

JPM JAPAN FUND - GBP

INVESTMENT RESEARCH NOTE
FEBRUARY 2024

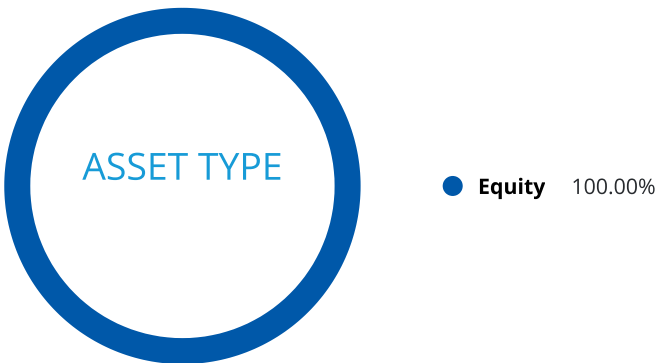
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SUMMARY

J.P. Morgan Asset Management is a leading provider of global equity management managing over \$2.7 trillion of assets globally and with over 100 years of investment experience and over 50 years of investing in Japan. The JPM Japan Fund was launched in 1970 current AUM as of August 2023 of £957 mln and is part of a wider strategy invested in Japanese equities.

The fund is managed by Nicholas Weinding, who has been lead manager on the fund since 2012 and a member of the team since 2007. He is assisted by Mikayo Urabe and they are part of a wider 11 person fund management team based in Tokyo, supported by a dedicated 15 strong research team. With additional support from the Asia-Pacific team and a separate ESG analysis, there is considerable resource behind this strategy, which helps reduce key-man risk.

This is a bottom-up, research led, long-only equity strategy with a long term, growth and quality bias built around structural changes in the Japanese economy and society. The tilt is towards large and mid caps, with an active share over 80% and a 20-30% annual turnover and usually 50-60 holdings. A hedged share class version is available. ESG is embedded into the process, linked to a detailed understanding of Governance and Sustainability issues. Whilst there is no formal exclusion process, the portfolio is characterized overall by low CO2 emissions and strong sustainability scores. But with the focus mainly on Governance and ESG as the outcome rather than the intention.



INVESTMENT PROCESS

The process is built around the structural changes taking place in the Japanese economy and society and the under researched nature of the Japanese stock market. The substantial internal research resource available to the manager allows the fund to invest in mainly large and mid cap stocks to take advantage of these long term themes. This does not extend to any significant exposure to small cap stocks, which would be even more under-researched and this probably reflects liquidity issues for a fund of this size.

From a universe of 6,000+ stocks, about 1,000 are considered investable on the key investment criteria of industry exposure, structural change, size and liquidity. Of these, 450 are considered worthy of further research with the manager providing guidance to the analytical team. Research is bottom-up and intensive with any new holding likely to require a 60 page internal note, similar in scale and scope to a sell-side initiation note. The challenge here is to avoid writing 'all you know' research and to be conscious of not missing opportunities because of the timescales involved in producing such research. Set against that would be the store of knowledge on stocks, industries and competitors built up by such a large team over many years.

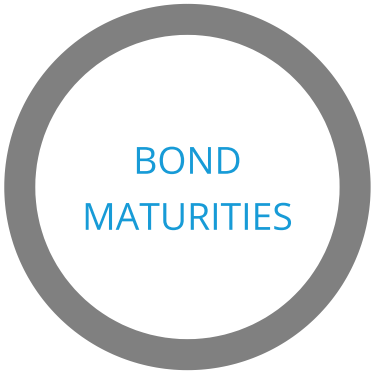
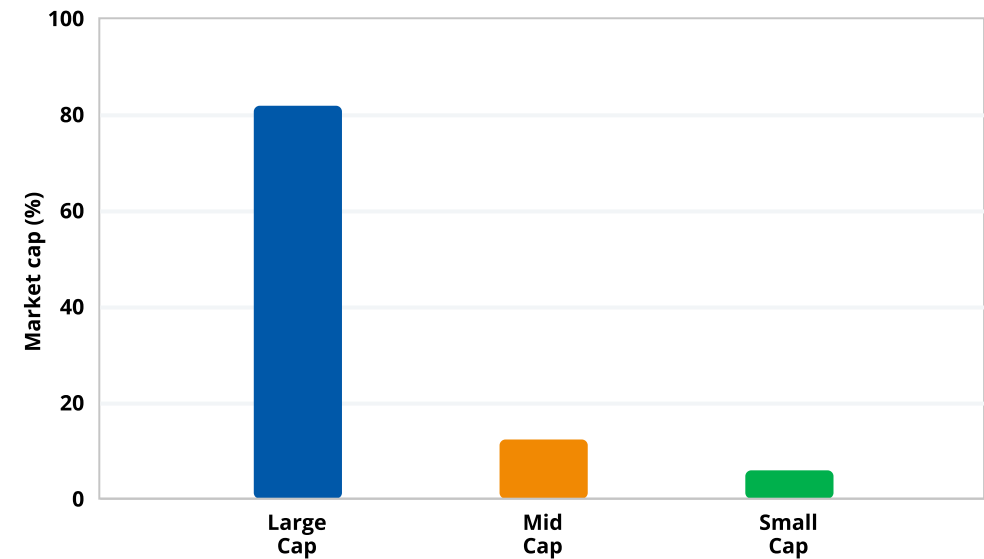
What might separate the process from other strategies would be the emphasis within the research process on financial characteristics of the company and industry, the sustainability of the business model and the quality of the governance. The importance of the last two factors helps to highlight the degree to which how ESG is embedded within the research process as positive screens - there is no negative ESG screening. the fund does not seek a ESG portfolio, rather that a ESG tilted portfolio is the consequence of the process. A 98 question checklist (75% related to ESG issues), built around previous experience, is used to filter out potential risks and 5-year expected returns models are built to help drive valuations. Companies are classified as either 'premium', 'quality' or 'trading', with the latter tending to reflect shorter term valuation driven opportunities for smaller positions. This is a clear pro-growth strategy, which performed well in 2020, particularly in 2Q/3Q20. Unsurprisingly the fund will have a higher return on equity, higher earnings growth and lower gearing than the index. it will also trade on a higher forward PE and this premium increased significantly in 2020 as the fund benefited from the market leadership from structural growth stocks. The fund shares many characteristics with the Legg Mason Japan Fund, but has a clear larger cap bias, reflecting in part liquidity issues, as well as a greater internal research resource.

AGGREGATED NET EXPOSURE

REGIONAL EXPOSURE



EQUITY MARKET CAP (%)



Not Applicable



Not Applicable

OVERALL PERFORMANCE

● JPM Japan C Acc ● Japan Equity Total Return GBP

GROWTH (%) - OVER 1 YEAR

1 Mar 2023 - 29 Feb 2024



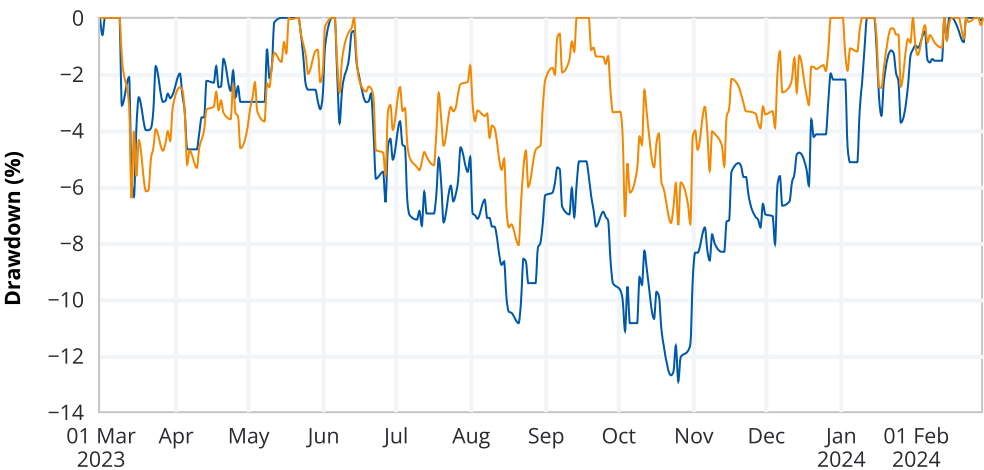
GROWTH (%) - FROM INCEPTION

19 Sep 2007 - 29 Feb 2024



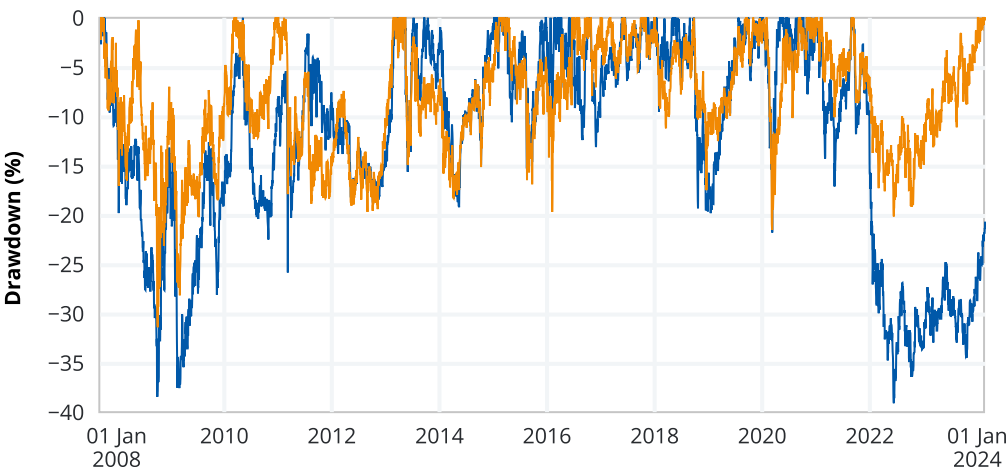
DRAWDOWN (%) - OVER 1 YEAR

1 Mar 2023 - 29 Feb 2024



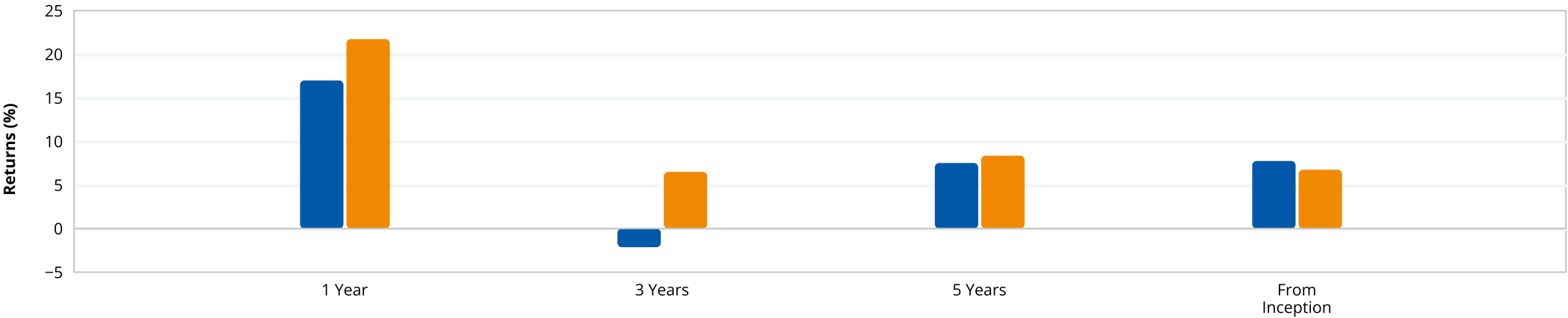
DRAWDOWN (%) - FROM INCEPTION

19 Sep 2007 - 29 Feb 2024



RETURNS

JPM Japan C Acc Japan Equity Total Return GBP



MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	2.40	5.30											7.83
2023	4.46	-3.34	2.74	-0.27	2.67	0.13	-0.46	-1.93	-2.30	-2.39	5.62	4.73	9.55
2022	-16.25	-3.04	2.06	-8.95	1.43	-8.54	10.56	0.73	-6.87	-1.31	6.18	-2.17	-25.57
2021	-4.89	-3.55	-0.33	-0.22	-1.55	4.18	-1.80	7.84	2.95	-3.60	2.64	-3.09	-2.19
2020	-2.73	-8.84	4.22	9.98	10.93	2.85	-3.50	2.47	10.79	-0.08	9.58	-0.25	38.75
2019	1.31	2.67	5.46	4.82	0.46	1.25	5.68	-0.67	1.28	-1.72	2.07	0.28	25.09

Capped to 6 years.

ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
JPM Japan C Acc	16.99	-2.14	7.52	7.75
Japan Equity Total Return GBP	21.73	6.50	8.36	6.75

CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
JPM Japan C Acc	16.99	-6.26	43.49	239.80
Japan Equity Total Return GBP	21.73	20.73	49.17	191.51

JPM Japan C Acc Japan Equity Total Return GBP

PERFORMANCE - OVER 1 YEAR

1 Mar 2023 - 29 Feb 2024

RETURNS (%)	16.99	21.73
VOLATILITY (%)	16.25	16.21
ALPHA	-0.75 *	
BETA	1.32 *	1.00
CORRELATION	0.86 *	1.00
SHARPE RATIO	0.71	0.99
SORTINO RATIO	1.05	1.46
MAX DRAWDOWN (%)	-12.91	-8.07

*Calculated over a 3 year period where history permits.

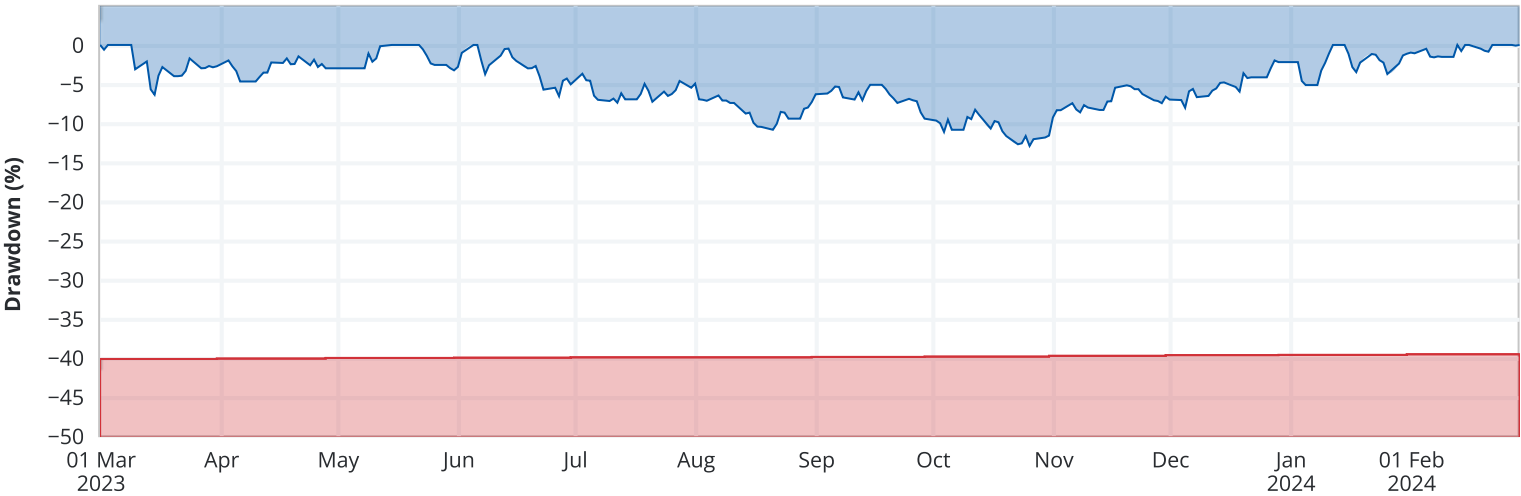
PERFORMANCE - FROM INCEPTION

19 Sep 2007 - 29 Feb 2024

RETURNS (%)	7.75	6.75
VOLATILITY (%)	21.24	21.58
ALPHA	0.10	
BETA	1.06	1.00
CORRELATION	0.81	1.00
SHARPE RATIO	0.30	0.25
SORTINO RATIO	0.42	0.36
MAX DRAWDOWN (%)	-39.09	-31.39

SIMPLE STRESS TEST DRAWDOWN (%)

1 Mar 2023 - 29 Feb 2024



Stress test notes

The chart shows the calculated drawdown over the last year. The Review Point is the fund intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown hit the review point, then this indicates that market conditions may be abnormal. This is the point that we would consider taking immediate action for an extreme market event.

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