Building stronger portfolios

J.P. Morgan Asset Management UCITS ETFs

Making prudent asset allocation decisions is crucial to helping clients achieve their long-term goals. Our model portfolios framework is designed to help you build better portfolios in any market environment.

Asset allocation views	These are the firm's views on asset classes across various regions, which are revised regularly and are also the source of positioning within the J.P. Morgan Asset Management model portfolios.
Model portfolios	Asset allocation views are translated into a series of model portfolios to help investors make thoughtful, well-informed decisions in building and managing portfolios.
J.P. Morgan ETFs in practice	Explore an approach of how J.P. Morgan ETFs might be used in the model portfolios.

The experience and resources you need

J.P. Morgan's award-winning[1] Multi-Asset Solutions team has the experience and track record to help clients achieve consistent results in all market environments.

$242+bn
Global assets under management

50+yrs
Investment track record

105
Investment professionals

53
CFA charter holders

24
MBAs

8
PHDs

1
Objective: seeks to help clients meet their investment goals

Source: J.P. Morgan Asset Management; as of 30 September 2023.
[1] Asia Asset Management - Best Multi-Asset Manager 2023.

Asset allocation views

These asset allocation views are the result of a rigorous and disciplined process that integrates our qualitative insights and quantitative analysis. The research and investor teams examine, debate and challenge the views at the quarterly Strategy Summit, and meet regularly to ensure ongoing dialogue.

Global views

- Moderate growth, cooling inflation and less restrictive policy should be generally supportive to asset markets in 2024.
- The prospect of rate cuts in 2024 supports fixed income relative to cash. In credit, spreads are tight by historical standards, but carry is attractive and we see opportunities in securitized credit, as well as in shorter-dated crossover credits and high yield.
- We see positive U.S. stock performance broadening beyond tech as an improving U.S. inventory cycle boosts cyclical sectors. As growth cycles remain out of sync in 2024, there should be tradable differences among sectors and regions, as well as a good outlook for stock selection alpha.
- We upgrade equities to a modest overweight, maintain a constructive view on duration and continue to find pockets of opportunity across the credit complex.

U.S. equities: Rooting for the home team

- In the U.S., recent months have delivered substantial progress toward realizing a soft landing, in terms of both gradual economic deceleration and cooling inflation.
- We maintain our preference for U.S. large caps, which we expect will deliver better earnings growth than their non-U.S. peers.
- U.S. small caps have rallied by more than 20% since the end of October and while our expectations are tempered, we still see potential upside in some U.S. cyclicals, such as the Industrials sector, which could benefit from an improving U.S. inventory cycle.
- We maintain our modest overweight to U.S. equities. Our estimate of around 7% growth in earnings next year, with multiples supported by lower rates, likely sees the S&P 500 test the 5,000 level in 2024. We also expect that positive performance broadens beyond the tech sector.

Fixed income: Balance is key

- The prospect of a cutting cycle in 2024 supports duration. Following the Fed's dovish pivot, the trajectory of yields is clearly downward.
- Should our base case of moderating growth but no recession play out in 2024, all-in yields in credit could continue to offer attractive carry. We continue to see opportunities in securitized credit and high yield.
- While we prefer U.S. high yield and securitized credit given the strength of the U.S. economy and the health of corporate balance sheets, we acknowledge that emerging markets debt can perform well on prospects for a weaker USD.
- We maintain a positive duration stance, underpinned by two key pillars: slowing growth and a gradual downtrend in inflation back to 2%.

Developed international and emerging market equities: Less optimistic over the near term

- We expect global growth to be close to trend, a continuation of the asynchronous cycle and less restrictive financial conditions – an environment that we believe will be generally supportive of stocks and bonds.
- We maintain our underweight position to International Developed driven by our outlook on Europe. While macro data seem to be bottoming out, we see limited scope for a V-shaped recovery in the near term. European equity margins remain above the pre-pandemic trend levels, which keeps us cautious on prospects for earnings growth.
- We maintain our neutral exposure to Emerging Markets (EM) equity driven by China's underwhelming reopening story amid higher unemployment, weak consumer sentiment and continued softness in the property sector.

Liquid alternatives: Flexible portfolio tools offer increased diversification

- With heightened volatility, equity alternatives can provide some upside participation while reducing downside
- risk although many long/short strategies have faced headwinds due to crowded positioning in mega cap tech names.
- Fixed income alternatives can help investors diversify credit and interest rate risk in a more challenging market environment and given the continued interest rate volatility we have shifted exposure from equity alternatives to fixed income alternatives.
- We maintain our allocation to core diversifiers, which can serve to dampen volatility.

Active allocation views

These asset class views apply to a 12- to 18-month horizon. Up/down arrows indicate a positive (▲) or negative (▼) change in view since the prior quarterly Strategy Summit. These views should not be construed as a recommended portfolio. This summary of our individual asset class views indicates strength of conviction and relative preferences across a broad-based range of assets but is independent of portfolio construction considerations.

● Underweight (UW) ● Neutral (N) ● Overweight (OW)

Asset class		Opportunity set	UW	N	OW	Change	Conviction	
Main asset classes		Equities	○	○	●	▲	Moderate	Earnings downgrade cycle has turned, and multiples supported by easier monetary conditions
Main asset classes		Duration	○	○	●		Moderate	Peak in yields behind us as we move to cutting cycle; yields may decline slowly, but >4% coupon is attractive
Main asset classes		Credit	○	○	●		Moderate	Carry attractive in base case of no recession; some spread tightening potential in high yield
Main asset classes		Cash	●	○	○	▼	High	Cash returns set to fall as cutting cycle begins; long-term USD rates likely nearer 2.5% than 5.5%
Preference by asset class	Equities	U.S. large cap	○	○	●		Moderate	7% EPS growth and valuations supported by falling rates; can see S&P test 5,000 by year-end 2024
Preference by asset class	Equities	U.S. small cap	○	●	○			Outlook improving as recession risk fades, but favor profitable firms with low leverage, given elevated financing rates
Preference by asset class	Equities	Europe	●	○	○		Low	Macro data stabilizing in Europe, but sector-neutral P/E (14x) at long-term average and margins above pre-COVID levels
Preference by asset class	Equities	UK	○	○	●		Low	Cheap, defensive market; supported by valuations and flows in quantitative model and positive gearing to commodities
Preference by asset class	Equities	Japan	○	○	●		Moderate	Room to run further, given solid domestic growth, corporate governance reform driving up ROE and light positioning
Preference by asset class	Equities	China	○	●	○			Domestic growth and property sector remain weak, with limited signs of policy support or a convincing turn in earnings
Preference by asset class	Equities	EM ex-China	●	○	○		Moderate	Improving at the margin, with earnings outlook showing signs of bottoming, but flows remain a headwind
Preference by asset class	Fixed income	U.S. Treasuries	○	○	●		Moderate	Yields in the low 4s attractive ahead of Fed cuts; potential returns of 10%–20% should growth disappoint
Preference by asset class	Fixed income	G4 ex-U.S. sovereigns	○	●	○	▼		Bunds <2.2% too rich if EU growth improves and ECB cuts more slowly; BoJ tightening may see JGB yields retest 100bps
Preference by asset class	Fixed income	EMD hard currency	●	○	○		Low	Spreads of 400bps close to year lows; prefer carry in developed market IG, but EMD HY can tighten if growth improves
Preference by asset class	Fixed income	EMD local FX	○	●	○			Yields >6% are still elevated vs. 2021 lows; room for FX appreciation based on narrowing rate and growth differentials
Preference by asset class	Fixed income	Corporate investment grade	○	●	○	▼		Spreads are tight and show limited room for further decline; marginal benefit relative to all-in sovereign yields
Preference by asset class	Fixed income	Corporate high yield	○	○	●	▲	Low	Modest scope for spread tightening and fundamentals supportive; limited rise in defaults means carry looks attractive
Preference by asset class	Currency	USD	●	○	○	▼	Moderate	Soft landing and growth recovery in regions outside U.S. would imply a softer USD; Fed cuts further reduce support
Preference by asset class	Currency	EUR	○	○	●	▲	Low	ECB unlikely to cut as fast as priced; coupled with 2024 growth, recovery in the eurozone should lend support to EUR
Preference by asset class	Currency	JPY	○	○	●		Low	Modest strengthening of JPY plausible as macro improves and BoJ moves on from negative rates early in 2024
Preference by asset class	Currency	EM FX	○	●	○			Mixed picture: Better global growth a support, but easier Fed policy and better Chinese growth needed for appreciation

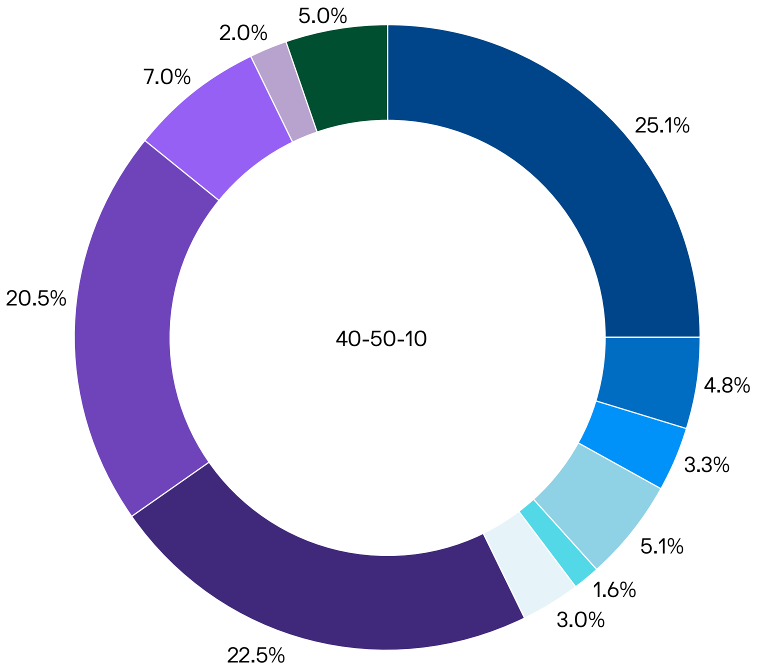
Source: J.P. Morgan Asset Management Multi-Asset Solutions; assessments are made using data and information up to December 2023.
For illustrative purposes only.

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.

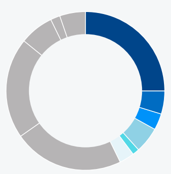
Model portfolios

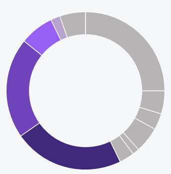
J.P. Morgan's strategic portfolio is based on a 40-50-10 equity-fixed income-cash mix and is updated quarterly based on the output from our Strategy Summit.

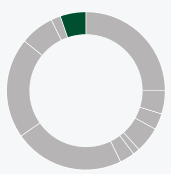
40-50-10 Model (as of September 2023)



Tactical shifts







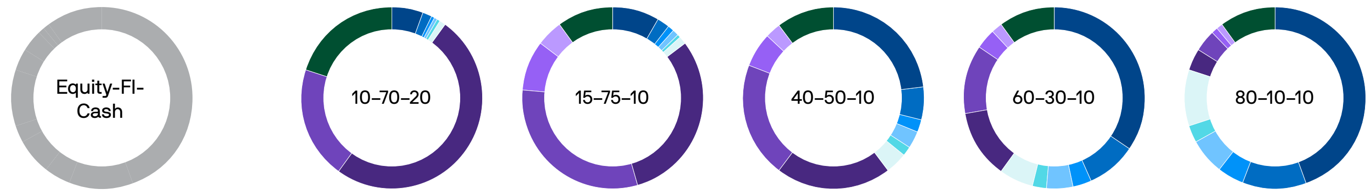
Equity	▲	
North America Equity	▲	2.0%
Europe ex UK Equity	▼	-1.0%
UK Equity	▲	1.0%
Japan Equity	▲	2.0%
Asia Pacific ex Japan Equity		
Emerging Markets Equity	▼	-1.0%

Fixed income	▲	
Global Government Bonds	▲	2.0%
Global Corporate Bonds		
Global High Yield Bonds	▲	1.0%
Emerging Markets Debt	▼	-1.0%

Cash	▼	
Cash	▼	-5.0%

Regarding the tables above, up/down arrows indicate an overweight (▲) or underweight (▼) from our strategic model, which is updated annually.

Examples by risk profile



	Cautious		Conservative		Balanced		Growth		High Growth	
Allocations and shifts	**Strategic†**	**Tactical shift**	**Strategic†**	**Tactical shift**	**Strategic†**	**Tactical shift**	**Strategic†**	**Tactical shift**	**Strategic†**	**Tactical shift**
Equity	**10.0%**		**15.0%**		**40.0%**		**60.0%**		**80.0%**	
North America Equity	5.8%	*2.0%*	8.5%	*2.0%*	23.1%	*2.0%*	34.6%	*2.0%*	44.6%	*2.0%*
Europe ex UK Equity	1.5%	*-1.0%*	2.2%	*-1.0%*	5.8%	*-1.0%*	8.8%	*-1.0%*	11.5%	*-1.0%*
UK Equity	0.5%	*1.0%*	1.0%	*1.0%*	2.3%	*1.0%*	3.5%	*1.0%*	4.6%	*1.0%*
Japan Equity	0.8%	*2.0%*	1.2%	*2.0%*	3.1%	*2.0%*	4.7%	*2.0%*	6.3%	*2.0%*
Asia Pacific ex Japan Equity	0.4%	*0.0%*	0.6%	*0.0%*	1.6%	*0.0%*	2.4%	*0.0%*	3.0%	*0.0%*
Emerging Markets Equity	1.0%	*-1.0%*	1.5%	*-1.0%*	4.0%	*-1.0%*	6.0%	*-1.0%*	10.0%	*-1.0%*
Fixed income	**70.0%**		**75.0%**		**50.0%**		**30.0%**		**10.0%**	
Global Government Bonds	50.0%	*2.0%*	30.8%	*2.0%*	20.5%	*2.0%*	12.3%	*2.0%*	4.0%	*2.0%*
Global Corporate Bonds	20.0%	*0.0%*	30.8%	*0.0%*	20.5%	*0.0%*	12.3%	*0.0%*	4.0%	*0.0%*
Global High Yield Bonds	0.0%	*1.0%*	9.0%	*1.0%*	6.0%	*1.0%*	3.6%	*1.0%*	1.0%	*1.0%*
Emerging Markets Debt	0.0%	*0.0%*	4.5%	*-1.0%*	3.0%	*-1.0%*	1.8%	*-1.0%*	1.0%	*-1.0%*
Cash	**20.0%**		**10.0%**		**10.0%**		**10.0%**		**10.0%**	
Cash	20.0%	*0.0%*	0.0%	*0.0%*	0.0%	*0.0%*	0.0%	*0.0%*	0.0%	*0.0%*

Source: J.P. Morgan Asset Management Multi-Asset Solutions; assessments are made using data and information up to December 2023.
For illustrative purposes only.
† Strategic allocations shown in the left column for each model portfolio do not include this quarter's tactical shifts. The current allocation for a given model would equal the sum of the strategic allocation plus the tactical shift.

Equity-FI-Cash Allocations	10-70-20	15-75-10	40-50-10	60-30-10	80-10-10
Historical results/portfolio statistics (as of 31 December 2023)**					
Historical results					
3-year returns (annualised)	-1.3%	-0.5%	2.0%	3.9%	5.5%
5-year returns (annualised)	2.3%	3.5%	6.0%	8.0%	9.8%
10-year returns (annualised)	2.8%	3.7%	5.3%	6.6%	7.8%
Portfolio statistics					
10-year volatility (annualised)[1]	4.0%	5.1%	7.2%	9.2%	11.3%
10-year historical drawdown[2]	-12.3%	-14.5%	-9.8%	-18.1%	-19.6%
10-year Sharpe ratio[3]	0.3	0.7	0.7	0.7	0.7

[1] Volatility is measured in standard deviation. Standard deviation for the model portfolio is a statistical estimate measuring how dispersed returns are around an average. Standard deviation is not meant to be a prediction of fund or model volatility, and actual volatility of any portfolio based in whole or in part on the models shown will vary and may be higher.
[2] A drawdown is the percentage change between a portfolio's peak and low prices in a given time period. The max historical drawdown is the largest drawdown since the inception of the portfolio.
[3] Sharpe ratio is a measure for calculating risk-adjusted return. It is the average return earned in excess of the risk-free rate per unit of volatility.

** Source: MSCI, Bloomberg, Barclays Capital, J.P. Morgan Asset Management Multi-Asset Solutions. North America Equity, Europe ex UK Equity, UK Equity, Japan Equity, Asia Pacific ex Japan Equity: MSCI World in USD Net Total Return Index. Emerging Markets Equity: MSCI Emerging Markets Net Total Return USD Index. US Government Bonds: Bloomberg US Treasury Total Return Unhedged USD Index. European Government Bonds: JPM EUR Government Bonds Index - USD hedged. US Corporate Bonds: Bloomberg Barclays US Corporate Bond Total Return Index in USD. European Corporate Bonds: Bloomberg Barclays EUR Corporate Bond Total Return Index USD hedged. Global High Yield Bonds: Bloomberg Barclays US High Yield 2% Issuer Cap Total Return Index Unhedged USD. Emerging Markets Debt: JPM Emerging Markets Bond Index USD-hedged. Cash: JP Morgan 3 Month Cash Index.

The model performance shown is hypothetical and for illustrative purposes only and does not represent the performance of a specific investment product. The performance presented does not reflect the deduction of expenses associated with a fund, such as investment management fees and fund expenses, including sales charges if applicable. Portfolio results and statistics are calculated based on the strategic asset allocation shown on this page and do not reflect the tactical asset allocation. Performance for periods longer than a year has been annualized using a geometric mean. Due to rounding, values may not total 100%. This information should not be relied upon as investment advice, research or a recommendation by J.P. Morgan Asset Management regarding the funds or the use of the model portfolios.

Example incorporating J.P. Morgan ETFs into the 40-50-10 model portfolio

In this section, the illustration shows how an investor might put the 40-50-10 model portfolio allocations into practice using J.P. Morgan ETFs. The allocations to J.P. Morgan ETFs listed below are not determined by the Multi-Asset Solutions team.

Traditional approach using building block funds, %

Liquid Alternatives

Liquid Alternatives

- **JARA** JPMorgan Global Core Real Assets Limited

Fixed income

Global Government Bonds

- **BBTR** J.P. Morgan BetaBuilders US Treasury Bond UCITS ETF
- **BBEG** J.P. Morgan BetaBuilders EUR Government Bond UCITS ETF

Global Corporate Bonds

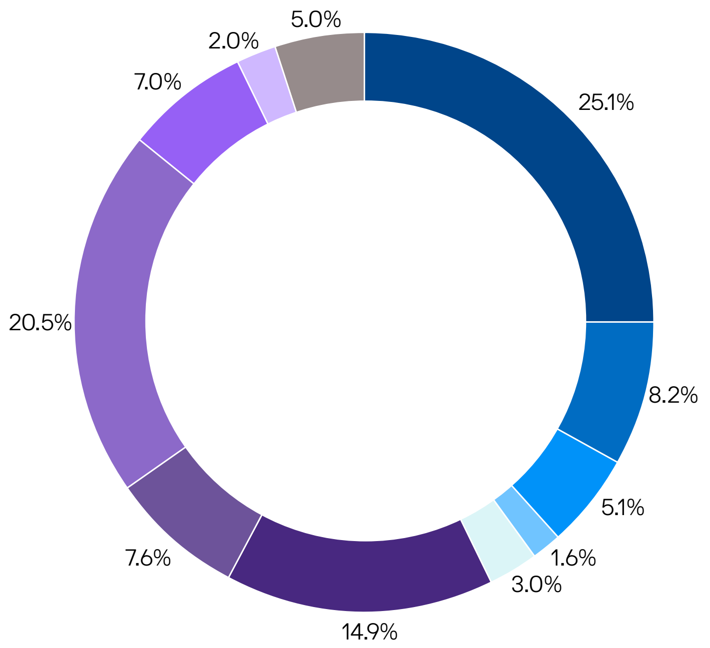
- JPM Global Corporate Bond Fund

Global High Yield Bonds

- **JGHY** J.P. Morgan Global High Yield Corporate Bond Multi-Factor UCITS ETF

Emerging Markets Debt

- **JPMB** J.P. Morgan USD Emerging Markets Sovereign Bond UCITS ETF



Equity

North America Equity

- **BBUSA** J.P. Morgan BetaBuilders U.S. Equity

Europe and UK Equity

- **BBEU** J.P. Morgan BetaBuilders Europe

Japan Equity

- **BBJP** J.P. Morgan BetaBuilders Japan

Asia Pacific ex Japan

- **BBAX** J.P. Morgan BetaBuilders Developed Asia Ex-Japan

Emerging Markets Equity

- **JPEM** J.P. Morgan Diversified Return Emerging Markets Equity

The allocations to J.P. Morgan ETFs listed are not determined by the Multi-Asset Solutions team. This information should not be relied upon as investment advice, research or a recommendation by J.P. Morgan Asset Management regarding (i) the Funds, (ii) the use or suitability of the J.P. Morgan Asset Management Model Portfolios or (iii) any security in particular. Only an investor and their financial advisor know enough about their circumstances to make an investment decision.

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