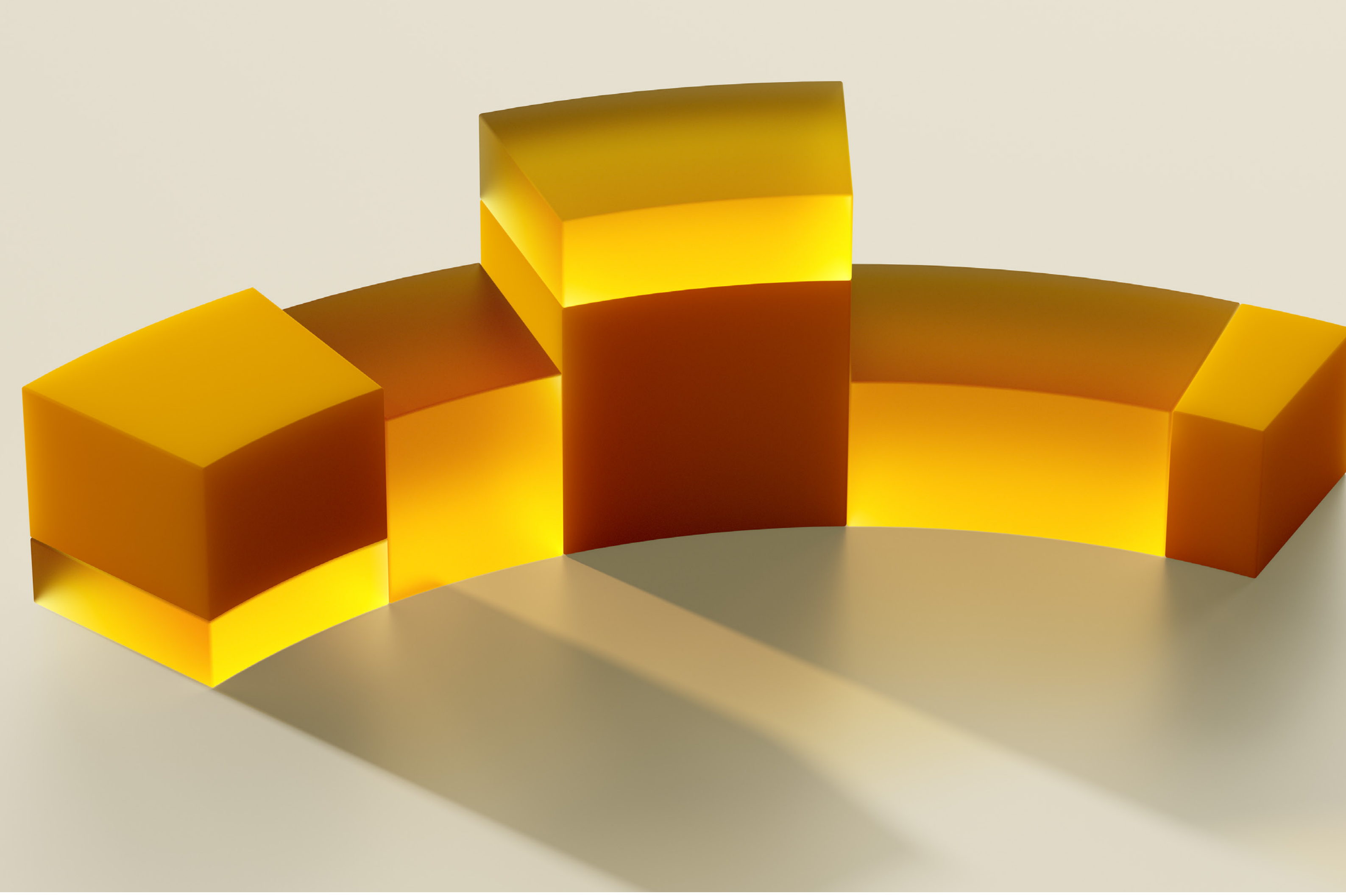


Why Research Enhanced Index Equity strategies are set to shine under a YFYS regime

J.P.Morgan
ASSET MANAGEMENT

The Your Future, Your Super (YFYS) legislation is changing the way super funds think about investing.

They must now pass a performance test based on broad benchmarks that are likely to encourage a shift to passive investing; tighter strategic asset allocations; and a renewed focus on investment fees, according to recent research.

Passive management offers the benefits of risk diversification derived from a super fund's asset allocation decisions.

However, it also constrains any returns beyond the benchmark while stock selection is determined by the index providers and stock weights are determined by the market.

This inability to outperform the market could weigh heavily as competition between funds ramps up in the wake of YFYS.

Meanwhile, equity investors are facing a lower return environment. Valuation multiples remain elevated after a full decade of strong equity returns, even after a market correction in the early months of 2022.

In this environment, passive investors need to be acutely aware of their inability to deliver any "alpha" or "excess return" which would become a much more prominent contributor of total returns.

However, super funds have an alternative option that combines the best of both worlds: a process that can potentially outperform the benchmark (after fees) while retaining a risk profile similar to the benchmark.

The **JPM Global Research Enhanced Index strategy** offers this solution to super funds.

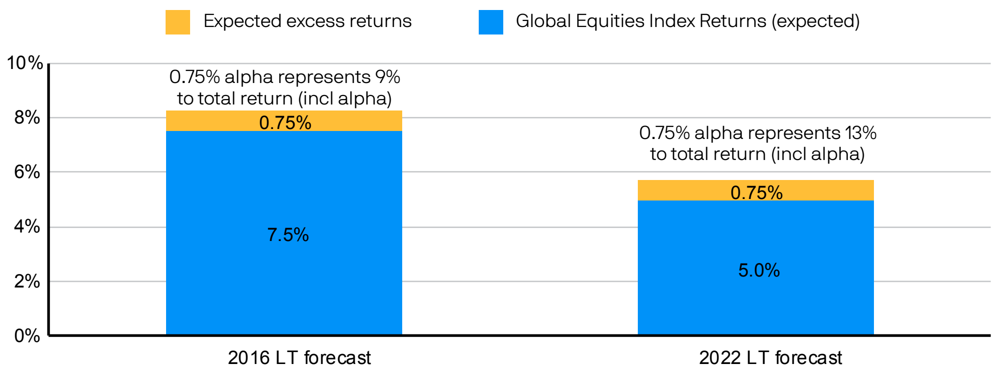
The strategy has managed to meet this objective for the past 19+ years[1]. The strategy's consistency is shown by its since inception Information Ratio of 1.2 and a three year Information Ratio of 2.1 (to the end of December 2021), which presents opportunities under the YFYS framework.

1. The Investment Manager seeks to achieve the stated objectives. There can be no guarantee the objectives will be met.
Source: J.P. Morgan Asset Management. Data as of end December 2021. The above performance numbers are based on the Global ACWI REI Composite. Composite inception date - September 2003. **Please refer to the GIPS Composite Disclosure slide on page 10.**
Past performance is not a reliable indicator of current and future results.

Super funds face a more difficult investment environment

After a full decade of strong equity returns, valuation multiples remain at elevated levels, even after the correction during the early months of 2022. Together with the current macro backdrop, equity investors are likely to face a lower return environment. Exhibit 1 shows the expected global equity return suggested by the JP Morgan Long Term Capital Market Assumptions in 2016 vs 2022, which highlights a significant 30% reduction in expected return. In this environment, passive investors need to be aware of their inability to deliver any "alpha" or "excess return" compared to other super funds as any excess return will become a much more prominent contributor to the total equity return.

Exhibit 1 - Additional alpha is critical to overall returns



Source : J.P. Morgan Asset Management. Long term forecast as per JP Morgan Long Term Capital Market Assumptions as of 2016 and 2022 for AC World equity in USD terms. Forecasts, projections and other forward looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecast, projections or other forward statements, actual events, results or performance may differ materially from those reflected or contemplated.

The benefits of lower tracking error and greater efficiency

Investors are constantly faced with the tradeoffs between risk and return. In its purest sense, risk can be thought of as the likelihood of losing one's investment. On a statistical level, it can be thought of as the volatility of investment returns, or standard deviation. The growth in passive assets leads investors to focus not only on absolute performance, but also relative returns and the volatility of such excess returns – or tracking error.

What does a low tracking error offer the investor? On the surface, lower tracking errors suggest a lower likelihood of achieving alpha, either positive or negative. However, the attractiveness of enhanced indexing does not lie simply with its lower tracking error but with the higher efficiency. **Information ratio is typically the measure of this efficiency of alpha or excess returns generated per unit of incremental risk taken** (i.e. tracking error). An active strategy with excess return of 2% pa and a tracking error of 4% pa would have an information ratio of 0.50, while the enhanced index strategy with excess return of 0.75% pa and a tracking error of 1.0% pa would have an information ratio of 0.75.

High and consistent information ratios not only provide a higher chance for super funds to achieve their investment objective, it also allows a more effective allocation of risk budget. Historically, enhanced index managers have consistently achieved higher information ratios than fully active managers with high tracking error targets and a much broader breadth of opportunities.

The benefits of lower tracking error and greater eciency

Uncompensated risks result in a lower information ratio. On the contrary, in our enhanced indexing strategies, the combination of a proprietary, sustainable information advantage and disciplined portfolio construction techniques minimise uncompensated risks, leading to superior risk-adjusted returns. Enhanced index strategies do not attempt to achieve excess return levels as high as those in traditional active strategies, but generate the excess returns at higher information ratios in a highly consistent way which presents opportunities under the YFYS framework.

Finally, we believe that allocations to enhanced index strategies can be used as a compliment to strategies regarded as higher alpha opportunities (e.g. small cap equities, emerging market equities), however there will be a greater hurdle applied, and the allocations will likely be lower to manage tracking error to the APRA benchmarks.

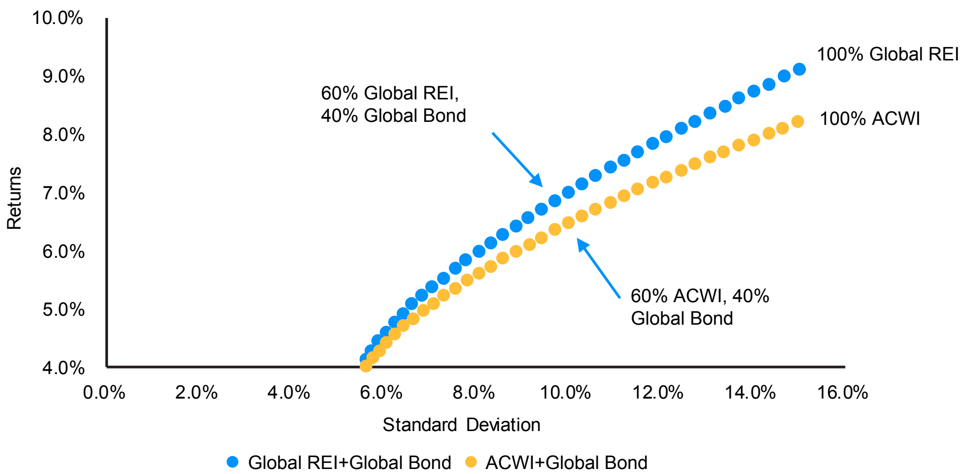
The view from the efficient frontier

Exhibit 2 compares efficient frontiers using solely index returns for both stocks and bonds (shown in Yellow) and the corresponding efficient frontiers when our enhanced index equities strategies are substituted for their respective index funds (shown in blue). In each instance, the inclusion of our enhanced index strategies raises the aggregate return with only a small corresponding increase in the aggregate risk. We believe this increase in risk is a small price to pay for the increase in returns.

In each efficient frontier, we have marked the standard 60% stocks/40% bonds allocation point for both the passive stock allocation and our enhanced indexing strategy. Regardless of the strategy, there is a significant improvement in return with a minimal corresponding increase in risk.

Raising the efficient frontier with Research Enhanced Investing (REI) versus passive equity indexes.

Exhibit 2 - Global REI vs Passive equity index



Source: J. P. Morgan Asset Management, Bloomberg. Data from October 2003 to February 2022. Performance data for global REI portfolio is based on the Global ACWI REI Composite in USD gross of fees. Global bond returns are based on Bloomberg Barclays global aggregate total return index. **Past performance is not a reliable indicator of current and future results.**

How the J.P. Morgan Global Research Enhanced Index Strategy presents opportunities for the YFYS regime

Differentiated Investment Process

J.P. Morgan Global REI is an index-like portfolio that exploits stock specific ideas. We target positive excess returns driven by the insights from our fundamental research analysts, while retaining risk characteristics similar to the benchmark. Like an index fund, our strategy is close to fully invested at all times, so we do not engage in market timing. Our sector weights are tightly controlled relative to the benchmark and we continually monitor our risk factor exposures. The key focus here is to deliver consistent alpha and at the same time minimise our active risk (i.e. tracking error).

Customisation and Consistency of Performance

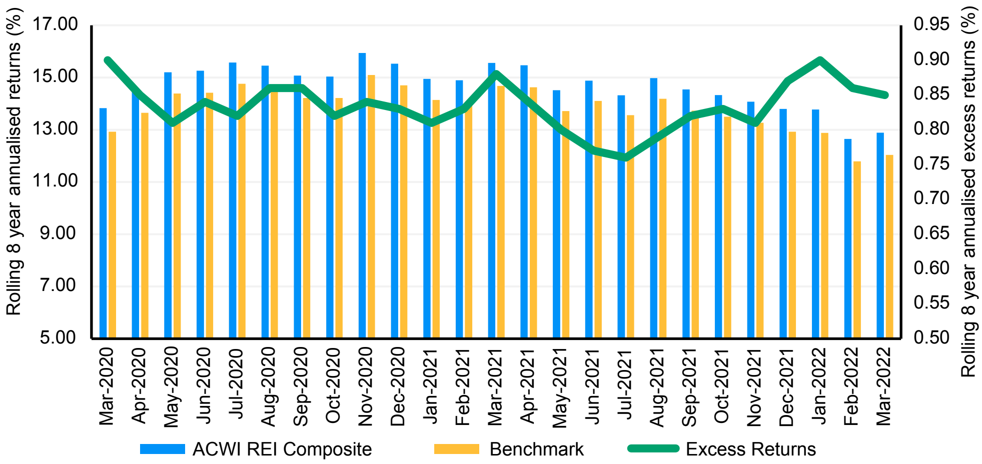
Our team has significant experience customising the Global REI strategy against a range of indices. We are therefore comfortable in managing portfolios against customised benchmarks, including the MSCI All Country World Ex-Australia Equities Index with Special Tax (unhedged in AUD) benchmark used in the YFYS performance tests. The strategy, which was launched in September 2003, has consistently outperformed its official benchmark on a rolling eight-year basis over the last 24 months, as shown in Exhibit 3.

Flexible Fee Structuring

We recognise the fee pressures that super funds are facing under YFYS and we can flexibly apply Global REI strategy fees. This includes an option for performance fees only with a zero base fee, or a combination of base fee and performance fee*. We believe such solutions would help Super funds meet their objectives.

*Please note that these fees are versus the benchmark; any exclusions from the benchmark may impact these fees. JPMAM reserves the right to revise this fee proposal once we have a greater understanding of your specific requirements

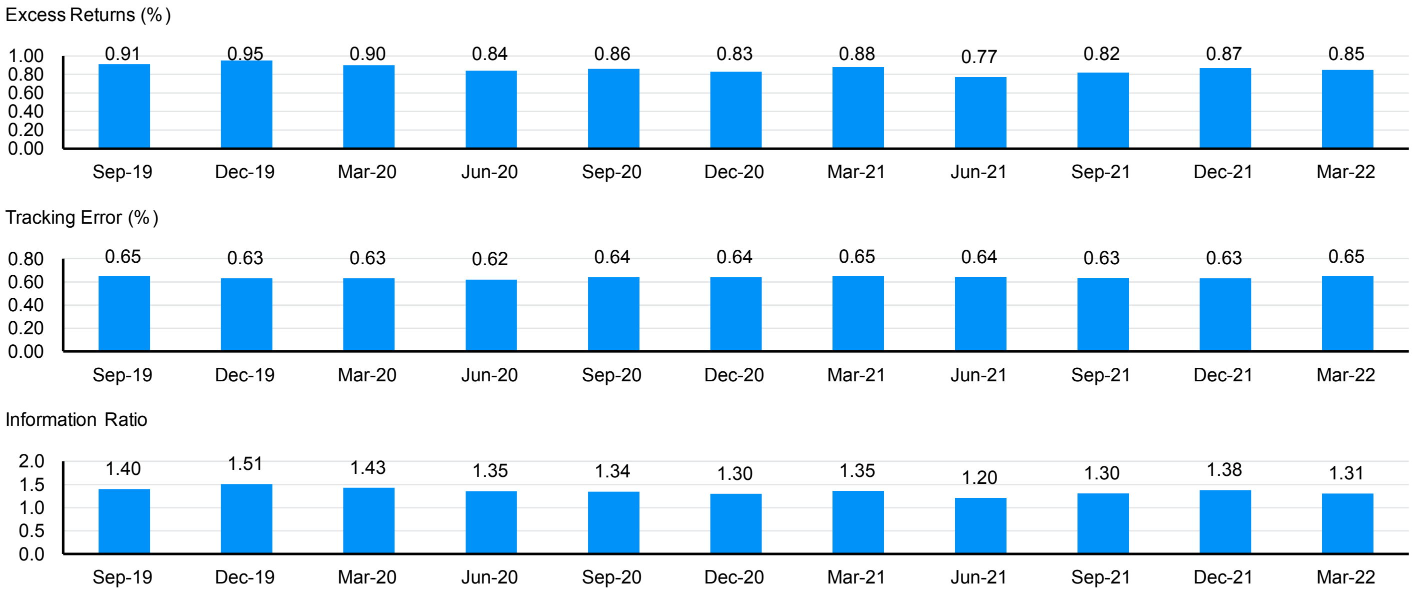
Exhibit 3 - Global REI: Consistent returns over an eight-year rolling period



Source: J.P. Morgan Asset Management. GIPS Composite name = Global ACWI REI Composite. All numbers are in AUD. Strategy performance is calculated in compliance with GIPS® standards, where segregated mandate portfolios and/or pooled funds, as relevant, managed in accordance with the strategy are grouped into a 'composite'. Benchmark is MSCI ACWI Index. Composite inception date 30 September 2003. The performance results are time-weighted rates of return net of commissions, transaction costs and non-reclaimable withholding taxes, where applicable. Gross returns do not reflect the deduction of management fees or any other expenses that may be incurred in the management of the account. Total return assumes the reinvestment of income. Excess returns are calculated on arithmetic basis. Performance numbers are annualized. Actual performance will vary depending on security selection and the applicable fee schedule. Movements in currency rates can adversely affect the return of your investment. Data as of end March 2022. **Please refer to the GIPS Composite Disclosure slide on page 10. Past performance is not a reliable indicator of current and future results.**

How the J.P. Morgan Global Research Enhanced Index Strategy presents opportunities for the YFYS regime

Exhibit 4 - Global REI: Consistent results driven by focus on minimising uncompensated risk



Source: J.P. Morgan Asset Management. GIPS Composite name = Global ACWI REI Composite. All numbers are in AUD. Strategy performance is calculated in compliance with GIPS® standards, where segregated mandate portfolios and/or pooled funds, as relevant, managed in accordance with the strategy are grouped into a 'composite'. Benchmark is MSCI ACWI Index. Composite inception date 30 September 2003. The performance results are time-weighted rates of return net of commissions, transaction costs and non-reclaimable withholding taxes, where applicable. Gross returns do not reflect the deduction of management fees or any other expenses that may be incurred in the management of the account. Total return assumes the reinvestment of income. Excess returns are calculated on arithmetic basis. Performance numbers are annualized. Actual performance will vary depending on security selection and the applicable fee schedule. Movements in currency rates can adversely affect the return of your investment. Data as of end March 2022. **Please refer to the GIPS Composite Disclosure slide on page 10. Past performance is not a reliable indicator of current and future results.**

Exhibit 4 above shows the Global REI strategy was able to deliver consistent alpha and, at the same time, minimise the active risk (i.e. tracking error). This helps the portfolio to deliver higher efficiency and makes the strategy a superior alternative to passive investing.

The long-term excess performance of our Global REI strategy is driven by our fundamental research analysts' ability to deliver in-depth, stock specific investment insights and by our portfolio managers who manage portfolios maximising exposure to our analysts' insights while keeping a benchmark-like skeleton (i.e. maintaining region, sector and style neutrality). Our team consists of an experienced and stable group of 100+ investment professionals globally[1] having strong expertise in both quantitative and qualitative analysis. We spend approximately US$150 million annually on our research budget[1] to ensure the superior quality of fundamental research which we believe is second to none in the industry. Our breadth of research coverage allows us to analyse around 2,500 securities across global equity markets[1], which is vital to being a successful enhanced indexer. We overweight the stocks we find attractive against the corresponding benchmark and we underweight unattractive stocks. This fundamental approach is vastly differentiated from the competition in enhanced indexing where many of them choose to use a pure quantitative approach where backward-looking and historical data are the key drivers. A fundamental approach is less prevalent in this space and that's where the J.P. Morgan Global REI strategy is unique. We rely on the expertise of our strong team of analysts while the fundamental research forms the foundation of the strategy's success.

1. As of December 2021.

The Investment Manager seeks to achieve the stated objectives. There can be no guarantee the objectives will be met.

Source: J.P. Morgan Asset Management. Data as of end December 2021. Past performance is not a reliable indicator of current and future results.

ESG is integral to our investment process

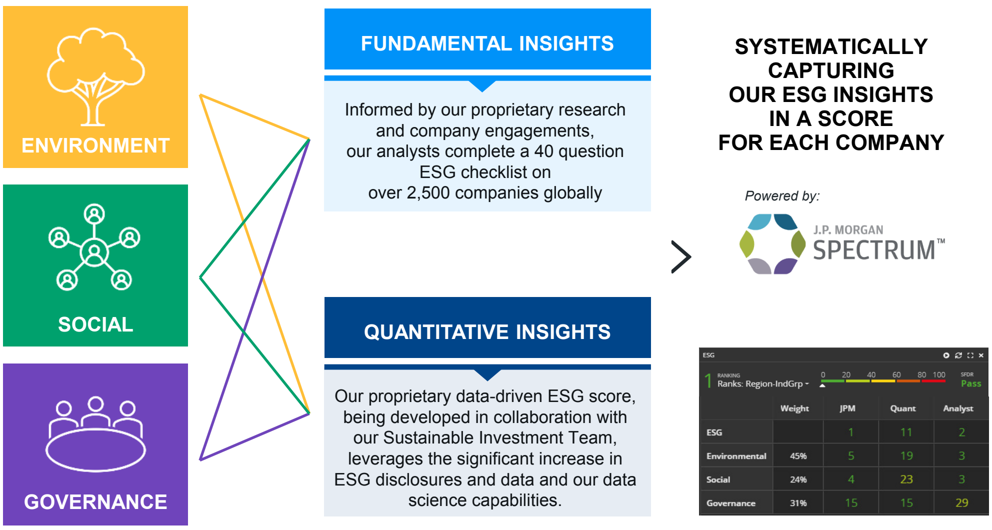
All of the strategies managed by our International Equities Group integrate environmental, social and governance (ESG) factors. ESG integration is the systematic inclusion of financially material ESG factors into investment analysis and investment decision-making. By integrating ESG we can both mitigate risk and unlock opportunities in an investment portfolio. Each stock's financially material ESG characteristics are considered at every stage of the decision-making process, including research, portfolio construction and company engagement.

Research - A key strength of our investment process is our in-house research, produced by over 100 fundamental and quantitative equity analysts. Our research framework uses several internally developed processes to assess the ESG credentials of any business:

1) **A 40-question ESG checklist** applies the same detailed questions to more than 3,000 companies under coverage globally.
2) **Our proprietary data-driven ESG score** assesses the extent to which companies face and manage financially material ESG risk and opportunities.
3) **A fundamental materiality framework** identifies the ESG issues that are most likely to have a material negative financial impact on a company were it to be mismanaged, or conversely, the material positive impact in the case of good management.
4) **A strategic classification framework** for 2,000+ companies. These classifications provide a rating (Premium, Quality, Trading and Structurally Challenged) for stocks, based on our judgment of the quality of the business. ESG is an explicit part of the rating process, and our approach is shown in Exhibit 5.

Exhibit 5 - Integrating ESG into our investment process

Systematic and explicit consideration of financially material ESG characteristics



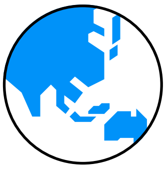
Provided to illustrate the current process.
Source: J.P. Morgan Asset Management as of 28 February 2022. ESG determinations may not be conclusive and securities of companies / issuers may be purchased and retained, without limit, by the Investment Manager regardless of potential ESG impact.

Why global investors are investing in the Global REI strategy

The Global REI strategy has grown strongly over the past few years as investors around the world have recognised its benefits. We have outlined the reasons why some clients have chosen to invest in the Global REI strategy below.

Client A

Client Domicile	**Asia Pacific**
Asset Type	Wealth products and services
Portfolio Benchmark	Solactive Kiwi Global Markets Screened
Rationale for selection GREI	• To replace a passive manager and generate extra alpha without compromising the risk profile. Client A also liked the low correlation of GREI with other active strategies. • Client A had specific ESG goals which they could not achieve with their previous passive manager. JPMAM worked extensively with Client A to identify the best ways to express their views on ESG issues through the portfolio. Client A receives regular updates on JPMAM's views on certain companies with regards to ESG issues and our engagement effort.

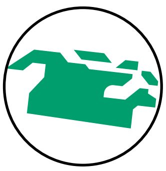


Client B

Client Domicile	**United Kingdom**
Asset Type	Insurance
Portfolio Benchmark	MSCI ACWI Value
Rationale for selection GREI	• Client B chose GREI to sit alongside their passive equity allocation, which tracked the same index as the GREI benchmark, providing a boost to overall equity returns. Client B liked the REI approach and its ability to generate excess returns while maintaining index-like characteristics. Client B also liked the consistency of our track record and the ability to customise a solution to their specific benchmark. • In September 2020, Client B transferred assets from the passive equity manager into their GREI portfolio and the allocation has doubled following strong and consistent performance results since inception.

Client C

Client Domicile	**Canada**
Asset Type	Pension Plan
Portfolio Benchmark	MSCI ACWI
Rationale for selection GREI	• Client C originally hired JPMAM for a more active strategy but switched to GREI for the greater consistency of outperformance, lower tracking error and lower fees. The alternative would have been passive but the consistency of GREI's net-of-fee performance was the deciding factor. • In the 4.5 years since Client C switched to GREI, they have experienced performance and risk characteristics exactly in line with their expectations.



Conclusion

We believe that fundamental research-driven enhanced index strategies, given their emphasis on modest excess returns and rigorous risk management, can be an important part of the solution for improving investment efficiency for super funds under the YFYS framework.

Super funds considering a shift from traditional active equity strategies to passive index funds, in an effort to decrease active equity risk, may find a more risk-efficient solution in enhanced index strategies as a compliment to their passive and highly active exposures. Conversely, those with a large allocation to passive strategies, but in need of excess return may determine that enhanced index strategies hit their sweet spot on the return/risk spectrum.

The JPMorgan Global REI strategy adheres to a long-standing investment philosophy, has strong research capability with a dedicated team of analysts, follows a rigorous portfolio construction/risk management approach, is fully ESG integrated and has a consistent track record of more than 19+ years.

We partner with super funds and focus on investment solutions that help achieve member objectives. We look forward to continuing to work with Super Funds to find solutions to the challenges presented by the YFYS regulations.

GIPS Composite Disclosure
- Global ACWI REI 100 Composite (USD)

Year	Composite Return	Benchmark Return	Composite 3-Yr Ann St Dev	Benchmark 3-Yr Ann St Dev	Number of Portfolios (*throughout period)	Dispersion	Market Value at end of Period	Percentage of Firm Assets	Total Firm Assets
2020	17.14%	16.25%	18.50%	18.38%	<5	N/A	569,465,427	0.14%	421,548,000,000
2019	27.92%	26.60%	11.52%	11.38%	<5	N/A	407,212,589	0.10%	412,282,000,000
2018	-9.37%	-9.41%	10.79%	10.62%	<5	N/A	311,642,044	0.09%	349,453,000,000
2017	24.06%	23.97%	10.50%	10.51%	<5	N/A	461,457,313	0.12%	397,864,000,000
2016	8.16%	7.86%	11.15%	11.21%	<5	N/A	1,423,219,656	0.44%	323,024,000,000
2015	-1.77%	-2.36%	10.82%	10.94%	<5	N/A	1,206,168,435	0.36%	337,498,000,000
2014	5.93%	4.16%	10.48%	10.64%	<5	N/A	1,230,841,839	0.36%	346,370,000,000
2013	24.37%	22.80%	14.25%	14.14%	<5	N/A	1,164,128,490	0.34%	339,656,000,000
2012	18.01%	16.13%	17.30%	17.35%	<5	N/A	938,170,480	0.33%	285,186,000,000
2011	-6.76%	-7.35%	20.64%	20.63%	<5	N/A	796,399,463	0.28%	279,893,000,000

J.P. Morgan Asset Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. J.P. Morgan Asset Management has been independently verified for the periods 1st January 1996 to 31st December 2019. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

The Firm:

For the purpose of GIPS® compliance, the Firm is defined as the J.P. Morgan London, J.P. Morgan Hong Kong, J.P. Morgan Singapore and J.P. Morgan Taiwan investment processes of J.P. Morgan Asset Management. J.P. Morgan Taiwan investment process was added to the Firm definition with effect from 1st January 2019. J.P. Morgan Japan was removed from the Firm definition with effect from 1st January 2020. A list of the Firm's composite descriptions and broad distribution pooled funds is available on request.

Definition of the Composite:

This composite consists of portfolios which are managed according to the following rules. The portfolios are managed by the Global Research Enhanced Index Team; they are segregated funds; they can't have country exclusions and are allowed to hold off benchmark bets; must seek a tracking error of 1%-1.25%; must invest in developed and emerging market securities and are currently managed against the MSCI All Country World TR (Net) Index. A minimum account size of USD 100 million applies for this composite. The composite is constructed from discretionary portfolios only. It does not contain any returns that have been carved out of other multi asset class portfolios. The composite benchmark is the MSCI All Country World TR Net Index. The composite benchmark is calculated net of withholding tax from a Luxembourg holding company's perspective. The composite benchmark changed on 31st May 2010 from the MSCI World benchmark due to an evolution of the existing strategy to facilitate market demand for exposure to emerging markets. Prior to this change the composite did not have exposure to emerging markets. No portfolios in this composite are leveraged through the use of derivatives or other means. Portfolios may be permitted to use forward contracts for the purposes of hedging only. Additionally some portfolios are permitted to use security and currency futures and options for positioning, according to the guidelines. The composite incepted on 30 September 2003 and was created in October 2017.

Valuation and calculation

1. The returns shown for this composite are the asset-weighted averages of the performance of all individual portfolios in the composite using beginning of period weightings. The performance results are time-weighted rates of return with the reinvestment of income, that are net of commissions, transaction costs and non-reclaimable withholding taxes, where applicable. Gross returns do not reflect the deduction of management fees or any other expenses that may be incurred in the management of the account. Net returns are net of model fees in effect for the respective time period. Model net returns are calculated by subtracting 1/12th of the fee listed in the fee disclosure section from the gross composite return on a monthly basis. Actual fees charged may vary by account due to various conditions described in Part IIA of Form ADV.
2. The following is a fee example. An investment of USD1,000,000 under the management of JPMAM achieves a 10% compounded gross annual return for 10 years. If a management fee of 0.75% of average assets under management were charged per year for the 10-year period, the annual return would be 9.25% and the value of assets would be USD 2,422,225 net of management fees and compared with USD 2,593,742 gross of management fees. Therefore, the investment management fee and any other expenses incurred in the management of the portfolio will reduce the portfolio's return.
3. The returns for indices do not include any transaction costs, management fees or other costs.
4. Additional information regarding policies for valuing investments, calculating performance and preparing GIPS Reports are available upon request.
5. Internal dispersion measures the spread of annual returns of individual portfolios within a composite. It is calculated using the asset-weighted standard deviation of the gross returns of portfolios that were included in the composite for the full year. Internal dispersion is not shown for calendar years with five or fewer portfolios in the composite for the full year.
6. The three year annualised standard deviation measures the variability of the composite and benchmark returns over the preceding 36 month period. Standard deviation measures are not shown where there are less than 36 monthly observations available. Gross returns were used to calculate the three year annualised ex post standard deviation of the composite.
7. All portfolios in this composite for the periods displayed on the GIPS Report have been valued daily, on a trade date basis using accrual accounting, except if the composite contains a Hong Kong segregated account which changed from being valued monthly to daily from June 2020 to March 2021.
8. Past performance is no guarantee of future results. As with any investment vehicle, there is always the potential for gains as well as the possibility of losses.

Fee: JPMorgan Asset Management's (JPMAM) typical schedule of management fees payable in USD for Global ACWI REI 100 clients is 0.19% per annum.