



# Fast > Slow

Your opportunity awaits, get ready to score.



## JPMorgan India Top 100 Fund (Open-ended Equity Growth Scheme)

NFO Period: 2<sup>nd</sup> June 2014 to 16<sup>th</sup> June 2014

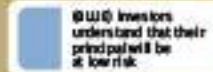
### JPMorgan India Top 100 Fund (Open-ended Equity Growth Scheme)

This product is suitable for investors who are seeking\*:

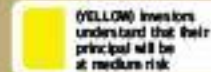
- Long-term capital growth
- Investment in equity and equity-related securities of the top 100 largest companies, by market capitalization, listed in India.
- High risk ■■■ (BROWN).

\* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

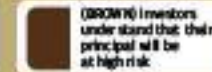
Note: Risk may be represented as:



(BLUE) Investors understand that their principal will be at low risk.



(YELLOW) Investors understand that their principal will be at medium risk.

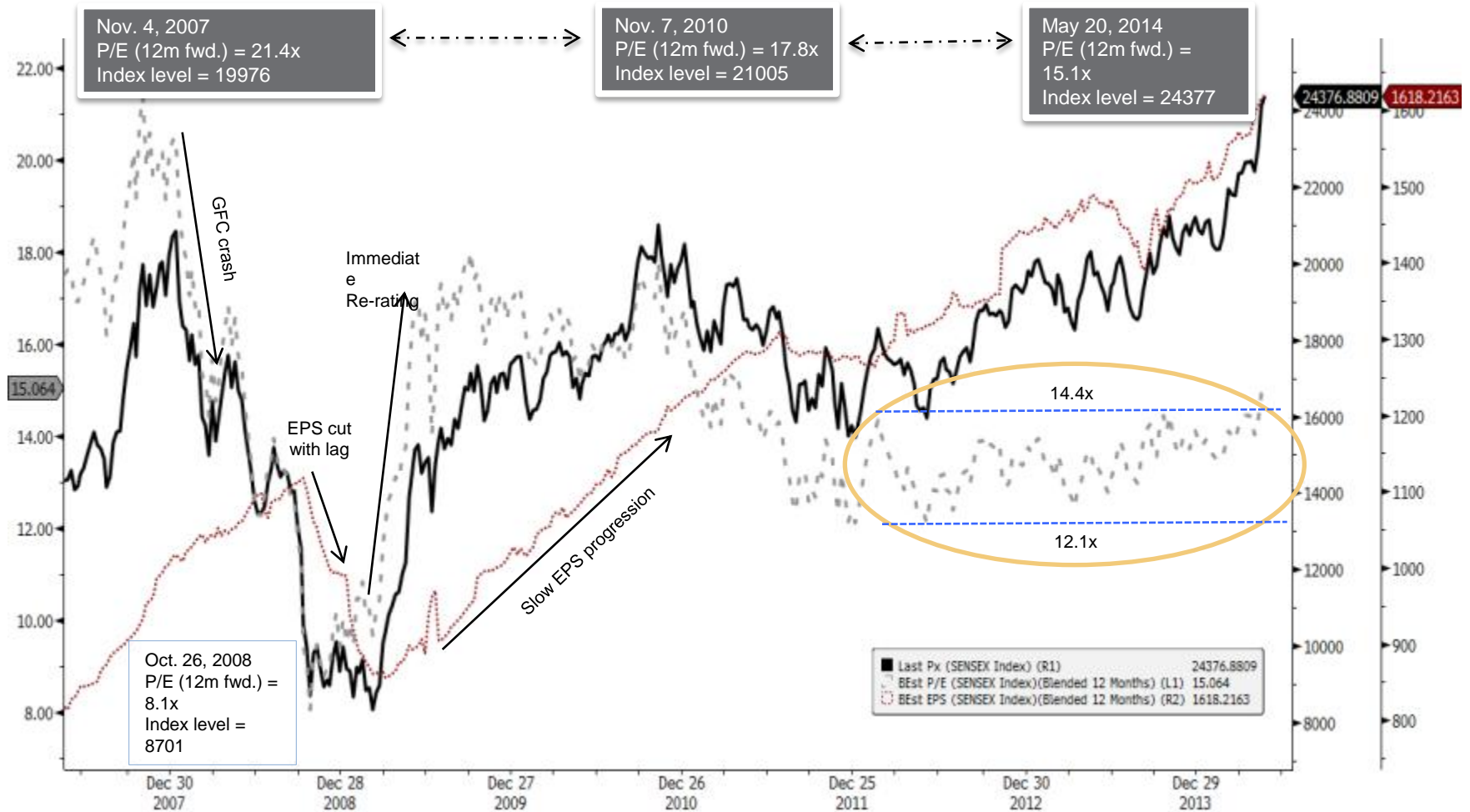


(BROWN) Investors understand that their principal will be at high risk.

**For distributors only. Not for further circulation.**

**J.P.Morgan**  
Asset Management

# What drives markets?



Source: Bloomberg, as of 20<sup>th</sup> May, 2014.

Note: EPS = 1 year forward consolidated consensus estimates

## Let's do a thought experiment

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- FY17 EPS current estimate for Sensex is Rs. 2021
- Long term 1y forward PER average for Sensex is ~14.6 with a standard deviation of ~2.3
- What if market re-rates to 1 standard deviation above mean to 16.9x by FY16 end
- What if market re-rates to 2 standard deviation above mean to 19.2x by FY16 end
- There could also be EPS upgrades starting FY16

## What might be in store for the equity markets?

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### ■ Positives

- Stable, strong, progressive government
- Macro variables might have bottomed out, stability on external front
- FII investors getting interested, domestic investors still predominantly negative- good initial conditions
- Valuations not excessive

### ■ Negatives

- External macro shocks- ‘Risk Off?’
- Policy rates unlikely to fall in a hurry
- The unknown

## Longer term themes: what to expect from the new government?

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### ■ Fiscal

- Prioritizing capital spending over subsidies
- Delegation of more spending power to states
- Move towards fiscal consolidation in the medium term

### ■ Industrial Policy

- Making 'doing business' easy
- Labour intensive manufacturing
- Domestic production of defense equipment

## Longer term themes: what to expect from the new government?

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### ■ Infrastructure

- Railways & roads
- Public & private investment
- Urbanization & low cost housing

### ■ Agriculture

- Improved market access
- Price stabilization fund
- Technical support & irrigation
- Efficiency in procurement, storage & distribution

### ■ Governance

- E-governance
- System based, policy driven
- Performance outcomes over outlays
- Speedy decisions & implementation

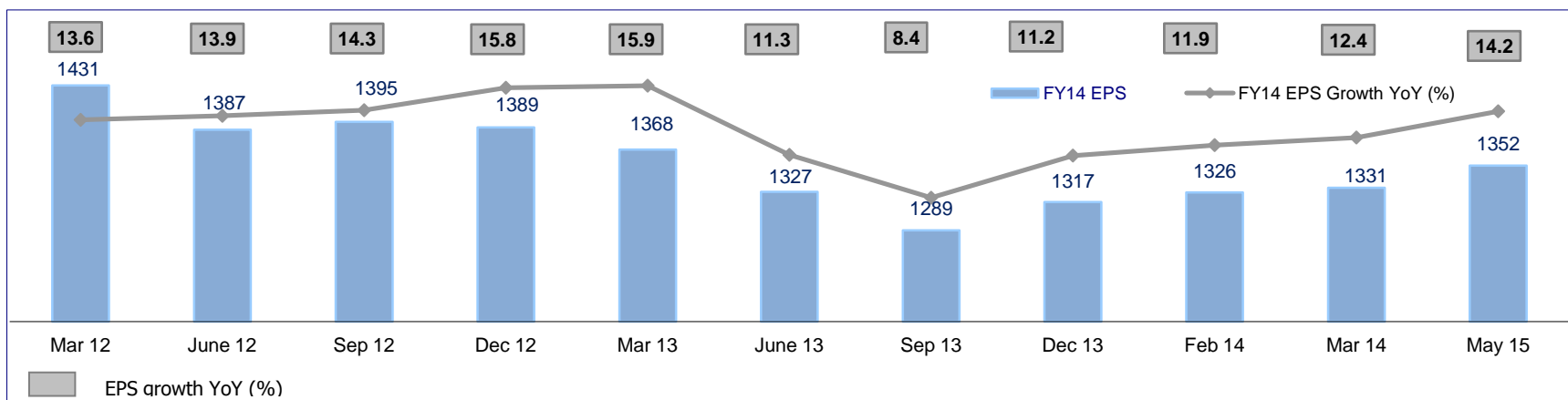
## Longer term themes: what to expect from the new government?

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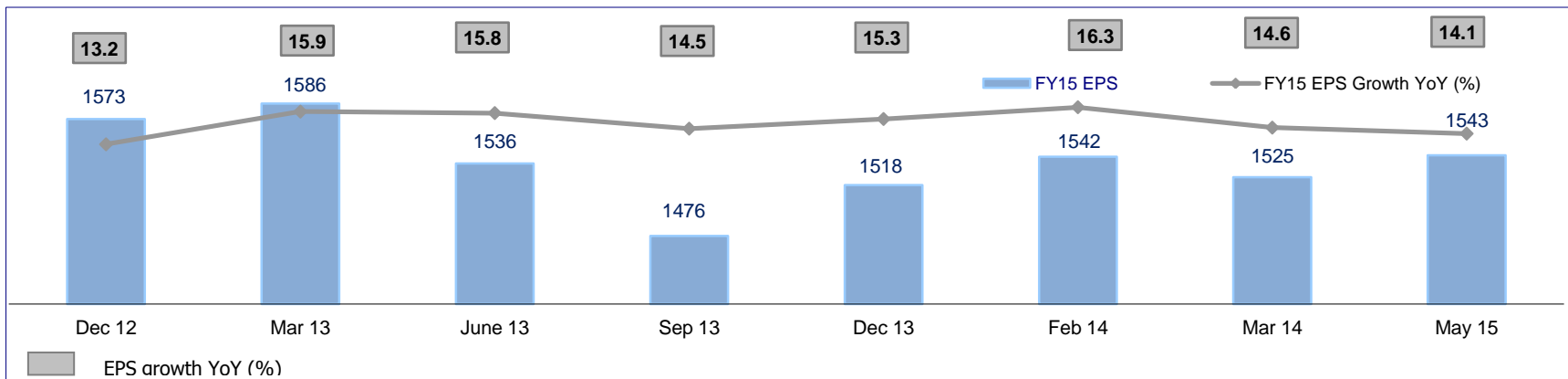
- Diesel subsidy reduction could be a game changer if pursued to logical end
  - Positive from the macro-economic perspective as they address structural problem of oil subsidies
  - Higher and more predictable earnings for state owned oil companies, therefore higher valuation multiples
  
- Dedicated Freight Corridor (DFC) – Force multiplier for Indian Economy
  - DFC with the feeder routes will bring tremendous improvement in connectivity
  - Reduce supply bottlenecks and improve efficiency in the power and manufacturing sector
  
- GST A big structural positive
  - Ensuring availability of input credit across the value chain
  - Simplification of tax administration and compliance
  - Increasing tax base

# Earnings forecasts bottomed out

**FY14 Sensx EPS Revision MOSL Estimates**



**FY15 Sensx EPS Revision MOSL Estimates**

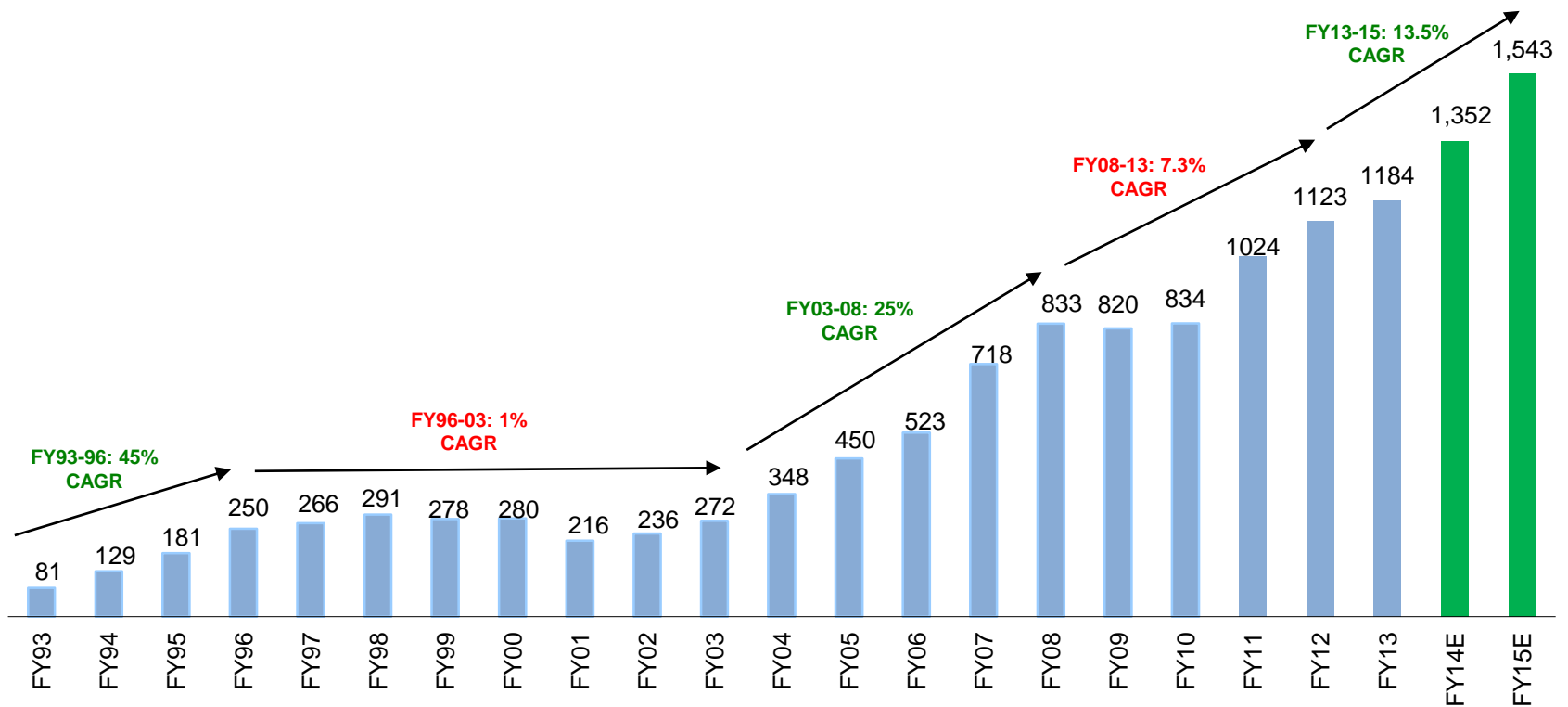


Source: Motilal Oswal Securities Ltd, 23<sup>rd</sup> May 2014



# EPS growth trajectory- modest but accelerating

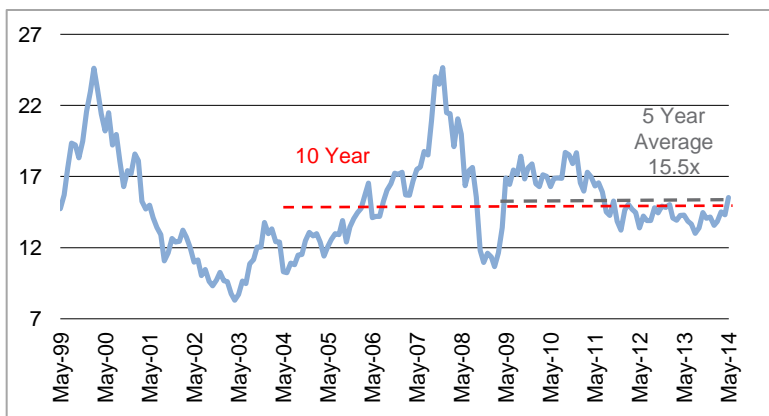
Sensex EPS trend



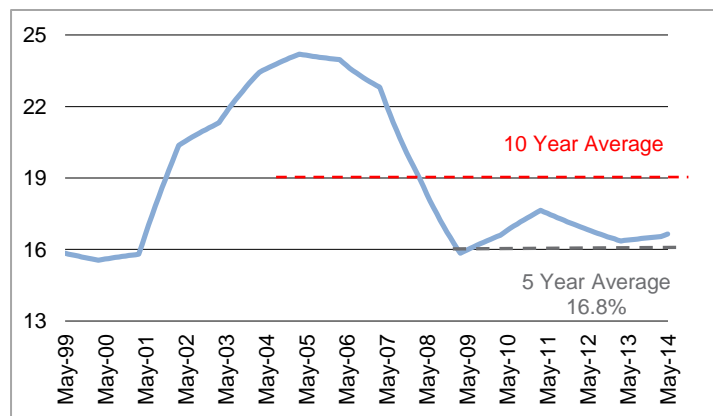
Source: Motilal Oswal Securities Ltd, 23<sup>rd</sup> May 2014

# Valuations – Still reasonable

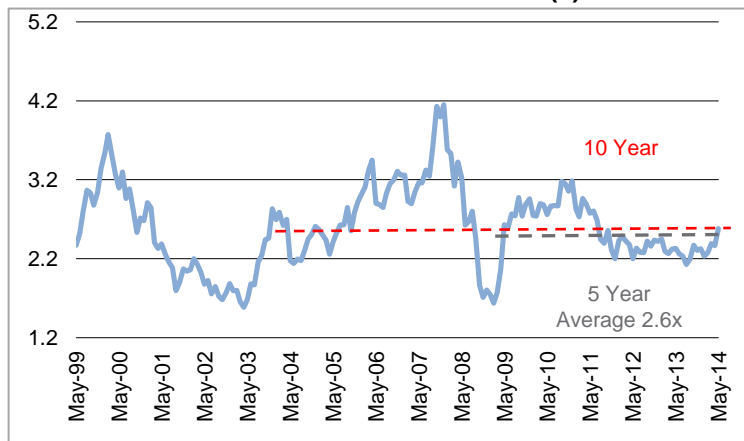
**SENSEX P/E 1 Year Forward (x)**



**SENSEX ROE 1 Year Forward (%)**



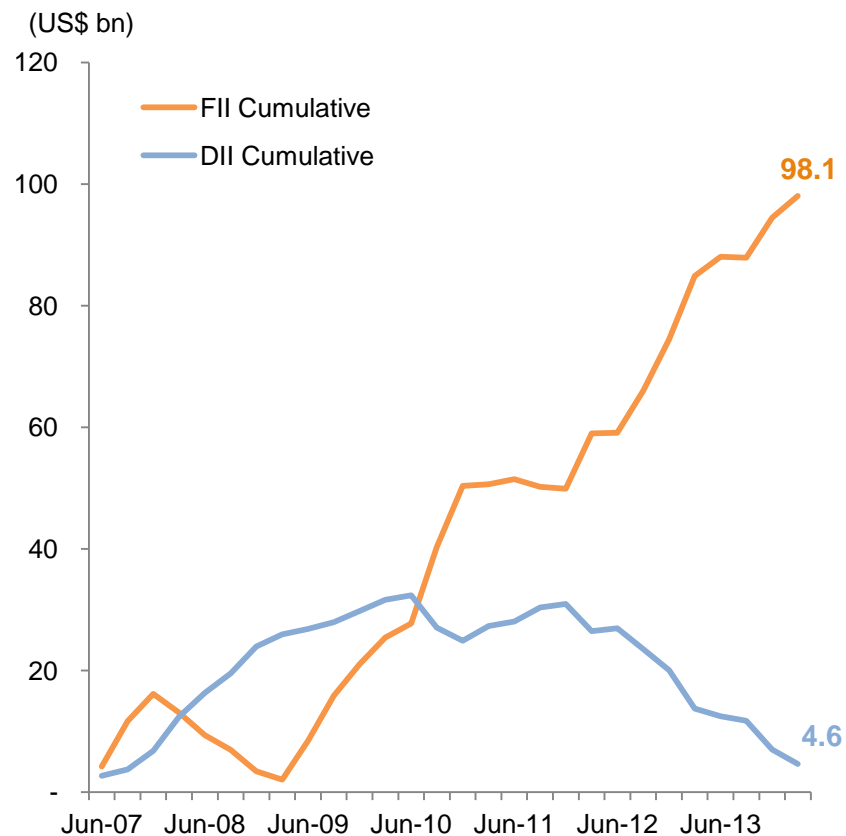
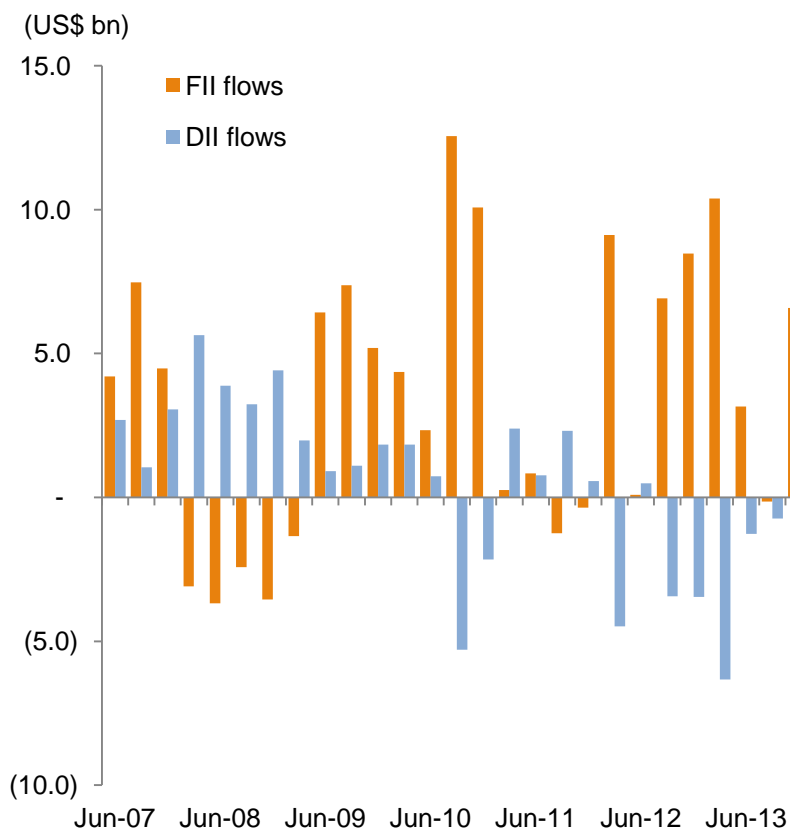
**SENSEX P/B 1 Year Forward (x)**



Source: Motilal Oswal Securities Ltd, 23<sup>rd</sup> May 2014

# What's with the flows- FIIs buying, DFIs selling so far

## Flows Data



Source: SEBI, BSE, Morgan Stanley Research  
 \* data is updated till March 2014, cumulative data since June 2007 to till March 2014

## JPMorgan India Top 100 Fund (Open-ended Equity Growth Scheme)

This product is suitable for investors who are seeking\*:

- Long-term capital growth.
- Investment in equity and equity-related securities of the top 100 largest companies, by market capitalization, listed in India
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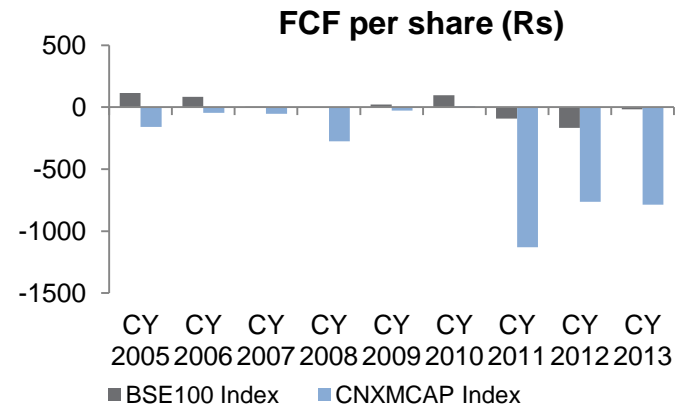
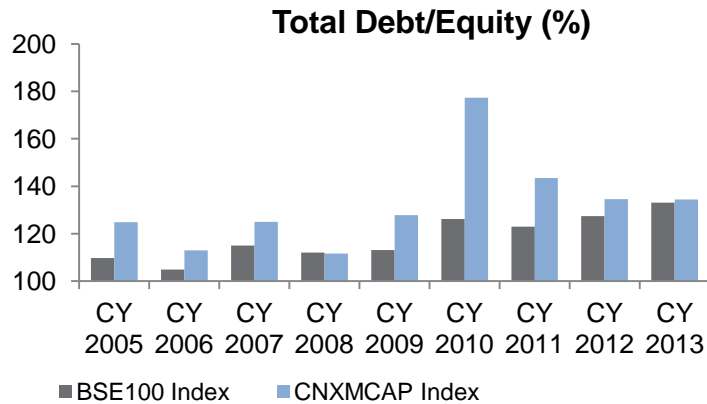
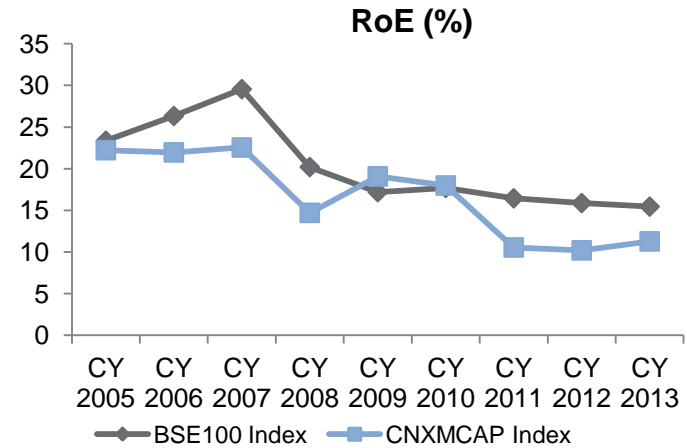
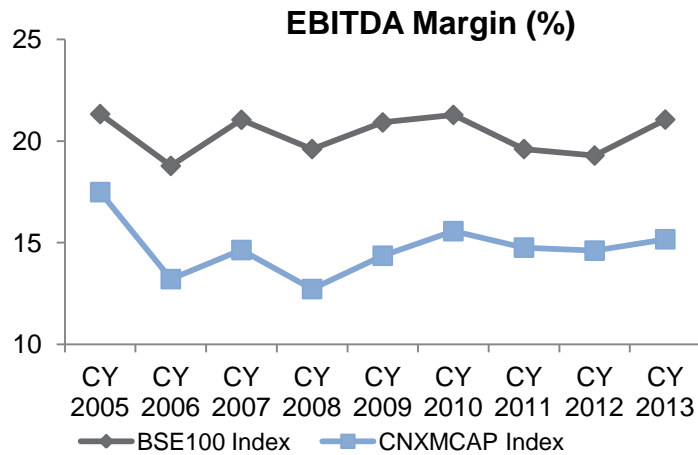


(YELLOW) : investors understand that their principal will be at medium risk



(BROWN) : investors understand that their principal will be at high risk

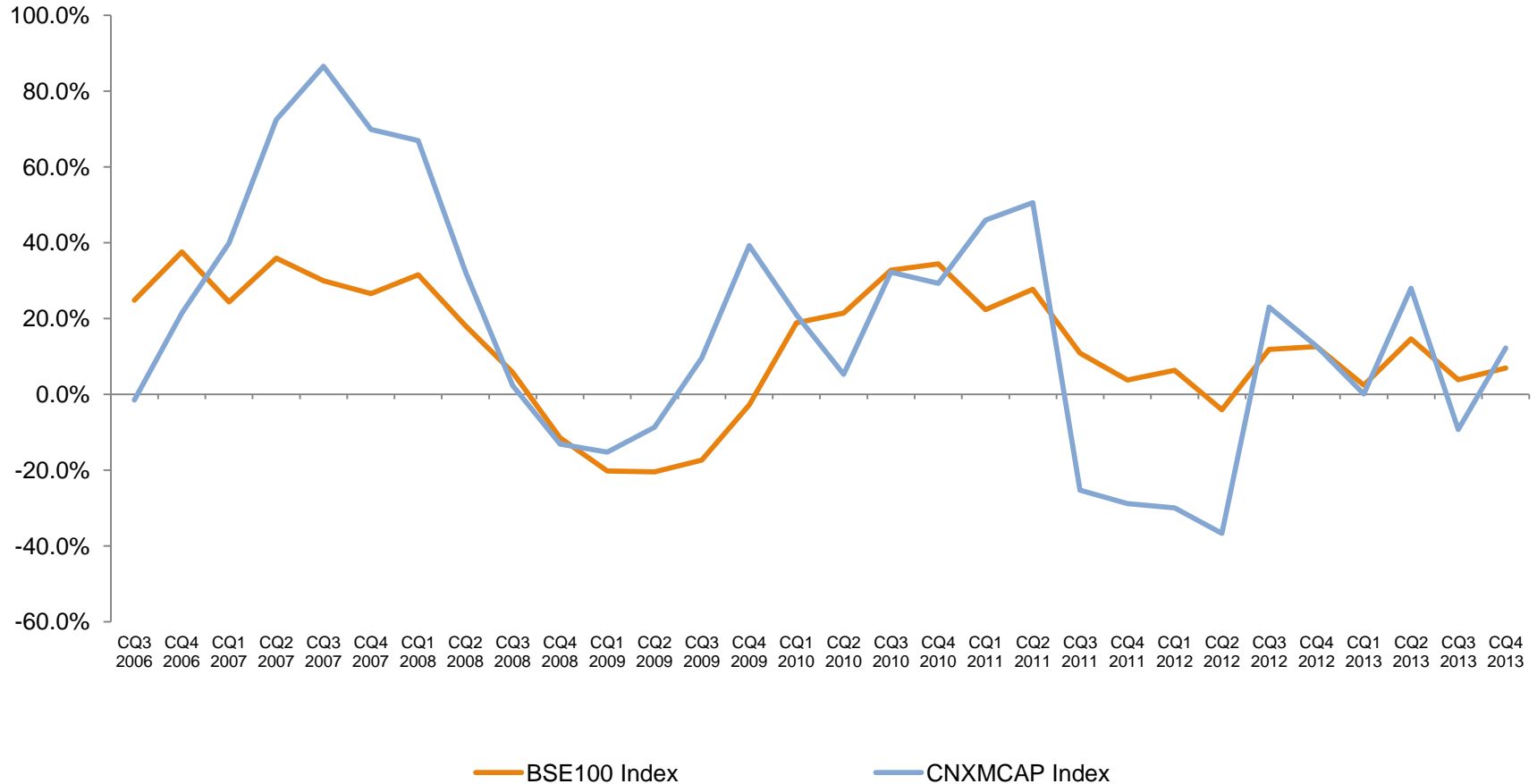
# Large caps tend to have more robust financial health compared to midcaps.....



Source: Bloomberg

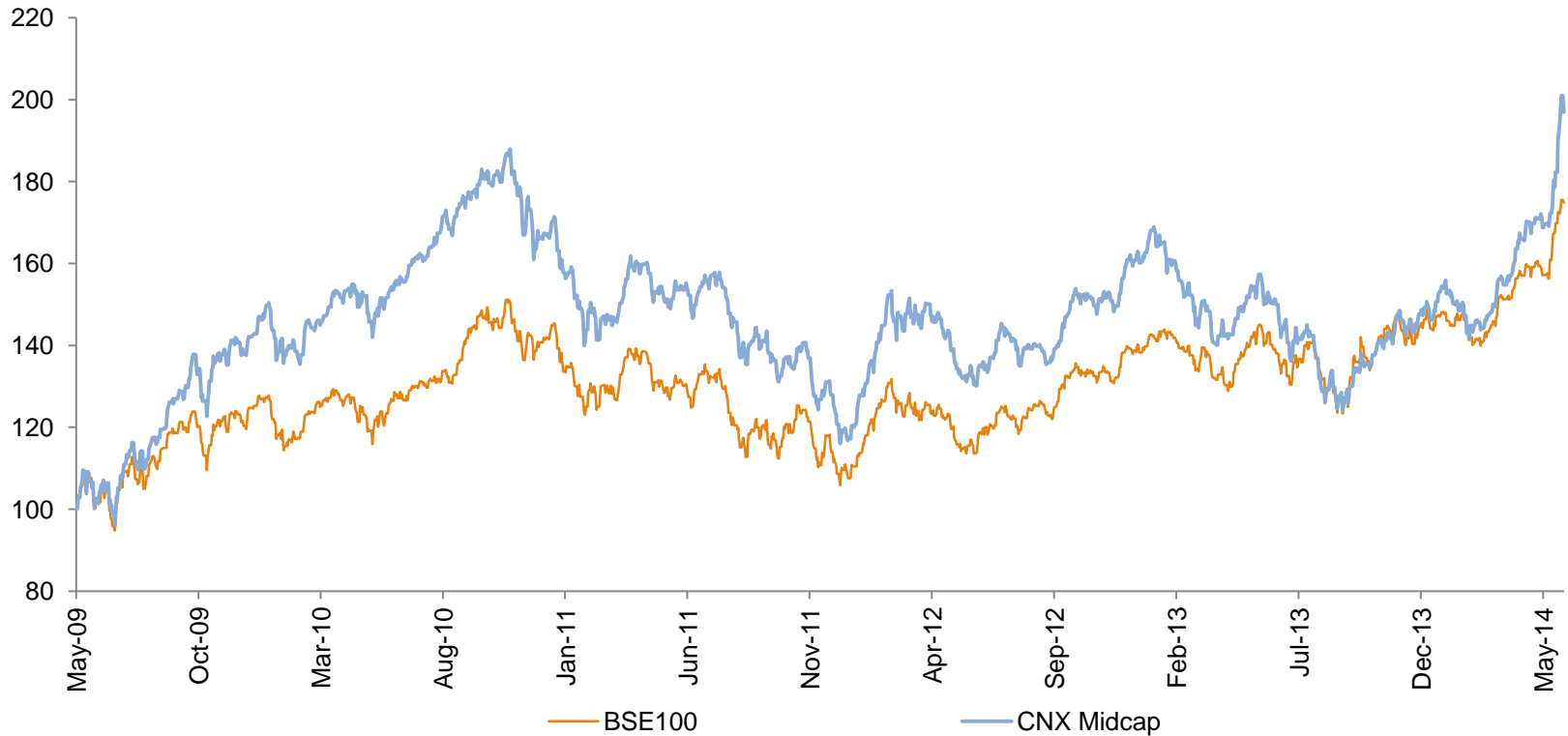
## ..... And lower earnings volatility

### Trailing Twelve Months EPS Growth (yoy%)



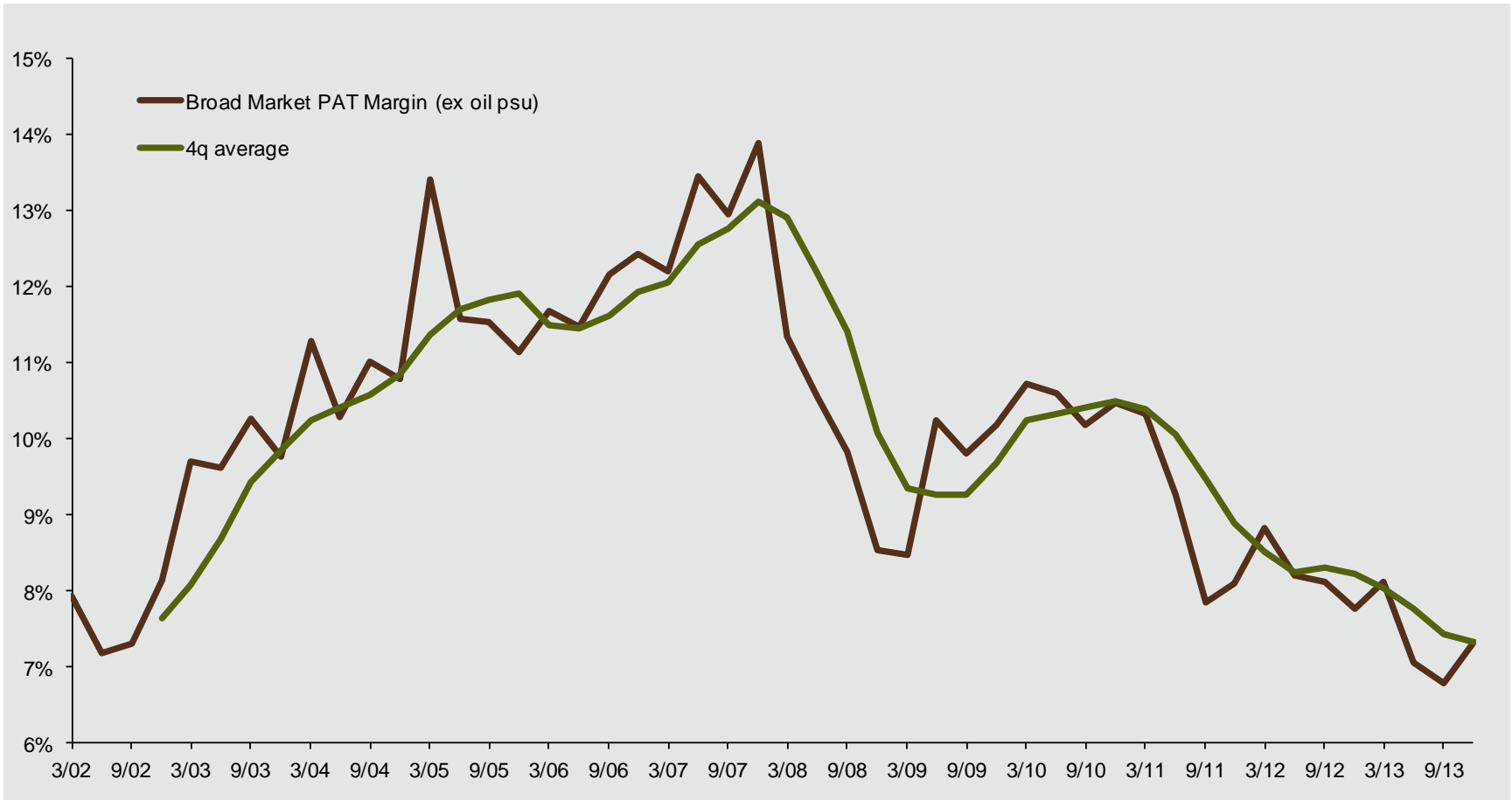
Source: Bloomberg

# Performance – BSE 100 versus CNX Midcap



Source: Bloomberg

# Corporate margins: Near decadal lows



Source: Capitaline, 5 May 2014



## What are we trying to achieve here?

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- Focus our bottom up stock picking effort on balancing returns with lower degree of volatility, particularly on the downside
  
- Here are a few illustrative examples....

*The stocks mentioned in the following slides (18 - 21) are meant for illustration purposes only and should not be construed as stock recommendation. They may or may not necessarily form part of the portfolios of any funds of JPMorgan Mutual Fund. Also, the same should not be construed as an investment advice.*

## TCS versus KPIT Technologies - illustrative example

	5 year		3 year	
	TCS	KPIT	TCS	KPIT
Annualised Return	47.7	50.4	23.4	28.2
Annualised Std. Dev.	26.7	48.0	22.9	34.5
Risk Free Rate	9.0	9.0	9.0	9.0
Return adj. for Volatility	1.4	0.9	0.6	0.6
Downside Deviation (Annualised)	8.4	16.3	10.1	15.9
Return adj. for Downside Volatility	4.6	2.5	1.4	1.2

Source: Bloomberg, MOSL, JPMorgan. Data as on 30 April 2014.

## ITC versus Marico - illustrative example

	5 year		3 year	
	ITC	Marico	ITC	Marico
Annualised Return	29.3	24.4	21.0	13.2
Annualised Std. Dev.	22.4	21.8	18.2	17.6
Risk Free Rate	9.0	9.0	9.0	9.0
Return adj. for Volatility	0.9	0.7	0.7	0.2
Downside Deviation (Annualised)	8.5	9.4	8.5	10.4
Return adj. for Downside Volatility	2.4	1.6	1.4	0.4

Source: Bloomberg, MOSL, JPMorgan. Data as on 30 April 2014.

## SBI versus Union Bank of India - illustrative example

	5 year		3 year	
	SBI	Union Bk	SBI	Union Bk
Annualised Return	10.2	-1.6	-9.5	-22.1
Annualised Std. Dev.	39.8	46.7	37.8	53.7
Risk Free Rate	9.0	9.0	9.0	9.0
Return adj. for Volatility	0.03	-0.2	-0.5	-0.6
Downside Deviation (Annualised)	16.4	23.5	19.1	27.8
Return adj. for Downside Volatility	0.1	-0.5	-1.0	-1.1

Source: Bloomberg, MOSL, JPMorgan. Data as on 30 April 2014.

## Ultratech versus JK Lakshmi - illustrative example

	5 year		3 year	
	Ultratech Cement	JK Lakshmi Cement	Ultratech Cement	JK Lakshmi Cement
Annualised Return	28.9	30.8	23.0	32.4
Annualised Std. Dev.	31.6	53.8	29.0	55.5
Risk Free Rate	9.0	9.0	9.0	9.0
Return adj. for Volatility	0.6	0.4	0.5	0.4
Downside Deviation (Annualised)	13.5	24.4	13.8	28.1
Return adj. for Downside Volatility	1.5	0.9	1.0	0.8

Source: Bloomberg, MOSL, JPMorgan. Data as on 30 April 2014.

## Why JPMorgan India Top 100 Fund?

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- JPMI Top 100 Fund seeks to invest in large capitalisation companies with potential to generate long term capital appreciation for the investor
- The Fund intends to reduce concentration risk through diversification at the stock and the sector levels. It does not follow the benchmark hugging approach
- Portfolio constitutes of blue-chip, large-cap stocks chosen predominantly from the 100 largest corporations by market capitalization listed in India
- Companies in this universe have achieved scale, have good management resources and generally are leaders in their industry categories

## Salient features

Scheme Objective	The primary investment objective of the Scheme is to seek to generate capital appreciation, from a portfolio that is substantially constituted of equity securities and equity related securities of the top 100 largest companies, by market capitalisation, listed in India. However, there can be no assurance that the investment objective of the Scheme will be realised.
NFO Opens	2 June 2014
NFO Closes	16 June 2014
Nature of the Scheme	Open Ended Equity Growth Scheme
Benchmark	S&P BSE 100
Entry Load	NIL
Exit Load	1% if redeemed/switched out within 18 months from the date of allotment
Initial Application Amount	Rs.5,000/- per application and in multiples of Re.1/- thereafter.
Additional Application Amount	Rs.1,000/- per application and in multiples of Re.1/- thereafter.
Amount/No. of Units for Redemption	Rs.1,000/- or 100 Units or the account balance, whichever is lower
SIP Dates (Systematic Investment Plan)	1st, 10th, 15th, 25th of every month
STP Dates (Systematic Transfer Plan)	1st (default), 10th, 15th, 25th of every month
	Frequency - Daily, Weekly, Fortnightly, Monthly (default)
SWP Dates (Systematic Withdrawal Plan)	1st (default), 10th, 15th, 25th of every month
	Frequency - Monthly (default), Quarterly

# Appendix



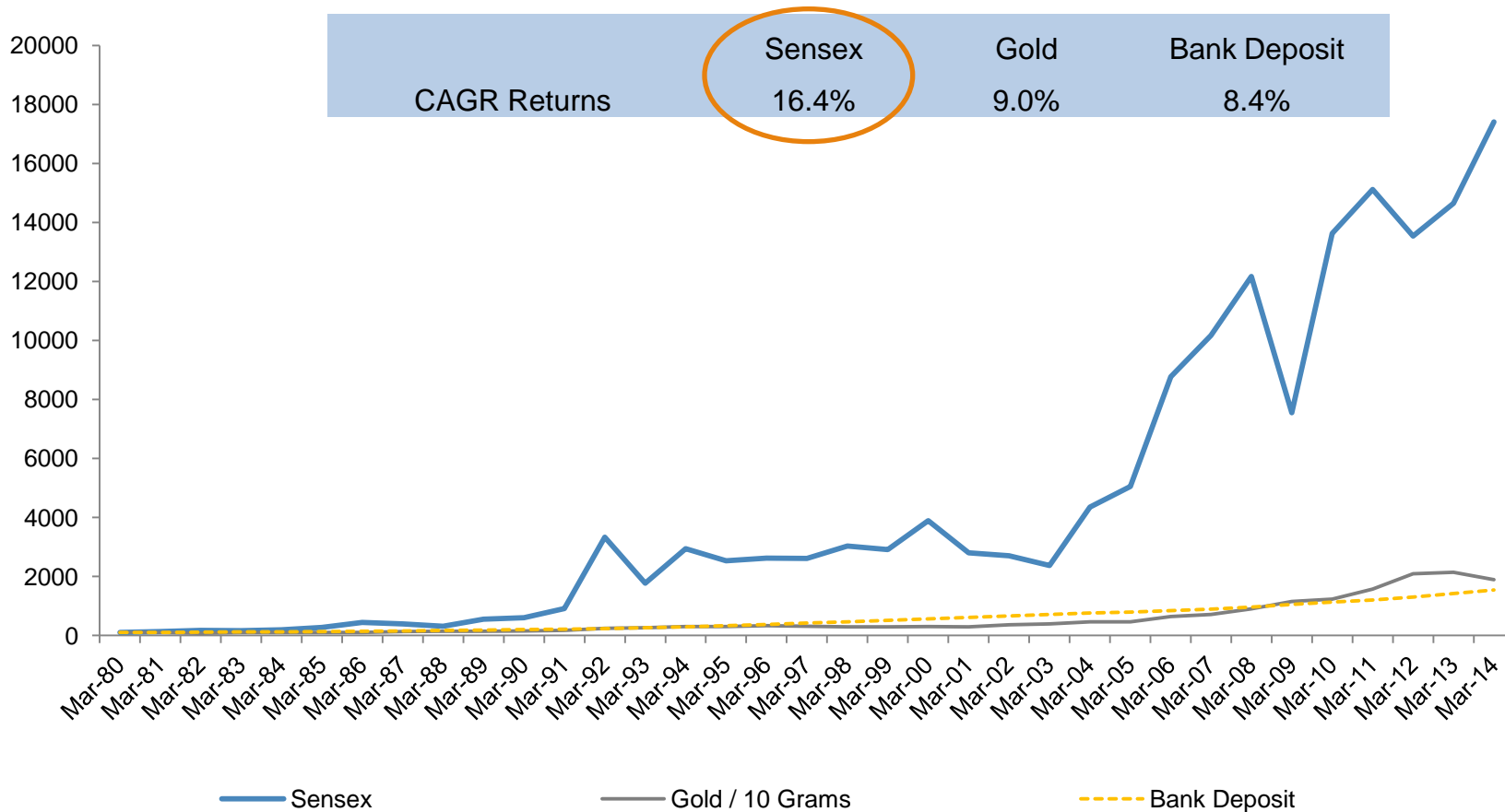
**I have not made money in Equities...  
Does it ring a bell?**

## Longer you stay in equities....higher the odds of gains

	Sensex	Returns (%)						
		1 Year	3 Years	5 Years	7 Years	10 Years	12 Years	15 Years
22-Dec-95	3110							
24-Dec-96	3085	-0.8						
31-Dec-97	3659	18.6						
31-Dec-98	3055	-16.5	-0.6					
30-Dec-99	5006	63.8	17.5					
29-Dec-00	3972	-20.6	2.8	5.0				
31-Dec-01	3262	-17.9	2.2	1.1				
31-Dec-02	3377	3.5	-12.3	-1.6	1.2			
31-Dec-03	5839	72.9	13.7	13.8	9.5			
31-Dec-04	6603	13.1	26.5	5.7	8.8			
30-Dec-05	9398	42.3	40.7	18.8	17.4	11.7		
29-Dec-06	13787	46.7	33.2	33.4	15.6	16.1		
31-Dec-07	20287	47.1	45.4	43.1	26.2	18.7	16.9	
31-Dec-08	9647	-52.4	0.9	10.6	16.8	12.2	10.0	
31-Dec-09	17465	81.0	8.2	21.5	26.5	13.3	13.9	
31-Dec-10	20509	17.4	0.4	16.9	19.7	17.8	17.2	13.4
30-Dec-11	15455	-24.6	17.0	2.3	12.9	16.8	9.8	11.3
31-Dec-12	19427	25.7	3.6	-0.9	10.9	19.1	14.1	11.8
31-Dec-13	21171	9.0	1.1	17.0	6.3	13.7	16.9	13.8
Yearly rolling returns		18	16	14	12	9	7	4
Positive returns		12	14	12	12	9	7	4
Negative returns		6	2	2	0	0	0	0

Source: Bloomberg,

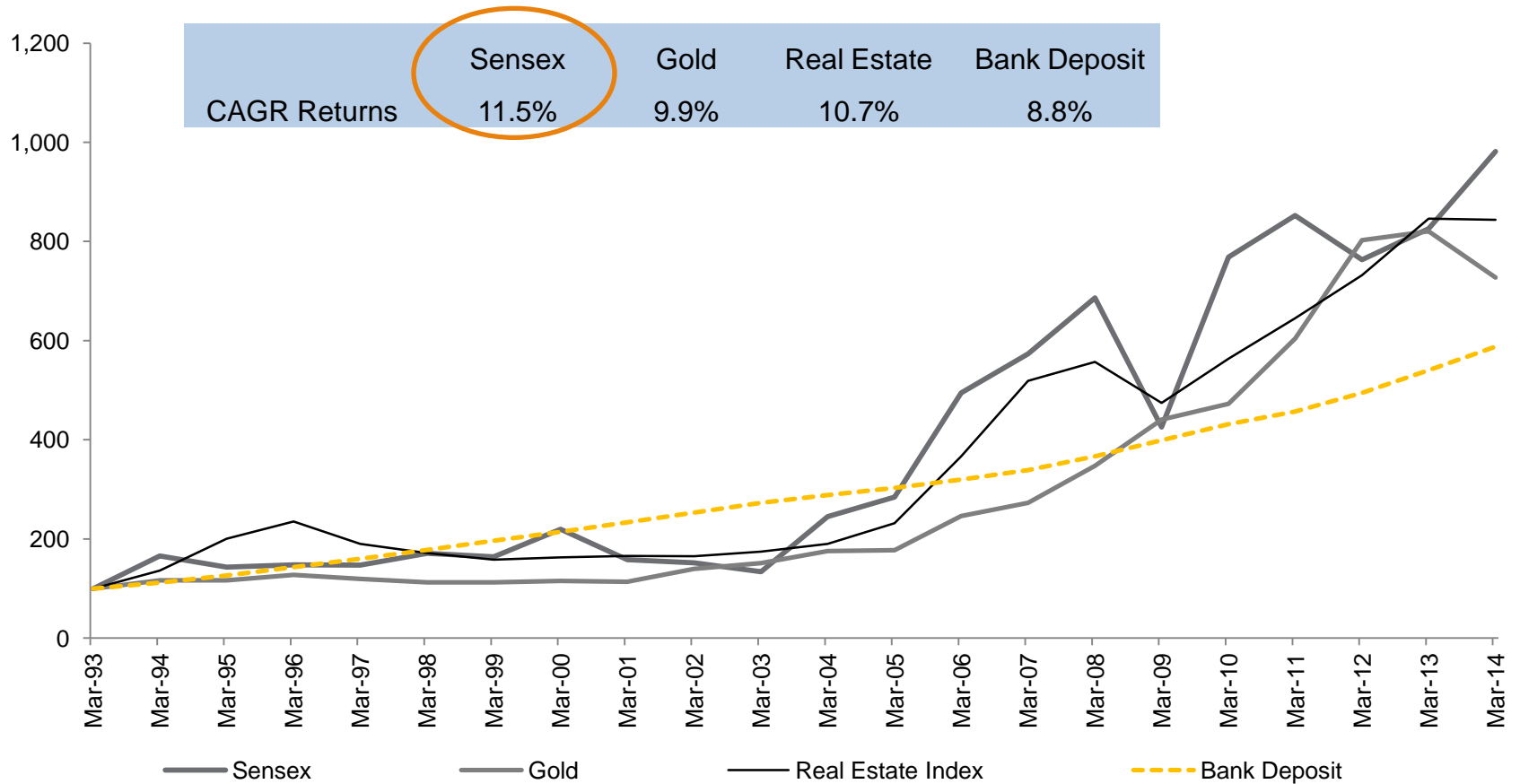
# Over the past three decades, Indian equities have outperformed other asset classes...even without factoring in tax and dividends



Source: HDFC, Bloomberg, J.P. Morgan. Note Bank Fixed Deposits (Ref – SBI Bank Deposit) are relatively safer as they are covered under Deposit Insurance and Credit Guarantee Corporation of India (DICGC) to the extent of Rs. 1 lakh per account and may also qualify for tax benefits. The tax liability shall depend upon the total income of the individual. Please note that traditional deposits may differ from mutual funds in various other aspects. CAGR returns are from a period from 1980 – 2014.

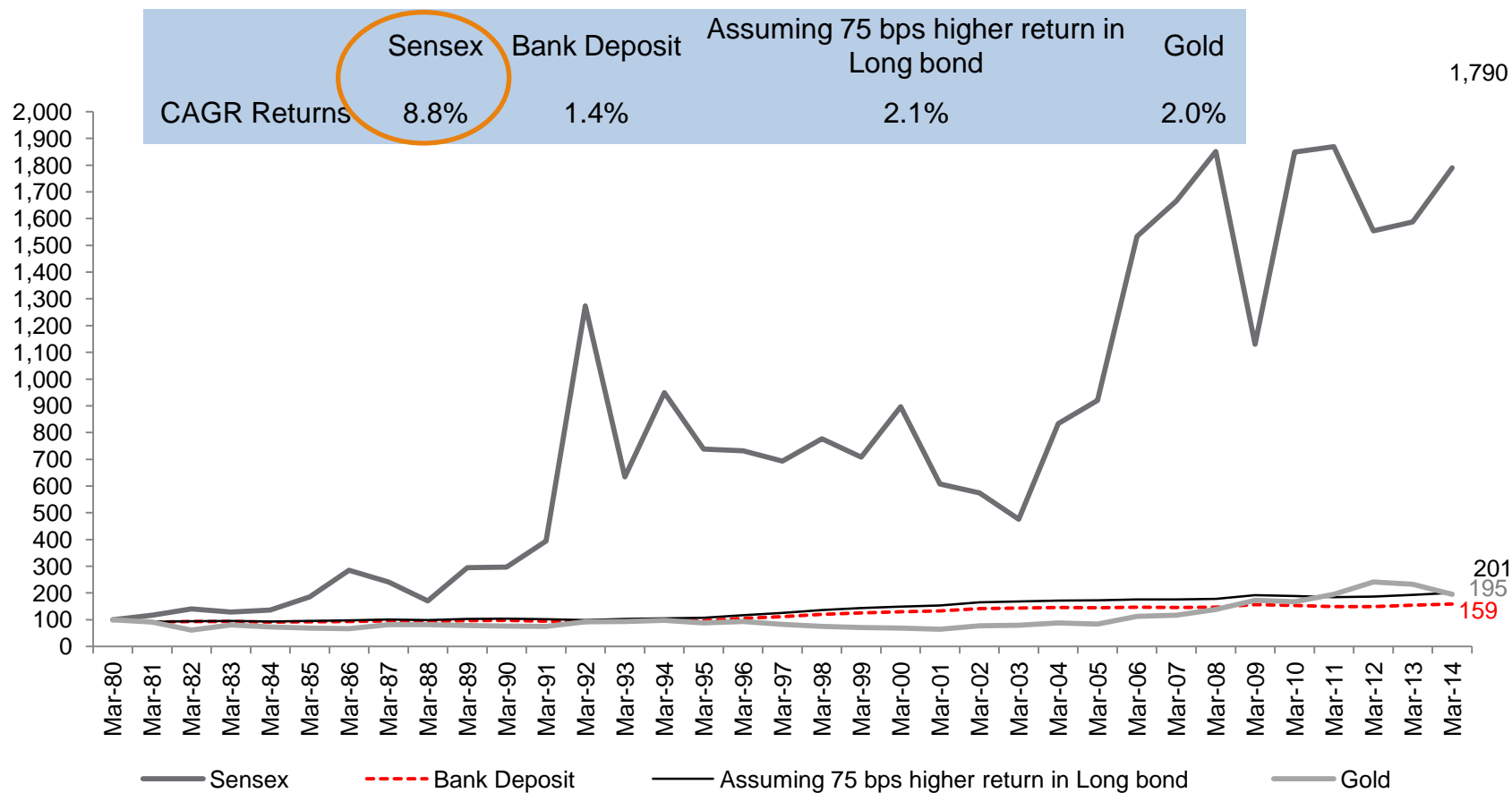
As of March 31, 2014

# Equities have outperformed real estate too....



Source: HDFC, Bloomberg, J.P. Morgan. Note: Bank Fixed Deposits (Ref – SBI Bank Deposit) are relatively safer as they are covered under Deposit Insurance and Credit Guarantee Corporation of India (DICGC) to the extent of Rs. 1 lakh per account and may also qualify for tax benefits. The tax liability shall depend upon the total income of the individual. Please note that traditional deposits may differ from mutual funds in various other aspects. CAGR returns are from a period from 1993 - 2014  
As of March 31, 2014

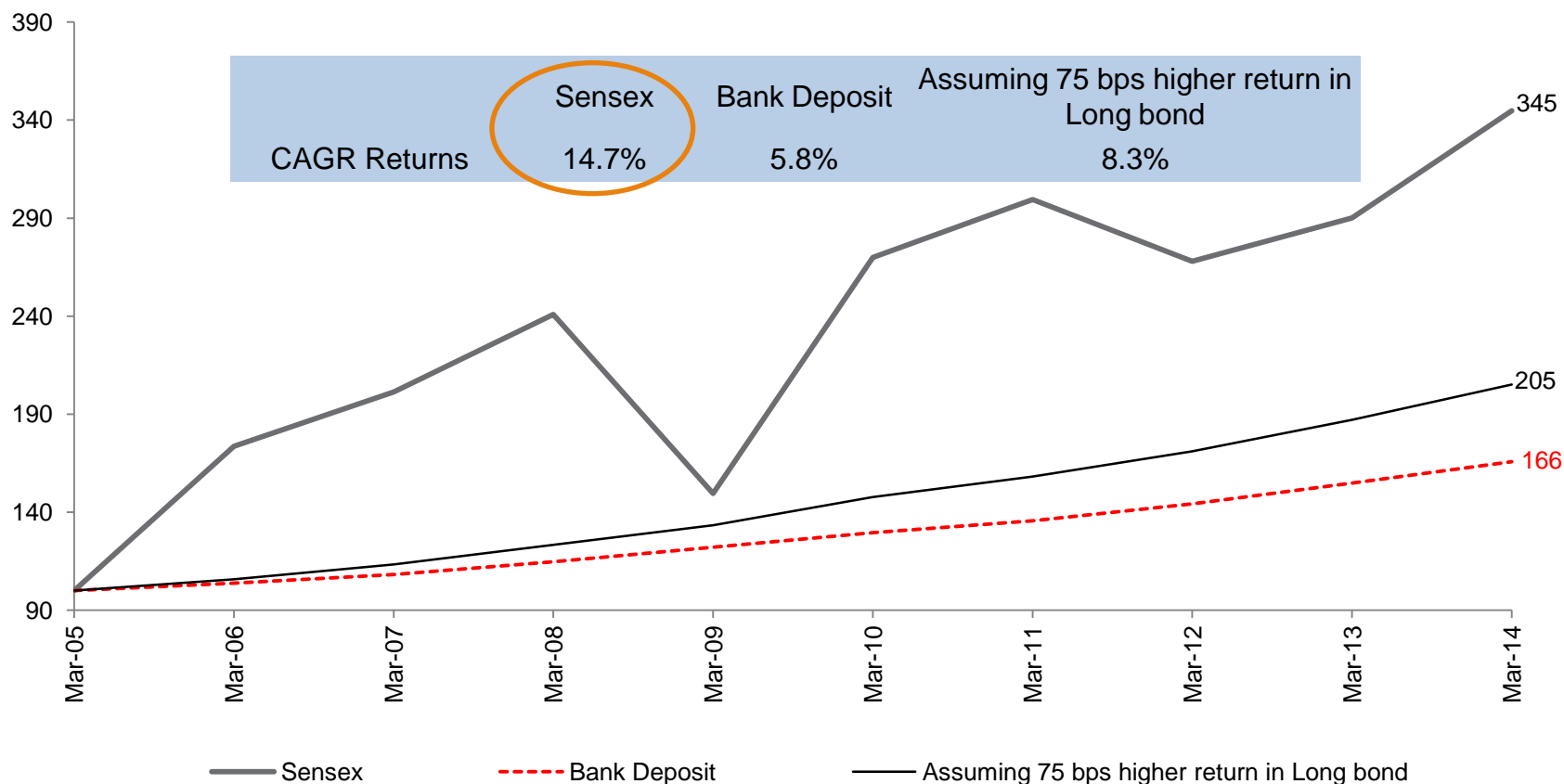
# Equity Vs. Other asset classes – real returns



Source: Bloomberg, J.P. Morgan, Note: Bank Fixed Deposits (Ref – SBI Bank Deposit) are relatively safer as they are covered under Deposit Insurance and Credit Guarantee Corporation of India (DICGC) to the extent of Rs. 1 lakh per account and may also qualify for tax benefits. The tax liability shall depend upon the total income of the individual. Please note that traditional deposits may differ from mutual funds in various other aspects. Real returns are inflation adjusted. CAGR returns are from a period from 1980 – 2014.

As of 31<sup>st</sup> March, 2014

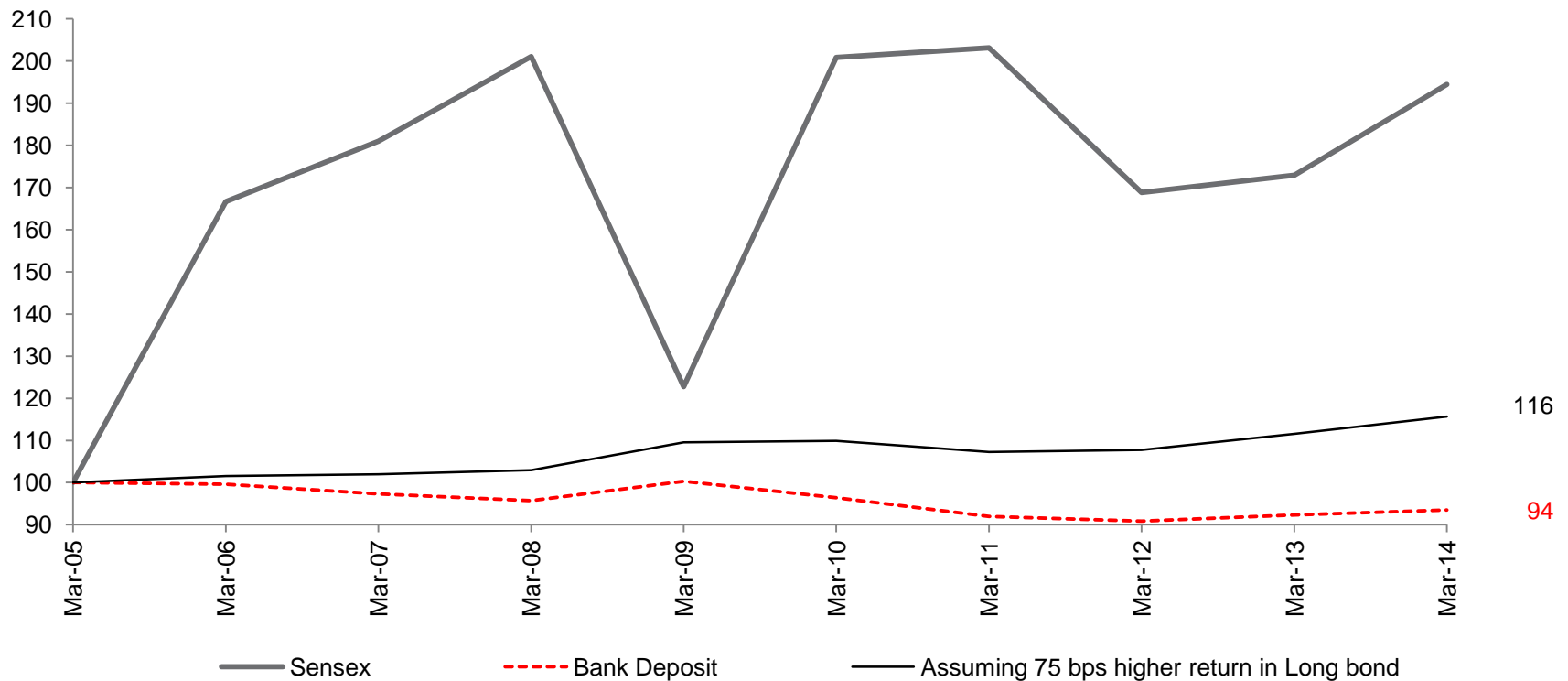
# Equity Vs. Fixed income – post tax nominal returns



Source: Bloomberg, J.P. Morgan, Note: Assuming 30% tax on Bank deposit, and for bonds assuming 20% tax post indexation. Note: Bank Fixed Deposits (Ref – SBI Bank Deposit) are relatively safer as they are covered under Deposit Insurance and Credit Guarantee Corporation of India (DICGC) to the extent of Rs. 1 lakh per account and may also qualify for tax benefits. The tax liability shall depend upon the total income of the individual. Please note that traditional deposits may differ from mutual funds in various other aspects. Real returns are inflation adjusted. CAGR returns are from a period from 2005 – 2014. As of 31st March, 2014

# Equity Vs. Fixed income – post tax real returns

CAGR Returns	Sensex	Bank Deposit	Assuming 75 bps higher return in Long bond
	7.7%	-0.7%	1.6%



Source: Bloomberg, J.P. Morgan, Note: Assuming 30% tax on Bank deposit, and for bonds assuming 20% tax post indexation. Note: Bank Fixed Deposits (Ref – SBI Bank Deposit) are relatively safer as they are covered under Deposit Insurance and Credit Guarantee Corporation of India (DICGC) to the extent of Rs. 1 lakh per account and may also qualify for tax benefits. The tax liability shall depend upon the total income of the individual. Please note that traditional deposits may differ from mutual funds in various other aspects. Real returns are inflation adjusted. CAGR returns are from a period from 2005 – 2014. As of 31st March, 2014

## Dispersion in stock returns

<b>BSE100 Index</b>	<b>16.5</b>
<b>Top 10 gainers</b>	<b>% chg (YTD)</b>
Adani Enterprises Ltd	106.0
Hindustan Petroleum Corp Ltd	83.1
Power Finance Corp Ltd	76.5
Reliance Infrastructure Ltd	71.9
Ashok Leyland Ltd	69.2
Indian Oil Corp Ltd	67.7
Bharat Petroleum Corp Ltd	65.4
Housing Development & Infrastructure Ltd	64.3
Punjab National Bank	61.8
Union Bank of India	55.7

<b>Top 10 losers</b>	<b>% chg (YTD)</b>
Idea Cellular Ltd	-14.9
Wipro Ltd	-13.9
Nestle India Ltd	-13.5
Mahindra & Mahindra Financial Services Ltd	-13.3
Infosys Ltd	-13.3
Dr Reddy's Laboratories Ltd	-9.9
Tata Consultancy Services Ltd	-6.3
Tata Global Beverages Ltd	-6.1
Tech Mahindra Ltd	-5.5
Ranbaxy Laboratories Ltd	-4.1

<b>Nifty Index</b>	<b>15.2</b>
<b>Top 10 gainers</b>	<b>% chg (YTD)</b>
Bharat Petroleum Corp Ltd	65.5
Punjab National Bank	61.8
Bharat Heavy Electricals Ltd	50.7
Bank of Baroda	50.1
State Bank of India	45.4
Oil & Natural Gas Corp Ltd	44.3
Axis Bank Ltd	43.1
Larsen & Toubro Ltd	42.4
Coal India Ltd	34.1
ICICI Bank Ltd	33.6

<b>Top 10 losers</b>	<b>% chg (YTD)</b>
Wipro Ltd	-13.8
Infosys Ltd	-13.5
Dr Reddy's Laboratories Ltd	-9.8
Tata Consultancy Services Ltd	-6.2
Tech Mahindra Ltd	-5.4
Cipla Ltd/India	-4.0
Hindustan Unilever Ltd	-2.6
Bajaj Auto Ltd	-1.7
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Source: Bloomberg, As of 19<sup>th</sup> May, 2014



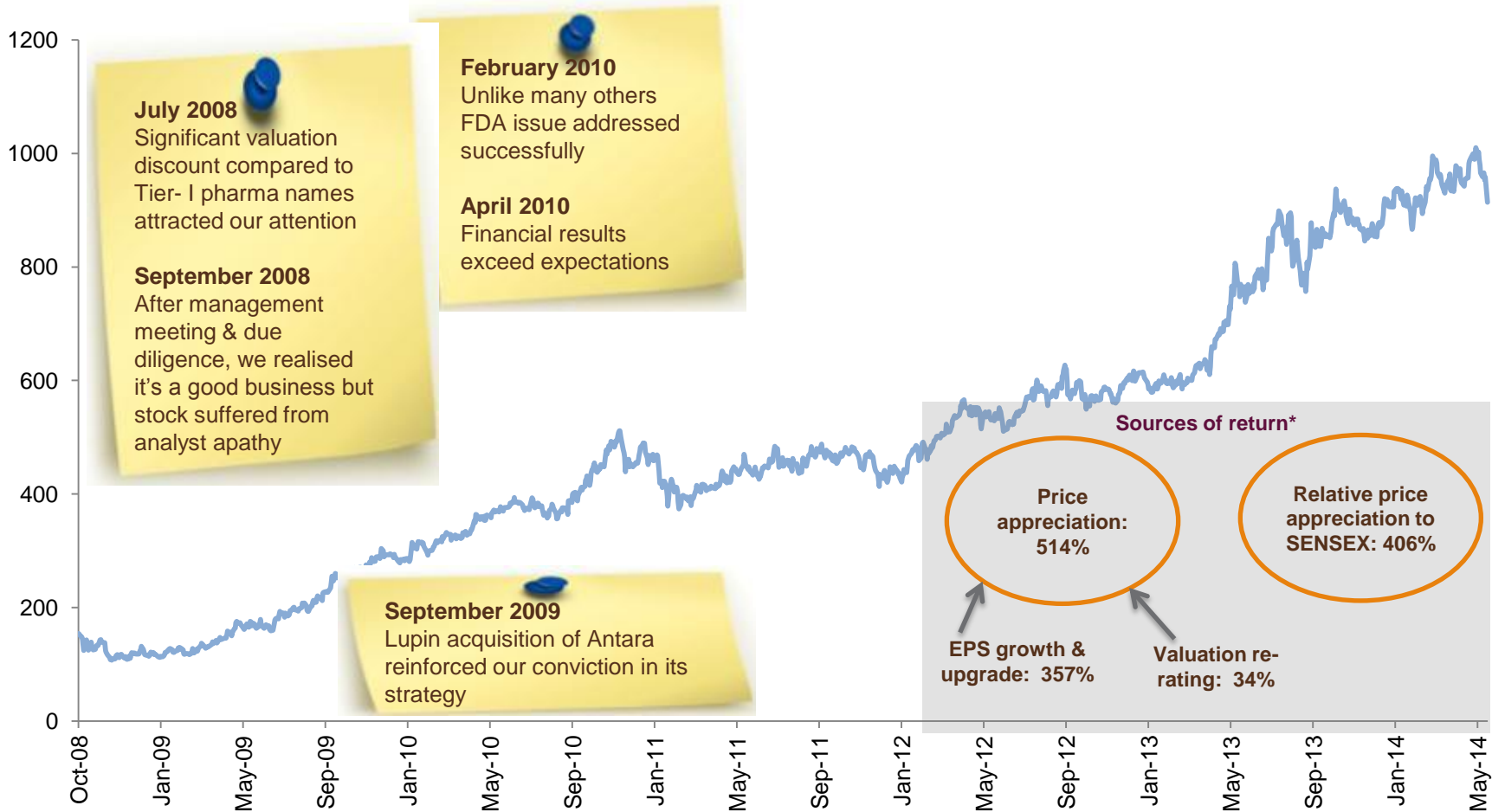
## How do we generate returns: The source of Alpha

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# Our stock picking abilities: Lupin India

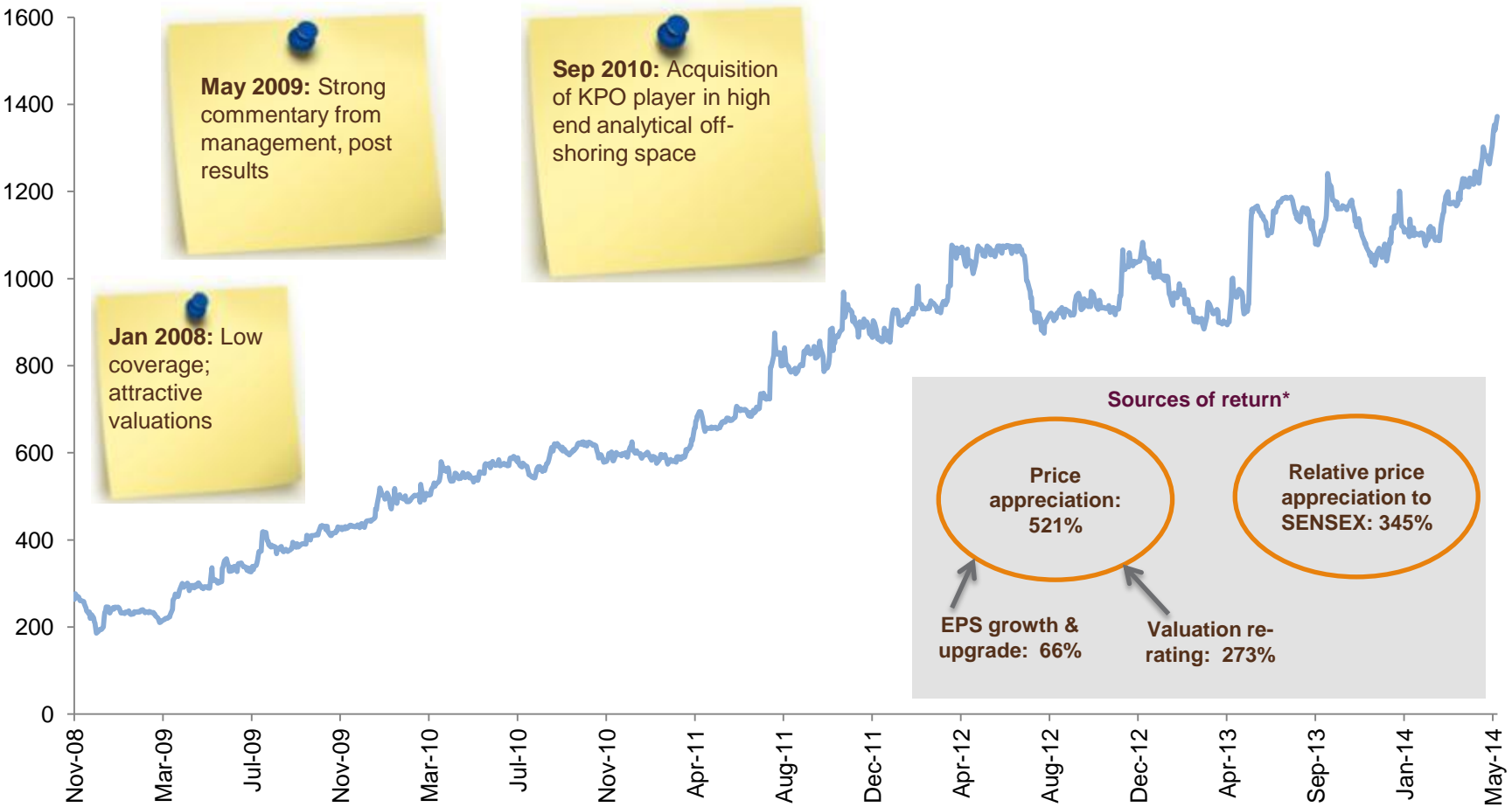


Source: Bloomberg. As of 19<sup>th</sup> May, 2014

\*Approx, since October 2008



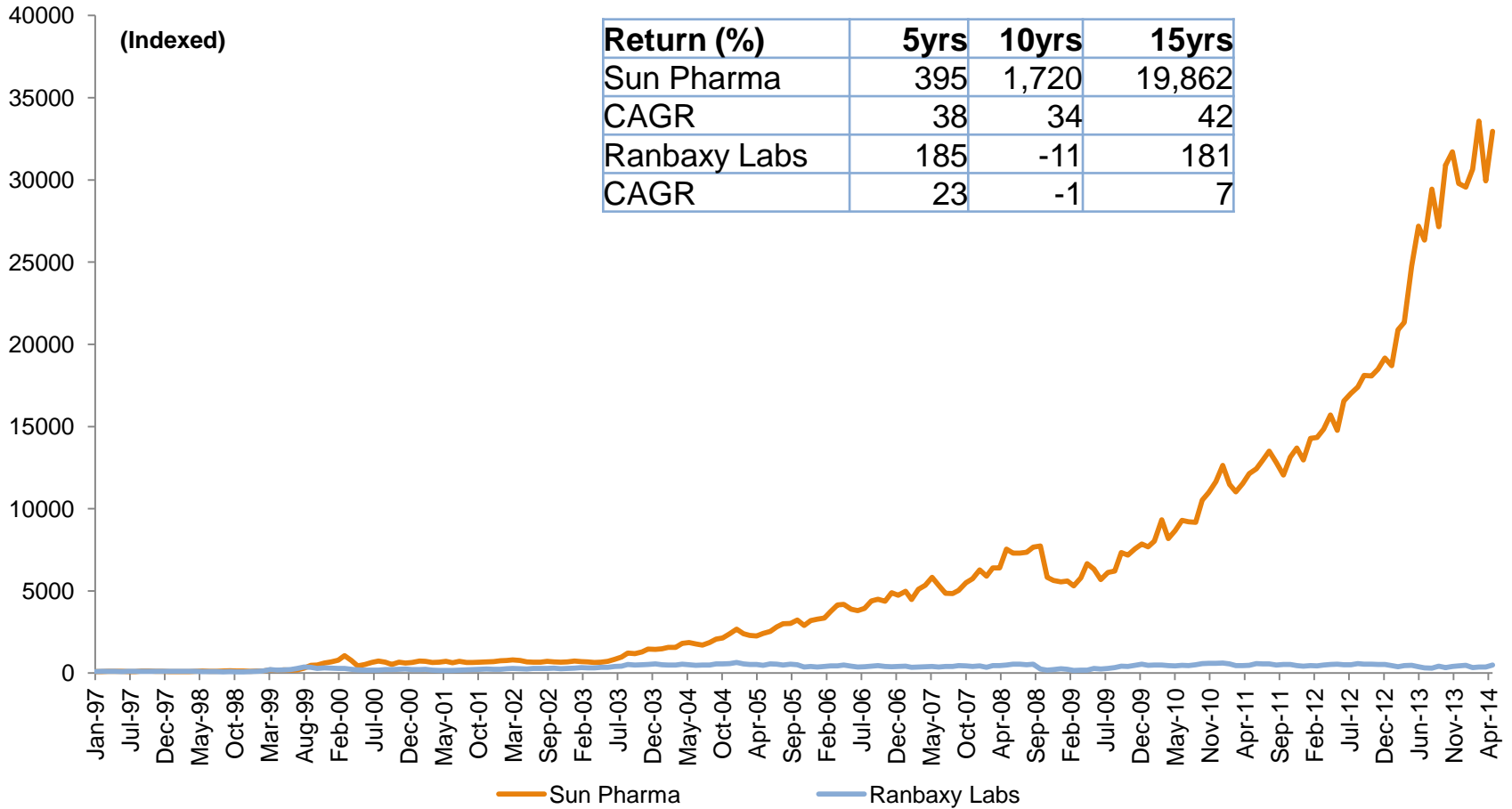
# Our stock picking abilities: CRISIL



Source: Bloomberg. As of 19<sup>th</sup> May, 2014  
\*Approx, since December 2008



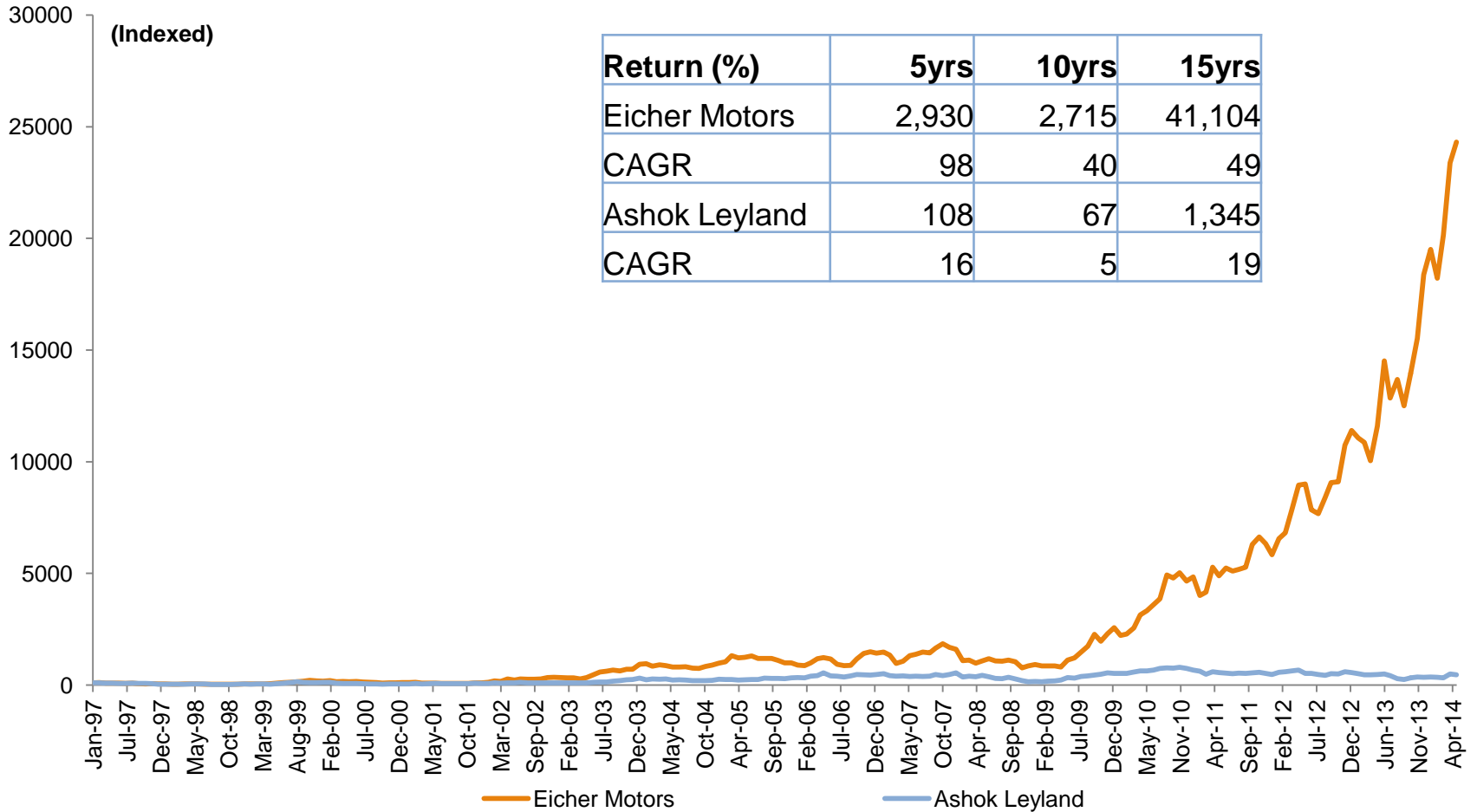
# Long term stock returns: It's all about "Bottom Up" stock picking



Source: Bloomberg. As of 30<sup>th</sup> April, 2014



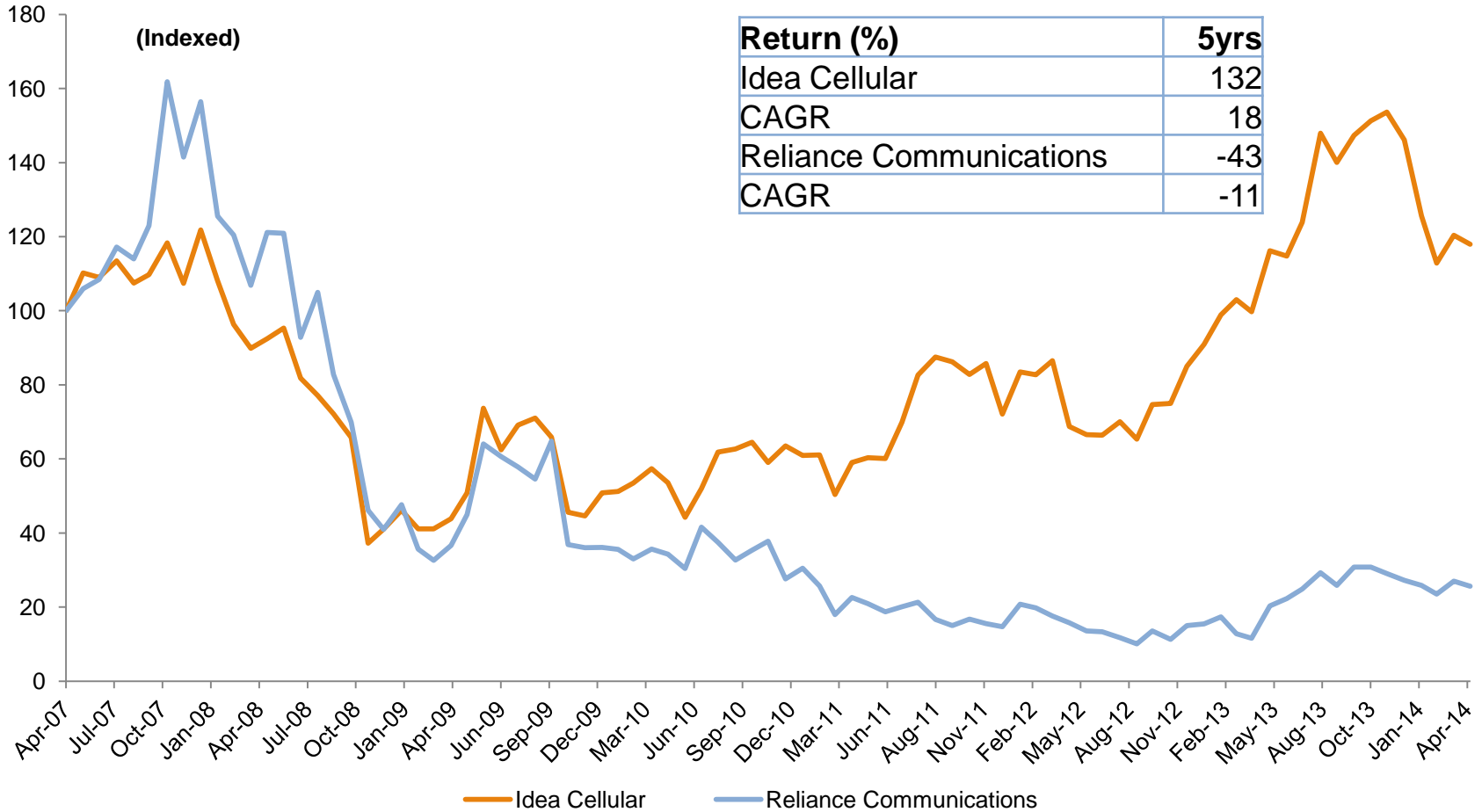
# Long term stock returns: It's all about "Bottom Up" stock picking



Source: Bloomberg. As of 30<sup>th</sup> April, 2014



# Long term stock returns: It's all about "Bottom Up" stock picking



Source: Bloomberg. As of 30<sup>th</sup> April, 2014

# Our Investment Philosophy



## Investment Philosophy



Identification of superior growth, compounded over long periods of time, is the primary way in which we seek to add value

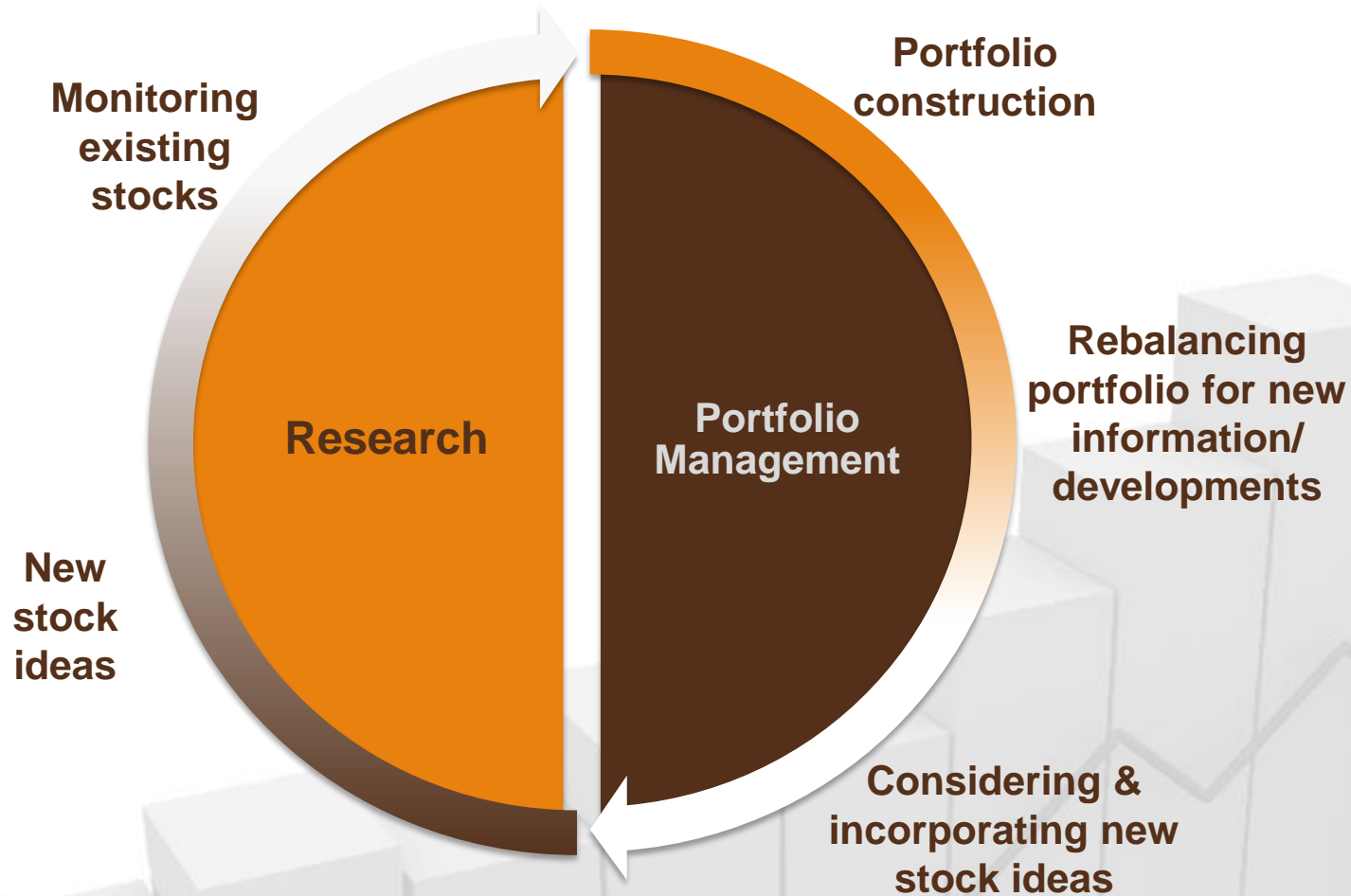


We believe that stock price tends to track business value over medium to long term

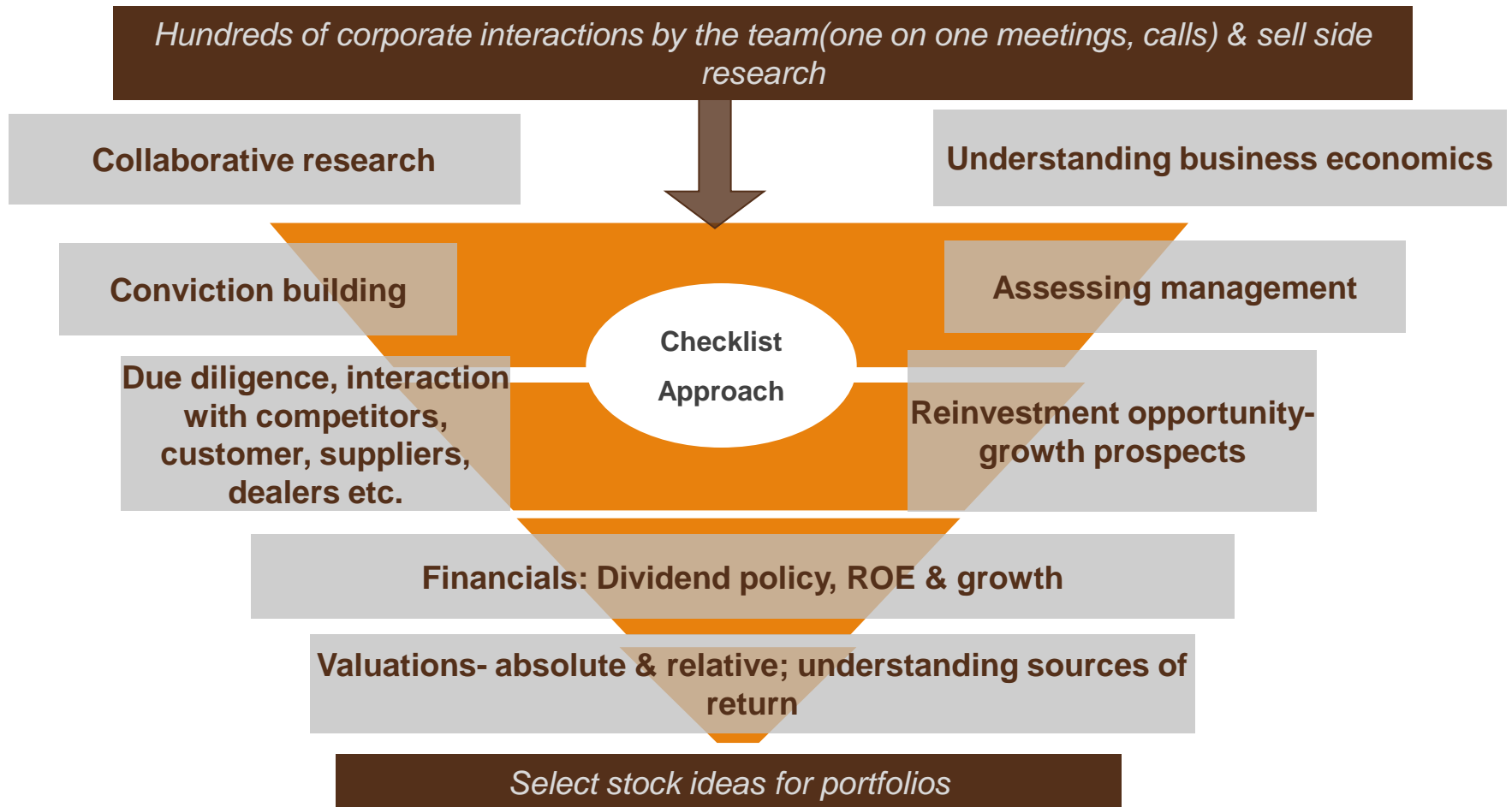


We believe in bottom up stock picking.  
Top down view is necessary but not sufficient

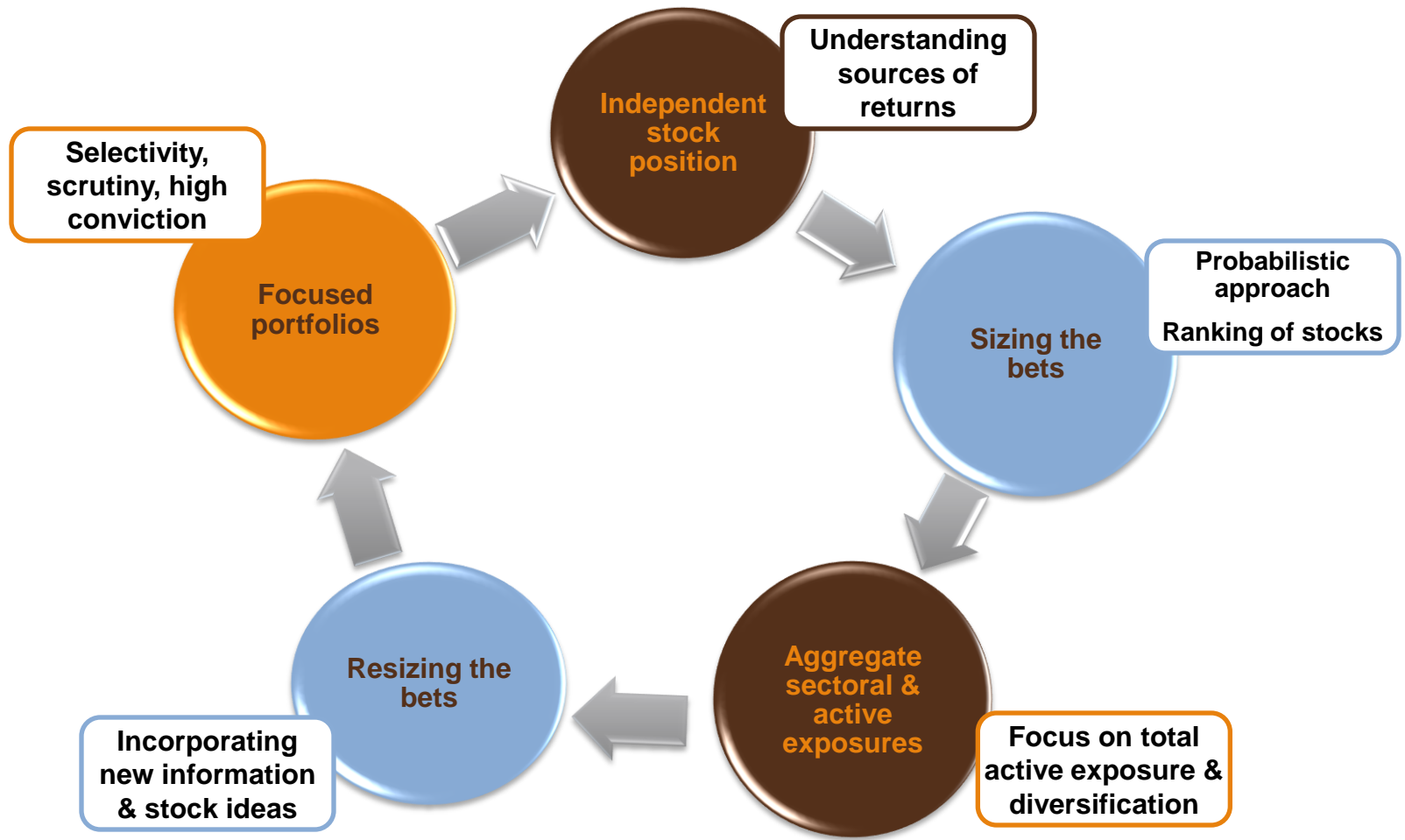
## Investment Process: Fundamental, Bottom up, Focused



# Research



# Portfolio Management



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