

# JP Morgan India

JII

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GBP7.78

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JII Snapshot



## Fat Prophets Take Profits

The Indian economy has had its ups and downs in recent years and although the economy has tremendous long-term promise, we revisit **JP Morgan Indian Investment Trust** to see if it still fits with our direction.

### What's new?

In 2019 the circumstances look much improved for India, as geopolitical tensions against neighbouring Pakistan have eased while domestic issues look to be improving with Prime Minister Narendra Modi and his Bharatiya Janata Party (BJP) – the current incumbent – won a greater majority (303 versus 52) than anticipated. This means that the BJP, and by extension PM Modi, could stick to their longer-term policies without having to deal with the opposition voting it down.

Outside of geopolitics, there were also some positives with the Reserve Bank of India cutting benchmark rates 3 times this year which bodes well for domestic spending. However, there seems to be economic headwinds from abroad with the latest trade numbers in June showing a 9.7% fall in exports, the first contraction in 9 months while the US recently scrapped preferential tariffs for Indian exports under the Generalised System of Preferences. The change looks as though it will impact Indian exports further down the line.

That said, there were also some bumps as “India Inc.” reported subdued quarterly earnings, while the slowdown in the economy has rattled investor sentiment (both local and foreign)

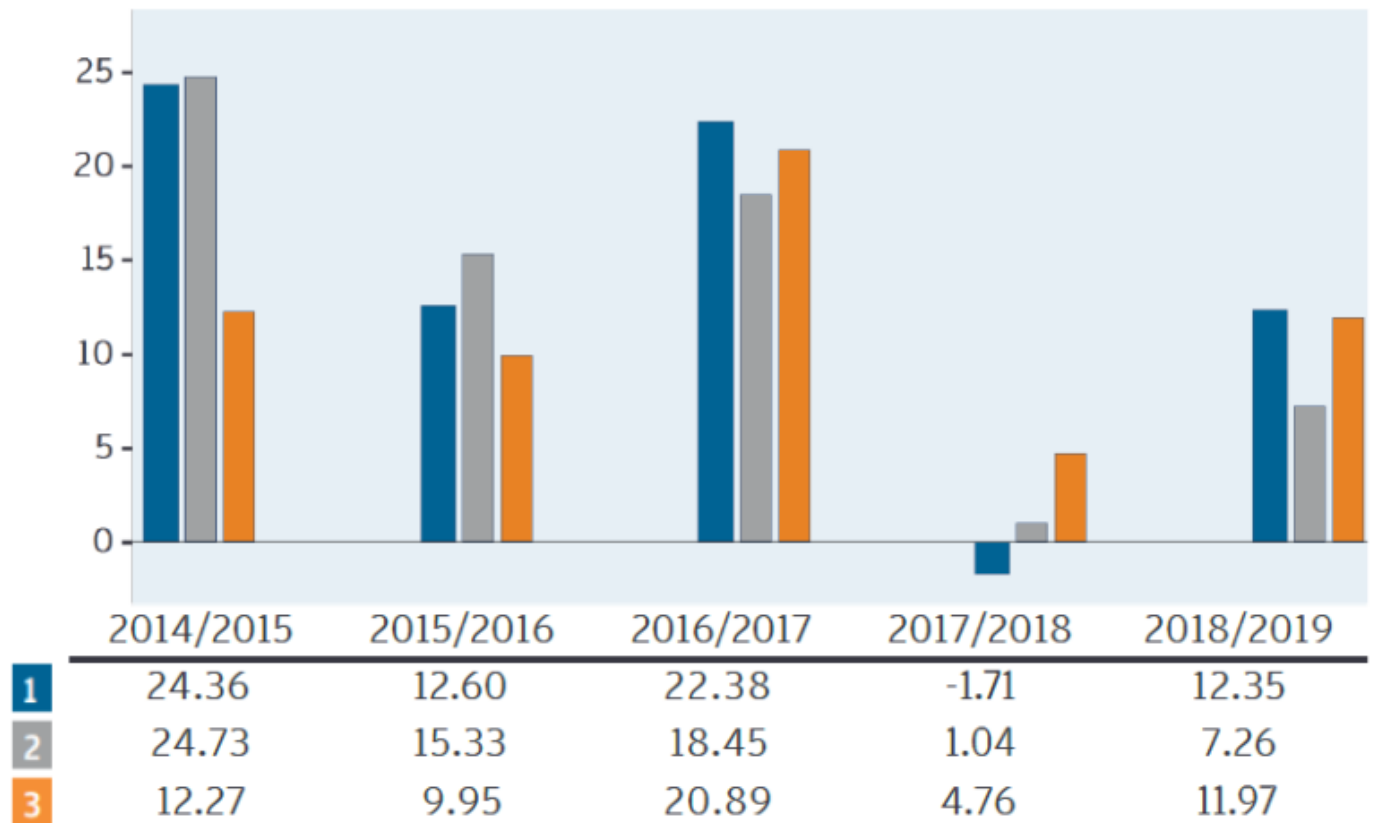
and dragged down Indian equities over the past few weeks. Then there are other geopolitical issues, especially in the case of volatile oil prices which could create further volatility in Indian markets.

With the big picture view perhaps a little bleaker now, and looking at the Trust, it has slightly underperformed its benchmark in June. Performance was impacted largely by its exposure to IndusInd Bank which faced headwinds due to problems in its non-bank financial sector. There was also profit taking on Cement stocks in the month leading to the Fund's exposures in ACC, Ambuja and UltraTech losing market value.

The Fund's performance is reflected in the graphic below (Legend: 1 = Share Price Performance, 2 = Net Asset Value performance, 3 = MSCI India Index performance):

## QUARTERLY ROLLING 12-MONTH PERFORMANCE (%)

As at end of June 2019



## CUMULATIVE PERFORMANCE (%)

	1 month	3 months	1 year	ANNUALISED		
				3 years	5 years	10 years
<b>1</b>	0.78	7.51	12.35	10.56	13.61	9.39
<b>2</b>	-1.46	5.28	7.26	8.68	13.05	10.17
<b>3</b>	-1.24	2.90	11.97	12.35	11.85	9.31

Source: JII 30 June 2019 Fact Sheet

### Looking ahead

Global headwinds aside, there seems to be a looming risk from the unfolding crisis in the “Non-Banking Financial Company” (shadow banking) sector. There have been a number of large defaults which are leading to some ‘collateral damage’ across the bond market, mutual funds and overall liquidity. **This may in fact spread further to other Banking/Financial stocks of which the Fund has a large 42.2% exposure, which is substantially higher than the benchmark by 16.4 percentage points.**

JP Morgan Indian In Shs GBP - JII (LSE) - 1 Month CandleStick Chart - GBP



With a bearish scenario view on Indian financials, we believe it more prudent to take this opportunity to sell the Fund. More broadly, we are also taking a more selective view (selecting individual stocks) on stock selection.

JP Morgan Indian In Shs GBP - JII (LSE) - 1 Day CandleStick Chart - GBP



**Accordingly, we move our rating on the JP Morgan Investment Trust (LSE:JII) to SELL. It will be removed from the Fat Prophets portfolio and coverage will cease immediately.**

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