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INVESTOR

JPMorgan Multi-Asset Growth & Income

Investment companies | Annual Update | 2 May 2023

Caution in the face of volatile markets

In a world of volatile equity markets and uncertain futures, MATE offers investors a refreshingly straightforward target of achieving an average of 6% compound annual returns over a rolling five-year period and paying an inflation-linked dividend.

MATE has now passed its five-year anniversary, and its life has been marked by two of the worst bear markets in recent memory. Given that we are in the grip of a painful downturn, it is unsurprising that MATE has fallen short of its target return. Commendably, the team has not taken on more risk in an attempt to catch up. As evidence of this, the standard deviation of MATE's net asset value (NAV) returns over the past five years is half that of the global equity market.

MATE's commitment to providing an attractive and growing income, is supported by its revised dividend policy. Its combination of target long-term returns and attractive income remains its defining feature, and one which sets it apart from its peers. MATE has also been able to sustain a narrow discount throughout 2022, and its shares currently trade on 3.3% discount to NAV.

Sector	Flexible Investment
Ticker	MATE LN
Base currency	GBP
Price	93.5p
NAV	96.7p
Premium/(discount)	(3.3%)
Yield	4.7%

MATE's underperformance is the consequence of being launched in advance to two of the most painful bear markets in recent memory

Income and capital growth from a multi-asset portfolio

MATE aims to generate income and capital growth, while seeking to maintain lower levels of portfolio volatility than a traditional equity portfolio. It operates a multi-asset strategy, maintaining a high degree of flexibility with respect to asset class, geography and sector of the investments selected for the portfolio

MATE has a volatility half that of global equities

Few of MATE's peers can provide an income comparable to MATE's

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Contents

Domicile	England & Wales
Inception date	2 March 2018
Manager	Katy Thorneycroft Gareth Witcomb
Market cap	70.9m
Shares outstanding (exc. treasury shares)	75,868,408
Daily vol. (1-yr. avg.)	50,566
Net gearing[1]	0.0%

Note 1) Inclusive of open exposure in bond and equity index futures

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Click for MATE's peer group analysis

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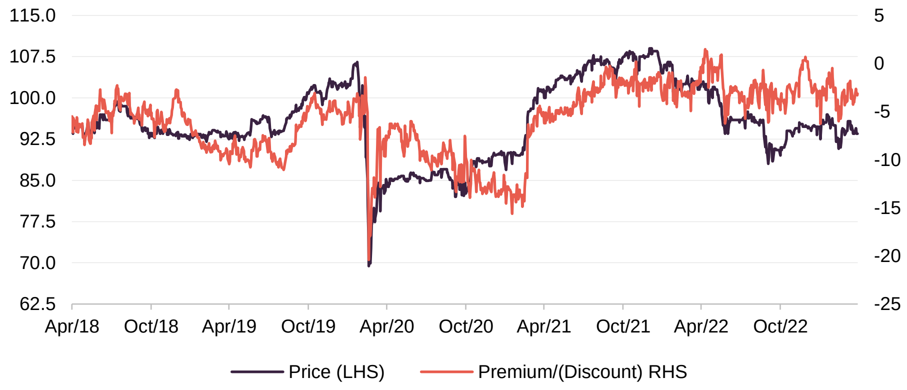
At a glance

Share price and discount

MATE's share price discount to NAV has recovered from its pandemic lows, with the trust trading on a largely stable discount over the past 12 months, despite the wider market turmoil. This stability could be in part explained by the clear advantages of MATE's diversified portfolio during the recent market turbulence, which would in theory have been a better shelter for investors compared to higher-risk assets.

Time period 30/04/2018 to 30/04/2023

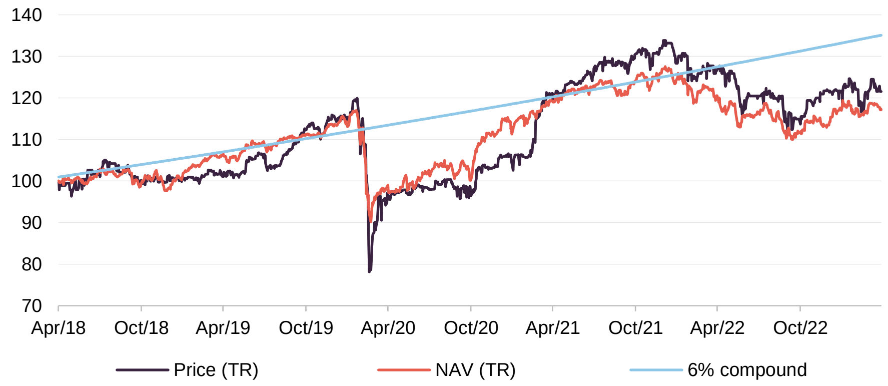


Source: Morningstar, Marten & Co

Performance over five years

MATE has now reached its five-year performance track record milestone, and over this period MATE has been able provide investors with compounding returns in excess of its 6% return target some 45% of the time. MATE's underperformance is the consequence of the strategy being launched in advance to two of the most painful bear markets in recent memory, the COVID crash of 2020 and the inflationary downturn of 2022.

Time period 30/04/2018 to 30/04/2023



Source: Morningstar, Marten & Co

12 months ended	Share price total return (%)	NAV total return (%)	Performance objective annualised (%)
30/04/2019	1.1	6.5	6.0
30/04/2020	(4.7)	(8.0)	6.0
30/04/2021	23.8	21.5	6.0
30/04/2022	6.6	1.3	6.0
30/04/2023	(4.4)	(2.8)	6.0

Source: Morningstar, Marten & Co

What makes MATE your mate?

Targeting attractive 6% compound annual returns and lower volatility than equities

MATE is a multi-asset vehicle, targeting total returns of 6% on average per year over rolling five-year periods. MATE is designed for those investors who are looking for attractive, relatively-predictable income that grows at least in line with inflation.

MATE's board feels that achieving the income objective ought not to come at the expense of investors' total returns. Consequently, the manager, JPMorgan Asset Management (JPMAM), has the freedom to invest with the aim of maximising total returns rather than chasing revenue. To meet the target objective, MATE's investment management team has created a diversified portfolio, aimed to exhibit volatility two-thirds the volatility of that of a global equity index. This is a profile that may be attractive to the more cautious investor with a long-term time horizon.

Why multi-asset?

Multi-asset portfolios can be less volatile than pure equity portfolios

Multi-asset investing allows portfolios to 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 1: Correlations between different asset classes over five years ending 30 April 2023

	Global developed market equities	Emerging market equities	Global developed market government bonds	Global investment grade corporate bonds	Global high yield bonds	Global emerging market government bonds	Infra-structure
Global developed market equities	1.000	0.739	-0.320	0.255	0.709	0.158	0.750
Emerging market equities		1.000	-0.045	0.681	0.907	0.382	0.312
Global developed market government bonds			1.000	0.585	0.012	0.761	-0.481
Global investment grade corporate bonds				1.000	0.762	0.736	-0.246
Global high yield bonds					1.000	0.494	0.298
Global emerging market government bonds						1.000	0.004
Infrastructure							1.000

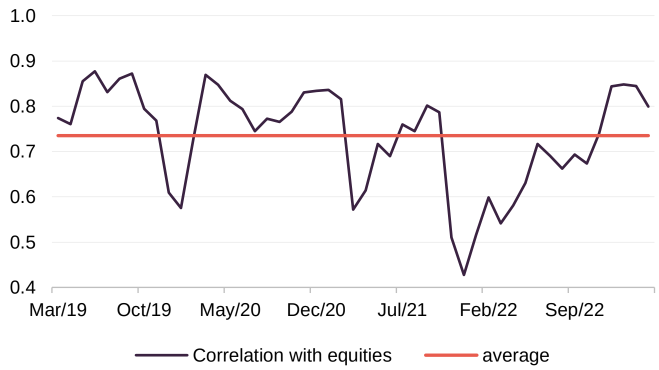
Source: Morningstar, Marten & Co. Based on daily returns of MSCI World, MSCI Emerging Markets, ICE BofA Global Government Bond, Bloomberg Barclays Global Aggregate Corporate, ICE BofA US High Yield Constrained and JP Morgan EMBI Global Diversified and S&P Global Infrastructure indices. All in total return terms and all hedged back into Sterling.

MATE offers investors a strategy that captures a myriad of different types of asset classes, be it fixed income, infrastructure, or equities, across multiple regions and issuers.

Figure 1 shows the correlations between the different asset classes that make up about 90% of MATE's portfolio. A figure of 1 indicates perfect correlation. The lowest correlation in the table is between global developed market bonds and emerging market equities.

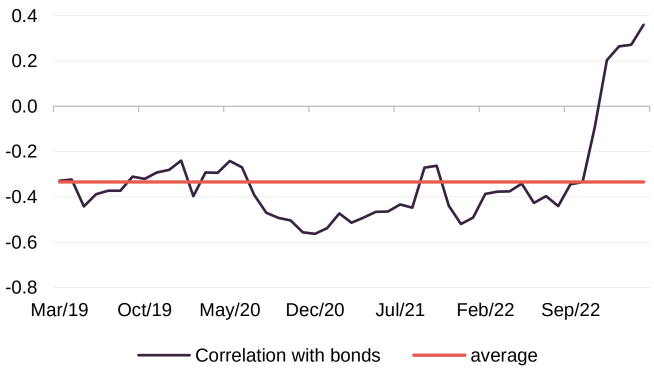
Looking over a wider sample period, since March 2019, MATE has been able to offer an average correlation of 0.74 to global equities (as represented here by the MSCI All Countries World Index), as well as an on-average negative correlation to global bonds (as represented here by the ICE Bank of America Global Broad Market Index).

Figure 2: Rolling 12-month correlation to equities (MSCI ACWI)



Source: Morningstar

Figure 3: Rolling 12-month correlation to bonds (ICE BofA Global Broad Market)



Source: Morningstar

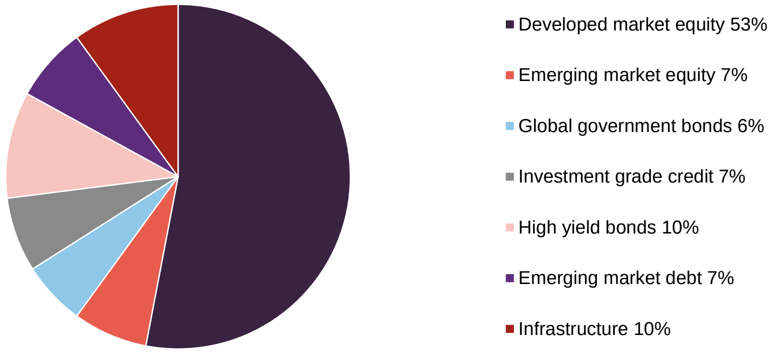
At the outset, MATE's managers devised a strategic asset allocation (SAA) for the fund that was designed to capture an asset class mix that would help them achieve their overall objectives over the long term. This was informed by JPMorgan's long-term capital market assumptions, which effectively formed a view on the outlook for major regions and asset types looking 10–15 years out, and the correlations between these different asset classes. There is no requirement for the portfolio to have exposure to all of the core asset classes that make up the SAA.

> The managers have freedom to deviate from the SAA

The managers' is not completely constrained by SAA and they have the have the freedom to deviate from the SAA and make opportunistic investments. MATE may also invest in alternative assets and currently holds exposure to infrastructure, for example. An important constraint on exposure to alternative assets is liquidity.

The SAA is unchanged since launch and the asset class split is shown in Figure 4.

Figure 4: MATE strategic asset allocation

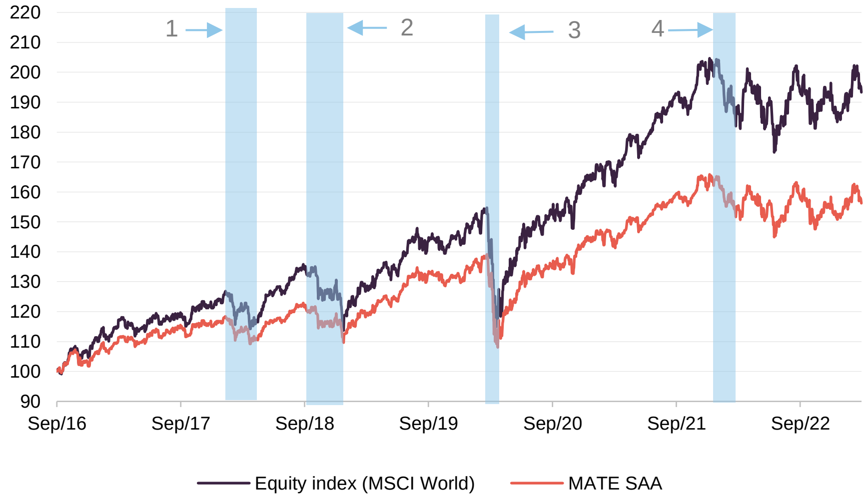


Source: JPMAM

Figure 5: MATE's SAA is less volatile and more defensive than the MSCI World Index

Peak to trough, when markets fall, the SAA portfolio holds up better

Period	Equity index return (%)	MATE SAA (%)
1	**(10.00)**	**(8.11)**
2	**(15.80)**	**(9.72)**
3	**(25.66)**	**(21.53)**
4	**(11.28)**	**(8.72)**



Source: Morningstar, Marten & Co. Based on MSCI World, MSCI Emerging Markets, ICE BofA Global Government Bond, Bloomberg Barclays Global Aggregate Corporate, ICE BofA US High Yield Constrained, JP Morgan EMBI Global Diversified and S&P Global Infrastructure indices. All in total return terms and all hedged back into Sterling

Figure 5 charts the returns from a portfolio of 100% developed market equities versus the return on a portfolio constructed in line with the SAA. Over this five-year period, the equity index outperforms. However, as the figures in the table show, in times of equity market stress, the SAA portfolio holds up better.

Fund profile

More information is available at the company's website http://www.jpmmultiassetgrowthandincome.com

MATE aims to provides an investment vehicle for investors who seek income generation and capital growth from a multi-asset strategy while maintaining a high degree of flexibility.

Its managers seek to achieve the best risk-adjusted returns (with lower levels of volatility than a traditional equity portfolio) by investing in a globally diversified portfolio that includes company shares, bonds and other assets. Their aim is to construct a well-balanced portfolio which is flexible with respect to asset class and geography. This flexibility allows them to take advantage of the best opportunities to deliver an attractive total return to shareholders.

Simple 6% compound return objective

Since its IPO in 2018, MATE's objective has evolved subtly. Having launched with a requirement to pay a covered dividend, the board subsequently believed it could be too restrictive on the investment managers. It also scrapped a benchmark of LIBOR+4.5% (effectively the return on cash plus 4.5%) for the current target return of an average of 6% per annum, measured over a rolling five-year period, which gives the added simplicity of a clear, non-fluctuating target.

The managers believe that the return is achievable based on JPMorgan's long-term return assumptions, which inform the company's strategic asset allocation (see page 11) and the additional alpha achievable from active positioning both bottom up and top down.

Future dividends to grow at least in-line with inflation

MATE is now able to fund its dividend from its capital account, but still retains the same original dividend objective, which aims to increase the dividend in line with inflation as measured by the UK's annual Consumer Price Index from the initial distribution level of 4p per share per annum set at launch in 2018.

The greater investment flexibility afforded by the refined objective allows the managers to invest in lower-yielding but potentially attractive total return strategies.

Management arrangements

JPMorgan Funds Limited (JPMF) acts as MATE's AIFM and company secretary. JPMF delegates the management of the portfolio to JPMorgan Asset Management (UK) Limited (JPMAM).

The lead investment managers – Katy Thorneycroft and Gareth Witcomb – have over 35 years' combined experience

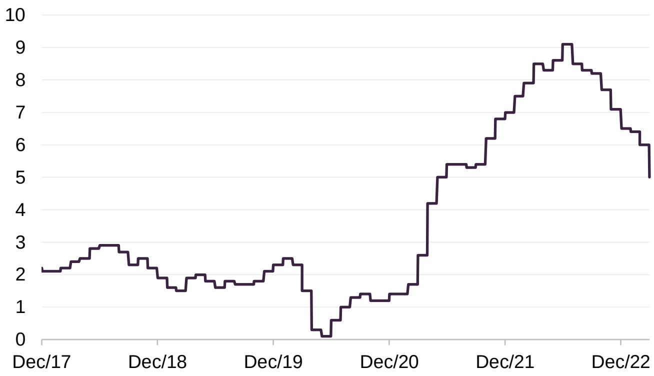
The lead investment managers responsible for MATE's portfolio are Katy Thorneycroft and Gareth Witcomb, who have a combined experience of over 35 years in the asset management industry (see page 21). They are members of JPMorgan Asset Management's Multi-Assets Solutions Team, which consists of over 80 investment professionals located across the globe, managing assets of over $304bn as at 30 June 2021. They can draw on the resources of over 1,200 investment professionals and access a platform of over 500 managers.

The wider JPMorgan Asset Management business is one of the world's largest, managing over $2.5trn on that date. JPMorgan Asset Management also manages 20 investment trusts across a diverse range of geographies and asset classes.

Macroeconomic update

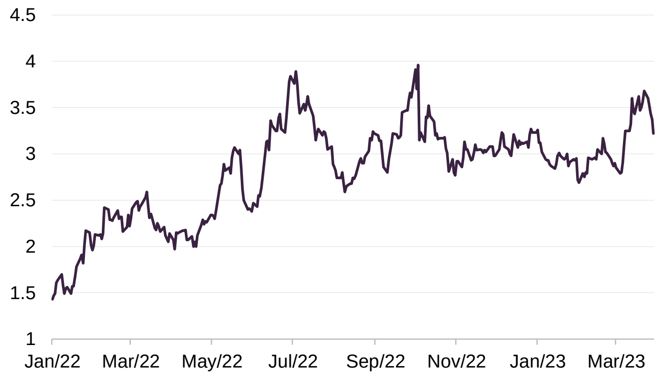
Since our last note, published in August 2022, economic markets have once again taken investors on a roller-coaster. However, unlike the first three quarters of 2022, there has been some upside since mid-October.

Figure 6: US CPI (% change year-on-year)



Source: Bloomberg

Figure 7: Credit spreads (%) for High Yield bond versus BBB



Source: Bloomberg, spread CSI BARC index over CSI BBB index

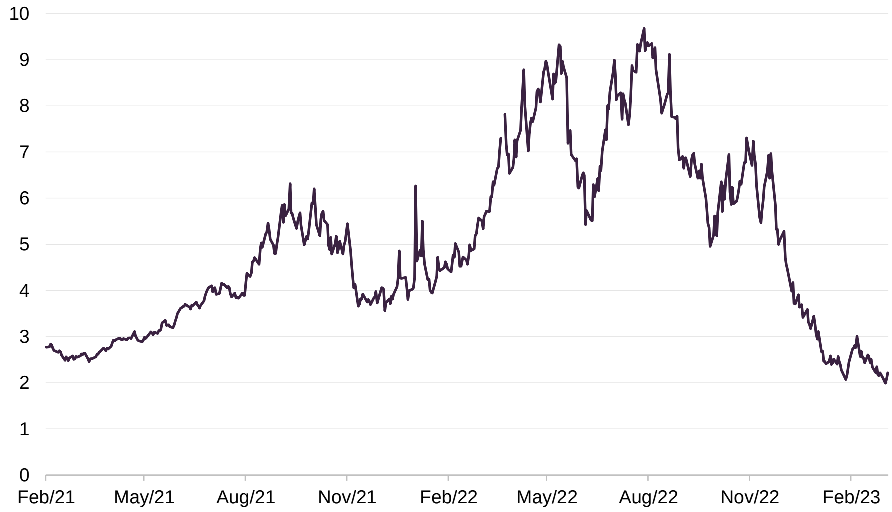
The top-level summary is that markets have largely demonstrated the same driving factors as they did in our last note, bar a handful of developments, with inflationary pressures being the overwhelming headwind facing investors. However, thanks to some positive economic data from the US, falling energy prices, and China's economic reopening, the outlook for the global economy is arguably rosier than it was when we wrote our previous note.

Inflation has been falling in the US (see Figure 6), with some pundits arguing we are now past the 'inflation peak', with the rate of growth in US prices now far lower than the level of our last note. There is still considerable uncertainty, however, as the Federal Reserve remains hawkish (meaning they are likely to prioritise inflation control measures), with concerns around the 'stubbornness' of core US inflation, a sentiment shared by the JPMorgan Multi Asset Team.

The tapering of inflation expectations has done little to reduce the risk premium on US high yield debt. As can be seen in Figure 7, one measure of how risk averse investors are, which is the spread of the yield on an index of high-yield corporate bonds over the yield on an index of investment grade bonds, while off its highs, remains elevated relative to end-2021. A higher interest rate environment coupled with possible economic malaise, has meant that lower-quality credit issuers are being placed under greater scrutiny.

A major driver for the mellowing of global inflation has been the collapse of energy prices, especially natural gas (see Figure 8). The primary reason for this is that the world has acclimatised to the realities of the Ukrainian war, which has just passed its first anniversary. With major economies having now adjusted their energy markets to account for the absence of Russian gas, for now at least, energy prices have fallen. This may allow Europe to avoid a deep recession, which would have been a major possibility when we published our last note.

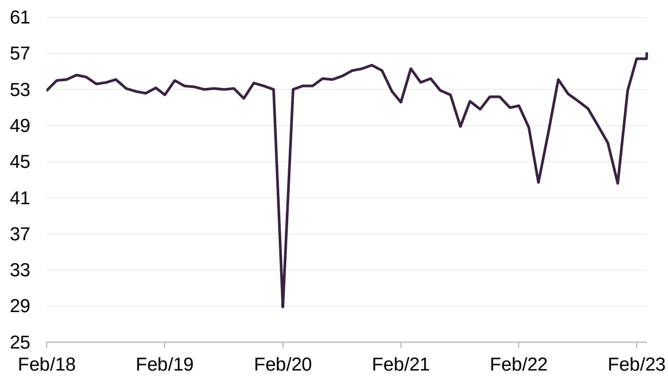
Figure 8: Natural gas prices



Source: Bloomberg, US natural gas (Henry Hub)

We find a bullish sentiment on the other side of the Pacific, thanks to China's economic reopening. Its once-stringent anti-pandemic measures have been rapidly unwound, unleashing years of pent-up demand from the world's second-largest economy. While reliable Chinese economic data can be sparse, what is available points to a clear rebound both consumer and market sentiment, with Chinese Purchasing Manufacturers Index (PMI) moving above 50 for the first time since July 2022 (a figure above 50 indicates growth in manufacturing purchases).

Figure 9: Chinese composite PMI



Source: Bloomberg

Figure 10: MSCI China

Source: Bloomberg

It may be that China can once again return to being the engine for global GDP growth, offsetting more muted growth elsewhere. However, a relatively modest GDP growth target of 5% for 2023, as the government promises to prioritise economic stability, has undermined the recovery in its equity market. Despite the rebound, investors in China still need to grapple with the country's mercurial politics, painful geopolitical risks, and the economy's sensitivity to global demand, given its role as a global exporter.

Managers' macroeconomic views

JPMorgan's Global Multi Asset Team includes economists, market strategists, and quantitative research analysts. The Multi-Asset Solutions' asset allocation views are the product of a rigorous and disciplined process that integrates qualitative insights and quantitative analysis from dedicated research teams together with ongoing dialogue between investment and research teams.

Figure 11 shows the team's views on various asset classes for Q2 2023.

Figure 11: JPMorgan Global Multi-Asset Strategy team global asset allocation views Q2 2023

Asset class	Opportunity set	UW	N	OW	Change	Conviction
Main asst classes	Equities	●	○	○		Moderate
	Duration	○	○	●	▲	High
	Credit	○	●	○	▼	
	Cash	○	○	●		Low
Equities	US large cap	○	●	○	▲	
	US small cap	●	○	○	▼	Moderate
	Europe	○	●	○		
	UK	○	○	●	▲	Low
	Japan	●	○	○	▼	Low
	Emerging markets	○	●	○		
Fixed income	US Treasuries	○	○	●		High
	G4 ex-US sovereigns	○	●	○	▲	
	EMD hard currency	●	○	○		Moderate
	EMD local FX	○	●	○		
	Corporate investment grade	○	●	○	▼	
	Corporate high yield	●	○	○		Moderate
Currency	USD	●	○	○	▼	Low
	EUR	○	○	●	▲	Low
	JPY	○	○	●		Moderate
	Emerging markets	○	●	○		

Source: JPMorgan Global Multi-Asset Strategy team

The team has recently published the conclusions of its latest Strategy Summit, a quarterly forum for debate, challenge and formulation of the firm's asset allocation views. Both its outlook and positioning are cautious. Recent banking stresses imply tighter bank lending standards ahead which could further slow growth in developed economies. Recession risks have increased, and the team believes that 2023 is set to be a year of sub-trend and disappointing growth. However, with little evidence of extreme excess in the real economy and with better capitalised banks, it believes that a repeat of 2008 is unlikely. Should commercial banks tighten lending standards, the Federal Reserve and other central banks will need to do less to bring about the desired slowdown in activity and reduction in inflation. At this stage, it believes that the considerable uncertainties over the extent to which the recent turmoil will affect sentiment and activity, argue against extreme positioning between or within asset classes.

The team continues to lean away from US stocks, given growth risks are most elevated in this region as rates have moved sharply higher and credit conditions are likely to get a lot tighter which will prove a headwind for growth. The team acknowledges the resilience of the European market – which has benefited from the fall in energy prices – and feels that in China, there are signs that pent-up demand and savings accumulated through the COVID years can support activity in the reopened Chinese economy. However, with risks skewed to the downside, the team is comfortable maintaining lower levels of equity exposure overall.

The team has become more positive on duration (a measurement of a bond's interest rate sensitivity and function of its time-weighted cash flows) this year as it offers a higher yield and more protection against a market correction as investors' and central bankers' attention has shifted from inflation to growth. Overall weighted duration has increased by almost two years relative to the position at the end of November, with much of the exposure being held in longer dated US government bonds, where the team has been adding opportunistically as yields have backed up. It notes that historically, the end of a Federal Reserve (the US central bank) interest rate hiking cycle has often coincided with improved returns from US treasuries (government bonds). In contrast, the team is less positive on Japanese bond markets and has a short position, as it believes that the Bank of Japan will bring an end to yield curve control (a policy whereby the Bank of Japan is trying to artificially squeeze borrowing rates so as to encourage economic growth). The team added a small position in investment grade corporate bonds and also emerging market debt this year, where it sees the potential for relative value opportunities in local currency markets. The flexibility afforded by the trust will enable it to add further to positions as conviction in these asset classes increases.

Following the sharp declines in both equity and fixed income markets last year, driven by worries around inflation and how the central banks would take action to tackle this, traditional correlations broke down, but the team notes that high-frequency measures are showing an improvement in correlations this year, which should be beneficial for portfolio performance. Infrastructure offered some diversification benefit through the turmoil of last year, and the team may look to other alternatives strategies to complement this exposure.

Investment process

MATE's investment team can add value by getting their asset allocation right relative to the SAA and selecting high conviction, strategies. The top-down quantitative and qualitative research produced by the Global Multi-Asset Strategy Team therefore forms a key part of the investment process.

SAA unchanged since launch

No changes have been made to the SAA since MATE was launched, but it is revisited annually. The removal of the requirement to cover the dividend has given the managers greater flexibility and increased the range of strategies available to MATE.

Global equities in a directly-invested portfolio

Typically, asset classes are accessed through funds, except for global equities, which are managed as a directly-invested portfolio. Within those funds or the equity portfolio, the underlying managers have full responsibility for their bottom-up investment selection, and that includes decisions relating to industrial sector and geographic exposures.

The portfolio is monitored and managed within the framework of a formal cycle of meetings.

- Macroeconomic strategy is revisited quarterly. A formal, quarterly strategy summit helps to set the broad research agenda and determine the intermediate multi-asset strategy asset allocation view.
- Monthly portfolio construction meetings will typically trigger changes to the portfolio. Changes to the portfolio are usually made gradually.
- However, the portfolio managers also attend daily meetings which capture significant developments and facilitate a discussion of event risks.

MATE may invest in funds managed by external managers

The next element of the investment process is evaluating and selecting investment teams, primarily selecting strategies from across the JPMorgan Asset Management platform, but also accessing third party investment trust managers where appropriate, for example, the portfolio currently has a small allocation to 3i Infrastructure.

The managers adjust MATE's overall market exposure and regional asset allocation either through selling physical assets or by using equity index futures and bond futures.

Risk management is an integral, ongoing and critical part of the managers' investment process

Risk management is an integral, ongoing and critical part of the managers' investment process. They believe 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 team monitors trading and portfolios across the manager's business, looking at aspects such as Value at Risk (VaR), which. quantifies the extent of possible financial losses.

Examples of quantitative factors that the managers take 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.

ESG

ESG is integrated into the investment process across all asset classes

The multi-asset solutions team believes that financially material environmental, social and governance (ESG) factors may impact risk/return characteristics of the underlying managers/strategies in which it invests. Therefore, it looks to understand if the underlying managers/strategies are adequately identifying and actively mitigating risks and seeking opportunities, where material to their investment process.

To become ESG integrated, each investment team on the JPMAM investment platform has been vetted by its centralised sustainable investing team. The team comprises senior portfolio managers, research analysts and investment stewardship specialists across the firm, who define and oversee the ESG integration process for investment desk.

Within the manager/strategy evaluation process, it focuses on understanding how ESG considerations influence the capabilities of the underlying manager/strategy and the investment process. The emphasis is on understanding how ESG factors are considered and how the manager/strategy defines, evaluates, and rationalises the inclusion of securities that may score poorly and/or contain perceived headline risk. Multi-asset strategy portfolio managers consider this information, among other variables, when reviewing managers/strategies within the overall portfolio construction process. At investment director quarterly meetings, ESG characteristics can be challenged and discussed.

For external managers, the portfolio management team assesses ESG characteristics prior to investing through engagement with the manager and third-party brokers. . A considerable amount of the ESG analysis is done via the bottom-up process of the underlying managers/strategies, which are assessing materiality within their respective investment processes and determining ESG factors at the issuer level.

Investment Restrictions

The company has the following investment restrictions at the time of investment, calculated on the company'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
- listed equities and fixed income securities will represent not less than 50%.

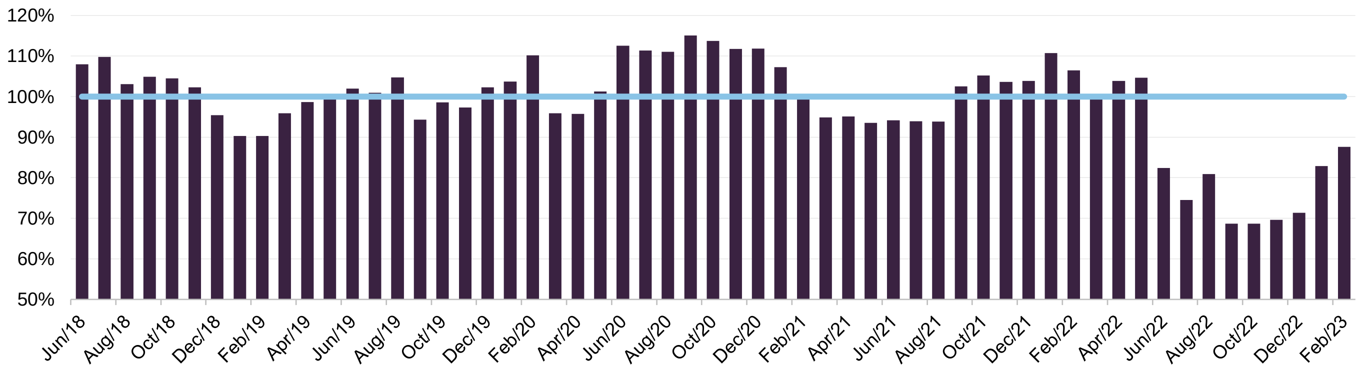
Derivatives and hedging

Whilst MATE has the ability to borrow money, in practice it has not done so. Instead, when they feel it is appropriate, the managers achieve leverage through the use of futures.

MATE's managers use derivatives to seek to enhance portfolio returns and for efficient portfolio management, to reduce, transfer or eliminate risk in its investments, and to offset exposure to a specific market. For example, the current underweight duration in the bond element of the portfolio has been achieved by shorting long-dated government bonds.

MATE usually hedges developed market currency risk back to Sterling. However, they may, as part of the overall asset allocation process, decide to retain currency exposure as part of their investment strategy.

Figure 12: MATE net market exposure since launch



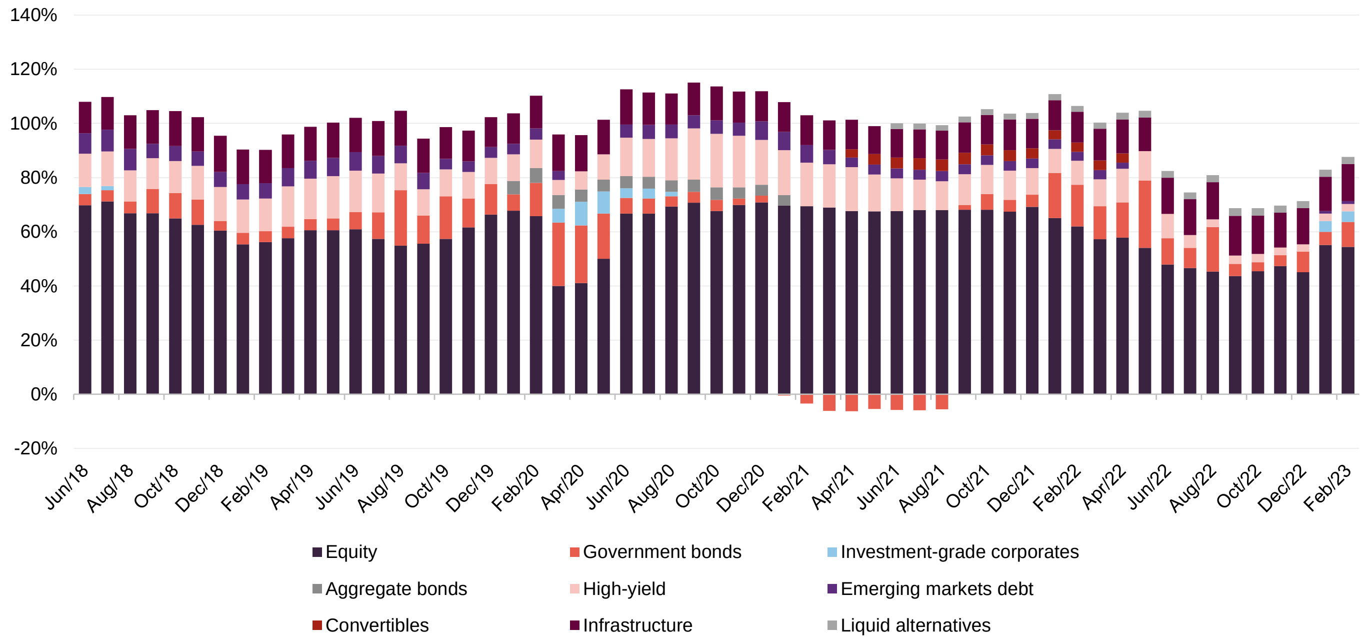
Source: JPMAM

Asset allocation

As of 28 February 2023, MATE's portfolio was 88% invested, with an overweight allocation to what would be considered 'defensive assets' relative to the SAA. However, the largest deviation remains the substantial cash position (hence the sub-100% market exposure), which MATE has held since June 2022, reflecting the increasing downside risk that plagued global markets since then. We note that cash is also used to 'offset' the derivatives held.

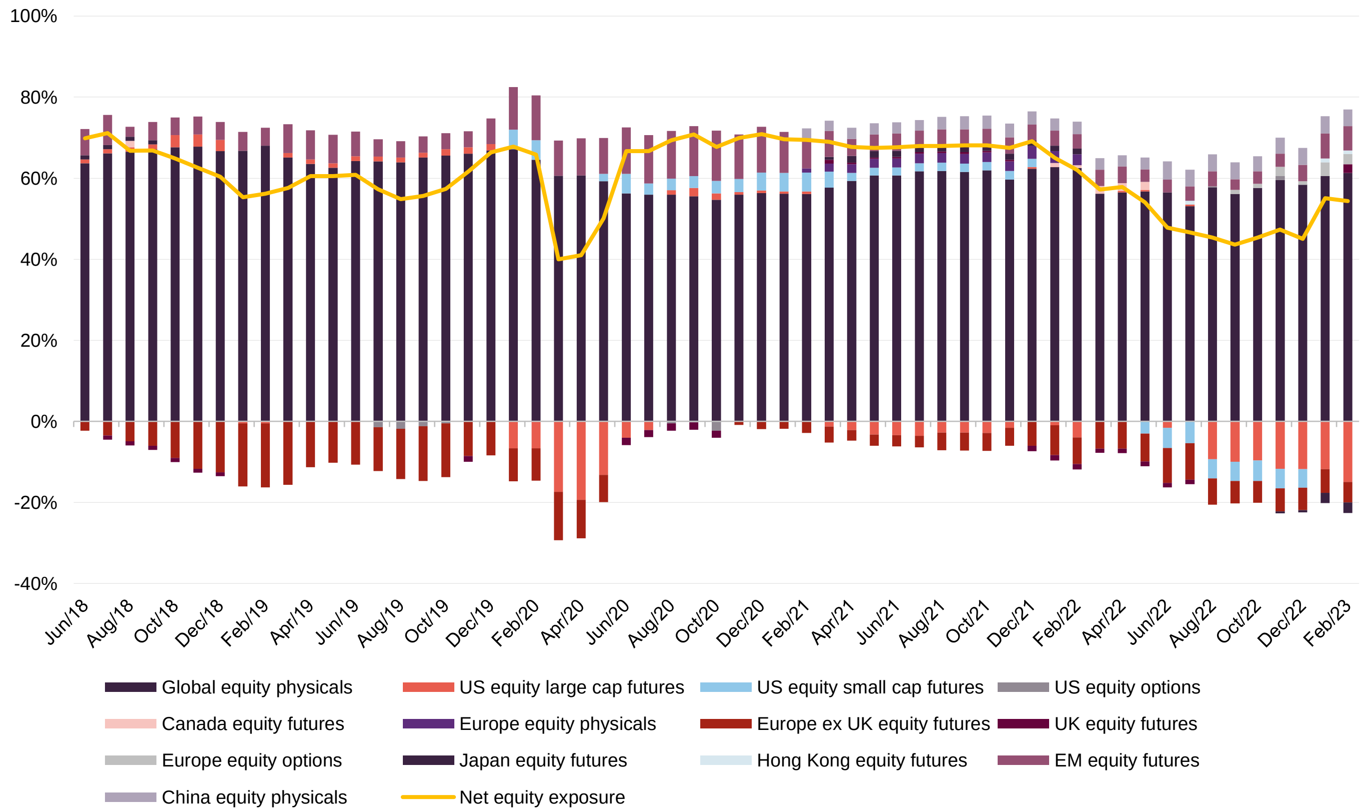
Figure 13 shows how MATE's actual asset allocation has changed since launch, while Figure 14 shows the breakdown of its exposure to equities.

Figure 13: MATE asset allocation since launch



Source: JPMAM

Figure 14: MATE's equity exposure since launch



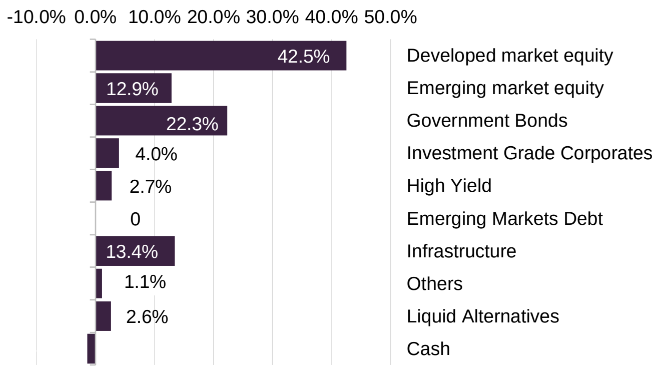
Source: JPMAM

The position at end March 2023

As can be seen from Figure 16, MATE has large underweight exposures to developed market equities, high yield and emerging market debt, relative to the SAA, all of which (alongside emerging market equities) might be considered amongst the highest-risk assets MATE can invest in and those most exposed to rising inflation; a position in-line with the aforementioned macro views of the team. The largest increases within the overweight positions have been in emerging market equity and government bonds. Emerging markets are a region which may offer the most attractive equity outlook, thanks to China's economic reopening, and lower inflation figures being printed by emerging market economies. The increase in MATE's bond exposure coincides with the team's increasingly positive outlook on duration, which signals a more bullish stance on bonds, with the team taking advantages of the increasingly attractive yields in US bonds, as well as some select corporates and emerging market issuers.

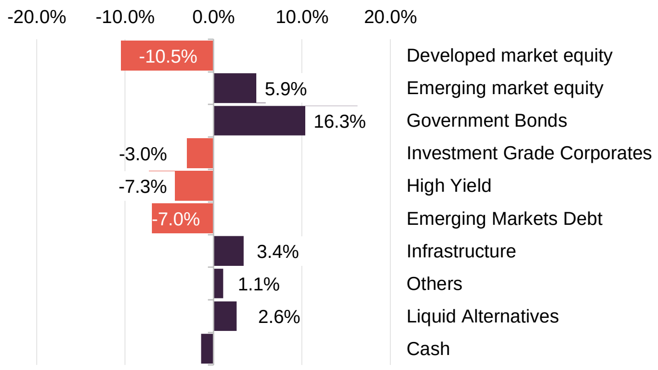
MATE's cash position has fallen substantially since our last note, and reflects the team's confidence in duration, as cash is effectively a zero-duration asset.

Figure 15: MATE asset allocation at end March 2023



Source: JPMAM

Figure 16: MATE asset allocation relative to the SAA at end March 2023



Source: JPMAM

The 10-largest holdings

MATE's largest holdings reflect the team's macro-economic views and include the allocation to infrastructure through IIF and a holding in 3i Infrastructure.

Figure 17: MATE's 10-largest holdings as at 31 December 2022

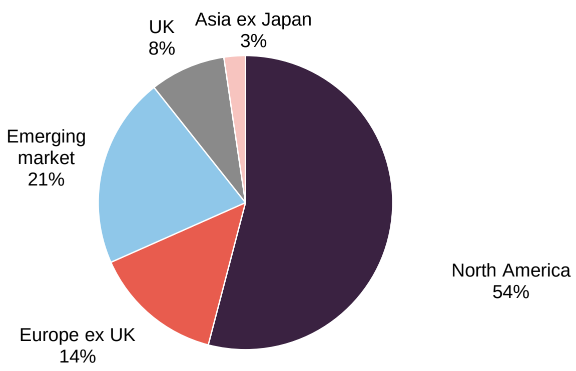
Holding	Asset class	Weight in portfolio (excluding cash) 31/12/22 (%)
Infrastructure Investment Fund IIF	Infrastructure	12.0
JPM (Lux) China A-Share Opportunities	Emerging market equities	4.5
USA Notes Fixed 1.625% 15 Aug 2029	US government debt	4.0
Microsoft	Developed market equities	3.5
JPM (Lux) Global High Yield Bond	High Yield	3.0
JPM (Lux) Global Bond Opportunities	Corporate bonds	2.8
Amazon	Developed market equities	2.7
USA Notes Fixed 3.625% 15 Aug 2043	US government debt	2.5
USA Notes Fixed 0.25% 15 Jun 2023	US government debt	2.4
3i Infrastructure	Infrastructure	2.3
Total		39.8

Source: JPMAM

Equity portfolio

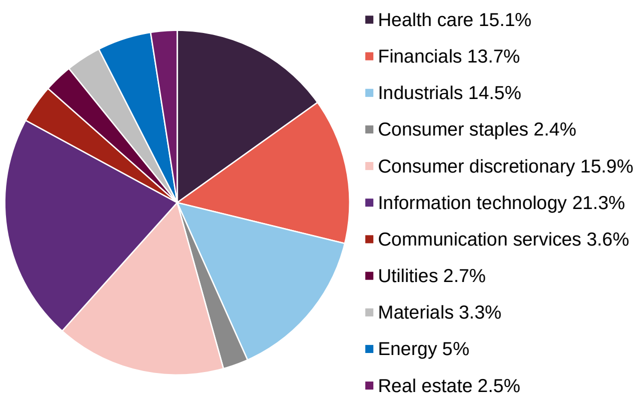
Since we last published, using data as at the end of July 2022, the allocation to North American equities has fallen significantly (from 70% of the equity portfolio to 54%) reflecting the team's underweight stance on the region's equity markets. The major beneficiary of this reallocation has been the Europe ex UK region, where the percentage weighting has risen from 1% to 14%. The trust also has some exposure to the UK, where it had none previously. However, there has been little substantive change in MATE's equity sector allocations.

Figure 18: Geographic split of equity portfolio as at 31 March 2023



Source: JPMAM

Figure 19: Industry sector split of equity portfolio as at 31 March 2023



Source: JPMAM

Top 10 equity positions

Figure 20: MATE's 10-largest equity positions as at 31 March 2023

Stock	Country	Sector	Weight in portfolio 31/03/23 (%)	Weight in portfolio 31/08/22 (%)	Change (%)
Microsoft	US	Information technology	6.4	3.2	2.5
Amazon.com	US	Consumer discretionary	4.7	3.5	1.2
UnitedHealthcare	US	Healthcare	3.1	1.4	1.7
Apple	US	Information technology	2.6	-	2.6
AbbVie	US	Healthcare	2.5	1.6	0.9
NXP Semiconductors	US	Information technology	2.4	1.8	0.6
Mastercard	US	Information technology	2.3	-	2.3
Meta Platforms	US	Communication services	2.3	1.3	1
Coca-Cola	US	Consumer Staples	2.3	-	2.3
LVMH	France	Consumer discretionary	2.2	1.9	0.3
Total			24.4		

Source: JPMAM

There have been a number of new additions in MATE's top ten equity positions, reflecting both trading activity by the team and the relative strength of certain companies. The major shift however has come from the increased concentration of MATE's top 10 equity holdings. New additions include the beverage maker Coca-Cola, the technology giant Apple, and the global payment provider Mastercard. These entrants replaced McDonalds, Progressive and Bristol-Myers Squibb, which were amongst MATE's top 10 equity holdings in our last note.

Performance

MATE has now reached its five-year performance track record milestone, and over this period MATE has been able provide investors with compounding returns in excess of its 6% return target some 45% of the time (based rolling 12-month NAV returns, sampled over the last five years). With a five-year NAV return of 17.1%, MATE has currently underperformed its target return over this period, which would have generated 33.8% when compounded. We note that whilst five years is a common reference frame for investment strategies, the SAA team's investment horizons are longer, preferring to think in terms of a 10–15-year period.

MATE's underperformance is the unfortunate consequence of the strategy being launched in advance to two of the most painful bear markets (periods of market downturns and negative sentiment) in recent memory, the COVID crash of 2020 and the inflationary downturn of 2022. This underperformance can be attributed to the fact that MATE primarily invests through bonds and equities. While these assets have historically shown weak correlation to each other, in both market downturns their correlation rapidly increased, with both asset classes being sold off in tandem. This may have been due to a widespread risk-off attitude, or due to both assets becoming increasingly susceptible to interest rate rises. MATE also missed out on the initial stages of the 2020 recovery – from an overabundance of caution by the managers. However, they reversed part of this underperformance though their asset allocation over the summer and autumn of 2020.

Figure 21: MATE NAV total return performance relative to 6% compound performance objective

Source: Morningstar, Marten & Co

Figure 22: Cumulative total return performance over periods ending 30 April 2023

	3 months (%)	6 months (%)	1 year (%)	3 years (%)	5 Years (%)
JPMorgan Multi-Asset price	0.4	6.9	(4.4)	26.1	21.5
JPMorgan Multi-Asset NAV	(0.4)	5.0	(2.8)	19.6	17.1
6% compound objective	1.4	2.9	6.0	19.1	33.8

Source: Morningstar, Marten & Co

As we have noted in the past, MATE's investment team had previously been hamstrung by the requirement to fund the dividend from MATE's revenue account, which constrained the managers' investment choices. Thankfully, the removal of the requirement to cover the dividend from the revenue generated by the portfolio has, we believe, unlocked the potential for much better total returns, allowing the portfolio to embrace lower-yielding but faster-growing investments.

MATE also operates with a volatility objective, aiming to meet its return objective with a volatility of half that of the MSCI World. MATE has met its volatility target, with a five-year standard deviation of 11%, half that of the 22% standard deviation of the MSCI ACWI.

Peer group

Up to date information on MATE and its peer group is available on the QuotedData website

MATE is a constituent of the AIC's Flexible Investment sector. These funds have investment objectives and/or policies that allow them to invest in a range of different asset types – multi-asset funds, therefore. However, this encompasses a wide variety of funds with very different performance objectives. The full AIC sector would make a poor comparison for MATE.

The list of funds that we have selected for Figures 23 and 24 exclude Caledonia Investments (a trust managed on behalf of a family), Hansa Investment Company (a family-controlled trust with a strong bias to Brazil), JPMorgan Core Real Assets (which has no equity exposure), JZ Capital Partners (a private equity fund that strayed into real estate with disastrous results), Livermore Investments (which has a strong bias to structured finance), Majedie Investments (which is a very recent addition to the sector and whose track record does not reflect a multi-asset approach, therefore), New Star Investment Trust (which is run largely for the benefit of ex-employees of New Star), RiverFort Global Opportunities (which provides financing to very small companies), Schroder BSC Social Impact (which aims to make investments that have a positive social impact), Tetragon Financial Group (which invests in a wide variety of alternative investments including an asset management business), and UIL (a split capital company with an eclectic portfolio).

Figure 23: MATE peer group comparison as at 28 April 2023

	Market cap (£m)	Discount (%)	Dividend yield (%)	Ongoing charge (%)	Annualised volatility[1]
JPMorgan Multi-Asset Growth & Income	71	(3.3)	4.7	1.07	10.72
abrdn Diversified Income & Growth	262	(25.7)	6.5	1.41	15.36
Capital Gearing	1,231	(2.2)	1.0	0.52	10.55
CT Global Managed Portfolio Growth	86	(2.4)	0.0	1.71	14.18
CT Global Managed Portfolio Income	60	0.3	5.6	2.07	12.18
Global Opportunities Trust	96	(11.7)	1.5	0.9	7.18
Invesco Select Balanced	6	(12.6)	0.8	1.09	26.56
Investment Company	16	(10.3)	0.6	2.17	14.95
MIGO Opportunities	77	(3.0)	0.1	1.3	12.22
Momentum Multi-Asset Value	43	(2.1)	4.6	2.62	15.19
Personal Assets	1,883	(0.2)	1.2	0.67	6.36
RIT Capital Partners	3,062	(16.0)	1.9	0.89	20.42
Ruffer	1,156	2.5	0.9	1.07	12.46
MATE rank	9/13	8/13	3/13	5/13	4/13

Source: Morningstar, Marten & Co. Note 1) 1 year share prices standard deviation

Despite our thinned-down peer group, direct comparison between even this cohort of trusts can be difficult. Said strategies are managed to varying return objectives, with a wide variety of assets being held, with some being directly comparable conventional bond and equity portfolios, like MATE, and some investing in assets as exotic as crypto currency. We also remind readers that few of MATE's peers can provide an attractive level of income like MATE, if any level of income at all, which also complicates comparison. We include performance since strategy change for a more meaningful comparison in this regard, given MATE's increased investment freedom. MATE also has one of the lowest risk profiles of its peers, as determined by the volatility of its returns.

MATE's annualised standard deviation of returns since launch is almost half that of the MSCI World Index

MATE is on the small side, being sub-£100m. MATE trades on a negligible discount, especially when compared to its peers, which may reflect a strong buyback policy from the board and also the combination of a straight-forward return target and attractive income. Despite its size, MATE's ongoing charges ratio is competitive.

Whilst it is important to evaluate MATE against its peers as well as its performance objective, we would be wary of putting too much weight on the performance data. Our feeling is that MATE's managers have been hamstrung by the requirement to cover the dividend. As can be seen from Figure 23, few of these funds offer attractive yields, and those that do tend to have lower long-term total returns. We do note that MATE's near-term (six-month) performance has improved relative to its peers however, with the trust possibly being better placed to capitalise on the recent rally in equity markets than its peers.

Figure 24: Cumulative NAV total return performance over periods ending 30 April 2023

	3 months (%)	6 months (%)	1 year (%)	Since strategy change	3 years (%)	5 years (%)
JPMorgan Multi-Asset Growth & Income	(0.4)	5.0	(2.8)	0.3	19.6	17.1
abrdn Diversified Income & Growth	1.5	2.9	1.6	12.6	28.0	17.9
Capital Gearing	(1.4)	0.4	(3.8)	6.9	18.5	29.9
CT Global Managed Portfolio Growth	(3.1)	2.1	(8.9)	(13.2)	17.3	15.8
CT Global Managed Portfolio Income	(2.9)	4.0	(6.0)	(2.3)	23.6	14.0
Global Opportunities Trust	2.6	3.9	10.1	23.7	37.3	22.1
Invesco Select Balanced	(1.8)	2.5	(8.3)	(4.3)	17.5	10.1
Investment Company	(0.3)	9.2	4.3	11.0	23.8	11.3
MIGO Opportunities	(3.8)	0.5	(9.2)	0.0	47.1	18.8
Momentum Multi-Asset Value	(1.5)	9.7	(8.1)	(3.6)	37.3	14.2
Personal Assets	1.6	3.3	(0.6)	11.1	17.8	33.0
RIT Capital Partners	0.7	(0.6)	(9.4)	(3.5)	34.9	40.7
Ruffer	(3.5)	(1.8)	(0.6)	7.8	25.0	35.6
MATE rank	6/13	3/13	6/13	7/13	9/13	8/13

Source: Morningstar, Marten & Co

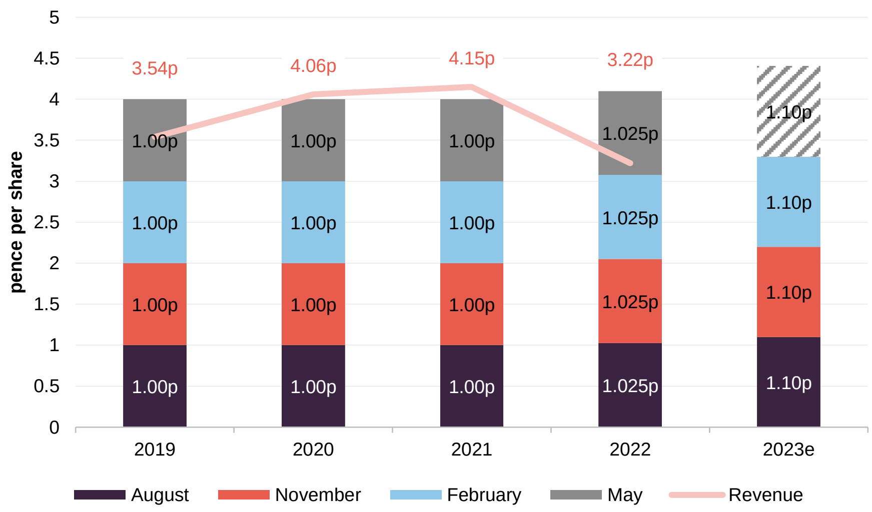
Predictable, inflation-linked dividend

MATE's current policy is to increase its dividends in line with inflation, which not only differentiates it from other trusts, but also may be a strong selling point given the value that many investors place on reliable, predictable income.

For the financial year that ended on 28 February 2023, the board stated an intention to pay a full year dividend of 4.4p per share, to be paid in quarterly instalments of 1.1p. This was 7.3% higher than the 4.1p paid for the accounting year ended 28 February 2022. At end February 2022, UK CPI was running at 6.2% year-on-year.

As at 28 February 2022, MATE's most recent annual report, it had fully depleted its revenue reserve. This is a reflection of MATE's relatively short life and the new policy that enabled the managers to invest in lower yielding assets. Thankfully, under its new policy MATE has the ability to utilise distributable capital reserves to fund its dividend. MATE has reported a distributable special reserve of £84.8m, which reflect almost the entirety of the shareholders' funds.

Figure 25: MATE dividends and revenue per share for financial years to the end of February



Source: MATE

Premium/(discount)

Over the year ended 30 April 2023, MATE's shares moved between trading at a 6.3% discount and a 1.5% premium and, on average, traded at a discount of 2.6%. On 28 April 2023, MATE was trading at a discount of 3.3%.

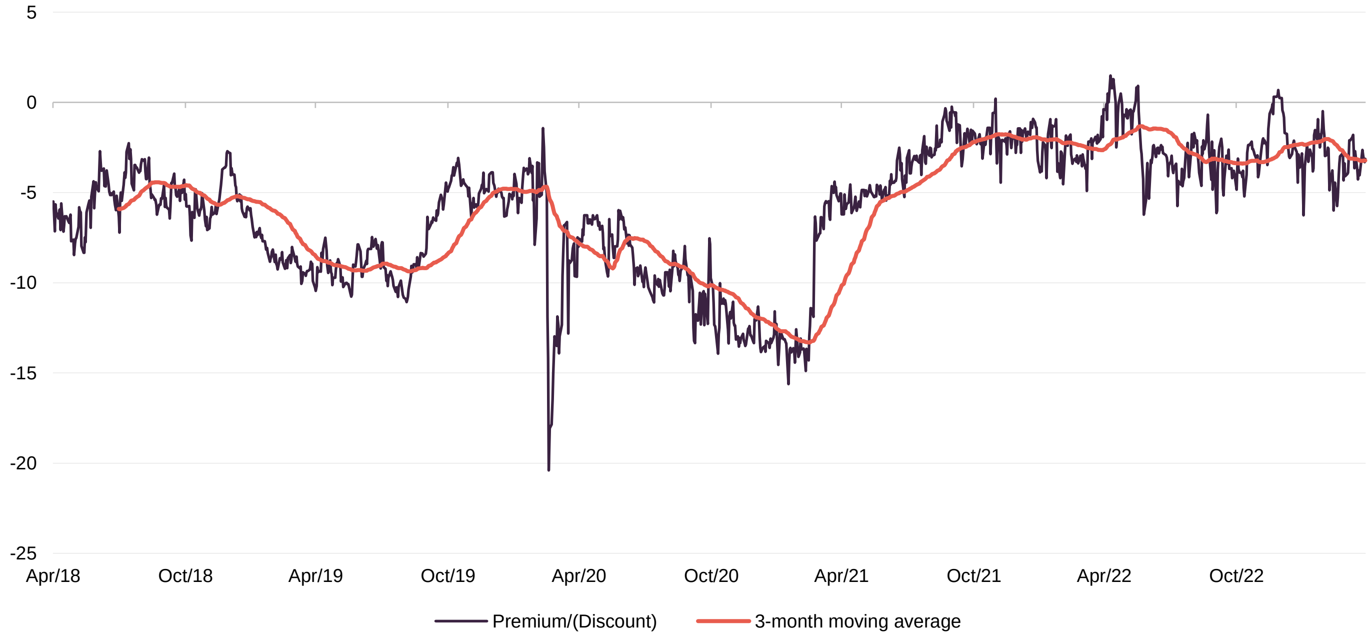
The board recognises that it is in the interests of shareholders to maintain a share price as close as possible to the NAV. It considers using buybacks to address imbalances in supply of and demand for MATE's shares in the market, when it believes it is in the interests of all shareholders and subject to normal market conditions.

Shareholders have granted the board the authority to repurchase shares in the market either for cancellation or into treasury. Such repurchases are carried out at a price below NAV, thereby enhancing the NAV for ongoing shareholders. As is typical, the limit on the amount of shares that can be repurchased is 14.99% of the shares in circulation on the date of the last AGM.

The directors may also sell treasury shares or issue new ordinary shares at a premium to NAV. Here the authorised limit is 10% of the shares in circulation on the date of the last AGM.

As can be seen in Figure 26, MATE's discount has recovered from its pandemic lows, with the trust trading on a largely stable discount over the past 12 months, despite the wider market turmoil. This stability could be in part explained by the clear advantages of MATE's diversified portfolio during the recent market turbulence, which would in theory have been a better shelter for investors compared to higher-risk assets. The other explanation could be that the board has been judicious in its application of MATE's buyback policy, and thus counteracting the impact of market sell-offs.

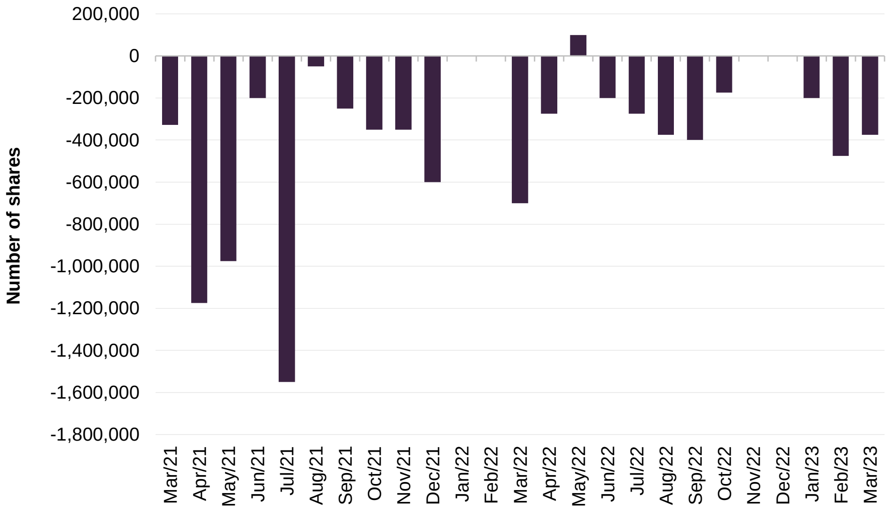
Figure 26: MATE's premium/(discount) over the past five years



Source: Morningstar, Marten & Co

As Figure 27 shows, since March 2021 (immediately following the announcement of the changes to the objective), MATE has been repurchasing its shares on a fairly regular basis, to the benefit of a narrower discount, and – as shares are repurchased at a discount – the buybacks have been NAV-accretive for ongoing shareholders.

Figure 27: MATE recent share repurchases



Source: MATE, Marten & Co

Fees and costs

MATE's investment management fee is charged at the rate of 0.65% per year on the first £250m of NAV and 0.60% on the balance. No performance fee is payable at the company level, but the portfolio may be invested in funds that charge performance fees and these are not rebated. The management fee is calculated and paid monthly in arrears.

Where they are available, investments made through funds managed by J.P. Morgan Asset Management are 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 MATE's investment management fee is reduced to offset these charges.

The investment management agreement 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 JPMF and the costs of these services are included in the management fee.

For the year ended 28 February 2022, administration expenses of £241,000 (FY21: £212,000) and directors' fees of £119,000 (FY21: £120,000) made up the bulk of MATE's other expenses.

MATE's ongoing charges ratio, calculated for the year ended 28 February 2022, was 1.07% (FY20: 1.04%). The increasing ratio reflects the impact of fixed costs on a declining NAV.

Capital structure and life

MATE has ordinary shares and no other classes of share capital. At 31 March 2023, there were 93,115,643 ordinary shares in issue. 16,197,235 ordinary shares were held in treasury and therefore the number of shares in circulation and with voting rights was 76,918,408.

The company's accounting year end is the end of February, and it usually holds its AGMs in June/July.

Gearing

MATE may use gearing, in the form of borrowings and derivatives, to seek to enhance returns over the long term. At present, the company has no bank loans/facilities or structured debt.

Borrowings may be in sterling or other currencies. Total borrowings will not exceed 20% of net asset value at the time of drawdown. Total net investment exposure, including derivative exposure, would not normally be expected to exceed 120% of NAV.

Continuation vote

Whilst MATE is designed to have an unlimited life, the directors will ask shareholders to vote on the continuation of the company at MATE's fifth AGM, expected to be held later this year. Assuming that this is passed, subsequent continuation votes will be held at five-yearly intervals thereafter.

Managers

Katy Thorneycroft, managing director, leads Multi-Asset Solutions' International Portfolio Management team, focusing on multi-strategy investing, including benchmark oriented, flexible and total return strategies, as well as funds of investment trusts. Katy has worked for what is now JPMAM since 1999, having previously been a portfolio manager in the convertible bonds team and a member of the Multi-Asset Solutions team in New York. Prior to this, she was a portfolio manager in the European Equity group in London focusing on small and mid-cap strategies. Katy has an M.Chem from the University of Oxford and is a CFA charterholder.

Gareth Witcomb, executive director, is a portfolio manager in the Multi-Asset Solutions team, based in London. He manages global balanced portfolios and flexible mandates, and participates in the asset allocation framework, where he specialises in providing fixed income insight. Gareth has previously worked on JPMAM's macro strategies and alternative beta products as a portfolio manager. An employee since 1998, Gareth joined the Multi-Asset Solutions team in 2005. Gareth has a B.A. in History and Politics from University College Wales.

Board

Figure 28: The board

Director	Position	Appointed	Length of service (years)	Annual fee (GBP)	Shareholding
Sarah MacAulay	Chairman	19 December 2017	5.2	39,750	220,000
James West	Chairman of the audit and remuneration committees, and senior independent director	19 December 2017	5.2	33,125	35,892
Patrick Edwardson	Director	1 October 2020	2.4	26,500	5,400,000
Sian Hansen	Director	19 December 2017	5.2	26,500	42,980

Source: MATE, Marten & Co

MATE's board is composed of four directors, all of whom are non-executive, independent of the manager and none of whom sit together on other boards. Whilst three of the directors were appointed when the company was incorporated in December 2017, ahead of its March 2018 listing, the board has been refreshed since launch as two directors, Richard Hills and Sir Laurence Magnus, have stepped down (in July 2020 and October 2020, respectively). Each of the directors stands for re-appointment at each AGM.

Sarah MacAulay

Sarah is chairman of Schroder Asian Total Return Investment Company Plc and a director of Aberdeen New Thai Investment Trust Plc and Fidelity Japan Trust Plc, as well as a trustee of Glendower School Trust, an educational charitable trust.

She has 20 years of Asian fund management experience in London and Hong Kong managing significant institutional assets and unit trusts. Sarah 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 FCA

James 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 Associated British Foods Pension Fund Ltd.

Patrick Edwardson

Patrick is a non-executive director of The Edinburgh Trust Plc. He has substantial experience as a fund manager with Baillie Gifford, where he was a partner and head of the multi-asset team.

Sian Hansen

Sian is currently global chief operating officer with CT Group and a non-executive director of Pacific Assets Trust Plc. From 2013 to 2016 she was executive director of the Legatum Institute, a global public policy think tank, and previously she spent seven years as managing director of UK think tank Policy Exchange. She is currently a trustee of The Almeida Theatre. Formerly, Sian was a director and co-head of sales for Asian Equities at Société Générale, and prior to that, she was an equity analyst with Enskilda Securities in Europe.

Previous publications

Our initiation note – *New policy bearing fruit* – was published on 8 October 2021 and can be accessed by clicking the link. It was followed by an update note published in July 2022 – *Navigating a changed landscape.*

IMPORTANT INFORMATION

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