Pre-IPO note | Investment companies

24 January 2018

JPMorgan Multi-Asset Trust

Long-term return objective of 6% per annum

JPMorgan Multi-Asset Trust (MATE) is a new investment company that will invest across a range of different asset classes. It will aim to achieve a total return of 6% per annum, over the long term, through a combination of income and capital growth. It will seek to achieve these target returns whilst maintaining lower levels of volatility than a traditional equity portfolio.

At 31 December 2017, JPMorgan Asset Management managed $1.7tn across approximately 500 strategies. MATE's manager, the UK subsidiary of JPMorgan Asset Management, will allocate money to a selection of assets on investors' behalf, choosing the investment strategies that it believes will deliver returns in-line with the investment objective.

MATE is being offered as a rollover vehicle for an existing investment trust, JPMorgan Income & Capital Trust Plc, which reaches the end of its life on 28 February 2018. MATE is also being made available to new investors through an intermediaries offer, initial offer for subscription and an initial placing.

Initial quarterly dividend of 4%

MATE is targeting a yield of 4% on the initial issue price. Dividends will be paid quarterly and the trust has a progressive dividend policy. This target yield has been selected as the manager believes that it is sustainable and, while MATE has the flexibility to pay dividends out of capital if necessary, it expects the dividend to be covered.

The details of the share issue, including the risk factors that investors should take into consideration, are more fully described in the prospectus published on 24 January 2018 and we urge readers to read this before making any investment decision.

Sector	Flexible investment
Ticker	MATE LN
Base currency	GBP
Domicile	England and Wales
Closing date for applications/ commitments	1pm on 26 February 2018 (intermediaries offer and initial offer for subscription) 3pm on 27 February 2018 (initial placing)
Admission date	2 March 2018
Manager	JPMorgan Funds Limited

Contents

The launch

JPMorgan Multi-Asset Trust (MATE) is raising up to £250m (gross)

JPMorgan Multi-Asset Trust (MATE) will offer investors access to a broad range of assets and investment strategies. MATE is being offered as a rollover vehicle for an existing investment trust, JPMorgan Income & Capital Trust Plc, which was launched ten years ago with a fixed winding-up date of 28 February 2018. Other investors can also participate in MATE's launch through the intermediaries offer, initial offer for subscription and initial placing (see the prospectus for more details). The maximum number of shares that can be issued during the initial issue is 250m and JPMorgan Income & Capital's investors get first priority. If all 250m shares are not issued in the initial issue, the balance can be issued under a share issuance programme that runs until 23 January 2019.

The launch expenses are being capped at 1%

MATE's launch expenses are being capped at 1% with JPMorgan Asset Management picking up the bill for any excess.

6% per annum after fees with lower risk than a portfolio of equities

JPMorgan Funds Limited, the UK regulated entity of JPMorgan Asset Management (the manager), will invest the net issue proceeds in a portfolio of investments, diversified by asset class and geography, with the aim of delivering returns after fees of 6% per annum with lower risk than a portfolio of equities.

The proposition

4% dividend on initial issue price, paid quarterly

The board believes that MATE offers:

- the opportunity to invest in an investment trust providing regular dividend income, combined with the potential for long term capital growth;
- access to a diversified multi-asset portfolio managed by a leading global multi-asset manager; and
- an initial annual dividend yield of 4.0% on the initial issue price which will be paid quarterly.

The closed-end structure allows access to alternative asset classes

The manager believes its ability to allocate to investments across the capital structure, whilst also adjusting asset class weights, will assist in managing downside volatility.

It will also look to exploit the income and growth opportunity offered by investing in illiquid assets. The closed-ended structure of an investment company, allows for a higher allocation to illiquid investments than an open-ended fund (such as an OIEC or SICAV). The types of illiquid assets that it would consider for the portfolio include alternative assets, such as infrastructure, as well as investing in less liquid bond and equities.

Searching for attractive risk-adjusted returns in a low return environment

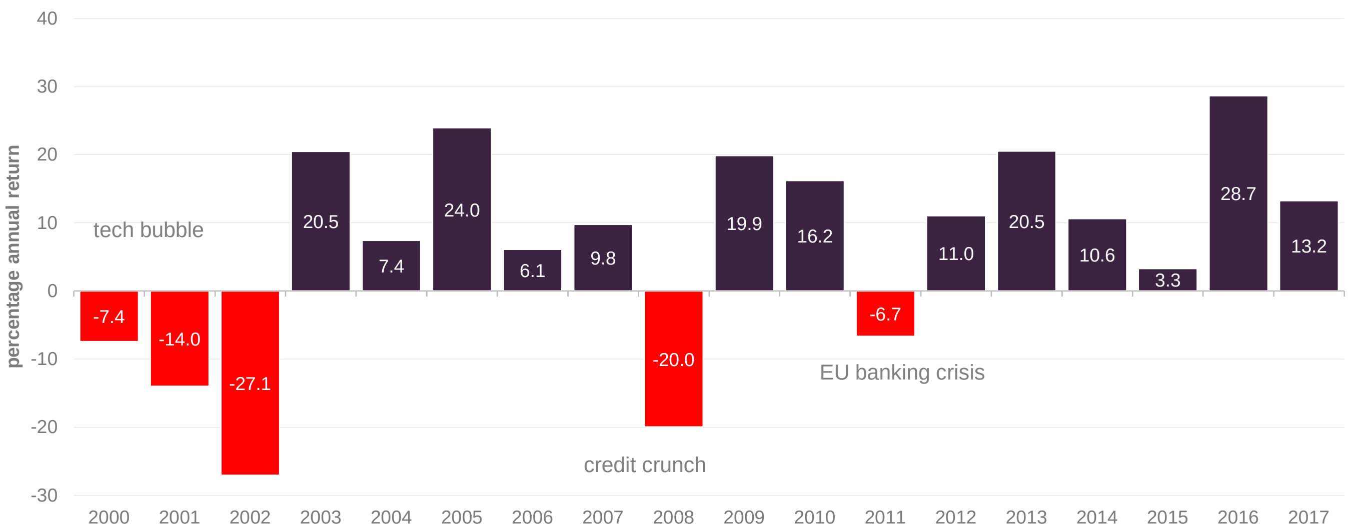
For about a decade now, interest rates in the UK and elsewhere in the developed world have been low by historical standards and real rates (rates adjusted for inflation) have been low to negative as is evident in Figure 1.

Figure 1: UK base rates compared to inflation (CPI)

Source: ONS, Bank of England, Marten & Co

The Bank of England cut rates in 2008/2009 in response to the credit crisis, part of a global policy response that also resulted in much lower interest rates in the US and Europe. This fed through into lower yields on government debt. Equity markets have been strong since then as Figure 2 (which charts the annual returns from the MSCI All Countries World Index, income reinvested and in sterling) shows.

Figure 2: Calendar year returns from the MSCI All Countries World Index (total return in sterling)



Source: Morningstar, Marten & Co

Flexibility required going forward

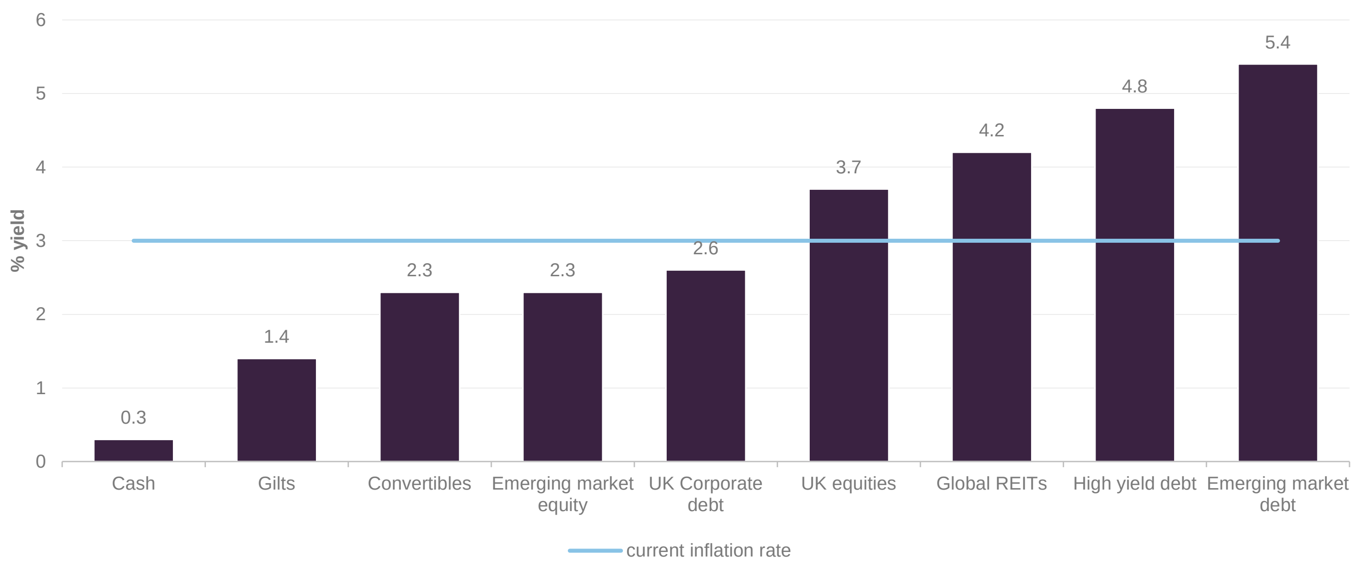
The manager believes that, based on JPMorgan Asset Management's Long-Term Capital Market Assumptions, a publication which reflects its judgement on the likely returns available from different investments, those investors that focus just on government debt and equities may have to take more risk for less return going forward. It says that, as monetary policy normalises (interest rates rise and economic stimulus is withdrawn), markets are likely to become more volatile. It thinks investors who want to generate attractive risk-adjusted returns will require funds that can be more flexible about which assets they invest in.

The manager says that reduced long-term growth estimates have pulled down equilibrium returns for most asset classes compared with the last 25 years, but there is an additional cyclical headwind to most key assets due to extended valuations and low starting yields. It believes that overcoming the pressure on long-term potential returns from full valuations and high margins will require more active positioning around long-term themes (e.g., technology, Chinese financial liberalisation, etc.), greater use of alternatives, an element of timing—or, most likely, all three.

At the end of November 2017, the Long-Term Capital Market Assumptions, suggested that investors in a portfolio of 50% equities (as represented by the MSCI World Index) and 50% government debt (as represented by the JPMorgan Global Government Bond Index) could be looking at returns of 4% per annum over the next ten years.

However, other asset classes are available. Figure 3 pulls together data from a number of sources to show the yields available from a range of investments.

Figure 3: Yields available from a range of potential sources of income



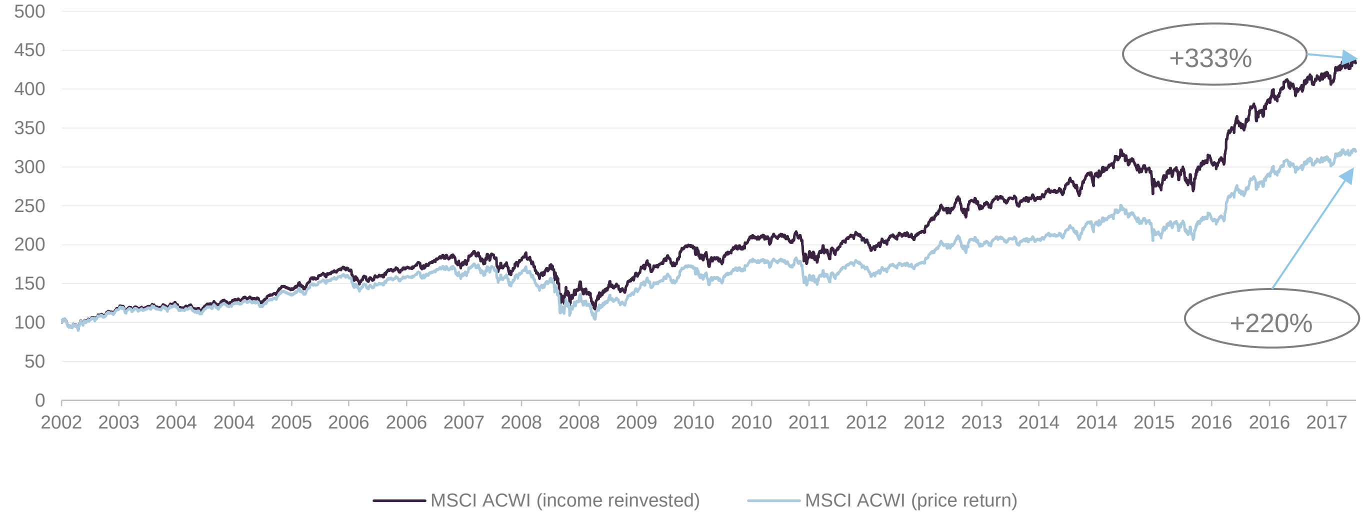
Source: Barclays, Bank of America/Merrill Lynch, FTSE, Thomson Reuters Datastream, Tullett Prebon and JPAM. Convertibles yield is from Bloomberg Barclays Global Convertibles, Emerging market equity is the yield on the MSCI Emerging Market Index, UK Corporate debt yield is from Bank of America/Merrill Lynch Sterling Corporate Index, Global REITs is the FTSE NAREIT Index, High yield debt is Bank of America/Merrill Lynch Developed Markets High Yield Constrained Index, Emerging market debt is from the JPMorgan EMBI Global Index. Yields for bond indices are yield to worst and dividend yields for equity indices. The data is as at 30 September 2017 except for the inflation rate which is UK consumer prices index at 31 December 2017.

The importance of income

Reinvesting dividends added 3% per annum to returns over the past 15 years (MSCI ACWI in sterling)

Income is an important part of long-term returns as Figure 4 demonstrates. The capital (price-only) return in sterling on the MSCI All Countries World Index has been 220% over the 15 years ended 31 December 2017 or 5.4% a year. However, if you reinvested dividend income the return would have been 333% or 8.4% a year.

Figure 4: Capital only and total return (with dividends reinvested) on the MSCI All Countries World Index in sterling*



Source: Morningstar, Marten & Co. *Note: Figures rebased to 100 at 31 December 2002

Part of the attraction of multi-asset investing is that portfolios can be created that contain assets whose returns are not correlated with each other. The implication is that a fall in value in one asset class might not be accompanied by a fall in value in other asset classes. By building a portfolio that includes a range of less correlated assets, a manager should be able to achieve lower return volatility for a given expected return. Figure 5 shows a matrix that show how returns for each asset class have moved in relation to returns from another asset class. This has been compiled by JPMorgan Asset Management from a variety of sources based on historic returns.

Figure 5: Correlations of sterling returns for various asset classes over the previous ten years

	FTSE 100	S&P 500	MSCI Europe ex-UK	MSCI Japan	MSCI Asia x-Japan	MSCI EM	UK Gilts	EM debt	High yield bonds	Global bonds	Comm-odities	Hedge Funds	Real estate
FTSE 100	1.00	0.80	0.91	0.58	0.83	0.86	-0.25	0.05	0.71	-0.18	0.47	0.71	-0.33
S&P 500		1.00	0.74	0.65	0.66	0.64	-0.09	0.18	0.35	0.05	0.34	0.43	-0.13
MSCI Europe ex-UK			1.00	0.58	0.80	0.80	-0.24	-0.06	0.61	-0.06	0.31	0.61	-0.27
MSCI Japan				1.00	0.57	0.50	-0.07	0.08	0.11	0.19	0.19	0.20	-0.14
MSCI Asia ex-Japan					1.00	0.96	-0.14	0.27	0.70	-0.11	0.31	0.66	-0.44
MSCI Emerging						1.00	-0.25	0.22	0.79	-0.20	0.48	0.75	-0.44
UK Gilts							1.00	0.29	-0.42	0.76	-0.25	-0.55	0.05
Emerging Markets Debt								1.00	0.13	0.04	0.03	0.12	-0.26
High yield bonds									1.00	-0.54	0.42	0.86	-0.52
Global bonds										1.00	-0.11	-0.65	-0.02
Commodities											1.00	0.46	-0.09
Hedge funds												1.00	-0.27
Real estate													1.00

Source: Barclays, Bloomberg, Citigroup, FTSE, JPMorgan Economic Research, MSCI, NCREIF, Standard & Poor's, US Federal Reserve, JPMorgan Asset Management. UK Gilts is FTSE Actuaries Government Securities UK Gilts All Stocks; EM debt is JPMorgan EMBI Global; High yields bonds is JPMorgan Domestic High Yield; Global bonds is Bloomberg Barclays Global Aggregate; Commodities is Bloomberg Commodity; Hedge Funds is CS/Tremont Multi-Strategy; Real estate is a blended index which includes NCREIF Property Index data and Federal Reserve estimates of changes in capital value. All indices are total returns based on quarterly return data in GBP. Real estate correlations are lagged by one quarter. Past performance is not a reliable indicator of current and future results. Data as of 31 December 2017.

The management team

JPMorgan Asset Management had AUM of over $1.7tn across around 500 strategies at 30 September 2017

MATE's portfolio will be managed by members of JPMorgan Asset Management's Multi-Assets Solutions Team which consists of over 80 investment professionals located primarily in London, New York and Hong Kong, managing assets of over £170bn as at 31 December 2017. The wider JPMorgan Asset Management business was managing $1.7tn on that date across approximately 500 different investment strategies. JPMorgan Asset Management also manages 21 investment trusts, more than any other investment trust manager, across a diverse range of geographies and asset classes.

The lead managers, who can draw on the resources of the Multi-Assets Solutions Team and the wider group, will be Talib Sheikh, Katy Thorneycroft and Gareth Witcomb. Their biographies are on page 15.

Investment process

Start with an analysis of risk, return and yield

The manager begins by analysing risk, return and yield characteristics across markets. It reviews this data from a historical perspective and considers forward looking projections.

The manager may dynamically adjust allocations to certain assets, but investments such as global equities, high yield bonds, investment grade bonds, emerging market debt and alternative assets will likely be central long-term themes in the portfolio.

Deep and broad macro and market analysis

Structured programme of meetings to keep abreast of developments

Top down research forms a key part of the investment process. The Global Multi-Asset Strategy and Research teams within JPMorgan Asset Management include economists, market strategists, and quantitative research analysts. Regular meetings keep the lead managers up to date and inform their asset allocation decisions. These comprise:

- a morning meeting to capture significant developments and discuss event risks;
- a weekly macro discussion to identify specific challenges;
- monthly meetings to update core views; and
- formal, quarterly strategy summits to set the broad research agenda and determine the asset allocation framework.

Research process incorporates both qualitative and quantitative analysis

The Strategy team performs rigorous qualitative and econometric analysis, and modelling of a broad array of macro-economic factors, to assist in determining the team's views on broad qualitative macro-economic drivers of return, such as economic policy, credit conditions and economic activity indicators.

The Research team maintains its own quantitative models that have been developed over a number of years and help identify market inefficiencies, relative value and market directional strategies.

Evaluating and selecting asset class specialists

The second step of the investment process is evaluating and selecting investment teams, within J.P. Morgan Asset Management, to oversee individual asset class allocations in the portfolio. The manager outsources pools of capital to these specialist teams, who will invest via pooled vehicles or bespoke portfolios.

Most asset classes accessed through funds except for developed global equities and developed global bonds

Two bespoke portfolios have been created for MATE: developed global equities and developed global government bonds. These bespoke portfolios will be specifically designed to assist in meeting MATE's investment objective. Other asset classes will primarily be accessed by investing in funds managed by the manager with the flexibility to invest in third party investment trusts.

Ongoing monitoring and adjustments

The final step in the investment process is to monitor the asset class specialists and adjust the company's asset allocation as appropriate. The manager believes that, as yield and growth opportunities change across markets, a flexible strategy must be able to navigate the landscape and maintain awareness of potential downside volatility.

Currency hedging

Typically currencies hedged back to sterling but not always

Non-sterling assets will typically be hedged to sterling, with the exception of local emerging market currencies. The manager may take a view on currency and consequently elect not to hedge some or all of the non-sterling currency exposure in the portfolio.

Risk Management

Risk is a necessary component of active investment management but it can be managed

Risk management is an integral, ongoing and critical part of the manager's investment process. It believes that risk is a necessary component of active investment management, and that it can be estimated, measured and managed.

The lead managers monitor a range of aspects such as performance, portfolio diversification and the potential impact of proposed portfolio changes.

A risk team, embedded within the Multi-Asset Solutions Team, monitors a broad range of ex-ante risks and market sensitivities; stress tests against market scenarios and asset price shocks; and monitors risk concentrations both within MATE's portfolio and across all portfolios.

An independent risk management teams monitor trading and portfolios across the manager's business, looking at aspects such as Value at Risk (VaR).

Examples of quantitative factors the manager takes into consideration include the correlations between strategies, downside risk and consistency of performance. In addition, face to face meetings with the managers and investment teams responsible for the different parts of the portfolio, allow the lead managers to clarify more qualitative factors such as the stability of investment process, stability of investment team and risk measurement.

Investment restrictions

MATE has no set maximum or minimum exposures to any asset class, geography and sector and the manager will seek to achieve an appropriate spread of risk by investing in a diversified global portfolio of securities and other assets. This includes the following asset classes:

- equities, and equity linked securities including developed market equities and emerging market equities;
- fixed interest securities including government securities, corporate bonds, high yield bonds, emerging market debt, convertible securities and asset backed securities;
- alternative assets including infrastructure, property, and other illiquid investments; and
- derivatives including over the counter and on exchange traded options, financial futures, forward contracts and contracts for difference.

MATE does have the following investment restrictions at the time of investment, calculated on MATE's total assets;

- no individual investment may exceed 15%, with the exception of developed countries' government bonds and funds;
- no single developed country government bond or fund will exceed 30%;
- for investment in funds, on a look-through basis, no individual investment may exceed 15%; and
- equities and fixed income securities will represent not less than 50%.

MATE may invest in closed-ended funds and exchange-traded funds provided they are quoted on a recognised investment exchange. It may invest in cash and cash equivalents including money market funds, treasuries and gilts.

No more than 10% may be invested in other listed closed-ended investment companies (unless these investment companies have published investment policies to invest no more than 15% of their total assets in other closed-ended investment companies, in which case the limit will be no more than 15%).

The manager would not expect to allocate more than 20% to alternative funds in consideration of the liquidity profile of such funds.

Managers' view

JPMorgan Asset Management publishes its Long Term Capital Market Assumptions annually. These cover more than 50 asset classes. The following is an extract from the executive summary of their 2018 publication.

1.5% GDP growth in developed markets and 4.5% GDP growth in emerging markets in 2018

"*Our 2018 trend real GDP growth estimates of 1.5% in developed markets and 4.5% in emerging markets are unchanged from last year. However, beneath this stable outlook is evidence that the prolonged series of downgrades to trend growth, reflecting population aging, may be nearing an end. We also see potential for a technology-driven boost to productivity, which creates an upside risk to our forecasts. Yet despite cautious optimism on secular growth trends, cyclical factors still constrain asset returns.*

Interest rates are normalising but slowly

- *Interest rates are rising but the pace of normalization remains slow. Equilibrium yields are constrained by muted inflation, low trend growth and persistent safe asset demand.*

High equity valuations are a headwind for future returns from equities

Still like emerging market equities, credit and real assets.

- *High global equity valuations and corporate margins reflect a mature economic cycle and are a headwind for returns. The secular outlook for stocks is reasonable as low equilibrium interest rates compensate for modest equilibrium growth in our framework, but even long-term investors must navigate the near-term cyclical challenges.*
- *Despite outperforming in 2017, emerging market equities remain attractive. Elsewhere, credit and real assets are bright spots, while low correlations and the start of normalization enhance alpha opportunities in private equity and hedge funds.*"

The Multi-Asset Solutions Team's view in December 2017, shown in detail in Figure 6, was that, on a 12-18 month time horizon: it was happy to be overweight equities generally, with Japan and emerging market equities most preferred; it was neutral on credit but preferred it to government bonds; and it felt that stocks offered a better risk/reward opportunity than equivalent high yield bonds.

Figure 6: Multi-Asset Team asset allocation views December 2017

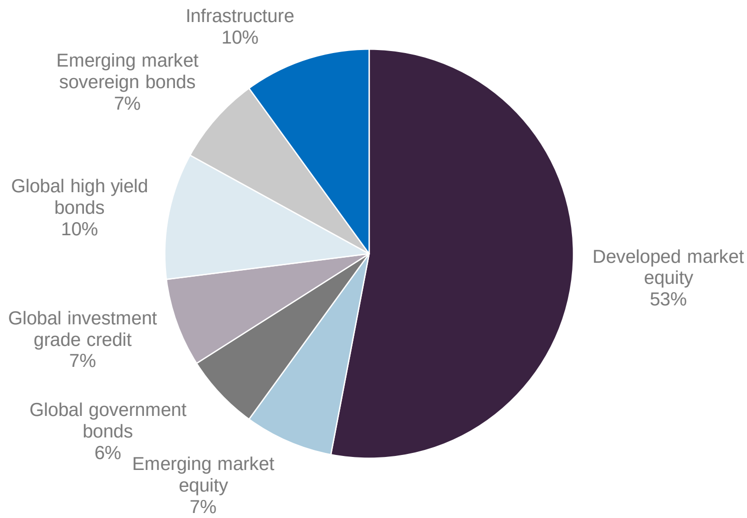
		Change	Negative			Neutral	Positive		
Equities	US large cap		-	-	-	-	O	-	-
	US small cap		-	-	-	-	O	-	-
	Europe ex-UK		-	-	-	-	O	-	-
	UK		-	-	-	O	-	-	-
	Japan		-	-	-	-	O	-	-
	Asia ex-Japan		-	-	-	-	O	-	-
	Emerging markets		-	-	-	-	O	-	-
Prop-erty	Direct real estate		-	-	-	O	-	-	-
	US REITs		-	-	-	O	-	-	-
	US Treasuries		-	-	O	-	-	-	-
Sovereign Bonds	US TIPS		-	-	-	O	-	-	-
	Euro core		-	O	O	-	-	-	-
	Euro periphery		-	-	-	O	-	-	-
	UK Gilts	▲	-	-	-	O	-	-	-
	Japanese JGBs		-	-	-	O	-	-	-
	Canada		-	-	O	-	-	-	-
	Australia		-	-	-	O	-	-	-
Credit	Investment grade		-	-	-	O	-	-	-
	US high yield	▼	-	-	-	O	-	-	-
	European high yield		-	-	-	O	-	-	-
	Emerging market debt		-	-	-	-	O	-	-
Foreign Exchange	USD		-	-	-	O	-	-	-
	EUR		-	-	-	-	O	-	-
	GBP		-	-	O	-	-	-	-
	JPY		-	-	-	O	-	-	-

Source: JPMorgan Asset Management

Portfolio

The manager has established a long-term strategic asset allocation which represents how it believes the target return could be achieved with a neutral world view. You can see this represented in the pie chart in Figure 7.

Figure 7: Strategic asset allocation



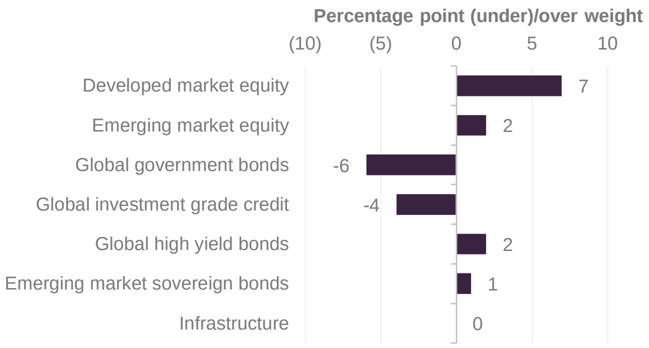
Source: JPMorgan Asset Management

- **Developed market / emerging market equities**: The manager believes equities provide real growth, ahead of inflation, over the long term. The bespoke portfolio will be designed to deliver an attractive dividend yield which grows through time.
- **Global government bonds:** The manager believes this is a low risk asset class that provides portfolio diversification and a positive yield.
- **Global investment grade credit**: The manager believes this asset class offers high quality credits with a modest yield ahead of government bonds.
- **Global high yield bonds:** Although higher risk than investment grade corporate bonds, the manager believes they offer an attractive yield and are senior in the capital structure to equity. High yield bonds are a more volatile fixed income asset class than the global government bonds.
- **Emerging market sovereign bonds:** These bonds will provide emerging markets exposure through the external sovereign debt of emerging market countries. The manager believes these offer an attractive yield, although they are a more volatile fixed income asset class than both the global government bonds and the global high yield bonds.
- **Infrastructure:** Offers low correlation to other assets held in the portfolio and attractive yield and return profile with stable cash flows and economic insensitivity.

Indicative portfolio positioning at launch

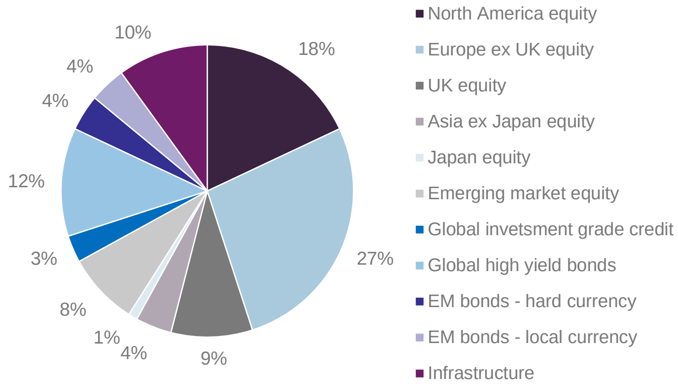
Figures 8 and 9 show how the manager thinks the portfolio might look at launch. These figures are subject to change. The manager also says that, on current assumptions, MATE would have gearing of 11% through use of futures soon after launch, 9% from bond futures and 2% from emerging market equity futures.

Figure 8: Active asset allocation



Source: JPMorgan Asset Management

Figure 9: Indicative portfolio at launch



Source: JPMorgan Asset Management

Track record

MATE is a new fund and therefore does not have a track record. The manager does not run a directly comparable fund but does run a number of multi-asset mandates. Included below are the performance track records of three of these funds, JPM Multi-Asset Income Fund (£398m as at 30 September 2017), JPMorgan Life Diversified Growth (£107m at 30 September 2017) and JPMorgan Investment Funds Global Balanced Fund (£1,650m as at 30 September 2017), which the manager believes have certain comparable elements to MATE's indicative portfolio.

JPM Multi-Asset Income Fund does not have the ability to invest in illiquid assets, with the potential for higher returns, in the way that MATE will nor has it historically provided the level of dividend that MATE aims to achieve.

JPMorgan Life Diversified Growth Fund provides broad diversification across a wide range of asset classes with a flexible asset allocation. It is an opened-end fund which invests through the JPMorgan Asset Management platform and third-party investment trusts, drawing on the portfolio management team's considerable expertise in researching these vehicles.

JPMorgan Investment Funds - Global Balanced Fund is a traditional balanced fund that combines top down asset allocation with specialist bottom up expertise across the JPMorgan Asset Management platform.

Figure 10: Returns of comparable funds managed by JPMorgan Asset Management

	3 months	6 months	1 year	3 years	5 years
JPM Multi-Asset Income Fund	1.4	3.2	7.3	4.6	6.3
(its benchmark - see note)	*2.3*	*4.4*	*9.6*	*6.2*	*8.1*
JPM Life Diversified Growth	2.1	4.5	9.4	7.9	9.0
(its benchmark - see note)	*0.1*	*0.1*	*0.3*	*0.8*	*4.0*
JPMIF Global Balanced	2.4	4.2	6.1	5.0	6.5
(its benchmark – see note)	*1.8*	*3.1*	*6.1*	*5.1*	*6.6*
MSCI World Index	1.5	1.6	14.4	14.7	15.2

Source: JPMorgan Asset Management, Morningstar. Returns are to 30 September 2017 and in sterling. Performance for periods greater than 12 months is annualised.

JPM Multi-Asset Income Fund: Performance returns are shown based on the quoted price of share class C in GBP. All calculations are net of any applicable charges and taxes incurred by the Fund, but gross of any entry/exit fees or taxes charged to the shareholders. Share class inception date is 1 May 2012. Fund benchmark: currently 40% MSCI World Index (Net) Hedged to GBP, 30% Bloomberg Barclays US High Yield 2% Issuer Cap Index Hedged to GBP, 30% Bloomberg Barclays Global Credit Index Hedged to GBP. Prior to 01 March 2011 the fund benchmark was 10% J.P. Morgan GBI EM Global Index in GBP, 45% Merrill Lynch High Yield BB-B Constrained Index Hedged to GBP, 10% FTSE EPRA/NAREIT Developed Index Hedged to GBP, 25% MSCI World Index (Net) Hedged to GBP, 10% Merrill Lynch Sterling Broad

Market Index in GBP. Property component of benchmark changed from Global Property Research 250 hedged to GBP to FTSE EPRA/NAREIT Developed Index hedged into GBP on 1 April 2010.

JPMorgan Life Diversified Growth Fund: Performance returns are shown based on the quoted price of share class 5 in GBP. All calculations are net of any applicable charges and taxes incurred by the Fund, but gross of any entry/exit fees or taxes charged to the shareholders. Share class inception date is 27 October 2006. Fund benchmark: 1 Month GBP LIBOR. Prior to 01 April 2016 the benchmark was 50% MSCI AC World Index, 7.5% FTSE EPRA NAREIT, 7.5% Developed IPD Monthly Balanced, 15% 1 Month GBP LIBOR, 10% BofA Merrill Lynch US High Yield Master II Constrained GBP Hedged to GBP, 10% GSCI.

JPMorgan Investment Funds – Global Balanced Fund: Performance returns are shown based on the quoted price of share class C in EUR, and assumes any income distribution (gross of tax of shareholders) was reinvested in additional shares on ex-dividend date. All calculations are net of any applicable charges and taxes incurred by the Fund, but gross of any entry/exit fees or taxes charged to the shareholders. Share class inception date is 21 January 1998. Fund benchmark is 50% J.P Morgan Government Bond Index Global (Total Return Gross) Hedged to EUR, 45% MSCI World Index (Net) Hedged to EUR, 5% MSCI Emerging Markets Index (Net).

The long-term (five-year) returns of the three funds have been ahead of MATE’s target return of 6% per annum and, with the exception of JPM Multi Asset Income Fund, in line with or ahead of their benchmarks. The strength of the equity market in recent years, as shown in Figure 2, is a significant factor in the funds’ underperformance of the MSCI World Index over this period.

Figure 11: Volatility of comparable funds

	1 year	3 years	5 years
JPM Multi-Asset Income Fund	2.9	5.8	5.8
JPM Life Diversified Growth	2.3	6.2	6.3
JPMIF Global Balanced	2.4	5.5	5.3
MSCI World Index	4.0	9.9	9.2

Source: JPMorgan Asset Management. Returns are to 30 September 2017 and in sterling. Performance for periods greater than 12 months is annualised. See note on Figure 10 for details of share classes used.

Figure 11, which shows the volatility of the three funds compared to that of the MSCI World Index. The numbers show that the three funds’ returns have been much less volatile than those of global equity markets, in line with MATE’s investment objective.

Capital structure

At launch, MATE will have ordinary shares and no other classes of share capital. The maximum number of ordinary shares that can be issued in connection with the initial issue is 250m.

Shareholders will be offered a continuation vote every five years, commencing in 2023.

MATE's financial year end is 28/29 February, with the first accounting period ending on 28 February 2019.

Gearing

MATE may use gearing, in the form of borrowings and derivatives, to seek to enhance returns over the long term. Borrowings may be in sterling or other currencies. Total borrowings will not exceed 20% of NAV at the time of drawdown. Total net investment exposure, including derivative exposure, would not normally be expected to exceed 120% of NAV.

MATE may use derivatives for investment purposes to seek to enhance portfolio returns and for efficient portfolio management (to reduce, transfer or eliminate risk in its investments, including protection against currency risks, or to offset exposure to a specific market). Any use of derivatives for investment purposes will be made on the basis of the same principles of risk spreading and diversification that apply to the MATE’s investments, within the specific limits described above and on page 8.

Dividend policy

MATE seeks to achieve income and capital returns through investment in a diversified portfolio of assets, which is expected to provide for a progressive dividend policy. MATE intends to pay a distribution of 4.0p in respect of the first financial period which equates to a yield of 4.0% on the initial issue price. The dividend will be paid in quarterly instalments with the first distribution expected to be declared in June 2018, in respect of the period ending 31 May 2018.

Any excess of net revenue over dividends will be allocated to a revenue reserve. In the event that the directors decide to pay a dividend in excess of net revenue in any period, the excess may be transferred from revenue reserves in the first instance ad other distributable reserves thereafter.

Fees and costs

Under the terms of the management agreement, the manager will be entitled to an annual management fee calculated at a rate of 0.65% of the first £250m of NAV and 0.6% on any amounts above £250 million. Management fees will be calculated monthly and paid on a quarterly basis. There is no performance fee (although see below). MATE expects to charge 35% of the management fees to revenue and 65% to capital.

Any investments made through funds managed by J.P. Morgan Asset Management will be made (where available) in non-management fee bearing share classes. Where a non-management fee bearing share class is not available, the investment will be made through the lowest institutional fee bearing share class available and, in these circumstances, MATE's management fees will be reduced by an amount equal to the management fee charged by such share class. For the avoidance of doubt, performance fees payable on any such investments shall be excluded from such fee offset and will be payable by MATE.

The investment management agreement is subject to an initial period of two years and, thereafter, is terminable by either party on six months' notice or on shorter notice in certain circumstances.

All secretarial and administrative services are also provided by JPMorgan Funds Limited and the costs of these services are included in the management fee.

MATE will incur, and continue to incur, administrative expenses, including, amongst other things audit fees, directors' fees, depositary fees, regulatory fees, directors' and officers' liability insurance premiums and printing costs. It is estimated that the total expenses of the company (excluding the costs and expenses associated with the Issues) for the financial year ending 28 February 2019 will be approximately £960,000. The company's ongoing charges ratio for the year ending 28 February 2019 will depend on the size of the issue and a larger fund should have lower ongoing charges ratio than a smaller one (as fixed expenses are spread over a larger asset base).

Premium/discount management

MATE will issue shares to meet excess demand and buy back shares to constrain excess supply as and when the directors consider it appropriate. The board recognises that it is in the interests of shareholders to maintain a share price as close as possible to NAV. Shares bought back may be cancelled or held in treasury at the directors' discretion.

The investment team

Talib Sheikh is a portfolio manager in the Multi-Asset Solutions Team, based in London. Talib is responsible for global macro portfolios, balanced and income portfolios and has managed balanced and tactical asset allocation overlay accounts since 2002. A JPMorgan employee since 1998, Talib was previously a portfolio manager in the derivatives implementation team in London. Talib earned a Bachelors of Science in Agriculture and a Masters of Science in International Marketing from the University of Newcastle and is a CFA charterholder.

Katy Thorneycroft is a portfolio manager in the Multi-Asset Solutions team, focusing on multi-strategy investing. This includes benchmark oriented, flexible and total return strategies, as well as funds of investment trusts. An employee since 1999, Katy was previously a portfolio manager in the convertible bonds team and a member of the Multi-Asset Solutions team in New York. Prior to this, Katy was a portfolio manager in the European Equity group in London, focusing on small and mid-cap strategies. Katy obtained a M.Chem. from the University of Oxford and is a CFA charterholder.

Gareth Witcomb is a portfolio manager in the Multi-Asset Solutions Team, based in London. Gareth manages global balanced portfolios and works on the manager's global macro range of portfolios, where he specialises in providing fixed income insight. An employee since 1998, Gareth previously supervised the Cash Management Team, before joining the Multi-Asset Solutions Team in 2005. Gareth obtained a B.A. in History and Politics from University College Wales.

The board

Sir Laurence Magnus (chairman) is a senior adviser at Evercore Partners, a corporate finance advisory business. He is chairman of Pantheon International Plc, Historic England (formerly English Heritage) and a trustee of The Allchurches Trust, The Windsor Leadership Trust and The English Heritage Trust. He is a director of Fidelity Japanese Values Plc and Aggregated Micro Power Holdings Plc. He was formerly an executive managing director of investment banking at Donaldson, Lufkin & Jenrette and its successor company Credit Suisse First Boston. He was chairman of Lexicon Partners immediately prior to its merger with Evercore Partners in 2011.

Sian Hansen is currently a non-executive director of Pacific Assets Trust Plc and an advisor to Oxford Investment Consultants, the research arm of the Oxford Technology Innovation Fund. From 2013 to 2016 Sian was executive director of the Legatum Institute, a global public policy think tank and previously, she spent seven years as managing director of the UK think tank Policy Exchange. She is currently a commissioner of the Social Metrics Commission in the UK and The Women's Refugee Commission in the USA and she is a trustee of The Almeida Theatre. Formerly, Sian was a director and co-head of sales for Asian Equities at Société Générale and before that she was an equity analyst with Enskilda Securities in Europe.

Richard Hills has substantial experience of investment trust and investment company boards and is currently the chairman of Strategic Equity Capital Plc, SQN Secured Income Fund Plc and a director of Henderson International Income Trust Plc.

Sarah MacAulay is a non-executive director of Aberdeen New Thai Investment Trust Plc and a trustee of Glendower School Trust, an educational charitable trust. She has twenty years of Asian fund management experience, in London and Hong Kong managing significant institutional assets and unit trusts. She was formerly a director of Baring Asset Management (Asia) Ltd, head of Asian equities at Kleinwort Benson Investment Management and Eagle Star Investment Management.

James West (chairman of the Audit Committee and senior independent director) is a former chief executive of Lazard Asset Management and a managing director of Lazard Brothers, prior to which he was managing director of Globe Investment Trust Plc. He is currently chairman of CQS New City High Yield Fund Ltd.

MARTEN & CO

Authorised and regulated by the Financial Conduct Authority
123a Kings Road, London SW3 4PL
0203 691 9430

www.martenandco.com

Registered in England & Wales number 07981621,
2nd Floor Heathmans House
19 Heathmans Road, London SW6 4TJ

Edward Marten
(em@martenandco.com)

Alistair Harkness
(ah@martenandco.com)

Investment company research:

James Carthew
(jc@martenandco.com)

Matthew Read
(mr@martenandco.com)

IMPORTANT INFORMATION

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