SHINING A LIGHT ON THE……
JPM US Equity Income Fund

AT A GLANCE

Investment Objective
To provide a portfolio designed to achieve income by investing at least 80% of the Fund's assets in US equities in any economic sector whilst participating in capital growth over the long-term (5-10 years).

Inception Date	15th December 2008
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000002O23

Management	
Manager Name	**Start Date**
Clare Hart	15th December 2008
Andrew Brandon	4th November 2019
David Silberman	4th November 2019

FUND PERFORMANCE

Performance from 1st January 2016 to 30th November 2021:

	2016	**2017**	**2018**	**2019**	**2020**	**2021**
JPM US Equity Income Fund	35.73%	6.13%	-1.07%	21.89%	-1.40%	23.17%
S&P 500 TR	33.55%	11.28%	1.56%	26.41%	14.74%	27.28%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	**3 years**	**5 years**	**Since Launch**
JPM US Equity Income Fund	21.28%	35.23%	61.61%	431.72%
S&P 500 TR	29.09%	68.25%	115.14%	663.04%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

Tracking Error	**Information Ratio**	**Active Share**	**Upside Capture Ratio**	**Downside Capture Ratio**	**Batting Average**	**Beta**	**Alpha**	**Equity Style**
6.03	-1.38	67.72	87.52	78.55	41.67	0.88	1.53	Value/Large

Volatility Measurements	
3-Yr Std Dev (volatility)	15.46%
3-Yr Mean Return (average)	10.58%

Investment Style Details	
Giant	24.46%
Large	57.26%
Medium	18.08%
Small	0.00%
Micro	0.00%

Top 5 Holdings – 89 Equity Holdings		
Bank of America Corp	Financial Services	2.81%
UnitedHealth Group Inc	Healthcare	2.81%
ConocoPhillips	Energy	2.66%
Comcast Corp Class A	Communication Services	2.39%
BlackRock Inc	Financial Services	2.38%

Top 5 Sectors	
Financial Services	25.94%
Healthcare	16.21%
Industrials	12.14%
Technology	9.35%
Consumer Defensive	9.13%

UPDATE….

Just focusing on the data alone, this fund is reflective of many US strategies in that it significantly underperforms the index. They would counter this argument by saying that the strategy is a value strategy, and over the last few years the focus has been on growth stocks which they don't hold. We went back and looked at the performance since launch, up to 2015, and even at this stage the fund basically tracked the index.

The manager explained that they focus on high quality companies which have a competitive advantage. They look at the quality and sustainability of earnings and the potential for that business to grow within the markets they operate in. Although this has a value bias, they don't just buy something because it is cheap.

They have a minimum yield of 2% from the companies they hold when they enter the fund. However, they are happy for this to rise or fall. If a company isn't paying a dividend then they will add this to their watchlist. The yield they pay out is higher than the S&P 500 average yield.

They believe that a shift to value is now favouring this strategy, and as markets get more volatile, this has lower volatility and better downside capture.

The fund favours financials, healthcare, and industrials. Financials include insurance, asset management and custody banks, diversified banks, regional banks, financial exchanges and data, investment banking and brokerage, insurance brokers and consumer finance.

In summary, where we struggle is that even before there was a gap between value and growth, this fund tracked the index, and even if these types of stocks come into favour, we are not sure this fund would outperform.

The argument that this offers lower volatility also doesn't ring true. The volatility is like the S&P500. It might be lower than some competitors, but ultimately if the S&P offers better performance with the same volatility, surely that is a better option? One thing which we haven't checked is they claim the yield is higher than the S&P500 and if this is significant then it may be a reason to consider.

So, although we feel that some undervalued quality companies could re-rate, there is no evidence going back to the launch of this fund that this could be a strategy to benefit from this. We would therefore be unlikely to add to our watchlist.