

**SHINING A LIGHT ON THE.....**  
**JPM Emerging Markets Sustainable Equity Fund**

**AT A GLANCE**

Investment Objective
To provide capital growth over the long-term (5-10 years) by investing at least 80% of the Fund's assets in emerging market Sustainable Companies or companies that demonstrate improving sustainable characteristics. Sustainable Companies are those that the Investment Manager believes to have effective governance and superior management of environmental and social issues (sustainable characteristics).

<b>Inception Date</b>	14 <sup>th</sup> December 2020
<b>Fund Factsheet Link</b>	<a href="https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000015OIU">https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000015OIU</a>

Management	
Manager Name	Start Date
Amit Mehta	14 <sup>th</sup> December 2020
John Citron	14 <sup>th</sup> December 2020

Investment Style Details	
Giant	47.24%
Large	27.42%
Medium	18.62%
Small	0.81%
Micro	0.00%

Top 5 Holdings – 56 holdings		
Taiwan Semiconductor Manufacturi...	Technology	7.64%
Tencent Holdings Ltd	Communication Services	4.21%
Alibaba Group Holding Ltd Ordina...	Consumer Cyclical	3.92%
HDFC Bank Ltd ADR	Financial Services	3.53%
Housing Development Finance Corp...	Financial Services	2.78%

Top 5 Sectors	
Technology	26.41%
Financial Services	26.33%
Consumer Defensive	18.36%
Consumer Cyclical	15.23%
Communication Services	10.29%

Top 5 Regions	
China	19.92%
Taiwan	17.63%
India	15.95%
Hong Kong	10.19%
Brazil	7.63%

## UPDATE....

The investment management industry is scrabbling to deliver “sustainable” solutions to investors. JPM have a successful emerging market franchise. Amit, who co-manages this fund, has outperformed 6 years out of ten across all market conditions with a tendency to outperform in rising markets. This strategy is built on the original Emerging Markets strategy and as they say, they are not re-inventing the wheel.

They were quick to explain that they see sustainability as the next stage of investments, and this will run alongside the mainstream offering. In all of this our observation is, if there is such a belief in sustainability, then why not change the existing strategy. The response was that the UK is not really ready for this, and this is mainly aimed at the European market. Compared to other strategies you feel this is more about box ticking than doing something that truly makes a difference, but that might match the requirements of some investors.

The fund was launched at the end of 2020 and focuses on stocks with a quality tilt. They see this investment as best-in-class businesses with long term growth opportunities. The investment process contains negative screening, then whether the business meets its sustainability criteria, then at what price are they willing to pay and then how the portfolio is constructed.

They take a broad view of sustainability, focusing on ESG leaders and those businesses which are economically sustainable. They exclude UN Global Compact Violations, weapons, tobacco, fossil fuels, gambling, and adult entertainment. But investors will not see green companies because they do not believe they can make money.

In terms of examples of holdings, Moscow Exchange would be one where they aspire to be like the Hong Kong exchange and have outlined for changes and improvements. This led to a sustainability report being published last year. They are not best-in-class, but they are working towards that and that is where the fund sees opportunities within companies like this.

They are long term holders (5 years plus) and this enables companies to build into best-in-class. They are underweight China because they do not believe there are enough options for investors. The COVID crisis helped in identifying good companies. Examples were Walmex who looked to pay suppliers within 7 days during the crisis, and Itau who pledged funds to the Coronavirus response effort.

JPM are looking to expand the range to include Japan and Asia, but by their own admission this is a light green fund for the mass market. We are looking for managers who really believe in what they are doing rather than trying to deliver a mass market offering because they feel they should. There are options from companies like Hermes, Carmignac and Vontobel where this is what they offer rather than having it as a side thought.

Ultimately it really depends on what investors want. If investors are looking for a light green option which excludes some things, but are not too worried how green the fund is, then this fund will likely fit the bill. Equally there is the performance track record that goes alongside the mainstream strategy. However, if investors are looking for something that truly impacts the world around us then this is unlikely to be the right strategy. It is at this point that other options like Hermes, Carmignac and Vontobel are worth exploring.

## LWM Consultants Ltd

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In summary, the fund manager has a good reputation and the mainstream strategy has an excellent track record. The fund however feels more that it is a halfway house of offering something to the market without a real heart for what it should be doing. If the company really meant what they were saying, then we would expect the mainstream strategy to change, but this is unlikely to happen anytime soon. Ultimately this may appeal to some investors but for us we would want to find those where there is a genuine belief and we do not think that that is there with this strategy.

*The source of information in this note has been provided by JPM and is correct as at February 2021. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.*