

**SHINING A LIGHT ON THE.....
JPM Natural Resources Fund**

AT A GLANCE

Investment Objective
The Fund aims to provide capital growth over the long-term (5-10 years) by investing at least 80% of the Fund's assets in the shares of companies throughout the world engaged in the production and marketing of commodities. At least 80% of assets invested in equities of natural resource companies anywhere in the world, including emerging markets. Natural resource companies are those that are engaged in the exploration, development, refinement, production or marketing of natural resources and their secondary products.

Fund Factsheet Link
https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=f0gbr04s4x

Management	
Manager Name	Start Date
Chris Korpan	1 st February 2017
Veronika Lysogorskaya	31 st March 2020

FUND PERFORMANCE

Performance from 1st January 2016 to 31st August 2022:

	2016	2017	2018	2019	2020	2021	2022
JPM Natural Resources Fund	80.72%	9.63%	-10.32%	11.44%	-0.72%	22.03%	25.34%
EMIX Global Gold Mining & Energy NR GBP	85.46%	9.23%	-4.58%	22.75%	8.98%	16.01%	9.85%

Performance over 12 months, 3 years, 5 years and since fund manager inception:

	1 year	3 years	5 years	Since fund manager inception (2017)
JPM Natural Resources Fund	37.19%	52.36%	60.77%	57.43%
EMIX Global Gold Mining & Energy NR GBP	16.47%	39.60%	64.96%	66.62%

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.

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Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
8.42	63.85	107.72	113.20	44.44	1.15	(1.25)	Value / Large

Volatility Measurements	
3-Yr Std Dev (volatility)	25.25%
3-Yr Mean Return (average)	15.07%

Investment Style Details	
Giant	38.33%
Large	40.09%
Medium	17.84%
Small	1.21%
Micro	0.19%

Top 5 Holdings – 51 Equity Holdings		
Shell PLC	Energy	5.75%
Chevron Corp	Energy	5.51%
Rio Tinto	Basic Materials	5.36%
BHP Group Ltd	Basic Materials	5.09%
Exxon Mobil Corp	Energy	4.87%

Top 5 Sectors	
Energy	54.84%
Basic Materials	45.16%

Top 5 Regions	
United States	40.78%
Canada	17.57%
United Kingdom	14.12%
Australasia	12.47%
Europe ex Euro	6.88%

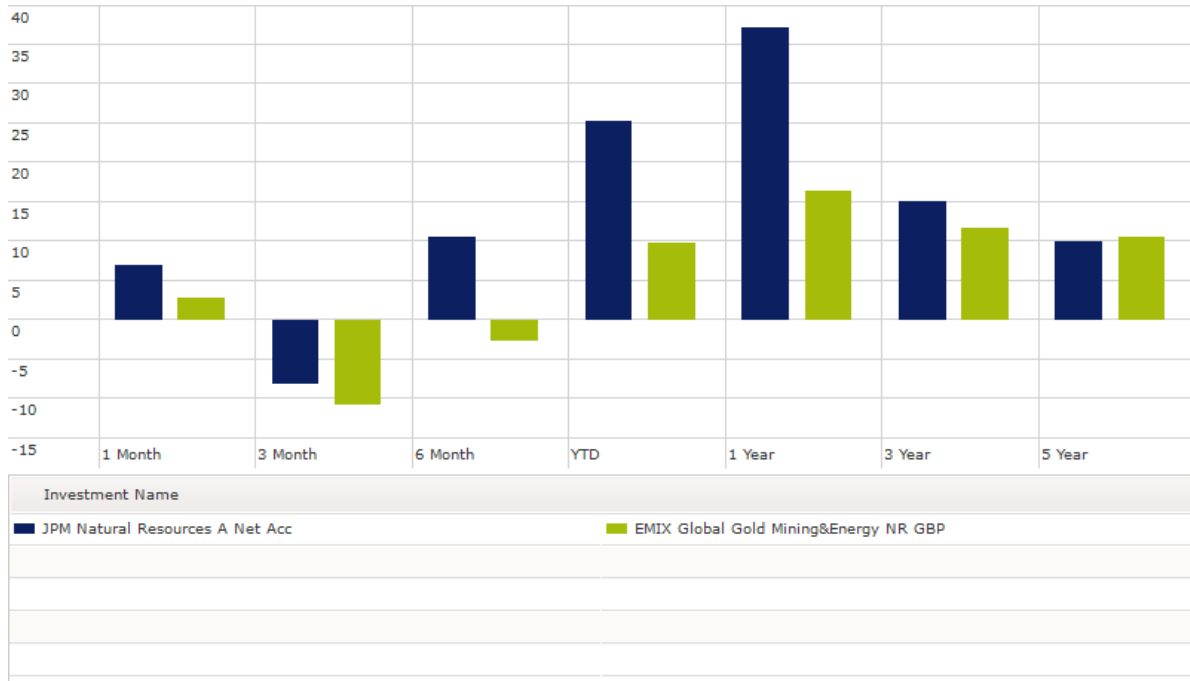
Fund Benchmark	EMIX Global Gold Mining & Energy NR GBP
Fund size (Mil)	GBP 1015.03
Ongoing Charge (share class A)	1.54%

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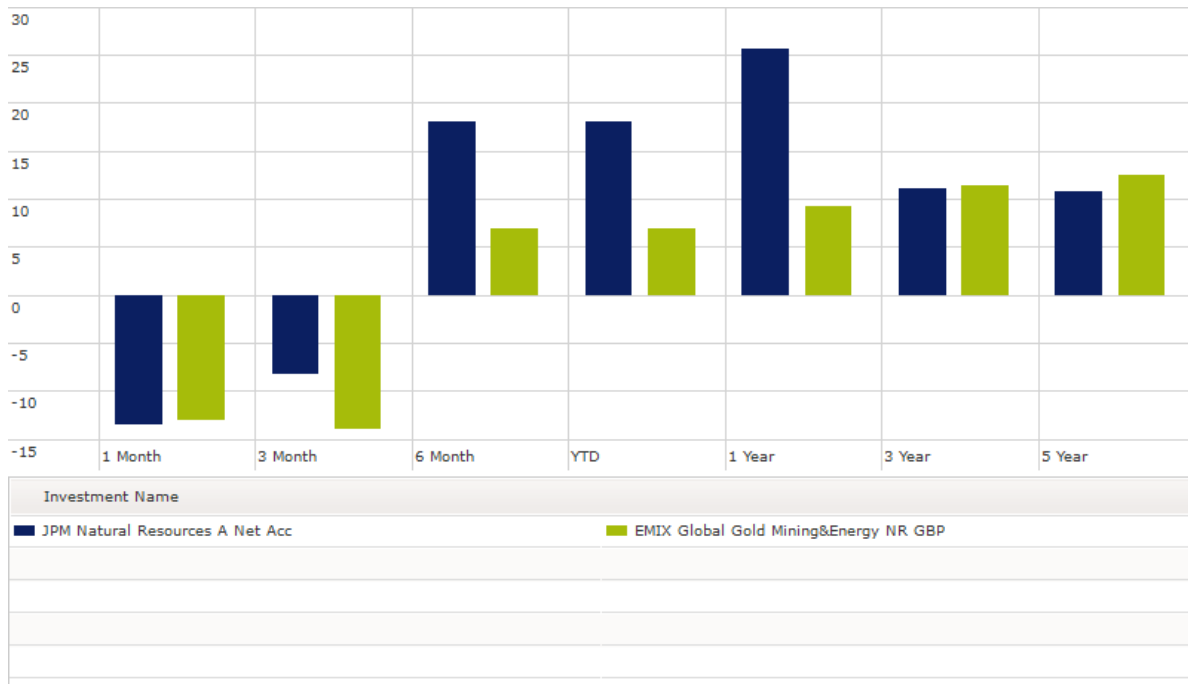
Bull points	Bear points
Concentrated portfolio of around 50 stocks Exposure around 50 / 50 to mining and energy Financial discipline within sector providing investors access to high quality companies at relatively low valuations Active engagement with companies Investing in areas needed to drive energy transition	Performance has been mixed (figures improved between June and August) Perhaps less risky ways to play the energy transition and still have exposure to mining and energy Fallen angel, once had £10 billion in assets now around £1 billion Commodities can be cyclical so this may more of a tactical investment

UPDATE....

This is our second meeting with the team over the last couple of months. The first was with the analyst and this was with the manager. One of our concerns was performance as this has been mixed. The first chart below shows the performance to the end of August which is an improvement. The second shows to the end of June.



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The concern we have is around consistency of performance. One strong year can play in favour for the strategy, but this could be driven by energy which has done well this year and therefore it remains difficult to understand the long-term performance opportunities with this strategy. In theory it is well placed to benefit from the energy transition and therefore should do well. This is a long-term theme and could run for ten plus years.

With the mixed performance the question remains as to whether there are better ways to “play” the energy transition. This might be through more diversified funds which have a mix of exposures. This fund would remain on our watchlist but there several factors for us to consider if we decided to add to our portfolios.

As a reminder, the fund invests across three “buckets”:

- Energy – integrated, exploration and production, storage, and transportation, refining and marketing
- Industrial metals – diversified mining, base metals, diamonds and other
- Gold and precious – gold, platinum group metals

They follow a four-stage process. The first stage is an analysis of the market which identifies 450 + stocks across mining and energy. The second stage is to understand the industry framework, looking at long term commodity prices and demand and supply side factors. The third stage is the fundamental analysis where they consider long term price forecasts, future earnings growth etc as well as quality factors which include ESG, and Franchise.

The final stage is the construction of the fund. Each holding will have a conviction case which includes a scenario analysis. They then consider correlation with other holdings, return expectations and volatility and liquidity. This then delivers a portfolio of around 50 names.

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The original strategy had over 200 names, this has around 50 names. The key is that they can actively engage with the companies, and they do have good relationships with the businesses they invest in. Although this has an ESG overlay this is not an exclusionary fund. A company can have a red flag for ESG, however understanding the business and engaging means that they may be happy to own it.

There are many factors which are positive for the industries they invest in. Many of the companies have low levels of debt, urbanisation is commodity intensive and therefore the demand remains strong, and these industries are needed as part of the transition to a net zero world. It is also important to understand that we are still in a fossil fuel driven economy, and it will take time.

Examples of holdings include IGO (exploration and mining company focused on discovering, developing, and operating high quality assets focused on metals critical to enabling clean energy), Lynas Rare Earths (second largest producer of neodymium (Nd) and praseodymium (Pr), both light rare earths) and Hess Corp (leading global independent energy company engaged in the exploration and production of crude oil and natural gas).

In summary, the meeting was to understand the performance and the process. The manager doesn't want to be a hero one minute and a villain the next but if we look at the performance it does appear to be like that. There seems to be periods where it underperforms, and then when it outperforms it does it significantly which changes the long-term figures. You could argue that if you consider over a ten-year period, does this matter? In terms of performance, for us we would have this on our watch list as we would want to watch the performance overtime. We would also be interested to look at other similar strategies and also consider regional funds which may have exposure to energy and mining.

In terms of the process, Chris who is one of the managers has a background as a geologist and has worked in Russia and Portugal. He has also worked with indigenous groups in Canada and Russia. This experience clearly feeds into the stock picking and the process and where they are investing, and we are comfortable with that.

Ultimately our concern is whether investors are being compensated in terms of returns for the risk they are taking.

The source of information in this note has been provided by JPM and is correct as of September 2022. 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.