

# JPM Sterling Corporate Bond Fund

JPM C - Gross Acc - GBP: GBO0B2355F65

For other available share classes, please check the prospectus.

## Topline

Monthly returns Fund	Benchmark	Yield to worst*
▲ 0.54%	▲ 1.01%	3.12%
<p><b>Benchmark:</b> Markit iBoxx GBP Non-Gilts Index</p> <p><b>Markets</b> December proved to be another volatile month for financial markets, and investment grade corporate bonds were no different in that regard. Sterling corporate bond spreads widened in line with global credit markets, despite developments such as Brexit dominating headlines throughout parts of the month. U.S.-China trade tensions continue to be a notable driver of spreads, while fears of a global macroeconomic slowdown have also become more pronounced in recent months.</p> <p><b>Helped</b> Financials credit derivative protection.</p> <p><b>Hurt</b> An overweight to credit risk.</p> <p><b>Outlook</b> We remain cautious on the asset class given the ongoing Brexit related uncertainty.</p>		

\*Yield is not guaranteed and may change over time.

## Ratings and awards

FE Crown fund



Past performance and forecasts are not reliable indicators of current and future results. FE Crown Fund Ratings © FE. All rights reserved. All ratings as at December 2018. The methodology and calculations used by companies that provide awards and ratings are not verified by J.P. Morgan Asset Management and therefore are not warranted to be accurate or complete.

## Fund overview

### Investment objective

The Fund's investment objective is to achieve a return based on a combination of income and capital growth by investing primarily in high quality Sterling denominated bonds (or other bonds hedged back to Sterling).

## Month in review

- **The fund has increased its overweight to duration (interest rate risk) at the headline level relative to the benchmark to +0.15 years.**
- **The fund is positioned with a risk-on tilt with regard to credit risk**, as evidenced by a preference for lower-rated credits, which translates to a higher yield (+0.45%) and spread (50bps) versus the benchmark. An overweight to credit risk is also expressed through an off-benchmark allocation to high yield securities. This positioning was a detractor from performance in December as spreads widened across markets over the month.
- **The fund takes off-benchmark exposure to non-sterling-denominated bonds**, specifically in the U.S. dollar and euro space. At month-end, around 17% of the fund was allocated to euro bonds and 9% was allocated to U.S. dollar-denominated bonds. The off-benchmark allocations were detractors from performance over the month as the U.S. dollar and euro markets underperformed the sterling market.
- **From a sector perspective, our underweight to finance companies and consumer non-cyclicals were the main detractors.**
- **From an issuer perspective, our underweights to Pfizer and GlaxoSmithKline were detractors** as the names rallied on the announcement of a joint venture.

## Looking ahead

- **The outlook for sterling issuance going forward is particularly uncertain** given the political overhang of Brexit negotiations.
- **Whilst overall conditions within the market are supportive of credit, we are cautious on the outlook for the sterling corporate bond market.** Corporate health is still largely supportive for bondholders; however, the telecom and consumer sectors are becoming stretched. Macroeconomic hard data has broadly held firm in positive territory, as evidenced by a robust jobs market; however, survey data continues to trend downward across sectors. Relatively attractive valuations should help to limit significant moves wider in spreads.

All data is sourced by J.P. Morgan Asset Management and is correct as at the date of this commentary unless otherwise stated.

## Performance and positioning

%	1M	3M	YTD	1Y	3Y	5Y	10Y
<b>JPM Sterling Corporate Bond Fund C - Gross Accumulation GBP</b>	0.54	-0.54	-2.77	-2.77	4.02	4.64	5.86
<b>Benchmark*</b>	1.01	0.12	-1.08	-1.08	5.03	5.00	6.73
<b>Excess return (geometric)</b>	-0.47	-0.65	-1.71	-1.71	-0.96	-0.34	-0.82

%	2018	2017	2016	2015	2014
<b>JPM Sterling Corporate Bond Fund C - Gross Accumulation GBP</b>	-2.77	4.95	10.30	0.00	11.49
<b>Benchmark*</b>	-1.08	3.05	13.65	1.32	8.70
<b>Excess return (geometric)</b>	-1.71	1.84	-2.94	-1.31	2.56

Past performance is not a reliable indicator of current and future results.

Source: J.P.Morgan Asset Management. As at 02/07/17 share class performance shown is based on the quoted price of the share class, assumes any gross income was reinvested, and includes ongoing charges but not any entry or exit fees. Prior to this date the quoted price of the share class, assumed any net income was reinvested. Performance over one year is annualised. Share class inception date is 01.10.2012.

\*Prior to 01.09.2012 the benchmark was Barclays Sterling Aggregate Corporate Index.

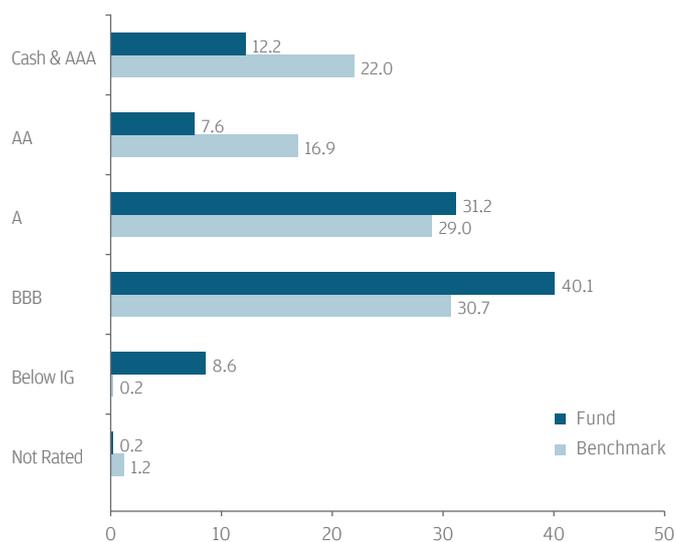
### SECTOR BREAKDOWN (%)



### PORTFOLIO ANALYSIS

	Fund	Benchmark
Wtd DTS	12.54	11.69
Average coupon (%)	4.42	4.14
Yield to worst (%)	3.12	2.67
Average spread (bps)	199	149
Credit quality	A-	A

### RATING BREAKDOWN (%)



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## RISK PROFILE

Bond funds may not behave like direct investments in the underlying bonds themselves. By investing in bond funds, the certainty of receiving a regular fixed amount of income for a defined period of time with the prospect of a future known return of capital is lost.

The value of bonds and other debt securities may change significantly depending on market, economic and interest rate conditions as well as the creditworthiness of the issuer. Issuers of bonds and other debt securities may fail to meet payment obligations (default) or the credit rating of bonds and other debt securities may be downgraded. These risks are typically increased for below investment grade and certain unrated securities, which may also be subject to higher volatility and be more difficult to sell than investment grade securities.

Bonds and other debt securities with a lower credit rating may have a higher risk of defaulting which may in turn have an adverse effect on the performance of Funds which invest in them.

Investing in contingent convertible securities may adversely impact the Fund should specific trigger events occur (as specified in the terms of the security) and the Fund may be at increased risk of capital loss. This may be as a result of the contingent convertible security converting to equities at a discounted share price, the value of the contingent convertible security being written down, temporarily or permanently, and/or coupon payments ceasing or being deferred.

The Sub-Fund uses financial derivative instruments for investment purposes. The value of financial derivative instruments can be volatile and may result in gains or losses in excess of the amount required initially to establish a position in the derivative. The ACD is required to disclose in Appendix A of the Prospectus the sum of the gross notional exposure of the financial derivative instruments used (including those used for hedging or efficient portfolio management) as the expected level of leverage. However, this figure does not take into account whether the instrument

increases or decreases investment risk and so may not be representative of the overall level of investment risk in the Sub-Fund.

Bond funds will normally distribute a combination of coupon and the expected discount/premium on the securities. Therefore, a Fund's distribution will comprise income received and an element of projected capital gains or losses. This could result in an element of capital gain being taxed as income in the hands of an investor.

To the extent that any underlying assets of the Fund are denominated in a currency other than Sterling and are not hedged back to Sterling, movements in currency exchange rates can adversely affect the return of your investment. The currency hedging that may be used to minimise the effect of currency fluctuations may not always be successful.

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The term 'Fund' used throughout this document refers to the relevant 'Sub-Fund', which is a legal term used in the Prospectus.

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