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# JPMorgan Mid Cap Investment Trust plc Annual General Meeting

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**31st October 2017**

**Georgina Brittain**, Portfolio Manager

**Katen Patel**, Portfolio Manager

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# Agenda

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- Introduction
- Performance Review
- Current Portfolio & Performance
- Key Themes
- Outlook

# JPMorgan Mid Cap Investment Trust plc

## Key features

### ■ Investment objective

- Capital growth from medium-sized companies in the UK

### ■ Investment policies

- To specialise in FTSE 250 companies
- Use long and short-term borrowing to increase returns

### ■ Benchmark

- FTSE 250 index (ex Investment Trusts)

### ■ Yield

- Current yield 2.3% (as of 19/10/17)

## Investment guidelines

Stock actives	+/- 5%
Sector actives	No constraints
Non-index holdings	Max 15%
Gearing	95-125%

Source: J.P. Morgan Asset Management as of 30 September 2017 unless otherwise stated.

Source: Morningstar. Prospective dividend yield is indicative and based on mid market prices, and include the declared and net prospective dividends for the current financial year. Past performance is not necessarily a reliable indicator for current and future performance. The Investment Manager (Portfolio Manager) seeks to achieve the stated targets/objectives. There can be no guarantee the objectives/targets will be met. The above portfolio characteristics are shown for illustrative purposes only and are subject to change without notice.

# JPMorgan Mid Cap Investment Trust plc

Key contributors to returns for year ended 30 June 2017

<b>PERFORMANCE ATTRIBUTION FOR THE YEAR ENDED 30TH JUNE 2017</b>		
	%	%
<b>Contributions to total returns</b>		
<b>Benchmark total return</b>		<b>21.5</b>
Stock & sector selection	9.1	
Gearing/cash	0.6	
<b>Investment manager contribution</b>		<b>9.7</b>
<b>Portfolio total return</b>		<b>31.2</b>
Fees/other expenses	-0.9	
Share repurchases	0.1	
<b>Other effects</b>		<b>-0.8</b>
<b>Total return on net assets</b>		<b>30.4</b>
<b>Total return to shareholders</b>		<b>23.4</b>

Source: JPMAM and Morningstar.  
All figures are on a total return basis.  
Performance attribution analyses how the Company achieved its recorded performance relative to its benchmark.

Source: J.P. Morgan Asset Management and Morningstar. © Morningstar. All Rights Reserved.. All figures are on a total return basis. Annual Report & Accounts for the year ended 30 June 2017. Past performance is not necessarily a reliable indicator for current and future performance.

# Financial year performance to 30 June 2017

JPMorgan Mid Cap Investment Trust plc – 30 June 2016 to 30 June 2017

## Cumulative returns (%)

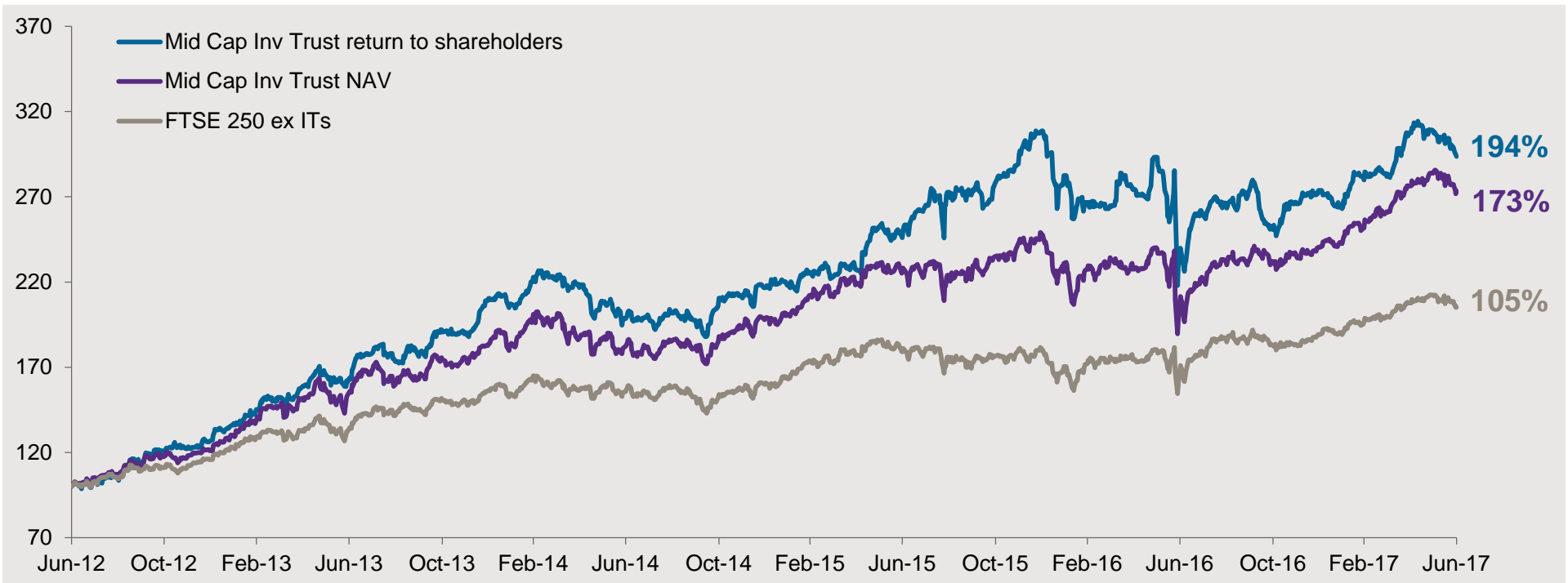


Source: Datastream. Data as at 30 June 2017 rebased to 100 as of 30 June 2016. Performance data has been calculated on NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP. Please note Benchmark Indices do not include fees or operating expenses and are not available for actual investment. Past performance is not necessarily a reliable indicator for current and future performance.

# Five year performance to 30 June 2017

JPMorgan Mid Cap Investment Trust plc - 30 June 2012 to 30 June 2017

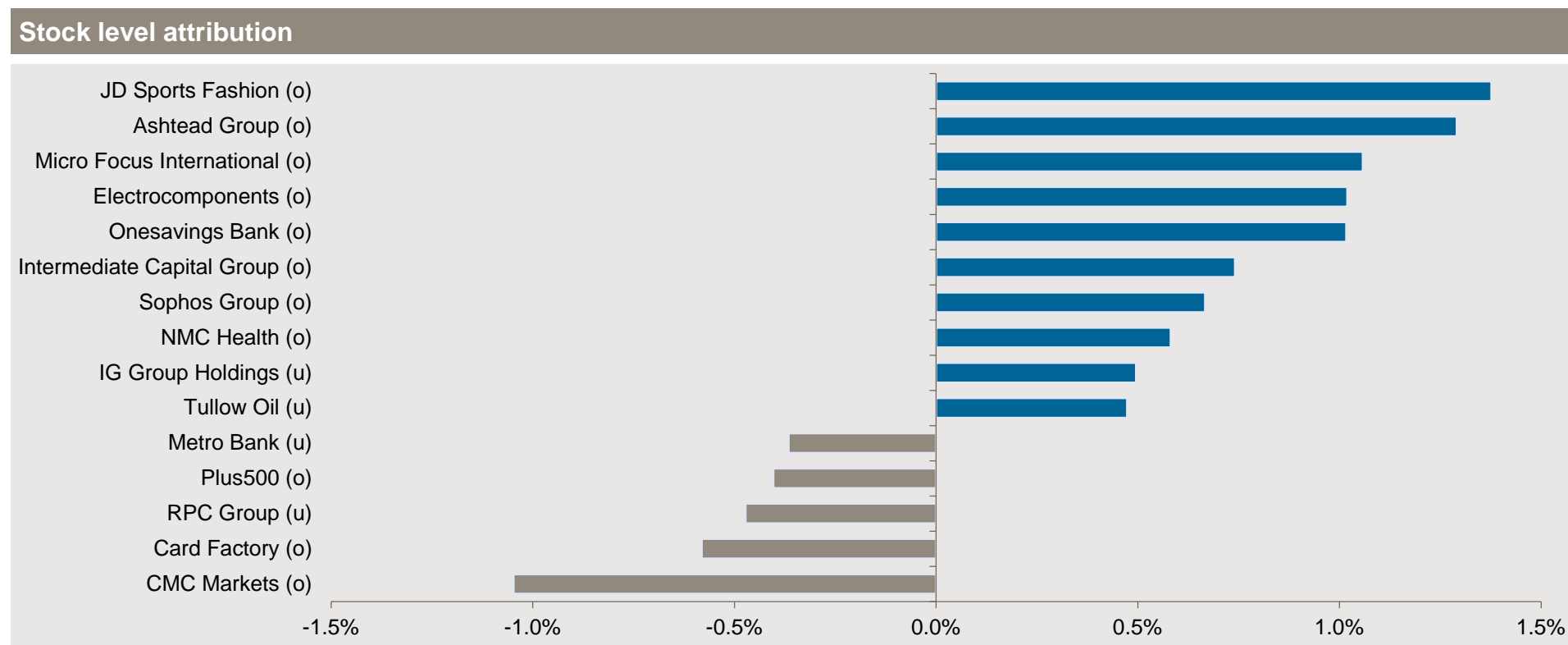
## Cumulative returns (%)



Source: Datastream. Data as at 30 June 2017 rebased to 100 on 30 June 2012. Performance data has been calculated on NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP. Please note Benchmark Indices do not include fees or operating expenses and are not available for actual investment. Past performance is not necessarily a reliable indicator for current and future performance.

# Performance attribution

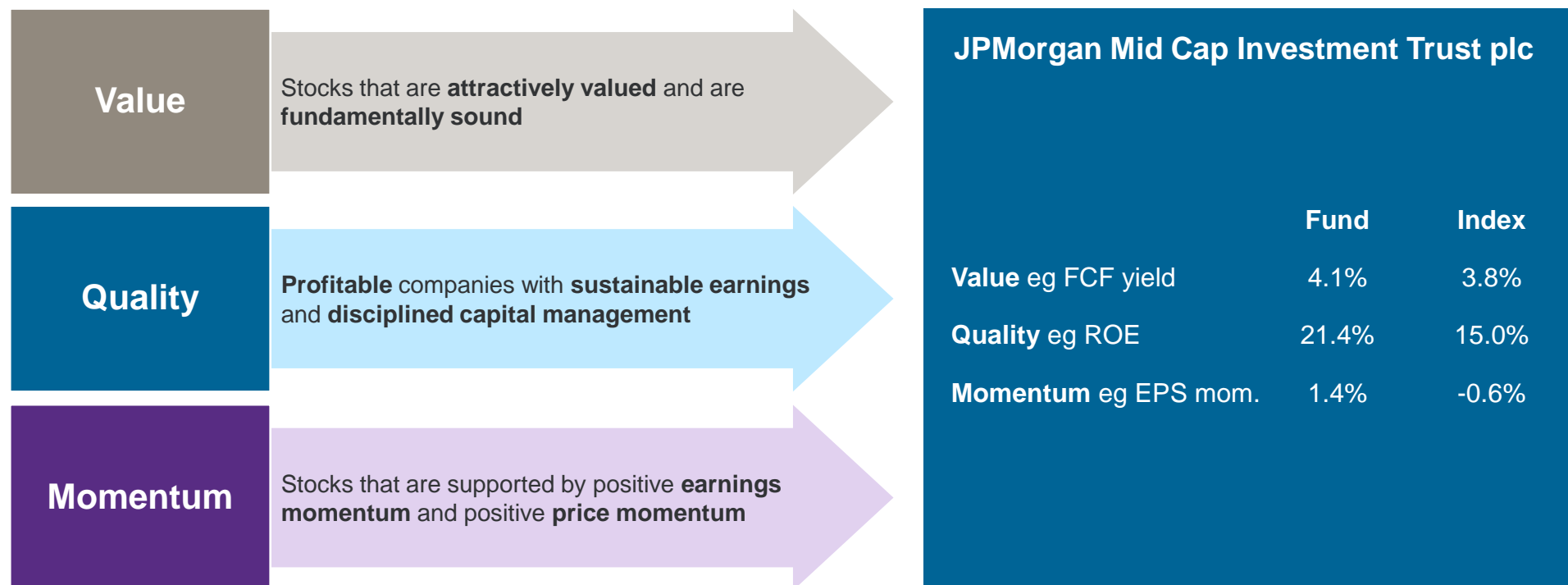
Major stock contributors to returns – 12 months to 30 June 2017



Source: FactSet as of 30 June 2017. The above portfolio characteristics are shown for illustrative purposes only and are subject to change without notice. The Fund is an actively managed portfolio, holdings, sector weights, allocations and leverage, as applicable are subject to change at the discretion of the Investment Manager without notice. Past performance is not necessarily a reliable indicator for current and future performance. . (o) = overweight, (u) = underweight in comparison to Benchmark [FTSE 250 Index (ex Investment Trusts) (£)].

## Our investment philosophy

We believe that attractively valued, high quality stocks with positive momentum outperform the market



Source: J.P. Morgan Asset Management, FactSet, as of 31 July 2017. Figures reported are weighted medians. Figures shown are Value = Free Cash Flow Yield, Quality = return on equity, Momentum = 3 month historic earnings per share revisions. The above portfolio characteristics are shown for illustrative purposes only and are subject to change without notice. Benchmark = FTSE 250 Index (ex Investment Trusts) (£).



# Portfolio positions

JPMorgan Mid Cap Investment Trust plc as of 30 September 2017

Benchmark

FTSE 250 ex Investment Trusts

## Top 10 overweight positions

Stock	Active position (%)
Ashtead Group	5.0
JD Sports	4.8
Electrocomponents	3.1
Onesavings Bank	3.0
NMC Health	2.7
BGEO	2.0
Intermediate Capital Group	2.0
Hill & Smith	1.7
Sophos Group	1.7
Just Eat	1.7

Source: Factset. The fund is an actively managed portfolio, holdings, sector weights, allocations and leverage, as applicable are subject to change at the discretion of the Investment Manager without notice.

# Sector positions

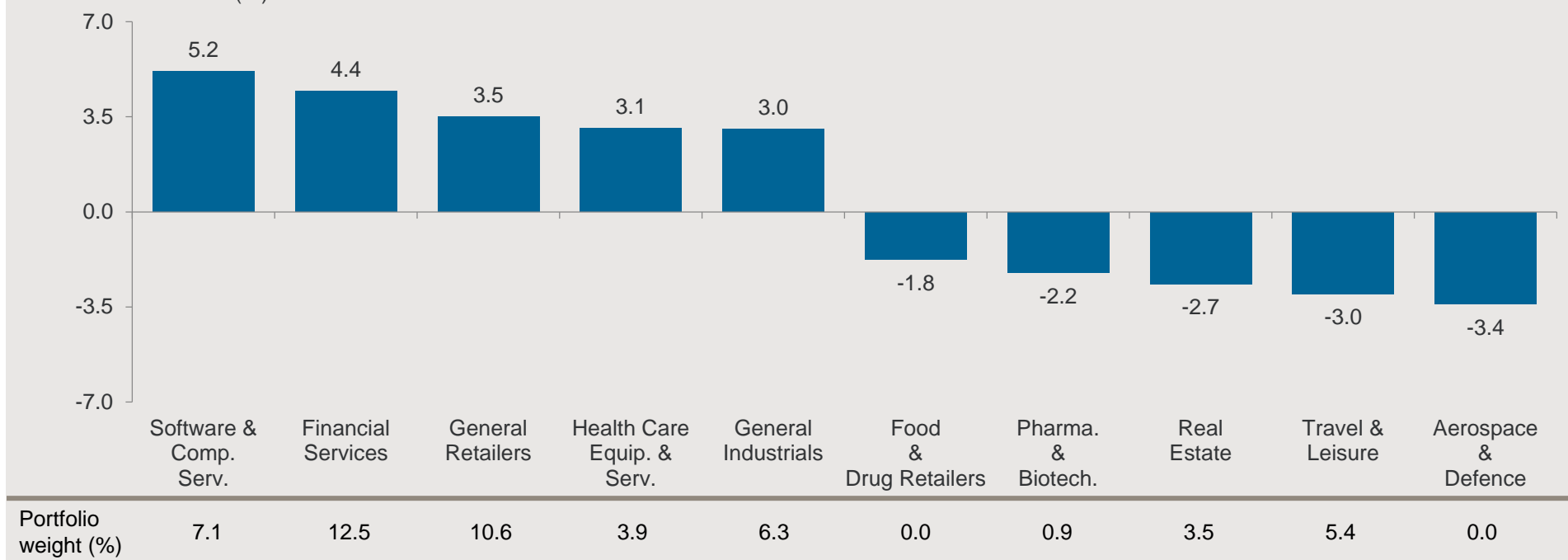
JPMorgan Mid Cap Investment Trust plc as of 30 September 2017

Benchmark

FTSE 250 ex Investment Trusts

## Active and absolute sector positions

Relative to benchmark (%)

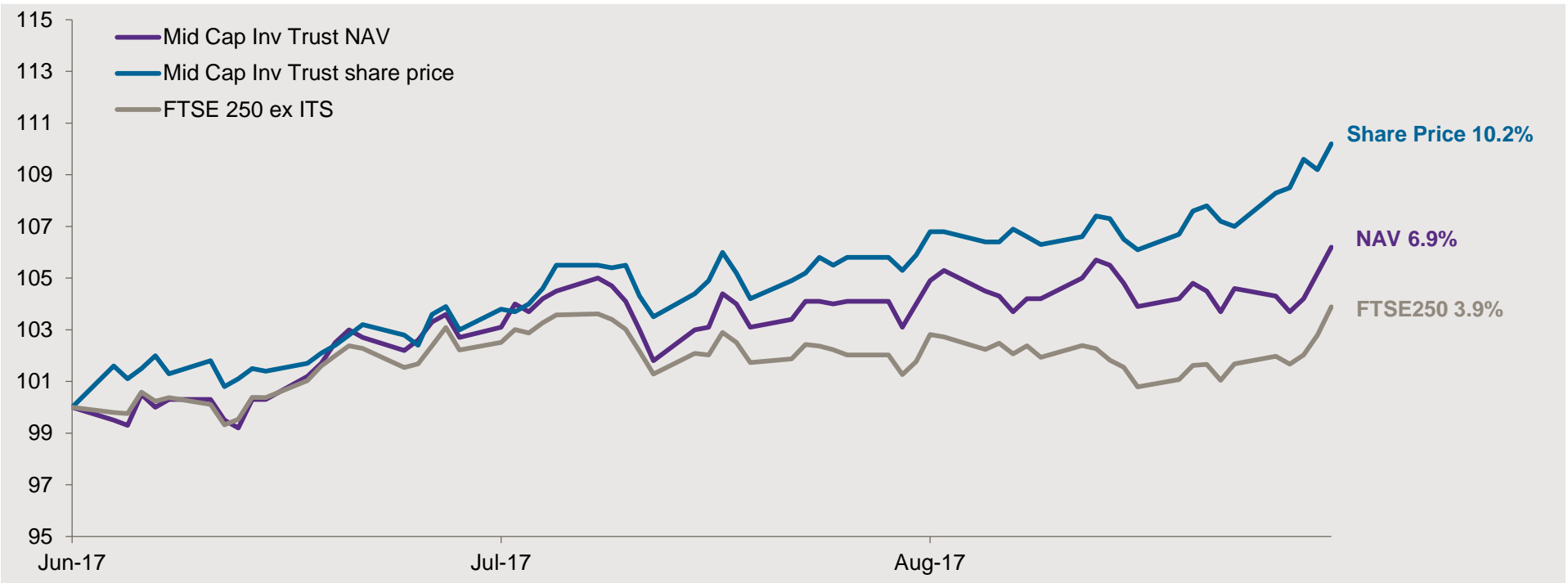


Source: Factset. The fund is an actively managed portfolio, holdings, sector weights, allocations and leverage, as applicable are subject to change at the discretion of the Investment Manager without notice.

# Performance since the financial year end

JPMorgan Mid Cap Investment Trust plc - 30 June 2017 to 30 September 2017

## Cumulative returns (%)



Source: Datastream. Data as at 30 September 2017 rebased to 100 as of 30 June 2017. Performance data has been calculated on NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP. Please note Benchmark Indices do not include fees or operating expenses and are not available for actual investment. Past performance is not necessarily a reliable indicator for current and future performance.

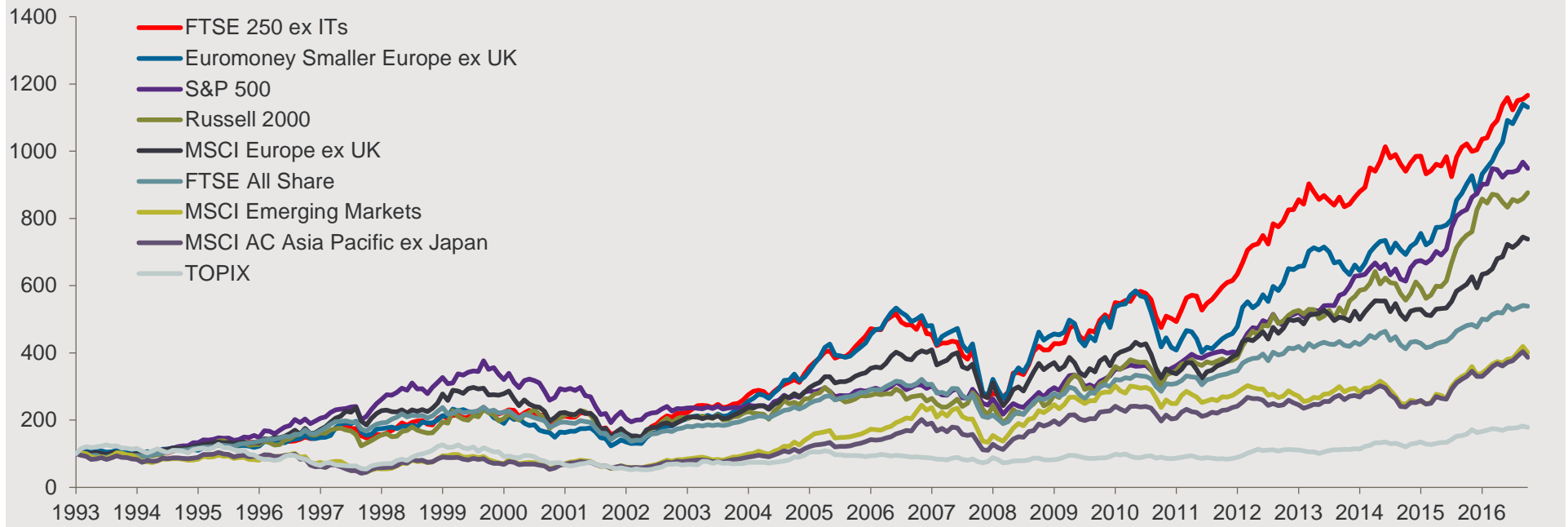
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# Key Themes

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# UK mid caps – long-term performance

## Cumulative returns



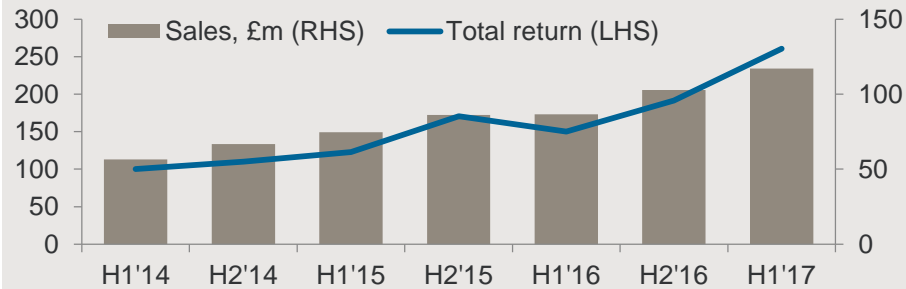
## ... long term returns amongst the best in the world

Source: J.P. Morgan Asset Management, Thomson Reuters Datastream. All series are rebased to 100 as at 31 December 1993 to 30 September 2017. All indices in GBP and include reinvested dividends. Indices do not include fees or operating expenses and are not available for actual investment. Past performance is not necessarily a reliable indicator for current and future performance.

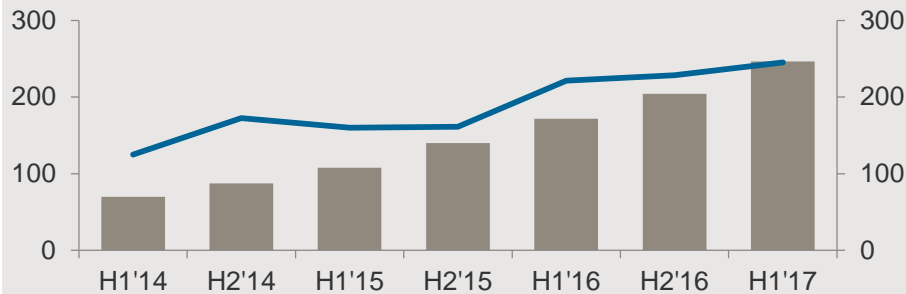
# Structural reasons for long-term outperformance

## Early stage of lifecycle

### FDM Group



### Just Eat

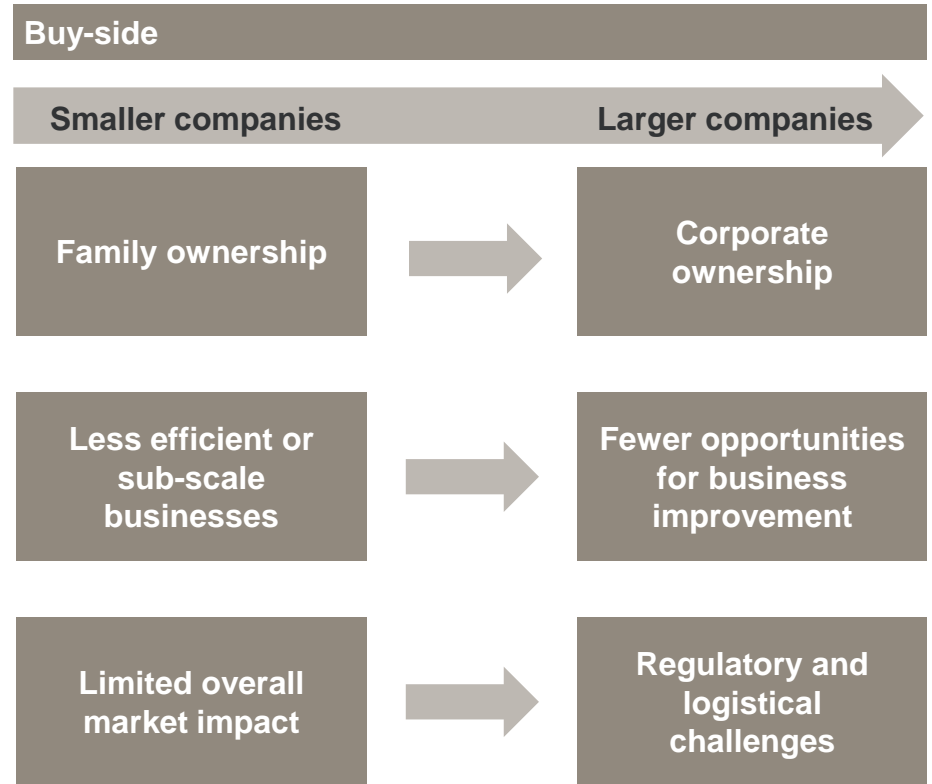
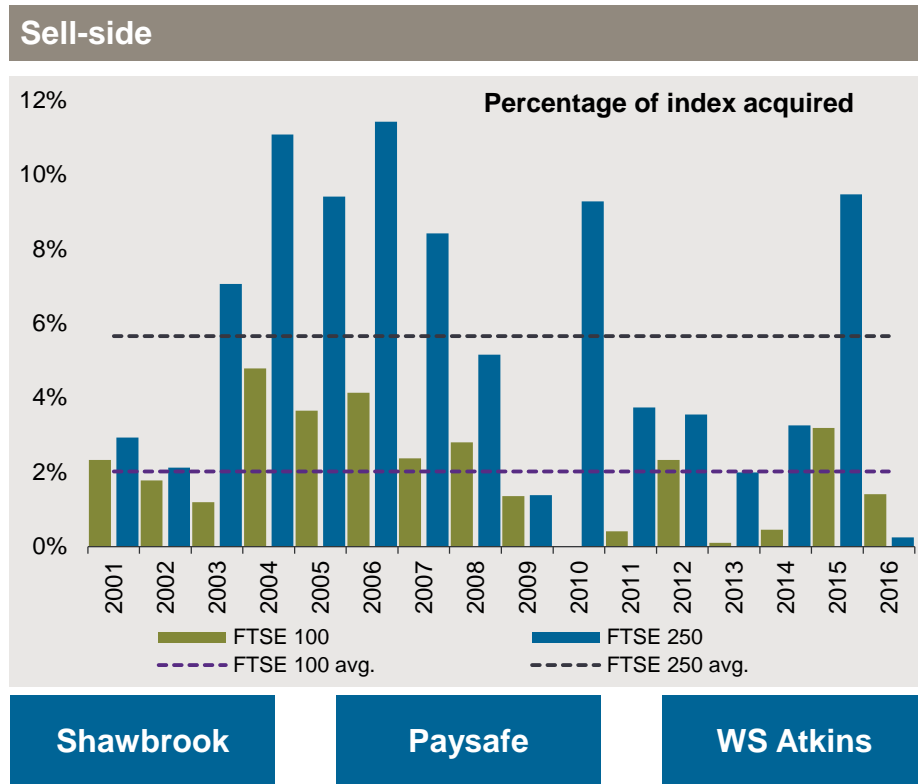


- Faster growth compared to large-caps
- World class companies focused on structural growth areas
- More nimble than FTSE100 peers



The companies above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. Past performance is not an indication of current and future performance. Source: LHS from DataStream, Bloomberg, as at 31st July 2017, RHS images from Shutterstock.

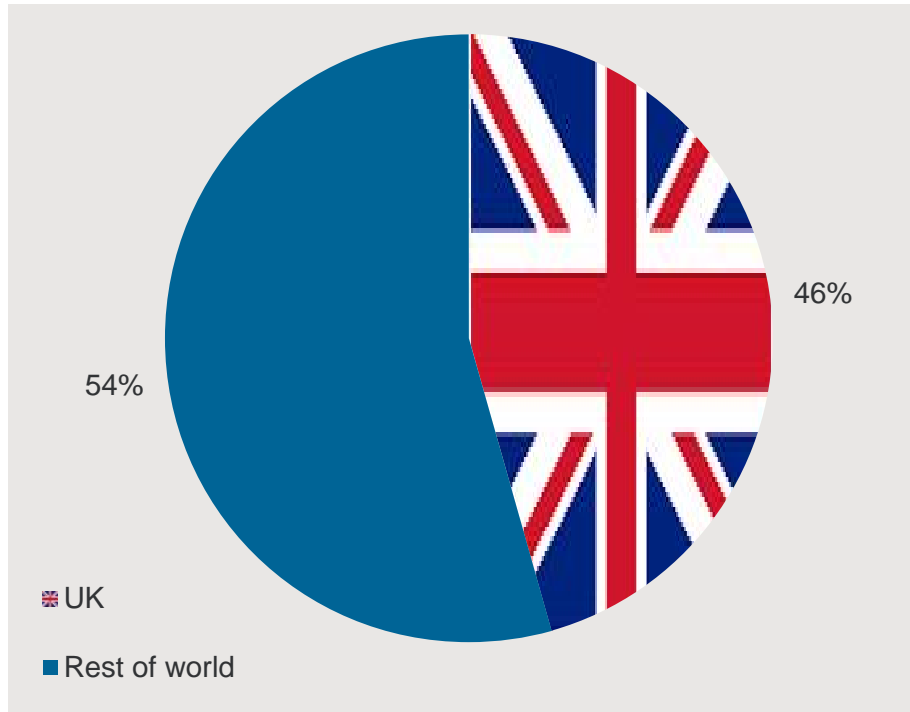
# Mergers & Acquisiton activity has been a key feature



Source: (LHS) Liberum, Bloomberg, as at 31 July 2017. Past performance is not a reliable indicator of current and future performance. Opinions, estimates, forecasts, projections and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. There can be no guarantee they will be met.

## A well balanced portfolio

JPMorgan Mid Cap Investment Trust plc - UK vs overseas revenue exposure



- 20% reduction in exposure to UK revenue over the last 15 months
- Key emphasis on market leading overseas earners
- Maintained portfolio balance with high conviction holdings in certain domestic companies

**Index exposure to UK: 52.4% as of 31<sup>st</sup> August 2017**

Source: Bloomberg, Company Accounts, Company Refs. Benchmark index is the FTSE 250 ex Investment Trusts Index..



## UK market valuation

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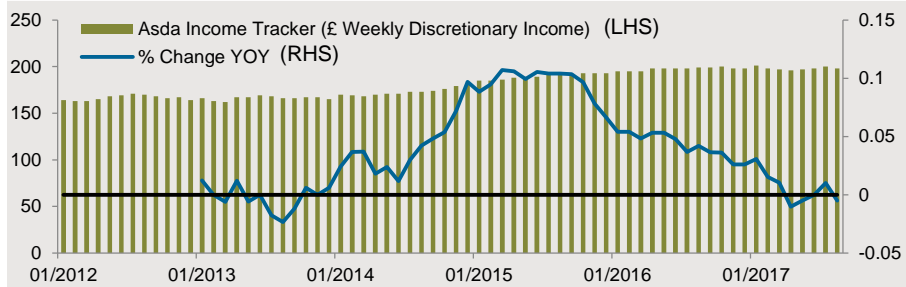
	FTSE 100	FTSE 250	Small Cap
12m forward P/E	14.4x	14.6x	12.9x
Forecast median earnings growth (12m fwd)	8.6%	9.8%	9.3%
Forecast dividend yield (ex non-pay)	4.2%	3.3%	3.2%

...similar valuations but mid cap companies are growing faster and in an upgrade cycle

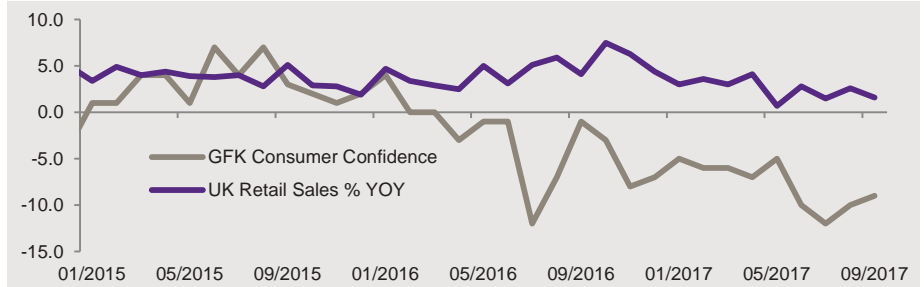
Source: Peel Hunt, 2 October 2017

# UK economic outlook

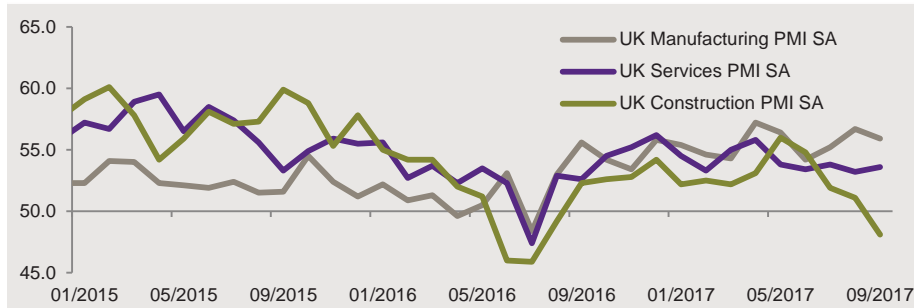
## Asda Income Tracker



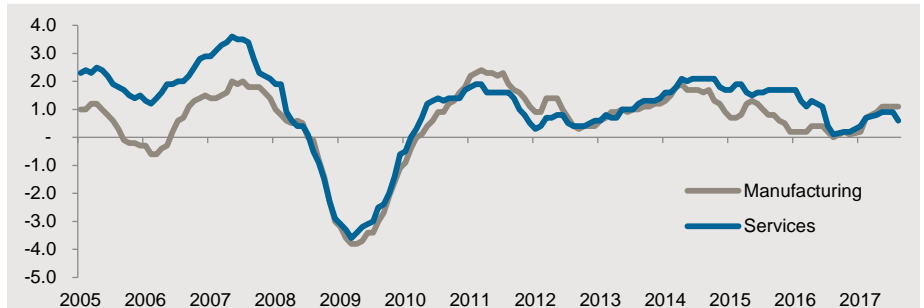
## UK Consumer



## UK PMIs



## BOE Agents Survey Investment Intentions



... a mixed backdrop but marginally better than expectations

Sources: top left chart: Asda, data from January 2012 to August 2017; top right chart: Bloomberg, data from 31 January 2015 to 30 September 2017; bottom left chart: Markit, data from 31 January 2015 to 30 September 2017, SA = seasonally adjusted, PMI = purchasing managers index; bottom right chart: BOE, data from 31 January 2005 to 31 August 2017. Past performance is not a reliable indicator of current and future performance.

# Stock outlook

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Attractive investment opportunities remain

- Valuations are reasonable – particularly relative to other asset classes
- Companies continue to increase dividends to shareholders
  - Special dividends still remain a feature
- Corporate activity continues – Mergers & Acquisition and Initial Public Offerings
  - Significant pick up in IPO activity in recent months

**...portfolio well positioned for the new environment**

The opinions and views expressed here are those held by the author as at 18 October 2017, which are subject to change and are not to be taken as or construed as investment advice. Forecasts, projections and other forward looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections and other forward statements, actual events, results or performance may differ materially from those reflected or contemplated.

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# Appendix

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# Biography

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## Georgina Brittain

**Georgina Brittain**, *Managing Director*, is a senior portfolio manager for small and mid cap funds within the J.P. Morgan Asset Management Europe Behavioural Finance Team. She is the fund manager for the JPM Life UK Small Cap Fund, the JPM UK Smaller Companies Fund, the JPMorgan Smaller Companies Investment Trust and co-manager for the JPMorgan Mid Cap Investment Trust. She is also a co-manager for our range of European small cap funds. An employee since 1995, Georgina was previously an analyst in the UK research department. Georgina obtained an M.A. in Classics from Oxford University, and earned a Diploma in Law from City University, London. She is a qualified barrister



## Katen Patel

**Katen Patel**, *Executive Director*, is a portfolio manager in the Europe Small/Mid Cap Team within the J.P. Morgan Asset Management Europe Behavioural Finance Team. He is the co-manager of the JPM UK Equity Income Fund, JPM UK Smaller Companies Fund, the JPMorgan Smaller Companies Investment Trust and the JPMorgan Mid Cap Investment Trust. An employee since April 2013, he previously worked at HSBC Bank Plc in a European equity sales role. He obtained a B.Sc. in Management from the London School of Economics. Katen is a CFA charterholder.

... expertise, experience and the backing of a large group

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# Investment objective, policy and risk profile

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JPMorgan Mid Cap Investment Trust plc

## Investment objective and policy

The Company aims to achieve capital growth from investing in medium sized UK listed companies, by outperformance of the FTSE Mid 250 Index. The company will predominantly invest in quoted companies from the FTSE Mid 250 Index, although, where appropriate, it may invest in quoted UK companies outside of this index as well as companies quoted on the Alternative Investment Market which is the London Stock Exchange market for smaller, growing companies. The company has the ability to use borrowing to gear the portfolio within the range of 5% net cash to 25% geared in normal market conditions.

## Risks

- The value of investments and the income from them can go down and up, and you may not get back as much as you paid in. Past performance is not a guide to the future.
- Investments in smaller companies may involve a higher degree of risk as these are usually more sensitive to price movements.
- External factors may cause an entire asset class to decline in value. Prices and values of all shares or all bonds could decline at the same time.
- This trust may utilise gearing (borrowing) which will exaggerate market movements both up and down.

# J.P. Morgan Asset Management

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