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# JPMorgan Global Emerging Markets Income Trust plc Annual General Meeting

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**27 November 2018**

**Omar Negyal**, Portfolio Manager

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# JPMorgan Global Emerging Markets Income Trust plc

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## Performance over the financial year

JPMorgan Global Emerging Markets Income Trust plc

31 July 2017 – 31 July 2018

Return on net assets	6.6%
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Return to shareholders	3.5%
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Index	4.9%
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Dividend	5.00p
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- Our stock picking has resulted in the Company outperforming the Index over the year
- We continue to believe the China A-share market offers interesting long-term opportunities, particularly in consumer-focused companies
- We remain positive about the prospects for dividend generation from our stocks

Source: Annual Report and Accounts. J.P. Morgan Asset Management. Data as of 31 July 2018.

Past performance is not necessarily a reliable indicator for current and future performance.

## Why invest from an Income perspective in Emerging Markets?

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- Income investing in Emerging Markets (EM) can be a positive and sustainable way to invest in the asset class
- Combination of income plus growth can be a powerful source of total returns
- This approach can deliver a quality, value tilt
- We see a direct link between payout ratio and governance
- Expansion of the EM yield universe and payout ratios have held steady over many years
- We aim to have a long term portfolio of dividend-paying stocks which will provide income for shareholders and offer potential for capital returns from EM

Opinions, estimates, forecasts, projections and statements of financial market trends are based on market conditions at the date of the publication, constitute our judgment and are subject to change without notice. There can be no guarantee they will be met.

## Long-term performance

JPMorgan Global Emerging Markets Income Trust plc as of 30<sup>th</sup> September 2018

### Annualised performance (%)

	Three months	Six months	YTD	One year	Three years	Five years	Since Inception
JPMorgan Global Emerging Markets Income Trust plc	1.40	-2.04	-2.97	4.27	17.55	6.74	7.82
MSCI EM Index	0.13	-2.07	-4.23	2.05	18.11	8.20	5.45
<b>Excess return</b>	<b>1.26</b>	<b>0.04</b>	<b>1.32</b>	<b>2.18</b>	<b>-0.48</b>	<b>-1.35</b>	<b>2.25</b>

### Calendar year performance (%)

	2011	2012	2013	2014	2015	2016	2017
JPMorgan Global Emerging Markets Income Trust plc	-7.69	22.55	-1.93	6.62	-17.48	40.37	18.50
MSCI EM Index	-17.82	13.03	-4.41	3.90	-9.99	32.63	25.40
<b>Excess return</b>	<b>12.32</b>	<b>8.42</b>	<b>2.60</b>	<b>2.62</b>	<b>-8.32</b>	<b>5.84</b>	<b>-5.50</b>

Source: J.P. Morgan Asset Management. MSCI. 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. Inception date 28 July 2010. Excess return is calculated geometrically.

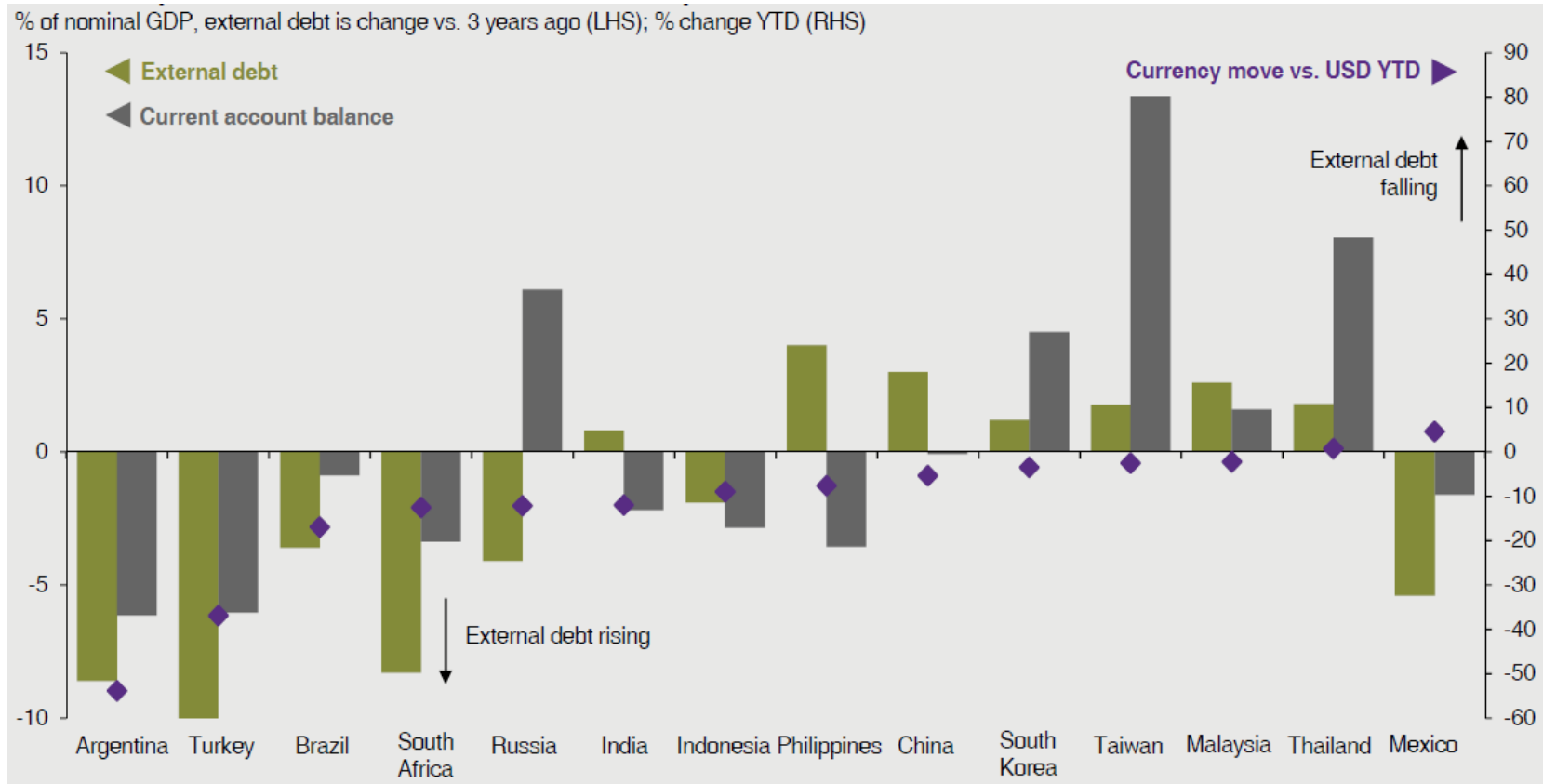
Past performance is not a reliable indicator of current and future results.

## How Emerging Markets look today

	2017	2018
EM Growth	Improving	Stable
Inflation	Reflation	Stable
EM Currencies	Recovering	Under pressure
USD Cycle	Falling	Rising
Protectionism	Possibility	Increasing
China	Stable	Easing

Source: J.P. Morgan Asset Management as of 31<sup>st</sup> October 2018. Opinions, estimates, forecasts, projections and statements of financial market trends are based on market conditions at the date of the publication, constitute our judgment and are subject to change without notice. There can be no guarantee they will be met.

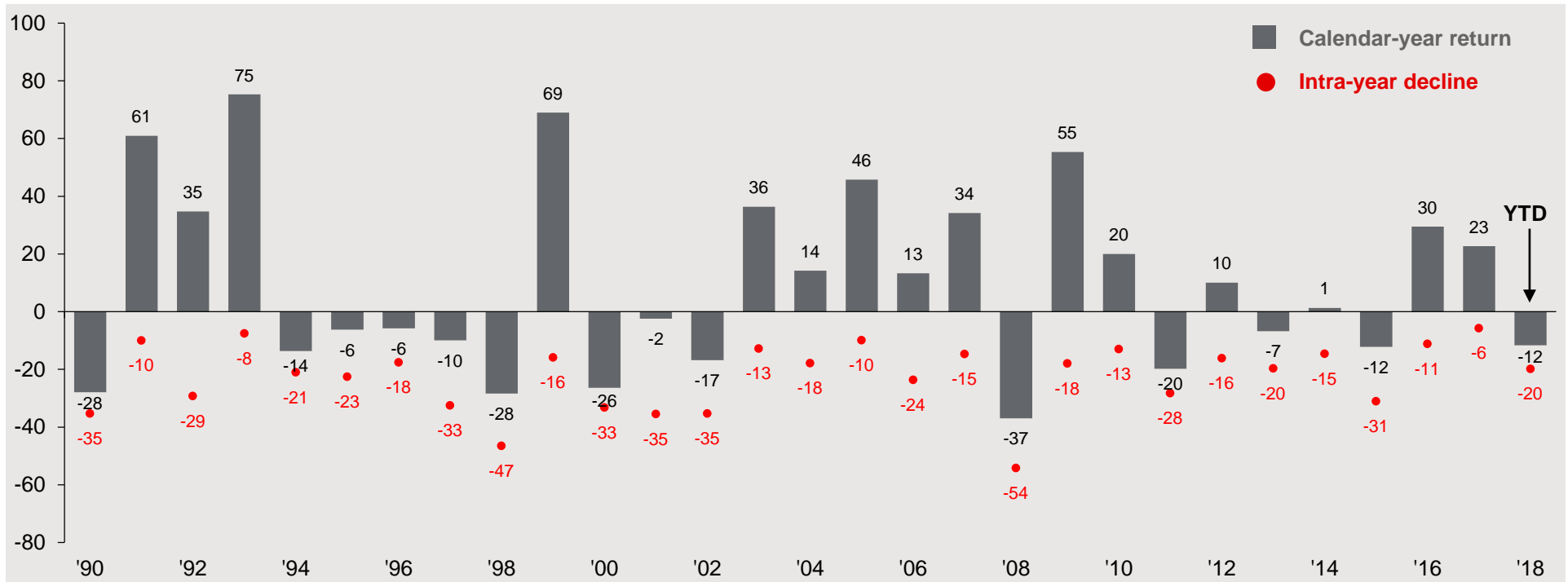
# External vulnerabilities have been exposed ... but limited contagion



Source: IIF, national statistics agencies, Thomson Reuters Datastream, J.P. Morgan Asset Management. External debt is total debt held by non-residents and is taken from IIF for all countries except South Korea and Taiwan, which are calculated from national statistics agencies. *Guide to the Markets - Europe*. Data as of 30<sup>th</sup> September 2018.

# Volatility is inherent in Emerging Markets

Despite average intra-year drops of 22.6% (median 18.8%), annual returns are positive in 15 of 28 years (%)



Source: MSCI, Thomson Reuters Datastream, J.P Morgan Asset Management. Returns are based on price only in GBP currency and do not include dividends. Intra-year decline refers to the largest market fall from peak to trough within a short time period during the calendar year. Returns shown are calendar years from 1990 to 2017. Current year is year to date. Data as of 8 November 2018.

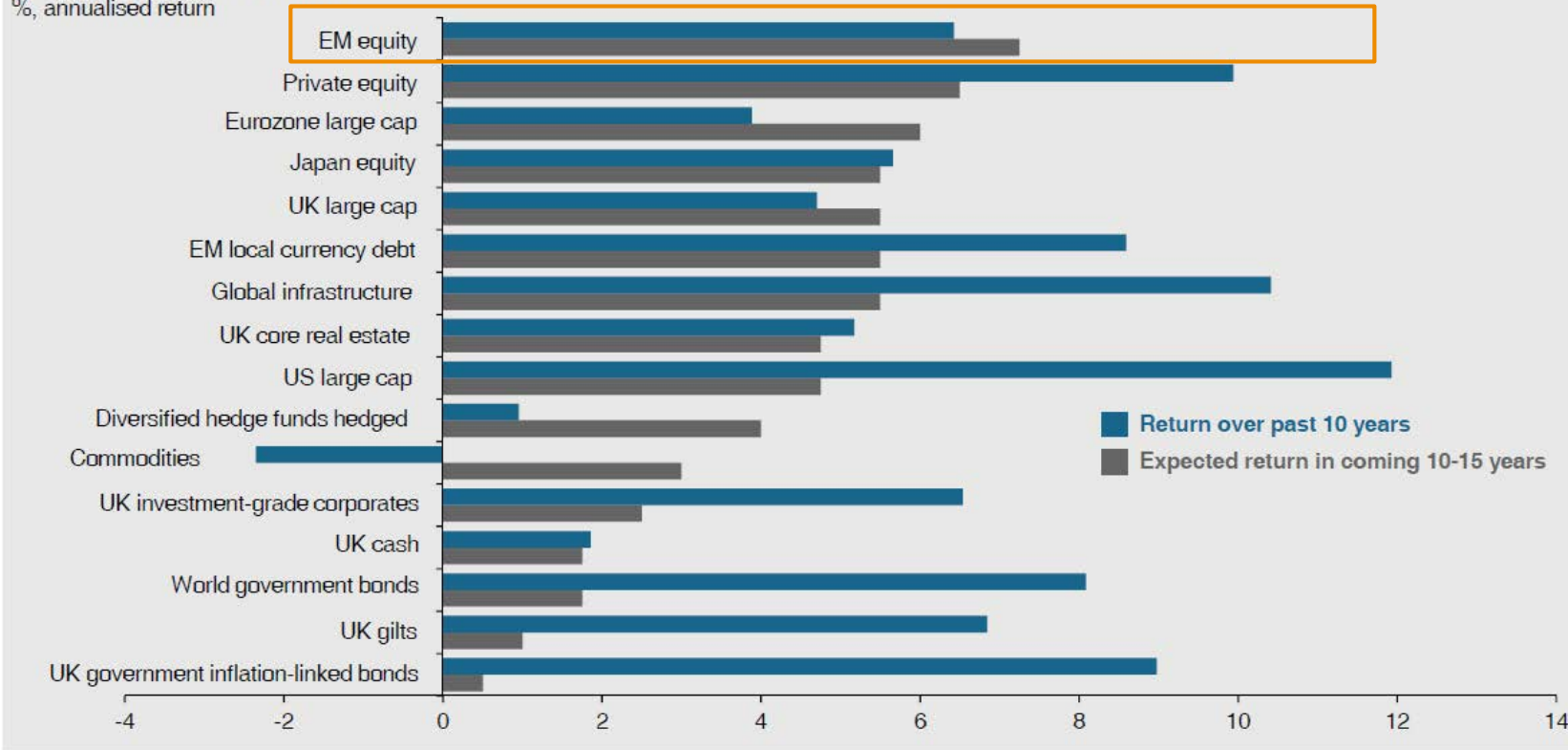
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# Emerging Markets continue to offer attractive expected returns

## Past and expected returns

% , annualised return



MARKET INSIGHTS

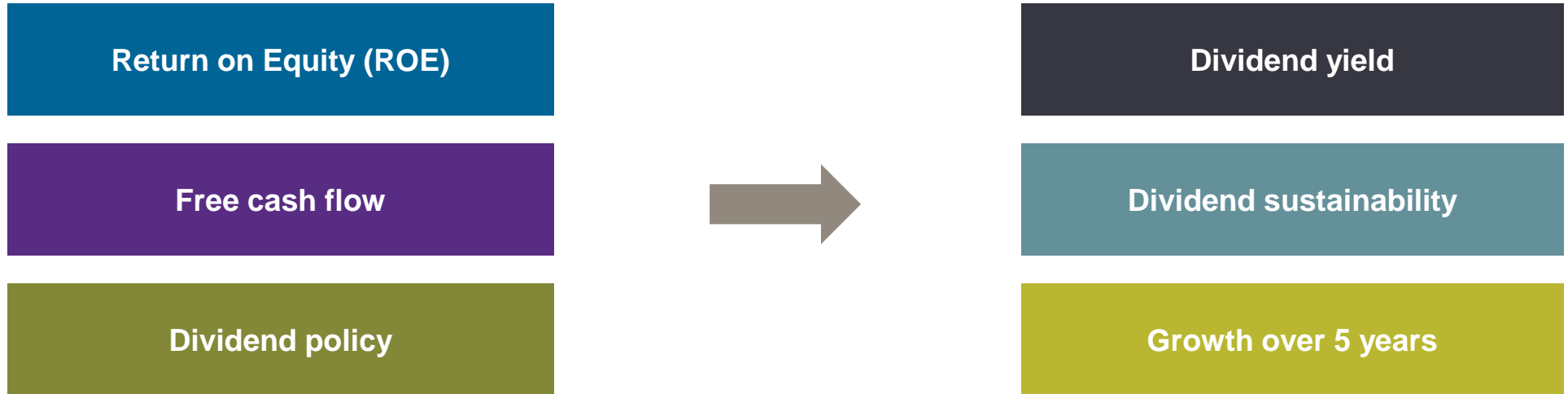
GTM - UK |

Source: 2018 Long-Term Capital Market Assumptions, November 2017, J.P. Morgan Multi-Asset Solutions, J.P. Morgan Asset Management. Returns are nominal and in GBP. The projections in the chart above are based on J.P. Morgan Asset Management's proprietary long-term capital market assumptions (10-15 years) for returns of major asset classes. The resulting projections include only the benchmark return associated with the portfolio and do not include alpha from the underlying product strategies within each asset class. The assumptions are presented for illustrative purposes only. Past performance is not a reliable indicator of current and future results. Guide to the Markets - UK. Data as of 30 September 2018.

# What do we need to understand?

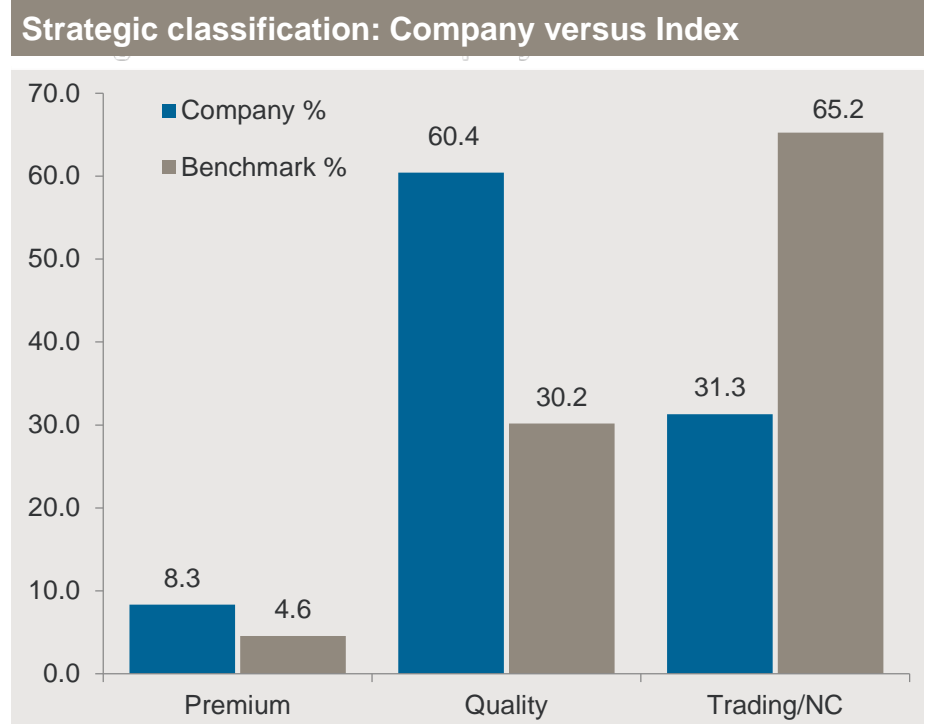
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Key questions



## A focus on risk at stock level leads to a quality portfolio

- Examples of Risk Profile questions:
  - Does the company have issues with toxic emissions, waste management or other environmental damage?
  - Does the company have issues with labour relations?
  - Has the company had issues with product safety or mis-selling?
  - Does the company pay a dividend that is lower than it should be?
  - Does the management fail to admit mistakes?
- Answers to these questions (amongst the 98) help us in determining Strategic Classifications
- Portfolio has a clear tilt towards Premium and Quality companies



Source: J.P. Morgan Asset Management as of 31st October 2018. Strategic classification percentages exclude cash. Strategic classifications for portfolio and index are market-cap weighted.

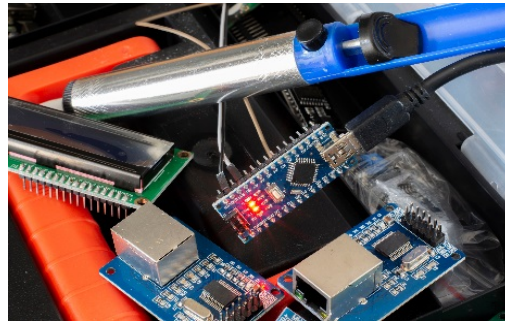
# ESG\* is fundamental in stock selection

- ESG – especially governance – is important for long term investing
  - Risk Profile Analysis – 98 question checklist, of which 74 are ESG-related
  - We think there is direct link between dividend policy and governance

## Examples:

### Samsung Electronics

Positive ongoing engagement over capital allocation and governance



### Smiles

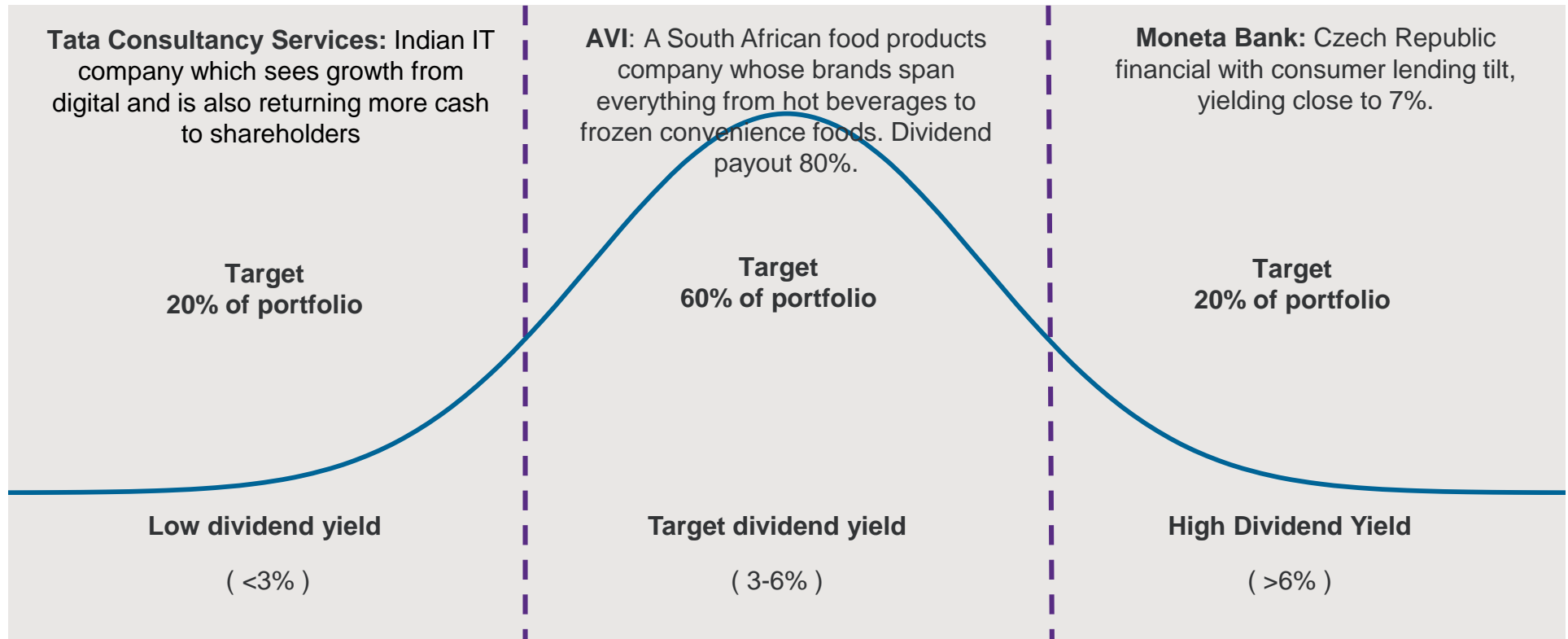
Dividend payout disappointment prompted governance discussion and sale of position



Source: J.P. Morgan Asset Management as of 31st October 2018. The companies above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. Images from Shutterstock

\*ESG = Environmental, Social, Governance

# Powerful combination of Income & Growth



Source: J.P. Morgan Asset Management. 12 month yield , Eikon, data as of March 2018 . The companies/securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. Yield is not guaranteed and may change over time.

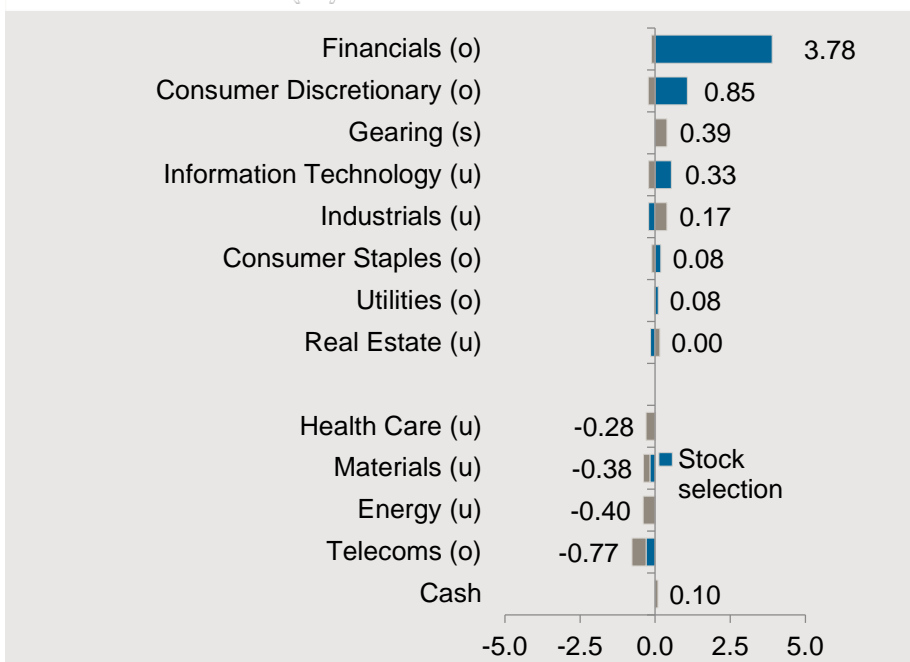
Past performance is not a reliable indicator of current and future results.

# Performance attribution

## JPMorgan Global Emerging Markets Income Trust plc - Year ending 31<sup>st</sup> July 2018

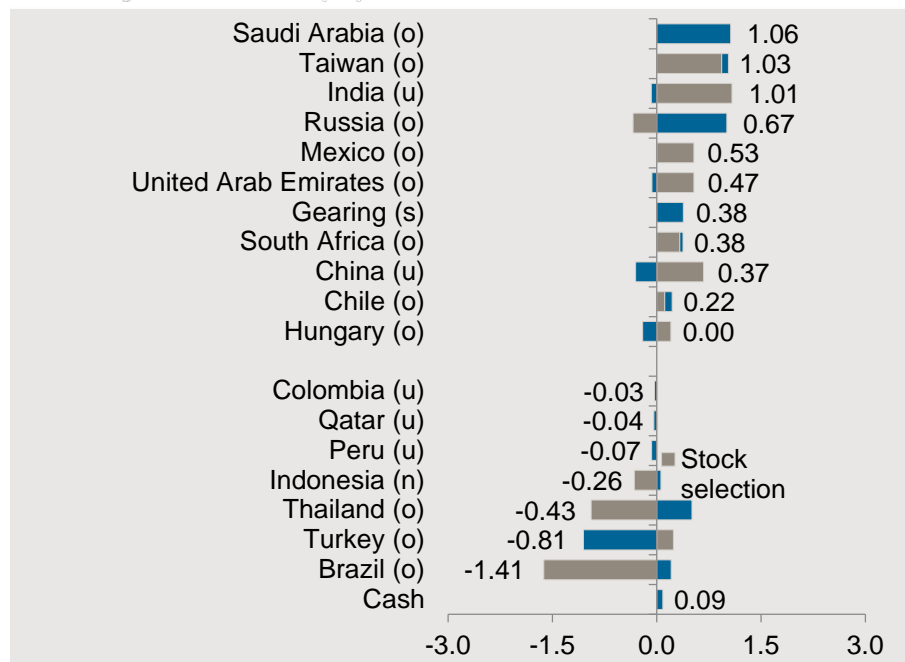
Attribution summary	Stock: 4.98
	Sector: -1.04
Benchmark	MSCI Emerging Markets Index (Net)

### Sector attribution (%)



Attribution summary	Stock: 0.85
	Country: 3.09
Benchmark	MSCI Emerging Markets Index (Net)

### Country attribution (%)



Source: J.P. Morgan Asset Management, MSCI, Factset, gross of fees in GBP to 31<sup>st</sup> July 2018. Data for Total Attribution shown (stock selection plus country allocation). Attribution may not match official returns due to differences in system rounding. 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. O = overweight, N = neutral, U – underweight

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# Performance attribution

JPMorgan Global Emerging Markets Income Trust plc - Year ending 31st July 2018

## Stock attribution

Attribution summary	Stock: 0.85 Country: 3.09
Benchmark	MSCI Emerging Markets Index (Net)

Top 10 Contributors	Relative weight (%)	Stock return (%)	Impact (%)
Al Rajhi Bank*	2.30	55.91	1.06
Vanguard Semiconductor	2.47	42.82	0.85
Firststrand	1.48	41.49	0.64
Jiangsu Yanghe Brewery	1.02	44.83	0.50
Tata Consultancy	1.15	48.59	0.48
Midea Group	1.76	17.17	0.48
Sberbank	2.65	31.90	0.46
Hang Seng Bank*	1.96	30.33	0.44
CNOOC	0.97	56.82	0.44
Banco Santander (Mexico)	0.33	18.40	0.43

Top 10 Detractors	Relative weight (%)	Stock return (%)	Impact (%)
Tofas Otomobil Ticaret	1.08	-43.14	-0.64
Alibaba	-3.93	21.44	-0.62
BB Seguridade	1.96	-20.65	-0.53
PT Telekomunikasi Indonesia	1.48	-26.04	-0.51
Tencent	-5.32	13.61	-0.47
Vodacom Group	1.25	-15.41	-0.45
Turk Traktoer	0.57	-51.23	-0.40
Bid Corp	1.60	-14.07	-0.37
Delta Electronics	0.71	-31.08	-0.32
Pacific Textiles*	1.11	-20.24	-0.32

Source: J.P. Morgan Asset Management, MSCI, Factset, gross of fees in GBP. Attribution may not match official returns due to differences in systems rounding. 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.\*Not in Benchmark.

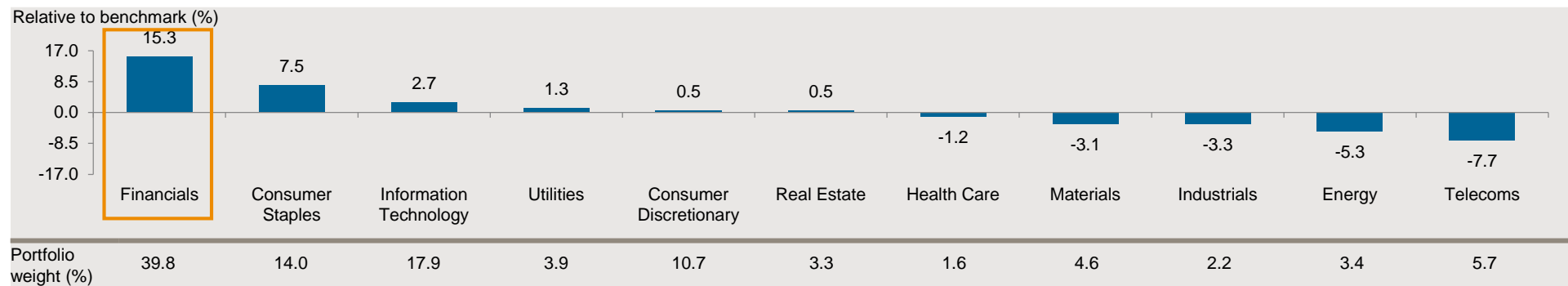
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# Country and sector positions

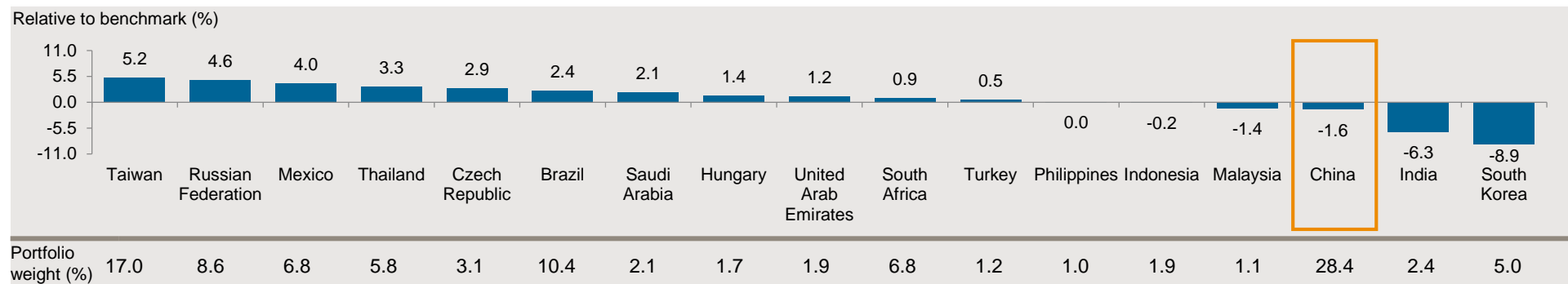
JPMorgan Global Emerging Markets Income Trust plc as of 31<sup>st</sup> October 2018

Benchmark MSCI Emerging Markets Index (Net)

## Active and absolute sector positions



## Active and absolute country positions



Source: J.P. Morgan Asset Management. 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.



## Adding to the Chinese consumer

Inner Mongolia Yili (China, Consumer)



- Largest dairy company in China
- Good brand image with extensive distribution network
- 25% return on equity, strong free cash flow generation
- 71% payout ratio
- A-share market weakness has provided attractive opportunity to add

Source: Inner Mongolia Yili company documents. The companies above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. Data as of 31<sup>st</sup> October 2018. Images from Shutterstock.

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# Reducing into strength

Firststrand (South Africa)



- South African bank with well respected management team
- Long history of profitability and dividend payouts
- Valuation related significantly as political fears dissipated
- Reduced position as dividend yield declined
- Good example of disciplined process

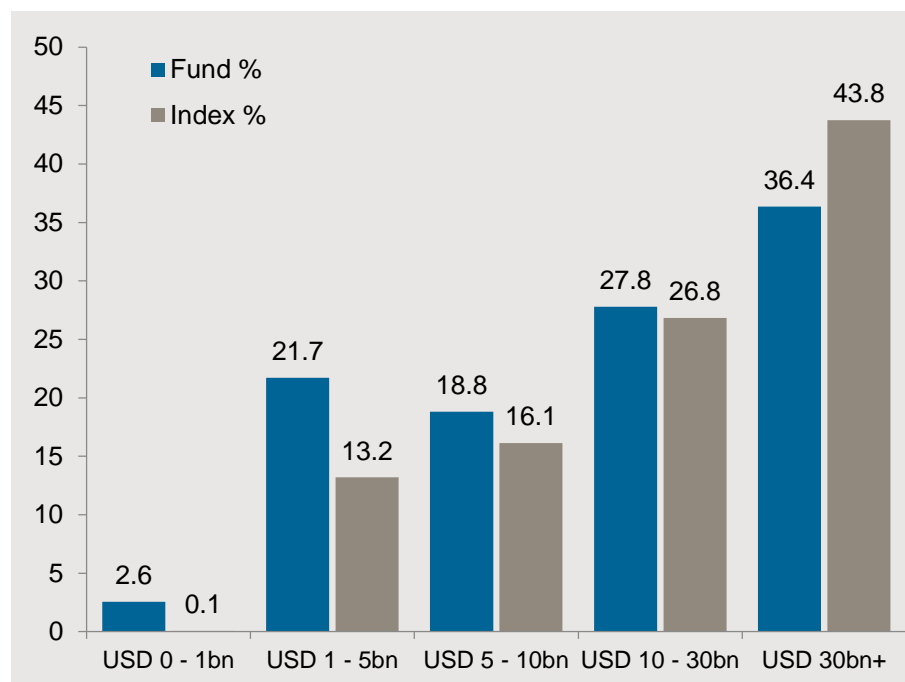
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## Portfolio characteristics

JPMorgan Global Emerging Markets Income Trust plc as of 31<sup>st</sup> October 2018

Portfolio	Fund	Benchmark
Price/Earnings (forward)	10.5x	10.2x
Price/Book value	1.8x	1.4x
*Gross prospective dividend yield	5.6%	3.5%
Return on equity	17.3%	13.8%
**Net Debt to Equity	11%	31%
Number of issuers	80	1085
Active share	89.9%	
Beta	0.88	
***Gearing	7.3%	

### Market capitalisation ranges



Source: UBS PAS, PRISM. The above portfolio characteristics are shown for illustrative purposes only and are subject to change without notice. \*Portfolio yield is the aggregate weighted sum of the stock level yields which are calculated (12-month forward DPS / Current price)\*100. \*\*Net debt to equity ratio excludes financials. \*\*\* data as of 26<sup>th</sup> October 2018

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## In conclusion...

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JPMorgan Global Emerging Markets Income Trust plc

- We continue to believe an income approach can deliver sustainable total returns in EM
- In the short term, uncertainty may prevail, but we remain focused on investing in sound businesses with good prospects that have the potential to deliver income plus growth
- Our large, experienced team of analysts provide key inputs into over 1,100 Emerging Markets stocks
- Our aim is that the Company should continue to have a balanced risk profile that will deliver good returns and reward shareholders willing to invest for the long term

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# Investment objective and risk profile

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JPMorgan Global Emerging Markets Income Trust plc

## Investment objective

The Company's investment objective is to provide investors with a dividend income combined with the potential for long term capital growth from a diversified portfolio of emerging markets investments.

## Risk profile

- Exchange rate changes may cause the value of underlying overseas investments to go down as well as up.
- Investments in emerging markets may involve a higher element of risk due to political and economic instability and underdeveloped markets and systems.
- The trust may invest in smaller company shares, which can be more unpredictable and less liquid than shares of larger companies.
- Dividend income payments are not guaranteed and may fluctuate.

Please refer to the Company Annual Report & Accounts for more information relating to the trust

# J.P. Morgan Asset Management

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**27 November 2018**

**Omar Negyal**, Portfolio Manager

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