

# JPMorgan Large Cap Growth I SEEGX

A capable team guides this successful but volatile momentum approach.

## Morningstar's Take SEEGX

**Morningstar Rating** ★★★★★

**Morningstar Analyst Rating** Bronze

### Morningstar Pillars

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

### Role In Portfolio

Core

### Fund Performance

Year	Total Return (%)	+/- Category
YTD	-11.62	3.86
2019	39.04	7.15
2018	0.32	2.41
2017	37.99	10.32
2016	-2.04	-5.27

Data through 3-31-20

3-11-20 | by Tony Thomas, Ph.D., Claire Butz

JPMorgan Large Cap Growth's talented and stable team earn most share classes a Morningstar Analyst Rating of Bronze, while pricier ones warrant a Neutral.

Proven manager Giri Devulapally works cohesively with an experienced team. Devulapally joined the strategy in August 2004 and became lead manager a year later. A stable and seasoned analyst team supports Devulapally with fundamental analysis. Devulapally works closely with these five sector analysts to arrive at his 60- to 90-stock portfolio. The team has seen little turnover over Devulapally's long tenure. Their only recent loss was the team's longtime consumer analyst in 2018, but strong picks in the consumer sectors since the departure instills confidence in her replacement.

Though Devulapally and his team are talented, their approach does not stand out in the

competitive and more-efficient large-cap growth space. The group aims to invest in big winners, while avoiding firms at risk of notable underperformance. They prefer competitively positioned businesses with opportunities to grow revenue and positive price momentum. The team finds investment opportunities in markets undergoing significant change. Their preference for momentum exposes investors to more volatility than the Russell 1000 Growth Index and large-growth Morningstar Category peers. The team's investment in Tesla TSLA, for example, was a top contributor to returns in 2019, but was also one of the portfolio's most volatile names over that period. Devulapally has had a stake in Tesla since 2013 but increased it meaningfully in October 2019.

Though the strategy is volatile, Devulapally has a strong record. From August 2005 through February 2020, the R6 shares (the largest by assets) gained 14.3% annualized, beating its benchmark and peers by 0.9 and 3.6 percentage points, respectively. That edge is less compelling on a risk-adjusted basis, but the fund still has top-quintile risk-adjusted returns in its category over that period.

Associate analyst Claire Butz contributed to this report.

**Process Pillar** Average | Tony Thomas, Ph.D., Claire Butz 03/11/2020

Lead manager Giri Devulapally's approach is solid but would be challenging to replicate, warranting an Average Process Pillar.

Devulapally's process is adequate but relies on the strength of the team rather than a clearly defined and repeatable strategy. Devulapally and his analysts aim to invest in big winners while avoiding firms at risk of notable underperformance. He finds these opportunities in competitively

positioned companies with long-term growth and margin expansion opportunities, as well as companies with large addressable markets undergoing change. He favors names with positive price momentum, a signal that the market has recognized the name's potential. These names often come at a price, though. The portfolio has consistently been more expensive and more volatile on average than its typical large-growth Morningstar Category peer.

Despite the emphasis on momentum, the strategy's low turnover is a plus. Over the past five years, its portfolio turned over at an average of 32% annually versus its peers' 61%. Devulapally's aim to more defensively position the portfolio led to higher than usual turnover in 2019. He gradually trimmed back holdings he saw as overvalued, such as Amazon AMZN and Shopify SHOP. In April 2019, Amazon was the portfolio's largest position at 6.1% of assets. As of January 2020, it consumed only 3.5% of the portfolio.

The portfolio is pricey on traditional metrics. Devulapally's preference for game-changers can lead to investments in firms trading at higher multiples than its Russell 1000 Growth Index. The Morningstar Risk Model signaled less exposure to the valuation factor than its bogy historically, indicating that Devulapally tends to favor expensive names. As of January 2020, 49% of the portfolio contained firms with a 1- or 2-star Morningstar Rating for stocks, a greater allocation to pricey names than its benchmark's 42%. Devulapally believes the biggest winners are often expensive. That's not to say Devulapally isn't valuation-aware, though. He closely monitors each name's relative price tag and will trim the holding if its run-up seems unprecedented in contrast to historical valuations.

Devulapally has shown latitude with the portfolio's sector allocations, which are driven by bottom-up fundamental stock selection. Indeed, sector

exposures have swung. In January 2017, the technology stake stood more than 10 percentage points higher than the benchmark. The weighting shrunk in 2019 as Devulapally pared back names he deemed pricey. As of January 2020, technology consumed 31% of the portfolio versus the benchmark's 40%. Meanwhile, the strategy was overweight consumer discretionary by 5.9 percentage points in January 2020 after a 4-point underweight two years earlier.

**Performance Pillar** | Tony Thomas, Ph.D., Claire Butz 03/11/2020

In the efficient, highly competitive large-growth category, lead manager Giri Devulapally has impressed. Since he became this strategy's sole lead manager in August 2005 through February 2020, the R6 shares (the largest by assets) gained 14.3% annualized, outpacing the Russell 1000 Growth benchmark and peers by 0.9 and 3.6 percentage points, respectively. That beat 93% of peers over the period.

The fund has had its fair share of volatility, though. Over Devulapally's tenure, the fund's returns had a standard deviation of 15.2 versus its benchmark's 14.5. The fund also has had slightly more exposure to down markets than its benchmark over Devulapally's record, evidenced by its 102% down capture ratio. Devulapally's 106% exposure to up-markets mitigated his tendency to lose more during market drawdowns. His risk-adjusted returns land in the top quintile of peers, and the record still had an edge on a risk-adjusted basis.

The strategy tends to underperform in value markets and environments in which momentum turns negative. During the volatile fourth quarter of 2018, for example, the fund fell 18.7% versus the benchmark's 15.9% loss. The team's communication services and consumer discretionary picks contributed to strategy's bottom-decile category performance in that period. Even so, the R6 shares still beat the bogy and 78% of large-growth peers that year.

**People Pillar** Above Average | Tony Thomas, Ph.D., Claire Butz 03/11/2020

A tenured manager and seasoned analyst team earn this strategy an Above Average People rating.

Lead manager Giri Devulapally has proven to be a capable investor. Devulapally, who joined J.P. Morgan Asset Management in 2003 after a six-year stint as a technology analyst at T. Rowe Price, became comanager of this fund in August 2004 and the sole lead manager in August 2005. Since then through February 2020, Devulapally has impressed. The strategy's R6 shares outpaced both the Russell 1000 Growth Index and 93% of large-growth category peers over his time at the helm. Devulapally's efforts are focused--this is the only strategy he manages.

A team of experienced analysts support the strategy. Its five sector analysts average seven years at J.P. Morgan and 17 years in the industry. Devulapally closely collaborates with the analysts to determine the portfolio constituents. The seasoned analyst bench has seen little turnover over the years. The team's only recent loss was its consumer analyst in 2018, but strong picks in the consumer sectors since the departure indicate Devulapally has found a talented replacement. Additionally, the analyst team can tap into the larger research pool of more than 200 global J.P. Morgan equity analysts.

Devulapally invests at least \$1 million in the strategy, a signal that his interests are aligned with fundholders'.

**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** | Tony Thomas, Ph.D., Claire Butz 03/11/2020

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 LARGE CAP GROWTH FUND**  
**I SHARES – SEEGX**
**MORNINGSTAR RATING AS OF 3/31/20**

Morningstar overall rating 5 stars, Class I; Large Growth Category; 1231 funds. Three-year rating 5 stars; 1231 funds. Five-year rating 5 stars; 1086 funds. Ten-year rating 5 stars; 812 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.

**MORNINGSTAR RANKINGS AS OF 3/31/20**

Source: Morningstar, I Shares as of 3/31/20. Large Growth Category. Ranked: 1-yr. (77/1358), 3-yrs. (54/1231), 5-yrs. (76/1086) and 10-yrs. (46/812). Batting average measures manager's ability to meet or beat the market consistently, calculated by dividing the number of quarters/months when the manager beats/matches the index by the total number of quarters/months in the period. 1-yr. (169/1379), 3-yrs. (239/1318), 5-yrs. (137/1260) & 10-yrs. (136/1100). For information ratio, the excess return vs. the benchmark divided by tracking error. 1-yr. (152/1379), 3-yrs. (66/1318), 5-yrs. (110/1260) & 10-yrs. (69/1100).

**ANNUAL OPERATING EXPENSES (%)**

	Gross expenses	Net expenses
I shares	0.80	0.69

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 0.00% 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 10/31/2020, 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.

**PERFORMANCE**

(%) as of 3/31/20	1 year	3 years	5 years	10 years
I shares at NAV	2.97	15.09	11.43	13.75
Russell 1000 Growth Index	0.91	11.32	10.36	12.97
Lipper Large-Cap Growth Funds Index	-0.55	11.21	9.26	11.57

*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.*

**PORTFOLIO HOLDINGS AS OF 3/31/20 (%)**

Microsoft Corp.	6.9
Apple, Inc.	6.5
Alphabet, Inc., Class C	5.5
Amazon.com, Inc.	4.0
Tesla, Inc.	4.0
Mastercard, Inc., Class A	3.0
DexCom, Inc.	2.6
Advanced Micro Devices, Inc.	2.5
NVIDIA Corp.	2.5
PayPal Holdings, Inc.	2.1
<b>Total of top 10</b>	<b>39.6</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.

**Contact JPMorgan Distribution Services at 1-800-480-4111 for a fund prospectus. You can also visit us at [www.jpmorganfunds.com](http://www.jpmorganfunds.com). Investors should carefully consider the investment objectives and risks as well as charges and expenses of the mutual fund before investing. The prospectus contains this and other information about the mutual fund. Read the prospectus carefully before investing. Must be accompanied or preceded by a prospectus.**

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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.

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**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 Russell 1000 Growth Index is an unmanaged index measuring the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The performance of the Lipper Large-Cap Growth 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.

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.

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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.

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

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