
JPMorgan Brazil Investment Trust plc Annual General Meeting

14th September 2017

Sophie Bosch de Hood, Executive Director
Portfolio Manager
sophie.bosch@jpmorgan.com

Performance

JPMorgan Brazil Investment Trust plc to 30th April 2017 – 12 month rolling returns

	30/4/16 – 30/4/17	30/4/15 – 30/4/16	30/4/14 – 30/4/15	30/4/13 – 30/4/14	30/4/12 – 30/4/13	30/4/11 – 30/4/12
Portfolio return	44.0%	-14.4%	-14.6%	-24.4%	4.4%	-10.0%
Index	44.5%	-10.9%	-9.5%	-17.1%	0.2%	-13.0%
Ordinary share price return	38.6%	-18.2%	-11.9%	-26.0%	-2.7%	-15.3%

Source: J.P. Morgan Asset Management.

Inception Date: 26 April 2010

Benchmark History - 26 April 2010 To Current - MSCI Brazil 10/40. Total return, net of charges and any applicable fees using cum income Net Asset Values (NAVs) debt at par with net dividend (if any) reinvested, in Sterling. Past Performance is not an indication of future performance.

Performance

JPMorgan Brazil Investment Trust plc

12 Months to 30th April 2017

Portfolio return	44.0%
Index	44.5%
Ordinary share price return	38.6%

12 Months to 31st July 2017

Portfolio return	15.5%
Index	16.5%

Annualised Performance since inception – 31st July 2017

Portfolio return	-2.6%
Index	-1.4%

Source: J.P. Morgan Asset Management.

Inception Date: 26 April 2010

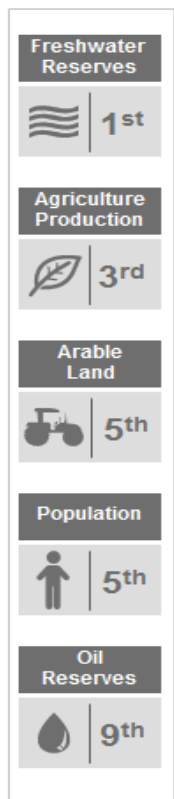
Benchmark History - 26 April 2010 To Current - MSCI Brazil 10/40 Total return, net of charges and any applicable fees using cum income Net Asset Values (NAVs) debt at par with net dividend (if any) reinvested, in Sterling. Performance is not an indication of future performance.

- The year to 30th April 2017 was a volatile period for Brazilian equities, with the index up sharply as Brazil started to recover from its worst recession since 1930-31
- In 2016, commodity prices rebounded from their January lows as concerns about slowing growth in China and the U.S., and the knock-on effect to Brazil, abated.
- Since April 2016, Brazilian equities have rebounded aggressively, driven by a stronger local currency (Real) and higher commodity prices. The equity market has been resilient despite the political noise.
- The trust's net asset value recovered during the second half of the review period ending practically flat versus the benchmark. The discount increased over the period.

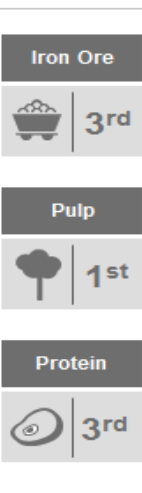
Brazil: A Significant Player

Brazil is the largest country in Latin America and has a strong presence within the natural resources industries

World leadership positions

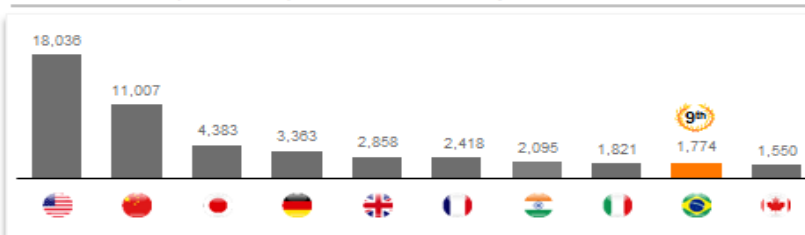


Production Highlights

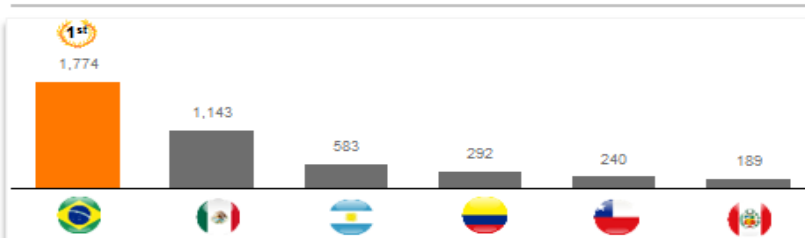


World Economy	# 9
World Economy (PPP)	# 7
Latin American Economy	# 1
GDP	US\$1.8 trillion
Population ¹	206.1 million

2015 GDP (US\$ bn) – Global Comparison



2015 GDP (US\$ bn) – Latin America Comparison



Source: IMF, FAO and Itau BBA. Note: 1-Based in IMF 2016 Forecast.

Brazil through the lens of the media

“Brazilian Politicians Dance Around Reform” **Bloomberg**



“Brazil’s President *Temer* survives corruption vote” **BBC**



“Brazil ends worst recession as GDP expands for second straight quarter” **Financial Times**



“The conviction of Lula and the future if Brazil’s political purge” **The Economist**



“Brazil’s Fiscal Reform Faces Headwinds Amid Scandal” **WSJ**



“Brazil inflation hits lowest in nearly 10 years in April” **Reuters**



“Brazil consumers drive recovery is investment lags” **Reuters**

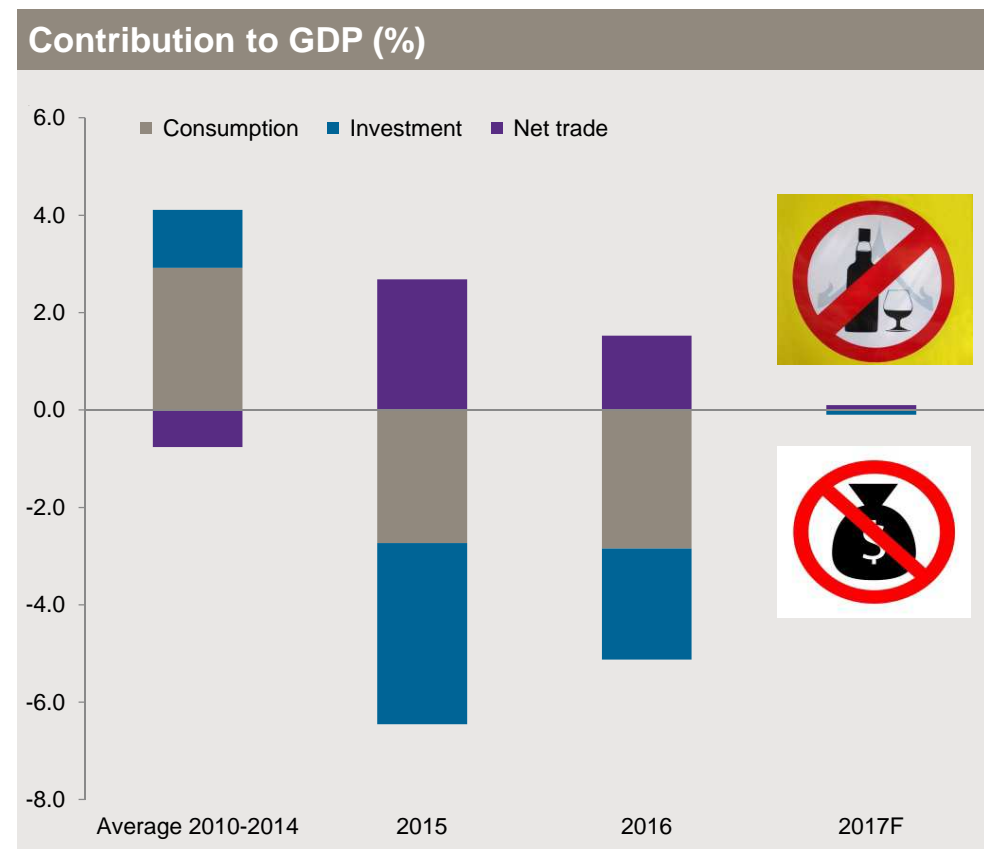
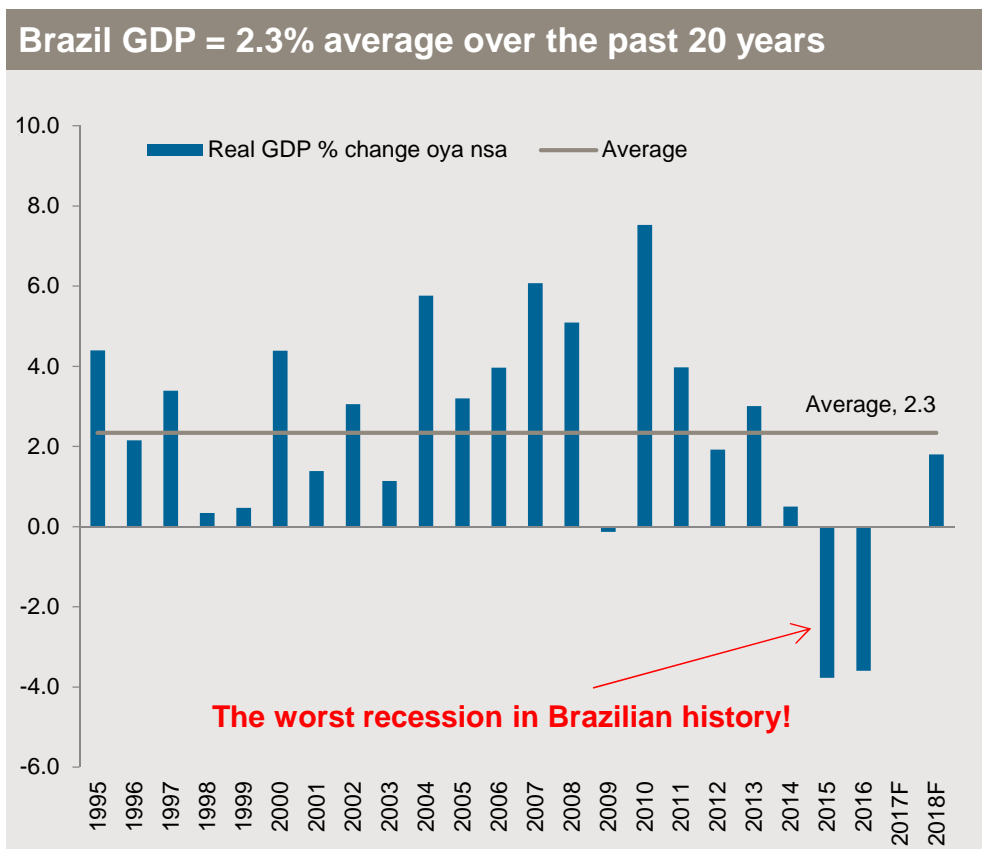


“Brazilian markets reflect investor resilience” **Financial Times**



Source: Publications listed. The companies above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. The use of the above company logos is in no way an endorsement for J.P. Morgan Asset Management investment management services. Past performance is not necessarily a reliable indicator for future performance. Images from Shutterstock

Brazil's economy is finally growing



Source: IBGE, J.P. Morgan Securities. Data as of mid 2017, thereafter data as estimates. Images from Shutterstock. 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.

Debt levels are increasing therefore reforms are inevitable



Source: Central Bank of Brazil, J.P. Morgan Asset Management. Guide to the Markets – Brazil. Data as of June 30th 2017. Image from Shutterstock

Market reforms are back on track

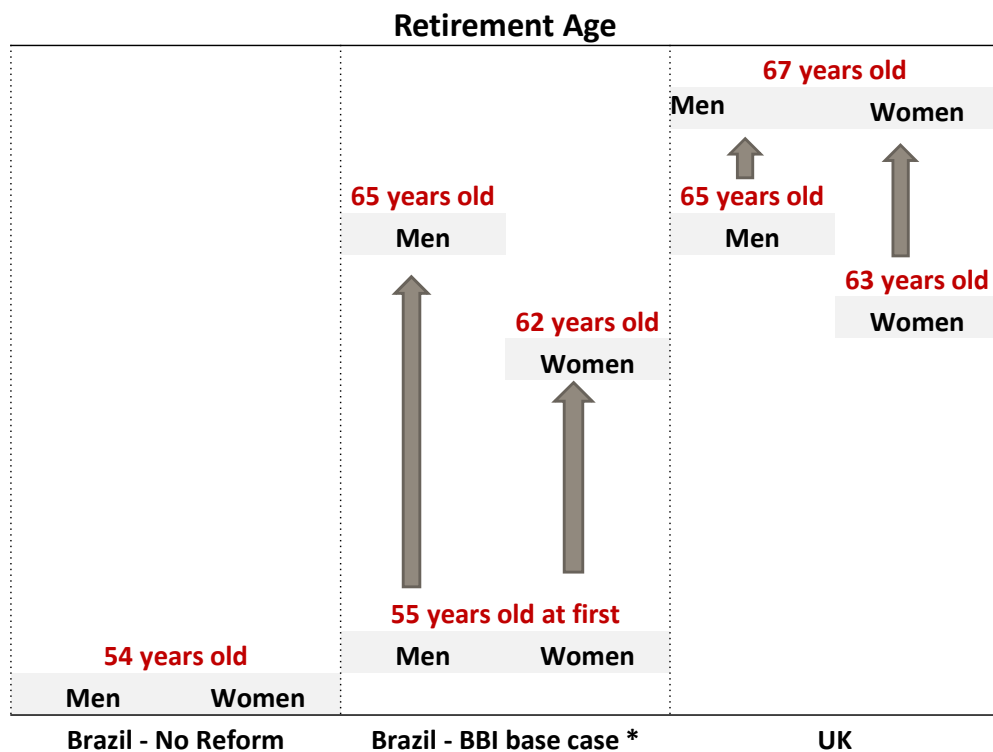
Reform agenda on track

Current government recently approved reforms

- **New labor market law**
 - ✓ Reduces costs for companies
- **Government spending discipline**
 - ✓ New law says it cannot grow above a certain level
- **New rules for the development bank**
 - ✓ Curb excessive subsidies
- **Privatization Plans**
 - ✓ More efficiency, more investment
- **Pension Reform (yet to be voted)**
 - ✓ Necessary due to the aging of the Brazilian population

Source: J.P. Morgan Asset Management. Data as of September 2017

Social security – a growing expense to the government



Brazil spends 13% of its GDP on pension – similar to the percentage in southern European countries, which have far older populations.



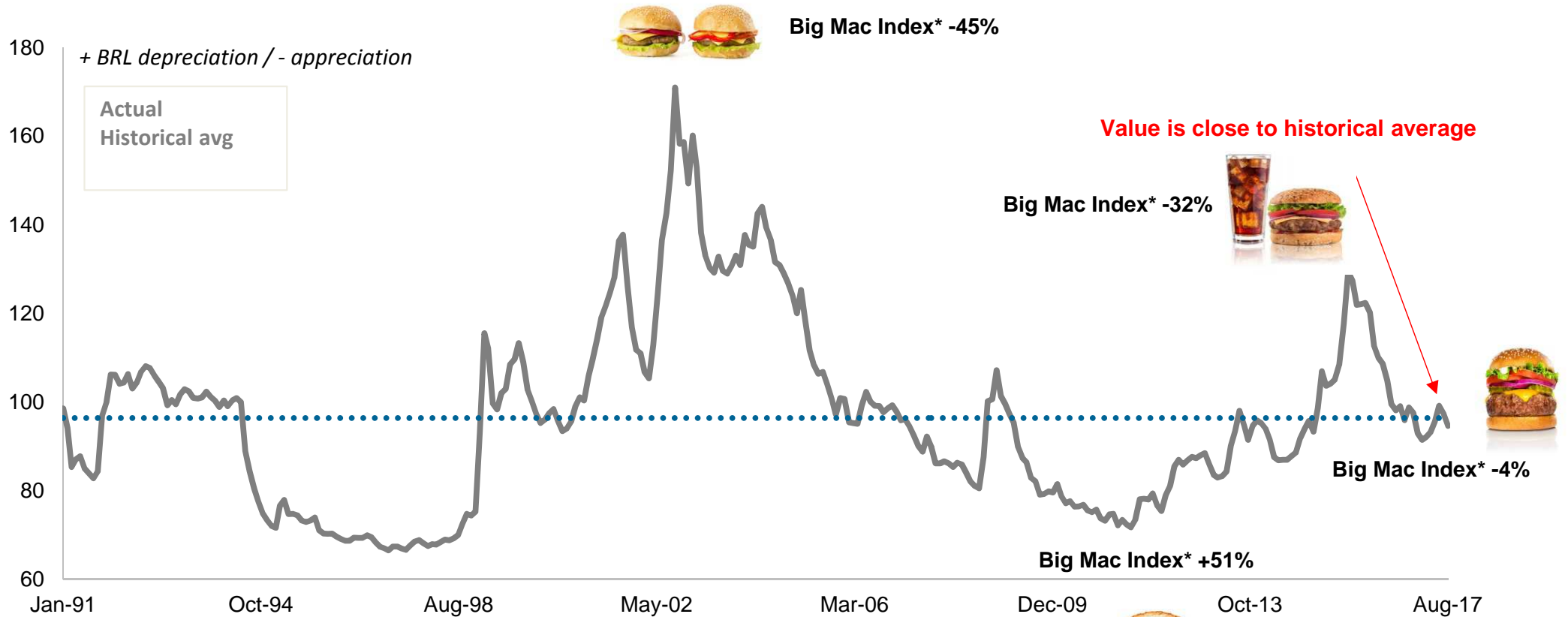
In many cases, state workers are able to retire in their 50s on 100% of their average salary; and Brazilians retire at an average age of 54.

In the UK, the idea of the state pension delivering 100% of average salary is a dream.

Source: Bradesco. Publications listed. The facts above are shown for illustrative purposes only.

The Real is not cheap nor expensive

Multilateral Real Exchange Rate



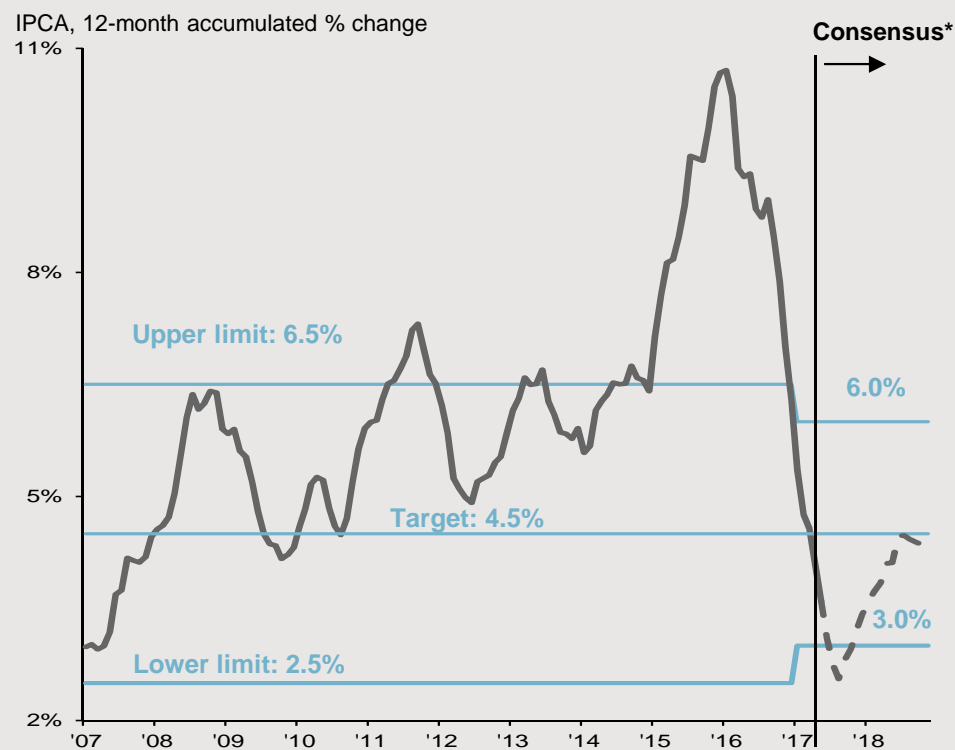
*The Big Mac Index measures if a country is under or over valued against the dollar (positive numbers indicates over-valuation and negative numbers the opposite).

Source: Itau, BCB. Data as of August 2017. Images from Shutterstock

Inflation and rates – a trend in the right direction

Lowest interest rates on record to boost economic activity

Inflation targeting and inflation



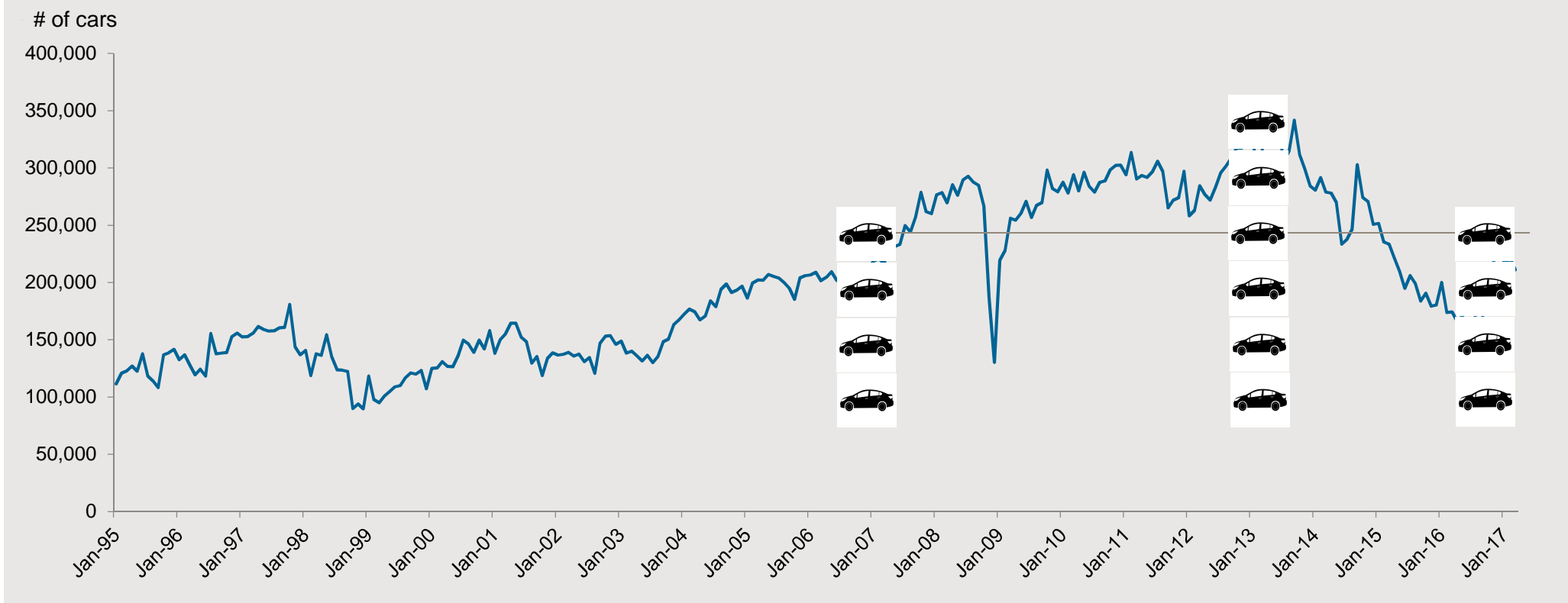
Selig Rate



Source: : (Left) Central Bank of Brazil, IBGE (Brazilian Statistics and Geography Institute), J.P. Morgan Asset Management. Target inflation bands set by Central Bank of Brazil. *Focused survey conducted by Central Bank of Brazil. Data as of June 30th, 2017 (Right) Itau, IBGE, BCB.

Investment – pick up in production but only back to 2007

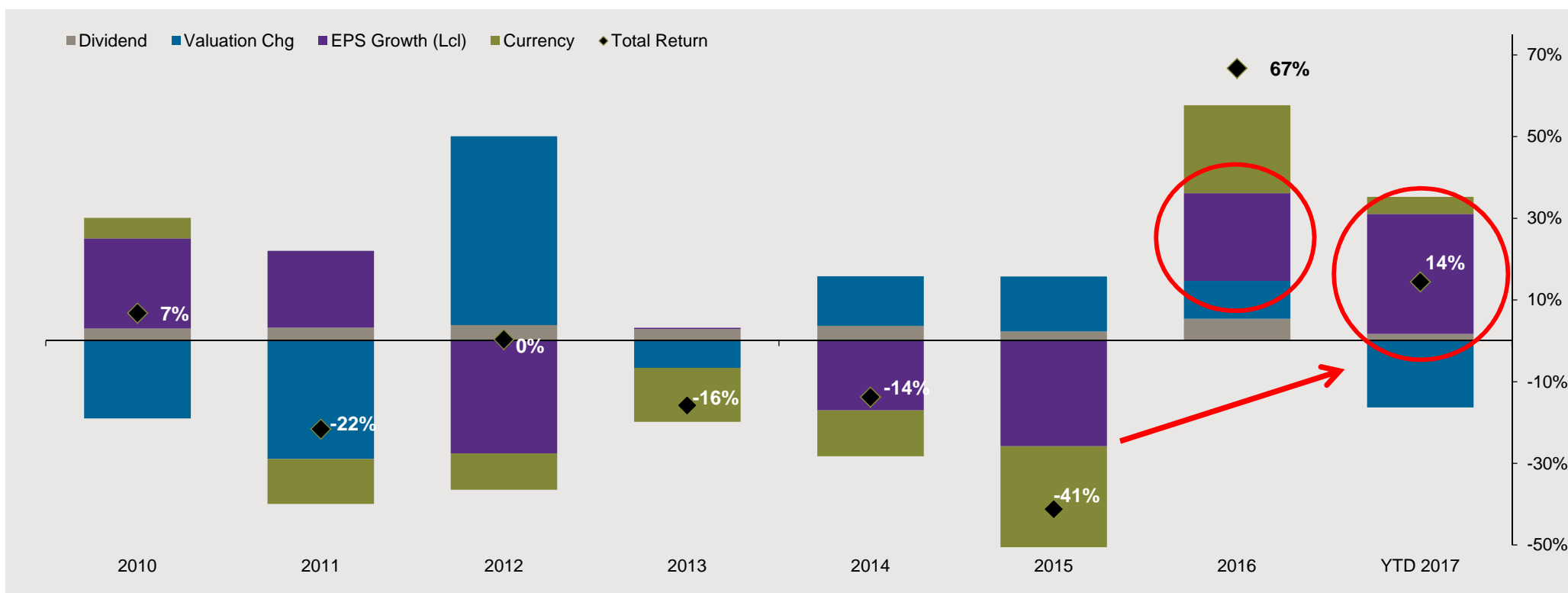
Auto production (monthly)



Source: J.P. Morgan Securities. Data as of May 31st, 2017.

Brazilian companies' earnings are improving

Brazil: Sources of total returns



Source: Factset, J.P. Morgan Asset Management, Data as of July 31, 2016. Past performance is not necessarily a reliable indicator for current and future performance.

How are we positioned?

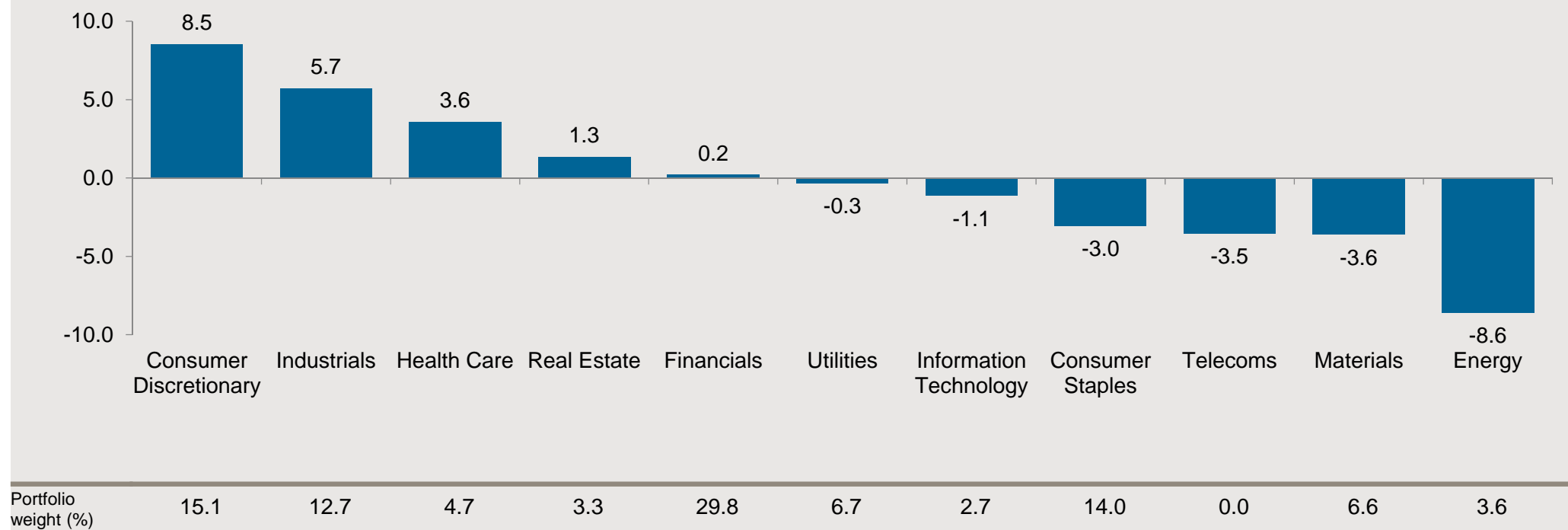
JPMorgan Brazil Investment Trust plc as of 31st July 2017

Benchmark

MSCI Brazil 10/40 Total Return (Net) Index

Active and absolute sector positions

Relative to benchmark (%)



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.

Stock example: BRF (Brazil, consumer staples)

Strategic Classification: Trading

Economics

- High exposure to commodities prices (~20% COGS is corn and soy)
- Volatile operating margins and EPS
- Subpar returns (average ROE between 2010 and 2016: 8.8%)

Duration

- Sanitary risks (~52% of sales are exports)
- High market share (+50% in most of the categories where it is present) has not guaranteed the entrance of new competitors (especially in the low income segment)

Governance

- High turnover of the management team in the last three years
- No controlling group. The largest shareholders are Petros (11.4%), Previ (10.6%), Tarpon (8.5%), GIC (6.4%) and Abilio Diniz (3.9%)
- Listed on the Novo Mercado

BRF is the largest poultry producer in Brazil



Source: Company website and annual reports. Data as of September 2017. Image from Shutterstock. EPS = Earnings per share. ROE = Return on equity. COGS = Cost of goods sold. The companies/securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. J.P. Morgan Asset Management may or may not hold positions on behalf of its clients in any or all of the aforementioned securities.

Stock example: Itaú (Brazil, financials)

Strategic Classification: Quality

Economics

- Resilient franchise delivered 20%+ ROEs through three years of recession
- Strong fee generation and low sensitivity to interest rate volatility

Duration

- Penetration is low for most financial products.
- Policy changes means state lenders like BNDES in retreat
- Oligopolistic banking market, especially for retail

Governance

- Dual share class gives control to minority shareholder group
- Excellent track record of engagement with investors and focus on value creation

Largest financial institution in Latin America by market capitalisation.



Source: Company website and annual reports. Data as of August 2016. Image from Shutterstock. ROE = Return on Equity
The companies/securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell.
J.P. Morgan Asset Management may or may not hold positions on behalf of its clients in any or all of the aforementioned securities.

Stock example: Fleury (Brazil, health care)

Strategic Classification: Quality

Economics

- Strong cash flow generation and balance sheet (net debt/ ebitda < 1x)
- Attractive and improving returns (2017 ROE: 20% → 2022E: 26%)

Duration

- Secular growth story: leveraging on the ongoing demographic change in Brazil, with people aging and become increasingly health conscious
- Consolidation opportunity: fragmented sector (top 5 players account for 25% of the market sales), with many opportunities for well-established and managed players like Fleury
- Strong brand: The best and most trusted brand in the Brazilian market. Leader in the premium segment

Governance

- Listed on the Novo Mercado
- Experienced management team with solid corporate governance

One of the leading businesses in the Brazilian healthcare industry, offering integrated services and solutions in diagnostic medicine.



Source: Company website and annual reports. Data as of September 2017. Images from Shutterstock. EBITDA = Earnings before interest, tax, depreciation and amortization. ROE = Return on equity. The companies/securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. J.P. Morgan Asset Management may or may not hold positions on behalf of its clients in any or all of the aforementioned securities.

Conclusion

- The crisis reaches unsustainable levels. A new critical phase of action.
- **Reforms** are not optional regardless of who is the President
- **Inflation** has dropped and **interest rates** have followed to levels that are **all time lows**
- The currency is no longer overvalued
- Companies have **enough capacity** to grow and have optimized their operations
- The **consumer** is improving and **healthier**. **Investment** showing signs of **recovery** and should help pave the way for economic growth.
- The economic path is likely to be a difficult one, so we continue to prefer **quality** and **domestically-oriented** stocks with **good long-term growth** prospects irrespective of the impact of short-term economic conditions

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

Appendix

Investment objective and risk profile

JPMorgan Brazil Investment Trust plc

Fund objective

- Aims to generate total returns, primarily in the form of capital, from a portfolio primarily invested in Brazilian focused companies. The Company may also invest up to 10% in companies in other Latin American countries. Equity holdings may be reduced to a minimum of 60% of gross assets if it is considered beneficial to performance.

Risk profile

- Exchange rate changes may cause the value of underlying overseas investments Exchange to go down as well as up.
- Investments in emerging markets may involve a higher element of risk due to Investments 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 shortshare shortterm price fluctuations. term
- External factors may cause an entire asset class to decline in value. Prices and External values of all shares or all bonds could decline at the same time, or fluctuate in response to the performance of individual companies and general market conditions.
- This trust may utilise gearing (borrowing) which will exaggerate market This movements both up and down.
- This trust may also invest in smaller companies which may increase its risk profile.
- The share price may trade at a discount to the Net Asset Value of the company.
- The single market in which the Trust primarily invests, in this case Brazil, may be The subject to particular political and economic risks and, as a result, the trust may be more volatile than more broadly diversified trusts.
- Investors should be aware that there is a Brazilian Presidential Decree in force, as Investors amended from time to time, detailing the current IOF tax rate (Tax on Financial Operations), that applies to foreign exchange inflows and outflows. The application of the IOF tax may reduce the Net Asset Value per share.

J.P. Morgan Asset Management

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

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

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

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

f87682d0-96db-11e7-8a18-005056960c63