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# JPMorgan Russian Securities plc

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Half Year Report & Accounts for the six months ended 30th April 2017



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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 Union 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 RTS Index in sterling terms (RTS).

## Capital Structure

At 30th April 2017, the Company's share capital comprised 52,337,112 ordinary shares of 1p each.

## Continuation Vote and Tender

A resolution that the Company continues as an investment trust will be put to shareholders at the Annual General Meeting in 2022 and every five years thereafter.

If the next continuation vote in 2022 is approved, the Board has committed to making a tender offer to shareholders for up to 20% of the outstanding share capital at NAV less costs and less a discount of 2% if, over the five years from 1st November 2016, the Company's net asset value total return in sterling on a cum income basis is below the total return of the benchmark in sterling terms.

## 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

## TOTAL RETURNS TO 30TH APRIL 2017 (INCLUDES DIVIDENDS REINVESTED)

**+5.9%**

Return to shareholders<sup>1</sup>

**+6.1%**

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

**+7.0%**

Benchmark return<sup>1,3</sup>

### Financial Data

	6 months to 30th April 2017	12 months to 31st October 2016	% change
Total net assets (£'000)	298,408	284,894	+4.7
Number of shares in issue	52,337,112	52,337,112	
Net asset value per share	570.2p	544.3p	+4.7 <sup>4</sup>
Share price	474.5p	455.0p	+4.3 <sup>4</sup>
Share price discount to net asset value per share	16.8%	16.4%	
Revenue return per share	2.79p	15.47p	
Gearing/(net cash)	(0.3)%	(1.8)%	
Ongoing charges	1.23%	1.40%	

<sup>1</sup> Source: Morningstar.

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

<sup>3</sup> The Company's benchmark is the RTS Index in sterling terms (RTS).

<sup>4</sup> % change, excluding dividends paid. Including dividends the returns would be +6.1% and +5.9%.

A glossary of terms and definitions is provided on page 16.

# About the Company

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## CHAIRMAN'S STATEMENT



### Performance

The Russian equity market rose more modestly over the six month period to the end of April 2017 compared with the dramatic increase which occurred over the company's previous financial year to the end of October 2016.

The Company's net asset value on a total return basis increased 6.1% and the Company's return to shareholders on a total return basis was positive 5.9% over the period. This was slightly behind our new benchmark which you will remember from my Statement in the last Annual Report is now the RTS index. This index returned 7.0% on a total return basis, so performance was 0.9% behind the index. The Company's discount to net asset value has remained disappointingly wide and was slightly higher at the end of the period at 16.8% (end of last financial year 16.4%). However this is not very surprising given the continuation of sanctions against Russia and political tensions that persist between Russia and many other major nations.

The relationship between the newly elected government of U.S. President Trump and its Russian counterparts is generating some controversy and it is difficult to interpret how this may develop and what the economic outcomes may be. Compounding this uncertainty is the rising tension in Syria and the extent to which this could escalate and give rise to further economic sanctions against Russia. The investment manager comments further in his report on the economic and political impacts on the Russian market. JPMorgan Asset Management's compliance function monitors the Company's investments and provides assurances of compliance with the current sanctions regime.

At the Company's Annual General Meeting in March 2017, the shareholders approved the Board's recommendation to continue as an investment trust for a further five years until 2022. As referred to in my Chairman's Statement for the Company's Annual Report and Accounts to 31st October 2016, if the next continuation vote in 2022 is approved, the Board has committed to making a tender offer to shareholders for up to 20% of the outstanding share capital at NAV less costs and less a discount of 2% if, over the five years from 1st November 2016, the Company's net asset value total return in sterling on a cum income basis is below the total return of the benchmark in sterling terms.

### Discount Control

The board's objective is to use its share purchase authority to assist in managing imbalances between the supply and demand for the Company's shares where this is in the long term interests of shareholders.

During the period the discount ranged between 11.2% and 17.7%. The Board's Discount Policy is to consider the buyback of shares when the Company's discount is above 10%, taking into account the absolute level of the Company's discount and the relative level of discount amongst peers in emerging markets.

After regular and careful consideration of the policy, the Board refrained from buying back shares in the period under review. The Board considered that the uncertainty surrounding Russia's economic and geopolitical situation, together with the high average discounts for emerging market investments, meant that buybacks would be ineffective in providing any meaningful narrowing of the Company's discount, other than possibly a very short term effect. The Board will continue to monitor the discount closely and, if the Russian market stabilises and becomes less affected by the geo-political tensions, it will give further consideration to buying back shares should the wide discount persist.

## CHAIRMAN'S STATEMENT *CONTINUED*

### Revenue, Earnings and Dividend

Revenue for the six month period to 30th April 2017 after taxation was £1,460,000 (2016: £924,000) and the return per share, calculated on the basis of the average number of shares in issue was 2.79 pence (2016: 1.77 pence) per share.

The Board has noted that more than three quarters of the Company's dividend income is received between the months of July and October. The Board considers that it would be appropriate to distribute the large majority of this income to shareholders by way of interim dividend payable in October rather than retaining this for later distribution. The Company's interim dividend, which is expected to be considered by the Board for declaration in September 2017, is therefore likely to represent the large majority of the total annual dividend with a significantly smaller final dividend being recommended for approval by the shareholders at the AGM for payment in March. The Board expects to comment further on this evolution of dividend policy following consideration of the interim dividend in September.

### Investment Manager

Oleg Biryulyov continues to be the Company's Investment Manager supported by JPMorgan Asset Management's Investment Management Team. The Investment Management team is part of JPMorgan Asset Management's Emerging Markets and Asia Pacific Equities team (EMAP) and consists of approximately 100 investment professionals. The Board recognise that there is a growing trend towards passive investment, whether in tracker or exchange traded funds. However they continue to believe that active management by a highly experienced investment manager, supported by a strong team, can deliver better returns for shareholders over the longer term.

### Outlook

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 despite the significant political risks if the right stocks are selected. The relatively high levels of dividend payments in the Russian corporate sector is forecast to continue as is the generally stable domestic economic outlook, with no large changes anticipated in interest rates, inflation or the value of the rouble. The price of oil is a major determining factor for the Russian economy and, again, the outlook appears to be relatively stable in comparison to the extreme variations in price experienced in recent years. However, the potential for volatility in the price of oil is a constant factor. In addition, the possibility of a sudden geopolitical event causing an escalation of tension with the international community remains. The relatively high level of risk associated with investment in Russia continues.

**Gill Nott**  
Chairman

15th June 2017

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## INVESTMENT MANAGER'S REPORT



### Market Backdrop and Performance

The six months under review were dominated by Donald Trump's election as US President, OPEC's self-imposed production cuts, and a long-awaited rate hike from the US Federal Reserve. The oil price was on average above USD50/bbl for Brent Crude, but volatility continued. The rouble appreciated as the oil price rose and as the Central Bank of Russia moved the reference rate down by 75 basis points. Russian equities were up slightly for the period, although volumes were still below historic peaks. January 2017 saw the first wave of initial and secondary public offering activity, while the equity market injected USD 2.2 billion of fresh capital into the market during the period.

In the six-month period, the fund's new benchmark, the RTS Index, moved up 7.0% in sterling terms. The total return on net assets was 6.1%, underperforming the benchmark by 0.9%. A slight increase in the discount meant shareholder returns were moderately lower than this.

### Economic and Political Events

The election of Trump as US president was initially met with a broadly positive response from the markets, which rose at the end of 2016. However, a divergence soon emerged between the reforms he had promised during his campaign and his ability to deliver them as an elected president. There was no quick resolution to Russian sanctions. Meanwhile, the US bombing in Syria left US-Russian relations at their lowest point in recent history. The relationship will take time and effort to rebuild, with consensus suggesting that Trump's election will make this process longer than previously anticipated.

The rise in populism in some EU countries and the political uncertainty that generated seems to have subsided to some degree following the recent election result in France and positive regional state elections for Chancellor Merkel in Germany. How these developments affect the EU's stance on continuing economic sanctions against Russia and the conflict in Syria remains to be seen.

Higher risks in other areas deflected attention away from Ukraine, but brought no resolution to the crisis afflicting the country. While the conflict lessened in intensity, its negative impact remains high, and we do not anticipate a quick solution.

The Russian government worked with OPEC and supported its self-imposed cuts to production. It will be interesting to see how sustainable this policy proves. The budget deficit continues to improve, on the back of better earnings, stronger commodity prices and a broad recovery in economic growth.

The Central Bank of Russia (CBR) and the Ministry of Finance continue to argue about the strength of the rouble. Interest rate cuts were supported by lower inflation year to date, but from now on, the CBR is likely to be slower and more cautious in its approach.

Foreign exchange (FX) interventions became the latest fine-tuning policy instrument for the CBR. General policy turned to smoothing FX volatility to extend the benefits of a stronger-than-expected currency and continue to bring down inflation.

On the domestic front, the political backdrop was punctuated by small-scale street protests and the emergence of unfavourable new data on corruption. We do not anticipate any major personnel changes to the leadership, nor to the direction of current policy. The Kremlin has been actively ignoring the opposition leader Alexei Navalny and his supporters, and continues to take little action against loyal bureaucrats, sending a powerful message to the public about its priorities.

## INVESTMENT MANAGER'S REPORT *CONTINUED*

The earnings season so far and the earnings outlook have been steadily improving, leaving market valuations looking attractive. With the dividends season just around the corner, we anticipate further demands by the Russian government from Gazprom and other State-controlled companies to make increased dividend payouts. The current dividend yield already makes Russia very attractive from an income point of view, and the increasing prevalence of higher payouts could give a major boost to the investment multiple of the market.

### Performance

The major detractors over the period were:

Transneft - While we do not hold the stock due to its very poor corporate governance story, this means we sometimes miss out when investor optimism pushes up the price. We believe the index weighting is too big for the stock's current liquidity and free float and will not invest until we see evidence of significant restructuring.

MTS - Our decision not to invest in this name in the first part of its recovery last year weighed on performance. However, our ability to wait paid off this reporting period, when the stock was hit by fresh problems at Systema, its parent holding company, it fell back again.

Magnit - With hindsight, our decision to close down our underweight holding in the fourth quarter of 2016 was premature. Negative trends in like-for-like sales and a slowdown in growth continued through the first quarter of 2017. Magnit became a classic 'fallen angel': its investment multiple de-rated very significantly, converting it into a 'cheap' consumer name with a good 3%+ dividend yield. We believe that restructuring and economic recovery will pull this name up significantly in the future. As one of the best corporate stories on the market, Magnit represents a good long-term opportunity for investors.

Ros Agro - The Company's holding in this classic cyclical name saw its outstanding performance dampened by a period of weakness. We anticipate significant upside coming from investment projects of this company in the Far East and see price weakness as a temporary overreaction of the market to the lower commodity price outlook. Ros Agro is a quality name with strong management and should be a long-term holding for us.

Aeroflot - The Company does not hold this stock even though management has done a great job of consolidating market share and cutting costs, the stock now looks relatively expensive and therefore, is not an attractive proposition for acquisition.

Positive contributors included:

Lukoil - The valuation and dividend make the outlook for the Company's holding in this name more attractive than the market has recognised. We gradually closed our underweight position in the period in a tactic that paid off during the review period.

Tatneft - This minor oil player has been steadily delivering on its production and dividend targets. The Company's holding in this stock is very liquid, it is reasonably priced and represents an attractive position for us. A re-rating of the investment multiple helped to move the share price up.

Polymetal - This new name in our portfolio offers a reasonable investment multiple for a well-run mining business with a good track record of dividends, and we rate its management team highly.

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TBC Bank - Our holding in this stock - the largest bank in Georgia - is a result of the Company's ability to invest in companies operating in the former Soviet Union Republics. TBC Bank is attractively valued and has a very strong management team.

Nostrum - The Company's holding in this junior natural gas producer in Kazakhstan is another example of diversification into former Soviet Union Republics. In addition to its attractive valuation, Nostrum has the opportunity to expand production and revenue in the next couple of years. We like its management team.

The company has an active position of 50% against its index. The notable increase in different positioning relative to the index can potentially create a significant deviation from the performance of the benchmark over both monthly and quarterly periods.

### **Portfolio Activity**

In the review period, we sold out our position in M-Video prior to the buyout offer. This company had a major change of ownership and we are not certain that the new strategic shareholder will take such a friendly approach to minority investors.

We reinvested proceeds from these sales in Polymetal/Gazprom/LSR and Lukoil.

During the review period, a new listing came via the IPO of Detsky Mir, a retailer of children's clothing and toys. While we did not like the valuation, we liked the story itself. We will monitor the stock and add it to our portfolio if the valuation becomes more attractive.

### **Outlook**

The valuation story has recently been supported by dividends and some recovery both in commodities and the rouble. There are no changes to the long-term story for Russian equities. The country's risk profile has been volatile and unpredictable, but returns have been reasonably good for portfolio investors. We would welcome new issuance and better market diversification, but we are under no illusions that this will happen quickly.

We believe that the chance of sanctions being lifted in 2017 is still less than half, but it is higher now than it was six months ago.

We expect positive earnings revisions to continue into the second and third quarters of 2017, providing ongoing support to the Russian equity market.

**Oleg I. Biryulyov**  
Investment Manager

15th June 2017

# Investment Review

## LIST OF INVESTMENTS AT 30TH APRIL 2017

Company	Valuation £'000
<b>Energy</b>	
Gazprom <sup>1</sup>	50,264
LUKOIL, ADR	23,041
Rosneft Oil, GDR	16,304
Novatek, GDR	14,180
Tatneft <sup>2</sup>	13,998
Nostrum Oil & Gas	5,218
Volga Gas	1,550
	<b>124,555</b>
<b>Financials</b>	
Sberbank of Russia <sup>3</sup>	48,391
Moscow Exchange	7,995
TBC Bank	5,681
	<b>62,067</b>
<b>Materials</b>	
MMC Norilsk Nickel, ADR	14,443
Alrosa	11,636
Severstal, GDR	5,006
Polymetal International	3,719
PhosAgro, GDR	3,574
United Co RUSAL	2,258
	<b>40,636</b>
<b>Consumer Staples</b>	
Magnit, GDR	19,074
Ros Agro, GDR	7,514
X5 Retail, GDR	4,912
	<b>31,500</b>

Company	Valuation £'000
<b>Real Estate</b>	
Etalon, GDR	7,682
LSR, GDR	5,626
	<b>13,308</b>
<b>Information Technology</b>	
Luxoft	3,813
EPAM Systems	3,704
	<b>7,517</b>
<b>Health Care</b>	
MD Medical Group Investments, GDR	6,752
Georgia Healthcare	746
	<b>7,498</b>
<b>Telecommunication Services</b>	
MegaFon, GDR	6,359
	<b>6,359</b>
<b>Consumer Discretionary</b>	
Sollers	4,051
	<b>4,051</b>
<b>Total Investment Portfolio</b>	<b>297,491</b>

<sup>1</sup> Includes ADR valued at £47,097,000.

<sup>2</sup> Includes ADR valued at £699,000 and preference shares valued at £13,299,000.

<sup>3</sup> Includes preference shares valued at £31,854,000.

## SECTOR ANALYSIS

	30th April 2017		31st October 2016	
	Portfolio % <sup>1</sup>	Benchmark %	Portfolio % <sup>1</sup>	Benchmark %
Energy	41.9	47.7	36.5	40.1
Financials	20.9	21.4	20.7	17.5
Materials	13.6	14.1	15.3	17.8
Consumer Staples	10.6	5.7	14.9	8.5
Real Estate	4.5	0.1	3.5	–
Information Technology	2.5	1.1	2.4	–
Health Care	2.5	–	1.6	–
Telecommunication Services	2.1	4.8	2.6	11.3
Consumer Discretionary	1.4	0.6	2.2	–
Utilities	–	3.3	–	4.8
Industrials	–	1.2	0.3	–
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Based on total investments of £297.5m (2016: £279.9m).

# Financial Statements

## STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30TH APRIL 2017

	(Unaudited) Six months ended 30th April 2017			(Unaudited) Six months ended 30th April 2016			(Audited) Year ended 31st October 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Gains on investments held at fair value through profit or loss</b>									
Net foreign currency (losses)/gains	–	17,281	17,281	–	30,041	30,041	–	94,420	94,420
Income from investments	–	(58)	(58)	–	356	356	–	1,166	1,166
Interest receivable and similar income	2,519	–	2,519	1,774	–	1,774	11,087	–	11,087
	8	–	8	11	–	11	22	–	22
<b>Gross return</b>	<b>2,527</b>	<b>17,223</b>	<b>19,750</b>	<b>1,785</b>	<b>30,397</b>	<b>32,182</b>	<b>11,109</b>	<b>95,586</b>	<b>106,695</b>
Management fee	(305)	(1,219)	(1,524)	(198)	(790)	(988)	(435)	(1,739)	(2,174)
Other administrative expenses	(365)	–	(365)	(361)	–	(361)	(913)	–	(913)
<b>Net return on ordinary activities before taxation</b>	<b>1,857</b>	<b>16,004</b>	<b>17,861</b>	<b>1,226</b>	<b>29,607</b>	<b>30,833</b>	<b>9,761</b>	<b>93,847</b>	<b>103,608</b>
Taxation	(397)	237	(160)	(302)	158	(144)	(1,665)	348	(1,317)
<b>Net return on ordinary activities after taxation</b>	<b>1,460</b>	<b>16,241</b>	<b>17,701</b>	<b>924</b>	<b>29,765</b>	<b>30,689</b>	<b>8,096</b>	<b>94,195</b>	<b>102,291</b>
<b>Return per share (note 4)</b>	<b>2.79p</b>	<b>31.03p</b>	<b>33.82p</b>	<b>1.77p</b>	<b>56.87p</b>	<b>58.64p</b>	<b>15.47p</b>	<b>179.98p</b>	<b>195.45p</b>

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies.

The net return on ordinary activities after taxation represents the profit for the period and also the total comprehensive income.

## STATEMENT OF CHANGES IN EQUITY

### FOR THE SIX MONTHS ENDED 30TH APRIL 2017

	Called up share capital £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserves <sup>1</sup> £'000	Revenue reserve <sup>1</sup> £'000	Total £'000
<b>Six months ended 30th April 2017 (Unaudited)</b>						
<b>At 31st October 2016</b>	524	77	47,204	230,537	6,552	284,894
Net return on ordinary activities	–	–	–	16,241	1,460	17,701
Dividend paid in the period	–	–	–	–	(4,187)	(4,187)
<b>At 30th April 2017</b>	524	77	47,204	246,778	3,825	298,408
<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>Year ended 31st October 2016 (Audited)</b>						
<b>At 31st October 2015</b>	524	77	47,204	136,342	10,493	194,640
Net return on ordinary activities	–	–	–	94,195	8,096	102,291
Dividends paid in the year	–	–	–	–	(12,037)	(12,037)
<b>At 31st October 2016</b>	524	77	47,204	230,537	6,552	284,894

<sup>1</sup> These reserves form the distributable reserves of the Company and may be used to fund distribution of profits to investors via dividend payments.

**STATEMENT OF FINANCIAL POSITION AT 30TH APRIL 2017**

	(Unaudited) 30th April 2017 £'000	(Unaudited) 30th April 2016 £'000	(Audited) 31st October 2016 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	297,491	211,756	279,865
<b>Current assets</b>			
Debtors	377	3,266	494
Cash and cash equivalents	3,020	2,554	5,150
	<b>3,397</b>	<b>5,820</b>	<b>5,644</b>
<b>Current liabilities</b>			
<b>Creditors:</b> amounts falling due within one year	(2,480)	(1,144)	(615)
<b>Net current assets</b>	<b>917</b>	<b>4,676</b>	<b>5,029</b>
<b>Total assets less current liabilities</b>	<b>298,408</b>	<b>216,432</b>	<b>284,894</b>
<b>Net assets</b>	<b>298,408</b>	<b>216,432</b>	<b>284,894</b>
<b>Capital and reserves</b>			
Called up share capital	524	524	524
Capital redemption reserve	77	77	77
Other reserve	47,204	47,204	47,204
Capital reserves	246,778	166,107	230,537
Revenue reserve	3,825	2,520	6,552
<b>Total shareholders' funds</b>	<b>298,408</b>	<b>216,432</b>	<b>284,894</b>
<b>Net asset value per share</b> (note 5)	<b>570.2p</b>	<b>413.5p</b>	<b>544.3p</b>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH APRIL 2017

### 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 2016 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 including 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 have been prepared in accordance with the Companies Act 2006, FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' of the United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the revised 'SORP') issued by the Association of Investment Companies in November 2014 and updated in January 2017.

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 2017.

The Company has elected not to prepare a statement of cash flows for the current period on the basis that substantially all of its investments are liquid and carried at market value.

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 2016.

### 3. Dividends paid

	(Unaudited) Six months ended 30th April 2017 £'000	(Unaudited) Six months ended 30th April 2016 £'000	(Audited) Year ended 31st October 2016 £'000
Final dividend paid in respect of the year ended 31st October 2016 of 8.0p (2015: 13.0p)	4,187	6,804	6,804
2015 special dividend of 4.0p (2014: nil)	–	2,093	2,093
2016 interim dividend of 6.0p (2015: nil)	–	–	3,140
<b>Total dividends paid in the period/year</b>	<b>4,187</b>	<b>8,897</b>	<b>12,037</b>

All dividends paid in the period/year have been funded from the revenue reserve.

The 2017 interim dividend is expected to be payable in October 2017.

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED**
**4. Return per share**

	(Unaudited) Six months ended 30th April 2017 £'000	(Unaudited) Six months ended 30th April 2016 £'000	(Audited) Year ended 31st October 2016 £'000
Return per share is based on the following:			
Revenue return	1,460	924	8,096
Capital return	16,241	29,675	94,195
<b>Total return</b>	<b>17,701</b>	<b>30,689</b>	<b>102,291</b>
Weighted average number of shares in issue	52,337,112	52,337,112	52,337,112
Revenue return per share	2.79p	1.77p	15.47p
Capital return per share	31.03p	56.87p	179.98p
<b>Total return per share</b>	<b>33.82p</b>	<b>58.64p</b>	<b>195.45p</b>

**5. Net asset value per share**

	(Unaudited) Six months ended 30th April 2017	(Unaudited) Six months ended 30th April 2016	(Audited) Year ended 31st October 2016
Net assets (£'000)	298,408	216,432	284,894
Number of shares in issue	52,337,112	52,337,112	52,337,112
Net asset value per share	570.2p	413.5p	544.3p

**6. Fair valuation of investments**

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

	(Unaudited) Six months ended 30th April 2017		(Unaudited) Six months ended 30th April 2016		(Audited) Year ended 31st October 2016	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	297,491	–	211,756	–	279,865	–
<b>Total value of investments</b>	<b>297,491</b>	<b>–</b>	<b>211,756</b>	<b>–</b>	<b>279,865</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 2016.

## 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 2017 as required by the UK Listing Authority Disclosure and Transparency Rule 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 of the UK Listing Authority Disclosure and Transparency Rules.

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

15th June 2017

# Shareholder Information

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## GLOSSARY OF TERMS AND DEFINITIONS

### Return to Shareholders

Total return to the shareholder per share, on a last traded price to last traded 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 closing-market value to closing-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/Net Cash

Gearing represents the excess amount above shareholders' funds of total investments expressed as a percentage of the shareholders' funds. If the amount calculated is negative, this is shown as a 'net cash' position.

### 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 2017 is an estimated annualised figure, based on the six months to 30th April 2017.

### 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.

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

You can invest in a J.P. Morgan investment trust through the following;

### 1. Via a third party provider

Third party providers include;

AJ Bell	Interactive Investor
Alliance Trust Savings	James Brearley
Barclays Stockbrokers	James Hay
Bestinvest	Selftrade
Charles Stanley Direct	TD Direct
FundsNetwork	The Share Centre
Hargreaves Lansdown	

Please note this list is not exhaustive and the availability of individual trusts may vary depending on the provider. These websites are third party sites and J.P. Morgan Asset Management does not endorse or recommend any. Please observe each site's privacy and cookie policies as well as their platform charges structure.

### 2. Through a professional adviser

Professional advisers are usually able to access the products of all the companies in the market and can help you find an investment that suits your individual circumstances. An adviser will let you know the fee for their service before you go ahead. You can find an adviser at [unbiased.co.uk](http://unbiased.co.uk)

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

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

### 3. Directly from J.P. Morgan

#### Investment Account

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

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

The Company's shares are eligible investments within a J.P. Morgan ISA. For the 2017/18 tax year, from 6th April 2017 and ending 5th April 2018, the total ISA allowance is £20,000. The shares are also available in a J.P. Morgan Junior ISA. Details are available from J.P. Morgan Asset Management free on 0800 20 40 20 or via its website at [am.jpmorgan.co.uk/investor](http://am.jpmorgan.co.uk/investor)

## Be ScamSmart

### Investment scams are designed to look like genuine investments

#### Spot the warning signs

Have you been:

- contacted out of the blue
- promised tempting returns and told the investment is safe
- called repeatedly, or
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

#### Avoid investment fraud

##### 1 Reject cold calls

If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

##### 2 Check the FCA Warning List

The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

##### 3 Get impartial advice

Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

#### Report a Scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at [www.fca.org.uk/consumers/report-scam-unauthorised-firm](http://www.fca.org.uk/consumers/report-scam-unauthorised-firm). You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at [www.actionfraud.police.uk](http://www.actionfraud.police.uk)

Find out more at [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)

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**Remember: if it sounds too good to be true, it probably is!**



# 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, October
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  
Tamara Sakovska

## 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.jpmrussian.co.uk](http://www.jpmrussian.co.uk) where the share price is updated every fifteen minutes during trading hours.

## Website

[www.jpmrussian.co.uk](http://www.jpmrussian.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, J.P. Morgan ISA and J.P. Morgan Junior ISA. These products are all available on the online service at [jpmorgan.co.uk/online](http://jpmorgan.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: 0371 384 2030

Lines open 8.30 a.m. to 5.30 p.m. Monday to Friday. Calls to the helpline will cost no more than a national rate call to a 01 or 02 number. Callers from overseas should dial +44 121 415 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 Auditors

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.