

J.P. Morgan Asset Management – ValueNotes Investment Confidence Index – Wave III, March 2010

...India's only Investor and Advisor focused sentiment indicator



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

- 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

- 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
- The J.P. Morgan Asset Management – ValueNotes Investment Confidence Index (ICI) was launched in India in July 2009

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

- 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

Quarterly indices tracking sentiment across the investment community

- **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 Investor 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

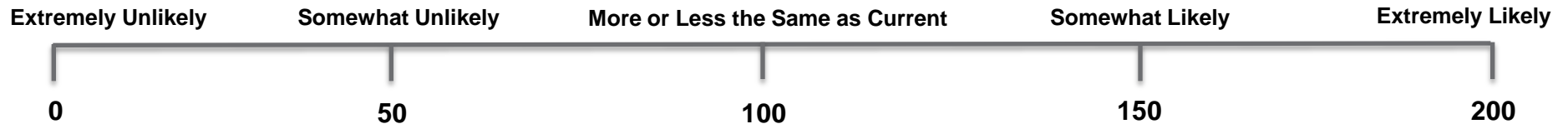
- Screener questions capture respondent profile
- Six 'index' questions - capture respondents' confidence, over the next six months
 - 1) Improvement in the Indian economic situation
 - 2) Improvement in the general Investment market environment and atmosphere
 - 3) Improvement in the global economic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



Index Construction Methodology

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 – Wave III, February 2010

- 97.1% 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	1,695	50	253	20	20

City	Delhi / NCR	Mumbai	Kolkata	Chennai	Bengaluru	Pune	Hyderabad	Ahmedabad
Retail	13%	14%	13%	12%	12%	12%	12%	12%
IFAs	13%	15%	12%	12%	12%	12%	12%	12%
Corporate	26%	44%	2%	0%	2%	12%	6%	8%

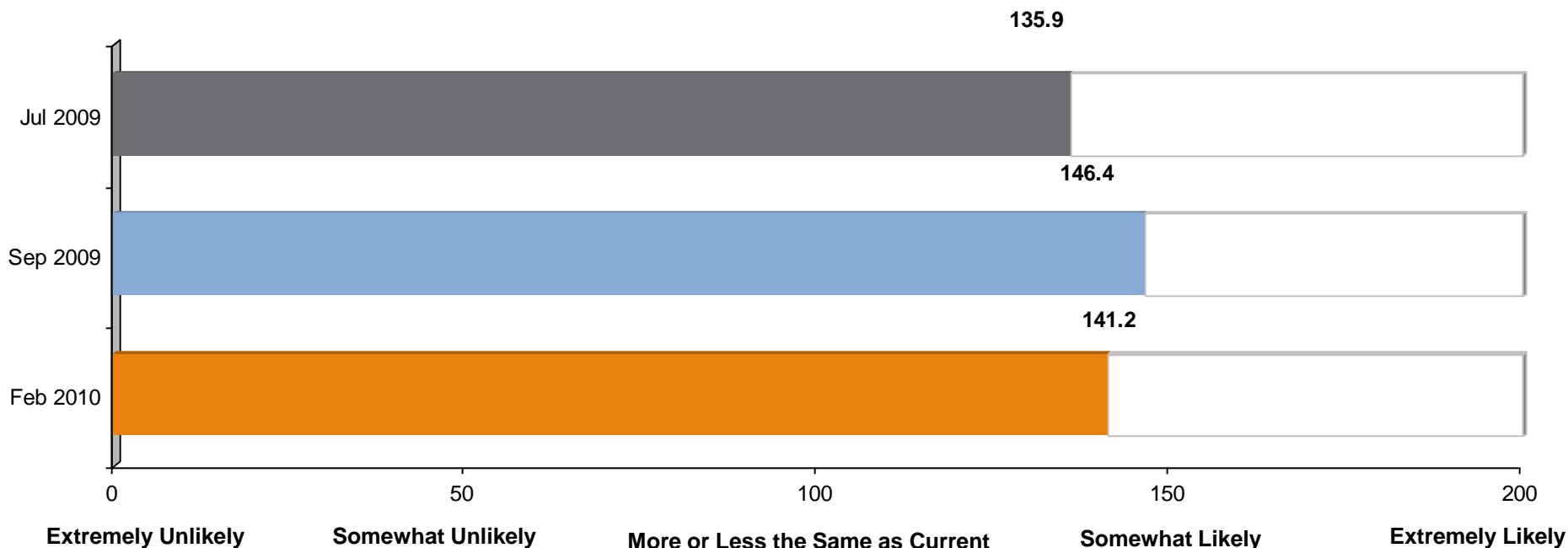
Wallet Size (INR)	2 to 5 lakhs	5 to 10 lakhs	10 to 25 lakhs	25 to 50 lakhs	50 lakhs +
Retail	30%	33%	22%	10%	5%
Treasury size (INR)	10 lakhs to 1 crore	1 crore to 50 crores	50 to 150 crores	150 to 500 crores	500 crores +
Corporate	2%	12%	18%	20%	48%

Investor and Advisor Confidence, Wave III, February 2010 - Key Findings

Indian Investment Confidence falls for the first time since ICI launch

- Confidence of the Indian investment community drops 5.2 points to 141.2 in February 2010 from 146.4 in September 2009

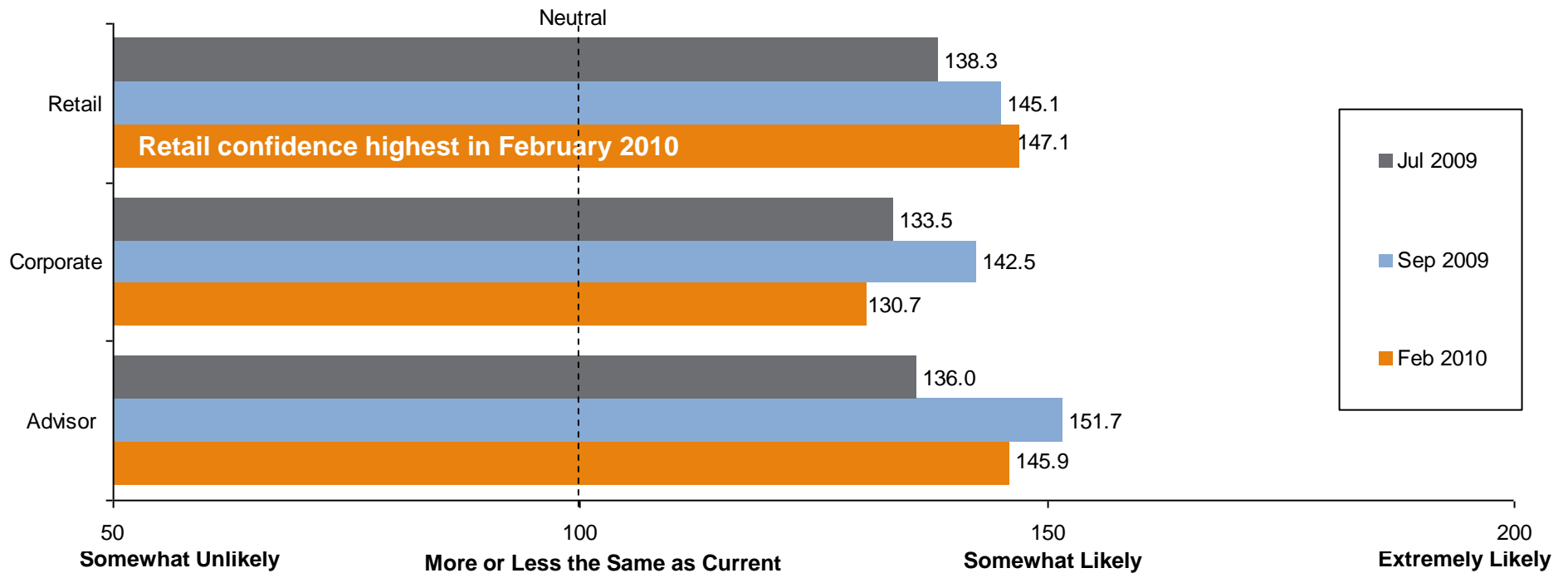
Investment Confidence Index



Corporate confidence hits all-time low, retail investor confident as ever

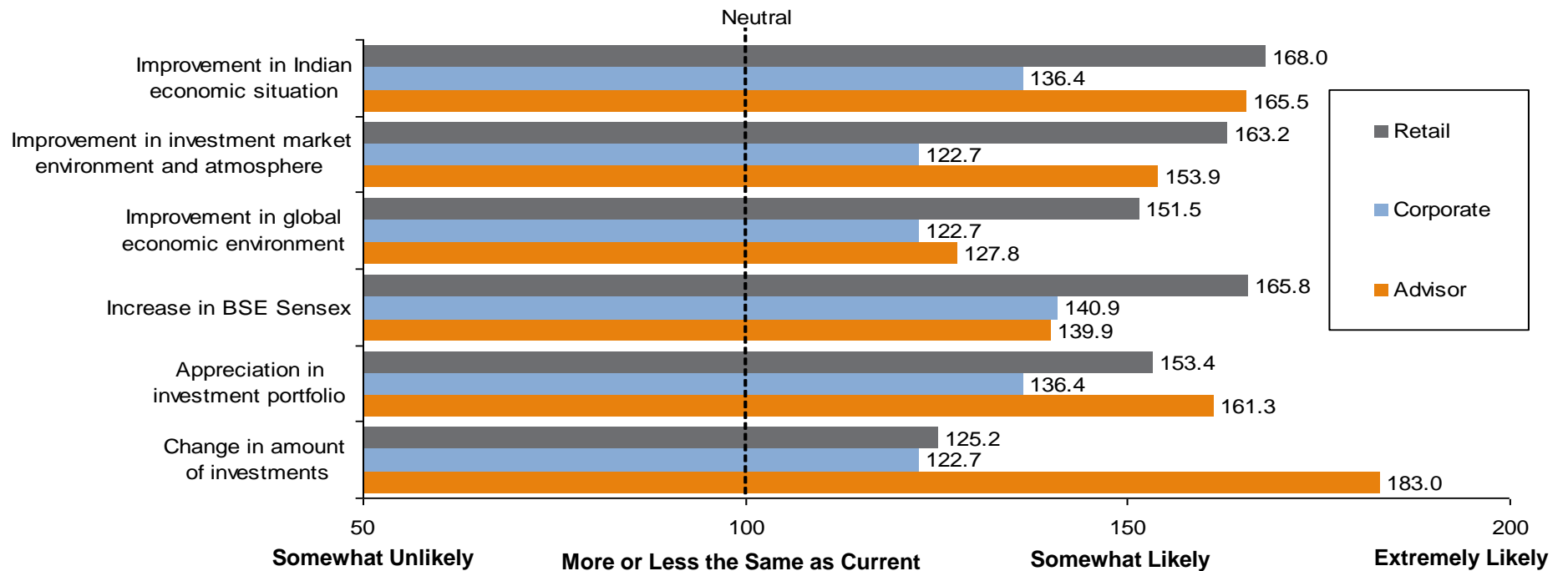
- Investment confidence of retail investors continues to increase; confidence among corporates and advisors decline

Retail vs. Corporate vs. Advisors



Advisors expect client investments to keep rising

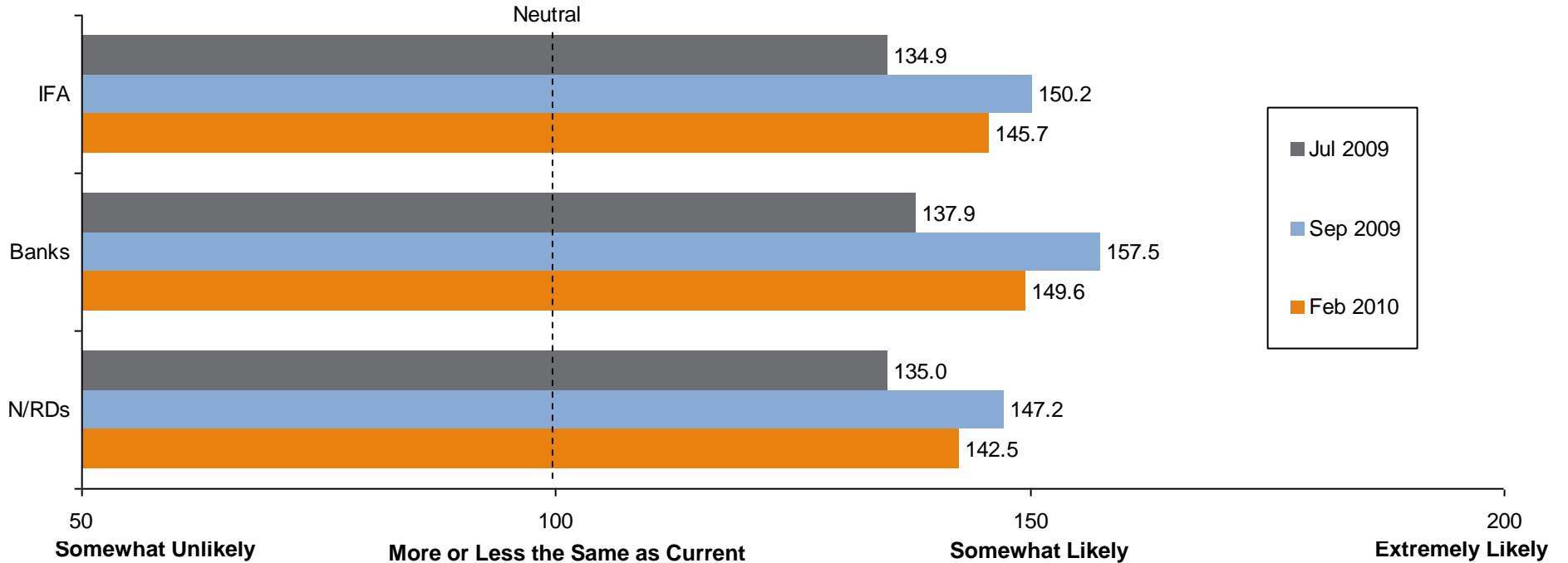
- Advisors most confident about clients increasing investments in February 2010
- Retail investors most confident in Indian economic situation improving



Banks remain more confident than IFAs and N/RDs

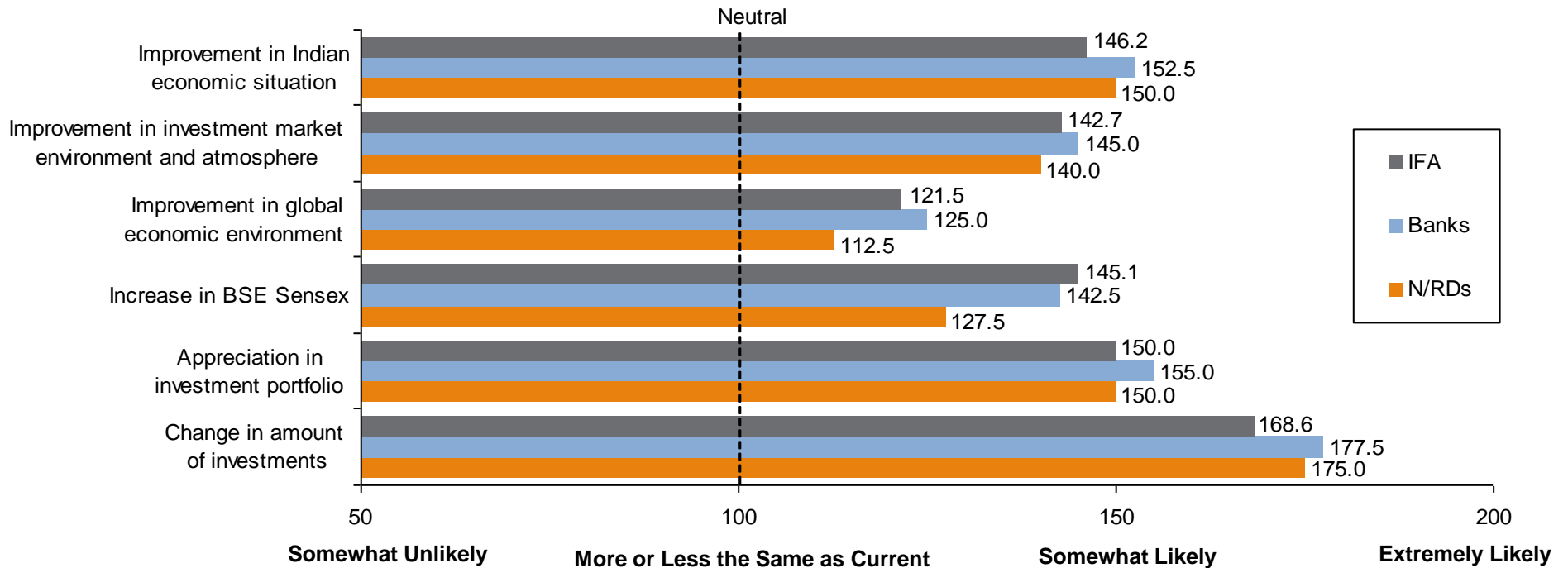
- Change in confidence among advisors similar to September 2009 and July 2009

IFAs vs. Banks vs. N/RDs



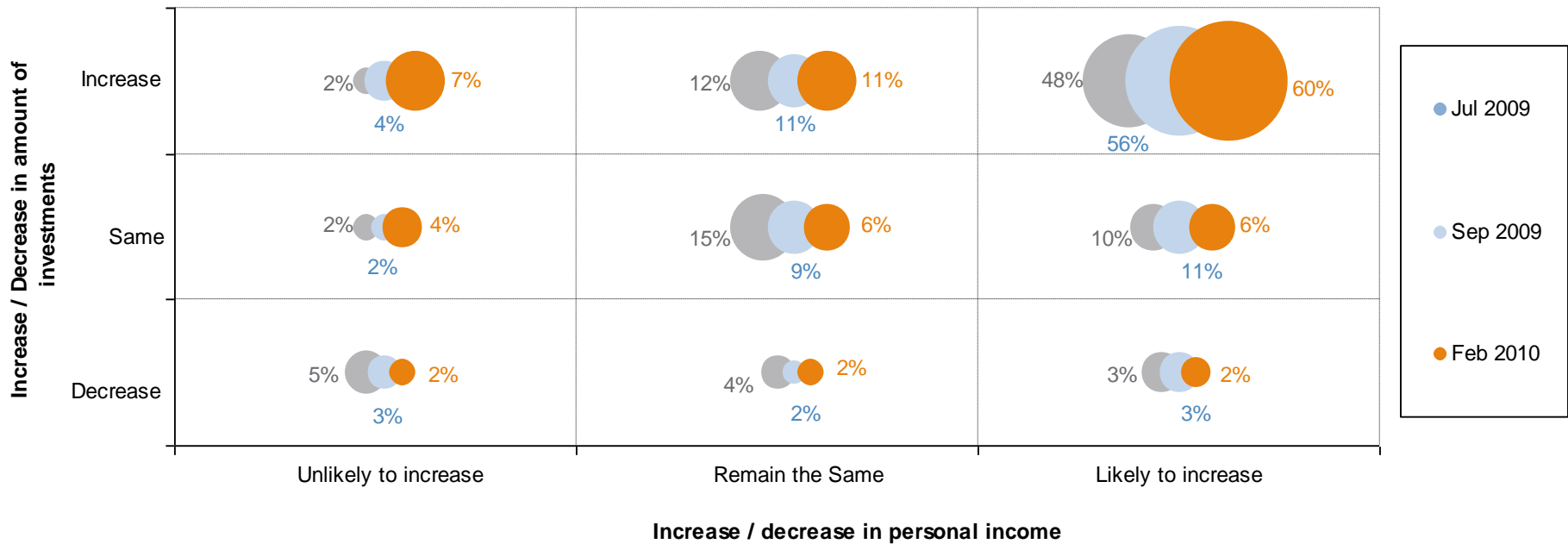
Banking channel likely to see the highest inflows?

- Expected Increase in investments the biggest confidence driver across all advisors
- N/RDs remain the least optimistic about global economic environment improving



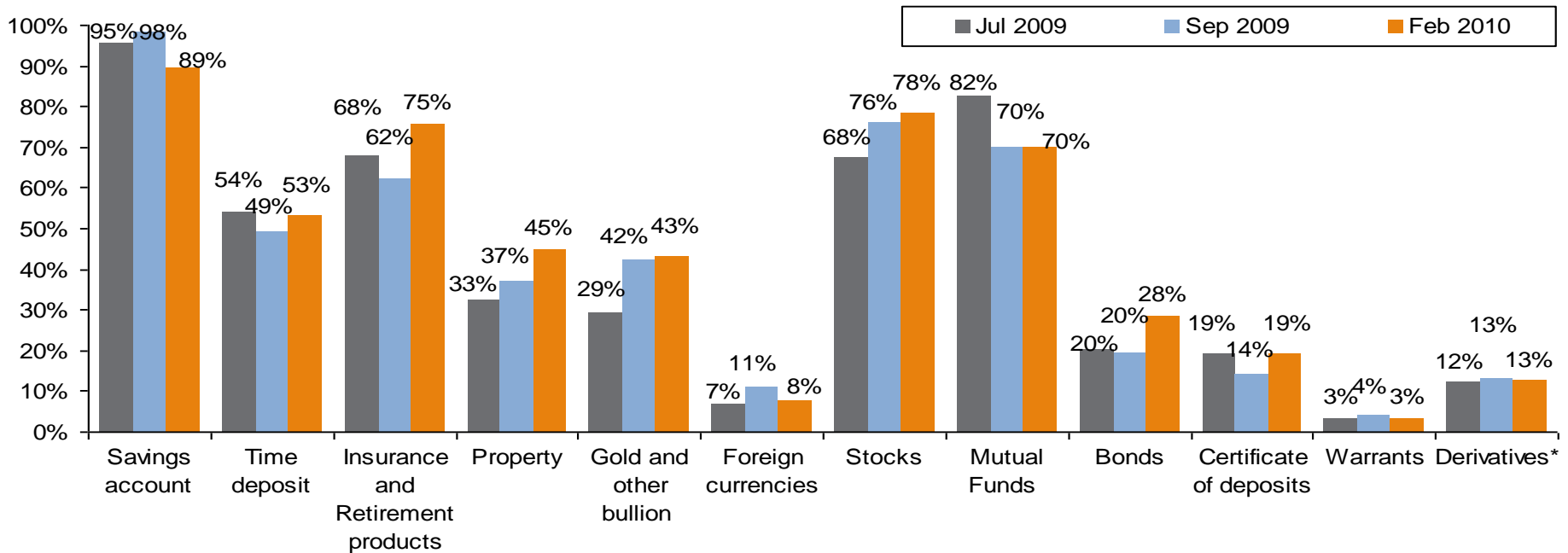
Retail income and investment outlay may rise further

- Majority retail investors (60%) expect both income and investments to increase (56% in September 2009 and 48% in July 2009)
- 79% of retail investors expect their income to rise over the next 6 months (70% in September 2009 and 61% in July 2009)



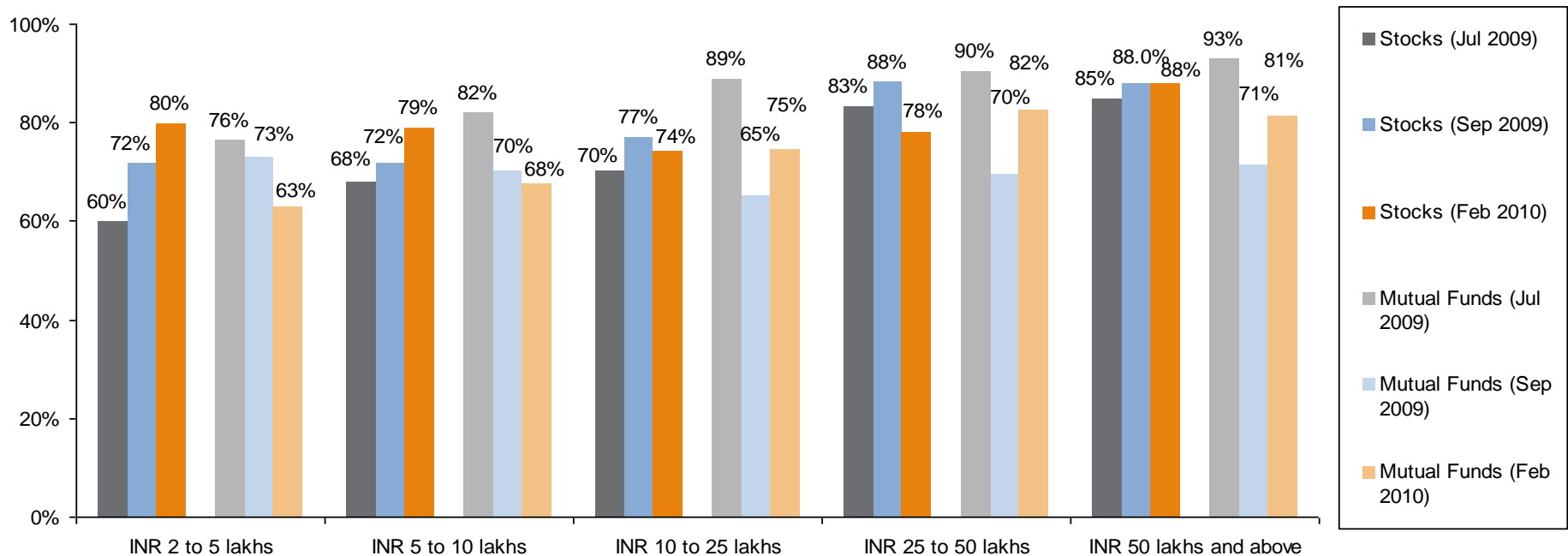
Retail investments in Insurance & property rise, while MFs remain stable

- Investment activity in insurance and retirement products rises to 75% from 62% in September 2009
- Stocks see marginal gain, increasing to 78% from 76% in Sep 2009
- Investment activity in Mutual Funds maintains a status-quo at 70%



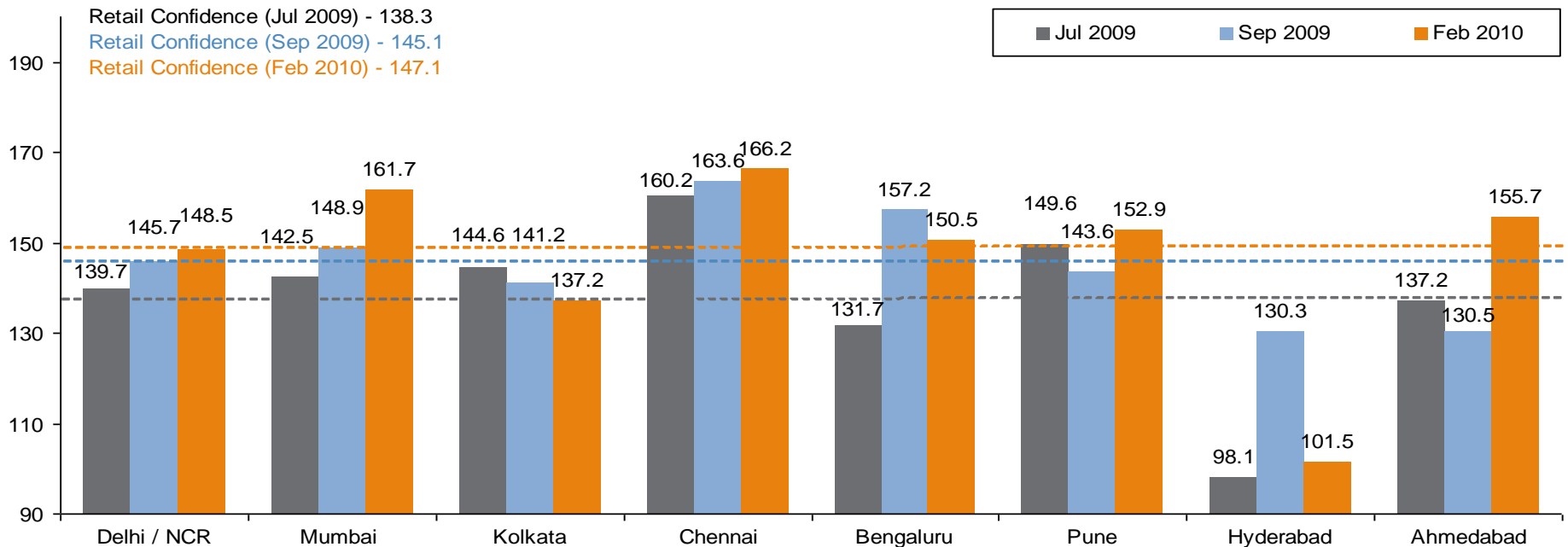
Appetite for direct stocks, MFs increases among the HNI respondents

- Unlike September 2009, investment activity in Mutual Funds increased with wallet size in February 2010
- Investments in stocks increases among investors with wallet smaller wallet size (INR 2 to 5 lakhs and INR 5 to 10 lakhs)



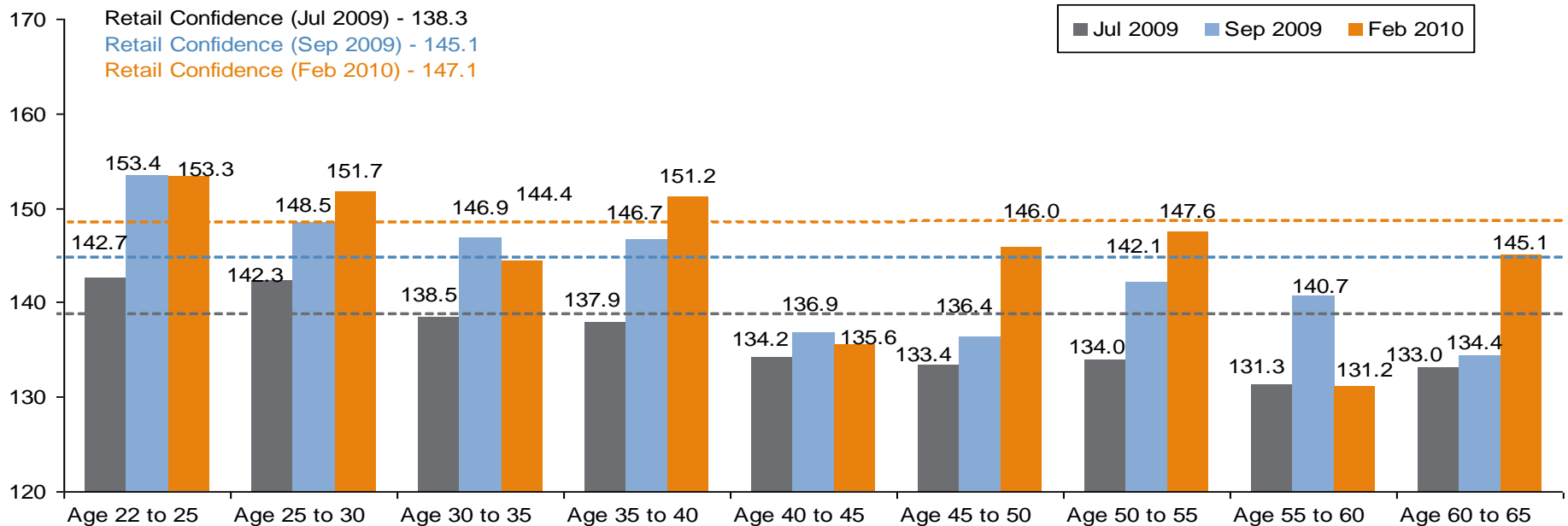
Chennai sentiment untarnished – remains the most confident city

- Ahmedabad confidence improves the most by 25.5 points (155.7) from 130.5 in September 2009
- Hyderabad confidence continues to rank the lowest with the largest decline of 28.8 points



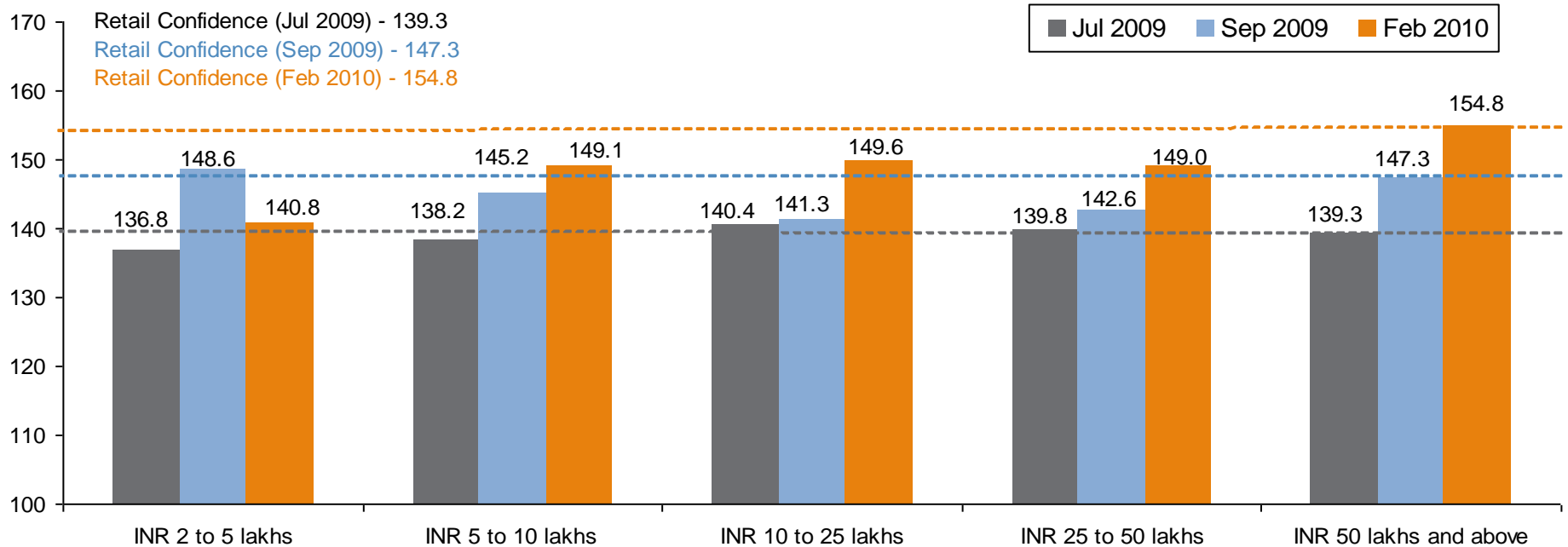
Young India continues to be the most confident

- Age group 22 to 30 years maintain the highest confidence across all age groups
- Age group 60 to 65 years witness maximum gain of 10.7 points in confidence to 145.1 in February 2010



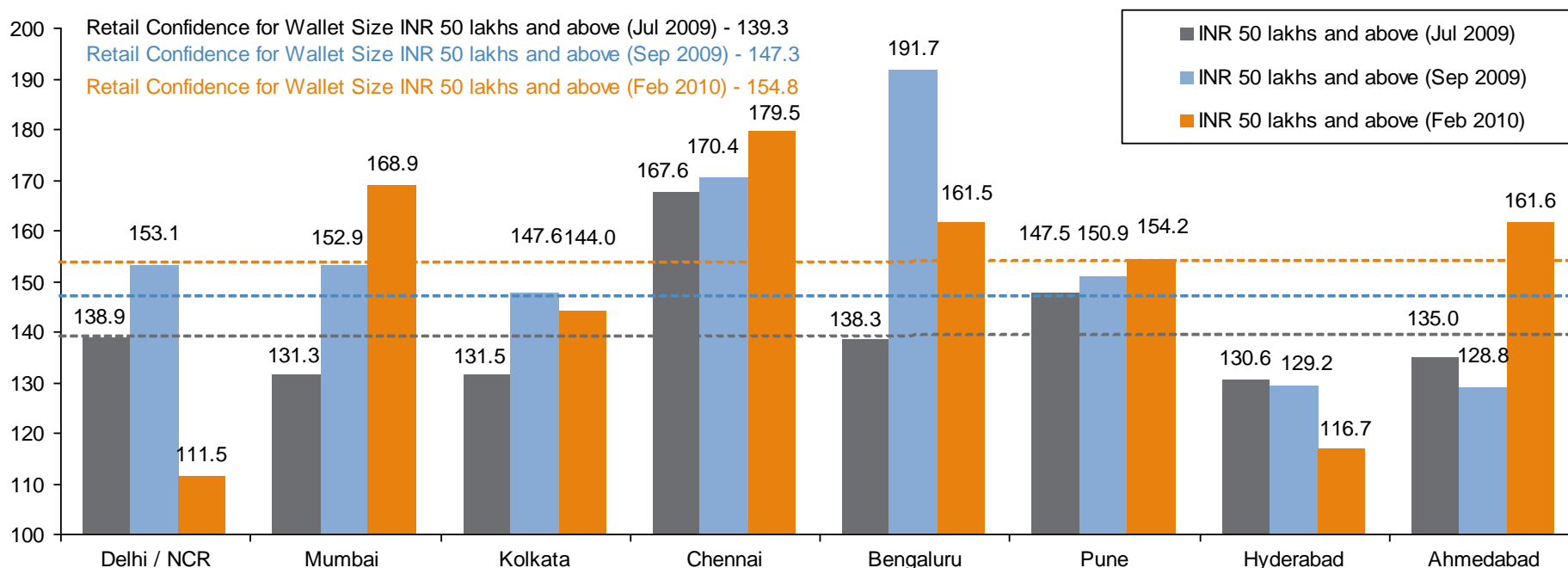
HNIs in India are the most optimistic

- Investors with wallet size INR 2 to 5 lakhs (most confident in July 2009), least confident now
- Investors with wallet size INR 50 lakhs and above most confident now with confidence at 154.8



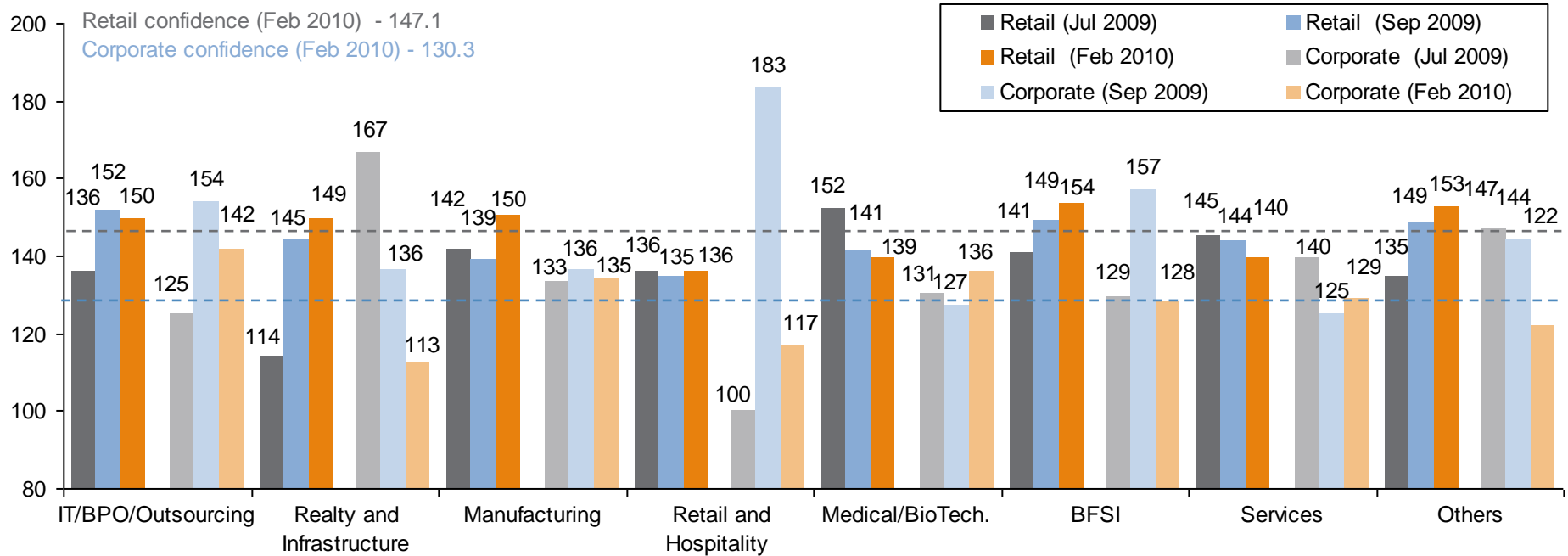
Chennai HNIs highest in confidence

- Ahmedabad HNIs' confidence improves the most by 32.8 points over September 2009
- Bengaluru HNIs confidence drops the most by 30.2 points to 161.5 in February 2010



Contrasting sector confidence between retail and corporate investors

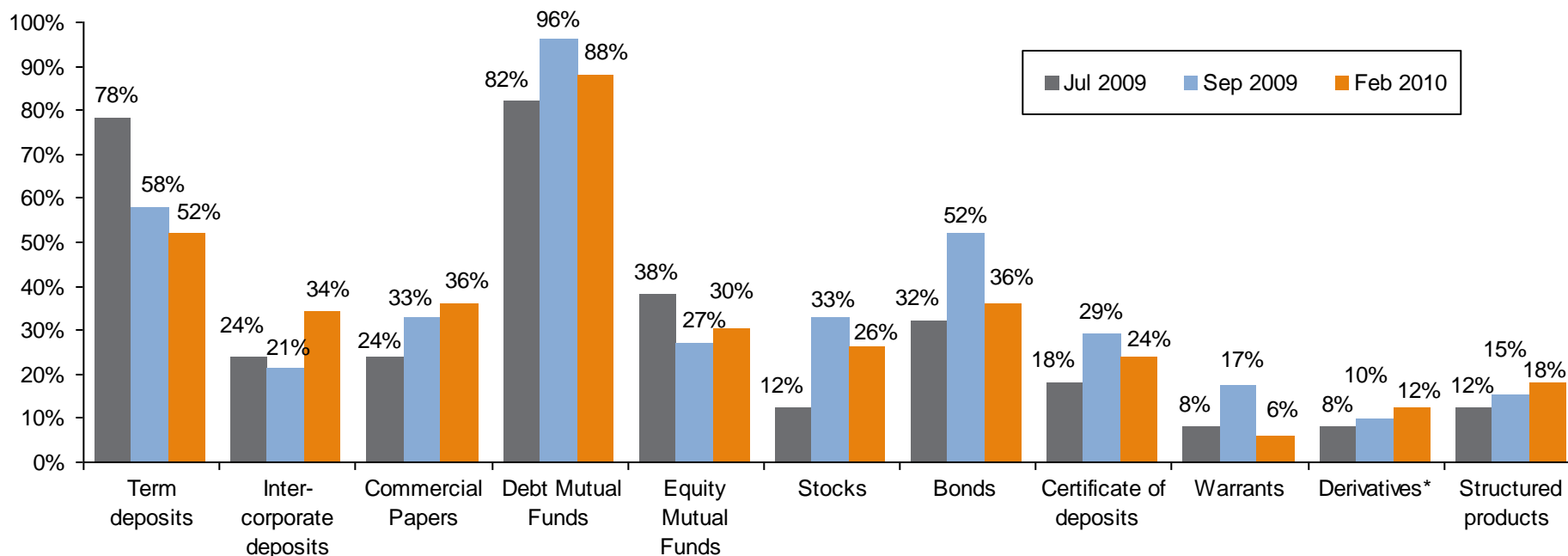
- Realty and infrastructure – corporate confidence plummets while retail confidence rises
- Retail and hospitality – biggest fall in corporate confidence



Debt MFs Investment activity range bound - FDs decrease consistently

- Debt mutual funds a clear favorite despite fall in percentage
- Investment activity in term deposits declines further to 52% from a high of 78% in July 2009

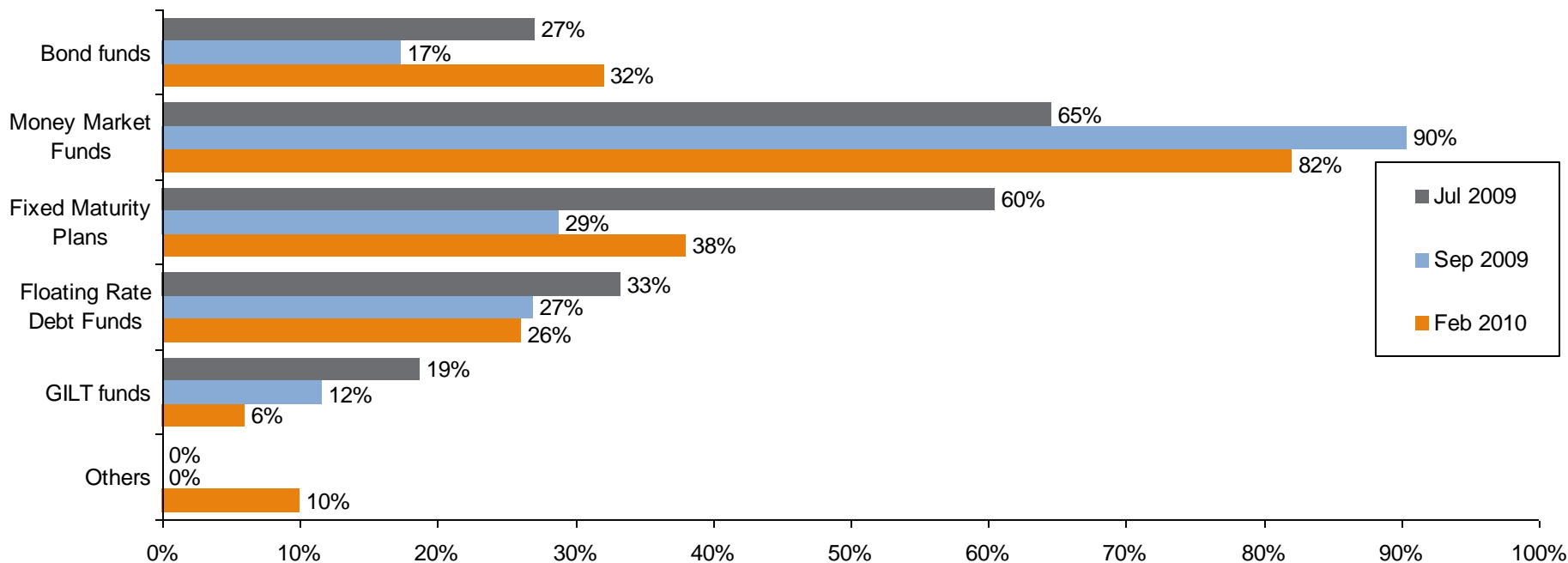
Corporate investment activity in the past 12 months



Money market funds still most popular among corporate treasuries

- 82% corporates invested in money market funds in last 12 months
- Renewed investment activity in bond funds (32%) and fixed maturity plans (38%) after a decline in September 2009

Corporate investments in debt mutual funds in the past 12 months

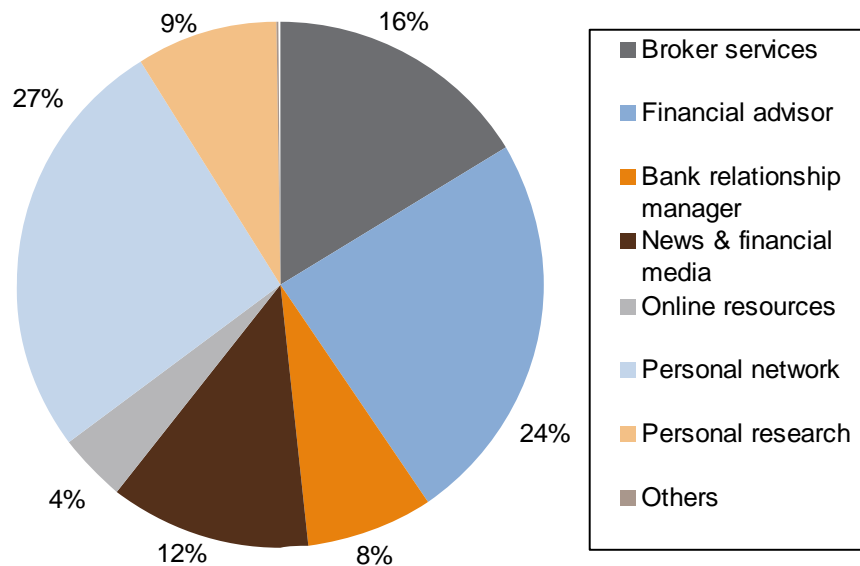


Key investment influencers

- information sources, decision makers, advisory services

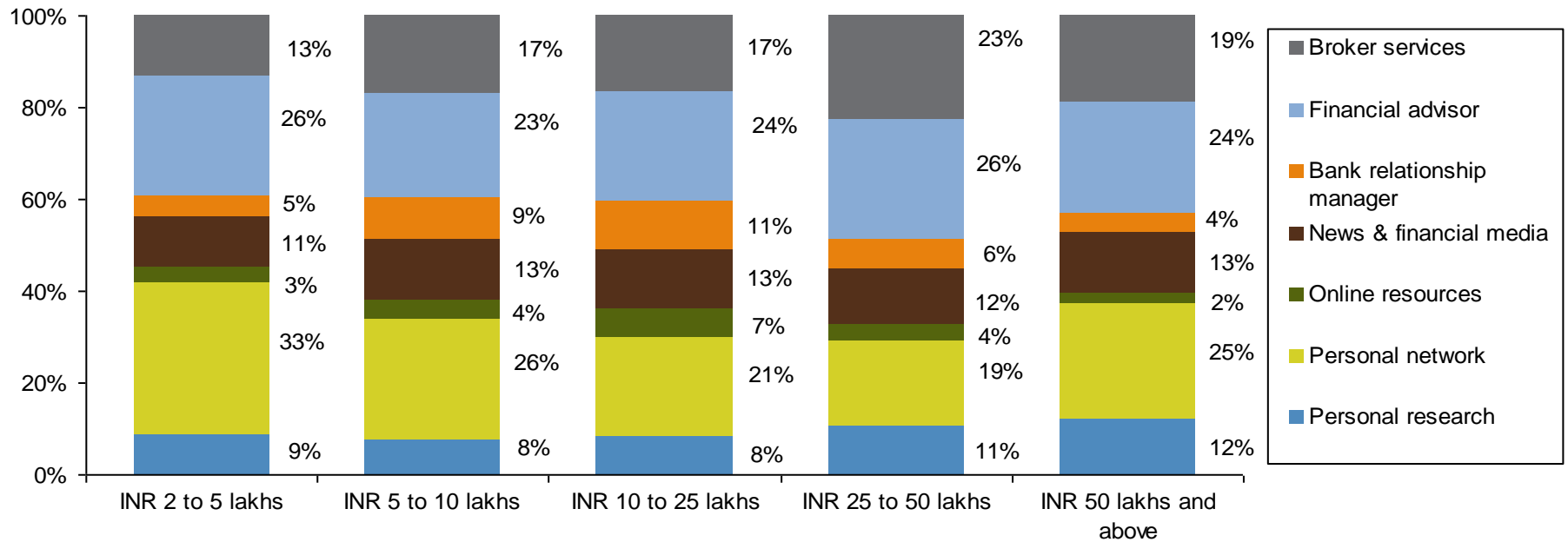
Personal network biggest influencer in investment decision making

- 27% of retail investors favor personal network of family, friends or colleagues as primary information source for making investment decisions
- 24% retail investors favor financial advisors as primary information source



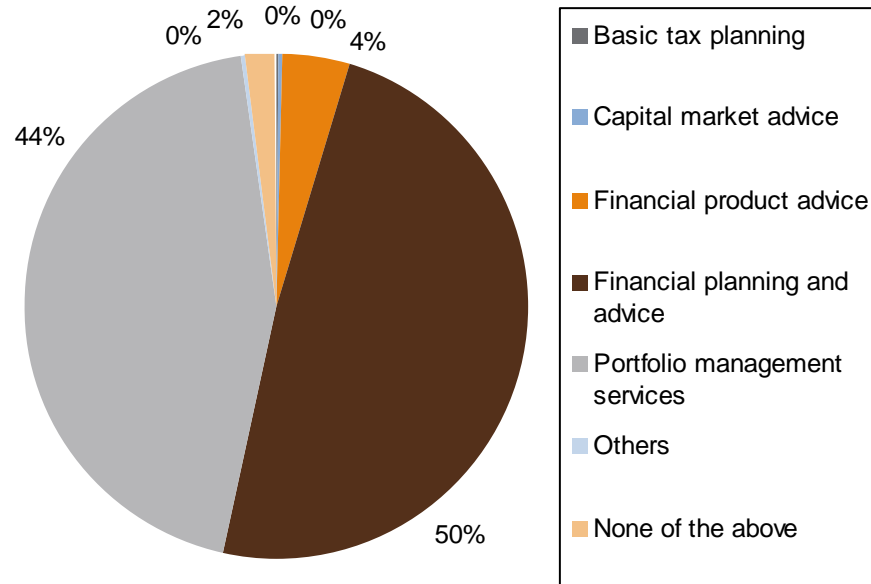
Brokers most popular with HNIs

- Investment decision influencers do not appear to be highly correlated with wallet size
- Interestingly, personal research is also highest with HNIs



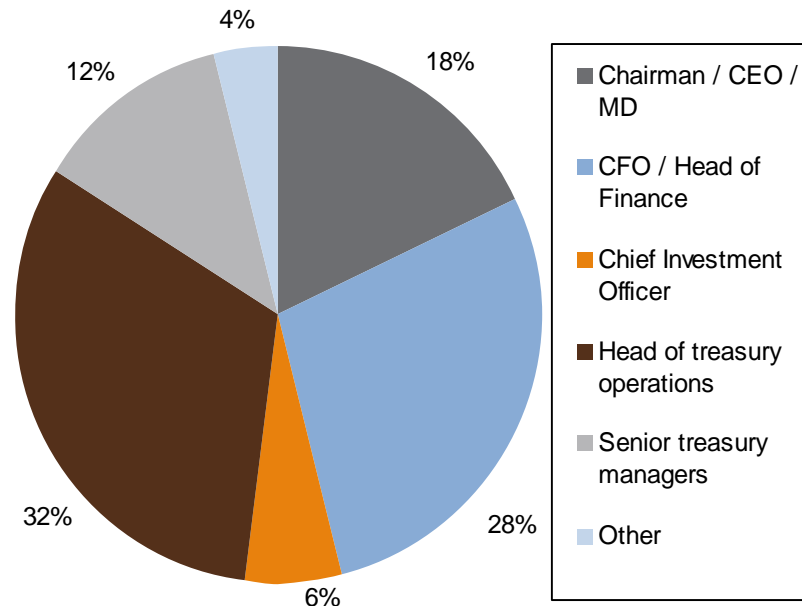
Financial planning & advice the primary service area for majority advisors

- A significant 44% IFAs offer portfolio management as their primary service



Heads of treasury the primary decision makers of corporate investments

- CFO/Head of finance are the second most important decision makers for investments



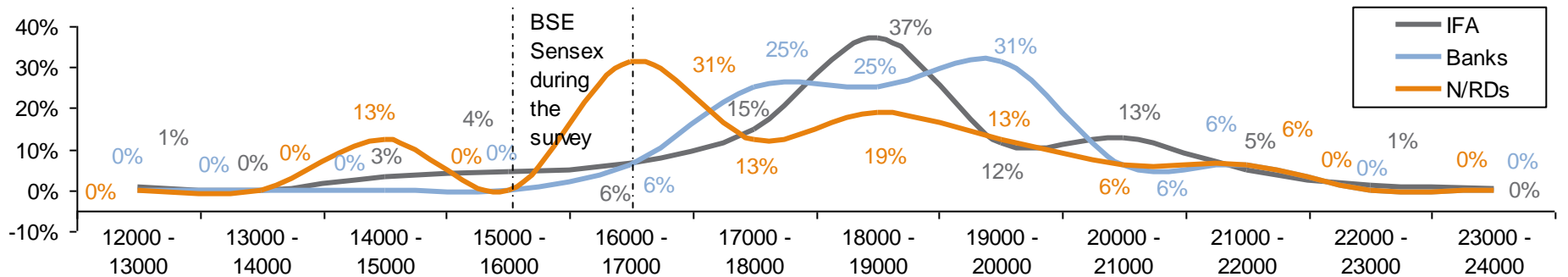
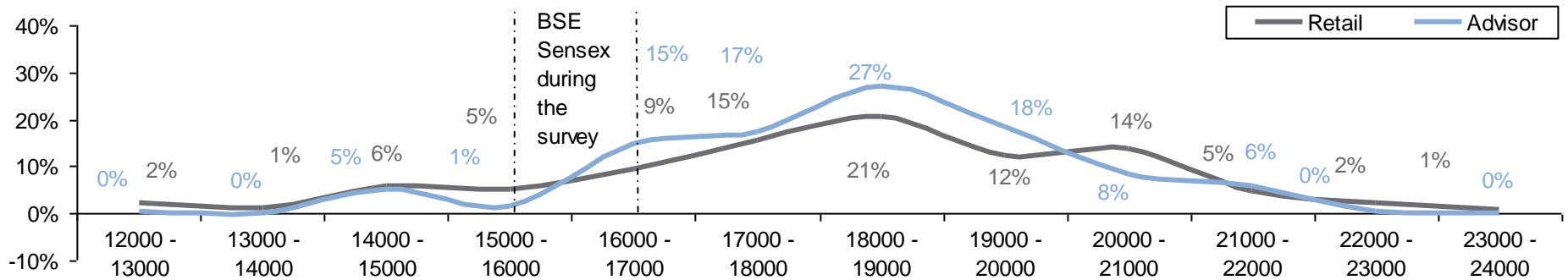
Other sentiment drivers

- Sensex, economic signals, expectations on income

Investors and advisors expect Sensex to reach 17,000 – 18,000 in June '10

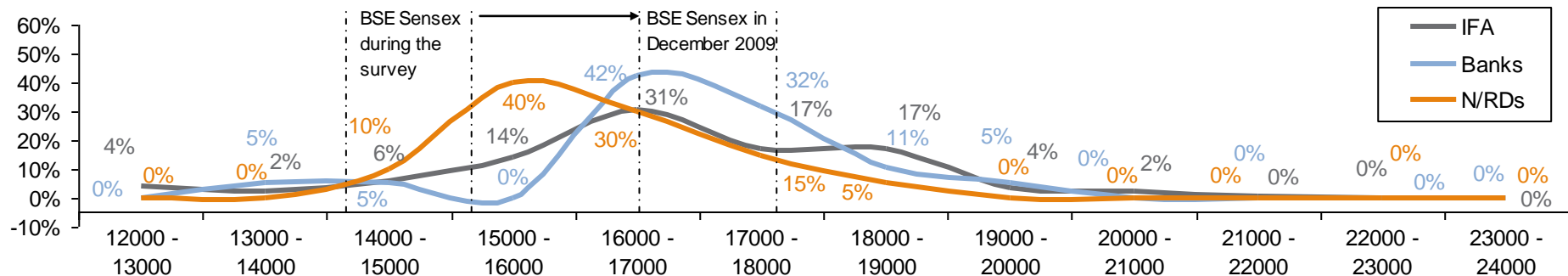
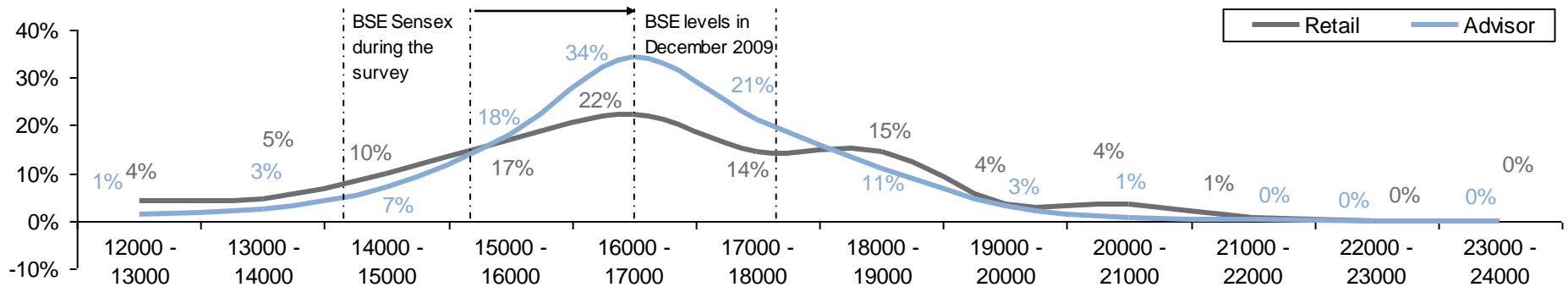
- 83% of retail and 93% of advisors expect Sensex to rise from current (survey) levels

Advisors more confident of BSE Sensex trading at higher levels in June 2010



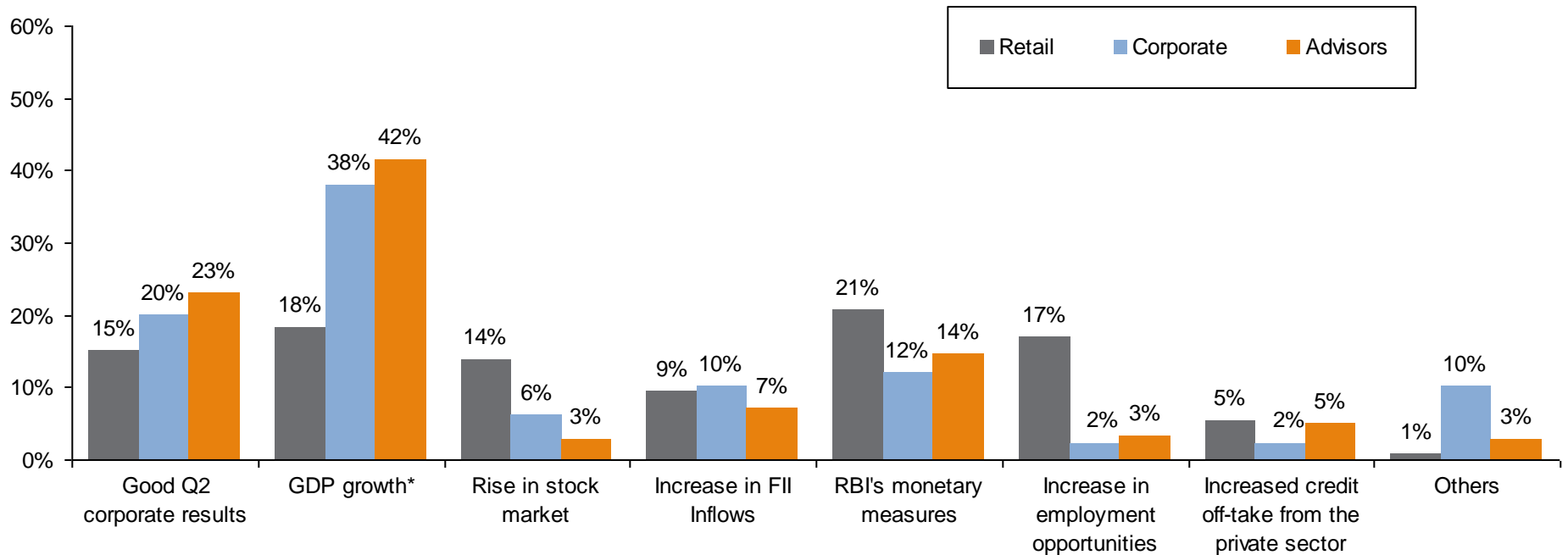
Sensex exceeds expectations in December 2009

- 34% retail and 22% advisors expected the sensex to trade between 16,000 – 17,000 levels while it traded between 16,500 – 17,500 in December 2009



Corporates and Advisors vote GDP growth the most +ve indicator

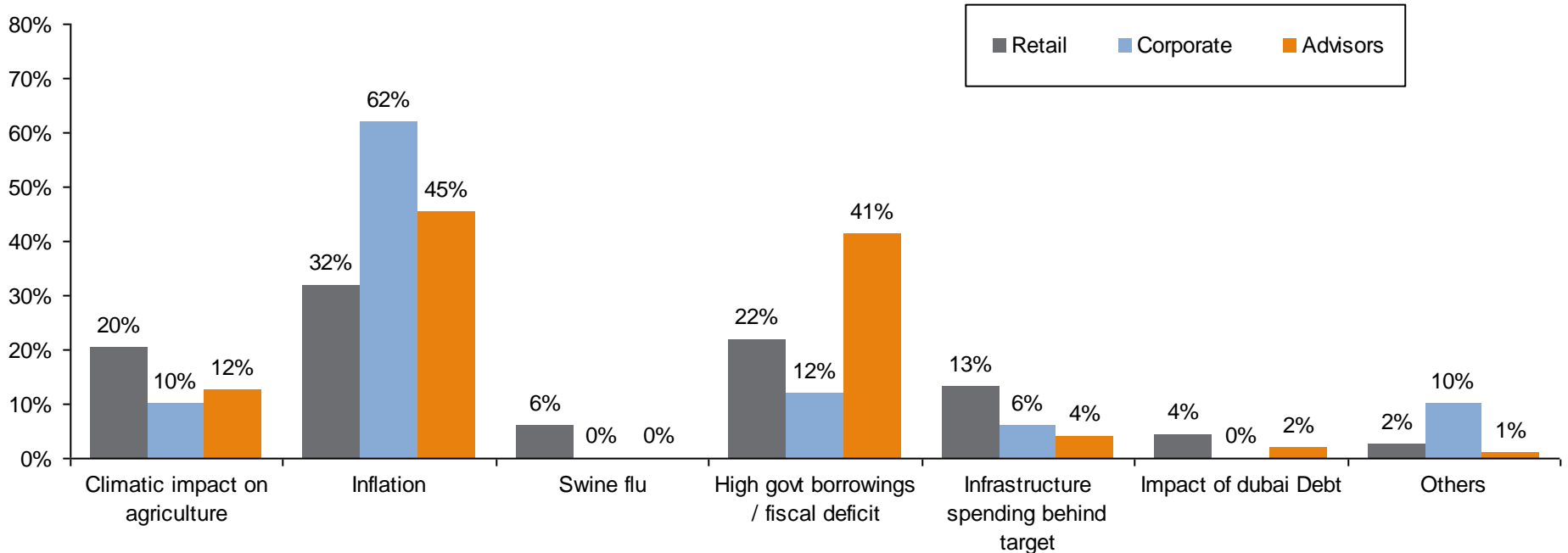
- Retail respondents (21%) consider RBI's monetary measures to be the most positive economic indicator
- Increase in employment opportunity considered a significant positive indicator among retail investors (17%)



*GDP growth meeting/exceeding expectations

Inflation is the biggest confidence killer today

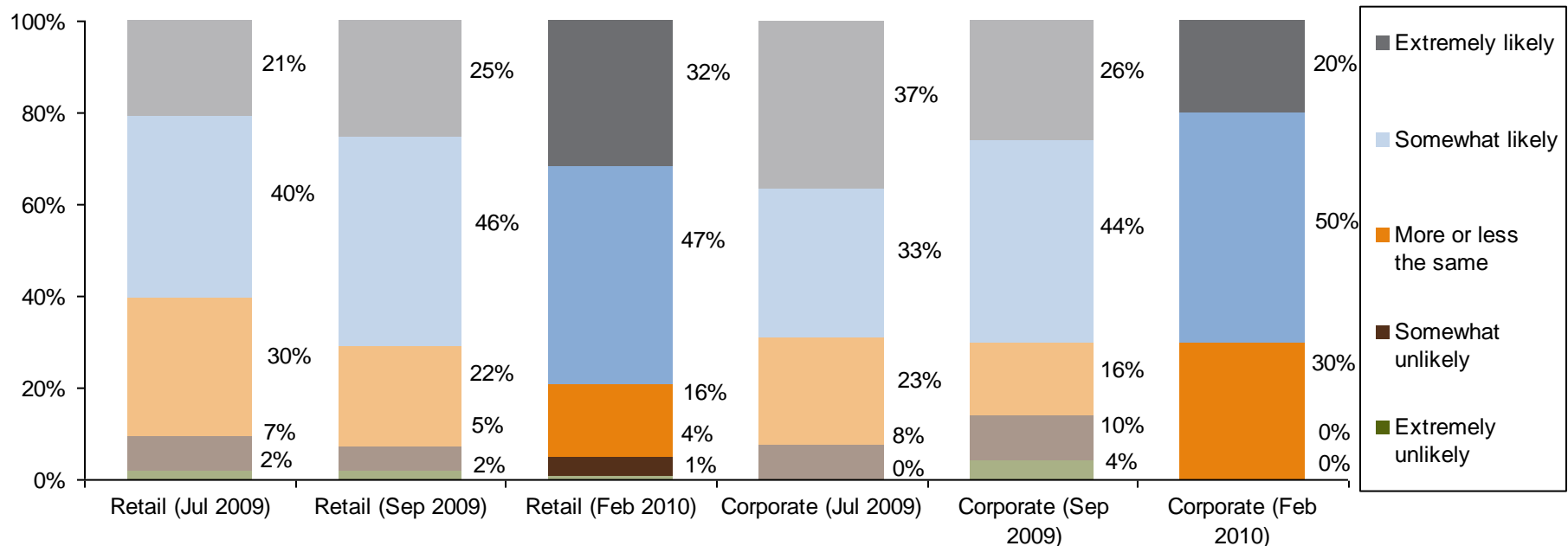
- High government borrowings are the next largest cause of concern



Personal income to rise, corporate profits could stabilize

- Retail investors (79%) more confident of rise in personal income as compared to corporate (70%) expectation of increase in profits (NPAT).

Personal income and corporate profits set to rise



Thank you

Annexures

Indices by city

	Delhi / NCR			Mumbai			Kolkata			Chennai			Bengaluru			Pune			Hyderabad			Ahmedabad		
	Jul-09	Sep-09	Feb-10	Jul-09	Sep-09	Feb-10	Jul-09	Sep-09	Feb-10	Jul-09	Sep-09	Feb-10	Jul-09	Sep-09	Feb-10	Jul-09	Sep-09	Feb-10	Jul-09	Sep-09	Feb-10	Jul-09	Sep-09	Feb-10
Retail Confidence Index	139.7	145.7	148.5	142.5	148.9	161.7	144.6	141.2	137.2	160.2	163.6	166.2	131.7	157.2	150.5	149.6	143.6	152.9	98.1	130.3	101.5	137.2	130.5	155.7
Improvement in Indian economic situation	144.0	152.0	154.8	149.0	154.7	165.5	149.5	146.4	137.0	166.2	169.7	176.4	131.1	159.2	151.9	154.6	146.8	158.3	102.7	140.9	136.9	137.9	133.4	169.8
Improvement in investment market environment and atmosphere	140.7	146.3	147.6	145.0	151.2	158.5	146.0	140.8	143.9	157.7	161.2	164.2	134.5	160.4	149.0	152.1	141.6	156.4	101.7	131.5	110.4	136.0	135.1	174.5
Improvement in global economic environment	133.9	139.5	148.2	132.0	147.0	156.1	141.8	134.5	136.3	156.3	159.5	157.5	126.6	160.1	146.6	139.9	131.8	151.7	96.5	119.0	88.4	133.7	128.5	149.3
Increase in BSE Sensex	143.0	153.4	152.6	141.0	148.0	167.2	144.8	146.4	138.0	160.8	169.9	168.7	133.0	153.1	149.0	155.5	154.7	152.4	103.5	139.4	130.4	139.5	127.7	161.0
Appreciation in investment portfolio	135.9	141.9	159.0	144.3	148.3	165.7	144.8	141.5	134.4	159.4	159.7	164.2	130.2	155.8	155.8	150.4	139.4	146.9	99.8	132.0	62.1	137.9	128.2	141.0
Change in amount of investments	140.5	141.2	128.9	144.0	144.1	157.2	140.8	137.4	133.5	160.8	161.4	166.4	134.5	154.3	150.5	145.0	147.0	151.7	84.3	119.0	80.7	138.3	130.0	138.8

	Jul-09	Sep-09	Feb-10	Jul-09	Sep-09	Feb-10	Jul-09	Sep-09	Feb-10	Jul-09	Sep-09	Feb-10	Jul-09	Sep-09	Feb-10	Jul-09	Sep-09	Feb-10	Jul-09	Sep-09	Feb-10	Jul-09	Sep-09	Feb-10
Advisor Confidence Index	133.6	153.5	140.9	129.4	154.8	142.5	125.7	145.2	150.3	147.3	151.4	152.5	128.6	146.9	146	134	149.4	140.3	140.1	143.8	143.9	142.6	153.2	150.6
Increase in client investments	128.1	162.9	153.1	130.9	155.6	162.5	123.6	154.8	171.7	151.6	175	181.7	112.5	160	167.7	132.9	160	178.3	151.9	154.2	158.3	142.2	167.7	178.3
Increase in clients' investment portfolio	150	162.9	148.4	140.4	163.3	147.5	134.7	154.8	153.3	150	156.7	156.7	142.2	155	140.3	142.9	158.3	146.7	146.3	147.9	148.3	156.7	162.9	160
Increase in BSE Sensex	142.2	161.3	137.5	136.2	155.6	138.8	136.1	141.9	148.3	151.6	148.3	153.3	137.5	143.3	150	147.1	145	136.7	137	158.3	143.3	150	162.9	155
Improvement in global economic environment	115.6	127.4	129.7	92.6	134.4	113.8	101.4	133.9	125	104.8	126.7	121.7	110.9	123.3	129	100	123.3	110	109.3	129.2	123.3	110	116.1	121.7
Improvement in investment market environment and atmosphere	131.3	151.6	135.9	129.8	160	147.5	120.8	140.3	146.7	145.2	153.3	148.3	132.8	145	137.1	135.7	158.3	138.3	148.1	125	145	145.6	159.7	141.7
Improvement in Indian economic situation	134.4	154.8	140.6	146.8	160	145	137.5	145.2	156.7	180.6	148.3	153.3	135.9	155	151.6	145.7	151.7	131.7	148.1	147.9	145	151.1	150	146.7

Weighted Average (all cities)

	Jul-09	Sep-09	Feb-10
Retail Confidence Index	138.3	145.1	147.1
Corporate Confidence Index	133.5	142.5	130.7

Survey Methodology

Interviews - face-to-face, online and telephone – with investors and advisors in Delhi / NCR, 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 – primary source of investment information, final decision maker of treasury investments, types of financial advisory services rendered, positive and negative economic indicators, likelihood of non-investment income increasing, and range BSE Sensex will trade at in June 2010.

...current survey conducted between 1st February – 14th February, 2010

Index Construction Methodology

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, N/RDs Confidence Index and the IFA Confidence Index

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

Respondent Sample - Retail, Corporate & Advisor

Eligibility

■ 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 ≥ 22 and ≤ 65
- \geq INR 2 lakhs in wallet size
- 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

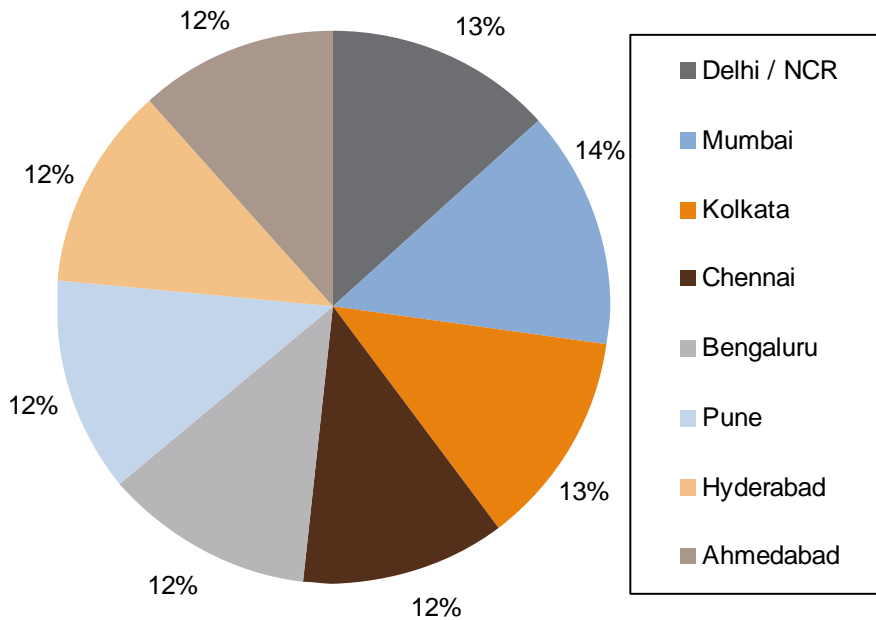
■ Advisors

- Distribute financial products
- \geq 2 years of experience in financial services
- N/RDs with nation – wide reach

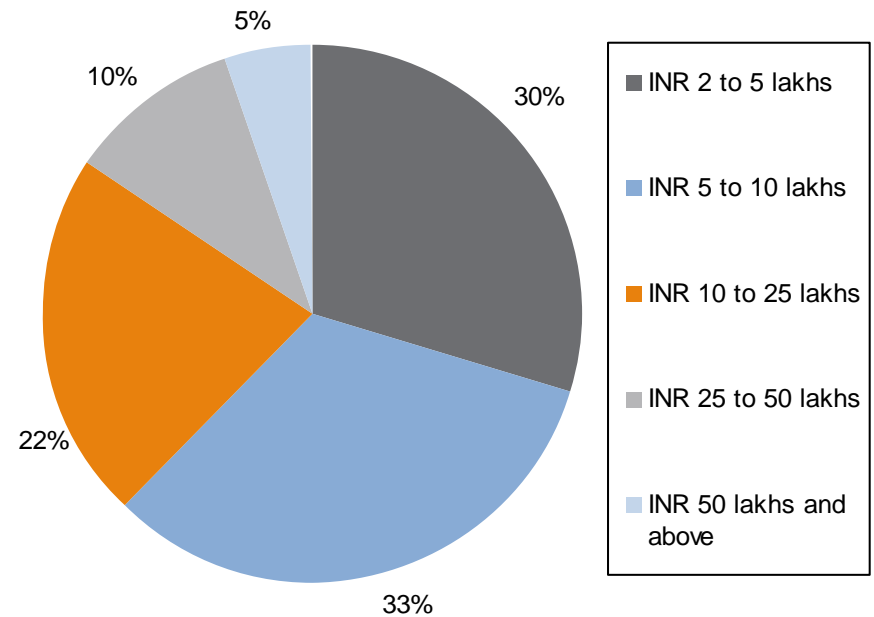
Retail respondent profile

- 1,695 retail investors from the selected cities surveyed

Retail - By city



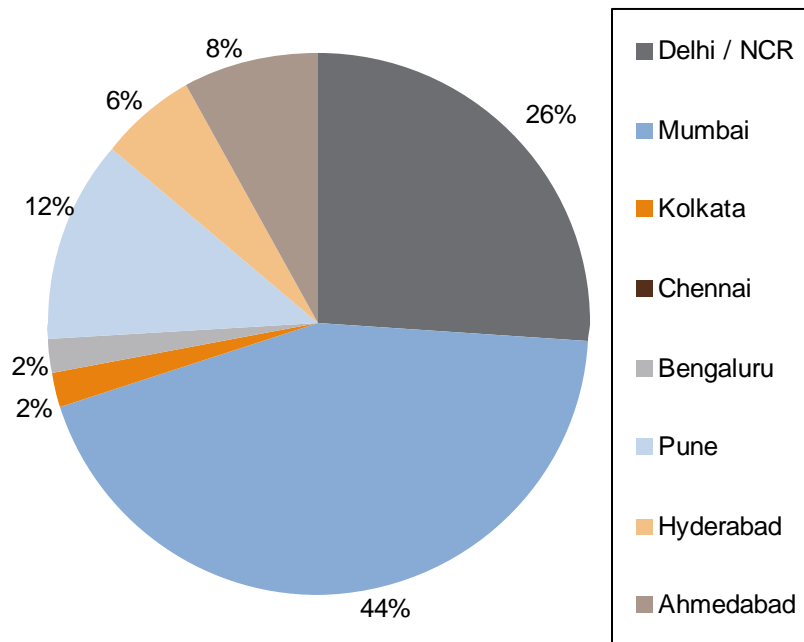
Retail - By wallet size



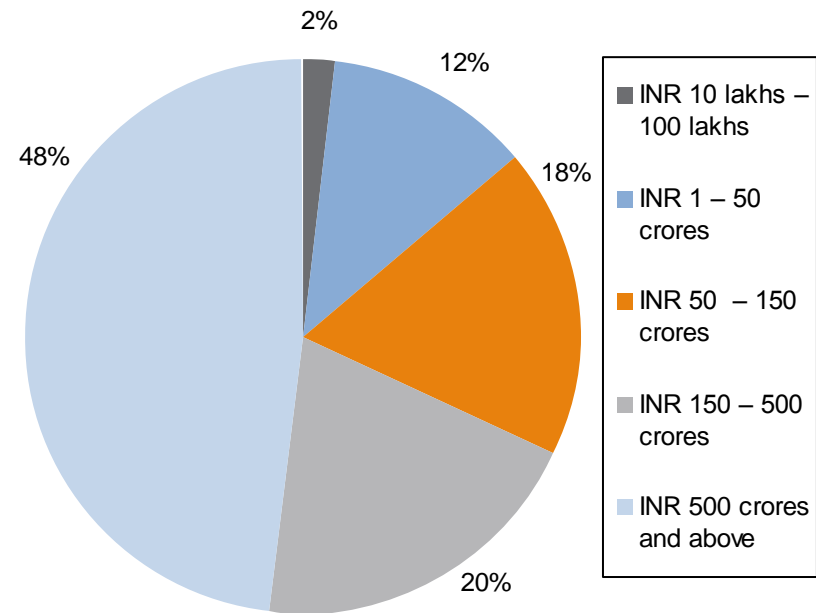
Corporate respondent profile

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

Corporate - By city

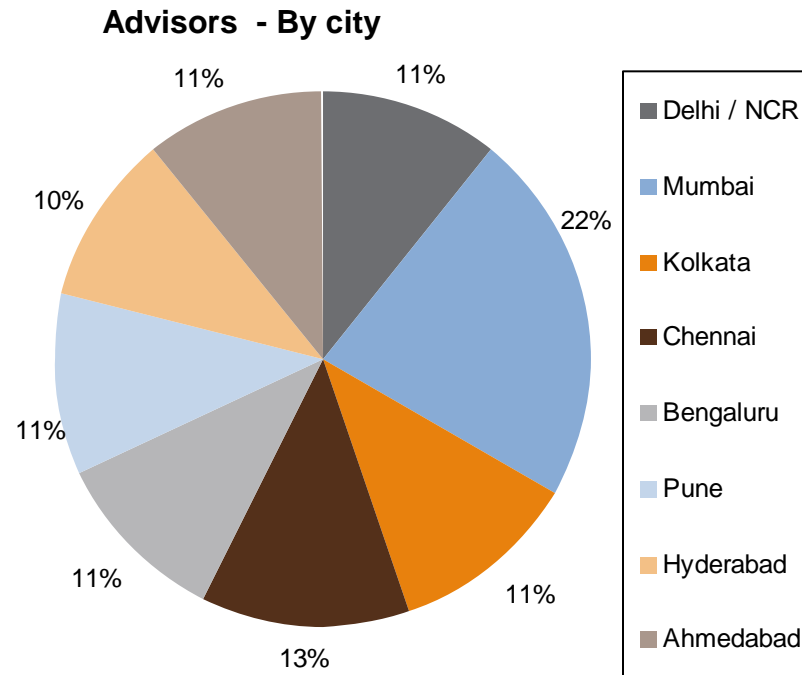


Corporate - By treasury size



Advisor respondent profile

- Advisors include 20 banks, 20 National / Regional Distributors (N/RDs) and 293 IFAs from the selected cities
- “Advisor” sentiment equally weighted across the three categories



Disclaimers / Risk Factors

- **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 Scheme Information Document, Statement of Additional Information and other scheme related documents carefully before investing.**
- 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.
- 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 materials 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) 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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