



Half Year Report 09

JPMorgan Russian Securities plc

Half Year Report & Accounts for the six months ended 30th April 2009

Features

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Objective

To provide capital growth from investment in Russian securities.

Investment Policies

- To maintain a diversified portfolio of investments in quoted Russian securities and Russian pre-IPO stocks (up to 10% of the gross assets of the Company) or other companies which derive the majority of their revenue or gains from operating in Russia.
- To use gearing when appropriate to increase potential returns to shareholders.
- To invest no more than 15% of gross assets in other UK listed investment companies (including investment trusts).

Benchmark

The MSCI Russian 10/40 Equity Indices Index in sterling terms.

Capital Structure

The Company has an authorised ordinary share capital of 1,000,000,000 shares of 1p each, of which 55,932,812 were in issue as at 30th April 2009.

Management Company

The Company employs JPMorgan Asset Management (UK) Limited to manage its assets.

Half Year Performance

Total Returns (capital plus income)

+6.0%

Return to shareholders¹

+13.9%

Return on net assets²

+16.8%

Benchmark return^{1,3}

Financial Data

	30th April 2009	31st October 2008	% change
Total net assets (£'000)	162,486	142,658	+13.9
Number of shares in issue	55,932,812	55,932,812	
Net asset value per share	290.5p	255.1p	+13.9
Share price	272.5p	257.0p	+6.0
Discount of share price to net asset value	6.2%	0.7%	

A glossary of terms and definitions is provided on page 12.

¹Source: Morningstar

²Source: J.P. Morgan

³The Company's benchmark is the MSCI Russian 10/40 Equity Indices Index in sterling terms.

Chairman's Statement



Performance

It is pleasing to report that over the six months to 30th April 2009, the Company's net asset value and share price posted positive returns following a steep reversal of the recent decline in the Russian stock market. There is a long way to go before we return to the market peak of mid 2008, however it is encouraging that the Company's net asset value has recovered by over 85% from the lows of February 2009.

The Company's net asset value rose by +13.9%, lagging the benchmark index, the MSCI Russian 10/40 Equities Indices Index in sterling terms, which increased by +16.8%. The discount at which the ordinary shares traded to the net asset value widened over the period, resulting in a share price total return of +6.0%.

Revenue and Earnings

The revenue loss after taxation for the six months ended 30th April 2009 was £1,061,000, which equates to a loss per share of 1.90p.

Gearing

Owing to the volatility of the markets, our investment managers did not gear the portfolio during the review period and currently hold approximately 10% of the portfolio in cash. The Company has a bank facility in place to enable the investment managers to re-gear the portfolio at short notice should opportunities present themselves.

Outlook

The negative sentiment which caused sizeable and rapid falls in the Russian stock markets appears, for the time being, to have eased. Nonetheless, it is too soon to say with confidence that the worst is behind us. Despite the recent rebound in markets, our investment managers expect the remaining months of 2009 to be challenging. The Russian market is likely to experience strong fluctuations in the current environment, which is driven by heightened uncertainty in the outlook for global growth and commodity prices. However I believe that the long-term investment case remains compelling. The Russian stock market continues to be one of the cheapest of the major global emerging markets and your managers continue to identify attractive investment opportunities in a wide range of sectors.

Pamela Idelson Smith
Chairman

26th June 2009

Investment Managers' Report



Oleg I. Biryulyov



Vitaly N. Kazakov

Performance Review

Long-term shareholders will recall that we have consistently mentioned volatility as a major challenge for Russian equity markets in our previous reports. The last six months under review vindicated our concerns, as Russian stock markets witnessed levels of volatility that revived uneasy memories of the 1998 ruble crash. Although the overall change in the Company's NAV over the last six months is relatively small, it masks a drop of more than 40% in the first three months of the period and a recovery of close to 85% from the lows of the first week of February 2009.

The period has been challenging for active fund managers, but we are pleased to report that we succeeded in capturing most of the positive upside for shareholders during the recent market rally.

The Company delivered a return on net assets of 13.9% against the return of our benchmark, the MSCI Russian 10/40 Equity Indices Index in sterling terms, of 16.8%. Throughout the period we did not employ any gearing and held, on average, 10% of the portfolio in cash. Stock selection in the consumer staples sector was the greatest contributor to performance, while investments in energy, health care, telecommunication services and consumer discretionary also positively contributed. Stock selection in the financials and the industrials sectors detracted from returns.

Why we believe that there are opportunities for investors in Russia today

Currently many Russian companies trade at a considerable discount to their underlying asset value (the Company's portfolio has a price to book value of 1.2 x as at 31st May 2009). Some of these valuations can be justified by high levels of indebtedness, but in many cases such risks are overstated, and these shares are priced at attractive entry levels. We take a more positive view of Russia's country risk and future than most market participants. While Russia continues to face considerable economic challenges, it is important not to ignore its natural advantages. The Russian economy is highly dependent on the pricing of commodities and of oil in particular. Therefore the stabilisation of oil prices from February 2009 helped to strengthen the ruble and, with the additional aid of liquidity injections from the government, we witnessed a rally in the price of Russian assets.

We focus on the ability of a potential investment target to operate under dynamic rather than static conditions in relation to commodity prices. We believe that major investment opportunities in the Russian equity market materialise when market consensus slips behind or runs ahead of spot prices. We were in a position to take advantage of many such opportunities the past six months.

What are the future risks to the Russian equity market?

Oil Price

The single largest risk factor for Russia continues to be the price of oil. Despite the global economic slowdown and contraction of global oil demand, oil prices have returned to the level they were at in October 2008. After bottoming at close to \$39 per barrel in mid-February 2009, oil rose some 66% and now trades at approximately \$65 per barrel. We constantly review and monitor the current situation and outlook for oil prices.

Political Risk

Political risk in Russia has recently been overshadowed by economic uncertainty. We expect political risk to increase as individuals begin to feel the full pain of the economic recession. The Russian government is not known for its ability, or desire, to make radical and difficult decisions, and this could prove to be a worrying gap in its skill set in the current environment. Reform is required and should be taken seriously, particularly now. We believe there are a number of key areas which require reform - firstly there needs to be free, unbiased media coverage, particularly as it relates to politics and the economic situation. Secondly, there needs to be institutional reform, where there has been a notable lack of progress during the boom years. Over the last 10 years the regulatory environment in Russia has been moving from chaos to an order-driven system (but not to a rule/law-driven system), this is partly a reflection of the military background of the ruling elite. There has been a lack of progress in the establishment of an independent court system throughout the country, protection of property rights and elimination of administrative barriers. All of these have become significant obstacles in the domestic economy's internal progress which were less visible in the boom years. Finally, we look for reforms with regards to establishing political policy and, as noted above, a shift in the mentality of the political leaders towards making necessary hard decisions given a more challenging environment.

To date Russian leaders have pushed through only one notable reform which related to the extension of the presidential term. This does not represent an impressive track record. Reform is important for the sustainability of growth. Accordingly we are closely monitoring developments in this area.

Further slowdown and falls in risk appetite

At present the consensus has become more optimistic. A reversal of this mood with consequent falls in riskier assets, including equities is clearly possible and would be damaging to our positive view of the Russian markets especially given its volatility.

Conclusion

The period under review was yet another reminder of the opportunities and risks for investors in Russia and emerging markets overall. The Russian equity market is a high risk and high return market, which is difficult to predict over a short time horizon. However, in the longer term it is likely to deliver superior results.

The Russian market is up over 900% from 1st September 1995 (start of Russian Trading System Index), which translates into an approximate compound return of 15% p.a. in US dollar terms during the last 13 and a half years. This is a credible return by any comparison, particularly since the market produced such returns despite twice dropping by 80% and by more than 20% on numerous occasions.

We have stressed that the Russian market is more volatile than the average for global emerging markets, and we expect this to remain the case for the foreseeable future. We do, however, continue to see significant long-term investment opportunities in Russia, and will endeavour to turn market fluctuations to the Company's advantage by picking up stocks which have been unduly discounted and selling those which are over-valued.

Oleg I. Biryulyov
Vitaly N. Kazakov
Investment Managers

26th June 2009

Ten Largest Equity Investments

at 30th April 2009

Company	Sector	Valuation		Benchmark	Active Position
		£'000	% ¹	%	%
Tatneft	Energy	10,639	6.5	4.4	2.1
Sberbank Rossii	Financials	10,440	6.4	4.4	2.0
Magnit	Consumer Staples	10,016	6.2	–	6.2
Novolipetsk Iron & Steel	Materials	8,894	5.5	4.2	1.3
Severstal	Materials	8,257	5.1	3.0	2.1
Sistema	Telecommunication Services	7,771	4.8	0.7	4.1
Magnitogorsk Iron & Steel	Materials	7,493	4.6	–	4.6
Surgutneftegaz	Energy	7,204	4.4	5.7	(1.3)
Norilsk Nickel	Materials	6,940	4.3	4.9	(0.6)
Mechel	Materials	6,651	4.1	2.8	1.3
Total		84,305	51.9		

¹Based on total assets less current liabilities of £162.5m.

As at 31st October 2008, the value of the ten largest investments amounted to £87,754,000 representing 61.5% of total assets less current liabilities.

Sector Analysis

Sector	30th April 2009			31st October 2008		
	Portfolio	Benchmark	Active Position	Portfolio	Benchmark	Active Position
	% ¹	%	%	% ¹	%	%
Materials	26.3	26.1	0.2	23.8	20.0	3.8
Energy	21.0	37.1	(16.1)	16.0	38.1	(22.1)
Consumer Staples	10.4	2.6	7.8	11.8	2.1	9.7
Telecommunications	9.6	14.2	(4.6)	5.6	16.5	(10.9)
Consumer Discretionary	8.5	0.6	7.9	6.4	2.0	4.4
Financials	8.1	9.7	(1.6)	13.3	14.8	(1.5)
Transportation	2.8	–	2.8	7.2	–	7.2
Healthcare	2.2	3.7	(1.5)	3.4	3.7	(0.3)
Utilities	0.6	6.0	(5.4)	1.9	2.8	(0.9)
Information Technology	0.5	–	0.5	2.3	–	2.3
Real Estate	–	–	–	1.4	–	1.4
Liquidity funds	9.1	–	9.1	7.4	–	7.4
Net current assets/(liabilities)	0.9	–	0.9	(0.5)	–	(0.5)
	100.0	100.0		100.0	100.0	

¹Based on total assets less current liabilities of £162.5m (2008: £142.7m).

Income Statement

for the six months ended 30th April 2009

	(Unaudited) Six months ended 30th April 2009			(Unaudited) Six months ended 30th April 2008			(Audited) Year ended 31st October 2008		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gains/(losses) from investments held at fair value through profit or loss	–	20,457	20,457	–	17,077	17,077	–	(256,143)	(256,143)
Net foreign currency gains/(losses)	–	432	432	–	(1,159)	(1,159)	–	(5,242)	(5,242)
Income from investments	214	–	214	1,483	–	1,483	9,482	–	9,482
Other interest receivable and similar income	60	–	60	66	–	66	150	–	150
Gross return/(loss)	274	20,889	21,163	1,549	15,918	17,467	9,632	(261,385)	(251,753)
Management fee	(873)	–	(873)	(3,035)	–	(3,035)	(6,007)	–	(6,007)
VAT recovered on management fee	–	–	–	–	–	–	636	–	636
Other administrative expenses	(436)	–	(436)	(396)	–	(396)	(900)	–	(900)
Net return/(loss) on ordinary activities before finance costs and taxation	(1,035)	20,889	19,854	(1,882)	15,918	14,036	3,361	(261,385)	(258,024)
Finance costs	(41)	–	(41)	(894)	–	(894)	(1,581)	–	(1,581)
Net return/(loss) on ordinary activities before taxation	(1,076)	20,889	19,813	(2,776)	15,918	13,142	1,780	(261,385)	(259,605)
Taxation	15	–	15	(200)	–	(200)	(1,251)	–	(1,251)
Net return/(loss) on ordinary activities after taxation	(1,061)	20,889	19,828	(2,976)	15,918	12,942	529	(261,385)	(260,856)
Return/(loss) per share (note 3)	(1.90)p	37.35p	35.45p	(5.32)p	28.46p	23.14p	0.95p	(467.32)p	(466.37)p

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 prepared under guidance issued by the Association of Investment Companies. 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

Six months ended 30th April 2009 (Unaudited)	Called up share capital £'000	Other reserve £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31st October 2008	559	52,397	42	91,529	(1,869)	142,658
Net return/(loss) on ordinary activities	–	–	–	20,889	(1,061)	19,828
At 30th April 2009	559	52,397	42	112,418	(2,930)	162,486

Six months ended 30th April 2008 (Unaudited)	Called up share capital £'000	Other reserve £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31st October 2007	559	52,397	42	352,914	(2,398)	403,514
Net return/(loss) on ordinary activities	–	–	–	15,918	(2,976)	12,942
At 30th April 2008	559	52,397	42	368,832	(5,374)	416,456

Year ended 31st October 2008 (Audited)	Called up share capital £'000	Other reserve £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31st October 2007	559	52,397	42	352,914	(2,398)	403,514
Net return/(loss) on ordinary activities	–	–	–	(261,385)	529	(260,856)
At 31st October 2008	559	52,397	42	91,529	(1,869)	142,658

Balance Sheet

as at 30th April 2009

	(Unaudited) 30th April 2009 £'000	(Unaudited) 30th April 2008 £'000	(Audited) 31st October 2008 £'000
Fixed assets			
Equity investments held at fair value through profit or loss	146,127	454,965	132,743
Investments in liquidity funds held at fair value through profit or loss	14,833	6,276	10,565
Total investment portfolio	160,960	461,241	143,308
Current assets			
Derivative financial instruments	–	1	–
Debtors	3,141	812	5,627
Cash and short term deposits	372	19,013	177
	3,513	19,826	5,804
Creditors: amounts falling due within one year	(1,987)	(64,611)	(6,454)
Net current assets/(liabilities)	1,526	(44,785)	(650)
Total assets less current liabilities	162,486	416,456	142,658
Total net assets	162,486	416,456	142,658
Capital and reserves			
Called up share capital	559	559	559
Other reserve	52,397	52,397	52,397
Capital redemption reserve	42	42	42
Capital reserves	112,418	368,832	91,529
Revenue reserve	(2,930)	(5,374)	(1,869)
Shareholders' funds	162,486	416,456	142,658
Net asset value per share (note 4)	290.5p	744.6p	255.1p

Cash Flow Statement

for the six months ended 30th April 2009

	(Unaudited) Six months ended 30th April 2009 £'000	(Unaudited) Six months ended 30th April 2008 £'000	(Audited) Year ended 31st October 2008 £'000
Net cash inflow/(outflow) from operating activities (note 5)	3,718	(2,127)	(2,811)
Net cash outflow from returns on investments and servicing of finance	(41)	(936)	(1,722)
Net cash inflow/(outflow) from capital expenditure and financial investment	(3,914)	(6,060)	26,098
Net cash inflow/(outflow) from financing	–	9,930	(40,275)
Increase/(decrease) in cash for the period	(237)	807	(18,710)
Reconciliation of net cash flow to movement in net funds/(debt)			
Net cash movement	(237)	807	(18,710)
Loans (drawn down)/repaid in the period	–	(9,930)	40,275
Exchange movements	432	(1,162)	(5,244)
Movement in net funds/(debt) in the period	195	(10,285)	16,321
Net funds/(debt) at the beginning of the period	177	(16,144)	(16,144)
Net funds/(debt) at the end of the period	372	(26,429)	177
Represented by:			
Cash and short term deposits	372	19,013	177
Debt falling due within one year	–	(45,442)	–
Net funds/(debt) at the end of the period	372	(26,429)	177

Notes to the Accounts

for the six months ended 30th April 2009

1. Financial Statements

The information contained within the financial statements in this half yearly report has not been audited or reviewed by the Company's auditors.

The figures and financial information for the year ended 31st October 2008 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 498(2) or 498(3) of the Companies Act 2006.

2. 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' issued in January 2009.

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

The accounting policies applied to these half year accounts are consistent with those applied in the accounts for the year ended 31st October 2008.

3. Return/(loss) per share

	(Unaudited) Six months ended 30th April 2009 £'000	(Unaudited) Six months ended 30th April 2008 £'000	(Audited) Year ended 31st October 2008 £'000
Return/(loss) per share is based on the following:-			
Revenue return/(loss)	(1,061)	(2,976)	529
Capital return/(loss)	20,889	15,918	(261,385)
Total return/(loss)	19,828	12,942	(260,856)
Weighted average number of shares in issue	55,932,812	55,932,812	55,932,812
Revenue return/(loss) per share	(1.90)p	(5.32p)	0.95p
Capital return/(loss) per share	37.35p	28.46p	(467.32)p
Total return/(loss) per share	35.45p	23.14p	(466.37)p

4. Net asset value per share

Net asset value per share is based on the net assets attributable to the ordinary shareholders £162,486,000 (30th April 2008: £416,456,000 and 31st October 2008: £142,658,000) and on the 55,932,812 (30th April 2008: 55,932,812 and 31st October 2008: 55,932,812) shares in issue at the period end.

5. Reconciliation of total return/(loss) on ordinary activities before finance costs and taxation to net cash inflow/(outflow) from operating activities

	(Unaudited) Six months ended 30th April 2009 £'000	(Unaudited) Six months ended 30th April 2008 £'000	(Audited) Year ended 31st October 2008 £'000
Total return/(loss) on ordinary activities before finance costs and taxation	19,854	14,036	(258,024)
Add back capital (return)/loss before finance costs and taxation	(20,889)	(15,918)	261,385
Net movement in debtors, accrued income and accrued expenses	4,738	(45)	(4,921)
Overseas taxation	15	(200)	(1,251)
Net cash inflow/(outflow) from operating activities	3,718	(2,127)	(2,811)

Interim Management Report

The Company is now required to make the following disclosures in its half year report.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company fall into five broad categories: investment and strategy; accounting, legal and regulatory; corporate governance and shareholder relations; operational and financial. Information on each of these areas is given in the Business Review within the Annual Report and Accounts for the year ended 31st October 2008.

During the market turmoil in the second half of 2008, JPMAM reacted with heightened management scrutiny of counterparty risk. In addition, reviews were initiated of exposures, policies, procedures and legal arrangements applicable to the major sources of counterparty exposure.

Related parties transactions

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or the performance of the Company during the period.

Directors' responsibilities

The Board of Directors confirms that, to the best of its knowledge:

- (i) the condensed set of financial statements contained within the half yearly financial report has been prepared in accordance with the Accounting Standards Board's Statement 'Half-Yearly Financial Reports'; and
- (ii) the interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the UK Listing Authority Disclosure and Transparency Rules.

for and on behalf of the Board

Pamela Idelson Smith

Chairman

26th June 2009

Glossary of Terms

Return to shareholders

Total return to the investor, on a mid-market price to mid-market price basis, assuming that all dividends received 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.

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 were reinvested in the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

Benchmark 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 the 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 Company's shares are 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.

Active position

The active position shows the difference between the Company's holding of an individual stock, sector or country compared with that stock, sector or country's weighting in the Company's benchmark index. A positive number indicates an active decision by the Manager to own more of (i.e. be overweight) a particular stock, sector or country versus the benchmark and a negative number indicates a decision to hold less of (i.e. be underweight) a particular stock, sector or country versus the benchmark.

Information about the Company

Financial Calendar

Financial year end	31st October
Final results announced	January
Half year end	30th April
Half year results announced	June
Interim Management Statement announced	February/August
Dividend (if any)	March
Annual General Meeting	March

History

The Company was launched in December 2002 by a placing and offer for subscription. It is the successor Company to The Fleming Russia Securities Fund Limited, a closed-ended investment company incorporated in Jersey and listed on the Irish Stock Exchange. The Company adopted its present name on 1st March 2006.

Directors

Pamela Idelson Smith (Chairman)
Paul Teleki (Audit Committee Chairman)
Patrick Gifford
George Nianias
James Nicholson
Lysander Tennant

Company Numbers

Company registration number: 4567378
London Stock Exchange Sedol number: 0032164732
ISIN: GBO032164732
Bloomberg code: JRS LN

Market Information

The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman, The Independent and on the JPMorgan website at www.jpmmussian.co.uk where the share price is updated every fifteen minutes during trading hours.

Website

www.jpmmussian.co.uk

Share Transactions

The Company's 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 Investment Trust Share Plan and Individual Savings Account ('ISA').

Manager and Secretary

JPMorgan Asset Management (UK) Limited

Company's Registered Office

Finsbury Dials
20 Finsbury Street
London EC2Y 9AQ
Telephone number: 020 7742 6000
For company secretarial and administrative matters, please contact Alison Vincent.

Registrars

Equiniti
Reference 2610
The Causeway
Worthing
West Sussex BN99 6DA
Telephone number: 0871 384 2030
Notifications of changes of address and all enquiries regarding certificates should be sent to the Registrar quoting reference 2610. Registered shareholders can obtain further details on individual holdings on the internet by visiting www.shareview.co.uk

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Brokers

Cenkos Securities plc
6,7,8 Tokenhouse Yard
London EC2R 7AS

Savings Product Administrators

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

aic

The Association of
Investment Companies

A member of the AIC

