

# JPMorgan Ultra-Short Income ETF JPST

Compelling ultrashort active ETF.

## Morningstar's Take JPST

Overall Morningstar Rating™	★★★★		
205 US Fund Ultrashort Bond (31 Jul 2023)	3 Yr 205 funds	5 Yr 181 funds	10 Yr — funds
Morningstar Rating™	3★	4★	—
Morningstar Medalist Rating™	Silver		
Analyst-Driven %	100.00		
Data Coverage %	100.00		
Morningstar Pillars			
Process (23 Jun 2023)	Above Average		
People (23 Jun 2023)	Above Average		
Parent (1 Dec 2022)	Above Average		
Performance (23 Jun 2023)			
Price (23 Jun 2023)			

23 Jun 2023 | by Paul Olmsted

JPMorgan Ultra-Short Income ETF's experienced liquidity-focused portfolio managers, considerable supporting resources, competitive fees, and responsible approach earn it a Morningstar Medalist Rating of Silver.

The team is seasoned and deep. Lead portfolio manager James McNery leads the day-to-day management of this actively managed ETF that sits within JPMorgan's Global Liquidity platform. He joined JPMorgan in 2000, focuses exclusively on front-end strategies, and has served as comanager here since the ETF's May 2017 inception. Three seasoned comanagers that average over 25 years of industry experience surround McNery: David Martucci, Cecilia Junker, and Kyongsoo Noh. The managers draw on the vast resources of the firm's Global Fixed Income, Currency & Commodities platform, including 21 investment-grade corporate bond and seven securitized analysts that inform security selection.

This group aims to maintain liquidity but generate higher returns than prime money market funds while limiting potential mark-to-market losses. The strategy is typical in its marriage of top-down views with bottom-up security selection but its approach that strikes a balance between money markets and longer-term strategies sets the ETF apart from most ultrashort peers that do not lean on a dedicated liquidity platform.

The strategy's robust process helps accomplish its liquidity-centric goals. The team's monthly view on macro factors and expected scenarios drives the ETF's six-month outlook and informs portfolio positioning. The team dynamically adjusts duration (a measure of interest-rate sensitivity), which is typically less than one year, while corporate-backed and securitized debt receives the most focus despite the sectors being absent from the strategy's ICE BofA 3-Month U.S. Treasury Bill Index benchmark. Sensitive to the ETF's liquidity profile, it typically holds between 15% and 35% in securities that mature in less than one year.

The ETF's short track record has produced compelling results. Since May 2017, its first full month of performance, the strategy's 1.9% annualized gain through May 2023 beat its distinct ultrashort bond Morningstar Category median peer's 1.6%, ranking in the best quintile. Its volatility-adjusted performance, as measured by Sharpe ratio, was even better, landing in the category's top decile. Its conservative positioning has limited the downside in stress periods and its focus on higher-yielding investment-grade bonds has also helped beat peers over calendar years.

**Process** Above Average | Paul Olmsted | 23 Jun 2023

Sensitive to investors' expectations for an ultrashort bond offering, the comanagers aim to maintain liquidity but generate higher returns than prime money market funds, while limiting potential losses. The strategy earns an Above Average Process rating.

While the ETF has only been around since May 2017, JPMorgan has honed its conservative approach over multiple decades managing ultrashort duration strategies for institutional clients. The strategy is typical in its marriage of top-down views with bottom-up security selection but its approach that strikes a balance between money markets and longer-term strategies sets this ETF apart from most ultrashort peers that do not lean on a dedicated liquidity platform.

The comanagers begin with the broader team's monthly view on macro factors and expected scenarios that drive the ETF's six-month outlook and inform duration, yield curve, sector, and liquidity positioning. The team dynamically adjusts yield curve and duration, which is typically less than one year. Corporate-backed and securitized debt receives the most focus despite the sectors' absence from the ICE BofA 3-Month U.S. Treasury Bill Index benchmark. A function of issuance needs for short-term financing, financials dominate the portfolio, but JPMorgan's small army of investment-grade credit analysts vet each holding, assigning an internal rating to each issuer.

This team is sensitive to the ETF's liquidity profile, typically holding between 15% and 35% in securities that mature in less than one year; this stake includes cash, money markets, certificates of deposit, and commercial paper.

Various types of investment-grade corporate debt make up the majority of the ETF while securitized bonds and U.S. Treasuries round out the portfolio; the strategy's U.S. Treasury-only benchmark does not guide portfolio construction as these stakes typically only make up a small percentage of assets.

Lead portfolio manager James McNery and team don't reach for yield, but instead focus almost exclusively on investment-grade debt while keeping a keen eye on the portfolio's liquidity profile. Over its history, corporate credit has dominated the portfolio with between 70% and 90% allocations,

including fixed-rate corporates, commercial paper, and certificates of deposit. More recently, the ETF has held this stake near the lower end of this range, instead favoring higher cash stakes. The fund's conservative risk profile doesn't give it a yield advantage versus ultrashort bond peers, typically hovering near the middle of the pack. The liquidity bias comes through in their allocation to bonds with less than a year to maturity, which has ranged from 10% to 60%. As of March 2023, the ETF's cash stake was near the upper end of this range given the managers' caution on the economy.

The managers use duration to their advantage. While the ETF's duration is typically less than one year, the team has actively managed duration between 0.25 to 1.0 years. For example, the team gradually shortened its duration to about 0.3 years throughout 2022, amid aggressive Federal Reserve rate hikes, from nearly 0.8 years in mid-2021. They repositioned longer to 0.85 years as of March 2023 as the Fed nears the end of its hiking cycle.

**People** ● Above Average | Paul Olmsted | 23 Jun 2023

Experienced, liquidity-focused portfolio managers and a deep supporting cast earn the strategy an Above Average People rating.

This seasoned team that sits within JPMorgan's Global Liquidity platform brings specialized experience and depth to the strategy. James McNerny sets the tone here; with JPMorgan since 2000, he has led this ETF since its May 2017 inception and focuses exclusively on ultrashort bond strategies that typically feature duration of less than one year. Three comanagers that bring an average of more than 25 years of industry experience sit alongside McNerny: David Martucci, head of managed reserves portfolio management; Cecilia Junker; and Kyongsoo Noh.

McNerny leads the day-to-day management of the ETF, but the strategy's team-based approach relies on inputs from the comanagers to determine duration, yield curve, sector, and liquidity positioning. In addition to the firm's dedicated liquidity specialists, this team draws on the vast resources of its Global Fixed Income, Currency & Commodities platform, which includes 21 investment-grade corporate bond, and seven securitized analysts that select securities.

Stability is a strength. This team has worked together for over 10 years and apart from some turnover among fundamental analyst ranks, nobody material to the strategy has left in recent years.

The portfolio managers share in the performance of the ETF. McNerny and Martucci each have personal stakes between \$100,000 and \$500,000; Junker between \$10,000 and \$50,000; and Noh has none.

**Parent** ● Above Average | Paul Olmsted | 6 Feb 2023

A well-resourced, thoughtful, and disciplined steward of client assets, JPMorgan Asset Management maintains an Above Average Parent rating.

As of 2022, this investment stalwart manages more than USD 2.5 trillion in AUM. Composed of various global cohorts and diverse asset classes, the firm has more tightly integrated its capabilities in recent years, notably through the development of proprietary analytical and risk systems. Investment teams are robustly staffed and helmed by seasoned contributors. The firm's strategies tend to produce reliable portfolios, and several flagship offerings are Morningstar Medalists. Manager incentives align with fundholders'; compensation reflects longer-term performance factors, and portfolio managers invest in the firm's strategies as part of their compensation plans.

The firm's funds tend to be well-priced, but they aren't as competitive as many highly regarded peers of similar scale. Recent product launches include thematic and single-country strategies, both of which carry the potential for volatile performance and flows, along with misuse by investors. The firm remains intrepid when it comes to developing an environmental, social, and governance-focused framework and continues to move into other areas such as direct indexing through its 55iP acquisition and China through its joint venture, but these complicated initiatives take time to assess any real and lasting effect.

**Performance** | Paul Olmsted | 23 Jun 2023

The ETF's short track record has produced compelling results. Since May 2017, its first full month of performance, the strategy's 1.9%

annualized gain through May 2023 beat its distinct ultrashort bond Morningstar Category median peer's 1.6%, ranking in the best quintile. Its volatility-adjusted performance, as measured by Sharpe ratio, was even better, landing in the category's top decile.

Security selection, duration management, and an active search for incremental yield drives performance while its short duration and higher credit quality tilt dampen volatility. The aim of the strategy is to outpace prime money market funds by 40-60 basis points over a market cycle, which it has done since its inception. The strategy's ICE BofA 3-Month U.S. Treasury Bill Index is not a relevant measure of relative performance. The ETF does not prominently feature U.S. Treasuries, but instead relies on corporate-backed debt and securitized bonds to generate yield.

Its conservative positioning has helped limit the downside in stress periods. During its worst downside period during the pandemic-driven volatility of March 2020. The ETF's 1.6% drawdown was less severe than its median rival's 1.8% loss. But over calendar 2020, the strategy rebounded to post a 2.2% gain, about 65 basis points better than its typical peer. As spiking interest rates rocked bond markets during calendar 2022, the strategy's shorter duration helped it outpace 80% of peers.

**Price** | Paul Olmsted | 23 Jun 2023

It's critical to evaluate expenses, as they come directly out of returns. Based on our assessment of the fund's People, Process, and Parent Pillars in the context of these expenses, we think this share class will be able to deliver positive alpha relative to the category benchmark index, explaining its Morningstar Medalist Rating of Silver.

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The Data Coverage % data point is a summary metric describing the level of data completeness used to generate the overall rating. If the pillar is assigned directly or indirectly by analysts, the pillar has complete data availability, as no model was used to estimate the pillar score. If the pillar is assigned directly by algorithm, Morningstar counts the number of data points feeding both the positive and negative models and counts whether the vehicle has strategy-specific data available. A simple percentage is calculated per pillar. The overall data coverage % is then scaled by pillar weights.

### Analyst-Driven %

The Analyst-Driven % data point displays the weighted percentage of a vehicle's pillar ratings assigned directly or indirectly by analysts. For example, if the People and Parent ratings are assigned directly or indirectly by analysts but the Process rating is assigned algorithmically, the Analyst-Driven % for an actively managed vehicle would disclose that 55% of the pillar weight was assigned by analysts and the Analyst-Driven % for a passively managed vehicle would disclose that 20% of the pillar weight was assigned by analysts.

### Morningstar Medalist Rating™

The Morningstar Medalist Rating is the summary expression of Morningstar's forward-looking analysis of

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### Bonds

Bonds are subject to interest rate risk. As the prevailing level of bond interest rates rise, the value of bonds already held in a portfolio declines. Portfolios that hold bonds are subject to declines and increases in value due to general changes in interest rates. Portfolios that invest in lower-rated debt securities (i.e., "junk bonds") involve additional risks because of the lower credit quality of the securities in the portfolio. The investor should be aware of the possible higher level of volatility, and increased risk of default. Tax-free municipal bond funds may be subject to state and local taxation and the Alternative Minimum Tax.

### Equities

Equities are typically subject to greater fluctuations in market value than other asset classes due to factors such as a company's business performance, investor perceptions, stock market trends and general economic conditions. Stocks of small or mid-sized companies involve additional risks; such companies may have a higher risk of failure, are not as well established as larger blue-chip companies, and have historically experienced a greater degree of market volatility than the overall market average.

### International/Emerging Markets Securities Risk

Investing in international securities involves special additional risks. These risks include, but are not limited to, currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

### Liquidity Risk

Trading may be halted due to market conditions, impacting an investor's ability to sell a security.

### Market Price Risk

The market price of securities traded on the secondary

market is subject to the forces of supply and demand and thus independent of the NAV. This can result in the market price trading at a premium or discount to the NAV, which will affect an investor's value.

### Market Risk

The market prices of securities can fluctuate as a result of several factors, such as security-specific factors or general investor sentiment. Therefore, investors should be aware of the prospect of market fluctuations and the impact it may have on the market price.

### Non-Diversified Strategies

Portfolios that invest a significant percentage of assets in a single issuer involve additional risks, including share price fluctuations, because of the increased concentration of investments.

### Sector Strategies

Portfolios that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risks.

# JPMorgan Ultra-Short Income ETF

Ticker- JPST



Morningstar Silver Rating as of 6/23/2023  
Category: Ultrashort Bond

## Annual operating expenses

Gross expenses:	0.18%
Net expenses:	0.18%

The Fund's management agreement provides that the adviser will pay substantially all expenses of the Fund, except for the management fees, payments under the Fund's 12b-1 plan (if any), interest expenses, dividend and interest expenses related to short sales, taxes, acquired fund fees and expenses (other than fees for funds advised by the adviser and/or its affiliates), costs of holding shareholder meetings, and litigation and potential litigation and other extraordinary expenses not incurred in the ordinary course of the Fund's business. The Fund shall be responsible for its non-operating expenses, including brokerage commissions and fees and expenses associated with the Fund's securities lending program, if applicable.

## Performance as of 6/30/23

Ultra-Short income ETF	1 Year	3 Years	5 Years	Since Inception*
At NAV	3.52%	1.30%	1.97%	1.94%
Market Price Returns	3.46%	1.28%	1.95%	1.94%
ICE BofAML 3-Month US Treasury Bill Index	3.62%	1.28%	1.56%	1.51%

\*Inception date: 5/17/2017

*The performance quoted is past performance and is not a guarantee of future results. Investment returns and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than original cost. Current performance may be higher or lower than the performance data shown. For performance current to the most recent month-end please call 1-844-4JPM-ETF.*



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***Investors should carefully consider the investment objectives and risks as well as charges and expenses of the JPMorgan ETF before investing. The summary and full prospectuses contain this and other information about the ETF. Read the prospectus carefully before investing. Call 1-844-4JPM-ETF or visit [www.jpmorganETFs.com](http://www.jpmorganETFs.com) to obtain 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.

#### **Risk Summary:**

Investments in asset-backed, mortgage-related and mortgage-backed securities are subject to certain risks including prepayment and call risks, resulting in an unexpected capital loss and/or a decrease in the amount of dividends and yield. During periods of difficult credit markets, significant changes in interest rates or deteriorating economic conditions, such securities may decline in value, face valuation difficulties, become more volatile and/or become illiquid.

#### **Indexes:**

ETFs have fees that reduce their performance; indexes do not. You cannot invest directly in an index. The ICE BofA 3-Month US Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. The index is rebalanced monthly and the issue selected is the outstanding Treasury Bill that matures closest to, but not beyond 3 months from the rebalancing date.

Total Returns based on NAV and Market Price do not reflect brokerage commissions or sales charges in connection with the purchase or sale of Fund shares, which if included would lower the performance shown above. The NAV used in the Total Return calculation assumes all management fees and operating expenses incurred by the Fund.

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**

As of 7/31/23 Morningstar overall rating 4 stars, Ultrashort Bond Category; 205 funds. Three-year rating 3 stars; 205 funds. Five-year rating 4 stars; 181 funds. Ten-year period not yet rated. 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.

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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