Project Report

"A Study on Investment Analysis of J.P. Morgan Chase & Co"

Submitted to:

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G.S. College of Commerce and Economics, Nagpur

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In partial fulfilment for the award of the degree of

Master of Business Administration

Submitted by:

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NAAC Accredited "A" Grade Institution

Academic Year 2022-2023

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Academic Year 2022-2023

CERTIFICATE

This is to certify that **Shruti Nilkanth Kawale** has submitted the project report titled, **"A Study On Investment Analysis of J.P. Morgan Chase & Co."** towards the partial fulfilment of **MASTER OF BUSINESS ADMINISTRATION** degree examination. This has not been submitted for any other examination and does not form part of any other course undergone by the candidate.

It is further certified that he has ingeniously completed his project as prescribed by **DMSR, G. S. College of Commerce and Economics, Nagpur, (NAAC Reaccredited "A" Grade Autonomous Institution)** affiliated to **Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.**

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Place: Nagpur
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Department of Management Sciences and Research,
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Academic Year 2022-2023

DECLARATION

I here-by declare that the project with title **" A Study On Investment Analysis of J.P. Morgan Chase & Co."** has been completed by me in partial fulfilment of **MASTER OF BUSINESS ADMINISTRATION** degree examination as prescribed by **DMSR, G. S. College of Commerce and Economics, Nagpur, (NAAC Reaccredited "A" Grade Autonomous Institution)** affiliated to Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur and this has not been submitted for any other examination and does not form the part of any other course under taken by me.

Shruti Nilkanth Kawale

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Shruti Nilkanth Kawale

Place: Nagpur

Date:

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INTRODUCTION TO FINANCE

Finance is a system that involves the exchange of funds between the borrowers and the lenders and investors. It operates at various levels from firms to global to national levels. Thus, there are many complexities involved in it related to markets, institutions, etc. An introduction to finance will provide a basic idea of how the finance sector in general works in India.

In the finance system, credit, money, and finance are used as a medium for various exchanges. So, they work as a known value for which the services and goods are exchanged.

Thus, in modern systems, banks financial instruments, financial markets, and services are included. Also, this system allows for the funds invested, allocated, and moved within a smooth process.

There are various components of financial systems. They are:

Finance is a term for matters regarding the management, creation, and study of money and investments. It involves the use of credit and debt, securities, and investment to finance current projects using future income flows. Because of this temporal aspect, finance is closely linked to the time value of money,interest rates, and other related topics.

Financial Institutions

Financial institutions include banks and other non-finance banking institutions. It is a company that is engaged in the business of dealing with monetary and financial transactions like loans, deposits, and investments.

It comprises various banking operations like trusting the companies, brokerage firms, insurance companies, and dealers. A bank is a financial institution that is legally allowed to borrow and lend money. Along with these banks also provides financial services like an exchange of currency, wealth management, and safe deposits. Generally, banks are categorized into 2 types. Investment banks and commercial banks. While non-banking financial institution or NBFCs do not have a banking license.

Financial Services

The economic services that are provided by financial institutions and covers a broader aspect of money like managing money, banks, credit cards, debit cards are called financial services.

Also, the other financial services that are offered by the institutions are consumer finance, stockbrokerage, investment funds, and many more.

Financial Markets

Financial markets consist of 2 types of market, primary market, and the secondary market. This is a broad term used to describe a marketplace where equities, currencies, and bonds are traded. So, in the primary market, the exchange for the government, companies, are done by the new companies. Thus, this is done through equity-based or debt-based securities.

Also, this process is facilitated by the investment banks that have set a beginning price and are overseeing a sale for its investors. Once the sale is completed, it is further overseen by the secondary market.

Financial Instruments

Financial instruments are the assets which can be traded in the market. They can also be a form of package which is traded. Most financial instruments provide an efficient flow to facilitate the transfer of capital.

Thus, this asset can be of any form from cash to a contractual right to receive and deliver the cash. They are usually monetary contracts between the two firms. Also, these instruments can be modified, traded, or settled. The cash instruments are the instruments whose value is directly determined by the market. They can also be securities which are tradable and transferable.

Finance can be broadly divided into three categories:

- Public finance
- Corporate finance
- Personal finance

There are many other specific categories, such as behavioral finance, which seeks to identify the cognitive (e.g., emotional, social, and psychological) reasons behind financial decisions.

Public Finance

The federal government helps prevent market failure by overseeing the allocation of resources, distribution of income, and stabilization of the economy. Regular funding for these programs is secured mostly through taxation.19 Borrowing from banks, insurance companies, and other governments and earning dividends from its companies also help finance the federal government.

State and local governments also receive grants and aid from the federal government. Other sources of public finance include user charges from ports, airport services, and other facilities; fines resulting from breaking laws; revenues from

licenses and fees, such as for driving; and sales of government securities and bond issues.

Corporate Finance

Businesses obtain financing through a variety of means, ranging from equity investments to credit arrangements. A firm might take out a loan from a bank or arrange for a line of credit. Acquiring and managing debt properly can help a company expand and become more profitable.

Startups may receive capital from angel investors or venture capitalists in exchange for a percentage of ownership. If a company thrives and goes public, it will issue shares on a stock exchange; such initial public offerings(IPO) bring a great influx of cash into a firm. Established companies may sell additional shares or issue corporate bonds to raise money. Businesses may purchase dividend-paying stocks, blue-chip bonds, or interest-bearing bank certificates of deposits (CD); they may also buy other companies in an effort to boost revenue.

Recent examples of corporate financing include:

- Bausch & Lomb Corp's initial public offering was initially filed on 1/13/2022 and officially sold shares in May 2022. The healthcare company generated $630 million of proceeds.20
- Ford Motor Credit Company LLC managing outstanding notes to raise capital or extinguish debt to support Ford Motor Company.21
- HomeLight's blended financial approach of raising $115 million ($60 million by issuing additional equity and $55 million through debt financing). HomeLight used the additional capital to acquire lending start- up.

Personal Finance

Personal financial planning generally involves analyzing an individual's or a family's current financial position, predicting short-term, and long-term needs, and executing a plan to fulfill those needs within individual financial constraints. Matters

of personal finance include but are not limited to, the purchasing of financial products for personal reasons, like credit cards; life and home insurance; mortgages; and retirement products. Personal banking (e.g., checking and savings accounts, IRAs, and 401(k) plans) is also considered a part of personal finance.

The most important aspects of personal finance include:

Assessing the current financial status:

- Expected cash flow, current savings, etc.
- Buying insurance to protect against risk and to ensure one's
- Material standing is secure
- Calculating and filing taxes
- Savings and investments
- Retirement planning

As a specialized field, personal finance is a recent development, though forms of it have been taught in universities and schools as "home economics" or "consumer economics" since the early 20th century. The field was initially disregarded by male economists, as "home economics" appeared to be the purview of housewives. Recently, economists have repeatedly stressed widespread education in matters of personal finance as integral to the macro performance of the overall national economy.

INTRODUCTION

Our presence in India began in 1922, when a heritage firm took an ownership interest in a merchant bank in Calcutta. Today, we provide clients in India a comprehensive range of corporate and investment banking services. Our global service centers in Mumbai, Bengaluru and Hyderabad support operations globally.

In Asia Pacific, we are committed to helping promote economic growth and economic inclusion through our key philanthropic initiatives in the areas of workforce readiness, small business development and financial capability. Our investments aim to increase the number of quality jobs created for the underserved individuals and communities, helping small businesses become more sustainable, as well as assisting marginalized people in gaining access to affordable financial products so that they can become more financially secure. This shared commitment to the community drives our Foundation's giving and employee engagement and volunteering activities across the region. J.P. Morgan is a global leader in financial services, offering solutions to the world's most important corporations, governments and institutions in more than 100 countries.

JP Morgan Chase & Co. is an American multinational investment bankand financial services holding companyheadquartered in New York

Cityand incorporated in Delaware. As of 2022, JP Morgan Chase is thelargest bank in the United States, the world'slargest bank by market capitalization, and the fifth largest bank in the worldin terms of total assets, with total assets of US$3.954trillion. Additionally, JP Morgan Chase is ranked 24th on theFortune 500list of the largest United States corporations by total revenue.

As a "Bulge Bracket" bank, it is a major provider of various investment banking and financial services. It is one of America's Big Four banks, along withBank of America,Citigroup, and Wells Fargo. JPMorgan Chase is considered to be a universal bankand a custodian bank. The J.P. Morgan brand is used by the investment banking,asset management,private banking, private wealth management, and treasury servicesdivisions.Fiduciaryactivity within private banking and private wealth management is done under the aegis of JPMorgan Chase Bank, N.A.—the actual trustee. The Chase brand is used for credit cardservices in the United States and Canada, the bank's retail bankingactivities in the United States and United Kingdom, and commercial banking. Both the retail and commercial bank and the bank's corporate headquartersare currently located at383 Madison Avenuein Midtown Manhattan,New York City, since the prior headquarters building directly across the street,270 Park Avenue, was demolished and a larger replacement headquartersis being built on the same site.

It is considered a systemically important bank by the Financial Stability Board.

The current company was originally known as Chemical Bank, which acquired

Chase Manhattan and assumed that company's name. The present company was

formed in 2000, when Chase Manhattan Corporationmerged with J.P.Morgan& Co.

History of J.P. Morgan & Company

JP Morgan Chase, in its current structure, is the result of the combination of several large U.S. banking companies since 1996, including Chase Manhattan Bank,J.P. Morgan & Co.,Bank One,Bear Stearnsand Washington Mutual. Going back further, its predecessors include major banking firms among which are Chemical Bank,Manufacturers Hanover,First Chicago Bank,National Bank of Detroit,Texas Commerce Bank,Providian Financialand Great Western Bank. The company's oldest predecessor institution,The Bank of the Manhattan Company,

was the third oldest banking corporation in the United States, and the 31st oldest bank in the world, having been established on September 1, 1799, by Aaron Burr.

The House of Morganwas born out of the partnership of Drexel, Morgan & Co., which in 1895 was renamedJ.P. Morgan & Co.(see also:J. Pierpont Morgan). J.P. Morgan & Co. financed the formation of theUnited States Steel

Corporation, which took over the business of Andrew Carnegieand others and was the world's first billion dollar corporation. In 1895, J.P. Morgan & Co. supplied the United States government with $62 million in gold to float a bond issue and restore the treasurysurplus of $100 million. In 1892, the company began to finance the New York, New Haven and Hartford Railroadand led it through a series of acquisitions that made it the dominant railroad transporter in a England.

Built in 1914,23 Wall Streetwas the bank's headquarters for decades. On September 16, 1920, a terrorist bomb exploded in front of the bank, injuring 400 and killing 38. Shortly before the bomb went off, a warning note was placed in a mailbox at the corner of Cedar Street and Broadway. The case has never been solved, and was rendered inactive by the FBIin 1940.

In August 1914,Henry P. Davison, a Morgan partner, made a deal with the Bank of Englandto make J.P. Morgan & Co. the monopoly underwriter ofwar bondsfor the UK and France. The Bank of England became a "fiscal agent" of J.P. Morgan & Co., and vice versa. The company also invested in the suppliers of war equipmentto Britain and France. The company profited from the financing and purchasing activities of the two European governments. Since the U.S. federal governmentwithdrew from world affairs under successive isolationist Republicanadministrations in the 1920s, J.P. Morgan &

Co. continued playing a major role in global affairs since most European countries still owed war debts.

In the 1930s, J.P. Morgan & Co. and all integrated banking businesses in the

United States were required by the provisions of the Glass-Steagall Actto separate their investment bankingfrom their commercial bankingoperations. J.P. Morgan & Co. chose to operate as a commercial bank.

In 1935, after being barred from the securities business for over a year, the heads

of J.P. Morgan spun offits investment-banking operations. Led by J.P. Morgan

partners,Henry S. Morgan(son of Jack Morgan and grandson of J. Pierpont

Morgan) and Harold Stanley,Morgan Stanleywas founded on September 16, 1935, with $6.6 million of nonvoting preferred stock from J.P. Morgan partners.

In order to bolster its position, in 1959, J.P. Morgan merged with the Guaranty Trust Company of New York to form the Morgan Guaranty Trust Company. The bank would continue to operate as Morgan Guaranty Trust until the 1980s, before migrating back to the use of the J.P. Morgan brand. In 1984, the group purchased the Purdue National Corporation ofLafayette,Indiana. In 1988, the company once again began operating exclusively as J.P. Morgan & Co.

J.P. MORGAN

John Pierpont Morgan Sr.

(April 17, 1837 -March 31, 1913)

John Pierpont Morgan Sr. was an American financier and investment banker who dominated corporate financeon Wall Streetthroughout the Gilded Age. As the head of the banking firm that ultimately became known as J.P. Morgan and Co., he was the driving force behind the wave of industrial consolidationin the United States spanning the late 19th and early 20th centuries.

Over the course of his career on Wall Street, J.P. Morgan spearheaded the formation of several prominent multinational corporationsincluding U.S. Steel,International Harvesterand General Electricwhich subsequently fell under his supervision. He and his partners also held controlling interests in numerous other American businesses including Aetna,Western Union,Pullman Car Companyand 21 railroads.

Due to the extent of his dominance over U.S. finance, Morgan exercised enormous influence over the nation's policies and the market forces underlying its economy. During the Panic of 1907, he organized a coalition of financiers that saved the American monetary systemfrom collapse.

LITERATURE REVIEW

Meaning of Investment Analysis

Investment analysis is a broad term for many different methods of evaluating investments, industry sectors, and economic trends. It can include charting past returns to predict future performance, selecting the type of investment that best suits an investor's needs, or evaluating individual securities such as stocks and bonds to determine their risks, yield potential, or price movements.

Understanding Investment Analysis

The aim of investment analysis is to determine how an investment is likely to perform and how suitable it is for a particular investor. Key factors in investment analysis include the appropriate entry price, the expected time horizon for holding an investment, and the role the investment will play in the portfolio as a whole.

In conducting an investment analysis of a mutual fund, for example, an investor looks at how the fund performed overtime compared to its benchmarkand to its main competitors. Peer fund comparison includes investigating the differences in performance, expense ratios, management stability, sector weighting, investment style, and asset allocation.

In investing, one size does not fit all. Just as there are many different types of investors with unique goals, time horizons, and incomes, there are investment opportunities that match those individual parameters.

Strategic Thinking

Investment analysis can also involve evaluating an overall investment strategy in terms of the thought process that went into making it, the person's needs and financial situation at the time, how the portfolio performed, and whether it's time for a correction or adjustment. Investors who are not comfortable doing investment analysis on their own can seek advice from aninvestment advisoror another financial professional.

Types of Investment Analysis

While there are countless ways to analyze securities, sectors, and markets, investment analysis can be divided into several basic approaches.

Top-Down vs. Bottom-Up

When making investment decisions, investors can use a bottom-up investmentanalysis approach or a top-down approach.

Bottom-up investment analysis entails analyzing individual stocks for their merits, such as their valuation, management competence, pricing power, and other unique characteristics.

Bottom-up investment analysis does not focus on economic cycles or market cycles. Instead, it aims to find the best companies and stocks regardless of the overarching trends. In essence, bottom-up investing takes a microeconomic approach to investing rather than a macroeconomic or global approach.

The global approach is a hallmark of top-down investment analysis. It starts with an analysis of the economic, market, and industry trends before zeroing in on the investments that will benefit from those trends.

Top-Down and Bottom-Up Examples

In a top-down approach, an investor might evaluate various sectors and conclude that financials will likely perform better than industrials. As a result, the investor decides the investment portfolio will be overweight financials and underweight industrials. Then it's time to find the best stocks in the financial sector.

In contrast, the bottom-up investor may have found that an industrial company made for a compelling investment and allocated a significant amount of capital to it even though the outlook for the broader industry was relatively negative. The investor has concluded that the stock will outperform its industry.

Fundamental vs. Technical Analysis

Other investment analysis methods include fundamental analysisand technical analysis.

The fundamental analyst stresses the financial health of companies as well as the broader economic outlook. Practitioners of fundamental analysis seek stocks they believe the market has mispriced. That is, they are trading at a price lower than is warranted by their intrinsic value.

Often using bottom-up analysis, these investors will evaluate a company's financial soundness, future business prospects, and dividend potential to determine whether it will make a satisfactory investment. Proponents of this style include Warren Buffett and his mentor, Benjamin Graham.

Technical Analysis

The technical analystevaluates patterns of stock prices and statistical parameters, using computer-calculated charts and graphs. Unlike fundamental analysts, who attempt to evaluate a security's intrinsic value, technical analysts focus on patterns of price movements, trading signals, and various other analytical charting tools to evaluate a security's strength or weakness.

Day traders make frequent use of technical analysis in devising their strategies and timing their buying and selling activity.

The Quantitative Analysis

The third method used in investment analysis is calledquantitative analysisor quant for short. The goal of this type of analysis is to understand how a company's management team can maximize shareholder value.

The analyst will look at the business operations from different angles, including capital expenditure, working capital management, and cashflow. The quant analyst looks for strong net income, high operating margins, and low debt relative to assets.

The analyst will use this data along with industry averages to determine how the company measures up on key financial ratios that are important when analyzing a company's performance. The end result is an assessment of risk,valuation, and potential return.

Quantitative analysis is a great starting point for beginners who want to know how their investments are performing against industry peers and other benchmarks. The analyst may not have knowledge of the company's operations, but the data provides valuable insight into how strong it is relative to its competitors.

The Behavioral Analysis

The fourth method used in investment analysis is behavioral analysis, which focuses on understanding the decisions and biasesof individuals as they make financial transactions. The goal is to understand what drives a specific investor or investor type to make certain types of decisions.

The analyst will study the psychology of investors and how it can affect their

investment choices. The result is a better understanding of market trends that you might not have otherwise known about had you not studied behavioral factors. The benefit of this kind of analysis is that it can help provide insight into a wide range of different financial assets, even if they are not stocks. The behavioral analyst can also help investors understand what types of investment advice provides the greatest benefit over others.

Real-World Example of Investment Analysis

Research analysts frequently release investment analysis reports on individual securities, asset classes, and market sectors, with a recommendation to buy, sell

or hold them.

For example, on Feb. 11, 2021, Charles Schwab issued Sector Insights: A View on 11 Equity sectors. The report gives a three-to-six month outlook on the 11

main stock sectors that represent the broader economy.

Among the highlights, Schwab analysts looked at the communication services sector, which includes telecommunication service providers, media, entertainment, and interactive media. In the note, the analysts said that while the pandemic-related stay-at-home behaviors have been good for some companies in the sector, with streaming demand rising, the demand for traditional TV and cable had dropped, which has hurt ad revenues.

The analysts then assigned an overall neutral assessment rating of "market perform." This neutral rating means the communication services sector should provide returns in line with that of the S&P 500.2

Schwab also looked at the financial sector, which includes banks, savings and loans, insurers, investment banking, brokerages, mortgage finance companies, and mortgage real estate investment trusts. Schwab noted that the sector should benefit from the likelihood of continued fiscal stimulus coming out of Washington, a Federal Reserve that is likely to maintain stimulus for years, the positive impact of the vaccine rollout, and the likelihood of a continued rise in long-term interest rates.

Importance of Investment Analysis

Investment analysis is essential because it helps you make informed investment decisions that can minimize the risk of loss and increase your return potential. The relevance of using investment analysis is better understood through a real- world example of investment analysis.

Here is an example of the initial investment analysis of a foreign stock. Albemarle & Bond Holdings, a British company that operated pawn shops, was listed on the London Stock Exchange. The company's stock price was highly undervalued. It was priced at only 20% of its Net Current Asset Value (NCAV), 80% lower than its intrinsic value. The company has adequate past earnings; its past price was above NCAV; the company had existing operations, but it ranked low on the debt to equity ratio. Albemarle & Bond Holdings had a debt-to-equity ratio of 70%, signaling a high debt amount. Ideally, per the fundamental investment analysis, firms should have a no or low debt (a debt to equity ratio less than 25%). On further assessment, it was found that the company had a low current ratio and barely any cash on hand. The NCAV was falling steeply.

As per the investment analysis, the stock of Albemarle & Bond Holdings was not a sound investment. Soon after the analysis, in 2014, the company filed for bankruptcy, causing massive losses to investors.

Investors who used corporate investment analysis techniques did not invest in the stock and could avoid a huge potential loss. However, investors who invested in the stock solely on its price and without conducting a comprehensive investment analysis suffered significant losses when the company declared bankruptcy.

That said, it is not mandatory to use only one investment analysis process, you can use multiple investment analysis approaches to arrive at the right decision. In some situations, technical analysis is a better fit than fundamental analysis. Moreover, in specific securities like foreign stocks, it may be advisable to first use the top-down investment analysis approach and

then rely on both fundamental and technical analysis to find the best stocks for your investment.

Investment Analysis Process

The four stages

Stage 1 is pure performance analysis and is what most clients are solely focused on. It concerns the overall return result and perhaps the volatility. But whilst performance is typically a primary target, performance numbers alone provide little insight into whether an investment is truly good or bad. Looking only at performance often leads towards bad investment behaviours, such as selling low and buying high.

I would argue that most of the investment advisory community are at Stage 2, which is the assessment of the quality of an investment by comparing it with a benchmark which often leads to the conclusion that outperformance is good and underperformance is bad. The choice of the benchmark is a critical part of this analysis

Stage 2. Sometimes the benchmark is a peer group, which may be fine depending on the investment type but best practice suggests a benchmark should be a liquid representation of the underlying investment universe - typically a market-cap weighting of available investments. Common benchmarks include the S&P/ASX 200 for Australian equities or MSCI World Index for global equities.

If we believe that achieving higher returns requires the acceptance of higher risk, then outperformance alone may be a dangerous way of assessing whether an investment is good or bad. Strategies may outperform their benchmark over long periods of time not because they are necessarily skilful, but because they may be taking on lots of risk. A simple strategy example is a geared Australian Shares index fund. With the Australian sharemarket producing a performance of nearly 11 per cent a year over the last five years, an initial loan-to-value ratio of 50 per cent and borrowing costs at a high and fixed 5 per cent a year would have produced returns for the fund in the vicinity of 15 per cent a year. This outperformance has nothing to do with being skilful or good; it's simply the result of accepting much greater risk than the market.

At Stage 3, analysts adjust for market risk and divide the portfolio's risk into the two components we hear so much about alpha and beta. Alpha is the market risk- adjusted outperformance often associated with measures of active management skill. Beta represents a strategy's exposure to the market. For the above- mentioned geared Australian equities

index example, the alpha should be slightly negative and close to the cost of the fund, whilst the beta (thanks to a loan-to- value ratio of 50 per cent), should be up to 2 which represents twice the market exposure (or risk). Whilst the geared index strategy has strong outperformance,its negative alpha suggests there is no skill because the return has driven by having double the market exposure.

Understanding an investment's beta, or exposure to the market, is an essential part of portfolio construction, because this is the measure that helps determine the asset allocation's role in a strategy. If we want to choose an investment that is fully representative, then its beta should be about.

If the strategy's beta is less than 1, then that strategy may beholding a significant amount of cash, so it potentially compromises the desired asset allocation and reduces the portfolio's goal of capturing the intended ―equity risk premium‖. A fund with an expected beta of less than 1 will underperform its benchmark in a strong bull market, unless there is significant skill (or alpha) and that is far from guaranteed. However, that skill may also be due to luck or perhaps styles or factor exposures that happen to be in favour over a period of time. This is where Stage 4 investment analysis maybe required.

Stage 4 is where the Future Fund has arrived, along with many other institutions and sophisticated investment professionals. This stage further adjusts for non- market systematic risks, which are typically represented by the smart betas, which can be purchased somewhat cheaply. In English, typical smart beta exposures may include style indices such as value (for example, low PE ratios), size (for example, small caps), momentum (for example, last year's best performers), quality (for example, high profitability and low debt), and others. With the growth of the exchange traded fund (ETF) market into these smart beta exposures, purchasing your preferred style of investing is getting easier. As Arndt of the Future Fund alluded to, purchasing factor exposures is cheaper than pure active management and may sometimes present a more efficient way of gaining desired exposures to reflect your investment philosophy (or beliefs) around what works in markets.

Stage 4 investment analysis explains which factor exposures (or smart betas) are driving portfolio outcomes, as well as the exposures to each. This means that the multi-factor alpha is the pure alpha (or skill) a manager brings to a strategy and is the result of their success in security selection, market timing or, potentially, smart beta timing. Positive multi-factor alpha is the holy grail of active management and when you consider the cheaper access of market cap-weighted index funds and smart beta funds, positive multi-factor alpha is what investors should be paying the high fees for.

The Stage 4 investment analysis framework increases the chances of the portfolio constructor choosing investments that:

- Reflect one's investment philosophy with demonstrated characteristics around desired styles that are expected to outperform (smart betas/factors)
- Reflect the desired asset allocation with demonstrated market exposure that is likely to continue (market beta)
- Have active managers with potential skill demonstrated by positive risk- adjusted outperformance (multi-factor alpha)
- Demonstrate a strategy is ―true to label‖; that is, the strategy's market beta and smart beta exposures are consistent with the investment process the manager has communicated.

Whilst this is not the end of the portfolio construction or strategy selection process or story, implementing a Stage 4 investment analysis framework is a strong move towards a deeper understanding of portfolio risk drivers.

Understanding likely portfolio risk drivers means potentially greater efficiency, as risks can then be accepted, mitigated or even removed. It changes the manager selection or retention approach from one that's return driven to one that's risk driven. This enables strategy roles to be more specifically defined. When executed correctly, portfolios may have lower strategy turnover, therefore reduced investment costs, and therefore better returns.

PROBLEM DEFINITION

J.P. Morgan was known for reorganizing businesses to make them more profitable and stable and gaining control of them. He reorganized several major railroads and became a powerful

railroad magnate. He also financed industrial consolidations that formed General Electric,U.S. Steel, and International Harvester.

The presence of financial services creates more demand for products and the producer, in order to meet the demand from the consumer goes for more investment. At this stage, the financial services comes to the rescue of the investor such as merchant banker through the new issue market, enabling the producer to raise capital.

The presence of financial services enables financial institutions to not only raise finance but also get an opportunity to disburse their funds in the most profitable manner. Mutual funds, factoring, credit cards, hire purchase finance are some of the services which get financed by financial institutions.

The financial institutions are in a position to expand their activities and thus diversify the use of their funds for various activities. This ensures economic dynamism

NEED OF THE STUDY

- Assist in the negotiations and structuring of mergers and acquisitions and act as intermediaries between the investors and corporations.

- With the help of such company, other companies can raise funds for their projects as well as expansion to make themselves available for a bigger market.

- J.P. Morgan employ trained people for the execution of transactions to maximize revenues.

- Investment banks act as a bridge between large enterprises and investors.

- The primary role of this company is to advise government and businesses on how to meet their financial needs and help procure their finances.

- Investment banking, a special division of banking, is responsible for the creation of capital for companies, governments, and other entites

OBJECTIVE OF THE STUDY

1. To study the investment analysis of J.P. Morgan company.

2. To determine how an investment is likely to perform and how key factors in investment analysis include the appropriate entry price, the expected time horizon for holding an investment.

3. To know the role of investment which would play in the portfolio as a whole.

4. To know the appropriate entry price, the expected time horizon for holding an investment, and the role the investment will play in the portfolio as a whole.

5. To know the profitability & growth of the company.

HYPOTHESIS

Hypothesis Number 01:-

- **Null Hypothesis: H0:** J.P. Morgan Chase & Co. do not shown good investment Records.
-
- **Alternative Hypothesis: H1:** . J.P. Morgan Chase & Co. has shown good investment Records.
-

Hypothesis Number 02:-

- **Null Hypothesis: H0:** There is no similar profit in last two years.
- **Alternative Hypothesis: H1:** There is a similar profits in last two years.

LIMITATIONS

- Sometimes an investment is less profitable when there is downflow of market, it is observed during covid pandemic.
- This study is based on only secondary data; the limitations of the secondary data would have affected the study.
- Ratios are computed on the basis of financial statements of the selected companies.
- Hence, future performance of these units will not reflect. The financial statements are subject to window dressing by the corporate.
- It will affect the results in the process of analysis.
- The absolute figures may prove decorative as ratio analysis is primarily quantitative analysis and not qualitative analysis. Many people may interpret the results in different ways as ratio is not an end by itself.

RESEARCH METHODOLOGY

Primary data: Primary data was collected from the JP Morgan official website & the information was imported. This report has prepared through extensive use of primary data. It is collected from group of people who are related with this company the following method are used in collecting primary data. Data used in research originally obtained through the direct efforts of the researches.

Secondary data: The basic data for this current study has been collected from the Internet, Books, Journals and Electronic database.

Secondary data is collected from the company's collected from the company's manuals report and brochures through company's records. Secondary data can be collected through references as website, journal, books, magazine etc.

J.P. Morgan produces proprietary index products that track emerging markets, government debt, and corporate debt asset classes. The Global Index Research group develops index products comprising tradable strategies, ETFs/ETNs, Credit, and Commodities.

Index products and research provide analytics to evaluate client portfolios. The indices define and increase the visibility of the asset classes they represent and provide a tool to measure the performance of the asset class.

Data Analysis and Interpretation

Investment Banking Services

A global leader, we deliver strategic advice and solutions, including capital raising, risk management, and trade finance services to corporations, institutions and governments.

J.P. Morgan counts as its greatest asset the breadth and depth of its client base. Within Investment Banking, the firm works with a broad range of issuer clients, including corporations, institutions and governments, and provides comprehensive strategic advice, capital raising and risk management expertise.

In-depth, industry-specific expertise and regional market acumen enable our industry coverage teams to serve the evolving needs of clients around the world.

Our approach to serving clients has always centered on doing first-class business in a first-class way. We strive to build trusted, long-term relationships by taking a holistic and forward-looking view on our relationships, and identifying ways to help clients achieve their most important business objectives.

Mergers & Acquisitions

We advise corporations and institutions of all sizes on their most complex strategic needs, in their home markets and around the world.

Clients benefit from bespoke solutions combining:

- In-depth knowledge of sector and market dynamics with M&A bankers based locally in every major market globally.
- Innovative advice on valuation, transaction structures and deal tactics/negotiations.
- Rigorous execution delivered with responsive and agile service
- Comprehensive financing through our debt and equity issuance platforms
- Ability to partner with product experts where appropriate across our full range of competencies (derivatives, treasury services, escrow services and others)

Investment Bank Industry Coverage

J.P. Morgan counts as its greatest asset the breadth and depth of its client base. Within Investment Banking, the firm works with a broad range of issuer clients, including corporations, institutions and governments, and provides comprehensive strategic advice, capital raising and risk management expertise. We serve the evolving needs of clients around the world across:

- Consumer & Retail
- Diversified Industries

- Energy
- Financial Institutions & Governments
- Financial Sponsors
- Healthcare
- Real Estate & Lodging
- Technology, Media & Telecom

Origination, Equity & Debt Capital Markets

J.P. Morgan's Capital Markets groups, in partnership with the industry coverage and M&A groups, enable us to serve our clients holistically. We offer a wide range of services, from origination to structuring, executing and syndicating financing for clients globally.

Equity Capital Markets

J.P. Morgan is widely recognized as a global leader in capital raising, combining superior origination strength and structuring expertise with exceptional distribution capability. The firm's underwriting activities range from initial public offerings to follow-on equity issues, and from public transactions and private placements for wealthy nations and emerging markets.

J.P. Morgan's origination capabilities include:

- Initial Public Offerings
- Follow-on Common Stock Issues
- Convertible Issues
- Private Placements

Debt Capital Markets

Serving corporate, institutional and government clients, J.P. Morgan's presence in the global credit markets is unmatched. The firm combines superior debt origination and structuring expertise with exceptional distribution capabilities to a large base of investors.

The origination team works directly with issuers, including corporations, banks and sovereign governments that seek funding. J.P. Morgan advises these clients on debt financing strategies,

from a simple bank loan to multi-billion-dollar capital raising across asset classes. Colleagues partner across borders to deliver successful structuring, marketing and pricing. The business then distributes that product to investor clients.

Syndicated and Leveraged Finance

J.P. Morgan provides leveraged financing to companies to help them achieve objectives such as making an acquisition, effecting a buy-out, repurchasing shares or funding a one-time dividend or investment. J.P. Morgan arranges leveraged loans, high-yield or junk bonds and mezzanine debt for clients.

Corporate Finance Advisory

Our Corporate Finance Advisory team of experts advise clients on a variety of corporate finance topics such as capital structure and risk management, M&A structuring, credit ratings, distribution policy, liquidity management, cost of capital, value drivers, and credit-linked market solutions. In addition to corporate clients, the team also works with governments globally offering broad-based expertise related to sovereign credit ratings, investor communication, and policy impact. Clients benefit from:

- Product-agnostic advice to help drive value-enhancing decisions, across all products, sectors and markets
- One of the largest and most experienced ratings advisory teams globally
- Solutions, developed with various specialized product groups, that take into account each client’s tax, accounting, regulatory and financial goals and concerns.
- Bank advisory solutions incorporating proprietary risk models and actionable solutions that satisfy reporting and capital requirements
- Leading global expertise in sovereign credit positioning, targeted strategy building, and fiscal policy optimization

Corporate Finance Advisory Reports

The team also researches and authors a number of well-received and widely disseminated reports on capital structure, market and industry-specific issues.

QUARTERLY | ANNUAL

Fiscal year is January-December. All values USD Millions.	2021	2020	2019	2018	2017	5-year trend
Interest Income	57,864	64,523	84,040	76,100	64,372	
Interest and Fees on Loans	41,537	43,758	50,375	47,620	41,008	
Interest Income on Fed. Funds	573	2,134	7,720	4,732	2,290	
Interest on Bank Deposits	512	749	3,887	5,907	4,238	
Other Interest or Dividend Income	15,242	17,882	22,058	17,841	16,836	
Interest Income Growth	-10.32%	-23.22%	10.43%	18.22%	-	
Total Interest Expense	5,553	9,960	26,795	21,041	14,275	
Interest Expense on Bank Deposits	531	2,357	8,957	5,973	2,857	

JPMorgan Chasesaid Thursday that second-quarter profit slumped as the bank built reserves for bad loans by $428 million and suspended share buybacks.

The actions reflect Chairman and CEO Jamie Dimon's increasingly cautious stance. ―The U.S. economy continues to grow and both the job market and consumer spending, and their ability to spend, remain healthy, he said in the earnings release.

But geopolitical tension, high inflation, waning consumer confidence, the uncertainty about how high rates have to go and the never-before-seen quantitative tightening and their effects on global liquidity, combined with the war in Ukraine and its harmful effect on global energy and food prices are very likely to have negative consequences on the global economy sometime down the road,‖ he warned.

With this outlook, JPMorgan has opted to ―temporarily‖ suspend its share repurchases to help it reach regulatory capital requirements, a prospect feared by analystsearlier this year. Last month, the bank was forced to keep its dividend unchanged.

We are facing challenges at every turn: a pandemic, unprecedented government actions, a strong recovery after a sharp and deep global recession, a highly polarized U.S. election, mounting inflation, a war in Ukraine and dramatic economic sanctions against Russia. While all this turmoil has serious ramifications on our company, its effect on the world — with the extreme suffering of the Ukrainian people and the potential restructuring of the global order — is far more important. Adding to the disruption, these events are unfolding while America remains divided within its borders, with many arguing that it has lost its essential leadership role outside of its borders and around the world. But during this difficult time, we have a moment to put aside our differences, offer solutions and work with others in the Western world to come together in defense of democracy and 2 essential freedoms, including free enterprise. We have seen America, in partnership with other countries around the globe, come together previously during instances of conflict and crisis.

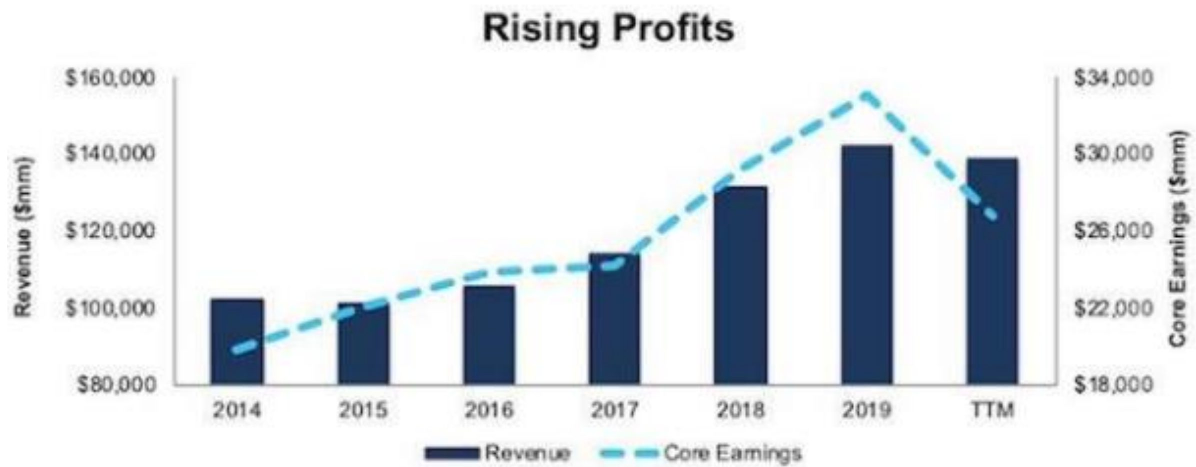
This juncture is also a moment when our country needs to work across the private and public sectors to lead once again by, among other remediations, improving American competitiveness and better fulfilling equal access to opportunity for all. JPMorgan Chase, a company that has historically worked across borders and boundaries, will do its part to ensure the global economy is safe and secure. I discuss these themes later in this letter. Although I begin this annual letter to shareholders in a challenging landscape, I remain proud of what our company and our hundreds of thousands of employees around the world have achieved, collectively and individually. As you know, we have long championed the essential role of banking in a community — its potential for bringing people together, for enabling companies and individuals to reach for their dreams, and for being a source of strength in difficult times. Throughout these past two challenging years, we never stopped doing all the things we should

be doing to serve our clients and our communities. Looking back on the last year and the past two decades — starting from my time as CEO of Bank One in 2000 — it is clear that our financial discipline, constant investment in innovation and ongoing development of our people are what enabled us to persevere in our steadfast dedication to help clients, communities and countries throughout the world. 2021 was another strong year for JPMorgan Chase, with the firm generating record revenue, as well as setting numerous other records in each of our lines of business. We earned $48.3 billion in net income on revenue of $125.3 billion versus $29.1 billion on revenue of $122.9 billion in 2020, reflecting strong underlying performance across our businesses. Included in the $48.3 billion is $9.2 billion after tax in reserve releases due to the volatility introduced by the new current expected credit loss accounting 3 standard. We have pointed out repeatedly that we do not consider these reserve releases core or recurring profits because they are driven by hypothetical, probability-weighted scenarios. Excluding these reserve releases, we still earned 18% on tangible equity — an extremely healthy number.

We generally grew market share across our businesses and continued to make significant investments in products, people and technology, all while maintaining credit discipline and a fortress balance sheet. In total, we extended credit and raised capital of $3.2 trillion for large and small businesses, governments and U.S. consumers. I'd like to note some steadfast principles that are worth repeating. The first is that while JPMorgan Chase stock is owned by large institutions, pension plans, mutual funds and directly by individual investors, in almost all cases, the ultimate beneficiaries are individuals in our communities.

More than 100 million people in the United States own stock, and a large percentage of these individuals, in one way or another, own JPMorgan Chase stock. Many of these people are veterans, teachers, police officers, firefighters, healthcare workers, retirees or those saving for a home, education or retirement. Your management team goes to work every day recognizing the enormous responsibility that we have to our shareholders.

Second, while we don't run the company worrying about the stock price in the short run, in the long run our stock price is a measure of the progress we have made over the years. This progress is a function of continual investments in our people, systems and products, in good and bad times, to build our capabilities. Whether looking back 10 years or since the JPMorgan Chase/Bank One merger in 2004, these investments have resulted in our stock's significant outperformance of the Standard & Poor's 500 Index and the Standard & Poor's Financials Index. These important investments will also drive our company's future prospects and position it to grow and prosper for decades.



JP Morgan Chase said its first quarter profits dropped by 42 percent from last year, partly because the bank wrote down nearly USD1.5 billion in assets due

to higher inflation and the Russian-Ukrainian War.

The nation's largest bank by assets said it earned a profit of USD8.3 billion or

USD2.63 per share, down from a profit of USD14.3 billion or USD4.50 a

share, in the same period a year earlier.

The results missed the forecasts of Wall Street analysts, who were looking for

JPMorgan to earn USD2.72 a share, according to FactSet.

Balance Sheet Analysis

Income Statement JPMORGAN CHASE

Download to Spreadsheet

	12/31/2016	3/31/2017	6/30/2017
Interest Income	14.46B	15.04B	15.65B
Total Interest Expense	2.71B	2.97B	3.44B
Net Interest Income	11.75B	12.06B	12.20B
Loan Loss Provision	864.00M	1.31B	1.21B
Net Interest Income after Provision	10.88B	10.74B	10.99B
Non-Interest Income	13.64B	12.68B	13.26B
Non-Interest Expense	15.86B	15.08B	14.50B
Operating Income	**8.66B**	**8.35B**	**9.74B**

Annual Quarterly

Income Statement BANK OF AMERICA

Download to Spreadsheet

	12/31/2016	3/31/2017	6/30/2017
Interest Income	12.86B	13.73B	14.14B
Total Interest Expense	2.57B	2.45B	3.16B
Net Interest Income	10.29B	11.27B	10.98B
Loan Loss Provision	774.00M	835.00M	726.00M
Net Interest Income after Provision	9.51B	10.43B	10.26B
Non-Interest Income	9.57B	11.42B	11.84B
Non-Interest Expense	13.04B	14.99B	13.73B
Operating Income	**6.05B**	**6.86B**	**8.37B**

Formulae

1) Current Ratio=

Current Assets / Current Liabilities

2) Liquid Ratio=

Liquid Assets / Liquid Liabilities

3) Fixed Assets Ratio=

Fixed Assets / Proprietory fund

4) Fixed Assets turnover ratio =

Sales / Net Fixed assets*100

5) Fixed Assets to long term liabilities=

Fixed assets / Long term liabilities

6) Current Assets to Proprietory fund ratio =

Current ratio / Propretory fund

7) Debtor turnover ratio =

Debtors + Bill Receivable / Credit sales * Working days of year

8) Debtor Velocity ratio =

Net Credit Sales / Debtors + Bills Receivable

9) Creditor turnover ratio =

Creditors + Bills Payable /Credit Purchase *Working days of year

10) Working Capital ratio =

Working capital/ Next fixed Assets

11) Inventory to working capital ratio =

Inventory /Working capital

12) Ratio of Current Assets to Fixed assets =

Current assets / Fixed assets

13) Dividend payout ratio =

Dividend per share/ Earning per share

14) Dividend yield ratio =

Dividend per share / Market per share

15) Price Earning Ratio =

Market price per equity share / Earning per equity share

16) Stock to current asset ratio =

Stock / Current Assets

1. Current Ratio :-

The current ratio measures the ability of an organization to pay its bills in the near-term. It is a common measure of the short-term liquidityof a business. The ratio is used by analysts to determine whether they should invest or lead money to a business. To calculate the current ratio, divide the total of all current assetsby the total of all current liabilities.

1. **Liquid Ratio :-**

A liquidity ratio is a type of financial ratio used to determine a company's ability to pay its short-term debt obligations. The metric helps determine if a company can use its current, or liquid, assets to cover its current liabilities.

2. **Fixed assets ratio :-**

   Fixed Assets ratio is a type of solvency ratio (long-term solvency) which is found by dividing total fixed assets (net) of a company with its long- term funds. It shows the amount of fixed assets being financed by each unit of long-term funds.

3. **Fixed Assets turnover ratio :-**

   The fixed asset turnover ratio reveals how efficient a company is at generating sales from its existing fixed assets. A higher ratio implies that management is using its fixed assets more effectively. A high FAT ratio does not tell anything about a company's ability to generate solid profits or cash flows.

4. **Fixed Assets to long term liabilities :-**

   The fixed-assets- to long-term-liabilities ratio is a way of measuring the solvency of a company. A company's long-term debts are often secured with fixed assets, which is why creditors are interested in this ratio. This ratio is calculated by dividing the value of fixed assets by the amount of long-term debt.

5. **Current Assets to Proprietory Fund ratio :-**

   The ratio is calculated by dividing the total of current assets by the amount of shareholders' funds. For example, if current assets are Rs 2,00,000 and shareholders' funds are Rs 4,00,000, the ratio of current assets to proprietors' funds in terms of percentage would be.

6. **Debtor Turnover ratio :-**

   Accounts Receivables Turnover ratio is also known as debtors turnover ratio. This indicates the number of times average debtors have been converted into cash during a year. This is also referred to as the efficiency ratio that measures the company's ability to collect revenue.

7. **Debtor Velocity Ratio :-**

   Debtors velocity indicates the number of times the debtors areturned over during a year. Generally, the higher the value of debtors turnover the more efficient is the management of debtors/sales or more liquid are the debtors.

8. **Creditor turnover ratio :-**

   The accounts payable turnover ratio, also known as the payables turnover or the creditor's turnover ratio, is a liquidity ratio that measures the average number of times a company pays its creditors over an accounting period.

9. **Working Capital Ratio :-**

The working capital ratio is Working Capital Ratio = Current Assets / Current Liabilities. Using figures from the balance sheet above for example, the working capital ratio would be 300,000 / 200,000 = a working capital ratio of 1.5.

10. **Inventory to working capital ratio :-**

Inventory to working capital is a liquidity ratio that measures the amount of working capital that is tied up in inventory. The difference between total current assets and total current liabilities is known as working capital or networking capital.

11. **Ratio of Current Assets to fixed assets :-**

We can now calculate the fixed asset turnover ratio by dividing the net revenue for the year by the average fixed asset balance, which is equal to the sum of the current and prior period balance divided by two.

12. **Dividend payout ratio :-**

The dividend payout ratio shows how much of a company's earnings after tax (EAT) are paid to shareholders. It is calculated by dividing dividends paid by earnings after tax and multiplying the result by 100.

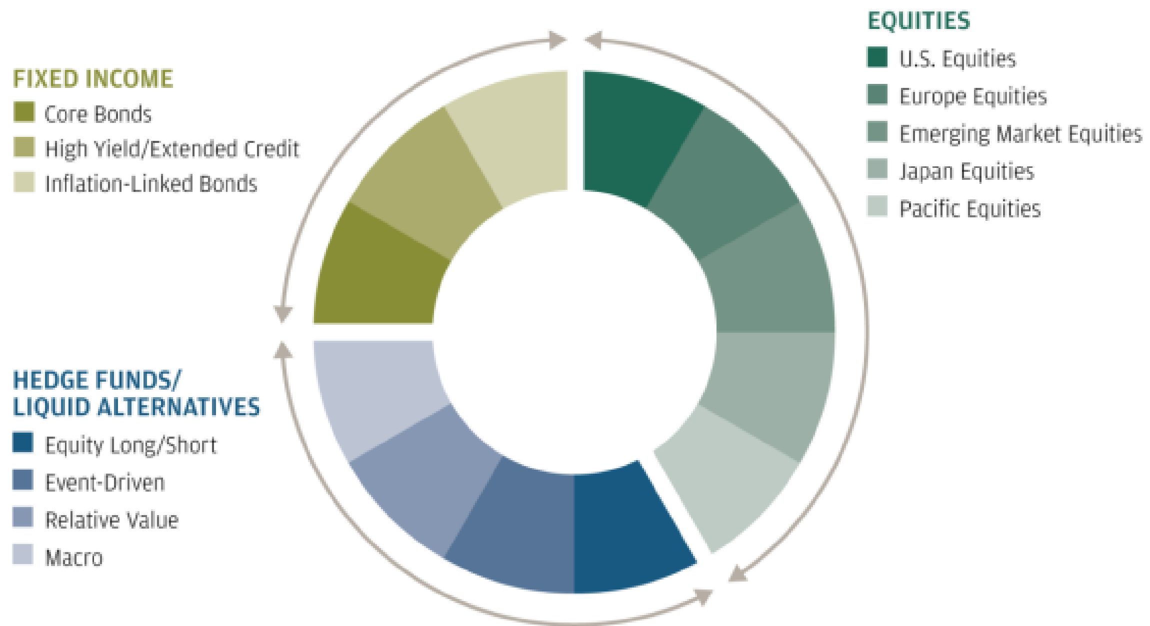
13. Dividend yield ratio :-

The dividend yield is a financial ratio that tells you the percentage of a company's share price that it pays out in dividends each year. For example, if a company has a $20 share price and pays a dividend of $1 per year, its dividend yield would be 5%.

14. Stock to current Assets Ratio :-

Current ratio is a popular way for investors to assess the health of a stock's balance sheet. Current ratio is a measure of a company's ability to pay its current liabilities and obligations due within one year. Mathematically, current ratio is a company's current assets divided by its current liabilities.

INVESTMENT ANALYSIS



Hypothesis Testing

Hypothesis Number 01:-

- **Null Hypothesis: H0:** There is no statistical relationship and significance exists in a set of given single observed variable, between two sets of observed data and measured phenomena.

- **Alternative Hypothesis: H1:** There is a statistical relationship and significance exists in a set of given single observed variable, between two sets of observed data and measured phenomena.

Interpretation :-

From the above research study it is found that ,within Hypothesis 1. Alternate hypothesis i.e, H1 "J.P. Morgan chase & co." is found to be true hence accepted. Where as null hypothesis i.e, H0 " J.P. Morgan chase & co. is being rejected.

Hypothesis Number 02:-

- **Null Hypothesis: H0:** There is no similar profit in 2 years.
- **Alternative Hypothesis: H1:** There is a similar percentage ratio in operating & pretax margin from the 5 year data.

Interpretation :-

From the above research study it is found that ,within Hypothesis 2. H0 "J.P. Morgan chase & co." is found to be true hence accepted. Where as alternate hypothesis i.e, H1 " J.P. Morgan chase & co. is being rejected

FINDINGS

1. Investment in J.P. Morgan chase & co. are should be done on the basis of the old profite of the organisation.

2. In J.P .Morgan chase & co. the high investment get good returnIt includes steps like gathering data from reports, financial Sstatements, and economic indicators and then analyzing them to interpret the percentage return and the possible risk from such investments.

3. It also aims at reducing and managing risk so that investors can make decisions regarding whether they should put their money in it to meet their financial needs and goals.

4. Investment analysis involves assessing and evaluating various factors to make informed investment decisions.

SUGGESTIONS

- Investment should be done on the basis of evaluation of old profits.
- High investment has a positive impact in good returns.
- Draw apersonal financial roadmap.
- Valuate your comfort zone in taking on risk.
- Consider an appropriate mix of investments.
- Be careful if investing heavily in shares of employer's stock or any individual stock.
- Create and maintain an emergency fund.
- Payoff high interest credit card debt.
- Consider dollar cost averaging.
- Consider rebalancing portfolio occasionally.
- Avoid circumstances that can lead to fraud.

CONCLUSION

Investment is important to achieve individual goal. Investment means we have money, then we need to make analysis to invest the money, and expected get return in future. If the investment are run early, then we will make a lot of profit if the investment run well, if not we will lose all of the investment need to start from earlier. Apart from that, first thing first we must set an investment plan to make the investment run well. From that, we can know what we will face in future, what the risk need counter, what economy is going and many more. As we also know, there are also specific place for investment to be done. It will involve capital market, Bursa Malaysia, equity market, debt market and many more. So, we need to know where we should invest our money whether to invest in high risk market or lower risk market to gain return in future. Usually, high return will associated with high risk

The corporate profitability reflects the ability to make profit from the business activity. It is an indicator of management efficiency to utilize the available resources. The corporate profitability can be measured with the help of profitability ratio (relative measure) such as gross profit ratio, net profit ratio, operating profit ratio, return on capital employed, return on total assets, return on equity etc.

Most of analysts prefer ROCE/ROI and ROTA to measure the corporate profitability. There are several factors which affect the corporate profitability; working capital management (WCM) is one of them. WCM deals with the management of working capital. Working capital is the amount which is required to meet the expenses of day-to-day operation. It is just like the heart of business. The efficiency of working capital is measured through current and liquid ratio, debtor turnover ratio, working capital turnover ratio, inventory turnover ratio.

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