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# JPMorgan Income & Capital Trust plc Annual General Meeting

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13 July 2017

# Agenda

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- **Performance**
- Portfolio positioning
- Outlook

# Performance

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Financial year ending 28 February 2017

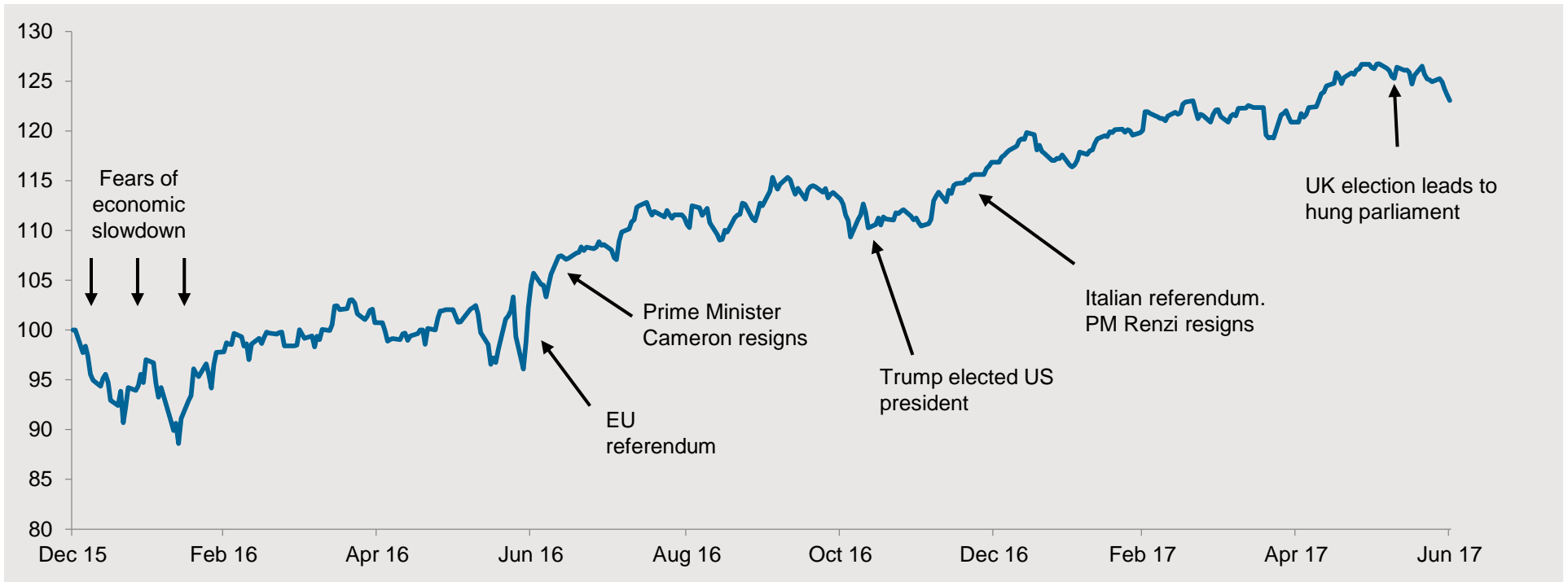
- Total return on shareholders' funds +15.3%\*
- Positive absolute returns but underperformed the benchmark, which was up by 20.8%\*\*
- A year of two halves
  - First half of financial year impacted by EU referendum result
  - Relative performance improved in the second half of the financial year

**...positive absolute returns although behind the benchmark**

Source: J.P. Morgan Asset Management, JPMorgan Income & Capital Trust plc Annual Report & Accounts for the year ended 28<sup>th</sup> February 2017. Past performance is not a reliable indicator of current or future performance. Returns are from 1 March 2016 to 28 February 2017, net of fees, including gross dividends reinvested. Returns are in GBP. \* Shareholders' funds is defined as change in net assets, excluding the effect of share issues, share repurchases and dividend payments. \*\* The Company's benchmark is a composite, comprising 90% FTSE 350 Index (excluding investment trusts) and 10% Bloomberg Barclays Global Aggregate Corporate Bond Index in sterling terms.

# A volatile and challenging environment

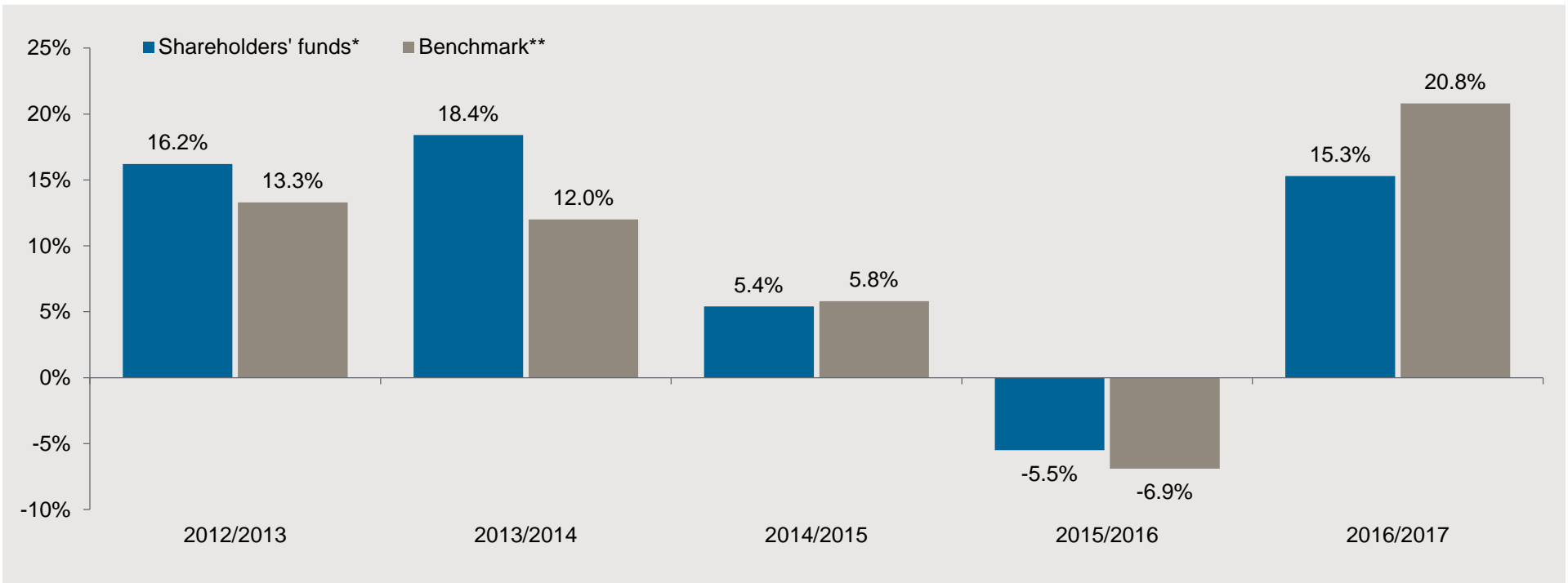
FTSE 350 Index total return: 31 December 2015 – 30 June 2017



Source: J.P. Morgan Asset Management, Thomson Reuters Datastream. Rebased to 100 as at 31 December 2015, in GBP, with dividends reinvested . Past performance is not a reliable indicator of current or future performance.

# Rolling financial year performance

## Trust returns vs. benchmark

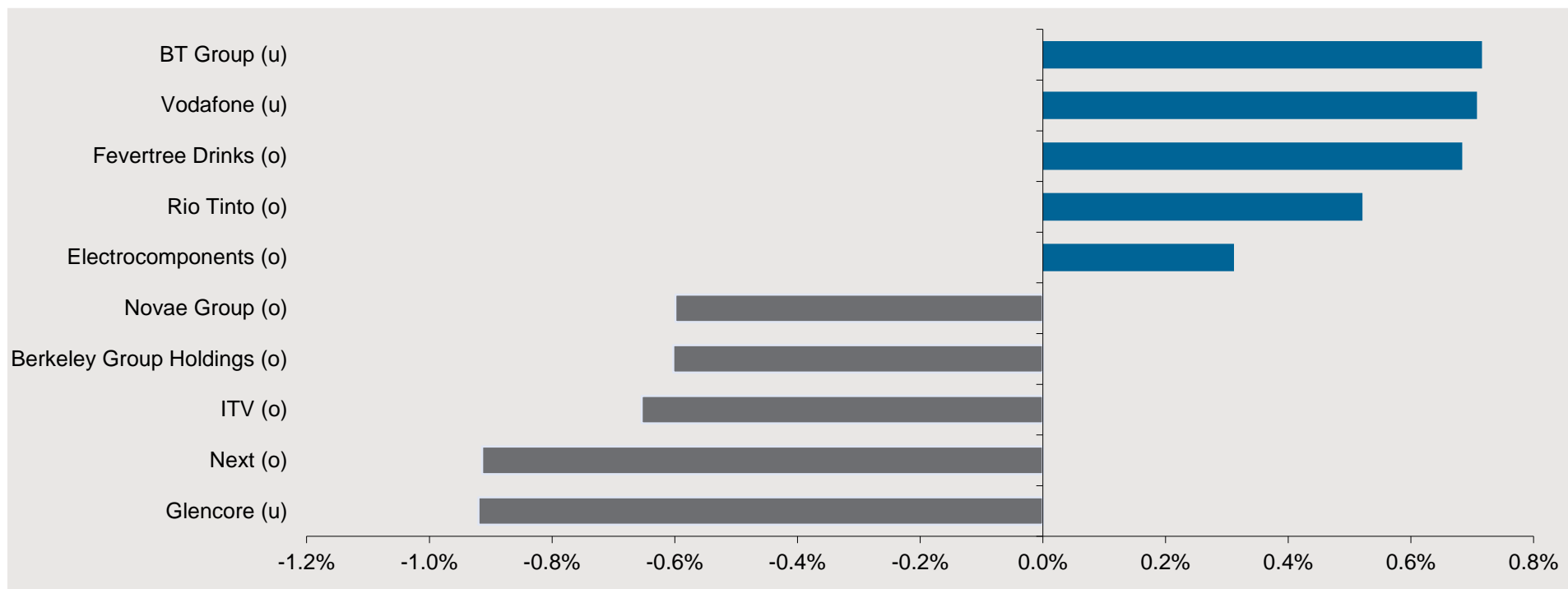


Source: J.P. Morgan Asset Management, JPMorgan Income & Capital Trust plc Annual Report & Accounts for years ending 28th February. Past performance is not a reliable indicator of current or future performance. Returns are net of fees, include gross dividends reinvested and are in GBP. \* Shareholders' funds is defined as change in net assets, excluding the effect of share issues, share repurchases and dividend payments. \*\* The Company's benchmark is a composite, comprising 90% FTSE 350 Index (excluding investment trusts) and 10% Bloomberg Barclays Global Aggregate Corporate Bond Index in sterling terms.

# Performance attribution

12 months to 28 February 2017

## Key stock contributors/detractors



Source: J.P. Morgan Asset Management, FactSet. (o) = overweight, (u) = underweight. Attribution is shown versus the FTSE 350 Index (excluding investment trusts). The trust 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 an indication of current and future performance.

# Agenda

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- Performance
- **Portfolio positioning**
- Outlook

## Portfolio construction

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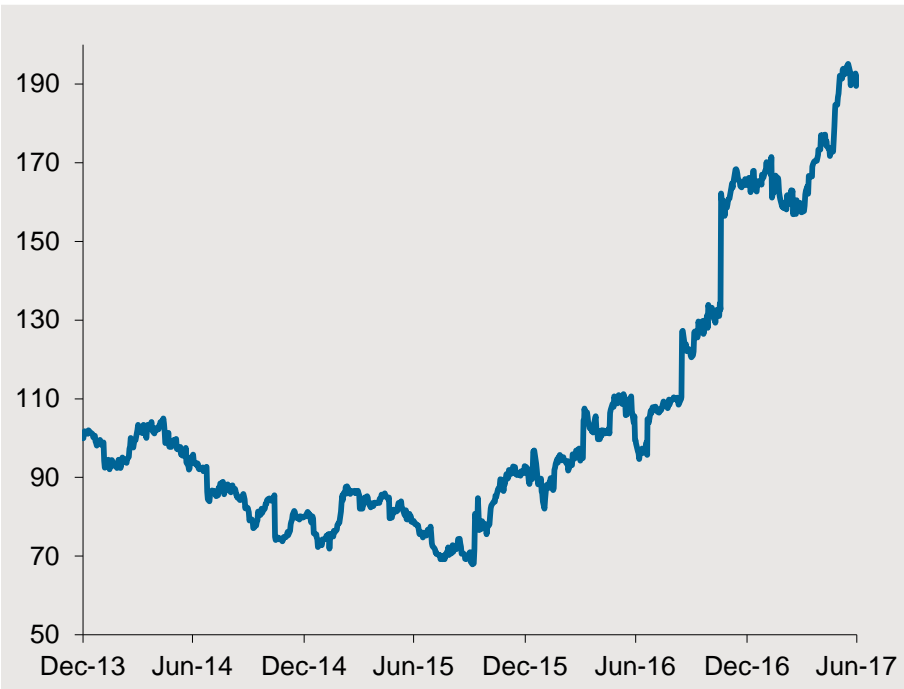
- Driven by value & momentum, with a yield focus
- Not benchmark constrained
- Focused portfolio of UK equities
- Diversification: understand different areas of risk
- Portfolio yield premium

...aiming to capture superior income and growth returns from UK equities



## Stock example: Electrocomponents

Relative price vs. FTSE 350 Index

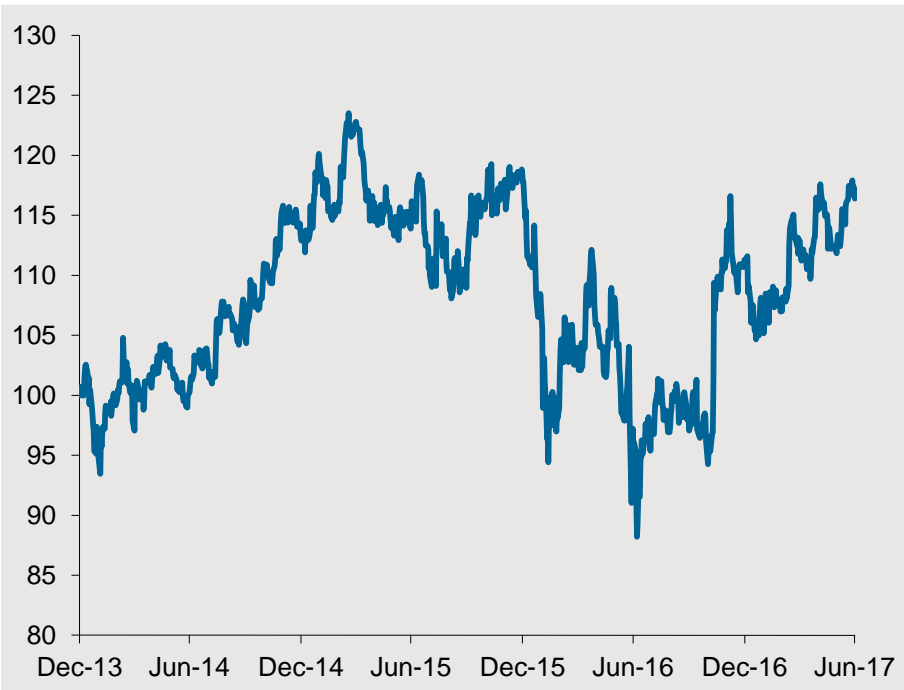


- Distributes electronic and electrical components to engineers
- New CEO has brought a new focus on revenue growth and cost savings
- Recent results have exceeded expectations as the new strategy is working
- Balance sheet has strengthened giving scope to invest for growth and pursue a progressive dividend policy

Source: Thomson Reuters Datastream. Rebased to 100 as at 31 December 2013, data to 30 June 2017. Returns are in GBP. The companies/securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. J.P. Morgan Asset Management may or may not hold positions on behalf of its clients in any or all of the aforementioned securities. Past performance is not a reliable indicator of current or future performance. The opinions and views expressed here are those held by the author at the date of this document, which are subject to change and are not to be taken as or construed as investment advice.

## Stock example: Prudential

Relative price vs. FTSE 350 Index



- Life insurance and asset management businesses in UK, Asia and North America
- Attractive strategic positioning delivering strong results; a market leader in Asia
- Dividend increased 14% in 2017
- Growth opportunities not reflected in the valuation

Source: Thomson Reuters Datastream. Rebased to 100 as at 31 December 2013, data to 30 June 2017. Returns are in GBP. The companies/securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. J.P. Morgan Asset Management may or may not hold positions on behalf of its clients in any or all of the aforementioned securities. Past performance is not a reliable indicator of current or future performance. The opinions and views expressed here are those held by the author at the date of this document, which are subject to change and are not to be taken as or construed as investment advice.

## Stock positions

Top 10 overweight positions – as of 31 May 2017

| Stock                    | Sector                          | Absolute position<br>% | Overweight position<br>% |
|--------------------------|---------------------------------|------------------------|--------------------------|
| Beazley                  | Non life insurance              | 1.9                    | 1.8                      |
| Electrocomponents        | Support services                | 1.8                    | 1.7                      |
| Persimmon                | Home construction               | 2.0                    | 1.7                      |
| Taylor Wimpey            | Home construction               | 2.0                    | 1.7                      |
| Mondi                    | Forestry & paper                | 1.9                    | 1.6                      |
| Berkeley                 | Home construction               | 1.8                    | 1.6                      |
| British American Tobacco | Tobacco                         | 6.2                    | 1.6                      |
| 888 Holdings             | Travel & leisure                | 1.5                    | 1.5                      |
| Phoenix Group            | Life insurance                  | 1.6                    | 1.5                      |
| GlaxoSmithKline          | Pharmaceuticals & biotechnology | 5.1                    | 1.4                      |

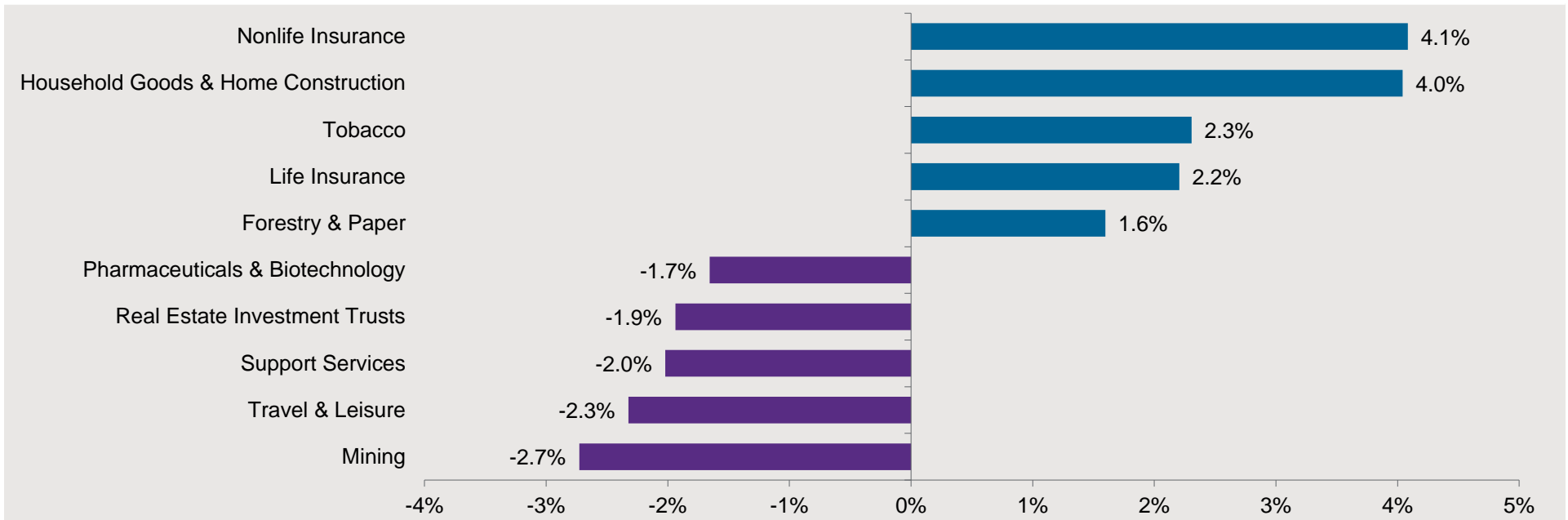
### ...strong conviction in our best stock ideas

Source: J.P. Morgan Asset Management. Overweight positions are shown vs. the FTSE 350 Index (excluding investment trusts). The trust 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

As of 31 May 2017

## Largest overweight and underweight positions (%)



## ... positions a result of bottom-up stock selection decisions

Source: J.P. Morgan Asset Management, FactSet. The Trust 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. Positions are shown vs. the FTSE 350 Index (excluding investment trusts)

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## Portfolio update

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As of 31 May 2017

### Current asset allocation

| As of 31 May 2017 (%) |    |
|-----------------------|----|
| UK equities           | 94 |
| Cash                  | 6  |

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### Performance update

| 3 months to 31 May 2017 (%) |      |
|-----------------------------|------|
| Shareholders' funds*        | +5.2 |
| Benchmark**                 | +4.8 |

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Source: J.P. Morgan Asset Management, Past performance is not a reliable indicator of current or future performance. Returns are net of fees, include gross dividends reinvested and are in GBP.

\* Shareholders' funds is defined as change in net assets, excluding the effect of share issues, share repurchases and dividend payments. \*\* The Company's benchmark is a composite, comprising 90% FTSE 350 Index (excluding investment trusts) and 10% Bloomberg Barclays Global Aggregate Corporate Bond Index in sterling terms.

## Conclusion

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- Continued political and economic uncertainty in the UK but global growth outlook is encouraging
- UK equities attractively valued with forward dividend yield of circa 4%
- We remain focused on delivering for both classes of shareholders as we approach the end of the Trust's fixed life

The opinions and views expressed here are those held by the author as at 30th June 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.



# Appendix





## Current Position

JPMorgan Income & Capital Trust plc

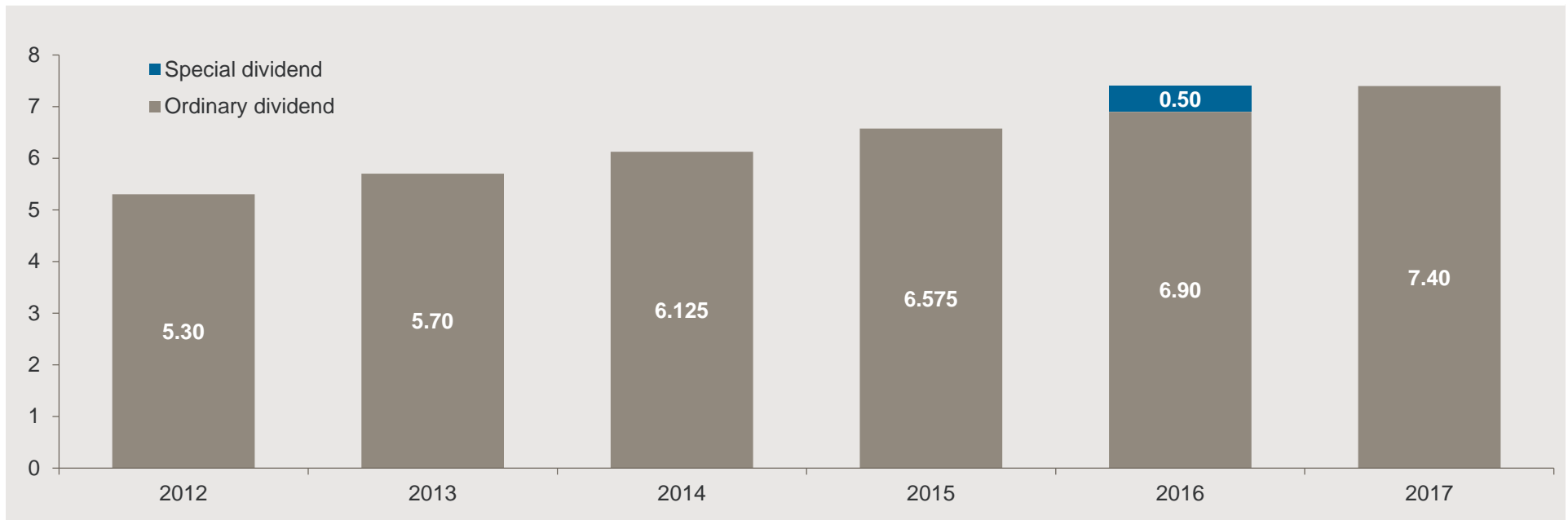
|                              | Price  | NAV     | Yield  | Cover x /<br>Discount % |
|------------------------------|--------|---------|--------|-------------------------|
| ZDP                          | 187.5p | 183.95p | 3.95%* | 1.64x                   |
| Ordinaries                   | 92.5p  | 98.18p  | 8.00%  | -5.80%                  |
| Units (1 ZDP / 2 Ordinaries) | 370.0p | 385.20p | 4.50%  | -2.46%                  |

\* Gross Redemption Yield. ZDP =Zero Dividend Preference shares. Yield is not guaranteed and may change over time.

Source: Cazenove as at 11<sup>th</sup> July 2017

# Dividends

## Total normal dividends declared per Ordinary share (pence)



**...total normal dividends declared per ordinary share has increased in each of the last 5 financial years**

Source: J.P. Morgan Asset Management, JPMorgan Income & Capital Trust plc Annual Report & Accounts for year ending 28<sup>th</sup> February 2017.

# J.P. Morgan Asset Management

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## Important risk disclosures

- This trust may invest in non investment grade bonds which increases the capital risk and have an adverse effect on the performance of funds which invest in them.
- Where permitted, a trust may invest in other investment trusts that utilise gearing (borrowing) which will exaggerate market movements both up and down.
- For income funds/shares Dividend income is not guaranteed and will fluctuate.
- Investing in high yielding stocks may involve higher degree of risk as high yields are not guaranteed and will fluctuate.
- 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, or fluctuate in response to the performance of individual companies and general market conditions.
- This trust may utilise gearing (borrowing) which will exaggerate market movements both up and down.
- This trust may also invest in smaller companies which may increase its risk profile.
- The share price may trade at a discount to the Net Asset Value of the company.

# J.P. Morgan Asset Management

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