JPM US Equity Income

Fund Research Centre
Recommended

Why we recommend the fund

- This Recommended fund aims to generate a yield of 1% above that of the S&P 500 index. It is managed according to the firm's well-established value approach, married with a yield discipline.
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- We like the team's straight-forward, no-nonsense approach, which is supported by a disciplined and thorough process.

Key characteristics and expected outcome

- This fund is managed by members of the US Value Team. The risk/return profile of the fund is firmly in the value camp.
- With a bias to high quality companies with healthy dividend yields, the approach results in a portfolio that typically displays lower volatility than the market, as well as less exposure to the downside.
- Although there are no enforced sector guidelines, the managers typically avoid highly cyclical companies or businesses that are commodity-dependent, because of their less predictable natures.
- These proclivities inevitably impact upon the fund's relative performance profile. It tends to flourish when the market is in a more defensive mode but is unlikely to participate fully when risk appetite and momentum is elevated.
- It offers a lower risk way of participating in the US equity market, whilst delivering a yield. It could also be utilised within a blend of funds, providing the value-biased and more defensive element.

Risk commentary

The fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 5. 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 5 means the fund's historic volatility is between 10% and 15%.

The fund's five-year standard deviation is broadly in keeping with that of its peer group and is significantly lower compared to its benchmark. Also to be expected is a relatively high tracking error versus the index, partly because of structural biases in the fund's composition, although it is likely to be lower than many US equity income peers.



Key Fund Facts

Inception Date:	15 December 2008
Manager(s) Since:	Dave Silberman (Nov 19) Andrew Brandon (Nov 19)
Fund Domicile:	United Kingdom
Base Currency:	£ Sterling
Fund Benchmark:	S&P 500*
IA Sector:	North America

*Russell 1000 Value index is used as a performance comparator

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 fundresearchcentre.co.uk.

Fund Snapshot

A North American equity fund that seeks to generate a yield of 1% above that of the index. The portfolio is managed according to a well-established value approach, married with a yield discipline. Within its sector, the fund features in our 'Larger-Cap, Value - Dividend Strategy' category.

Investment Team

The fund is co-managed by David Silberman and Andrew Brandon. Messrs Silberman and Brandon are both portfolio managers in the firm's US equity group. Mr Silberman has been with the firm since 1989 and joined this fund in 2019 as co-manager. Mr Brandon has been with JP Morgan since 2000 and was appointed co-manager on this fund in 2019. The team's US Equity Income strategy was borne from the firm's well-established value approach.

Investment Philosophy

The team members believe that a company which is able to generate free cashflow on a consistent basis and allocate capital effectively to generate growth in value per share, will outperform over the long term. They focus on undervalued businesses with durable franchises and strong management as this is where they find the most consistently rewarding opportunities.

Investment Process

The investment process is bottom-up in nature and designed to highlight the companies that are believed to offer the greatest potential against their current market values. Their search for these undervalued companies is set up so that those that fail to demonstrate the positive attributes of a sound, long-term business are eliminated. At the idea generation stage, the team runs screens that help them to narrow a universe of several thousand companies to a manageable universe of stocks that meet certain criteria and are worthy of further analysis. As well as basic quantitative screening, the team draws upon wide-ranging internal and external inputs in order to hone the universe of stocks that are eligible for further research.

The aim of their fundamental research is to identify stocks that they believe offer good value (and therefore may be out-of-favour), have attributes of quality businesses and deliver a sustainable dividend stream. They frame their research around business and product factors, management factors and financial factors. There is a particular emphasis on management quality and capital allocation decisions, factors that they believe are critical in the delivery of superior returns to shareholders. They also look for a competitive edge and recurring demand for a product or service. With regard to valuation, they consider a range of measures but as a general rule, they do not invest in companies with a price/earnings ratio of more than 20. They expect buy candidates to be positively re-rated by the market in a two to three-year timeframe.

Portfolio Construction and Risk Controls

The fund features 85-110 names, and the maximum stock weighting is 5%. At the time of purchase every security must have a dividend yield to be considered for potential investment. Position sizes are a function of the managers' strength of conviction, the risk/reward opportunity and aggregate portfolio considerations of diversification but are typically in the 1% to 3% range. There are no sector guidelines, but the managers aim to ensure appropriate diversification. There are no sectors in which the managers will not invest as a matter of policy. However, the approach tends to avoid highly cyclical names or companies that are commodity dependent in nature, as these businesses exhibit less predictable earnings cycles.

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