

# J.P. Morgan Asset Management – ValueNotes Investment Confidence Index

...the first-ever Investor and Advisor focused sentiment indicators



# J.P. Morgan Asset Management – ValueNotes Investment Confidence Index

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- Background
- Introduction to the indices
- Survey methodology
- Respondent profile
- Investor and advisor confidence – Key findings
- Investment activity – Retail investors and corporate treasuries
- Other sentiment influencers

## Background

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- The inaugural Investor Confidence Index was launched in the UK in the early 1990s
- Subsequently launched in Germany, France and other European countries
- In Asia, similar Investor Confidence Indices launched by the firm in Hong Kong, Japan and Taiwan
- The Hong Kong Investor Confidence Index has just completed its 12th wave (2Q 2009) and continues to evoke much interest

# J.P. Morgan Asset Management – ValueNotes Investment Confidence Index

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- The definitive indicator of investment confidence levels across key investment centres
- Focused on three important investor segments: retail investors, corporates and the advisor community (distributors)
- Key objectives
  - To quantify confidence in the investment environment
  - To study investment behaviour and sentiment over time based on key factors
  - To evaluate trends in such behavior
  - To study short-term and long-term changes in investment outlook

## Indices to be published every quarter

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- **Investment Confidence Index:** A composite index reflecting the combined sentiment of retail investors, corporates and distributors
- **Retail Investor Confidence Index:** Based on a survey of retail investors across India
- **Corporate Confidence Index:** Based on a survey of corporate treasuries across India
- **Advisor Confidence Index:** Based on a survey of distributors of financial products
  - Banks, National/Regional Distributors (N/RDs) and Independent Financial Advisors (IFAs)

## Survey Methodology: face to face, online and telephonic interviews

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- Screener questions to capture respondent profile
- Six index questions to compute indices - respondents' confidence, over the next six months
  - 1) Improvement in the Indian economic situation
  - 2) Improvement in the general Investment market environment and atmosphere
  - 3) Improvement in the global economic situation
  - 4) Increase in the BSE Sensex
  - 5) Appreciation in personal/clients' investment portfolio
  - 6) Increase in personal/clients' investments
- Other sentiment drivers
- Post-budget sentiment captured

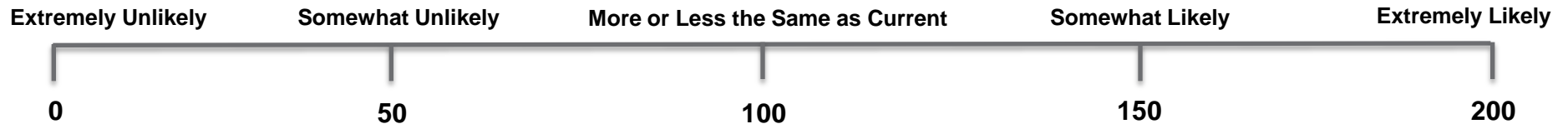


## Index Construction Methodology

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Indices constructed in a similar manner from the six “Index” questions posed to all

- Each Index question assigned a point between 0 and 200



- All six Index questions carry equal weight
- Investment Confidence Index equally weights retail, corporate and advisor indices
- Advisor Confidence Index equally weights the Bank Confidence Index, N/RD Confidence Index and the IFA Confidence Index

## Respondent Sample

- 99.3% of retail investors invested in stocks and/or mutual funds over the last 12 months

Category	Retail	Corporate	IFAs (Advisors)	Banks (Advisors)	NRDs (Advisors)
Number of respondents	1,711	50	285	20	20

City	Delhi / NCR	Mumbai	Kolkata	Chennai	Bengaluru	Pune	Hyderabad	Ahmedabad
Retail	12%	12%	12%	12%	13%	13%	12%	14%
IFAs	11%	17%	13%	11%	11%	12%	9%	16%
Corporate	48%	22%	2%	2%	6%	6%	4%	10%

Wallet Size (INR)	2 to 5 lakhs	5 to 10 lakhs	10 to 25 lakhs	25 to 50 lakhs	50 lakhs +
Retail	40%	26%	19%	8%	7%

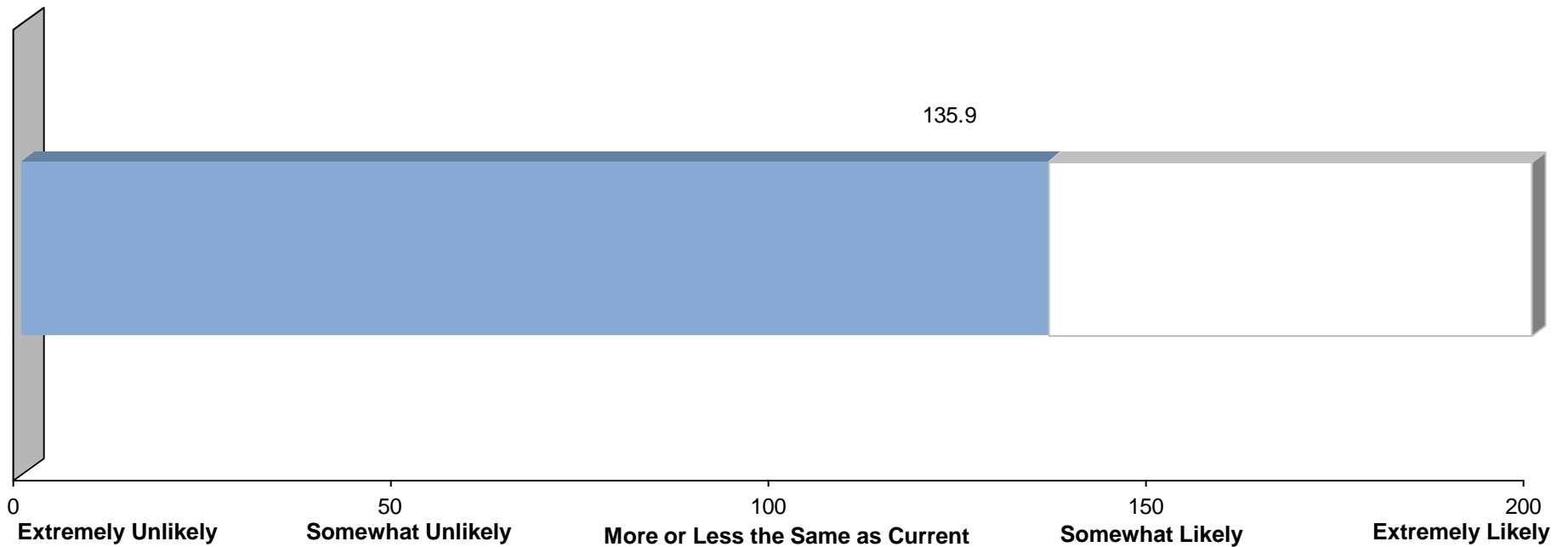
Treasury size (INR)	10 lakhs to 1 crore	1 crore to 10 crores	10 to 50 crores	50 to 100 crores	100 crores +
Corporate	6%	12%	10%	16%	56%

## Investor and Advisor Confidence - Key Findings

# Indians moderately confident

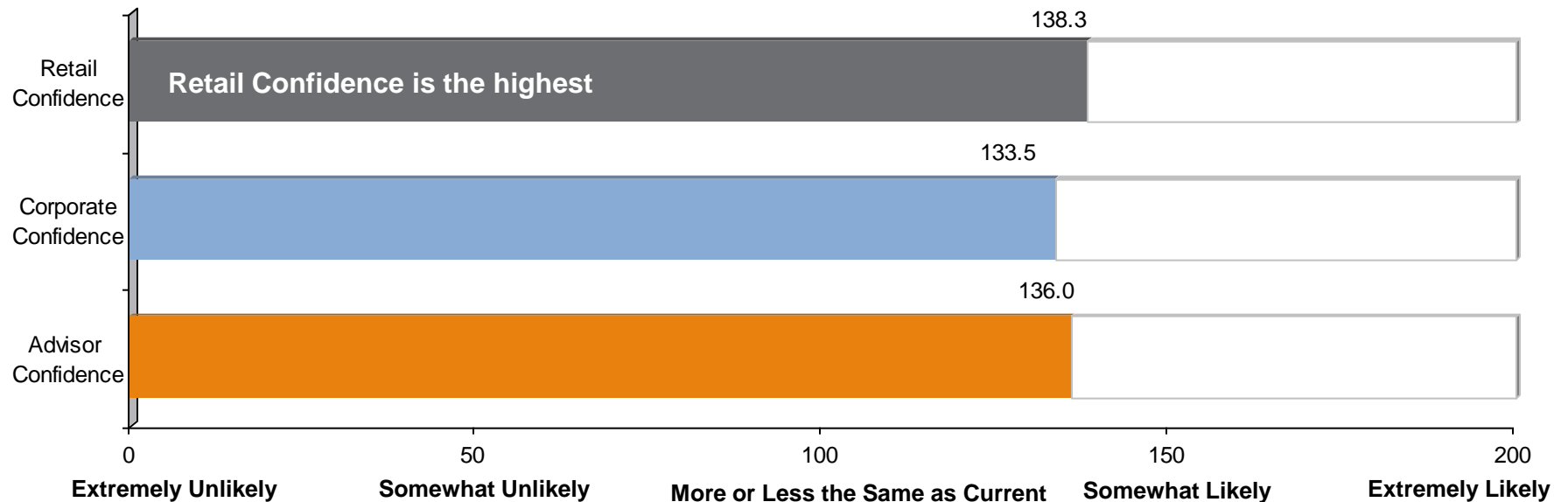
- Investment confidence reflects optimism on improvement from current levels

## Investment Confidence Index



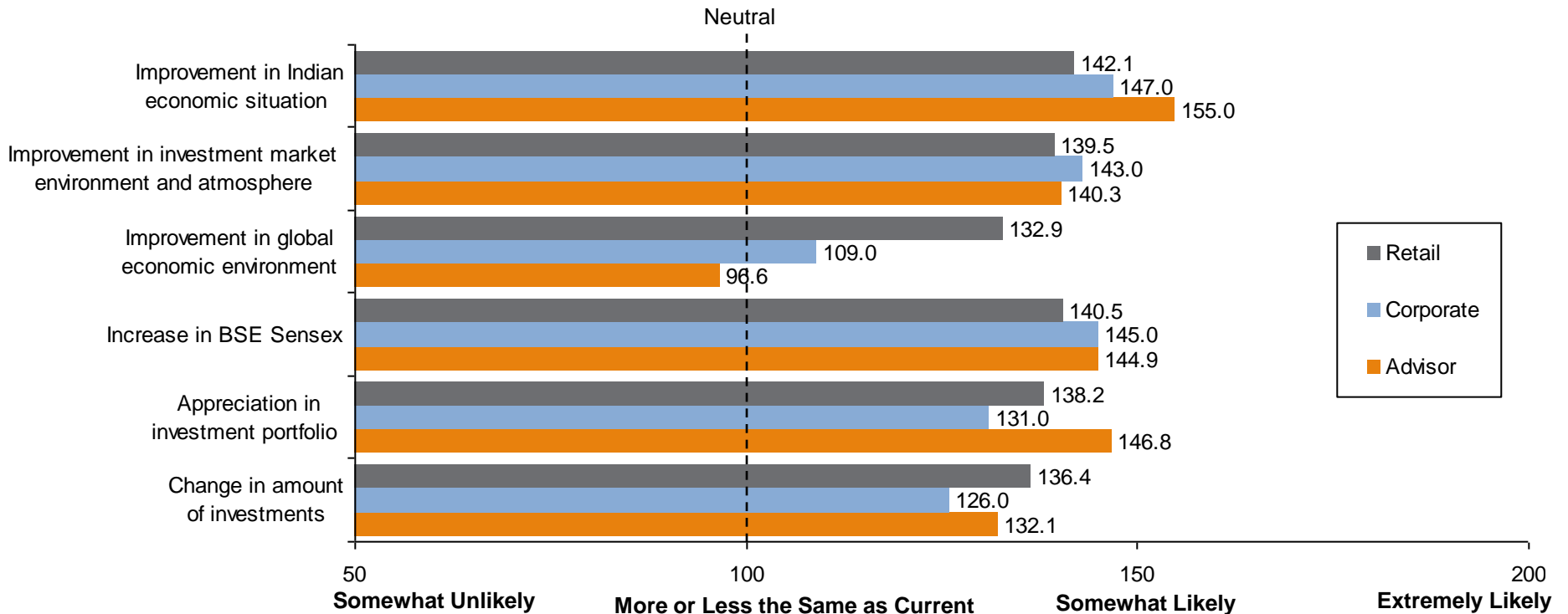
# Retail investors most confident

- Retail investors marginally more confident than corporates and advisors



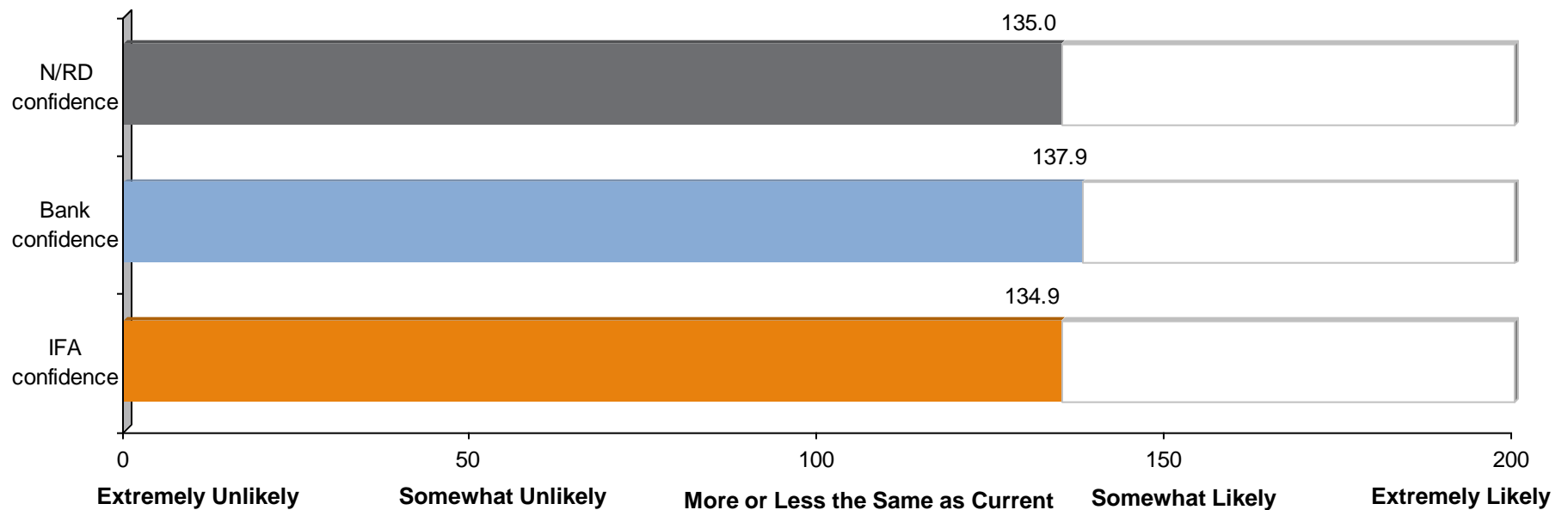
# The India story drives confidence across the board

- Confidence on Indian economy is the highest



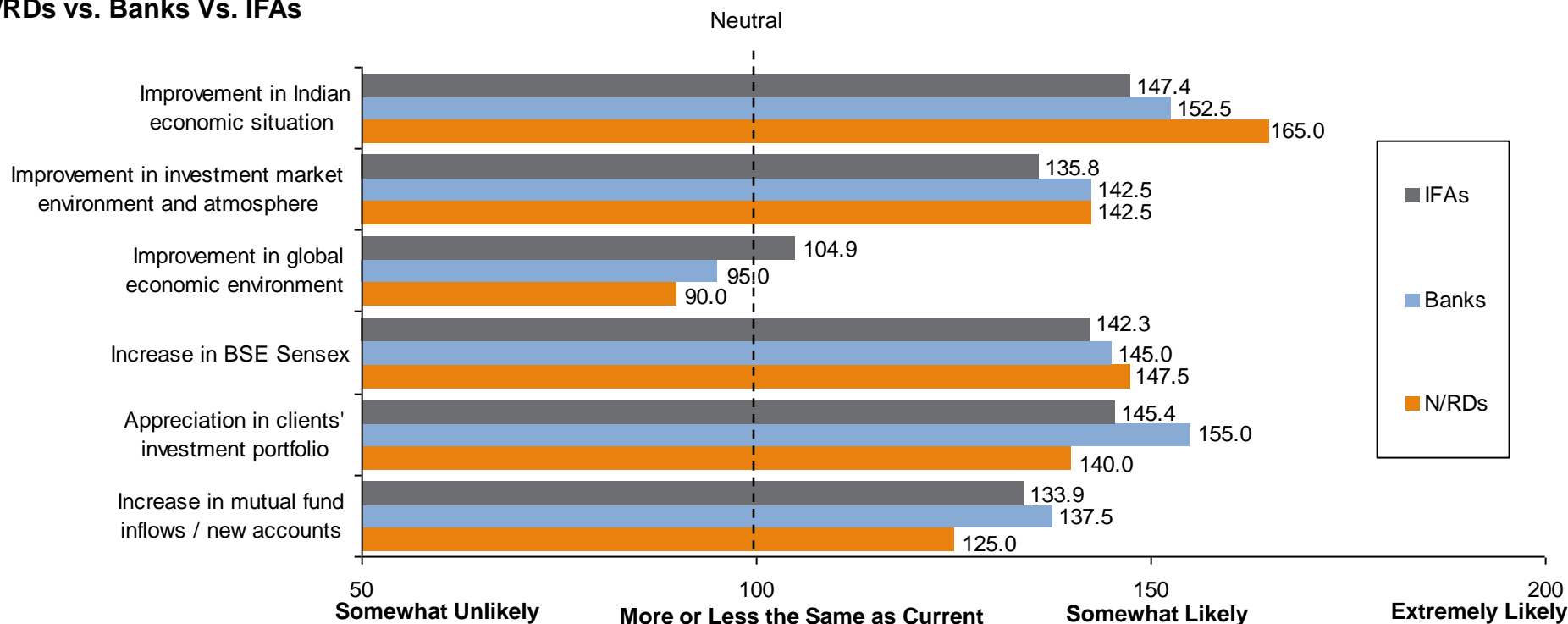
# Banks marginally more confident than IFAs and N/RDs

## N/RDs vs. Banks Vs. IFAs



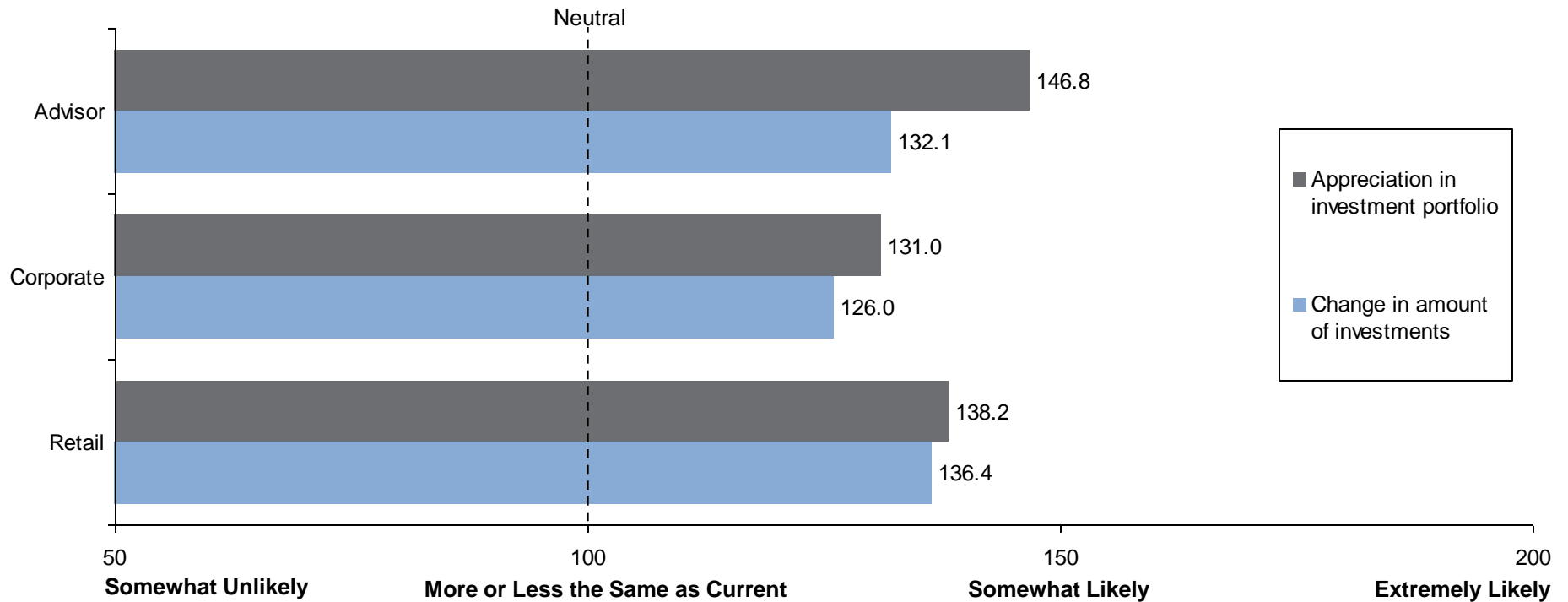
# Advisors most confident on Indian growth, least on global economy

## N/RDs vs. Banks Vs. IFAs



# Retail investor optimism on increasing investments higher than advisors

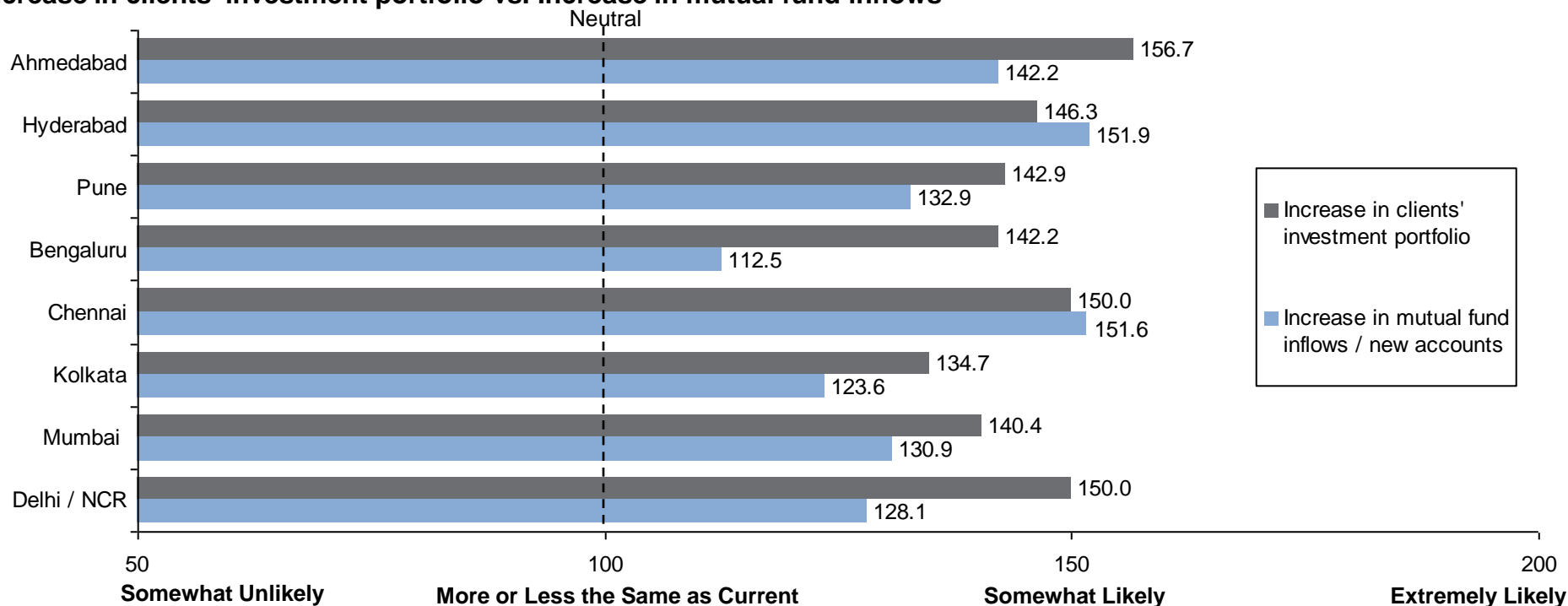
- Advisors are more optimistic about portfolio appreciation and less on clients' increasing investments



## Hyderabad and Chennai IFAs most optimistic on fund inflows

- Bengaluru IFAs expect reasonable portfolio appreciation but only marginal increase in new inflows

Increase in clients' investment portfolio vs. Increase in mutual fund inflows



# Retail investors expect increases in income and investments – 1

## Respondents expecting an increase in income more likely to increase investments

Likelihood of income increasing

Likely	3%	10%	48%
Same	4%	15%	12%
Unlikely	5%	2%	2%
	Decrease	Same	Increase

- **62%** of retail investors expect to **increase investments** over the next 6 months
- **61%** of retail investors expect their **income to rise** over the next 6 months

Likelihood of increasing investments

## Retail investors expect increase in income and investments - 2

### Respondents expecting an increase in income more likely to increase investments

Likelihood of income increasing	Likely	3%	10%	48%
	Same	4%	15%	12%
	Unlikely	5%	2%	2%
		Decrease	Same	Increase

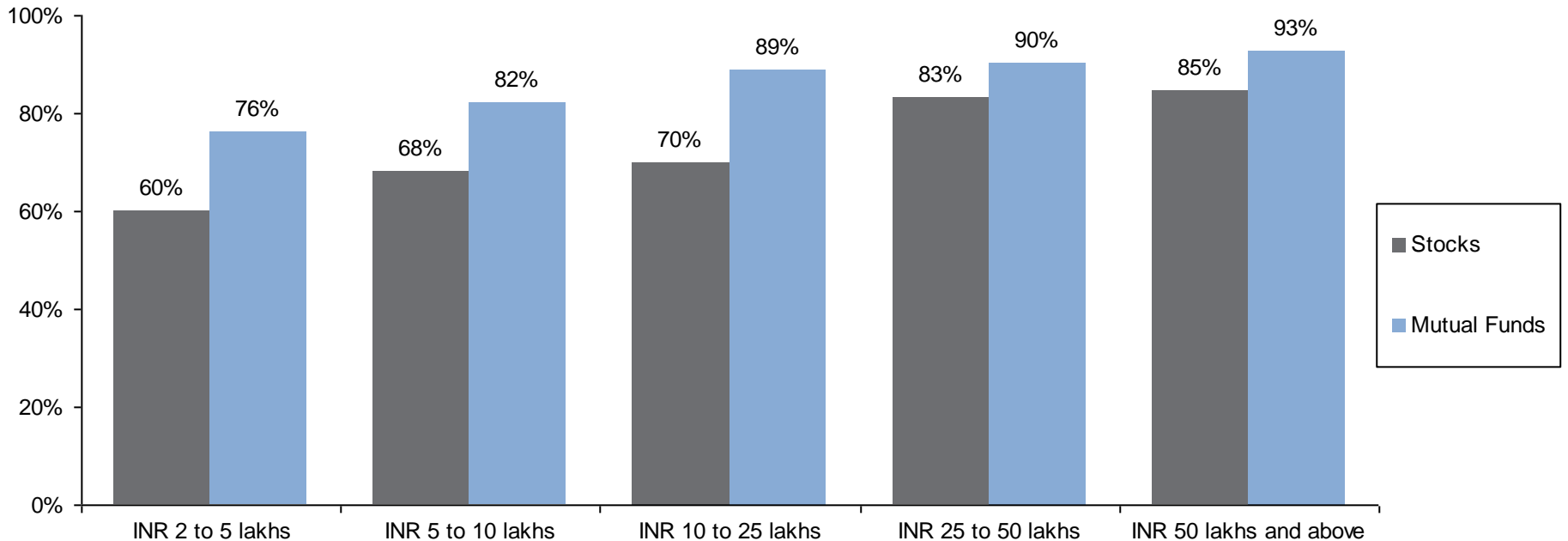
- 48% of retail investors expect both – increase in income and investments
- 3% of retail investors expect an income increase, but will decrease investments
- 2% of retail investors expect to increase investments despite expecting income to decrease
- 15% of retail investors neither expect a change in income nor in investments
- 5% of retail investors expect income to decrease and will also decrease investments

Likelihood of increasing investments

# Investments in stocks and mutual funds increase with wallet size

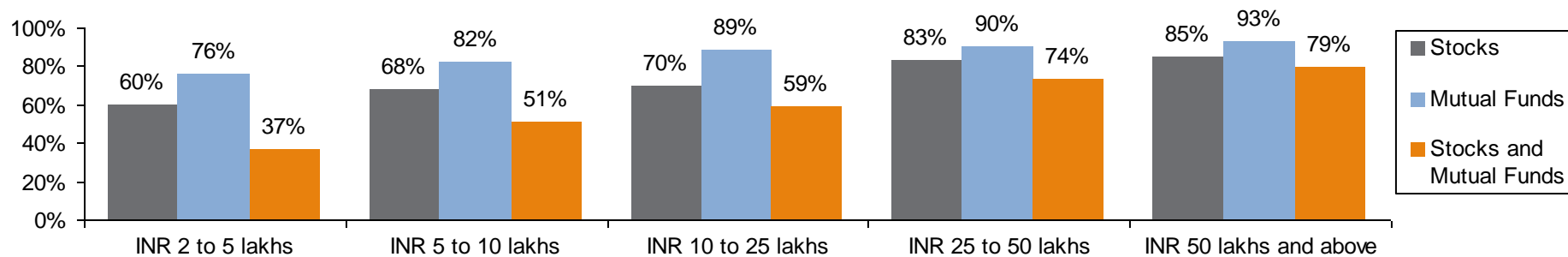
**HNIs clearly prefer to invest in both stocks and mutual funds**

**Mutual funds more preferred investment vehicle as compared to direct stock investments**

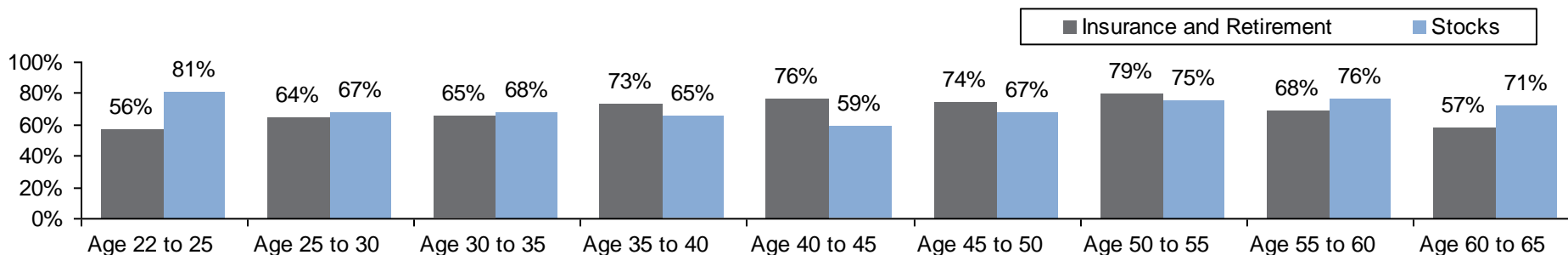


# Age and wallet size influence investment decisions

From “stocks or mutual funds” to “stocks and mutual funds”

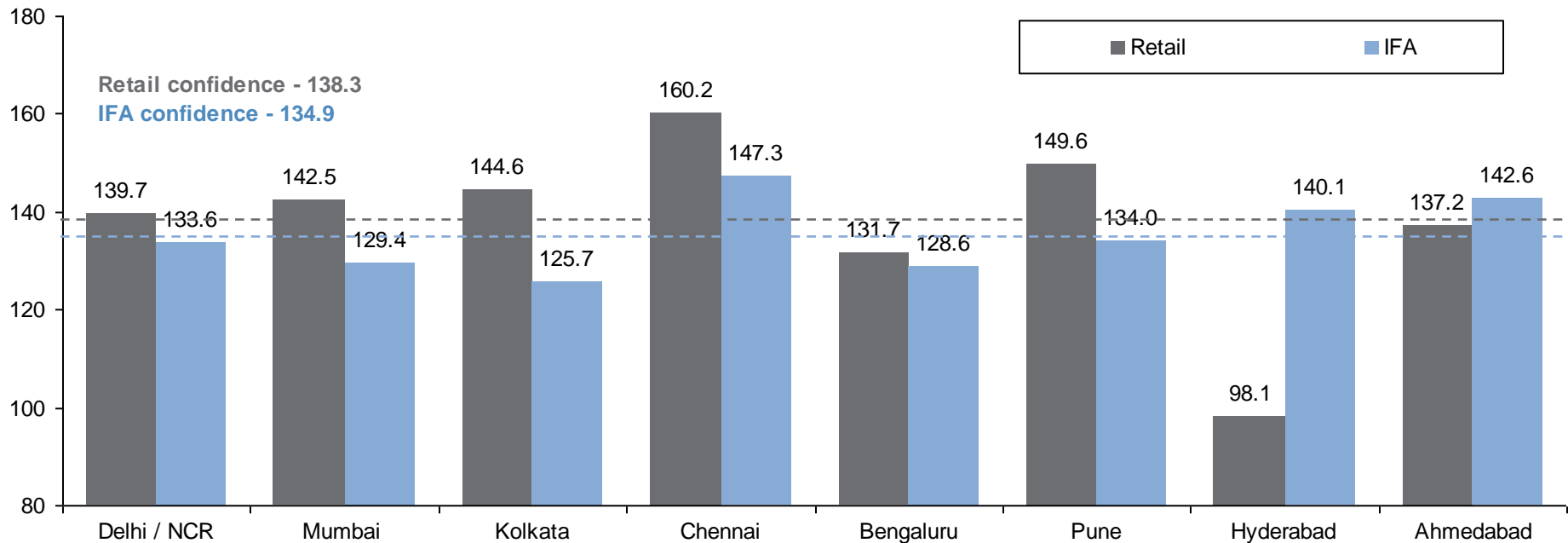


Insurance & Stocks: Investment preferences changes with age



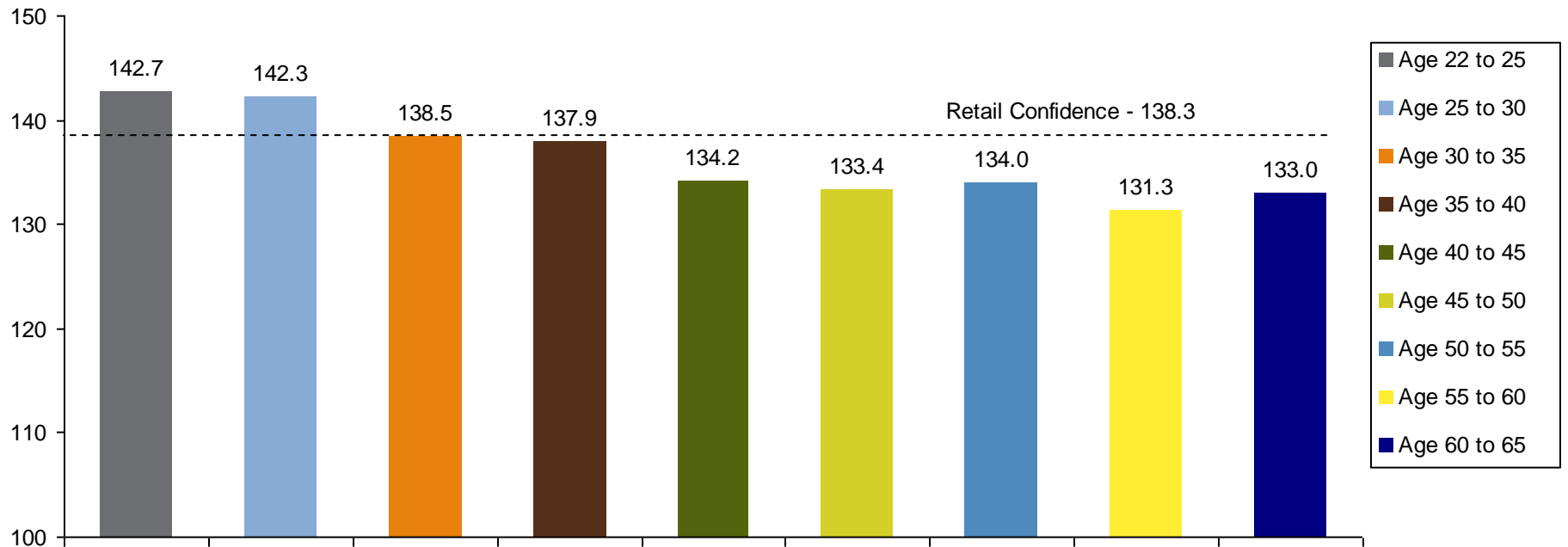
## Retail and IFA confidence highest in Chennai

- Retail investors more confident than IFAs except in Hyderabad and Ahmedabad



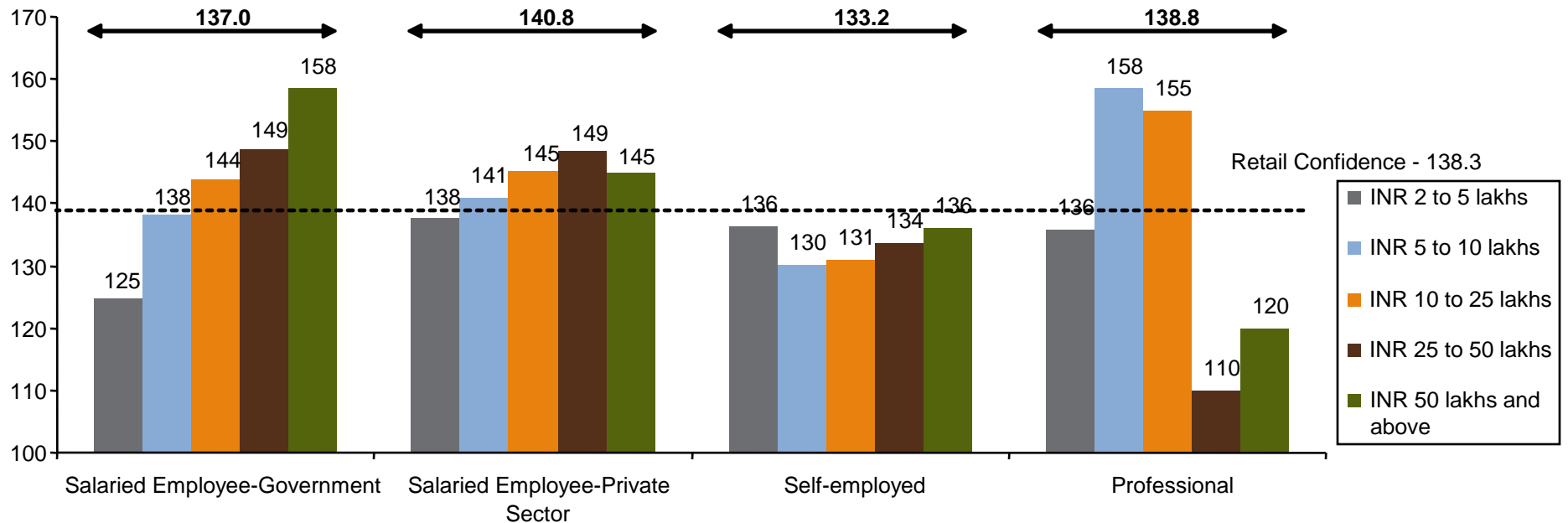
# Young India more confident

- Retail investor confidence declines with an increase in age



# Private sector employees most optimistic

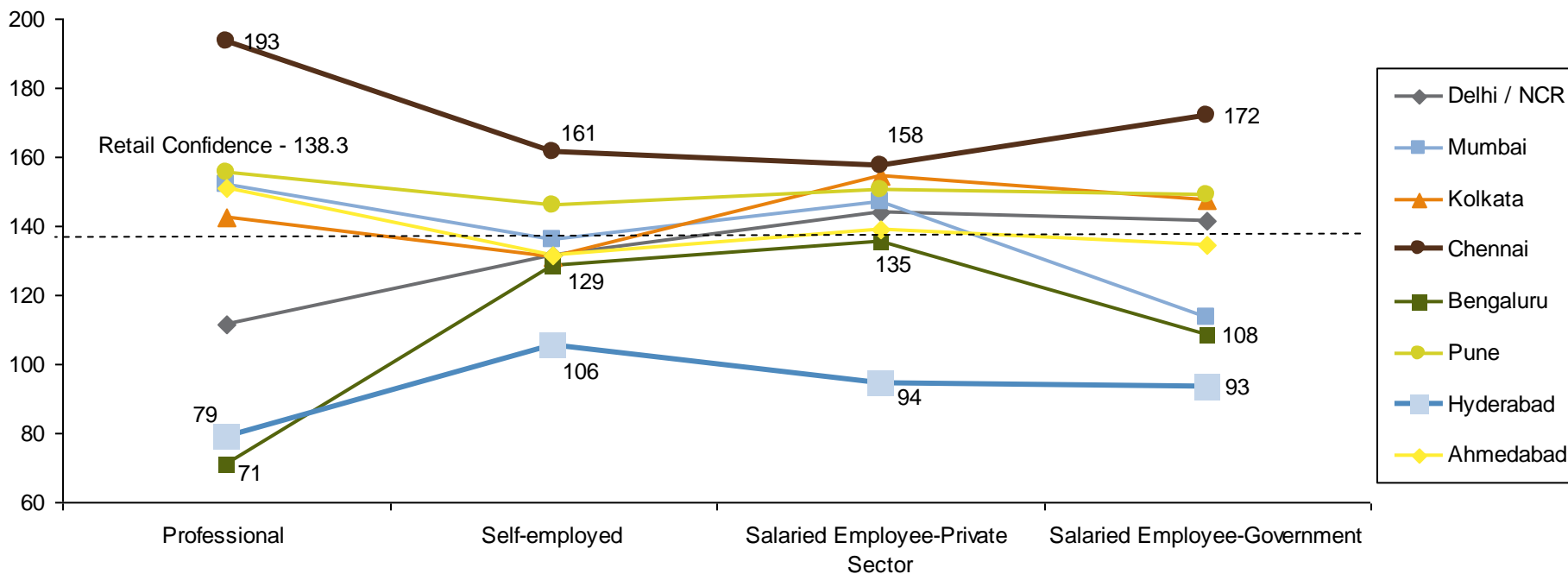
- Government employee confidence increases with wallet size



# Hyderabad's pessimism contrasts Chennai's optimism

- Private sector employees' confidence above average except in Hyderabad and Bengaluru

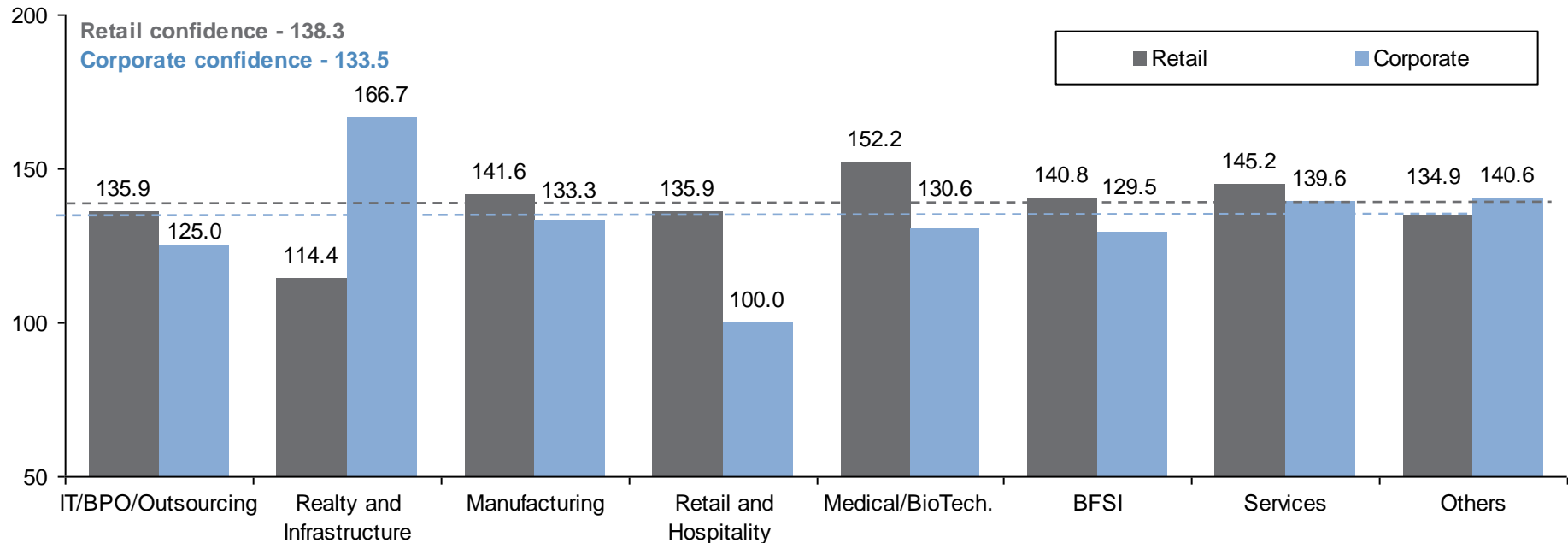
Chennai and Hyderabad - contrasting confidence trends by occupational status



# Realty sector – Retail investors least confident, corporates most

- Retail investors from Medical / Bio-tech. / Pharma most confident

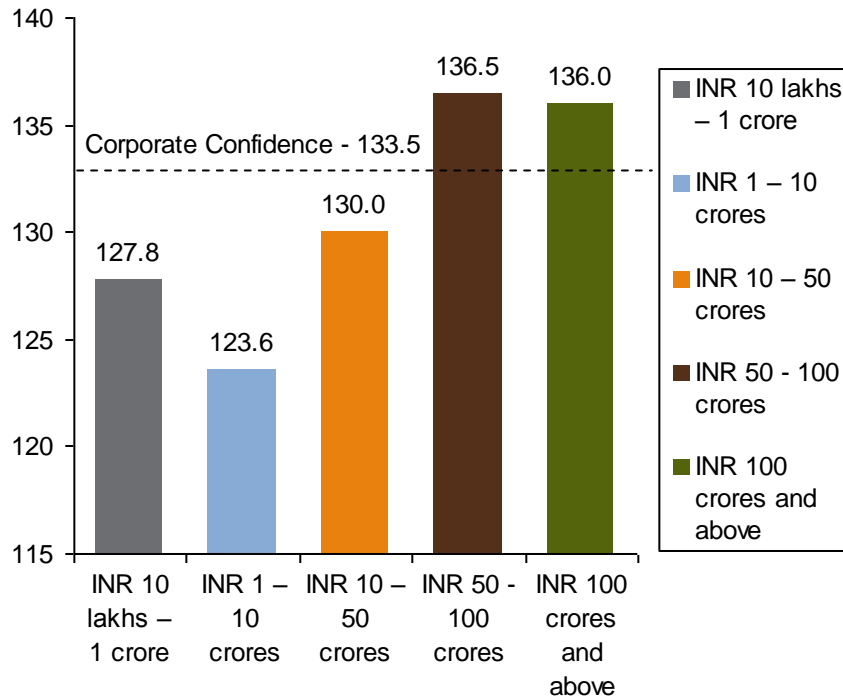
## Confidence differs between Realty, Retail and Medical investors



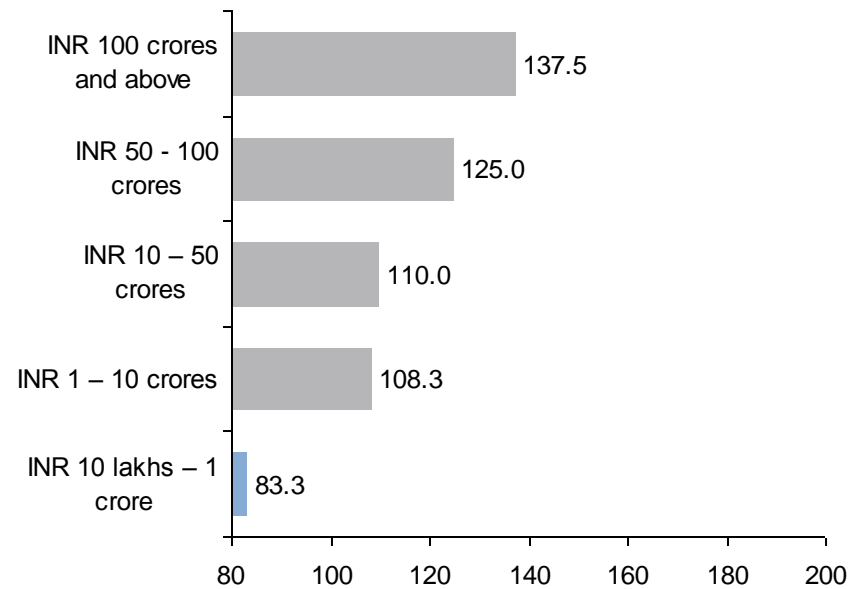
# Confidence higher among larger treasuries

- Corporate investors with treasury size > INR 50 crores more likely to increase investments

**Corporate Confidence by treasury size**



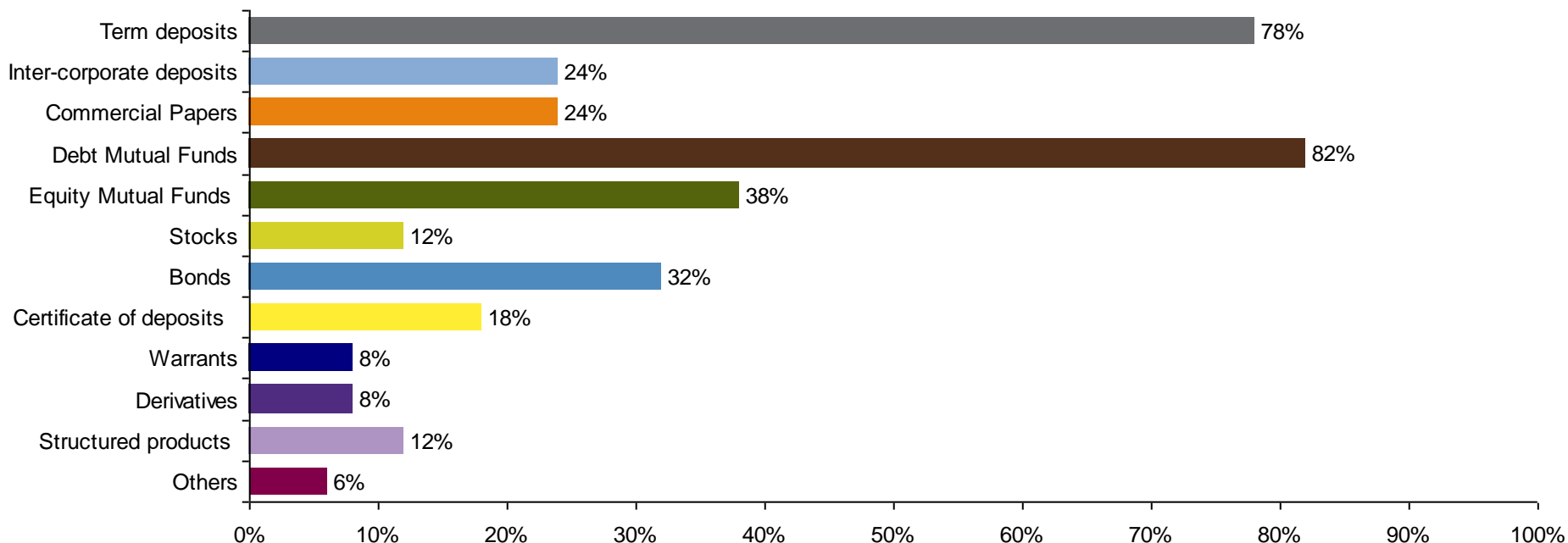
**Confidence in increasing investments**



## Liquidity and safety most important to corporate treasuries

- Corporates preferred debt mutual funds over term deposits over the last 12 months
- 24% of corporates invested in both debt and equity mutual funds over the last 12 months

### Corporate investment activity in the past 12 months



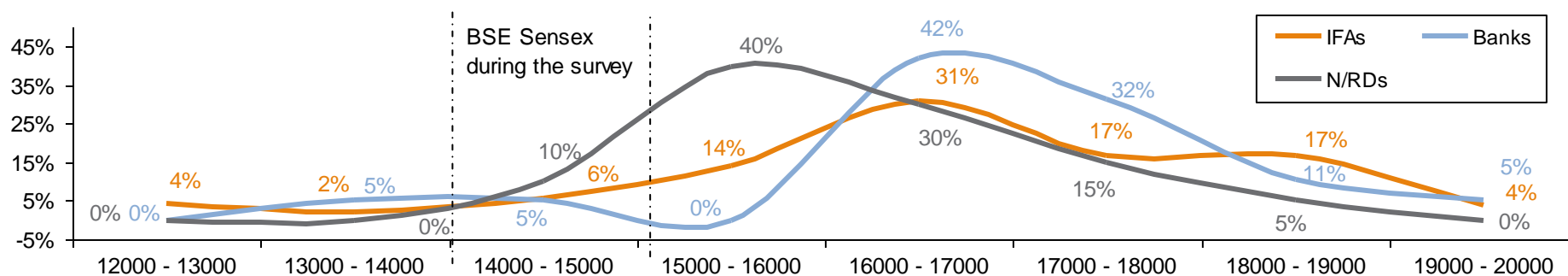
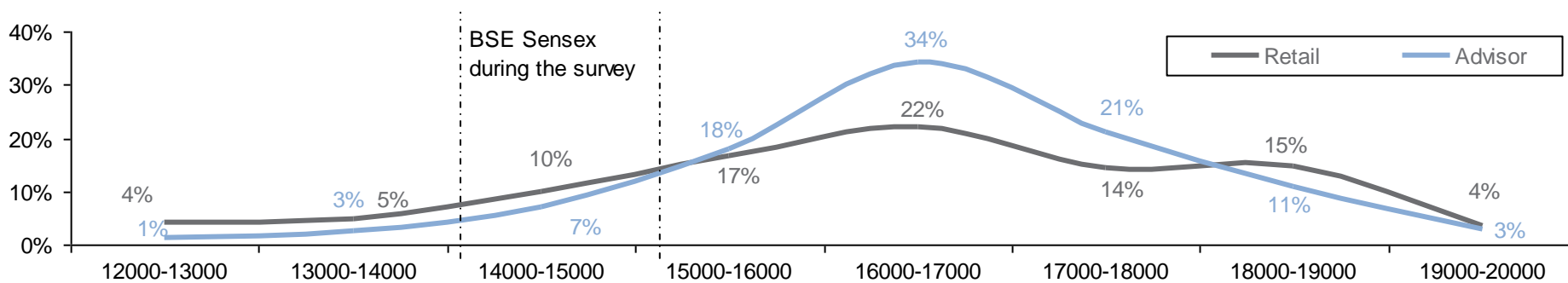
## Other sentiment drivers

- Sensex, economic signals, interest rates, NPAs, INR

# Investors and advisors expect Sensex to reach 16,000 – 17,000 in Dec'09

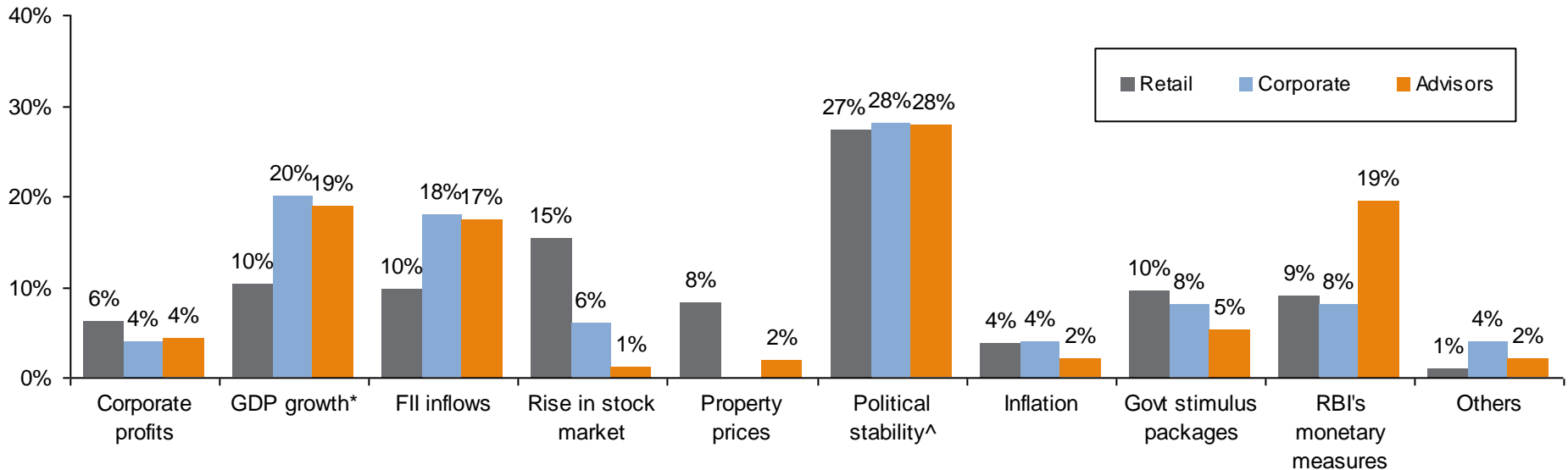
- 76% of retail and 88% of advisors expect Sensex to rise from current (survey) levels

## Advisors more confident of BSE Sensex trading at higher levels in December 2009



# Political stability is the most positive economic indicator

- Political stability viewed as the most positive signal across the investment supply chain



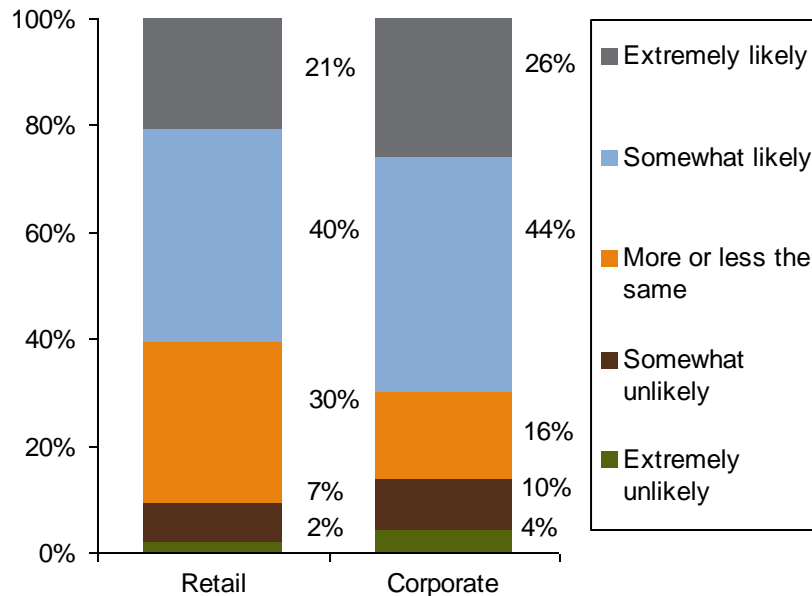
\*GDP growth meeting/exceeding expectations

^Government with a stable majority

# Personal incomes and corporate profits set to rise

- 70% of corporates expect a likely increase in corporate income; 61% of retail investors expect income to rise

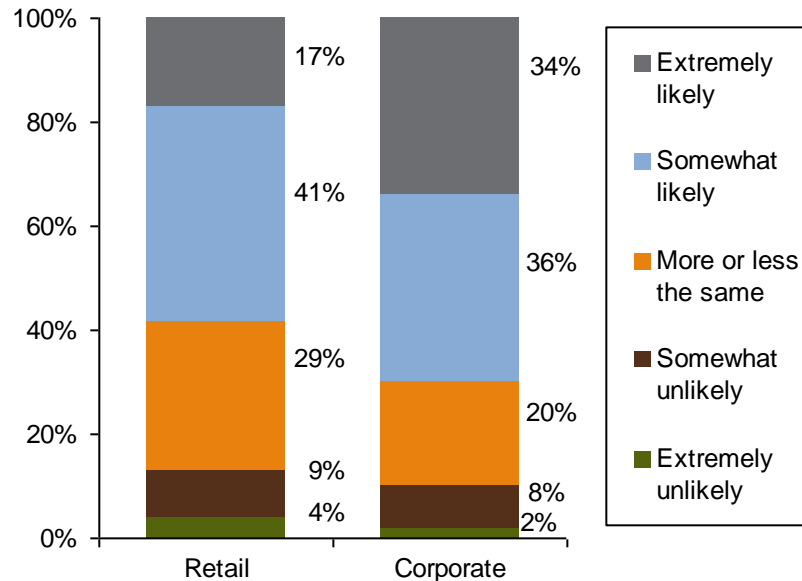
Personal income and corporate profits set to rise



# Domestic employment opportunities on the rebound

- 70% of corporates expect a likely increase in employment opportunities; 58% retail investors feel the same

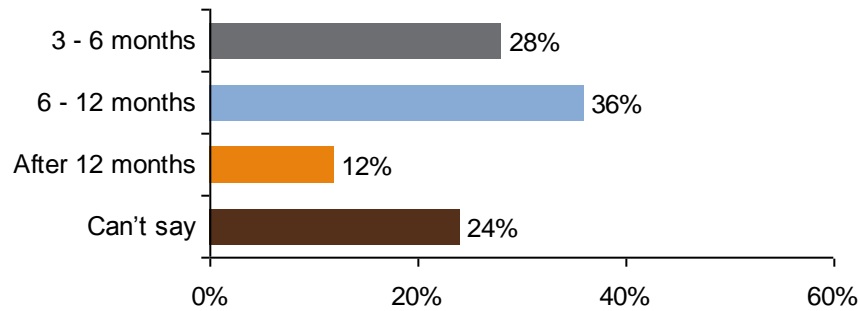
Indian employment opportunity likely to increase



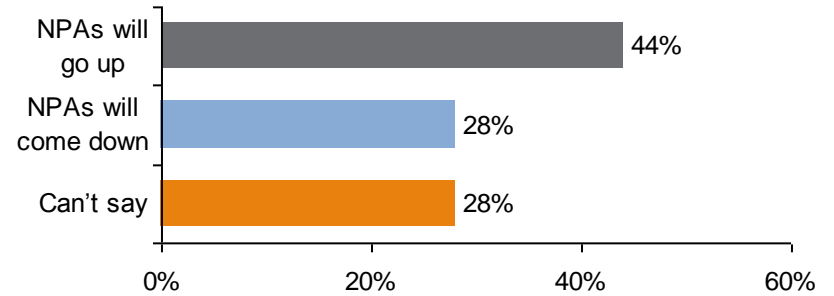
# Corporates expect RBI to intervene in the medium term

- Over-whelming corporate consensus that interest rates will increase and the INR will not depreciate

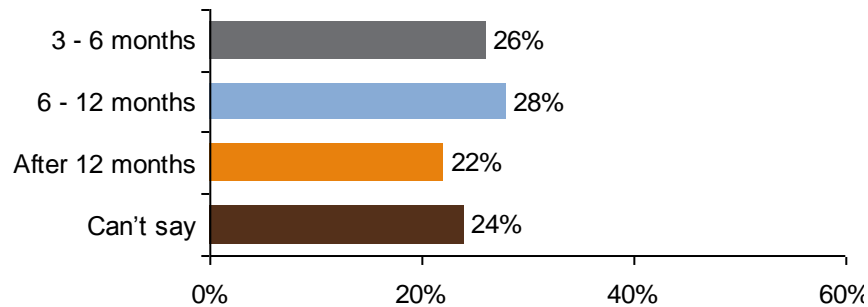
## RBI expected to reduce liquidity in 6-12 months



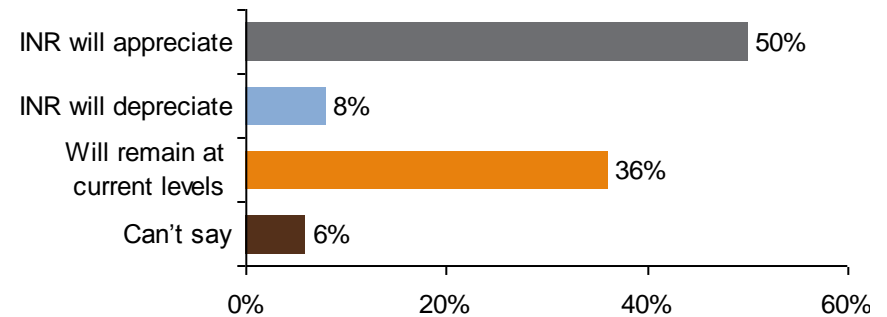
## NPAs expected to go up



## Interest rates expected to go up; "when" uncertain



## INR to appreciate in 3-6 months



Thank you

## Annexures

## Indices by city

	Delhi / NCR	Mumbai	Kolkata	Chennai	Bengaluru	Pune	Hyderabad	Ahmedabad
<b>Retail Confidence Index</b>	<b>139.7</b>	<b>142.5</b>	<b>144.6</b>	<b>160.2</b>	<b>131.7</b>	<b>149.6</b>	<b>98.1</b>	<b>137.2</b>
Improvement in Indian economic situation	144.0	149.0	149.5	166.2	131.1	154.6	102.7	137.9
Improvement in investment market environment and atmosphere	140.7	145.0	146.0	157.7	134.5	152.1	101.7	136.0
Improvement in global economic environment	133.9	132.0	141.8	156.3	126.6	139.9	96.5	133.7
Increase in BSE Sensex	143.0	141.0	144.8	160.8	133.0	155.5	103.5	139.5
Appreciation in investment portfolio	135.9	144.3	144.8	159.4	130.2	150.4	99.8	137.9
Change in amount of investments	140.5	144.0	140.8	160.8	134.5	145.0	84.3	138.3
<b>Advisor Confidence Index</b>	<b>133.6</b>	<b>129.4</b>	<b>125.7</b>	<b>147.3</b>	<b>128.6</b>	<b>134.0</b>	<b>140.1</b>	<b>142.6</b>
Increase in mutual fund inflows / new accounts	128.1	130.9	123.6	151.6	112.5	132.9	151.9	142.2
Increase in clients' investment portfolio	150.0	140.4	134.7	150.0	142.2	142.9	146.3	156.7
Increase in BSE Sensex	142.2	136.2	136.1	151.6	137.5	147.1	137.0	150.0
Improvement in global economic environment	115.6	92.6	101.4	104.8	110.9	100.0	109.3	110.0
Improvement in investment market environment and atmosphere	131.3	129.8	120.8	145.2	132.8	135.7	148.1	145.6
Improvement in Indian economic situation	134.4	146.8	137.5	180.6	135.9	145.7	148.1	151.1
	Weighted Average (all cities)							
<b>Retail Confidence Index</b>	<b>138.3</b>							
<b>Corporate Confidence Index</b>	<b>133.5</b>							
<b>Advisor Confidence Index</b>	<b>136.0</b>							

## Survey Methodology

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Interviews - face-to-face, online and telephone – with investors and advisors in Delhi, Kolkata, Ahmedabad, Mumbai, Pune, Hyderabad, Bengaluru and Chennai

- Screeners to capture respondent profile
  - Retail: Gender, location, age, occupational status, sector of engagement, liquid assets, investment activity in the past year
  - Corporate: Treasury size, years of treasury experience and treasury activity in the past year
  - Advisors: Extent of distribution reach, location (for IFAs)
  
- Six index questions to compute indices - respondents' confidence, over the next six months
  - Improvement in the Indian economic situation, general Investment market environment and atmosphere, global economic situation
  - BSE Sensex increasing from current levels
  - Prospect of self (retail and corporate) / clients' (advisors) investment portfolio appreciating and
  - Increase / decrease in investments (self - retail and corporate, clients' – advisors)
  
- Other questions – positive economic indicators, likelihood of non-investment income increasing, movements in INR, interest rates, NPA levels, range BSE Sensex will trade at in December 2009 and interest in exploring China as an investment option

*...current survey conducted post budget between 7<sup>th</sup> July – 20<sup>th</sup> July, 2009*

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## Index Construction Methodology

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Three indices constructed in a similar manner from the six “Index” questions posed to all

- Each Index question assigned a point between 0 and 200
  - Extremely likely – 200 points
  - Somewhat likely – 150 points
  - More or less the same as current – 100 points
  - Somewhat unlikely – 50 points
  - Extremely unlikely – 0 points
  
- All six Index questions carry equal weight
  - Sub-indices computed for each Index question, weighted by number of responses
  - Average of the six sub-indices is the overall Index for the category / segment / city
  
- The Advisor Confidence Index equally weights the Bank Confidence Index, ND Confidence Index and the IFA Confidence Index

*...indices at any point, can range from “0” to “200”; 200 being the highest possible confidence*

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## Respondent Sample - Retail, Corporate & Advisor

# Eligibility

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## ■ Retail

- Employees from media, advertising & marketing, PR, research and financial websites excluded
- Employees and immediate relatives of J.P. Morgan Asset Management and ValueNotes not eligible for participation
- Investment experience > 2 years
- Age  $\geq 22$  and  $\leq 65$
- $\geq$  INR 2 lakhs in liquid assets
- Invested in stocks, mutual funds, bonds, foreign currency, certificate of deposits, warrants or derivative products in the last year
- Actively save for investments, whether regularly or once in a while

## ■ Corporate

- Treasury size  $\geq$  INR 10 lakhs
- Treasury experience  $\geq$  2 years

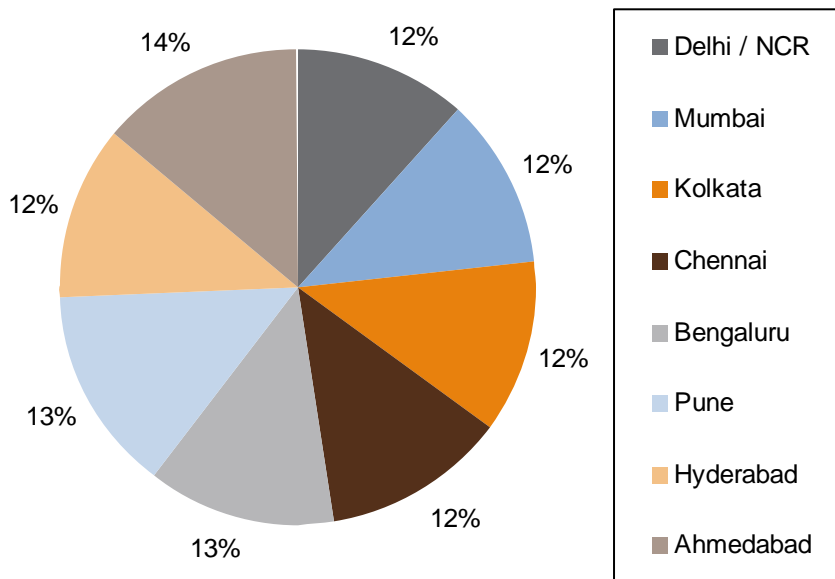
## ■ Advisors

- Distribute financial products
- $\geq$  2 years of experience in financial services
- NDs with nation-wide reach

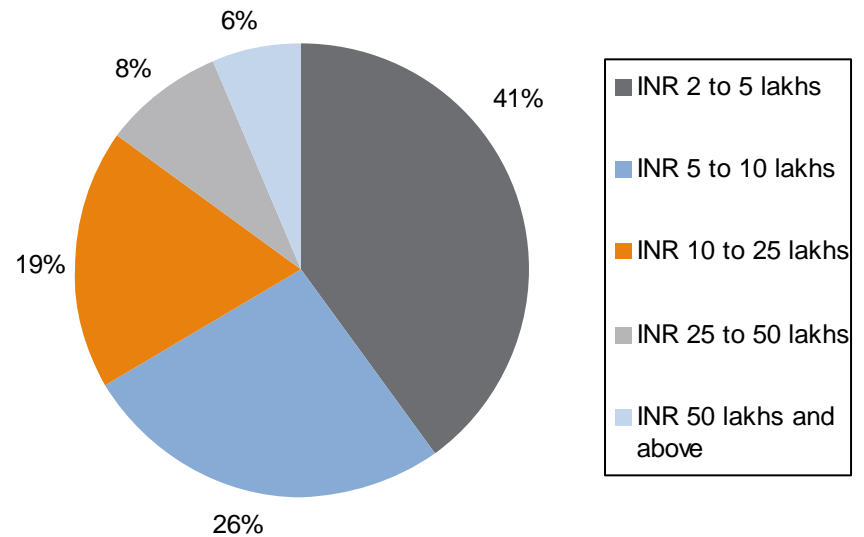
# Retail respondent profile

- 1,711 retail investors from the selected cities surveyed

**Retail - By city**



**Retail - By amount of liquid assets**

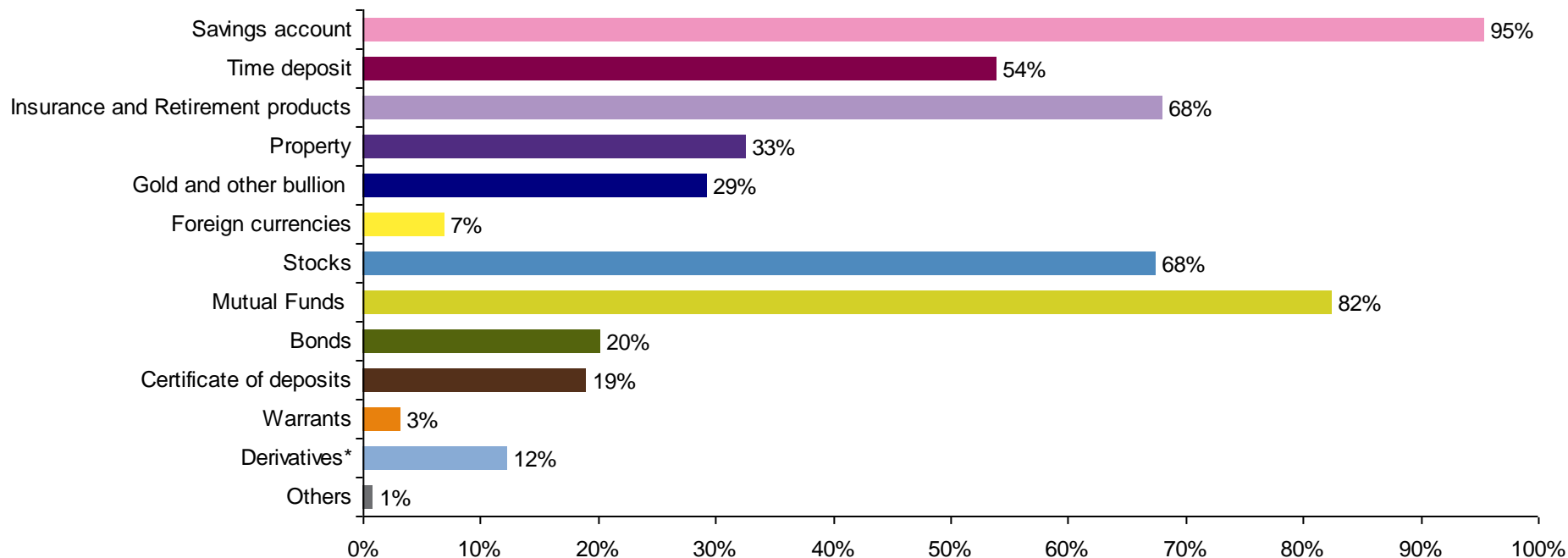


\*“Liquid” assets includes all asset classes and investment instruments, excluding property (personal and commercial), gold and bullion.

## Retail respondents' investment activity

- 99.3% of respondents had invested in stocks and/or mutual funds over the past year
- Investors investing **only** in savings/fixed deposits, property, bullion and insurance not eligible

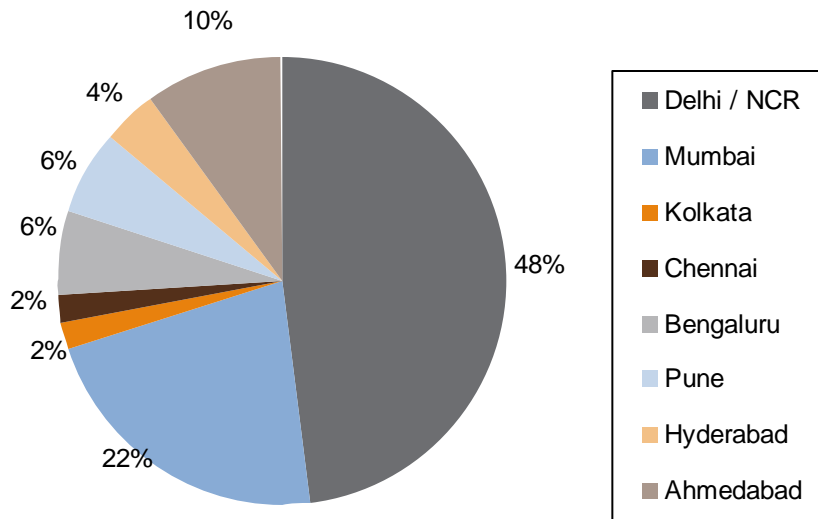
### Retail investment activity in the past 12 months



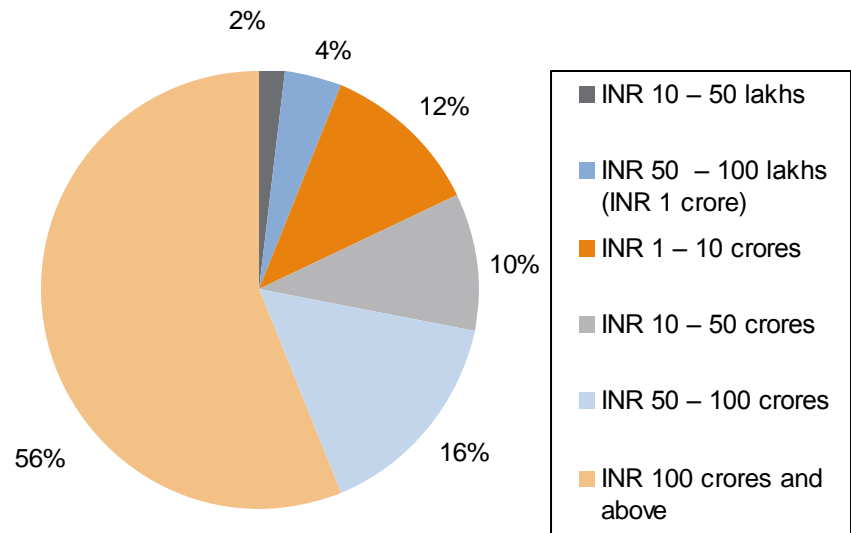
# Corporate respondent profile

- Treasury size represents investments excluding strategic equity holdings and hedging investments

Corporate - By city



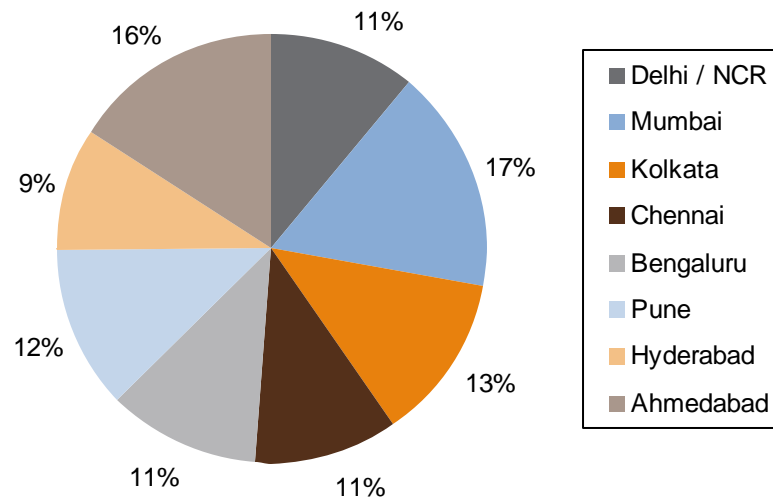
Corporate - By treasury size



## Advisor respondent profile

- Advisors include 20 banks, 20 National /Regional Distributors (N/RDs) and 285 IFAs from the selected cities
- “Advisor” sentiment equally weighted across the three categories

IFAs - By city



## Disclaimers / Risk Factors

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- **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.
- **Risk Factors / Disclaimers:** Mutual fund investments are subject to market risks. Please read the Offer Document, Statement of Additional Information and Scheme Information Document carefully before investing.
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- This information is based on our assumptions and interpretations of the survey conducted. No part of our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed herein. Be aware that our assumptions and interpretations are partially based on our observation of participants' past behaviour. Do not base your actions on the material so provided. These observations will change if different assumptions and interpretations are applied for the purpose of preparing this survey report.

## ■ Research Methodology

- Retail investors, corporate investors and advisors were surveyed through a combination of face-to-face interviews, online surveys (through [www.valuenotes.com](http://www.valuenotes.com)) and telephone interviews. The surveys were conducted in selected Indian cities - Delhi / NCR, Kolkata, Ahmedabad, Mumbai, Pune, Hyderabad, Bengaluru and Chennai. The number of responses to each question is multiplied by the respective confidence-level point and these are aggregated at each Index question level. Sub – indices are calculated for each of these six Index questions, which is the arithmetical mean of the aggregates. The arithmetical mean of the sub – indices forms the Overall Confidence Index for that respondent category. The Advisor Confidence Index gives equal weights to the Bank Confidence Index, ND Confidence Index and the IFA Confidence Index to arrive at the overall advisor sentiment. The Confidence Index, at any given point can vary between 0 and 200. 200 denotes the highest level of confidence in improvement from current conditions, 100 denotes a neutral sentiment and 0 denotes an extremely negative outlook.

## ■ Accuracy or Adequacy of Information

- The information contained herein is provided based on a public survey. Although we endeavour to ensure that the information is as current and accurate as possible, errors do occasionally occur. Therefore, we cannot guarantee the accuracy and adequacy of the information. Readers should, wherever possible, verify the information before acting on it.

## ■ Interpretations and assumptions which may differ from person to person

- This information is based on our assumptions and interpretations of the survey conducted. No part of our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed herein. Be aware that our assumptions and interpretations are partially based on our observation of participants' past behaviour. Do not base your actions on the material so provided. These observations will change if different assumptions and interpretations are applied for the purpose of preparing this survey report.

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