

# JPMorgan Emerging Markets Equity I JEMSX

Quite appealing overall.

## Morningstar's Take JEMSX

**Morningstar Rating** ★★★★★

**Morningstar Analyst Rating** Bronze

### Morningstar Pillars

Process		Above Average
Performance	—	—
People		Above Average
Parent		Above Average
Price	—	—

### Role In Portfolio

Supporting Player

### Fund Performance

Year	Total Return (%)	+/- Category
YTD	-15.46	2.59
2019	31.96	12.71
2018	-16.02	0.06
2017	42.49	8.32
2016	13.24	4.77

Data through 4-30-20

4-28-20 | by William Samuel Rocco

JPMorgan Emerging Markets Equity has personnel and other advantages over the competition, and its three cheapest share classes retain Morningstar Analyst Ratings of Silver, while its six priciest share classes receive Bronze ratings.

This strategy is in good hands. Leon Eidelman joined the team as a comanager in 2013, became its primary decision-maker at the start of 2015, and was formally recognized as the lead manager 18 months later. He has almost two decades of relevant experience overall, including a long record of success running an all-cap emerging-markets strategy. Austin Forey, who joined the team as the lead manager in 2005 and remained in that role until Eidelman took charge, now serves as a comanager. Amit Mehta has been on board as a comanager since 2013. The three managers have a sizable and strong squad of emerging-markets specialists supporting them.

Eidelman and the comanagers pursue firms with quality franchises, consistent earnings streams, and solid returns on equity. In particular, they divide prospective holdings into three distinct buckets--premium, quality, and trading--to help determine suitability for the portfolio. They invest the lion's share of assets in premium and quality names, which operate in attractive industries with limited external risks and possess strong balance sheets, good management teams, and solid cash-flow-generation prospects. The result is a portfolio of 60 to 80 stocks with fairly distinctive country and sector exposures.

Eidelman and the comanagers have executed this quality-growth process deftly. The strategy's older institutional share class has earned a 4.0% annualized gain from Jan. 1, 2015, through April 24, 2020, in fact, while the typical diversified emerging-markets fund, the MSCI Emerging Markets Index (the category benchmark) and the MSCI Emerging Markets Growth Index rose 0.3%, 0.8% and 3.7% annualized, respectively. The managers earned these results with rather average volatility, so the strategy's risk-adjusted returns were also attractive during the period.

**Process Pillar** Above Average | William Samuel Rocco 04/28/2020

The process follows J.P. Morgan's quality and growth focus. The managers seek firms that boast quality franchises, consistent earnings streams, and solid returns on equity. This sound, distinctive, and repeatable approach earns an Above Average Process rating.

Country specialists, who run the team's suite of single-country mandates, conduct due diligence, and rank stocks based on conviction levels. Meanwhile, sector/product analysts conduct in-depth fundamental research on prospective ideas, and ultimately assign five-year expected return

targets. Analysts also classify stocks on their coverage lists as premium, quality, or trading, according to J.P. Morgan's strategic classification framework, which is based on a 98-point questionnaire.

Premium and quality names operate in attractive industries with limited external risks and possess strong balance sheets, good management teams, and solid cash-flow-generation prospects, while trading names lack sustainable competitive advantages. For this quality-growth strategy, the vast majority of assets are allocated to premium and quality names, with trading names making up only a small portion. The resulting 60- to 80-stock has no formal constraints at the country or sector levels. That said, individual active weightings are typically capped at 5 percentage points relative to the MSCI Emerging Markets Index, and active share has trended above 70%.

This strategy's portfolio continues to stand out. It has relatively high growth rates as of Feb. 29, 2020, as well as relatively high price multiples. It has an average market cap of \$50.2 billion versus \$31.2 billion for the typical diversified emerging-markets fund and \$32.5 billion for the MSCI Emerging Markets Index. It also owns far fewer stocks than most of its rivals and the index.

Leon Eidelman and his comanagers continue to find many names in India that measure up to their standards, such as top-15 holdings Housing Development Finance Corp, HDFC Bank, and information technology firm Tata Consultancy Services. This strategy has a 17.4% stake in India, whereas its average peer has a 9.0% position in that market and the MSCI Emerging Markets Index has a 7.8% weighting. Conversely, the managers have found relatively few stocks that they like in South Korea. This strategy has a 5.7% stake in that market, in fact, versus 9.4% and 11.9% weightings for typical rival and the benchmark, respectively.

The managers have invested in a diverse set of financial-services companies besides Housing Development Finance Corp and HFDC Bank, including the Asian insurers AIA Group and Ping An Insurance as well as the Latin American banks Itau Unibanco and Creditcorp. This strategy has a financial services stake of 33.4% versus 24.1% for its average peer and 21.6% for the index.

### Performance Pillar | William Samuel

Rocco 04/28/2020

While Leon Eidelman was formally recognized as lead manager in July 2016, he has been the primary decision-maker since January 2015. From Jan. 1, 2015, through April 24, 2020, the older institutional share class's 4.0% annualized gain beat the 0.3%, 0.8% and 3.7% respective returns for the typical diversified emerging-markets fund, the MSCI Emerging Markets Index (the category benchmark), and the MSCI Emerging Markets Growth Index. The strategy's risk-adjusted results have also been strong under Eidelman.

The strategy lagged its typical diversified emerging-markets peer and the MSCI EM Index in the sell-off of 2015, largely due to poor picks in the consumer discretionary and industrials sectors. But it comfortably outpaced its average rival and the category benchmark in the rallies of 2016 and 2017, fueled by banks such as Sberbank of Russia and Itau Unibanco during the first year and Chinese picks such as Tencent Holdings and Alibaba Group in the second year.

The strategy posted mixed results in the down market of 2018, when it held up a little better less than its average peer but suffered more than the category benchmark. But it has outperformed since, posted outsize gains in the surge of 2019 and relatively limited losses in this year's turmoil. It fell 18.6% for the year to date through April 24, in fact, while its typical rival and the MSCI EM Index both fell 20.7%.

### People Pillar Above Average | William Samuel

Rocco 04/28/2020

The strength, experience and size of this team earn an Above Average People rating.

Leon Eidelman joined this fund as comanager in February 2013, became its primary decision-maker in early 2015, and was formally recognized as its lead manager in July 2016. He has spent his entire career at J.P. Morgan, which he joined in 2002. He previously served as a quantitative research strategist for the global emerging-markets macro strategy and portfolio allocation group. He has 18 years of investment experience.

Austin Forey, who joined this fund as the lead manager in September 2005 and remained in that role until July 2016, remains on the team. He had significant experience running emerging-markets and other portfolios when he took the helm. He joined J.P. Morgan in 1988 and has 32 years of investment experience.

Amit Mehta, who joined the team as a comanager in February 2013, has been at J.P. Morgan since 2011. He previously worked at Prusik Investment Management, Atlantis Investment Management (where he was an Asian equities analyst and portfolio manager), and Aviva Investors (where he was an emerging-markets equity analyst). He has 19 years of experience.

The managers are supported by the sector/product and country specialists within the firm's roughly 100-member emerging-markets and Asia-Pacific equities team, which is led by the well-regarded Richard Titherington.

### Parent Pillar Above Average | Thomas

Lancereau, Bridget B. Hughes 09/20/2018

J.P. Morgan Asset Management boasts long-tenured and strongly aligned portfolio managers who are supported by deep analytical resources. Competitive fees across the board also contribute to the firm's Positive Parent rating.

The firm's diverse lineup features many Morningstar Medalists across asset classes and regions. In February 2018, its U.S.-domiciled SmartRetirement target-date series was upgraded to a Morningstar Analyst Rating of Gold, befitting strong underlying resources and processes on both equity and fixed income. On U.S. equities, for

instance, experienced managers draw on a core team of more than 20 career analysts, while on their cored fixed-income mandates, long-tenured managers are supported by more than 25 credit and securitized analysts based across Columbus, London, and New York. Managers' compensation factors in 10-year performance where applicable, which exceeds industry standards. Retention rates and managers' coinvestments alongside fund shareholders are above average, and succession planning is generally well handled.

Fees are regularly reviewed downward; funds tend to be cheaper relative to peers in the U.S. than abroad. The firm has refrained from trendy offerings and expanded its passive business recently. It has continued to rationalize its broad lineup otherwise, leading to some mergers and liquidations in Europe in particular.

### Price Pillar | William Samuel Rocco 04/28/2020

It's critical to evaluate expenses, as they come directly out of returns. The share class on this report levies a fee that ranks in its Morningstar category's second-cheapest quintile. Based on our assessment of the fund's People, Process and Parent pillars in the context of these fees, we think this share class will be able to deliver positive alpha relative to the category benchmark index, explaining its Morningstar Analyst Rating of Bronze.

**JPMORGAN EMERGING MARKETS EQUITY FUND**  
**I SHARES – JEM5X**
**MORNINGSTAR RATING AS OF 4/30/20**

Morningstar overall rating 5 stars, Class I; Diversified Emerging Mkts Category; 704 funds. Three-year rating 5 stars; 704 funds. Five-year rating 5 stars; 582 funds. Ten-year rating 4 stars; 239 funds. Ratings reflect risk-adjusted performance. Overall Morningstar Rating™ for a fund is derived from a weighted average of the performance figures associated with its three-, five- and 10-year (if applicable) Morningstar Rating metrics.

**ANNUAL OPERATING EXPENSES (%)**

	Gross expenses	Net expenses
I shares	1.09	0.99

The Fund's adviser and/or its affiliates have contractually agreed to waive fees and/or reimburse expenses to the extent Total Annual Fund Operating Expenses (excluding acquired fund fees and expenses, dividend and interest expenses related to short sales, interest, taxes, expenses related to litigation and potential litigation and extraordinary expenses) exceed 0.99% of the average daily net assets. The Fund may invest in one or more money market funds advised by the adviser or its affiliates (affiliated money market funds). The Fund's adviser has contractually agreed to waive fees and/or reimburse expenses in an amount sufficient to offset the fees and expenses of the affiliated money market funds incurred by the Fund because of the Fund's investment in such money market funds. This waiver is in effect through 2/28/2021, at which time the adviser and/or its affiliates will determine whether to renew or revise it. The difference between net and gross fees includes all applicable fee waivers and expense reimbursements.

**TOP 10 HOLDINGS AS OF 4/30/20 (%)**

Alibaba Group Holding Ltd.	5.9
Taiwan Semiconductor Manufacturing Co. Ltd.	5.4
Tencent Holdings Ltd.	4.9
Samsung Electronics Co. Ltd.	4.2
AIA Group Ltd.	3.1
EPAM Systems, Inc.	3.1
Housing Development Finance Corp. Ltd.	3.1
Ping An Insurance Group Co. of China Ltd., Class H	2.5
NetEase, Inc.	2.4
Tata Consultancy Services Ltd.	2.4
<b>Total of top 10</b>	<b>37.0</b>

The top 10 holdings listed exclude cash and money markets. Holdings are subject to change. The holdings listed should not be considered recommendations to purchase or sell a particular security. Each individual security is calculated as a percentage of the aggregate market value of the securities held in the Fund and does not include the use of derivative positions, where applicable.

**PERFORMANCE**

(%) as of 3/31/20	1 year	3 years	5 years	10 years
I shares at NAV	-11.67	3.11	2.82	2.17
MSCI Emerging Markets Index (net of foreign withholding taxes)	-17.69	-1.62	-0.37	0.68
Lipper Emerging Markets Funds Index	-18.84	-2.81	-0.42	0.83

*Performance quoted is past performance and is no guarantee of future results. Investment returns and principal value will fluctuate, so shares, when sold, may be worth more or less than original cost. Current performance may be higher or lower than returns shown. Call 1-800-480-4111 for most recent month-end performance.*

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Diversification does not guarantee investment returns and does not eliminate the risk of loss. Diversification among investment options and asset classes may help to reduce overall volatility.

**RISK SUMMARY:** International investing bears greater risk due to social, economic, regulatory and political instability in countries in "emerging markets." This makes emerging market securities more volatile and less liquid developed market securities. Changes in exchange rates and differences in accounting and taxation policies outside the U.S. can also affect returns. Investments in foreign currencies and foreign issuers are subject to additional risks, including political and economic risks, greater volatility, civil conflicts and war, currency fluctuations, higher transaction costs, delayed settlement, possible foreign controls on investment, expropriation and nationalization risks, and less stringent investor protection and disclosure standards of foreign markets. These risks are magnified in countries in "emerging markets."

**TARGET DATE FUNDS:** The JPMorgan SmartRetirement Funds are target date funds with the target date being the approximate date when investors plan to retire. Generally, the asset allocation of each Fund will change on an annual basis with the asset allocation becoming more conservative as the Fund nears the target retirement date. The principal value of the Fund(s) is not guaranteed at any time, including at the target date.

**INDEXES:** The **MSCI Emerging Markets Index** (net of foreign withholding taxes) is a free float-adjusted market capitalization weighted index measuring emerging market equity performance. The performance of the Lipper Emerging Markets Funds Index includes expenses associated with a mutual fund, such as investment management fees. These expenses are not identical to the expenses charged by the Fund. An individual cannot invest directly in an index.

Total return assumes reinvestment of dividends and capital gains distributions and reflects the deduction of any sales charges, where applicable. Performance may reflect the waiver of a portion of the Fund's advisory or administrative fees and/or reimbursement of certain expenses for certain periods since the inception date. If fees had not been waived and/or certain expenses were not reimbursed, performance would have been less favorable.

There can be no assurance that the professionals currently employed by J.P. Morgan Asset Management will continue to be employed by J.P. Morgan Asset Management or that the past performance or success of any such professional serves as an indicator of such professional's future performance or success.

**MORNINGSTAR DISCLOSURE:** The Morningstar Rating for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Rankings do not take sales loads into account.

The Morningstar Analyst Rating is not a credit or risk rating. It is a subjective evaluation performed by the manager research analysts of Morningstar. Morningstar evaluates funds based on five key pillars, which are process, performance, people, parent, and price. Analysts use this five pillar evaluation to determine how they believe funds are likely to perform over the long term on a risk-adjusted basis. They consider quantitative and qualitative factors in their research, and the weighting of each pillar may vary. The Analyst Rating scale is Gold, Silver, Bronze, Neutral, Negative. A Morningstar Analyst Rating of Gold, Silver, or Bronze reflect an Analyst's conviction in a fund's prospects for outperformance. Analyst Ratings are continuously monitored and reevaluated at least every 14 months.

For more detailed information about Morningstar's Analyst Rating, including its methodology, please go to <http://corporate1.morningstar.com/AnalystRating/>

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