



# Interim Report 07

## JPMorgan American Investment Trust plc

Interim Report for the six months ended 30th June 2007

# Features

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## Objective

Capital growth from North American investments.

## Investment Policies

- To invest in US companies including, when appropriate, exposure to small and micro capitalisation sectors.
- To emphasise capital growth rather than income.
- To use gearing when appropriate to increase potential returns to shareholders.
- To not hedge the Dollar exposure.
- To invest no more than 15% of gross assets in other UK listed investment companies (including investment trusts).

## Benchmark

The S&P 500 Index expressed in Sterling terms.

## Capital Structure

- Authorised share capital of 90,904,952 ordinary shares of 25p each, of which 43,070,949 were in issue at the period end.
- £50 million debenture at a fixed rate of 6.875%, repayable in June 2018.

## Management Company

The Company employs JPMorgan Asset Management ('JPMAM') to manage its assets.

The US equity management team consists of 70 investment professionals and manages around US\$90 billion for its clients worldwide.

## AIC

The Company is a member of the Association of Investment Companies.

# Interim Performance

Total Returns (capital plus income)

**+6.7%**

Total return to shareholders<sup>1</sup>

**+6.3%**

Total return on net assets<sup>2</sup>

**+4.2%**

Benchmark total return<sup>1,3</sup>

<b>Financial Data</b>	<b>30th June 2007</b>	<b>31st December 2006</b>	<b>% Change</b>
Total assets less current liabilities (£000)	369,916	361,653	+2.3
Shareholders' funds (£000)	320,235	311,987	+2.6
Number of shares in issue	43,070,949	43,279,449	-0.5
Net asset value per share with debt at par value	743.5p	709.9p*	+4.7
Net asset value per share with debt at fair value	732.9p	697.8p*	+5.0
Ordinary share price	686.0p	654.0p	+4.9
S&P 500 Index in sterling terms	749.3	724.7	+3.4
Discount of share price to net asset value per share with debt at fair value	6.4%	6.3%	
Revenue return per share	5.15p	11.28p	
Capital return per share	28.26p	6.50p	
Dividend per share	–	11.00p	
Exchange rate	£1=\$2.0064	£1=\$1.9589	-2.4

\* After deducting the 11p per share final dividend paid on 4th May 2007.

A glossary of terms and definitions is provided on page 13.

<sup>1</sup> Source: Standard & Poor's – [www.funds-sp.com](http://www.funds-sp.com).

<sup>2</sup> Source: Fundamental Data – [www.funddata.com](http://www.funddata.com).

<sup>3</sup> The Company's benchmark is the S&P 500 Index (in sterling terms).

## Chairman's Statement



Global growth and low inflation should continue to underpin equity markets going forward although returns may become more volatile.

### Performance

Over the half year to 30th June 2007, the Company's net asset value rose by 6.3% in total return terms, outperforming the total return of the S&P 500 Index, in Sterling terms, which rose by 4.2%. Performance attribution data shows that the larger companies' portfolio outperformed by 1.6%, with the smaller companies' portfolio, gearing and share buybacks all adding modestly to performance. This continues to build on the longer term record of the Company and the Board looks forward to further progress over the second half of the year.

### Discount Management

The Company's discount, calculated with liabilities deducted at their fair value and excluding current year income, remained virtually unchanged over the period and was 6.4% as at 30th June 2007. During the six months under review, the Company repurchased 208,500 ordinary shares (0.5% of the shares in issue) at an average discount of 8.9%. The cost of these repurchases was £1.4m. The Board has been encouraged that the level of buybacks remained relatively low over the period.

### Outlook

Our Managers remain optimistic that the USA will manage to navigate a course that avoids the economy overheating, whilst also steering clear of a 'hard landing'. Short term interest rates appear to have neared their peak and ongoing economic growth, combined with productivity gains, has maintained earnings growth. Concerns remain over energy prices, consumer spending and credit market conditions, but global growth and low inflation should continue to underpin equity markets going forward, although returns may become more volatile.

**Hamish Buchan**

Chairman

1st August 2007

## Investment Managers' Report



Garrett Fish

The economy looks poised to navigate successfully the fine passage between overheating and a hard landing.

### Market Review

The first six months of the year were characterised by rising long-term interest rates and energy prices, deepening problems in the housing market and inflationary concerns. Strong balance sheets, impressive earnings growth and increasing consolidation overcame those fears and led the market higher. The total return of the S&P 500 Index, the Company's benchmark, was 4.2% in Sterling terms, for the period.

The Federal Reserve kept interest rates steady at 5.25% over the first six months as Fed officials reiterated that their primary concern continued to be inflation. Market participants are now looking for the Fed Funds Rate to stay at 5.25% for the remainder of the year, with interest rate futures pricing the possibility of a decrease in early 2008. Despite short term rates being on hold for the first half of the year, longer term Treasury Securities increased in yield as the market's view changed from one of a gradual slowing of the world economy to one of reaccelerating growth as the demand for goods remained robust.

The price of oil rose from \$61 to \$71 over the period as worldwide economic growth increased demand. The US economy continued to grow at a slightly slower pace in the face of higher energy costs and real GDP grew modestly during the first six months of the year. This economic growth, together with corporate cost cutting, led to positive earnings growth, although that growth fell below 10% after fourteen consecutive quarters in double digits.

### Performance

The Company's net asset value increased by 6.3% in total return terms in the first six months of 2007 as the US dollar declined 2.4% during the period. There was a positive performance contribution of 1.6% from the large cap portfolio. The key drivers of this were particularly strong stock selection in financial services stocks such as Mastercard and a strong benefit from owning Corning whose successful LCD display business has been the primary source of growth. The portfolio's lack of exposure to energy companies, however, detracted from performance, as did its exposure to producer durables.

The Company's level of the gearing remained relatively stable during the first six months of the year. After starting the year at 104%, the gearing ratio was reduced to 100%, and ended the period at 102%. The composition of the portfolio changed slightly, as the investment managers reduced exposure to small cap to concentrate on the increasingly attractive outlook for larger caps.

# Investment Managers' Report continued

## Market Outlook

Our optimistic market view remains intact, but is tempered in the near term by the risks we foresee. Economic developments in the USA have largely panned out as we expected. The excess supply in the housing market has helped subdue inflationary pressures, whilst economic growth has slowed to below trend, but not recessionary, levels. Thus far, the economy looks poised to navigate successfully the fine passage between overheating and a hard landing.

Residential construction activity has declined appreciably since the early part of last year and we continue to look for weakness in housing related employment and consumer spending. The risk is that any mortgage market weakness may affect the borrowing costs for all companies as risk appetites decline across the fixed income spectrum. The portfolio's relatively defensive bias leads us to believe, however, that the Company is well positioned to weather any market dislocation.

**Garrett Fish** – Investment Manager

**Tim Parton** – Smaller companies portfolio

**Eytan Shapiro** – Smaller companies portfolio

1st August 2007

## Ten Largest Investments

at 30th June 2007

<b>Company</b>	<b>Sub Sector</b>	<b>Valuation £'000</b>	<b>Total Assets %<sup>1</sup></b>
Exxon Mobil	Oil & Gas	15,741	4.3
McDonald's	Consumer Discretionary	9,921	2.7
Altria	Consumer Discretionary	9,532	2.6
Citigroup	Finance	8,718	2.4
Pfizer	Pharmaceuticals	8,230	2.2
Microsoft	Information Technology	7,559	2.0
Boeing	Aerospace/Defence	7,493	2.0
Wyeth	Pharmaceuticals	7,413	2.0
United Technologies	Diversified Industrials	7,238	2.0
Lockheed Martin	Aerospace/Defence	7,223	2.0
<b>Total</b>		<b>89,068</b>	<b>24.2</b>

<sup>1</sup> Based on total net assets less current liabilities of £369.9m.

## Portfolio Analyses

### Asset Analysis

	At 30th June 2007		At 31 December 2006	
	Total assets <sup>1</sup> %	Portfolio <sup>2</sup> %	Total assets <sup>1</sup> %	Portfolio <sup>2</sup> %
Large companies	80.0	91.2	81.3	90.3
Small companies	6.7	7.6	7.4	8.2
Unquoted investments	1.0	1.2	1.3	1.5
Net current assets	12.3	–	10.0	–
	100.0	100.0	100.0	100.0

<sup>1</sup> Based on total assets less current liabilities of £369.9m (2006: £361.7m).

<sup>2</sup> Based on the equity portfolio of £324.5m (2006: £325.5m).

### Sector Analysis

	At 30th June 2007		At 31 December 2006	
	Total assets <sup>1</sup> %	Benchmark %	Total assets <sup>1</sup> %	Benchmark %
Financial	20.2	23.6	15.6	25.2
Technology	11.6	16.9	16.8	16.3
Healthcare	10.8	11.6	11.5	12.0
Consumer non-cyclicals	9.0	7.6	7.4	7.8
Consumer cyclicals	7.7	6.6	2.4	6.4
Utilities	7.1	3.5	2.1	3.4
Energy	4.2	10.7	7.7	9.9
Basic materials	2.8	3.7	–	3.5
Industrials	2.5	3.5	1.8	3.0
Consumer services	1.5	5.2	2.5	5.6
Commercial services	1.5	1.6	5.1	1.7
Telecommunications	1.0	3.7	3.2	3.5
Transport	–	1.8	0.4	1.7
Other/miscellaneous <sup>2</sup>	7.8	–	13.5	–
Net current assets <sup>3</sup>	12.3	–	10.0	–
	100.0	100.0	100.0	100.0

<sup>1</sup> Based on total assets less current liabilities of £369.9m (2006: £361.7m).

<sup>2</sup> Includes small companies assets of 6.7% and unquoted investments of 1.0% (2006: 7.4% and 1.3%).

<sup>3</sup> Includes investments in liquidity funds.

# Income Statement

for the six months ended 30th June 2007

	(Unaudited) Six months ended 30th June 2007			(Unaudited) Six months ended 30th June 2006			(Audited) Year ended 31st December 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Gains/(losses) from investments held at fair value through profit or loss</b>									
Net foreign currency gains	–	13,885	13,885	–	(13,123)	(13,123)	–	5,703	5,703
Income from investments	–	6	6	–	1,199	1,199	–	1,431	1,431
Other interest receivable and similar income	3,407	–	3,407	2,613	–	2,613	6,235	–	6,235
	395	–	395	747	–	747	1,065	–	1,065
<b>Gross return/(loss)</b>	<b>3,802</b>	<b>13,891</b>	<b>17,693</b>	<b>3,360</b>	<b>(11,924)</b>	<b>(8,564)</b>	<b>7,300</b>	<b>7,134</b>	<b>14,434</b>
Management fee	(184)	(739)	(923)	(161)	(645)	(806)	(366)	(1,465)	(1,831)
Other administrative expenses	(182)	–	(182)	(239)	–	(239)	(516)	–	(516)
<b>Net return/(loss) on ordinary activities before finance costs and taxation</b>	<b>3,436</b>	<b>13,152</b>	<b>16,588</b>	<b>2,960</b>	<b>(12,569)</b>	<b>(9,609)</b>	<b>6,418</b>	<b>5,669</b>	<b>12,087</b>
Finance costs	(347)	(1,389)	(1,736)	(352)	(1,408)	(1,760)	(713)	(2,851)	(3,564)
<b>Net return/(loss) on ordinary activities before taxation</b>	<b>3,089</b>	<b>11,763</b>	<b>14,852</b>	<b>2,608</b>	<b>(13,977)</b>	<b>(11,369)</b>	<b>5,705</b>	<b>2,818</b>	<b>8,523</b>
Taxation	(861)	451	(410)	(383)	–	(383)	(821)	–	(821)
<b>Net return/(loss) on ordinary activities after taxation</b>	<b>2,228</b>	<b>12,214</b>	<b>14,442</b>	<b>2,225</b>	<b>(13,977)</b>	<b>(11,752)</b>	<b>4,884</b>	<b>2,818</b>	<b>7,702</b>
<b>Return/(loss) per share (note 2)</b>	<b>5.15p</b>	<b>28.26p</b>	<b>33.41p</b>	<b>5.13p</b>	<b>(32.25)p</b>	<b>(27.12)p</b>	<b>11.28p</b>	<b>6.50p</b>	<b>17.78p</b>

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

The “Total” column of this statement is the profit and loss account of the Company and the “Revenue” and “Capital” columns represent supplementary information. The “Total” column represents all the information that is required to be disclosed in a “Statement of Total Recognised Gains and Losses” (“STRGL”). For this reason a STRGL has not been presented.

## Reconciliation of Movements in Shareholders' Funds

for the six months ended 30th June 2007 (unaudited)

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>At 31st December 2006</b>	10,820	18,906	8,013	259,381	14,867	311,987
Shares bought back and cancelled	(52)	–	52	(1,434)	–	(1,434)
Capital return from ordinary activities	–	–	–	12,214	–	12,214
Revenue return from ordinary activities	–	–	–	–	2,228	2,228
Dividends appropriated in the period	–	–	–	–	(4,760)	(4,760)
At 30th June 2007	10,768	18,906	8,065	270,161	12,335	320,235
<b>At 31st December 2005</b>	10,870	18,906	7,963	256,320	14,966	309,025
Shares bought back and cancelled	(50)	–	50	(1,295)	–	(1,295)
Capital loss from ordinary activities	–	–	–	(13,977)	–	(13,977)
Revenue return from ordinary activities	–	–	–	–	2,225	2,225
Dividends appropriated in the period	–	–	–	–	(3,462)	(3,462)
At 30th June 2006	10,820	18,906	8,013	241,048	13,729	292,516
<b>At 31st December 2005</b>	10,870	18,906	7,963	256,320	14,966	309,025
Transfer of accumulated tax relief on expenses charged to capital	–	–	–	1,538	(1,538)	–
Shares bought back and cancelled	(50)	–	50	(1,295)	–	(1,295)
Capital return from ordinary activities	–	–	–	2,818	–	2,818
Revenue return from ordinary activities	–	–	–	–	4,884	4,884
Dividends appropriated in the year	–	–	–	–	(3,445)	(3,445)
<b>At 31st December 2006</b>	10,820	18,906	8,013	259,381	14,867	311,987

# Balance Sheet

as at 30th June 2007

	(Unaudited) 30th June 2007 £'000	(Unaudited) 30th June 2006 £'000	(Audited) 31st December 2006 £'000
<b>Fixed assets</b>			
Investments at fair value through profit or loss	346,268	300,965	347,979
<b>Current assets</b>			
Derivative instrument (note 3)	12,417	11,670	12,174
Debtors	3,503	2,132	610
Cash at bank and in hand	10,701	30,910	1,347
	26,621	44,712	14,131
<b>Creditors: amounts falling due within one year</b>	(2,973)	(3,510)	(457)
<b>Net current assets</b>	23,648	41,202	13,674
<b>Total assets less current liabilities</b>	369,916	342,167	361,653
<b>Creditors: amounts falling due after more than one year</b>	(49,681)	(49,651)	(49,666)
<b>Total net assets</b>	320,235	292,516	311,987
<b>Capital and reserves</b>			
Called up share capital	10,768	10,820	10,820
Share premium	18,906	18,906	18,906
Capital redemption reserve	8,065	8,013	8,013
Capital reserve	270,161	241,048	259,381
Revenue reserve	12,335	13,729	14,867
<b>Shareholders' funds</b>	320,235	292,516	311,987
<b>Net asset value per share (note 4)</b>	743.5p	675.9p	720.9p

# Cash Flow Statement

for the six months ended 30th June 2007

	(Unaudited) Six months ended 30th June 2007 £'000	(Unaudited) Six months ended 30th June 2006 £'000	(Audited) Year ended 31st December 2006 £'000
Net cash inflow from operating activities	2,826	2,009	4,074
Net cash outflow from returns on investments and servicing of finance	(1,723)	(1,741)	(3,533)
Net cash inflow/(outflow) from capital expenditure and financial investment	14,222	23,683	(5,896)
Dividends paid	(4,760)	(3,462)	(3,445)
Net cash outflow from financing	(974)	(1,295)	(1,295)
<b>Increase/(decrease) in cash for the period</b>	<b>9,591</b>	<b>19,194</b>	<b>(10,095)</b>

# Notes to the Accounts

for the six months ended 30th June 2007

## 1. Accounting policies

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (“UK GAAP”) and with the Statement of Recommended Practice ‘Financial Statements of Investment Trust Companies’ dated 31st December 2005.

All of the Company’s operations are of a continuing nature.

The accounting policies applied to these interim accounts are consistent with those applied in the accounts for the year ended 31st December 2006.

	(Unaudited) Six months ended 30th June 2007 £'000	(Unaudited) Six months ended 30th June 2006 £'000	(Audited) Year ended 31st December 2006 £'000
<b>2. Return/(loss) per share</b>			
Return/(loss) per share is based on the following:			
Revenue return	2,228	2,225	4,884
Capital return/(loss)	12,214	(13,977)	2,818
<b>Total return/(loss)</b>	<b>14,442</b>	<b>(11,752)</b>	<b>7,702</b>
Weighted average number of shares in issue	43,224,757	43,333,295	43,306,372
Revenue return per share	5.15p	5.13p	11.28p
Capital return/(loss) per share	28.26p	(32.25)p	6.50p
<b>Total return/(loss) per share</b>	<b>33.41p</b>	<b>(27.12)p</b>	<b>17.78p</b>

## 3. Derivative instrument

The Company has hedged its £50m debenture liability by purchasing Sterling against the US Dollar, out to 5th October 2011. The counterparty for this transaction is The Royal Bank of Scotland.

## 4. Net asset value per share

Net asset value per share is based on the net assets attributable to the ordinary shareholders’ of £320,235,000 (30th June 2006: £292,516,000 and 31st December 2006: £311,987,000) and on the 43,070,949 (30th June 2006: 43,279,449 and 31st December 2006: 43,279,449) shares in issue at the period end.

## 5. 2006 Accounts

The figures and financial information for the year ended 31st December 2006 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 237(2) or 237(3) of the Companies Act 1985.

# Information about the Company

## Financial Calendar

Financial year end	31st December
Interim results announced	August
Final results announced	February
Dividend on ordinary shares paid	Annually in April/May
Annual General Meeting	April/May
Interim management statements	April and October (2008)

## History

JPMorgan American Investment Trust plc has its origins in the Alabama, New Orleans, Texas and Pacific Junction Railways Company, Limited which was formed in 1881 to acquire interests in, and to undertake the completion of, three American railroads, the Vicksburg and Meridian, the Vicksburg, Shreveport and Pacific, and the New Orleans and North Eastern. In 1917 the Company was reorganised, a proportion of the railroad interests were sold, and the investment powers were widened enabling its assets to be invested in several countries including the United Kingdom. To reflect the new objectives the name was changed to The Sterling Trust. The Company's investment policy reverted to North American securities in 1982 and changed its name to The Fleming American Investment Trust plc. The Company changed its name to JPMorgan Fleming American Investment Trust plc in April 2002 and to JPMorgan American Investment Trust in May 2006. JPMorgan Asset Management (UK) Limited and its predecessor companies have been the Company's manager and secretary since 1966.

## Directors

Hamish Buchan (Chairman)  
 Sarah Bates  
 Kate Bolsover  
 James Fox (Audit Committee Chairman)  
 George Greener CBE  
 James Williams

## Company Numbers

Company registration number: 15543  
 London Stock Exchange Sedol number: 0846505  
 Bloomberg Code: JAM LN  
 Reuters Code: JAM.L

## Market Information

JPMorgan Asset Management (UK) Limited Company's net asset value ('NAV') is published daily, via the London Stock Exchange.

The Company's shares are listed on the London Stock Exchange. The market price of the ordinary shares is shown daily in the Financial Times, The Guardian, The Times, The Daily Telegraph, and The Scotsman and on the JPMorgan internet site at [www.jpmerican.co.uk](http://www.jpmerican.co.uk), where the share price is updated every 15 minutes during trading hours.

## Website

[www.jpmerican.co.uk](http://www.jpmerican.co.uk)

## Share Transactions

The shares may be dealt in directly through a stockbroker or through a professional adviser acting on an investor's behalf. They may also be purchased and held through the JPMorgan Investment Trust Share Plan, Individual Savings Account (ISA), Personal Equity Plan (PEP) and Pension Account.

## Manager and Secretary

JPMorgan Asset Management (UK) Limited

## Company's Registered Office

Finsbury Dials, 20 Finsbury Street  
 London EC2Y 9AQ  
 Telephone: 020 7742 6000

For company secretarial and administrative matters, please contact Andrew Norman.

## Registrars

Lloyds TSB Registrars  
 Reference 1077  
 The Causeway  
 Worthing  
 West Sussex BN99 6DA  
 Tel: 0870 600 3984

Notifications of changes of address and enquiries regarding certificates or dividend cheques should be made in writing to the Registrar quoting reference 1077. Registered shareholders can obtain further details on individual holdings on the internet by visiting [www.shareview.co.uk](http://www.shareview.co.uk)

## Independent Auditors

Deloitte & Touche LLP  
 Stonecutter Court, 1 Stonecutter Street  
 London EC4A 4TR

## Brokers

Dresdner Kleinwort Investment Bank  
 30 Gresham Street  
 London EC2V 7PG

## Savings Product Administrators

For queries on the JPMorgan ISA, PEP, Share Plan or Pension Account, see contact details on the back page.

# Glossary of Terms

## **Total Return to Shareholders**

Total return to the investor, on a mid-market price to midmarket price basis, assuming that all dividends received (net of tax) were reinvested in the shares of the Company at the time the shares were quoted ex-dividend. Transaction costs of reinvestment are not taken into account.

## **Total Return on Net Assets**

Total return on net asset value ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company (net of tax) were reinvested at the NAV per share on the day the shares were quoted ex-dividend.

## **Benchmark Total Return**

Total return on the benchmark, on a mid-market value to mid-market value basis, assuming that all dividends received (net of tax) were reinvested in the shares of the underlying companies at time the shares were quoted ex-dividend. The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not follow or 'track' this index and consequently, there may be some divergence between the Company's performance and that of the stated index.

## **Discount/Premium**

If the share price of an investment company is lower than the net asset value ('NAV') per share, the trust is said to be trading at a discount. The discount is shown as a percentage of the NAV. The opposite of a discount is a premium. It is more common for an investment company to trade at a discount than a premium.

A member of the AIC

**aic**

The Association of  
Investment Companies

**JPMorgan Helpline**

Freephone 0800 40 30 30 or 0207 742 9999  
9.00 am to 5.30 pm Monday to Friday

**JPMorgan Pension Helpline**

Freephone 0800 41 31 76 or 0172 241 4888  
9.00 am to 5.00 pm Monday to Friday

Please use this number if you have any queries relating to the Pension Account.

Your telephone call may be recorded for your security.

[www.jpnamerican.co.uk](http://www.jpnamerican.co.uk)