings Per Share Growth (%)	21.6	16.8
Active Share (%)	70.6	

Market capitalisation (USD)



Source: FactSet, J.P. Morgan Asset Management. The trust 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 a reliable indicator of current and future results

Outlook

Recent backdrop

- MSCI India Index returns in 2017 38.8%
- MSCI India Small Cap Index returns in 2017 67.0%
- Trailing PE – MSCI India Index 23.6x
- Record mutual fund inflows in 2017 USD30bn
- Growth stagnation...
- ...Yet meaningful reforms

Source: J.P. Morgan Asset Management. As of 31st December 2017. Opinions, estimates, forecasts, projections and statements of financial market trends are based on market conditions at the date of the publication, constitute our judgment and are subject to change without notice. There can be no guarantee they will be met.

PE = Price to Earnings Ratio

Outlook

- 2018 – possible turbulence to absolute returns
- Cleansing process underway
- Clearing path to recovery
- Improving corporate health
- Compelling 3 – 5 year outlook

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The Modi era: Big changes, many firsts

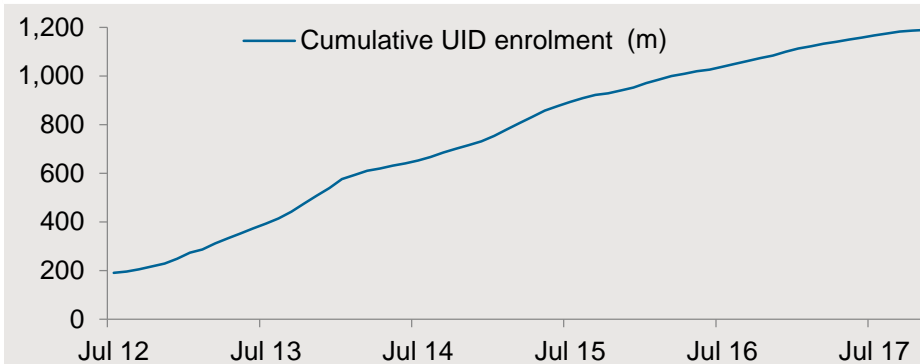
- A majority government, strong leader, strategic vision
- Changes: Undoing, then rebuilding
- Governance, Inclusive growth and efficiency
- Examples:
 - *‘Aadhaar’ (National ID programme)*
 - *Financial Inclusion: ‘Jan Dhan’ and Direct Benefits Transfer (DBT)*
 - *Bankruptcy Code – May 2016*
 - *Demonetisation – November, 2016*
 - *Goods and Services Tax (GST) – July 2017*

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The Modi era references to the period in which Narendra Modi (Prime Minister of India) has been in office.

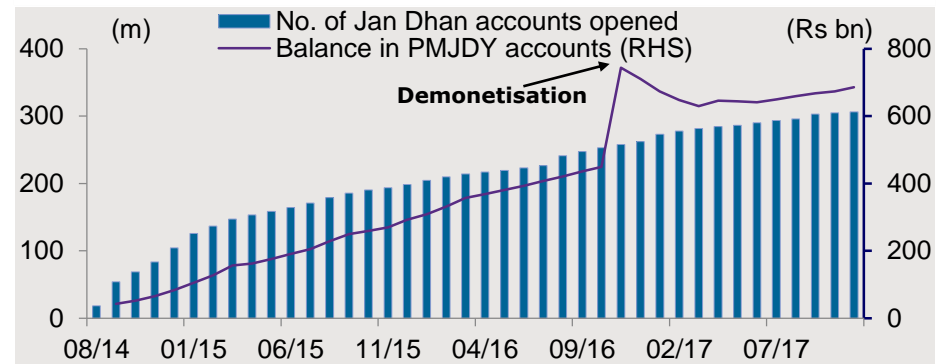
Financial Inclusion: A Key Theme

~1.2bn Unique IDs (UID) issued – almost every Indian is now covered



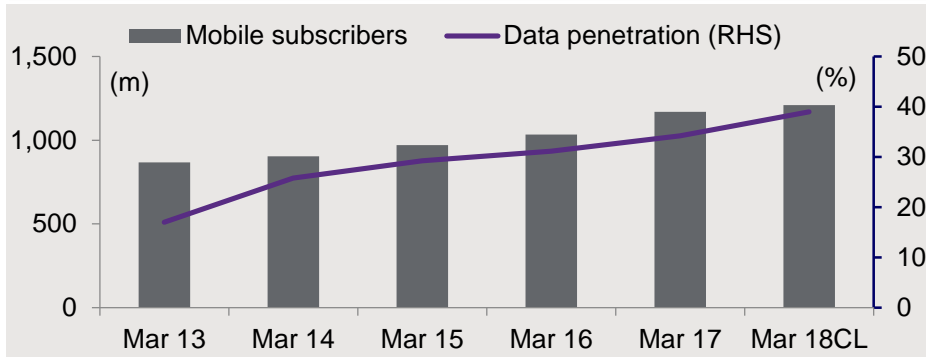
Source: CLSA, data from July 2012 to October 2017

Bank accounts for the “unbanked”: Over 300m new bank accounts opened, with rising balances



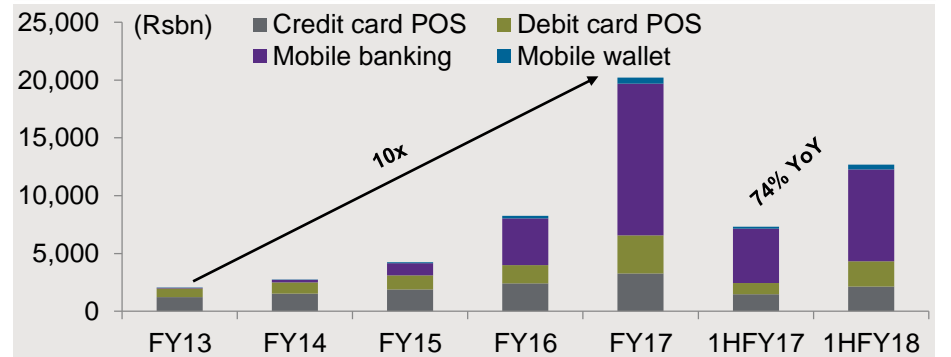
Source: CLSA, data from September 2014 to October 2017.
PMJDY = Pradhan Mantri Jan Dhan Yojana

Rising Smartphone penetration is driving the fintech revolution



Source: CLSA, data as of 17th November 2017

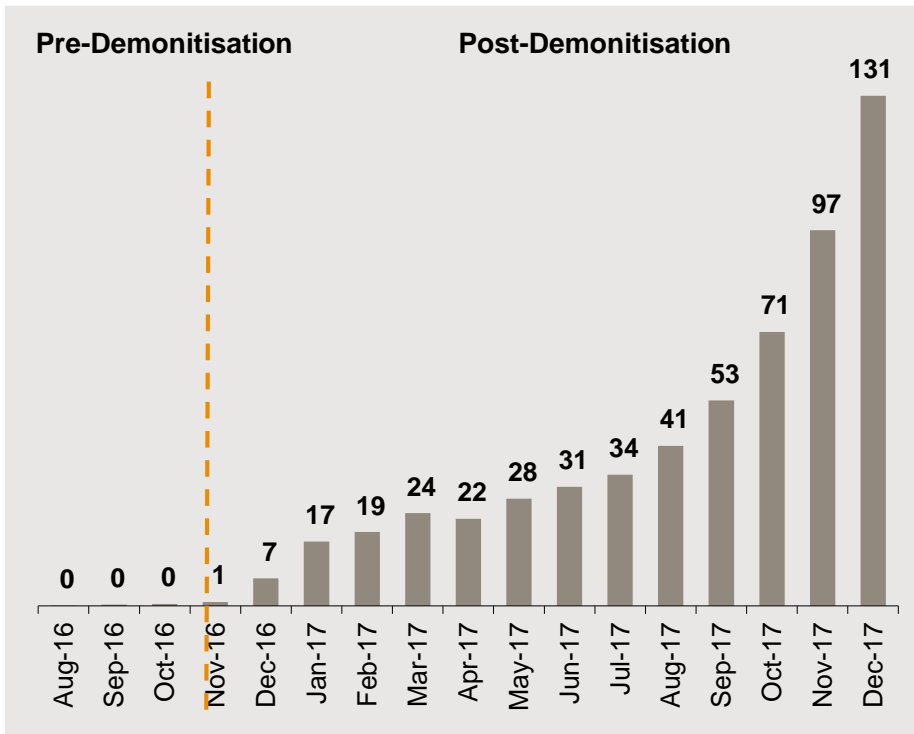
Digital payments is growing exponentially, particularly after ‘Demonetisation’



Source: CLSA, data as of 17th November 2017

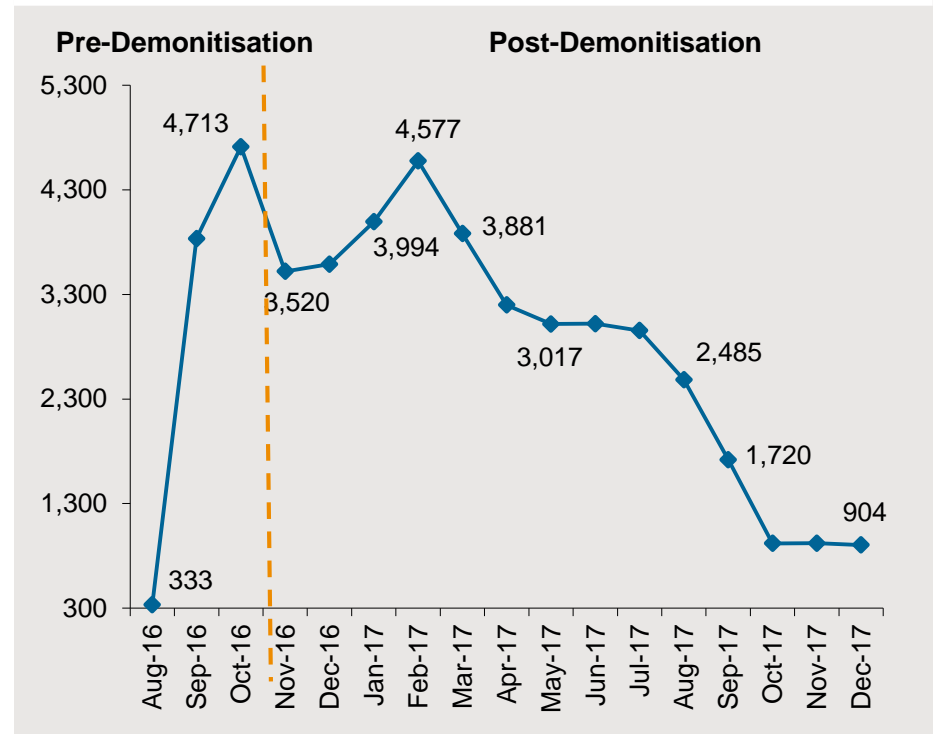
Digital money

UPI: Monthly transaction value (INR bn)



Source: Reserve Bank of India, National Payment Corporation of India, Bernstein Research as of 19th January 2018. UPI = Unified Payments Interface

Average UPI ticket size (INR)



Source: Reserve Bank of India, National Payment Corporation of India, Bernstein Research as of 19th January 2018. UPI = Unified Payments Interface

Goods and Services Tax

Long term positive

- ✓ Transparent tax structure – removes cascading effect
- ✓ Shift from unorganized to organized
- ✓ Boost tax collections
- ✓ Better supply chain efficiency
- ✓ Business decisions on economic merit rather than tax incentives
- ✓ One unified market = ease of doing business
- ✓ Lower product prices = boost demand

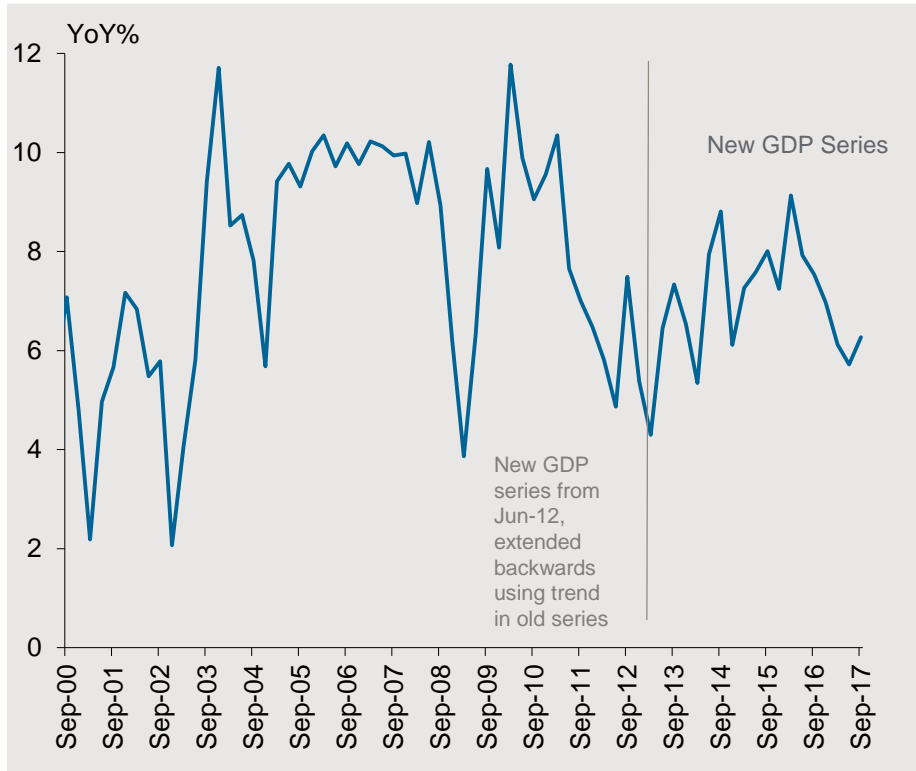
Near term challenges

- × Multiple & changing tax slabs
- × Onerous filing process
- × Initial disruption = temporary shortfall in tax collections
- × Job losses in the unorganized sector

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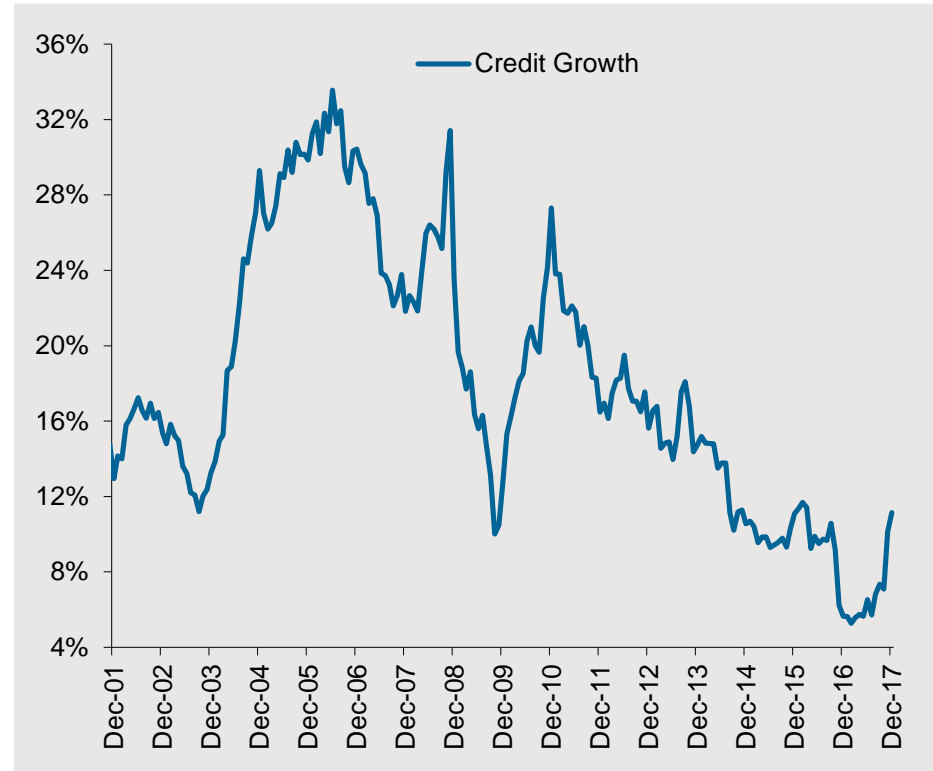
Cyclically depressed

Quarterly GDP* Growth



Source: Central Statistics Offices, Centre for Monitoring Indian Economy, Morgan Stanley Research, Data from March 2000 to September 2017. * GDP = Gross domestic product

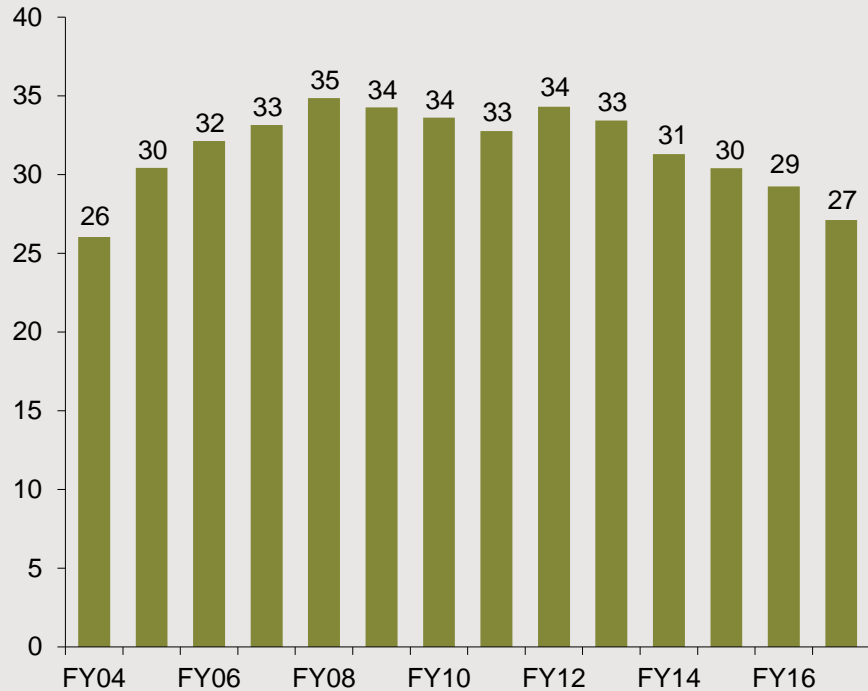
Credit Growth



Source: Centre for Monitoring Indian Economy, Morgan Stanley Research, 30th December 2017

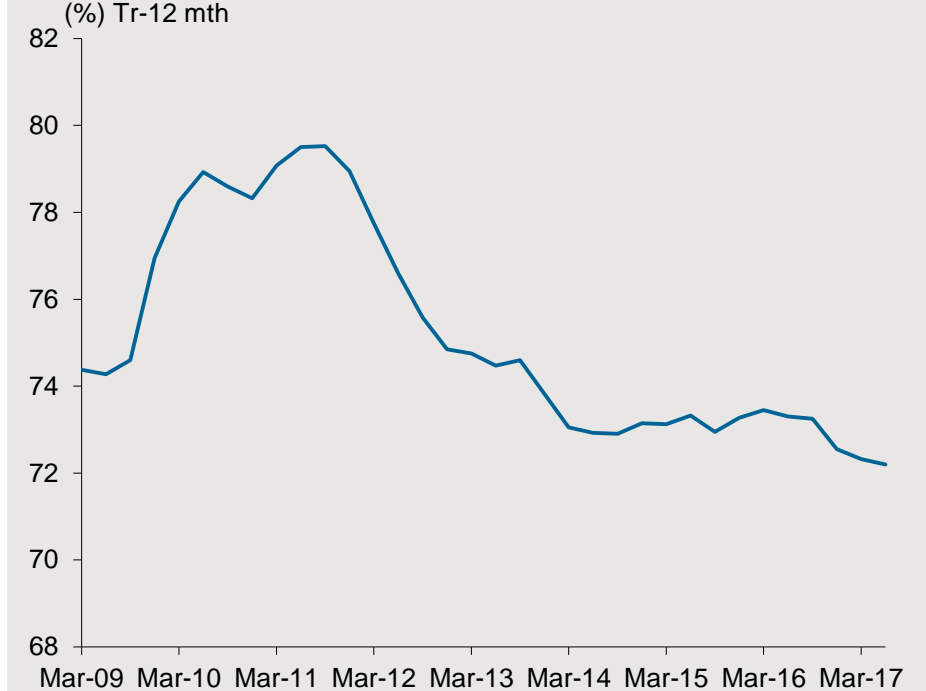
The investment cycle has been the key source of disappointment

Gross Fixed Capital Formation as of GDP (%)



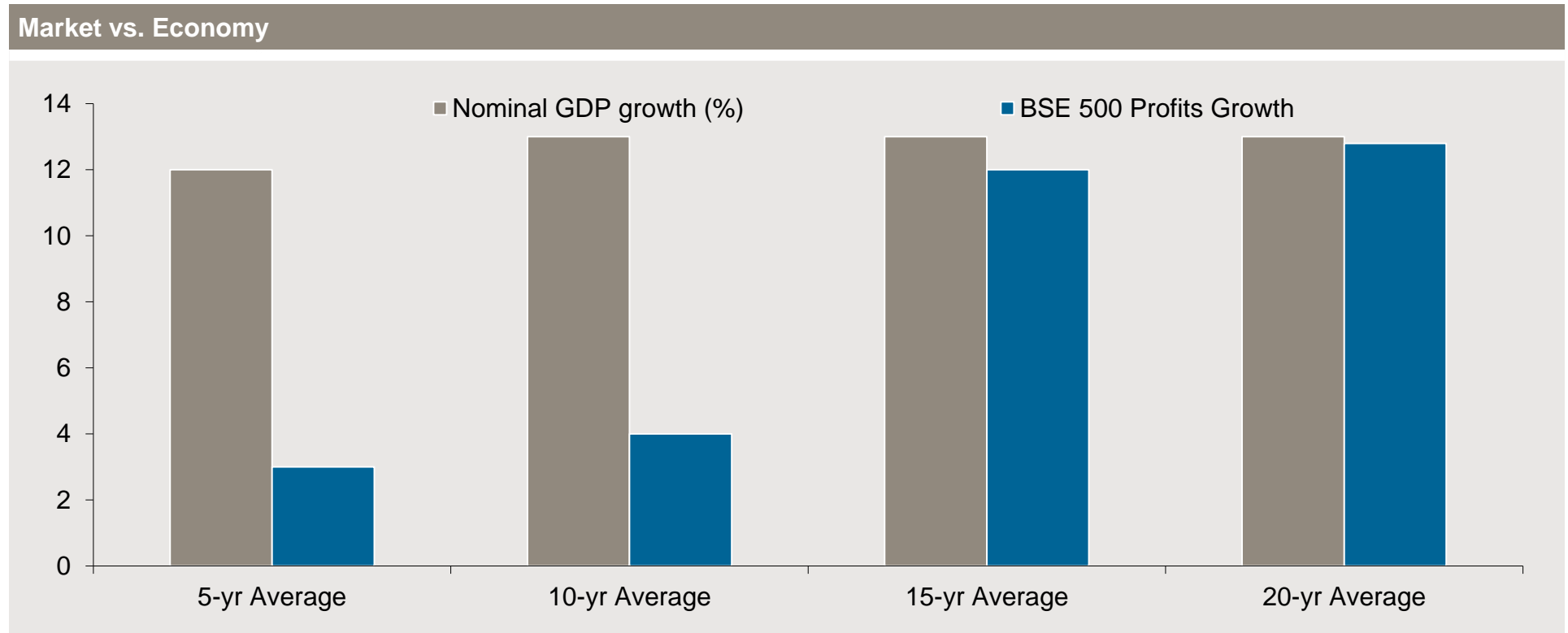
Source: CLSA, as of 15th January 2018
GDP = Gross Domestic Output

Capacity utilisation



Source: CLSA, as of 15th January 2018

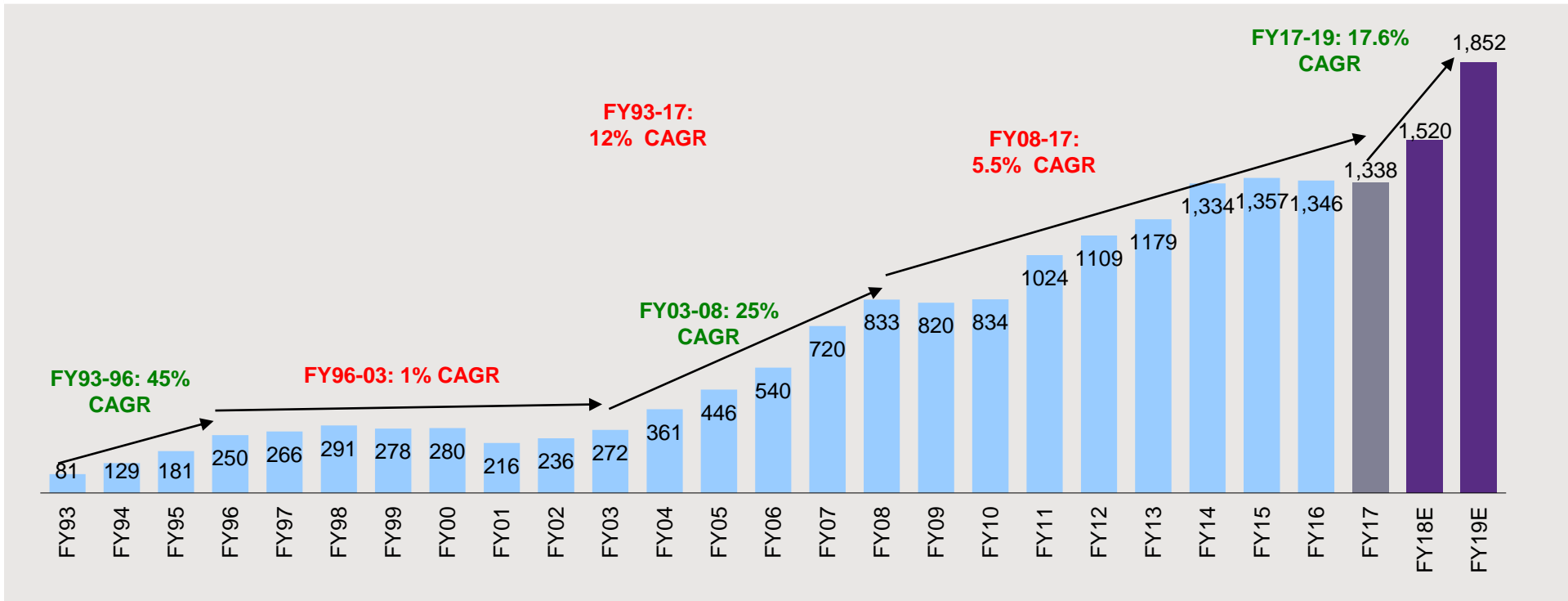
Strong correlation between GDP and earnings growth, long term



Source: Central Statistical Organisation, CLSA, as of 17th January 2018

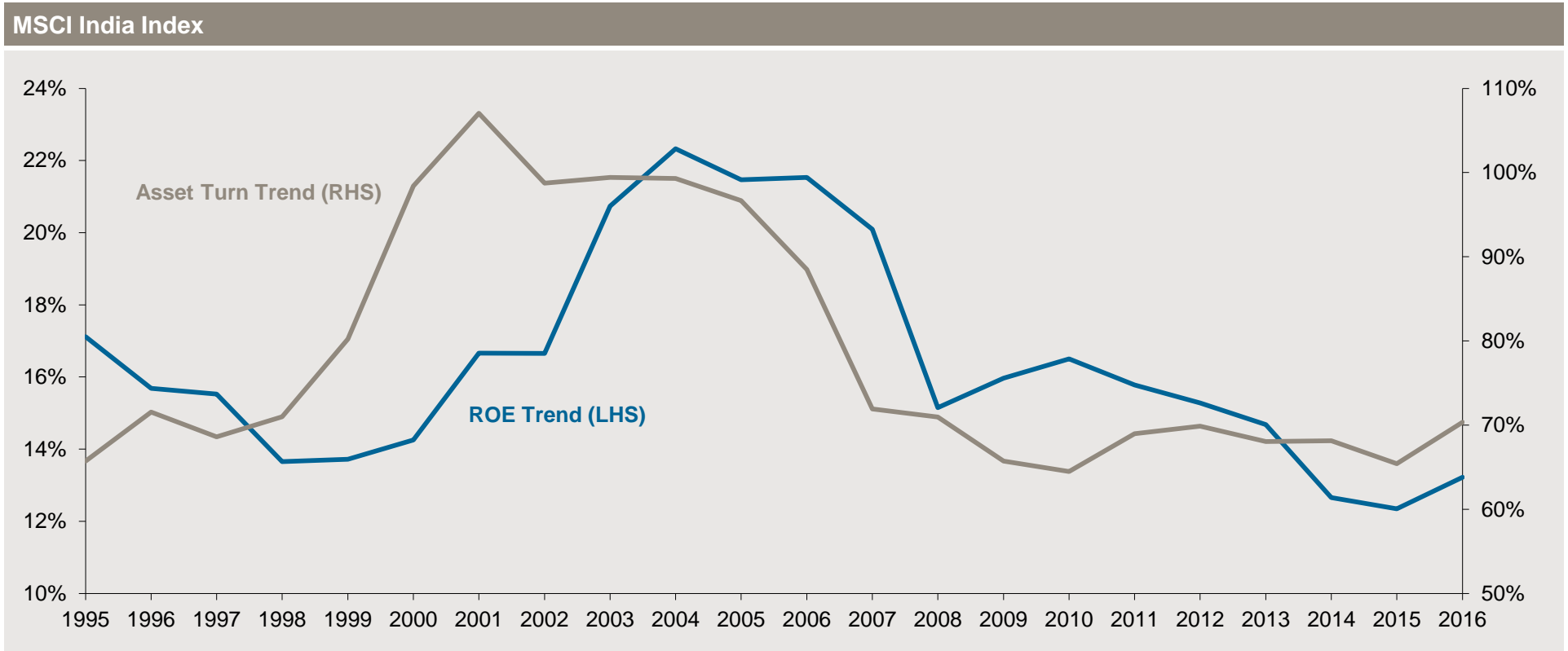
Long term earnings growth and cyclicity

Sensex Index Earnings Per Share (EPS)



Source: Motilal Oswal Securities Ltd, data from 1993 to 2016. Estimates as of 17th January 2018. CAGR = Cumulative Annual Growth Rate
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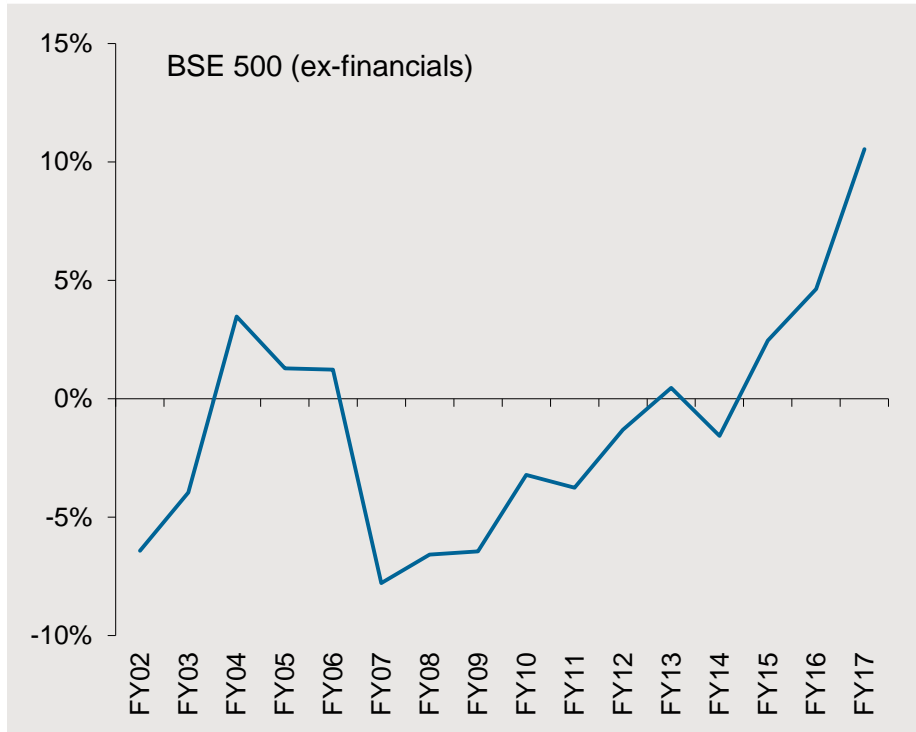
Operating Leverage can drive earnings growth and profitability



Source: Worldscope, RIMES, MSCI, Morgan Stanley Research, as of 31st December 2017. Past performance is not a reliable indicator of current and future results

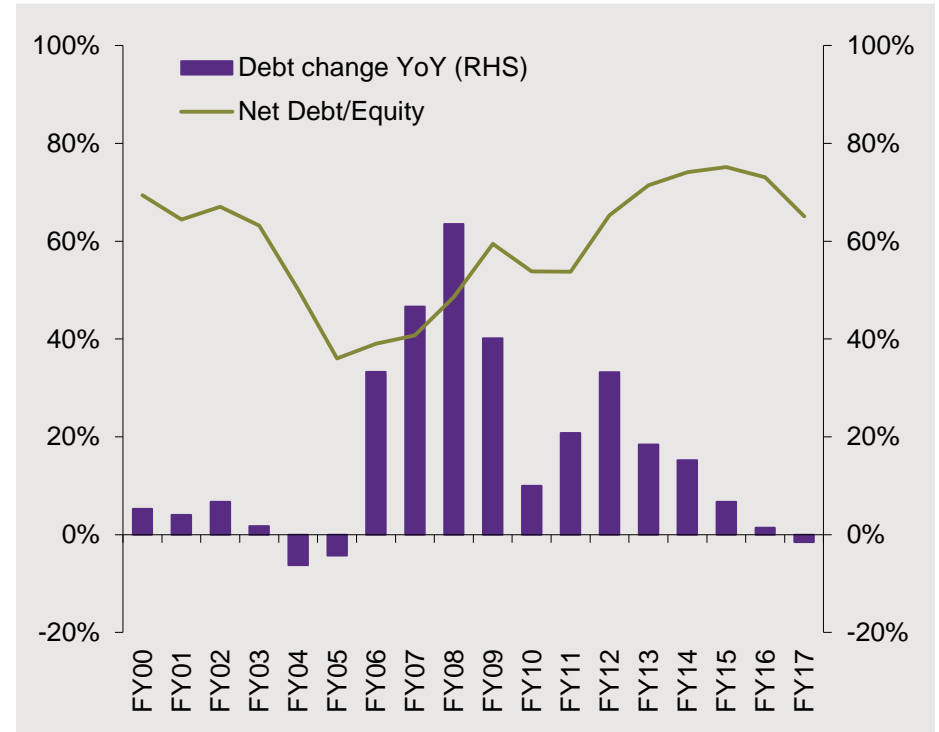
Improving corporate health

Free Cash Flow to Sales



Source: Capitaline, Company Data, Morgan Stanley research, as of 31st December 2017

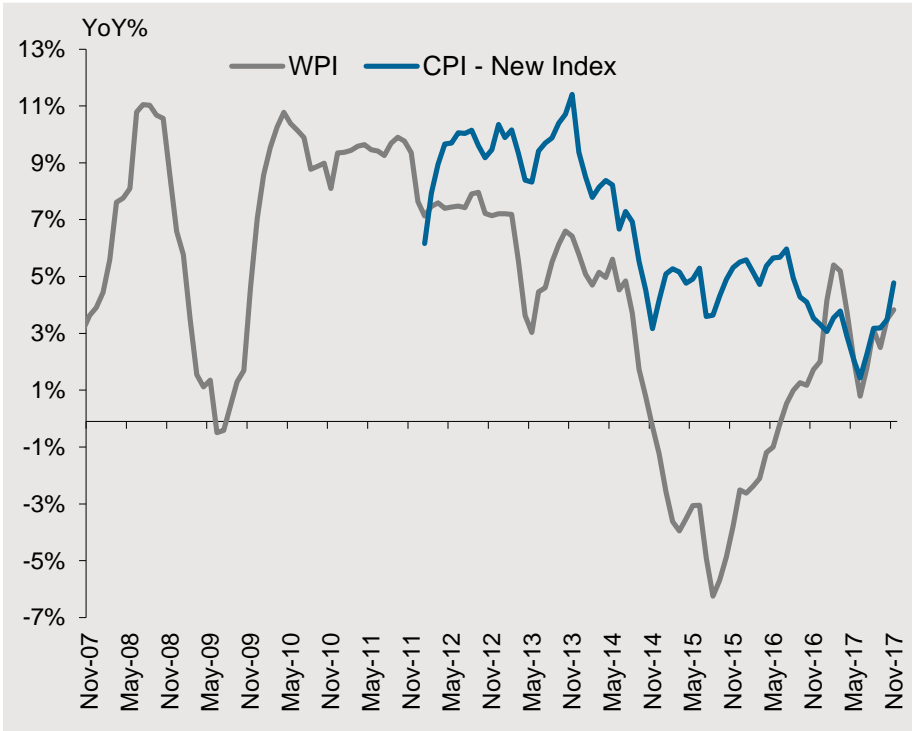
BSE 500 (ex-financials)



Source: Capitaline, Company Data, Morgan Stanley research, as of 31st December 2017

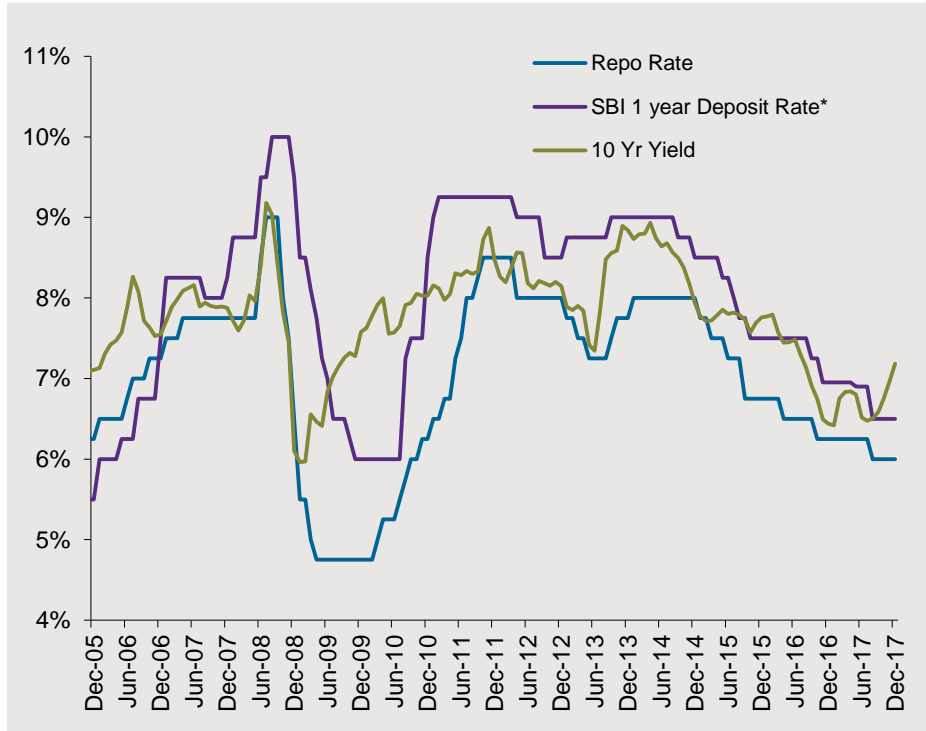
Inflation has rebounded recently

Inflation



Note - consumer price index (CPI) (with base 2012) from January 2014
 Source: CEIC, Morgan Stanley Research, 30th December 2017

Short-term Policy Rate and 1-year Deposit Rates



* 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, 30th December 2017

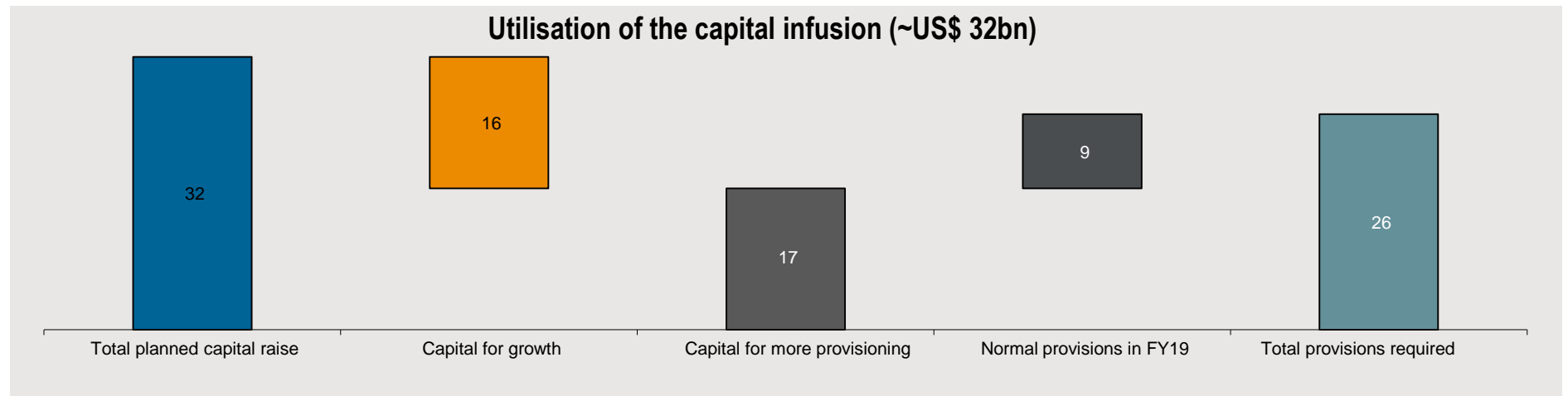
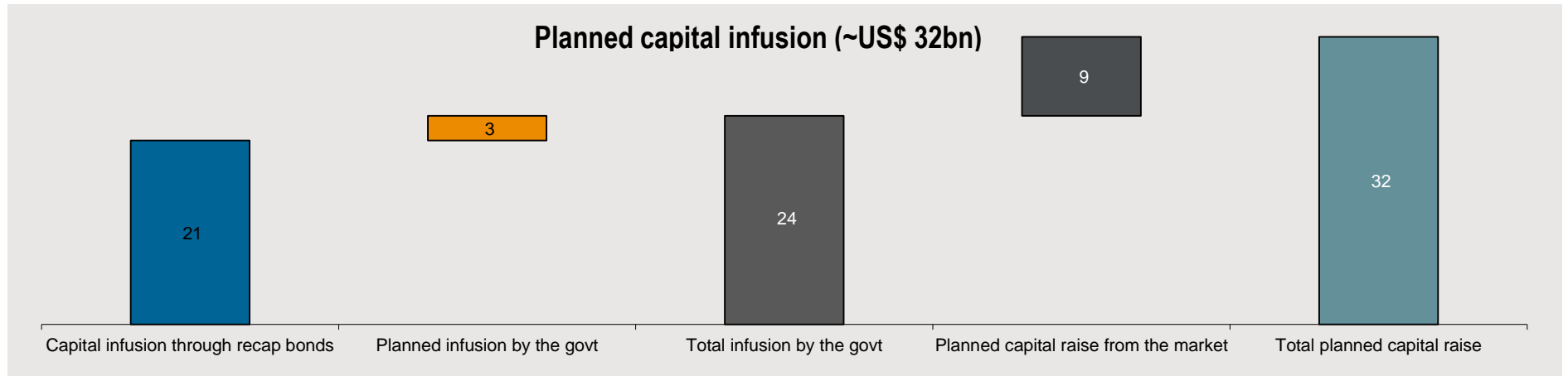
The Banking sector

- A two (or three) tier market
 - Public Sector Banks – severely strained (18.7% stressed assets, 9.6% tier 1 ratio)
 - Private corporate banks – strained (8.8% stressed assets, 14.6% tier 1 ratio)
 - Premium private banks – thriving (1.9% stressed assets, 14.7% tier 1 ratio)
- Important changes
 - Reserve Bank of India (RBI) intervention, forcing Non-Performing Loan (NPL) recognition
 - New Bankruptcy legislation: Fast tracking resolution
 - Recapitalisation of Public Sector Banks (~US\$ 32bn)
 - Fund raising

Source: J.P. Morgan Asset Management. As of January 2018.

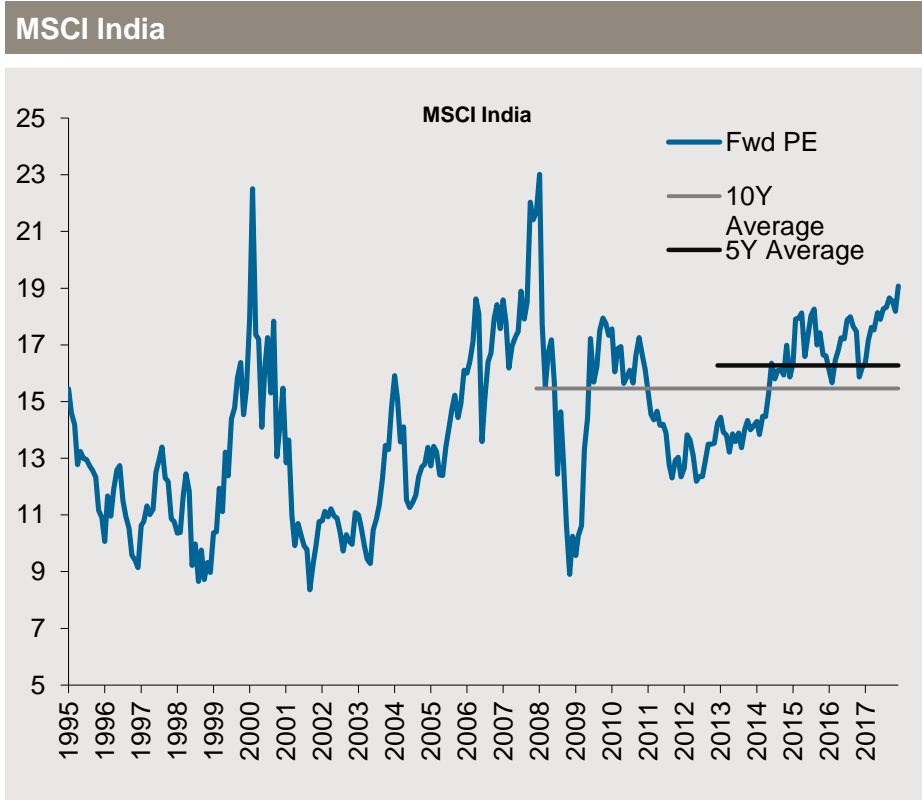
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Bank Recapitalisation: India's TARP moment

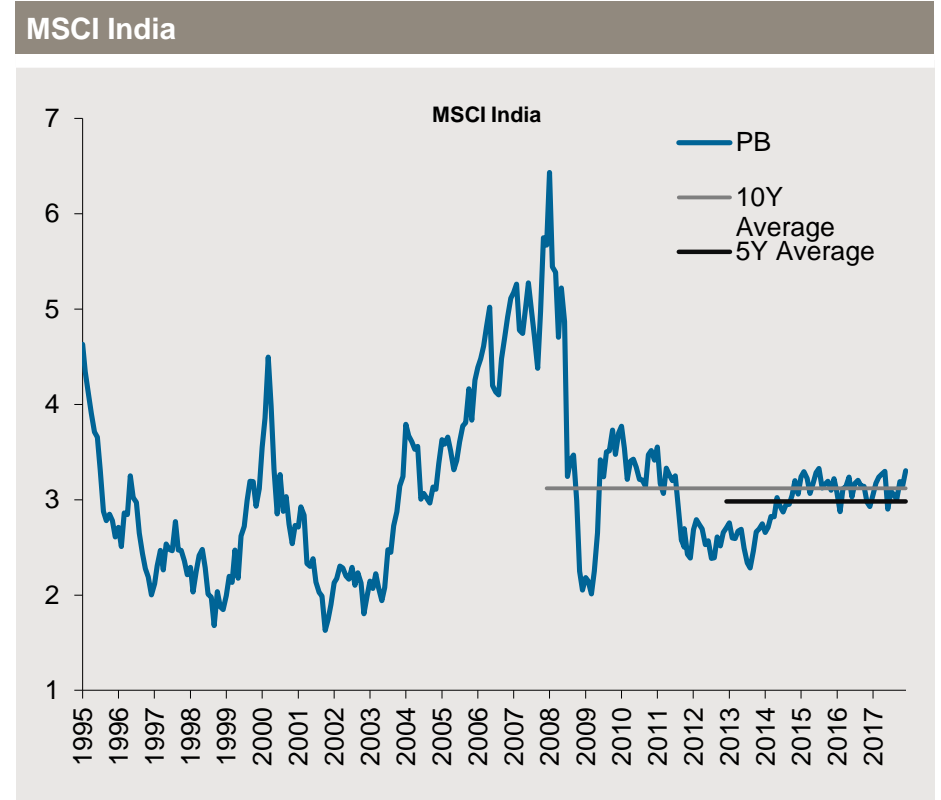


Source: Credit Suisse, as of 31st December 2017. TARP = Troubled Asset Relief Program

Valuations have rerated...



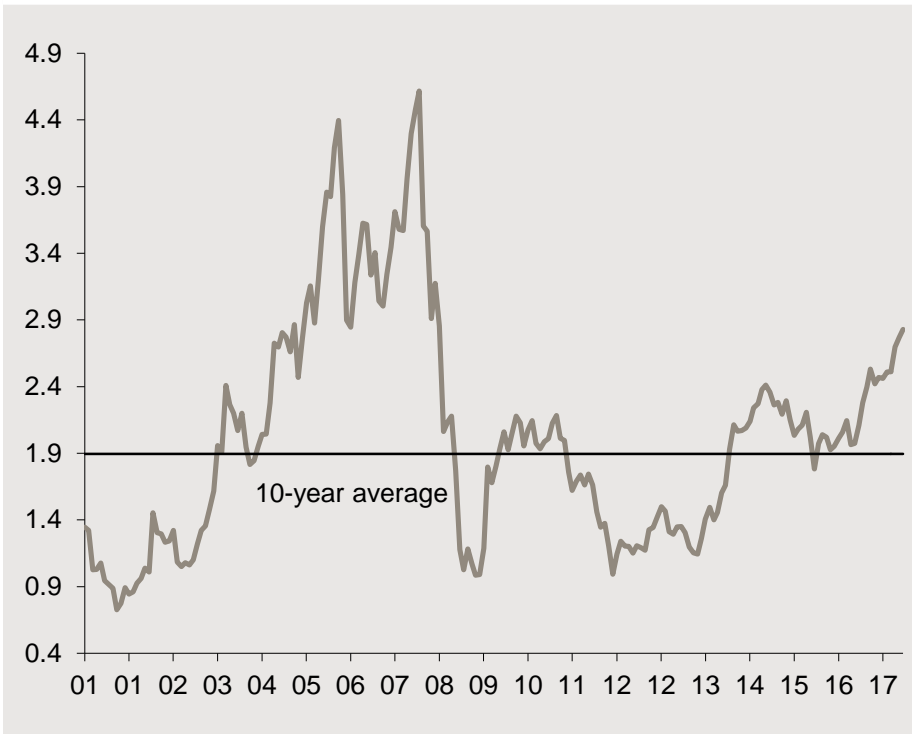
Source: RIMES, MSCI, IBES, Morgan Stanley Research, 30th December 2017
Fwd PE = Forward Price to Earning, 10Y = 10 Years, 5Y = 5 Years



Source: RIMES, MSCI, IBES, Morgan Stanley Research, 30th December 2017
PB = Price to Book, 10Y = 10 Years, 5Y = 5 Years

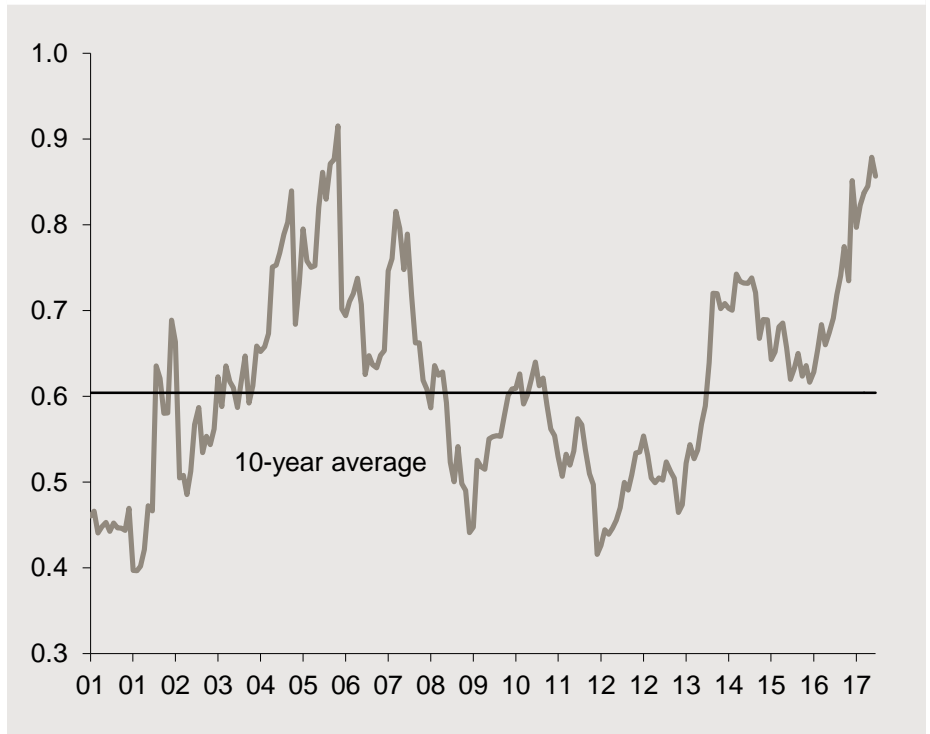
Mid and Small caps are expensive

MSCI India Small Cap Trailing PB



Source: RIMES, MSCI, Morgan Stanley Research, 30th December 2017. PB = Price / Book

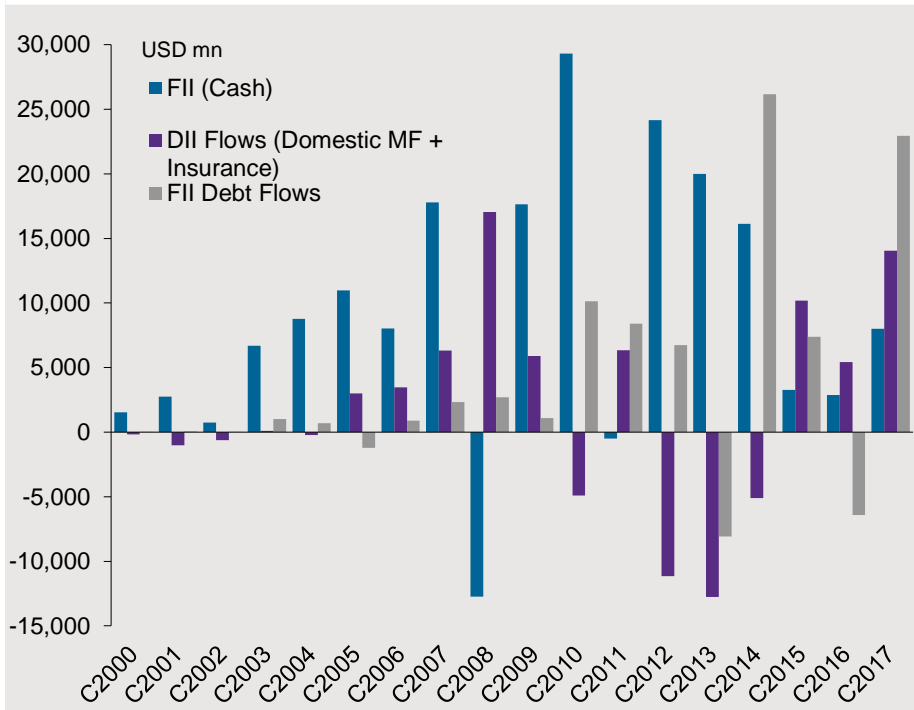
MSCI India small cap relative to MSCI India Trailing PB



Source: RIMES, MSCI, Morgan Stanley Research, 30th December 2017, PB = Price / Book

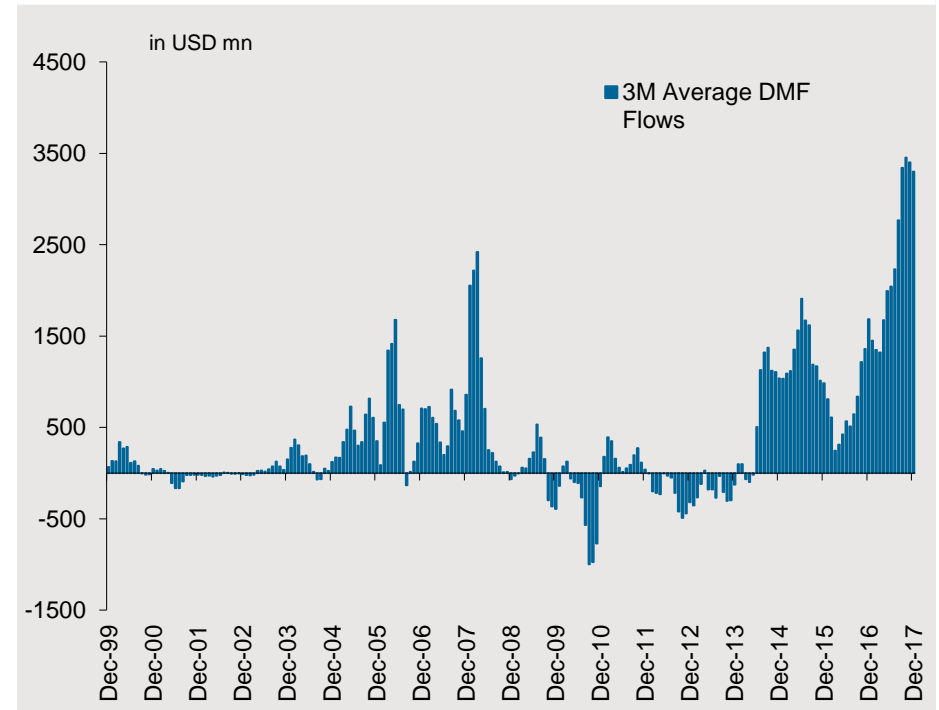
Flows: Strong

India Fund Flows



Source: Securities and Exchange Board of India, Bombay Stock Exchange, Morgan Stanley Research. Data from 2000 to 2016, For C2017 flows data is as of 30th December 2017
 FII = Foreign Institutional Investor DII = Domestic Institutional Investor
 MF = Mutual Funds

Monthly flows into DMFs (3M average)



Source: Association of Mutual Funds in India, Morgan Stanley Research, latest data available as of 30th December 2017
 DMF = Domestic Mutual Funds

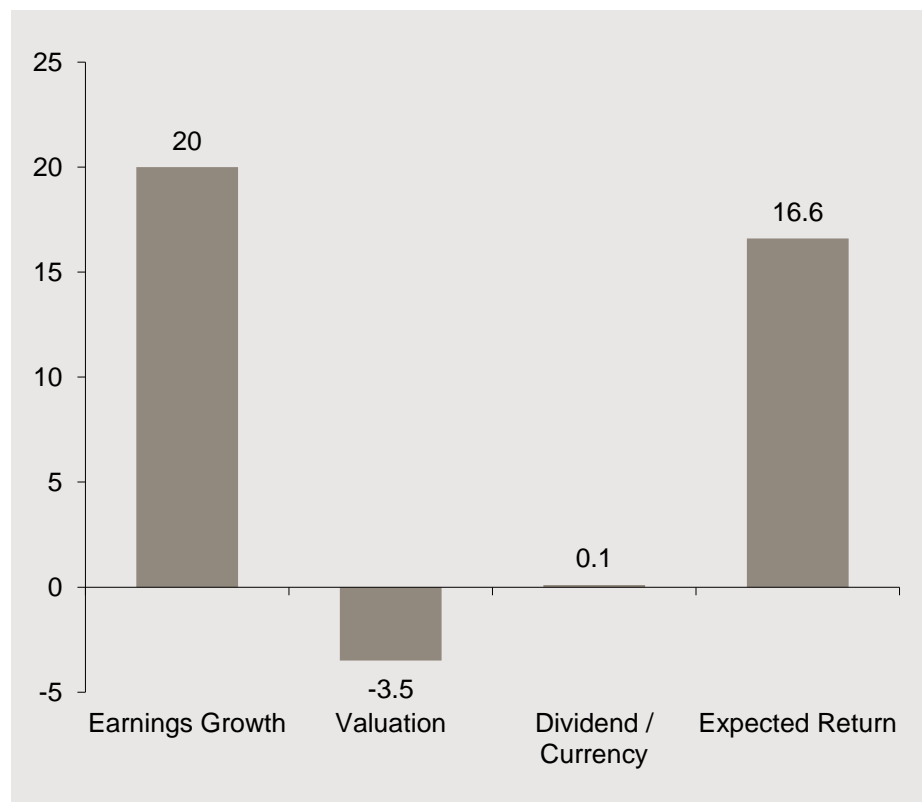
Sensex Return Scenarios using Rigour framework

Scenarios		1	2	3	4
EPS Growth (%)	2018	12	15	18	15
	2019	15	15	25	18
	2020	12	18	25	20
Trend EPS Growth (%)	For 3 years post 2020	10	15	20	25
Exit PE @ end of Year 6 (x)		13	17	18	20
Forex assumption (INR/US\$)		63.9	58.5	63.9	63.9
5 year US\$ Expected Return (%)		0	11.5	17.6	19.9

Source: J.P. Morgan Asset Management. As of 23 January 2018. EPS= Earnings per Share

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Example: HDFC Bank



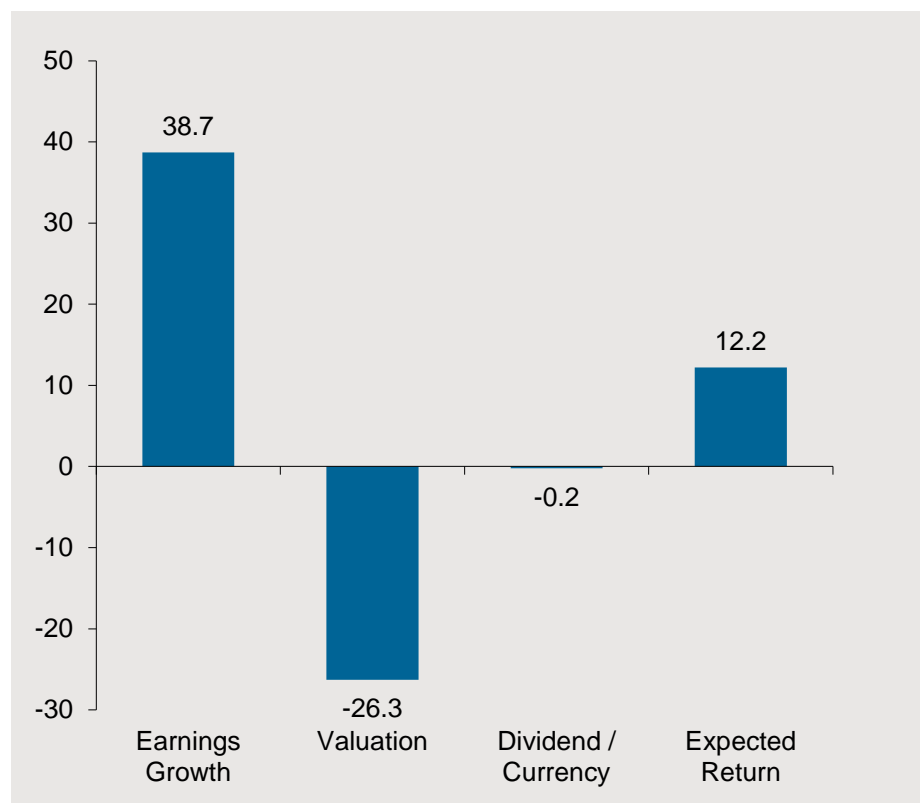
Source: J.P. Morgan Asset Management, as of 23rd January 2018

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	Previous Cycle FY06-08	FY18	Next Cycle	
GDP growth (real)	9.5	6.7	8	
GDP growth (nominal)	15.4	9.5	13	
System credit growth	29	7.5	19.5	
Credit growth (x)	1.9	0.8	1.5	
HDFCB credit growth	35	24	30	
Credit growth (x)	1.2	3.2	1.5	
PPOP change (bp)*	50		30	over FY08
ROA	1.4	1.9	2.2	
PAT growth* (x)	2.4		2	doubles in ~3 years
PAT absolute (Rs bn)	11.4	179	361	
ROE	18.3	16.3	18	21.3% peak
PE (M.cap/PAT)		28.3	14	

* FY08 over FY05

Example: Ultratech Cement



	Previous Cycle FY08	FY18	Next Cycle	
Capacity	18.2	83.5	94.5	
Utilisation (%)	83	67	87	peak was 87%
Avg selling price (per tonne)	3,222	5,182	6,930	continued to rise and is Rs5,125 in 1H2018
Sales (absolute RS bn)	55	291.3	569.4	
Avg cost (per tonne)	2,222	4,108	4,998	
Ebitda / tonne	1,000	1,074	1,932	
Ebitda margin (%)	31.2	20.7	27.9	
Ebitda (absolute)	17.2	60.4	158.7	
PAT	10	24.4	98.2	
ROE	45	9.5	18.9	56% peak in FY07
PE		48.6	12.1	
EV / Ebitda		22.1	8.4	
EV / Sales		4.6	2.3	

Source: J.P. Morgan Asset Management, as of 23rd January 2018

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Example: BHEL



Source: J.P. Morgan Asset Management, as of 23rd January 2018

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	Previous Cycle*	FY11 Actual	FY17/18	Next Cycle	
Market size (MW)	30,000	30,000	9,000	15,000	peak and then stable
Order inflows (MW)	17,000	15,000	5,000	9,000	peak and then stable
Utilisation (%)					
Realisation (Rs m per MW)	29	29	40	42.5	
Revenue (Rs bn)	300	404	292	432	in year FY23
Ebitda margin (%)	19.5	20	3.3	9.9	within the forecast period
Ebitda (Rs bn)	58	81	9.8	41.5	at the peak in FY23
PAT (Rs bn)	37	60	11.7	35.7	vs the previous high of Rs70 bn in FY12
ROE (%)	27.6	26	3.4	7.8	
PER		6.4	32.9	10.7	
EV / Sales		0.7	1.0	0.7	
EV / Ebitda		3.5	28.9	6.8	

* Avg of FY09 and FY10

Outlook

- 2018 – possible turbulence to absolute returns
- Cleansing process underway
- Clearing path to recovery
- Corporate health - better
- Compelling 3-5 year outlook

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