

JPM Emerging Markets Income C Acc

September 2024



Source: Square Mile and Refinitiv, Data as at: 31st July 2024.

Overview

The managers believe that the combination of income and growth is a powerful source of total returns in emerging markets. In practice, they are aiming for a yield of 130% of the MSCI Emerging Markets index, however, this is dependent on market conditions, and the level of income may fluctuate over time. More importantly, the managers look to deliver a sustainable income with the potential for some capital return over the cycle.

Note that the fund is invested in local denominated assets and receives local denominated income, as a result, the income distributions will be subject to exchange rates as well as changes in the underlying local currency dividends. Additionally, due to the nature of this market, growth in capital may be highly variable and is not guaranteed.

Square Mile's Expected Outcome

We believe the fund should be able to outperform the MSCI Emerging markets index over rolling five-year periods whilst delivering a yield of 130% or greater than that of the index.

Square Mile's Opinion

With the asset class broadening over time, JP Morgan believes that yield investing offers income seeking investors an attractive option in emerging markets. They also believe it is a good way to invest for the long run as companies with dividend payment discipline often also demonstrate strong levels of corporate governance.

This fund has many of the qualities we like to see in a strategy, including a capable and experienced lead manager at the helm, supported by a large team of portfolio managers and analysts. Emerging markets is a complex region with thousands of listed companies, and there can be complicated ownership structures, poor disclosures and inadequate standards of corporate governance, therefore a well-resourced team of professionals is viewed as a positive. In addition, this fund follows a well-defined philosophy and process, which the managers consistently adhere to, whatever the weather. This is one of the attributes we like most about the fund.

Note that the emphasis on identifying quality companies with strong balance sheets and which the managers believe have attractive dividend paying capability, is a sensible strategy to have in this region. However, the fund can go through periods of performance volatility, such as when investors are focusing on certain themes, away from company fundamentals. In times when riskier stocks (low quality companies) are in favour, which is not the hunting ground for the strategy, the fund may struggle. However, we believe that the fund offers a very attractive choice for long-term investors seeking the region's income and growth potential.

Fund Manager's Formal Objective

To provide a portfolio designed to achieve income by investing primarily in Equity and Equity-Linked Securities of Emerging Markets companies in any economic sector whilst participating in long-term capital growth.

| | |
|---|---|
| Outcome: Capital Accumulation, Income | Domicile: UK |
| Active/Passive: Active | Benchmark: MSCI Emerging Markets |
| Asset Class: Equity | IA Sector: IA Global Emerging Markets |
| Yield: 3.61% | Fund size: £958 M |
| Fund Manager: Isaac Thong, Omar Negyal | Distribution Pay Date: January, April, July, October |
| Fund Price: 1.1 Pounds | Dividend Frequency: Quarterly |
| Currency of Share Class: GBP | Share Class Launch Date: 28/08/2013 |

Asset Manager Overview

J.P. Morgan Asset Management is a global asset management business and is part of JPMorgan Chase & Co, a firm which has been around for over 150 years. They have offices spread across major investment hubs around the world providing local investment knowledge. As a business JPM believe in a team based investment approach and disciplined investment processes.

Fund Manager/Team Overview

JPM has a well-resourced team of managers and analysts dedicated to this region and the lead manager, Omar Negyal, works closely with portfolio manager Isaac Thong. The managers are well supported by a large team of in-house analysts who are in charge to find the best stock ideas to meet the fund's income mandate. Mr Negyal has been involved in this strategy since he joined JPM in October 2012 and heads the firm's EMAP Income team.

Investment Philosophy & Process Overview

The managers believe that a portfolio, which balances income and growth, is a powerful source of total returns over the long term. They also believe that a portfolio of higher quality companies able to compound profits over long periods will enable the fund to outperform the index over time.

The managers have a clear preference for growing companies that can offer a high and sustainable yield or strong dividend growth over time. This requires a good understanding of the objectives and attitudes of company management, particularly with regard to their dividend policy and capital management. The investment process is longer-term oriented and the portfolio's turnover is much lower than the average fund in this space. The analysts, who work with an investment horizon of five years, aim to determine the quality of a company's future profitability and reinvestment opportunities. As such, they consider the underlying economics of a business, the durability of its future growth, as well as its standard of corporate governance. Above all, they must decide whether this is the kind of business they want to own. They will then work out how much they are prepared to pay for it.

Given the importance placed on corporate governance, the analysts must complete a long checklist of questions surrounding the potential risks of investment whilst the relative attraction of each stock will be debated between the portfolio managers. The 50-80 stock final portfolio will comprise a combination of high yielding names alongside lower yielding stocks with strong dividend growth prospects. The portfolio is constructed with consideration to both country and sector weightings, however, allocations to each tend to be driven by the stock selection process, and not based on the composition of the benchmark index. As a result, the fund typically has a high active share, of 75% or more, and can look quite different to the reference index.

ESG Integration

Fund ESG Integration

The team believe that environmental, social and governance (ESG) factors, notably corporate governance, are important components of any investment process supporting long-term investing in the region, as companies with weak ESG practices are not sustainable in the long run. ESG factors are integrated in the investment process and the research work conducted by the firm's extensive team of analysts. The analysts will include ESG considerations into their analysis to gauge the sustainability of a business, the quality of management and the risks posed to minority shareholders. They have a checklist of circa 100 questions, of which 40 are ESG questions to ensure that they consider the risks associated with a company, and this can comprise for example, looking at a company's track record of environmental abuses and its treatment of labour and suppliers.

Risk Summary

The absolute level of income distribution is not guaranteed and is dependent on the level that sterling appreciates or depreciates versus local currencies. Emerging markets equities are a volatile asset class and funds investing in this region can face a host of risks, including geopolitical, economic, liquidity and currency. Whilst the managers believe that a combination of income and growth is a powerful source of total returns in emerging markets, fund returns can be highly variable, and will be subject to what are driving markets, particularly over shorter time periods. A long-term investment horizon is important to weather the ups and downs in this asset class.

Additional Information

Annualised Return: 4.03%

Annualised Volatility: 12.64%

Max Drawdown: -19.79%

Max Gain: 9.76%

Max Loss: -8.69%

Sharpe Ratio: 0.18

Sortino Ratio: 0.18

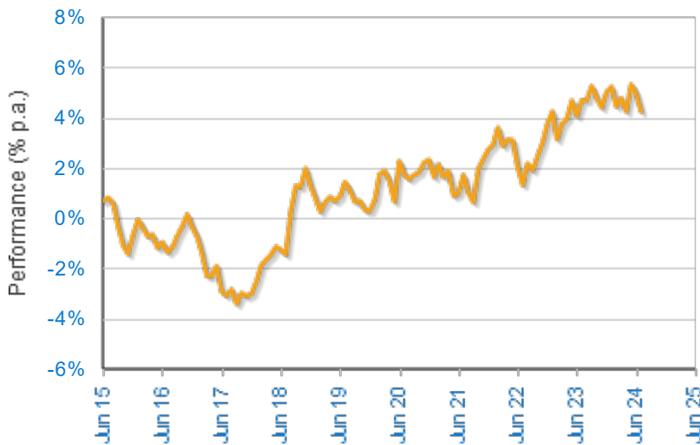
(3 years data to last month end unless otherwise stated)

Qualitative Risk Assessment

| | Significant | Potentially Significant | Not Significant |
|-----------------------|---|--|---|
| Equity Risk |  | | |
| Interest Rate Risk | |  | |
| Credit Risk | | |  |
| Exchange Rate Risk |  | | |
| Liquidity Risk | | |  |
| Emerging Markets Risk |  | | |
| Derivative Risk | | |  |
| Manager Risk | |  | |

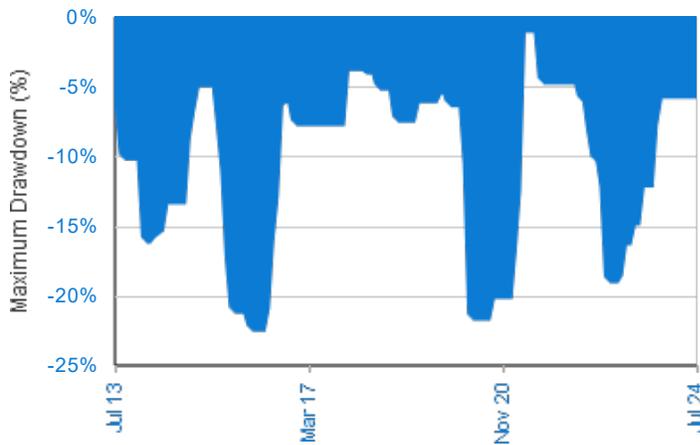
For the full summary of the risks, [click here](#)

3 Year Rolling Sector Outperformance



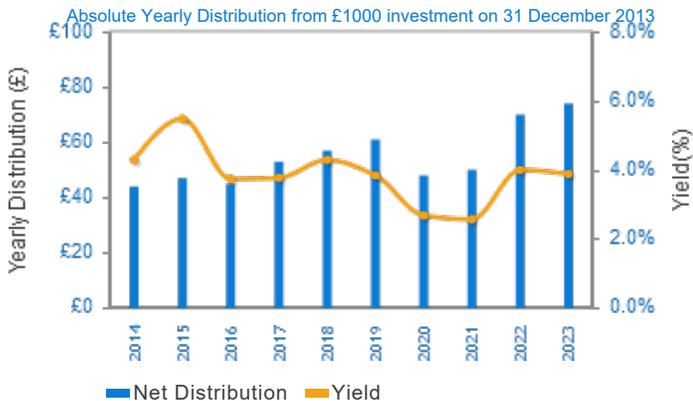
Source: Square Mile and Refinitiv, Data as at: 6th September 2024. Share price total return.

Maximum Drawdown (Rolling 12 Months)



Source: Square Mile and Refinitiv, Data as at: 6th September 2024

Income



This graph assumes that income is distributed to shareholders and not reinvested. Yield represents share price fluctuations.

Source: Square Mile and Refinitiv, Data as at:

Calendar Year Performance To Quarter End

| Period | Fund (%) | Sector (%) |
|--------|----------|------------|
| 2023 | 8.1 | 4.8 |
| 2022 | -9.3 | -11.7 |
| 2021 | 8.7 | 1.2 |
| 2020 | 12.7 | 13.9 |
| 2019 | 18.0 | 17.0 |

Source: Square Mile and Refinitiv, Data as at: 14th September 2024

Value for Money

The ongoing charge figure (OCF) and total cost of investment (TCI) of this fund are currently below the median for the peer group. We see this fund as offering good value for money largely because investors have access to JPM's extensive team of emerging market specialists and a well thought-out and defined investment process. Such characteristics are difficult to find or replicate.

Note that under MiFID II regulations, asset management firms are now required to disclose all costs and charges related to the running and administration of funds. This can include items outside of the OCF, such as research costs. JPMorgan is absorbing the costs associated with their research, which should slightly reduce the overall fee paid by investors.

OCF v Peer Group



0.89%

Transaction Costs v Peer Group



0.29%

TCI v Peer Group



1.18%

Source: Square Mile and Refinitiv, Data as at: 31st July 2024.

The Square Mile ratings are reviewed every 6 months. For full details on the methodologies, [click here](#).

For a full list of all Square Mile rated funds, [click here](#).

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