JPMorgan

Month Ending July, 2007

Fund Facts

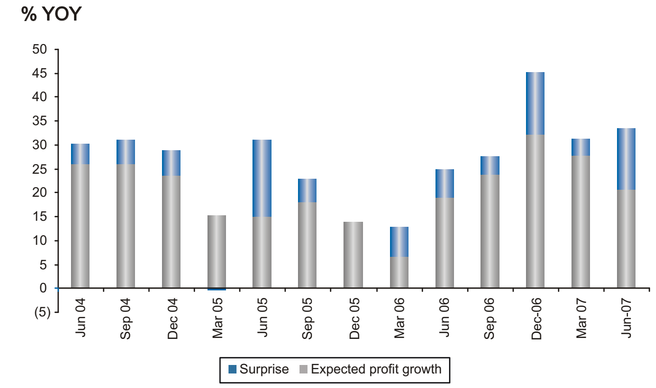
JPMorgan
Asset Management

Results surprises, the monetary policy, and more

Corporate results surprise on the upside

Good overall corporate performance and a benign macro backdrop helped the market move up for most of July. Earnings grew by over 33% YoY in 1Q FY08 for the Sensex companies on a free float adjusted basis. The earnings performance was, yet again, way ahead of analyst estimates of about 21% growth.

Sensex free float quarter earnings growth



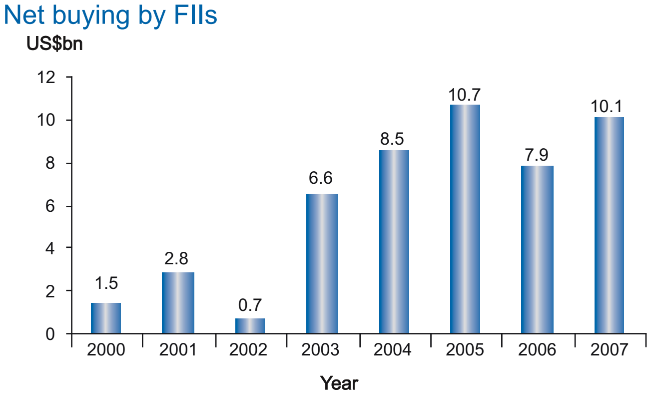
Source: CLSA.

As expected, a few sectors disappointed, notably automobiles and banking — both of which we are underweight on. The IT services sector did face the brunt of a ~7% rupee appreciation during the quarter. However, we continue to be positive on the business fundamentals and management capabilities of companies such as Infosys to deal with this issue over the medium term. We believe the RBI will likely arrest the pace of appreciation to more manageable levels going forward. Among our top holdings, L&T, Grasim and RIL delivered remarkably strong performance.

FIIs keep the faith

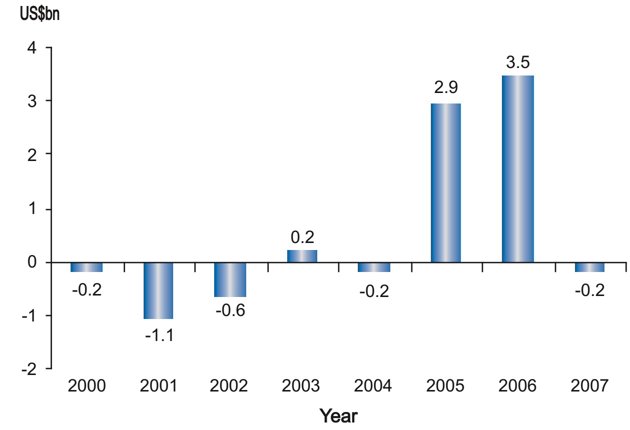
Net FII inflows, at ~US$4.5 billion, were very strong in July. This took the total net FII inflows YTD in 2007 to over US$10.4 billion, as compared to under US$8 billion in the entire year of 2006. Domestic mutual funds, however, were net sellers to the extent of US$220 million in July and US$27 million YTD in 2007. We expect significant improvement in demand for Indian equities both from domestic and foreign investors over the medium to long term, due to the current under-exposure. This, along with our confidence in the performance of the economy and corporate India, underpins our medium- to long-term bullish view on Indian equities. During the month, we further increased our exposure to the industrials sector which is leveraged to the ongoing industrial and infrastructure capex.

Net buying by FIIs



Source: CLSA.

Net buying by domestic mutual funds



Source: CLSA.

Equity outlook: Focus on the fundamentals

Towards the end of July, the market experienced uncomfortable volatility which is likely to continue for a while. This is caused by a global reduction in risk appetite triggered by losses emanating from the US sub-prime mortgage market. It is important to note that this is not a broad-based economic problem and the issues in the sub-prime loan and credit markets are a financial market event mostly affecting financial institutions. Our focus will remain on the business fundamentals and valuations. We will also try and take advantage of the opportunities the market volatility offers from time to time.

Debt outlook: RBI focuses on managing liquidity

The markets continued to remain flush with liquidity in the month of July mainly driven by FII inflows, government spending, the surge in deposit growth and a slowdown in credit offtake.

The RBI presented its quarterly review of the monetary policy in the last week of the month. It laid emphasis on price stability and reinforced its concerns on inflationary expectations with liquidity management as its top priority. The key highlights:

- The reverse repo and repo rates under LAF (Liquidity Adjustment Facility) were kept unchanged.
- The ceiling of Rs.3,000 crore on daily reverse repo under the LAF was withdrawn with effect from Monday, August 6, 2007.
- The Cash Reserve Ratio is to be increased by 50 basis points to 7% with effect from the fortnight beginning August 4, 2007.

With the above monetary measures, as expected call rates have moved up to the reverse repo rate, i.e., 6%. The short-term/money markets rate, which had rallied 200-300 bps since April 2007, will get priced based on call rates and thus move higher before stabilizing. We expect the benchmark ten-year G-Sec to trade in a range of 7.758% in the short term. We expect further monetary measures by the RBI in the medium term to keep inflation in line with its expectations.

JPMorgan India Equity Fund

Holdings as on July 31, 2007 (in %)	
L&T	9.01
Bharti Airtel	6.58
Infosys Technologies	6.45
Reliance Industries	5.96
BHEL	4.88
HDFC	4.40
Grasim Industries	3.57
ONGC	3.44
Satyam Computers	3.13
ITC	3.04
HDFC Bank	2.97
ABB	2.80
Reliance Communications	2.36
Cummins India	2.28
Tata Power	2.10
Total of top 15 stocks	62.97
Other equity	32.42
Total of all equity	95.39
Cash and others	4.61
Total	100.00

Scheme returns

	Scheme	BSE-200
One month	5.91%	4.95%
Since inception	10.64%	9.50%

Note: NAV considered for computing returns is of growth option. Returns are absolute (not annualized). Load not considered. Past performance may or may not be sustained in future.

Active positive bets

Total stocks in portfolio	50
Top 15 stocks	27.30%
Total portfolio	49.50%

Note: Active positive bets are those where the fund has a higher weightage as compared to the benchmark index (BSE-200). Source: BSE, Bloomberg.

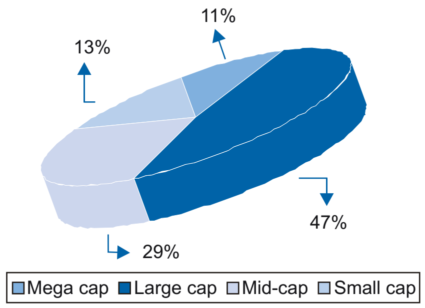
Weightage v/s BSE-200

Overweight	Underweight
Industrials/Infra	Metals
Telecom	Financials
Utilities	Oil & Gas
Cement	Consumer
Technology	Pharma

Source: BSE, Bloomberg.

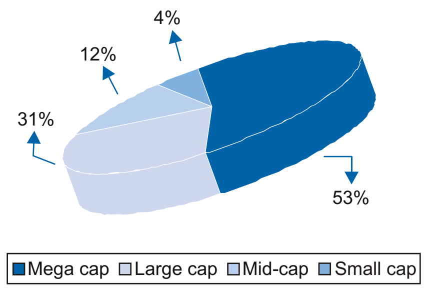
Portfolio analysis: Market cap-wise

Excluding top 15 scrips



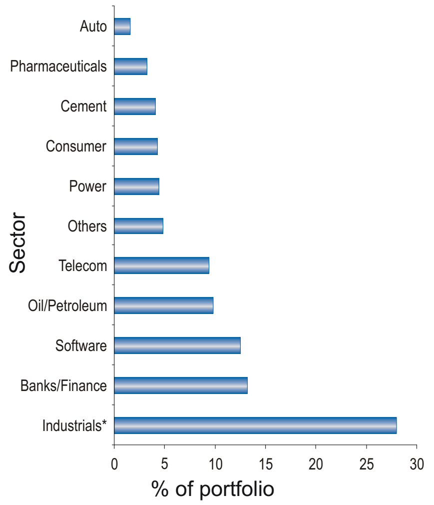
Note: Mega cap = USD10bn and above, Large cap = USD2 to 10bn, Mid-cap = USD 500mn to 2bn and Small cap = less than USD 500mn.

Complete portfolio



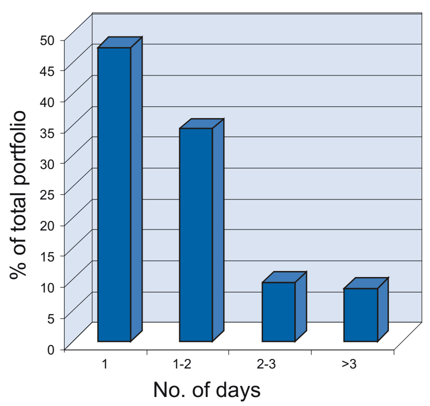
Note: Mega cap = USD10bn and above, Large cap = USD2 to 10bn, Mid-cap = USD 500mn to 2bn and Small cap = less than USD 500mn.

Portfolio analysis: Sectorwise



*Includes industrial capital goods/diversified/construction/industrial products.

Liquidity measures



Note: Calculated on the basis of the number of days it would take to exit from stocks in the JPMIEF portfolio, assuming 30% of the average daily traded volume for each stock on the NSE/BSE can be transacted. Thus, 50% of the portfolio can be liquidated within a day, and so on. Source: BSE/NSE, Bloomberg.

Name of the scheme
JPMorgan India Equity Fund

Allotment date
June 14, 2007

Scheme structure
An open-ended equity growth scheme

Investment objective
The investment objective of the Scheme is to generate income and long-term capital growth from a diversified portfolio of predominantly equity and equity-related securities including equity derivatives

Minimum investment amount
Rs.5,000 per application plus in multiples of Rs.1/- thereof

Additional investment amount
Rs.1,000 per application plus in multiples of Rs.1/- thereof

Fund managers
Harshad Patwardhan & Amit Gadgil

Entry load
2.25% upto Rs.5 crore; nil for Rs.5 crore and above

Entry load (SIP)
2.25% where single instalment is upto Rs.5 crore; nil if single instalment is equal to or above Rs.5 crore

Exit load
1% within six months from the date of allotment

Exit load (SIP)
1% within 24 months from the date of allotment

Benchmark
BSE-200 Index

NAV (as at July 31, 2007, in Rs.)
JPMorgan India Equity Fund
Growth: 11.024
Dividend: 11.024
Past performance may or may not be sustained in future.

AUM as on July 31, 2007
Rs.925.32 crore

Investment objective: To generate income and long-term capital growth from a diversified portfolio of predominantly equity and equity-related securities including equity derivatives • **Asset allocation pattern:** Equity and equity-related instruments 65-100% debt and money market instruments 0-35% • **Performance benchmark:** BSE-200 Index. • **Minimum initial application:** Rs. 5,000 per application (and in multiples of Re. 1 thereof) • **Minimum additional / SIP application:** Rs. 1,000 per application (and in multiples of Re. 1 thereof) • **Entry load:** - Less than Rs. 5 crore: 2.25%. - Rs. 5 crore and above: Nil. • **Exit load: 1.00%*** • **SIP entry load: 2.25%**** • **SIP exit load: 1.00%#**

*With respect to redemption made within six months from the allotment date. **Where a single investment is less than Rs. 5 crore. # With respect to the first redemption made within 24 months from the allotment date.

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Risk Factors: The AMC has no previous experience in managing a mutual fund in India and JPMorgan India Equity Fund is the first scheme being launched under its management. Mutual funds and securities investments are subject to market risks and there is no assurance or guarantee against loss in the Scheme or that the Scheme's objectives will be achieved. As with any investment in securities, the NAV of the Units issued under the Scheme can go up or down depending on various factors and forces affecting capital markets. Past performance of the Sponsor / AMC / Mutual Fund does not indicate the future performance of the Scheme. Investors in the Scheme are not being offered a guaranteed or assured rate of return. JPMorgan India Equity Fund is the name of the Scheme, and this does not in any manner indicate the quality of the Scheme or its future prospects and returns. Mutual funds invest in securities which may not always be profitable and there can be no guarantee against loss resulting from investing in the Scheme. The Scheme's value may be impacted by fluctuations in the bond markets, fluctuations in interest rates, prevailing political, economic and social environments, changes in government policies and other factors specific to the issuer of the securities, tax laws, liquidity of the underlying instruments, settlement periods, trading volumes, etc. Redemptions due to a change in the fundamental attributes of the Scheme or due to any other reason may entail tax consequences. Such tax shall be borne by the investor and the Mutual Fund shall not be liable for any tax consequences that may arise. For scheme specific risk factors, please refer to the Offer Document. Offer Documents, Key Information Memorandum and application forms are available at Investor Service Centres and distributors. Please refer to the Offer Document before investing.

Statutory details: Sponsor: JPMorgan Asset Management (Asia) Inc. **Trustee:** JPMorgan Mutual Fund India Private Limited, a company incorporated under the Companies Act, 1956. **Asset Management Company:** JPMorgan Asset Management India Private Limited, a company incorporated under the Companies Act, 1956. JPMorgan Mutual Fund has been established as a Trust under the Indian Trusts Act, 1882, by JPMorgan Asset Management (Asia) Inc., liability restricted to initial contribution of Rs. 1 lakh.

JPMorgan
Asset Management

Registered office: JPMorgan Asset Management India Private Limited
Mafatlal Centre, 9th Floor, Nariman Point, Mumbai - 400 021. • Tel.: 91-22-2281 7222
Website: www.jpmorganmf.com • **Toll free number:** 1-800-22-5763 (JPMF)

• **Kolkata:** Apeejay Business Center, Block A - 8th Floor, 15 Park Street, Calcutta - 16. Tel.: 91-33-2217 1136 • **Chennai:** Abacus Business Center, 2nd Floor, Raja Annamalai Building, 72, Marshall's Road, Egmore, Chennai - 600 001.Tel.: 91-44-2858 6921 • **Bangalore:** Regus Raheja Towers, Level 9 Raheja Towers, M.G. Road, Bangalore - 560 001 Tel.: 91-80-4180 0800 • **Pune:** Global Trade Centre, 1/1 Rambaug Col, LBS Rd, Above UTI ATM, Navi Peth, Pune - 411 030 • **Ahmedabad:** C83, Vishal Tower, Behind Prahlad Nagar, Auda Park, Near Anand Nagar Cross Road, Satelite, Ahmedabad - 380 051 • **Delhi:** Shangri-la Hotel, Business suite-507, 19, Ashoka Road, Connaught Place, New Delhi - 110 001 Tel.: 91-11- 4119 1919