

SHINING A LIGHT ON THE..... JPM Climate Change Solutions Fund

AT A GLANCE

Investment Objective	
To achieve a return through investing at least 80% of the Fund's assets in equity securities of companies with exposure to the theme of climate change solutions.	
Inception Date	30 June 2021
Fund Factsheet Link	-
Management	
Manager Name	Start Date
Francesco Conte	
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Sara Bellenda	

UPDATE....

Climate change is one of the biggest and most important challenges we currently face. It is also an environment which has positive tailwinds via policy and regulation, new technologies and evolving social norms. As a result, more and more fund managers are launching strategies which tap into this theme. JPM don't have experience in this area but have spent the last couple of years developing this strategy. The aim is to invest in 50 to 60 companies across renewables and electrification, sustainable constructions, sustainable food and water, sustainable transport and recycling and re-use.

One of the areas where they feel they offer something unique is the use of big data through their proprietary system called "Themebot". So for example, if they are looking for renewable ecosystem then the system creates a mind map of different words and scans through all the available data before rating companies to deliver the most relevant investment opportunities. This distils the available universe to around 300 companies. At this point they can lean on the wider group to screen for attractive businesses which are classed as those that create value for shareholders, those that can sustain the value creation and those where they can see how governance will impact shareholder value.

Some examples of companies they invest in include:

- Renewables and electrification – Orsted and Schneider
- Sustainable constructions – Signify and Trane Technologies
- Sustainable food and water- Deere & Co and Tetra Tech
- Sustainable transport – VW and Xpeng
- Recycling and re-use – TOMRA and Republic Services

To bring this to life, Schneider are at the forefront of delivering solutions for electric cars. As demand grows this business will grow further. TOMRA recycles 40 billion plastic bottles a year and also other recycling solutions such as food sorting and peeling. John Deere have developed precision farming on tractors and equipment so that farmers can pinpoint where each seed is put down and what water / fertiliser needs to go into the ground.

They believe that the key points of difference are “Themebot”, access to the wider global team at JPMorgan and that this is a pure impact strategy. We would suggest anyone interested in this compares to strategies offered by Regnan, Ninety-One, Montanaro and Hermes who all offer impact strategies.

Our “concern” is that normally teams who run these strategies live and breath them, with a real belief in what they are doing. This felt more that this is a strategy developed for a growing market. The team don’t seem to have experience in this area and that raises some concern if we were to invest in it. Having said that, many investors looking for an impact fund might argue that JPM offer a safe pair of hands. I think this is something that will come down to personal preference.

In summary, there is no doubt that this is investing in a part of the market that is growing. However, our gut feel is that this is too shiny, without an experienced team to invest in a complicated area. We would therefore want to follow this and see how things develop overtime.

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