

JPMorgan Russian Securities plc

Half Year Report & Financial Statements for the six months ended 30th April 2018



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Features

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 UK listed closed-ended investment funds (including investment trusts).

Benchmark

The RTS Index in sterling terms (RTS).

Capital Structure

At 30th April 2018, the Company's share capital comprised 51,035,669 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.

Discount Control

Subject to market conditions, the Board will buy back at least 6.0% of its issued share capital per annum.

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 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 2018 (INCLUDES DIVIDENDS REINVESTED)

+1.1%

Return to shareholders¹

+2.2%

Return on net assets²

+0.6%

Benchmark return^{1,3}

Financial Data

	6 months to 30th April 2018	12 months to 31st October 2017	% change
Total net assets (£'000)	296,770	300,361	-1.2
Number of shares in issue	51,035,669	52,262,112	
Net asset value per share	581.5p	574.7p	+1.2 ⁴
Share price	491.0p	491.5p	-0.1 ⁵
Share price discount to net asset value per share	15.6%	14.5%	
Revenue return per share	4.22p	23.97p	
Net cash	0.8%	2.1%	
Ongoing charges	1.34%	1.33%	

¹ Source: Morningstar.

² Source: Morningstar/J.P. Morgan, using cum income net asset value per share.

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

⁴ % change, excluding dividends paid. Including dividends, the return would be +2.2%.

⁵ % change, excluding dividends paid. Including dividends, the return would be +1.1%.

A glossary of terms and alternative performance measures is provided on page 17.

Historic Dividends

	Pence per Share				
	2013	2014	2015	2016	2017
Interim	–	–	–	6.00	15.00
Final	15.30	13.00	17.00	8.00	6.00
Total	15.30	13.00	17.00	14.00	21.00

About the Company

CHAIRMAN'S STATEMENT



Performance

It has been a difficult six months for investors in Russia. When I wrote my Chairman's statement for the Annual Report last January I referred to the political risk but I do not think that anyone would have anticipated the extent to which relationships between the West and Russia deteriorated over the next few months. However what I said at that time about the economy in Russia continuing to grow remains true and the Company is invested in companies with strong balance sheets, able to support substantial dividend payouts.

During the six months ended 30th April 2018 the Company's net asset value on a total return basis increased 2.2% and the Company's return to shareholders on a total return basis was positive 1.1% over the period. It is pleasing that both these measures were ahead of the Company's benchmark (RTS index) which returned 0.6% on a total return basis. The Company's discount to net asset value has remained disappointingly wide and was slightly higher at the end of the period at 15.6% (at the end of the Company's last financial year the discount was 14.5%). The average discount over the period was 13.8%. However, this is not surprising given the increasing sanctions against Russia and political tensions that persist between Russia and many other major nations.

Russia's international relations with the United States and European governments have fallen to a new low during the period, as demonstrated by the repatriation of embassy staff following alleged Russian government involvement in the poisoning of a former Russian spy and his daughter in the UK in March. Relations soured further with allegations that Russian backed Syrian military launched a chemical attack on Syrian civilians in a suburb of Damascus. The United States reacted to these events by introducing further economic sanctions on Syrian sites suspected of being involved with chemical weapons.

As referred to in the Company's announcement on the 13th April 2018, the only holding in the Company's portfolio directly impacted by the new sanctions was United Company Rusal, a major aluminium producer. This investment represented approximately 1% of the Company's portfolio, and in compliance with the sanctions, the forced disposal of Rusal cost the Company 0.52% in performance terms.

Although at the time of writing there have been no further major incidents, it is clear that events have the potential to escalate. This could give rise to further economic sanctions against Russia that adversely affect Russian companies and the market and hence potentially the Company's performance. JPMorgan Asset Management's compliance function monitors the Company's investments and provides assurances of compliance with the current sanctions regime. In addition JPMorgan and the Board closely monitor both economic and political risks to the Company.

The Investment Managers Report includes further comment on the economic and political impacts on the Russian market.

Discount Control

The Board's objective remains to use the share repurchase authority to assist in managing any imbalance between supply and demand for the Company's shares, thereby reducing the volatility of the discount. During the period the discount ranged from 10.7% to 17.6%. Following discussion with the Company's major shareholders during the period, the Board has agreed that, subject to market conditions, it will increase its buy back activity with a view to buying back at least 6.0% of its issued share capital per annum. During the course of the six month period 1,226,443 shares were bought back, approximately 2.4% of the Company's issued share capital at 30th April 2018. The average discount at which these

CHAIRMAN'S STATEMENT *CONTINUED*

shares were bought back was 13.8% and these buybacks represented approximately 18.0% of traded market volume during the period in which they were undertaken.

It is hoped that this buy back strategy will have the effect of gradually stabilising and narrowing the discount at which the Company trades. The policy was initiated in January and since that time the political turmoil has been such that it is no surprise the discount remains wider than we would like it to be.

Revenue, Earnings and Dividend

Revenue for the six month period to 30th April 2018 after taxation was £2,188,000 (2017: £1,460,000) and the return per share, calculated on the basis of the average number of shares in issue was 4.22 pence (2017: 2.79 pence) per share.

The Company's current income forecast for the year indicates continuing growth in dividend income. Following the pattern of the previous year, the Company's interim dividend is expected to be considered by the Board for declaration in September 2018 and is 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 Annual General Meeting for payment in March 2019.

Investment Manager

Oleg Biryulyov and Habib Saikaly continue to be the Company's Investment Managers supported by JPMorgan Asset Management's Emerging Markets and Asia Pacific equities team (EMAP), which consists of approximately 100 investment professionals. This strength and depth is one of the advantages of having the fund managed by a major investment house such as JPMorgan Asset Management. The Board reviews the performance of the Investment Managers each year and works pro-actively with the house to improve all aspects of the running of the Company.

The Investment Managers have maintained a consistent approach to investing in well managed companies with strong balance sheets. They continue 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 or inflation. The price of oil is a major determining factor for the Russian economy and a recent increase in tensions in the Middle-East has contributed to a rising oil price. The recent rise in the price of oil is yet to be reflected in the performance of the Russian market. For those prepared to ride out this time of heightened tension the underlying investment case for investing in Russia remains strong.

Gill Nott
Chairman

15th June 2018

INVESTMENT MANAGERS' REPORT



Market review and performance

During the six months under review, the Company's net asset value was up 2.2% on a total return basis, and the return to shareholders was 1.1% in sterling terms. This resulted in the Company outperforming its benchmark, the RTS Index, by 1.6% on a net asset value total return basis.

The Russian market started the period strongly supported by rising oil prices and the Central Bank further cutting interest rates, a trend which has continued against the tide of global tightening. In February, S&P upgraded Russian debt to investable rating amid signs of an improving economic outlook. However the U.S. announcement of sanctions in April was a surprise and hit the market hard. April saw Russia as one of the weakest markets globally, negatively impacted by currency losses following the imposition of additional U.S. sanctions.

As the uncertainty surrounding further sanctions reduces, the stronger oil price is proving supportive for the economy and dividend payouts are continuing on the positive trend highlighted in the Company's previous annual report.

Post reporting period, on 7th May, Vladimir Putin was inaugurated as President for another six years as anticipated.



Portfolio positioning

We actively manage your portfolio and continue to build up internal research capabilities and a growing team of professional analysts with deep expertise in emerging markets and Russia/Commonwealth of Independent States (CIS) markets.

In terms of portfolio activity, we would highlight that:

During the period we took profits from energy names Tatneft and Gazprom, and also Sberbank on the back of share price strength. We continued to trim our position in Evraz, a multinational vertically integrated steel making and mining company, taking advantage of strong performance.

With regards to additions:

We bought Norilsk Nickel, a palladium and nickel mining and smelting company. The weaker ruble and stronger metals prices made this stock more attractive.

We also initiated a position in Surgutneftgaz, an oil and gas company. We view this company as a compelling opportunity given their significant USD cash reserves and strong balance sheet.

Our energy holdings are relatively high as we continue to see a better outlook for energy prices and dividend stories there.

On the positive side, we gained from our positions in:

Magnit - our recent move to underweight exposure in Magnit, Russia's largest retailer, contributed to relative returns, as the stock fell sharply following the abrupt departure of founding CEO Sergey Galitskiy, and the impact of several macro factors, such as a lack of food price inflation, subdued disposable income growth, and elevated competition.

Sberbank - The company reported strong preliminary results for 2017, boosted by solid net-interest-margin (NIM) performance, continuing mortgage growth, strong deposit inflows and a seasonal decline in the corporate loan book. We are encouraged by the long-term investment opportunity that Sberbank offers, and the company's investor day in December reaffirmed our view.

INVESTMENT MANAGER'S REPORT *CONTINUED*

In a similar vein, our lack of exposure to VTB contributed. The company struggled in a low interest rate, low volatility environment. As a reminder, we do not own this company due to capital allocation concerns, preferring the quality and market leadership of Sberbank.

Evrz, a steel and mining company, has been a beneficiary of the rally in coal prices and a turnaround in the steel industry, which has been driven the supply reforms in the Chinese steel market.

Notable stock-level detractors were:

Rusal - the company was specifically targeted by the new sanctions, requiring US investors to divest of all assets related to the company by 7th May. It was clearly very difficult to dispose of the stock but we did so to comply with these restrictions.

Sollers - the auto manufacturer fell on the back of news that the board of directors decided not to pay a dividend to its shareholders.

The position in Ros-Agro, an agricultural commodity and food business detracted on the back of weaker-than-expected numbers, as the company continues to be impacted by weakness in sugar prices. We have high conviction in this name for the long term and will continue to hold the stock through this underperformance.

Outlook

The most recent reminder of the risks in this market came in the form of a new round of Russia sanctions announced in April, largely covering companies associated with oligarch Oleg Deripaska. The new sanctions were a surprise to the market in timing and in substance. However, we believe that their impact will be transitory. To us, they are a reminder of the importance of assessing the complete set of risks associated with a particular investment (in emerging markets or elsewhere) and of the importance of diversification. Our portfolio has not been immune to the impact of these sanctions, but we believe well-managed, profitable companies in Russia - will overcome short-term pressures and outperform over time.

While this has had an impact on the broader market, we have held a constructive view on Russian equities based on: (a) orthodox economic policies which have contained fiscal deficits and inflation; (b) a gradual recovery in domestic demand which is supporting corporate earnings; and (c) valuation support from rising dividend payouts and a high dividend yield (which is now above 6%).

An improving domestic economy, backed by earnings growth and rising commodity prices, is supportive for Russian equities, with potential upside coming from stronger investments and the recovery of domestic consumption. The lower level of inflation gives the Central Bank room to support more rate cuts in the next 12-18 months. Additionally, the domestic political outlook is stable following recent presidential elections, although we would expect to see some rotation of specialists in the government and presidential administration.

We continue to believe that Russian equity valuations are supportive for investors who are willing to accept the current level of country risk.

Oleg I. Biryulyov
Habib Saikaly
Investment Managers

15th June 2018

Investment Review

LIST OF INVESTMENTS AT 30TH APRIL 2018

Company	Valuation £'000
Energy	
Gazprom, ADR	45,395
LUKOIL, ADR	30,477
Novatek, GDR	19,160
Rosneft Oil, GDR	18,848
Tatneft ¹	14,496
Nostrum Oil & Gas	4,331
Gazprom Neft	3,205
Volga Gas	1,336
Surgutneftegas ¹	341
	137,589
Materials	
MMC Norilsk Nickel, ADR	20,973
Alrosa	8,892
Novolipetsk Steel, GDR	6,961
Severstal, GDR	5,447
Polyus, GDR	5,225
PhosAgro, GDR	3,286
Magnitogorsk Iron & Steel Works	3,109
Evrax	2,593
Highland Gold Mining	2,303
Polymetal International	1,660
	60,449
Financials	
Sberbank of Russia ¹	36,620
TBC Bank	6,434
Moscow Exchange MICEX-RTS	6,349
	49,403
Real Estate	
LSR, GDR	5,716
Etalon, GDR	4,333
	10,049
Consumer Staples	
Ros Agro, GDR	7,182
X5 Retail, GDR	2,496
	9,678

Company	Valuation £'000
Utilities	
Inter RAO UES	6,666
RusHydro	1,865
	8,531
Health Care	
MD Medical Group Investments, GDR	6,227
	6,227
Industrials	
Globaltruck Management	2,490
OR	2,253
	4,743
Consumer Discretionary	
Sollers	3,042
Detsky Mir	1,415
	4,457
Information Technology	
EPAM Systems	3,378
	3,378
Total Investment Portfolio	294,504

See glossary of terms and alternative performance measures on page 17 for definition of ADR and GDR.

¹ Preference shares.

SECTOR ANALYSIS

	30th April 2018		31st October 2017	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
Energy	46.7	51.4	41.2	46.5
Materials	20.5	16.1	20.5	15.5
Financials	16.8	17.3	21.1	20.8
Real Estate	3.4	–	3.8	0.3
Consumer Staples	3.3	4.5	6.2	5.4
Utilities	2.9	2.9	1.4	3.1
Health Care	2.1	–	2.3	–
Industrials	1.6	1.2	–	1.3
Consumer Discretionary	1.5	0.8	2.4	1.2
Information Technology	1.2	1.4	1.1	1.4
Telecommunication Services	–	4.4	–	4.5
Total	100.0	100.0	100.0	100.0

¹ Based on total investments of £294.5m (2017: £294.1m).

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30TH APRIL 2018

	(Unaudited) Six months ended 30th April 2018			(Unaudited) Six months ended 30th April 2017			(Audited) Year ended 31st October 2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss	–	5,069	5,069	–	17,281	17,281	–	17,750	17,750
Net foreign currency losses	–	(55)	(55)	–	(58)	(58)	–	(42)	(42)
Income from investments	3,102	–	3,102	2,519	–	2,519	15,957	–	15,957
Interest receivable and similar income	17	–	17	8	–	8	23	–	23
Gross return	3,119	5,014	8,133	2,527	17,223	19,750	15,980	17,708	33,688
Management fee	(313)	(1,253)	(1,566)	(305)	(1,219)	(1,524)	(598)	(2,391)	(2,989)
Other administrative expenses	(395)	–	(395)	(365)	–	(365)	(1,017)	–	(1,017)
Net return on ordinary activities before finance costs and taxation	2,411	3,761	6,172	1,857	16,004	17,861	14,365	15,317	29,682
Finance costs	–	(1)	(1)	–	–	–	–	–	–
Net return on ordinary activities before taxation	2,411	3,760	6,171	1,857	16,004	17,861	14,365	15,317	29,682
Taxation (charge)/credit	(223)	–	(223)	(397)	237	(160)	(1,822)	–	(1,822)
Net return on ordinary activities after taxation	2,188	3,760	5,948	1,460	16,241	17,701	12,543	15,317	27,860
Return per share (note 3)	4.22p	7.24p	11.46p	2.79p	31.03p	33.82p	23.97p	29.27p	53.24p

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 2018

	Called up share capital £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserves ¹ £'000	Revenue reserve ¹ £'000	Total £'000
Six months ended 30th April 2018 (Unaudited)						
At 31st October 2017	523	78	46,838	245,854	7,068	300,361
Repurchase and cancellation of the Company's own shares	(12)	12	(6,420)	–	–	(6,420)
Net return on ordinary activities	–	–	–	3,760	2,188	5,948
Dividend paid in the period (note 4)	–	–	–	–	(3,119)	(3,119)
At 30th April 2018	511	90	40,418	249,614	6,137	296,770
Six months ended 30th April 2017 (Unaudited)						
At 31st October 2016	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 (note 4)	–	–	–	–	(4,187)	(4,187)
At 30th April 2017	524	77	47,204	246,778	3,825	298,408
Year ended 31st October 2017 (Audited)						
At 31st October 2016	524	77	47,204	230,537	6,552	284,894
Repurchase and cancellation of the Company's own shares	(1)	1	(366)	–	–	(366)
Net return on ordinary activities	–	–	–	15,317	12,543	27,860
Dividends paid in the year (note 4)	–	–	–	–	(12,027)	(12,027)
At 31st October 2017	523	78	46,838	245,854	7,068	300,361

¹ 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 2018

	(Unaudited) 30th April 2018 £'000	(Unaudited) 30th April 2017 £'000	(Audited) 31st October 2017 £'000
Fixed assets			
Investments held at fair value through profit or loss	294,504	297,491	294,066
Current assets			
Derivative financial assets	1	–	–
Debtors	1,659	377	5,145
Cash and cash equivalents	1,789	3,020	1,281
	3,449	3,397	6,426
Current liabilities			
Creditors: amounts falling due within one year	(1,183)	(2,480)	(131)
Net current assets	2,266	917	6,295
Total assets less current liabilities	296,770	298,408	300,361
Net assets	296,770	298,408	300,361
Capital and reserves			
Called up share capital	511	524	523
Capital redemption reserve	90	77	78
Other reserve	40,418	47,204	46,838
Capital reserves	249,614	246,778	245,854
Revenue reserve	6,137	3,825	7,068
Total shareholders' funds	296,770	298,408	300,361
Net asset value per share (note 5)	581.5p	570.2p	574.7p

STATEMENT OF CASH FLOWS
 FOR THE SIX MONTHS ENDED 30TH APRIL 2018

	(Unaudited) Six months ended 30th April 2018 £'000	(Unaudited) Six months ended 30th April 2017 £'000	(Audited) Year ended 31st October 2017 £'000
Net cash outflow from operations			
before dividends and interest (note 6)	(2,007)	(1,879)	(4,030)
Dividends received	3,426	2,350	13,540
Interest received	17	8	23
Overseas tax paid	–	(52)	(53)
Interest paid	(1)	–	–
Net cash inflow from operating activities	1,435	427	9,480
Purchases of investments	(40,515)	(64,283)	(101,778)
Sales of investments	48,845	65,992	100,857
Settlement of forward currency contracts	(9)	(26)	(26)
Net cash inflow/(outflow) from investing activities	8,321	1,683	(947)
Repurchase and cancellation of the Company's own shares	(6,142)	–	(364)
Dividends paid	(3,108)	(4,187)	(12,038)
Net cash outflow from financing activities	(9,250)	(4,187)	(12,402)
Increase/(decrease) in cash and cash equivalents	506	(2,077)	(3,869)
Cash and cash equivalents at start of period/year	1,281	5,150	5,150
Exchange movements	2	(53)	–
Cash and cash equivalents at end of period/year	1,789	3,020	1,281
Increase/(decrease) in cash and cash equivalents	506	(2,077)	(3,869)
Cash and cash equivalents consist of:			
Cash and short term deposits	519	3,020	253
Cash held in JPMorgan US Dollar Liquidity Fund	1,270	–	1,028
Total	1,789	3,020	1,281

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH APRIL 2018

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 2017 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 February 2018.

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 2018.

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 2017.

3. Return per share

	(Unaudited) Six months ended 30th April 2018 £'000	(Unaudited) Six months ended 30th April 2017 £'000	(Audited) Year ended 31st October 2017 £'000
Return per share is based on the following:			
Revenue return	2,188	1,460	12,543
Capital return	3,760	16,241	15,317
Total return	5,948	17,701	27,860
Weighted average number of shares in issue	51,899,865	52,337,112	52,325,194
Revenue return per share	4.22p	2.79p	23.97p
Capital return per share	7.24p	31.03p	29.27p
Total return per share	11.46p	33.82p	53.24p

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

4. Dividends paid

	(Unaudited) Six months ended 30th April 2018 £'000	(Unaudited) Six months ended 30th April 2017 £'000	(Audited) Year ended 31st October 2017 £'000
2017 final dividend of 6.0p (2016: 8.0p)	3,119	4,187	4,187
2017 interim dividend of 15.0p	–	–	7,840
Total dividends paid in the period/year	3,119	4,187	12,027

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

The 2018 interim dividend is expected to be payable in October 2018.

5. Net asset value per share

	(Unaudited) Six months ended 30th April 2018	(Unaudited) Six months ended 30th April 2017	(Audited) Year ended 31st October 2017
Net assets (£'000)	296,770	298,408	300,361
Number of shares in issue	51,035,669	52,337,112	52,262,112
Net asset value per share	581.5p	570.2p	574.7p

6. Reconciliation of net return on ordinary activities before finance costs and taxation to net cash outflow from operations before dividends and interest

	(Unaudited) Six months ended 30th April 2018	(Unaudited) Six months ended 30th April 2017	(Audited) Year ended 31st October 2017
Net Return on ordinary activities before finance cost and taxation	6,172	17,861	29,682
Less capital return on ordinary activities before finance cost and taxation	(3,761)	(16,004)	(15,317)
Decrease/(increase) in accrued income and other debtors	564	69	(534)
Decrease in accrued expenses	(14)	(21)	(2)
Management fee charged to capital	(1,253)	(1,219)	(2,391)
Overseas withholding tax	(223)	(228)	(1,889)
Dividends received	(3,426)	(2,350)	(13,540)
Interest received	(17)	(8)	(23)
Realised (loss)/gain on foreign exchange transactions	(96)	121	(78)
Realised gain/(loss) on liquidity fund	47	(100)	62
Net cash outflow from operations before dividends and interest	(2,007)	(1,879)	(4,030)

7. Fair valuation of investments

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

	(Unaudited) Six months ended 30th April 2018		(Unaudited) Six months ended 30th April 2017		(Audited) Year ended 31st October 2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	294,504	–	297,491	–	294,066	–
Total value of investments	294,504	–	297,491	–	294,066	–

Interim Management Report

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 2017.

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 2018 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 2018

Shareholder Information

GLOSSARY OF TERMS AND AND ALTERNATIVE PERFORMANCE MEASURES ('APMs')

Return to Shareholders (APM)

Total return to the shareholder, 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.

Total return calculation	Page	6 months ended 30th April 2018	
Opening share price as at 31st October 2017 (p)	2	491.5	
Closing share price as at 30th April 2018 (p)	2	491.0	(a)
Reinvestment of dividend paid during the financial year			
Final dividend (p)	2	6.0	(b)
Share price on ex-dividend date 8th February 2018		521.0	(c)
Total dividend adjustment factor (d = b / c + 1)		1.011516	(d)
Adjusted closing share price (e = a x d)		496.7	(e)
Total return to shareholder		1.1%	

Return on Net Assets (APM)

Total return on net asset value ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested, into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

Total return calculation	Page	6 months ended 30th April 2018	
Opening cum-income NAV per share as at 31st October 2017 (p)	2	574.7	
Closing cum-income NAV per share as at 30th April 2018 (p)	2	581.5	(a)
Reinvestment of dividend paid during the financial year			
Final dividend (p)	2	6.0	(b)
Cum-income NAV per share on ex-dividend date 8th February 2018		593.2	(c)
Total dividend adjustment factor (d = b / c + 1)		1.010115	(d)
Adjusted closing cum-income NAV per share (e = a x d)		587.4	(e)
Total return on net assets		2.2%	

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 does not 'track' this index.

GLOSSARY OF TERMS AND AND ALTERNATIVE PERFORMANCE MEASURES ('APMs') CONTINUED

Gearing/Net Cash (APM)

Gearing represents the excess amount above shareholder's 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.

Gearing calculation	Page	30th April 2018 £'000	31st October 2017 £'000	
Investments held at fair value through profit or loss	11	294,504	294,066	(a)
Net assets	11	296,770	300,361	(b)
Gearing/(net cash) (c = a / b - 1)		(0.8%)	(2.1%)	(c)

Ongoing Charges (APM)

The ongoing charges represents the Company's management fee and all other operating expenses excluding finance costs payable, expressed as a percentage of the average of the daily cum-income net assets during the year and is calculated in accordance with guidance issued by the Association of Investment Companies. The figure as at 30th April 2018 is an estimated annualised figure based on the numbers for the six months ended 30th April 2018.

Ongoing charges calculation	30th April 2018 £'000	31st October 2017 £'000	
Management fee	3,132	2,989	
Other administrative expenses ¹	1,060	1,017	
Total management fee and other administrative expenses	4,192	4,006	(a)
Average daily cum-income net assets	313,168	301,003	(b)
Ongoing charges (c = a / b)	1.34%	1.33%	(c)

¹ Dividend charges are a significant component of other administrative expenses. The timing of the payment of dividend charges is heavily-weighted towards the second half of the financial year. To ensure greater comparability of ongoing charges across reporting periods, the annualised dividend charges used in the calculation of ongoing charges for the period ended 30th April 2018 is determined as the actual expenditure for the six months to 30th April 2018 plus 50% of the dividend charges for the preceeding year-end audited financial statements.

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

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

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

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

Stocks & Shares Individual Savings Accounts (ISA)

The Company's shares are eligible investments within a J.P. Morgan ISA. For the 2018/19 tax year, from 6th April 2018 and ending 5th April 2019, 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

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.

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

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. 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

Find out more at
www.fca.org.uk/scamsmart



Information about the Company

FINANCIAL CALENDAR

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

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
LEI: 549300113MHI98ZLVH37

Market Information

The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman and on the JPMorgan website at www.jpmmussian.co.uk where the share price is updated every fifteen minutes during trading hours.

Website

www.jpmmussian.co.uk

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. They may also be purchased and held through the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan Junior ISA. These products are all available on the online service at 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.

Depositary

The Bank of New York Mellon (International) Limited
1 Canada Square
London E14 5AL

The Depositary 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

Independent Auditors

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

Brokers

Numis Securities LTD
The London Stock Exchange Building,
10 Paternoster Square,
London, EC4M 7LT

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

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.