

JPM Multi-Asset Income

Opinion

- This Recommended fund benefits from the experience and expertise of Mr Schoenhaut who has been involved with multi-asset strategies for a number of years.
- Mr Schoenhaut co-manages a long-running, US-based fund, which is managed to the same strategy as this fund. He has been a driving force behind JPM's Multi-Asset Income franchise.
- The managers benefit from the depth of resources at JPM and, as long-standing members of staff, they are able to draw upon the knowledge and insights of the Multi-Asset Solutions team and the various asset class teams in an effective manner.
- As such, we believe they are well placed to manage a portfolio that is income-focused and invested globally across asset classes.

Characteristics and Utility

- Attractive income generation, which is in keeping with the prevailing environment, is the priority for this flexibly managed multi-asset fund. The aim is to deliver an attractive "natural" rate of income – the managers do not attempt to over-reach for yield.
- They also have a keen eye on valuations and portfolio positioning is adjusted with this in mind. Whilst being conscious of capital volatility, diversification is the main mechanism through which this is controlled. The aim is for the fund's risk profile to be akin to a 60% equity/40% bond structure and therefore there is scope for bouts of volatility and drawdowns in times of market stress.
- The fund is suited to investors who are seeking a regular income from a well-diversified, mixed-asset vehicle.

Risk Commentary

The fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 4. This is a regulatory measurement that is, where possible, calculated from the volatility of its weekly performance over a five-year period. A score of 4 means the fund's historic volatility is between 5% and 10%.

This score is in keeping with a mixed-asset fund of this type and similar to peer group funds. We highlight its broad composition at the asset class level, which potentially exposes the fund to additional risks but also offers greater diversification. Different share classes could have differing SRRI scores.



Key Fund Facts

Inception Date:	30 June 2009
Manager(s) Since:	Michael Schoenhaut (Jun 09) Eric Bernbaum (Feb 18) Gary Herbert (Mar21)
Fund Domicile:	United Kingdom
Base Currency:	£ Sterling
Fund Benchmark:	40% MSCI World/30% Bloomberg US High Yield 2% Issuer Cap/30% Bloomberg Global Credit. All Hdgd to £
IA Sector:	Mixed Investment 20-60% Shares

Formal documentation, including the fund prospectus and the KIID, should be sought directly from the asset manager. A link to the asset manager's website can be found on the relevant fund page at theadvisercentre.co.uk. An asset manager adviser factsheet is also provided there.

Fund Snapshot

An income-focused, multi-asset fund. The approach is flexible, and, while income generation is a priority, the fund does not over-reach for yield, paying out its 'natural' rate of income. The fund is globally diversified by asset class and holdings with a view to controlling risk. Within its sector, the fund features in our 'Flexible Mix, Primarily Global Bonds and Global Equities' category.

Investment Team

The lead managers are Michael Schoenhaut, Eric Bernbaum and Gary Herbert, who are members of J.P. Morgan Asset Management's Multi-Asset Solutions team. Mr Schoenhaut is a specialist in the construction of portfolios and heads the team's income strategy globally. Mr Bernbaum is a portfolio manager based in New York and manages outcome-orientated strategies including target date, income and total return. Mr Herbert is the U.S. Head of Global Asset Tactical Asset Allocation (GTAA) and Diversified Portfolios for the firm's Multi-Asset Solutions business.

Investment Philosophy

The managers' primary aim is to deliver a regular and attractive level of income, distributed monthly or quarterly (according to share class), by investing in a portfolio of global, income-generating securities. In pursuing this objective, they aim to achieve a balance between return and risk, creating an investment mix that can achieve an optimum risk-adjusted yield, whilst being conscious of capital volatility and overall portfolio risk. They expect the portfolio's annual volatility to reside in a 6%-12% range, which is akin to a 60% equity/40% bond portfolio mix.

Investment Process

The managers believe that a flexible income strategy must be able to navigate the markets and maintain an awareness of potential downside volatility. Therefore, they have constructed an investment approach that is flexible with respect to geography, asset class, market cap and the capital structure of the securities selected. There is no specific income or return target, but the fund has a neutral asset allocation of 35% in global equities, including emerging markets, 35% in global high yield bonds and 10% in each of emerging market bonds, REITs and investment grade bonds. The managers can consider additional asset classes, such as convertible bonds and non-agency mortgage-backed securities, as market conditions change. There are no strict asset allocation limits, although deviations tend to be within +/- 20% of the neutral allocation.

The managers use the team's broad macro forecasts, combined with the bottom-up, yield-focused insights of the asset class specialists within J.P. Morgan, to make active allocation decisions around the fund's neutral asset allocation. The allocations are then managed by in-house fund managers to custom-defined mandates. The fund's asset allocation is formally reviewed on a quarterly basis, but the managers tend to take a medium to long-term view of markets, acting on investment themes that they believe are appropriate for the next 6-12 months. However, they will make dynamic adjustments to asset allocation as yield opportunities change across asset classes and markets.

Portfolio Construction and Risk Controls

The fund is located in the IA Mixed Investments 20-60% Shares category. The portfolio is well diversified, typically holding over 2000 underlying holdings. At the currency level, the majority of the overseas exposure is hedged back to base currency, with the exception of local emerging market currencies, where it is deemed inefficient to do so from a cost point of view.

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