Month Ending June, 2007

JPMorgan

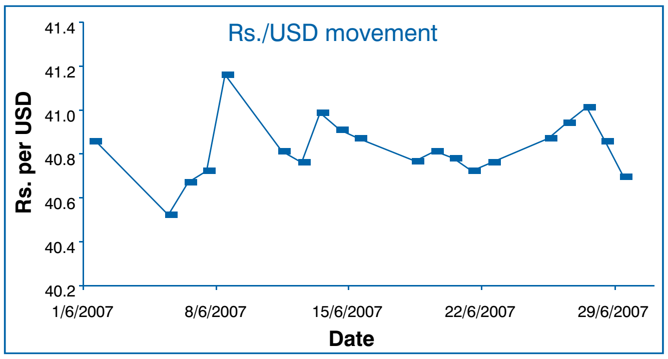
Fund Facts

JPMorgan
Asset Management

Market review, top 15 & more

Review

After April and May 2007, it is no surprise that the market took a breather in June. In fact, the market traded in a very narrow band. The most important positive macro data point for the month was that inflation (WPI) has come off to almost 4% — a combination of the monetary policy and the base effect. Despite this, bond yields remained stable and above 8% on the 10-year bond. The rupee too has stabilised, after appreciating quite sharply year-to-date.



Source: Economic Times.

Our portfolio reflects our positive view on the continuing capital investment in both the infrastructure and industrial sectors. The stock price of Larsen & Toubro, which is one of the key plays on this theme, was up almost 10% during the month, driven by strong order inflows. While the telecom sector was a relative drag, with Bharti Airtel's stock staying more or less flat during the month, we remain confident about the prospects for the telecom sector. Clarity on the valuation of the tower businesses could be a key sector trigger. The auto sector, which we are underweight in our portfolio, continued to be adversely impacted by the ongoing slowdown in demand.

The top 15 and more

Investors will notice that we have disclosed only our top 15 stocks but will appreciate that in our kind of focused portfolio, 15 stocks account for about 65% of the total portfolio. Thus disclosure is not as limited as it seems. The rest of the stocks are in various stages of acquisition and we believe it would be detrimental to the returns of investors were we to disclose them at this stage. However, we have analysed the undisclosed portion in depth. To allay concerns on consistency with our philosophy and the liquidity of our stocks, we have presented analysis that addresses these issues and can be validated by you when we provide full disclosure in line with regulations.

You will observe that we have just 47 stocks and continue to maintain our weightages on the sectors that we presented to you during the NFO. As long-term investors in the market, this is not surprising. We continue to believe that frequent company visits, meetings with various levels of personnel in the companies where we invest and with other industry participants, followed by in-depth proprietary research are the only ways to pick stocks that can deliver consistent and reliable returns in the long-term.

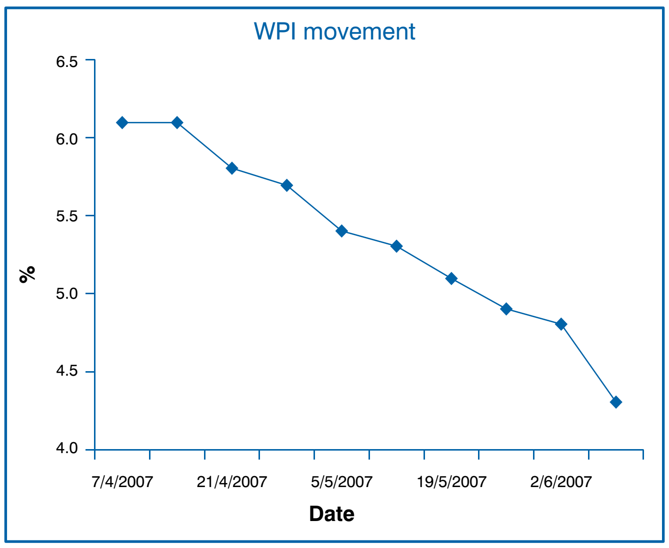
Our three pillars of fund performance — teamwork, research and experience in portfolio construction — are reflected in the JPMorgan India Equity Fund, which we hope will continue to grow as a part of every investor's CORE portfolio.

Equity outlook

July will be dominated by quarterly results. Expectations are of earnings to grow at ~20%-plus. Demand conditions for most sectors remain strong, autos being the main exception. Results from the tech sector will reflect rupee strength, though if Accenture's results are an indication, the operating environment should be strong. As is typical, stock level volatility will be high, with results being the main catalyst.

Debt outlook

The debt market had comfortable liquidity for the last couple of weeks, mainly due to strong FII flows and huge government spending. Call rates touched a low of 0.5% from a peak of 58% in March 2007. The lower inflation number further eased pressure on the RBI to take any drastic monetary measures. As a result, short-term yields have fallen by almost 200 bps over the last three weeks. Falling inflation, moderating credit growth numbers and excess liquidity have also led to flattening of the yield curve in the longer end.



Source: RBI.

We expect inflation to further drift lower mainly on account of the base effect. However, strong industrial production numbers, higher money supply and rising crude oil prices will keep the RBI vigilant on inflationary expectations. We believe that the market may not sustain current excess liquidity and expect call rates to stabilize in the range of 6-7.5% in the short term.

JPMorgan India Equity Fund

Holdings as on June 29, 2007 (in %)	
L&T	8.57
Infosys Technologies	7.65
Bharti Airtel	6.90
Reliance Industries	6.05
HDFC	5.01
BHEL	4.36
ONGC	4.34
Grasim Industries	3.60
Satyam Computers	3.44
HDFC Bank	3.20
ABB	3.02
Indian Hotels Co.	2.54
Reliance Comm.	2.46
Tata Power Co.	2.17
Gammon India	1.99
Total of top 15 stocks	65.29
Other equity	31.52
Total of all equity	96.81
Cash and others	3.19
Total	100.00

Scheme returns

	Scheme	BSE-200
Since inception	4.47%	4.33%

Note: NAV considered for computing returns is of growth option. • Returns are absolute (not annualized). • Returns are computed from 15 June to 29 June 2007. • Past performance may or may not be sustained in future.

Active positive bets

Total stocks in portfolio	47
Top 15 stocks	29.5%
Total portfolio	46.1%

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

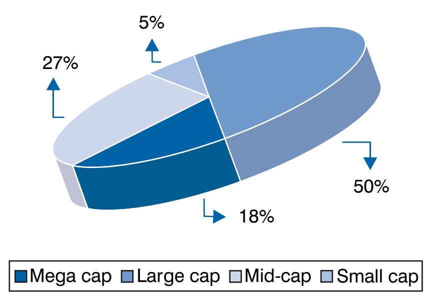
Weightage v/s BSE-200

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

Source: BSE, Bloomberg.

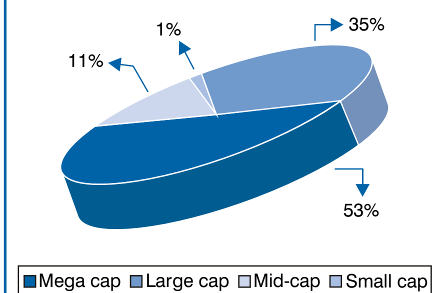
Portfolio analysis: Market cap-wise

Excluding top 15 scrips



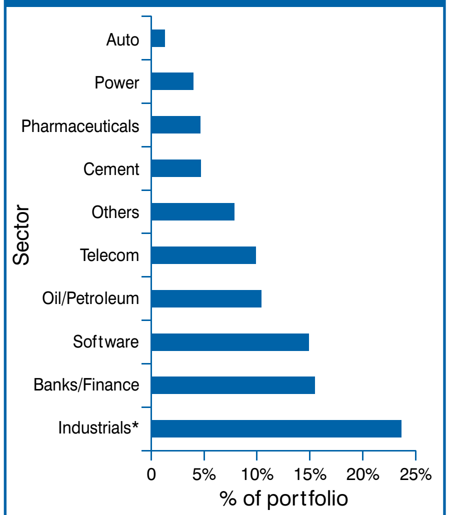
Note: Mega cap = USD10bn and above, Large cap = USD2 to 10bn, Mid-cap = USD 500mn to 2bn and Small cap = less than USD 500mn.

Complete portfolio



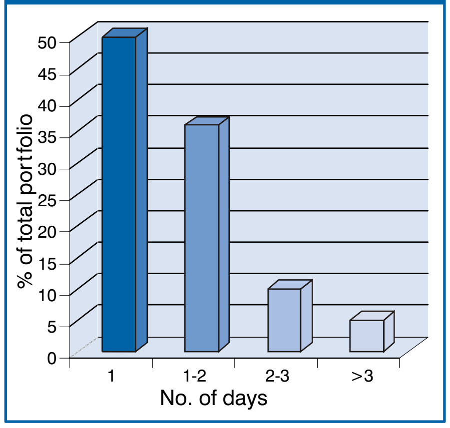
Note: Mega cap = USD10bn and above, Large cap = USD2 to 10bn, Mid-cap = USD 500mn to 2bn and Small cap = less than USD 500mn.

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 & in multiples of Rs.1/- thereof

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

Fund managers
Harshad Patwardhan & Amit Gadgil

Entry load
2.25% upto Rs.5 crores; 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 June 29, 2007, in Rs.)
JPMorgan India Equity Fund
Growth: 10.409
Dividend: 10.409
Past performance may or may not be sustained in future.

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. 5crore.

#With respect to the first redemption made within 24 months from the allotment date.

Any forecasts or opinions expressed are JPMorgan Asset Management's own at the date of the document and may be subject to change. JPMorgan Asset Management does not guarantee adequacy or accuracy of any information/view contained in this document.

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.

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JPMorgan
Asset Management

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