



# Assessment of Value Report

A report from the Board of Directors of JPMorgan Funds Limited, the Authorised Corporate Director (ACD) for:

- JPMorgan Fund ICVC
- JPMorgan Fund II ICVC
- JPMorgan Fund III ICVC

As of 30 April 2023

# A letter from the Board

This is our fourth report setting out the Board's assessment of the value our funds deliver to investors, covering the 2022-23 financial year (1 May – 30 April).<sup>1</sup>

The Board has a duty to you, our investors, to manage our funds in your best interests. Our ongoing oversight and governance of the funds has been focused on client outcomes. For example, we have:

- completed the switch of A share class shareholders into the lower fee B & C share classes as communicated in our 2022 report. In addition to lower fees, these share classes have stronger potential for future growth which can lead to economies of scale with the potential for lower share class expenses. This switch impacted over £2.5 billion of shareholders' assets.
- launched a new fund, the JPM Emerging Europe Equity II Fund, giving shareholders access to the non-Russian/Belarusian portion of their investment within the JPM Emerging Europe Equity Fund following its suspension.
- made enhancements to both the assessment process and this report. Specifically, we expanded the initial criteria we use to identify funds as red, amber and green with a goal of enhancing our scrutiny. We have also sought to enhance the report itself by making the results of our further review more clear for funds identified as requiring further review on pages 7 to 21.

Assessment of Value (AoV) considerations continue to be fully integrated into the product governance process and every Board review. This year we have again employed Broadridge Financial Solutions, a third-party firm, to conduct detailed reviews of the funds; this gives us an independent perspective, and provides us with objective data on the funds. We also source further independent analysis from Broadridge, related to quality of service, to inform our overall findings and review framework.

The primary objective of our ongoing work is to assess the value each fund provides against the list of prescribed criteria, and to take action if we conclude that a fund does not offer value. Our aim in this report is to set out the work we have done, the conclusions we have drawn, and the actions we have taken or are planning to take.

We have aimed to make this report clear and readable. We have tried to make it easy for you to identify the fund or funds in which you invest, and to see our conclusions in a straightforward traffic light format. We encourage you to regularly review your investments and we believe that our assessment and this report are important in providing you with relevant information to help you in your own review and your investment choices. If you have questions or comments, please contact your financial adviser or our Investor Services team on 0800 20 40 20 (or if calling from abroad +44 1268 44 44 70).

Sincerely,

The Board of Directors of JPMorgan Funds Limited

**Kate Jones**

Chair & Independent  
Non-Executive Director

**Ruston Smith**

Independent Non-  
Executive Director

**James Reeves**

Executive Director,  
J.P. Morgan Asset  
Management

**O'Brien Bennett**

Managing Director,  
J.P. Morgan Asset  
Management

**Nicholas Bloxham**

Executive Director,  
J.P. Morgan Asset  
Management

**Malcolm Smith**

Managing Director,  
J.P. Morgan Asset  
Management

## Introduction to the Board

- Overall, the Board composition is designed to bring a variety of skills and perspectives to the governance of our funds, and this composition positions us well to take an inquisitive and robust view when we assess the value our funds are delivering to you. It is each director's duty to conduct this assessment from the perspective of value for investors, regardless of any other responsibilities they may have within the firm.
- Your Board's chair is independent. The Board consists of five additional directors, one of whom is also independent.

### Your board is:

- Kate Jones. Independent chair. Kate has been a senior portfolio manager at a number of asset management firms. She is chair of the Pension Protection Fund and an executive coach.
- Ruston Smith. Independent. Ruston has over 35 years of experience in the pension fund and investment industry. He holds senior positions on a number of boards and has also held positions on government advisory bodies.
- O'Brien Bennett. O'Brien has over 40 years of experience in the financial services industry. He is a senior programme executive in our global asset management business.
- Nicholas Bloxham. Nicholas is a qualified chartered accountant with 14 years of experience in the industry. He is the UK Financial Controller in our asset management business.

James Reeves was approved by the board on 20 October 2022 and Malcolm Smith was approved on 5 July 2023; both are awaiting regulatory approval.

- James Reeves. James has 20 years of experience in the financial services industry. He is head of the Finance and Business Management function for EMEA Funds investors.
- Malcolm Smith. Malcolm has 18 years of experience in the financial services industry. He is head of the International Equities Group in our asset management business.

<sup>1</sup> Previous years' reports can be accessed [here](#).

# Value assessment summary

To complete this report, we conducted a thorough process for assessing value. This included a rigorous look at costs and performance against both peers and benchmarks, taking specific fund objectives into consideration. We also considered other important dimensions of value, such as the quality and depth of services we provide to shareholders. To support us in this review, we engaged Broadridge Financial Solutions to provide independent analysis.

We found that most of our funds and share classes are demonstrating value. A number of funds required further review and we either concluded they are delivering value or have not delivered consistent value on a particular criteria. In both cases, the funds will be closely monitored on quarterly basis by the Board.

Further, we concluded fund charges are justified in the context of overall value being delivered for all funds however, we are proposing some changes where we found opportunities for fee reductions either through the AoV process or our ongoing reviews. In particular we are implementing fee reductions for four funds, JPM UK Dynamic Fund, JPM Emerging Markets Fund, JPM UK Smaller Companies Fund and JPM Sterling Corporate Bond Fund as of 1 October 2023. Further details on these reductions can be found on the funds' website or in this report as applicable.

## Managing fund fees and expenses:

- In consideration of our evaluation of comparable market rates and services as well as economies of scale and AFM costs, we ensured that we have share classes that are structured to systematically pass along savings to shareholders and that our total fund fees to shareholders are competitive.

### Fee model

- The Funds' OCF includes both the ACD fee and the O&A expenses.
- To assess value, we compared our ACD fee and O&A expenses with the OCF of other funds including those with tiered fee models.
- A tiered fee model, an approach used by some funds in the industry, charges the ACD fee and O&A expenses as one charge, passing along economies of scale at pre-determined amounts by reducing the charge as assets grow.
- We operate a fee model that charges a separate ACD fee and caps O&A expenses. This model charges only the actual operating and administrative expenses incurred by each share class, which proportionally decrease automatically as the fund grows.
- For this review period, we compared this model to other approaches in the industry to ensure their equivalence in delivering economies of scale. We found that:
  - The ACD fee and capped O&A expenses model continues to ensure that investors receive similar or better economies of scale relative to tiered fee models.
  - This transparent model allows investors to understand fund charges and how they may benefit from economies of scale as their investment in a share class of a fund grows. Importantly the model also provides investors with the certainty of maximum fees and expenses and systematically passes along benefits of scale as funds and share classes grow.

- In the fund range, over 79% of assets are invested in share classes charging O&A expenses that are less than their expense caps. Where the actual O&A expenses exceeded the cap level stated in the prospectus, the ACD absorbed these costs.

### OCF levels

- To ensure our fund charges to shareholders are competitive, we reviewed information from Broadridge comparing OCFs to peer groups and IA Sectors. Further, we compared the OCFs to the median fees for comparable market rates and considered them alongside our performance and economies of scale analysis.
- The OCF is the combination of the ACD fee and the capped O&A expenses, so reviewing it is the best way to identify outliers on ACD fees or capped O&A expenses. Funds above the median on these criteria were flagged amber and our detailed findings are set out in the report.

In order to continue to deliver value through a broad range of quality services:

- We provided access to the strength and support of our global asset management business. Our staff of 7,936, of whom 1,161 are investment professionals, is enhanced by continued investment in personnel and technology.
- We gave continued access to our award-winning Market Insights programme providing timely and thought-provoking insights on market events, including over 285 client meetings, 57 web conferences and outreach to over 26,000 investors.
- In order to deliver value by continually enhancing our platform and offerings, we added to our offering by launching one new fund the JPM Emerging Europe Equity II Fund.

# Value assessment summary (continued)

## How to use this report

- **Findings by fund** are summarised on pages 5 and 6 so you can quickly see the findings for your fund.
- The summary of findings is followed by a more detailed discussion of the funds that were **reviewed further and not demonstrating consistent value** or **reviewed further and demonstrating value**. This explains how value is being demonstrated or any enhancements that are planned, as shown on page 7 onwards.
- Finally, a detailed discussion of the **value assessment process** used to arrive at our findings in this report, including detail of each of the criteria we considered, is provided to ensure you have all of the information required to understand the findings.

## Terminology used in the report

- **ACD** JPMorgan Funds Limited, the authorised corporate director.
- **ACD Fee** Fee paid to the ACD for its services relating to the management of the funds.
- **Active Extension** Buying securities considered attractive and selling short securities considered less attractive to improve potential returns without increasing the overall net exposure to the market.
- **AFM** Authorized Fund Manager
- **Bps** One basis point is one hundredth of one percentage point (i.e. 1% equals 100bps).
- **Board** The Board of Directors of the ACD.
- **Capped O&A Expenses** The operating and administrative expenses for each share class (with the exception of I shares) which may not be exceeded. For example, if a share class has capped O&A expenses of 0.15% but actual expenses are 0.20%, only 0.15% is charged and the expenses over the cap are absorbed by the ACD. Conversely, if actual expenses are less than 0.15% the actual expenses are charged.
- **Investment Association (IA)** Sector Fund classification system which groups together funds with similar investment objectives enabling a like-for-like comparison.
- **Investment Manager** The entity that performs the investment management functions for a Fund.
- **Median Fees** When fees are arranged in a list in ascending or descending order this is the middle number in that fee list.
- **Ongoing Charge Figure (OCF)** Published in the Key Investor Information Document (KIID), comprising of the ACD Fee and Capped O&A Expenses incurred.
- **O&A Expenses** or **Operating Expenses** The ACD is entitled to be reimbursed for costs that are reasonable and properly documented out-of-pocket expenses incurred in performing its duties. These expenses are capped for each share class and will not exceed the amounts stated in the fund description in the Prospectus.
- **SICAV** Société d'Investissement à Capital Variable, or SICAV fund, is a publicly traded open-end investment fund structure offered in Europe.
- **Tracking Error** or active risk is the standard deviation of the difference between the returns of an investment and its benchmark.

All assessment information in this report applies to the 2022-23 financial year (1 May – 30 April).

# Findings by fund

## Summary findings

The Financial Conduct Authority (FCA) requires that we evaluate our funds according to at least seven criteria. The findings for the criteria, reviewed at the share class level, are summarised by fund in the table below.

Note that if any share class of a fund has an amber or red rating, the rating for the fund as a whole shows as the lowest rating:

■ Demonstrating value

■ Reviewed further and demonstrating value, *continue reading the report to see further detail for your fund*

■ Reviewed further and not demonstrating consistent value, *continue reading the report to see further detail for your fund*

Fund <i>Select fund to view further information on the fund website</i>	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
<a href="#">JPM Asia Growth Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Asia Pacific Equity Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM China Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Climate Change Solutions Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Diversified Growth Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Emerging Europe Equity Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Emerging Europe Equity II Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Emerging Markets Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Emerging Markets Income Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Emerging Markets Sustainable Equity Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Europe (ex-UK) Research Enhanced Index Equity Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Europe (ex-UK) Sustainable Equity Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Europe Dynamic (ex-UK) Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Europe Smaller Companies Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Global (ex-UK) Bond Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Global Bond Opportunities Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Global Corporate Bond Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Global Equity Income Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Global High Yield Bond Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Global Macro Opportunities Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Global Macro Sustainable Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Global Research Enhanced Index Equity Fund</a>	■	■	■	■	■	■	■

# Findings by fund continued

<a href="#">Fund</a> <i>Select fund to view further information on the fund website</i>	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
<a href="#">JPM Global Sustainable Equity Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Global Unconstrained Equity Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Japan Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Multi-Asset Cautious Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Multi-Asset Growth Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Multi-Asset Income Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Multi-Asset Moderate Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Multi-Manager Growth Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Natural Resources Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Sterling Corporate Bond Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM UK Dynamic Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM UK Equity Core Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM UK Equity Growth Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM UK Equity Income Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM UK Equity Index Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM UK Equity Plus Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM UK Equity Value Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM UK Government Bond Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM UK Smaller Companies Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM UK Sustainable Equity Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM Unconstrained Bond Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM US Equity Income Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM US Research Enhanced Index Equity Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM US Select Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM US Small Cap Growth Fund</a>	■	■	■	■	■	■	■
<a href="#">JPM US Sustainable Equity Fund</a>	■	■	■	■	■	■	■

# Reviewed further & not demonstrating consistent value

## JPM Emerging Europe Equity Fund

**Investment Objective:** To provide capital growth over the long-term (5-10 years) by investing at least 80% of the Fund's assets in equity securities of companies in European emerging markets countries, including Russia ("emerging European countries").

**Fund Benchmark:** MSCI Emerging Markets Europe 10/40 Index (Total Return Net)

**Benchmark Resemblance/Uses:** The Fund is actively managed. The Benchmark is a Performance Comparator and the Fund may bear little resemblance to its Benchmark. The Benchmark has been chosen as it reflects the main investment universe and strategy for the Fund.

### Performance

- This fund is red due to the ongoing suspension of the fund. On 24 February 2022, Russia invaded Ukraine and Russian shares fell sharply. As a result of the Russian law banning foreigners from selling shares or receiving dividends, the JPM Emerging Europe Equity Fund was suspended. Fees continue to be fully waived, with investors charged no fees in this fund since this suspension.
- As a result of the suspension the JPM Emerging Europe Equity II Fund was launched on 9 December 2022 and the transferable assets were transferred into it from the suspended fund.
- This allowed shareholders to access their investment and redeem if they wished to do so.
- Giving investors access to this portion of their investment was a key initiative that we took during the review period. Despite the ongoing suspension of the fund, we concluded that by providing ongoing safekeeping and monitoring of the suspended investment the fund is not providing consistent value against the performance criteria.
- We are not proposing any additional action; however, the situation will be monitored closely and when the situation allows, the ACD will look to take further appropriate actions.

### Seven criteria ratings



- Quality of service
- Performance
- AFM costs
- Economies of scale
- Comparable market rates
- Comparable services
- Classes of units

# Reviewed further & not demonstrating consistent value (continued)

## JPM Europe Smaller Companies Fund

**Investment Objective:** To provide capital growth over the long-term (5-10 years) by investing at least 80% of the Fund's assets in small capitalisation European companies (excluding the UK).

**Benchmark Name:** MSCI Europe ex UK Small Cap Index (Net)

**Benchmark Resemblance/Uses:** The Fund is actively managed. The Benchmark is a Performance Comparator and the Fund may bear little resemblance to its Benchmark. The Benchmark has been chosen as it reflects the main investment universe and strategy for the Fund.

### Performance

- The fund is red because it is 5th quintile versus the performance of comparable funds identified by Broadridge over a five-year time period and has underperformed its comparator benchmark over the one-, three- and five-year time periods.
- The fund's positioning going into 2022 was based on the belief that inflation would be transitory. This impacted performance negatively and the short term underperformance impacted the longer term performance figures as it persisted later into 2022.
- Our further review noted over the longer term the fund's performance is more favourable, the fund ranks in the first quartile over three, and ten-years versus the IA Sector and has outperformed its benchmark over the ten-year period.
- While the short term underperformance is understood and attributed to market conditions, we found that fund is not consistently providing value on the performance criteria. We are not recommending action but we will be monitoring the performance quarterly.

### Seven criteria ratings



- Quality of service
- Performance
- AFM costs
- Economies of scale
- Comparable market rates
- Comparable services
- Classes of units



# Reviewed further & not demonstrating consistent value (continued)

## JPM Sterling Corporate Bond Fund

**Investment Objective:** To achieve a return based on a combination of income and capital growth by investing at least 80% of the Fund's assets in investment grade Sterling denominated bonds (or other bonds hedged back to Sterling), using derivatives where appropriate.

**Benchmark Name:** Markit iBoxx GBP Non-Gilts Index

**Benchmark Resemblance/Uses:** The Fund is actively managed. The Benchmark is a Performance Comparator and the Fund will bear some resemblance to its Benchmark. The Benchmark has been chosen as it reflects the main investment universe and strategy for the Fund.

### Performance

- The fund is red because it is 5th quintile versus the performance of comparable funds identified by Broadridge over a five-year time period and underperformed its comparator benchmark over one-, five- and ten-year time periods.
- Our further review noted that over the past 12 months the fund's performance versus the median performance of comparable funds identified by Broadridge has improved to 3rd quintile over the one-year period versus 5th quintile over the one-year period when reviewed in the 2022 AoV. Although the fund underperformed the comparator benchmark over the above stated time periods, there is noted improvement in the three- and ten-year performance since the 2022 AoV.
- Following the 2022 AoV process the Investment Manager had reviewed and expanded the definition of its research coverage universe to include issuers in the non-Gilt universe that are covered by the Investment Manager's broader team.
- This expanded investible universe has enabled the Investment Manager to have greater flexibility when positioning the fund and allowed it to expand ownership of bonds within the longer maturity segments of the UK market. The addition of longer duration bonds have contributed positively to the fund's performance as the UK Gilt curve has flattened in the last 12 months.
- While the underperformance is understood and changes have been made to address it, we found that the fund is not consistently providing value on the performance criteria. We are not recommending further action but we will be monitoring the performance quarterly.

### Seven criteria ratings



- Quality of service
- Performance
- AFM costs
- Economies of scale
- Comparable market rates
- Comparable services
- Classes of units

# Reviewed further & not demonstrating consistent value (continued)

## JPM Global (ex-UK) Bond Fund

**Investment Objective:** To provide income with the prospect of capital growth from investment anywhere in the world, including emerging markets, in non-Sterling denominated bonds in any economic sector.

**Benchmark Name:** J.P. Morgan GBI Global ex UK Hedged to GBP

**Benchmark Resemblance/Uses:** The Fund is actively managed. The Benchmark is a Performance Comparator and the Fund will bear some resemblance to its Benchmark. The Benchmark has been chosen as it reflects the main investment universe and strategy for the Fund.

### Performance

- The fund is red because it is 5th quintile versus the performance of comparable funds identified by Broadridge over a five-year time period and has underperformed its benchmark over the one-, five- and ten-year time periods.
- Our further review noted that the fund was ahead of its benchmark over three-years and the underperformance over five and ten years is 6bps and 7bps, respectively, which we considered to be marginal. The outsized short term underperformance over one year has pulled down the longer term performance.
- In response to the underperformance over the one-year period, the Investment Manager noted that the investment process remains unchanged. The fund is expected to generate positive total return over a full market cycle and still provide diversification versus riskier asset classes.
- While the short term underperformance over one year is understood and attributed to market conditions for bonds in 2022, we found that the fund is not consistently providing value on the performance criteria. We are not recommending action but we will be monitoring the performance quarterly.

### Seven criteria ratings



- Quality of service
- Performance
- AFM costs
- Economies of scale
- Comparable market rates
- Comparable services
- Classes of units

# Reviewed further & demonstrating value

## JPM Japan Fund

**Investment Objective:** To provide capital growth over the long-term (5-10 years) by investing at least 80% of the Fund's assets in the shares of Japanese companies.

**Benchmark Name:** TOPIX (Net)

**Benchmark Resemblance/Uses:** The Fund is actively managed. The Benchmark is a Performance Comparator and the Fund may bear little resemblance to its Benchmark. The Benchmark has been chosen as it reflects the main investment universe and strategy for the Fund.

### Performance

- The fund is amber due to its performance against peers and its comparator benchmark over one- and three-year time periods.
- Our further review noted that the fund has outperformed the comparable funds identified by Broadridge over five- and ten-year time periods and is outperforming the comparator benchmark over the same time periods.
- Also, in response to the recent underperformance, the Investment Manager noted the fund follows an investment approach that often results in a highly concentrated growth strategy, resulting in periods of performance that vary from peers and the broad benchmark which is used as a comparator, with 2022 being a negative outlier. The fund is continuing to follow this investment process, which has resulted in the long term outperformance.

### Comparable services

- The fund is amber on comparable services because the C share class OCF was identified as 10bps higher than median versus the fees charged for comparable services for a JPMorgan Investment Trust vehicle, which we considered marginal.
- We noted that the Investment Trust vehicle does not operate like the fund as it is a closed ended vehicle.
- Further, the fund was found to have a lower OCF than more comparable vehicles, such as a JPMorgan SICAV which trades more similarly to the fund.
- For all three of the fund's C share classes the OCF is less than the Broadridge comparable medians.

Based on the findings of our further review noted above, we have concluded that the fund is demonstrating value on the performance criteria, though the performance against the comparator benchmark requires monitoring. Further, the fund is demonstrating value on comparable services based on our further review. We are not recommending action, but we will be monitoring performance on a quarterly basis.

### Seven criteria ratings



- Quality of service
- Performance
- AFM costs
- Economies of scale
- Comparable market rates
- Comparable services
- Classes of units

# Reviewed further & demonstrating value (continued)

## JPM UK Smaller Companies Fund

**Investment Objective:** To provide capital growth over the long-term (5-10 years) by investing at least 80% of the Fund's assets in small capitalisation UK companies.

**Benchmark Name:** Numis Smaller Companies plus AIM (excluding Investment Companies) Index

**Benchmark Resemblance/Uses:** The Fund is actively managed. The Benchmark is a Performance Comparator and the Fund may bear little resemblance to its Benchmark. The Benchmark has been chosen as it reflects the main investment universe and strategy for the Fund.

### Comparable market rates

- The fund is amber because the C share class OCF is 89bps which we believe is marginally higher than the median OCF of comparable funds identified by Broadridge.
- Our further review noted that the C share class OCF is less than the IA Sector average.
- Further, the share class has the opportunity to pass along economies of scale benefits to shareholders through the capped O&A expenses model reducing the OCF below the peer group median as the share class grows.
- Based on the findings of our further review noted above and our ongoing review of fees, we have decided to lower the AMC. The AMC of the B share will be reduced from 1.00% to 0.93%, the C share will be reduced from 0.75% to 0.70%, the C2 and I shares will be reduced from 0.60% to 0.56%. These changes are effective 1 October 2023.

### Seven criteria ratings



- Quality of service
- Performance
- AFM costs
- Economies of scale
- Comparable market rates
- Comparable services
- Classes of units

# Reviewed further & demonstrating value (continued)

## JPM Natural Resources Fund

**Investment Objective:** To invest at least 80% of the Fund's assets in the shares of companies throughout the world engaged in the production and marketing of commodities. The Fund aims to provide capital growth over the long-term (5-10 years).

**Benchmark Name:** S&P Global Mining & Energy Index Net Return in GBP

**Benchmark Resemblance/Uses:** The Fund is actively managed. The Benchmark is a Performance Comparator and the Fund may bear little resemblance to its Benchmark. The Benchmark has been chosen as it reflects the main investment universe and strategy for the Fund.

### Performance

- The fund is amber because it has not consistently ranked favourably relative to peers or provided excess returns relative to the its comparator benchmark. Further, it has underperformed its comparator benchmark over the one-, three-, five- and ten-year time periods.
- Our further review noted that the fund has outperformed versus the median performance of comparable funds identified by Broadridge over three- and five-year time periods.
- Based on the findings of our further review noted above, we have concluded that the fund is demonstrating value on the performance criteria. We are not recommending action but we will be monitoring the performance on a quarterly basis.

### Seven criteria ratings



- Quality of service
- Performance
- AFM costs
- Economies of scale
- Comparable market rates
- Comparable services
- Classes of units

# Reviewed further & demonstrating value (continued)

## JPM Global Research Enhanced Index Equity Fund

**Investment Objective:** To provide capital growth and outperform the MSCI World Index (Net) (the “Benchmark”) over the long term (5-10 years), after fees, by investing at least 80% of the Fund’s assets in a portfolio of companies, globally; the risk characteristics of the portfolio of securities held by the Fund will resemble the risk characteristics of the portfolio of securities held in the Benchmark.

**Benchmark Name:** MSCI World Index (Net)

**Benchmark Resemblance/Uses:** The Fund is actively managed. The Benchmark is a Performance Target and the Fund seeks to provide a return above the Benchmark; however it may underperform its Benchmark. The Benchmark has been chosen as it reflects the main investment universe and strategy for the Fund.

### Comparable market rates

- The fund is amber because the E share class OCF is greater than the median OCF of comparable funds identified by Broadridge.
- In our further review we found that the group of comparable funds identified by Broadridge is extremely concentrated and only form part of the larger comparable market. We also observed that the fund is priced materially below the IA Sector average.
- This fund is one of three funds of a Research Enhanced suite offered by the ACD, all three of which have the same fees. The other two funds in this suite (JPM Europe (ex-UK) Research Enhanced Index Equity Fund and JPM US Research Enhanced Index Equity Fund) flag green on comparable market rates for the review period.
- Further, the share class has the opportunity to pass along economies of scale benefits to shareholders through the capped O&A expenses model reducing the OCF below the peer group median as the share class grows.
- Based on the findings of our further review noted above, we have concluded that the fund is demonstrating value on the comparable market rates criteria. We are not recommending action, but we will continue monitoring the fees to ensure the findings of our further review continue to explain why the E share class OCF is greater than the median OCF of comparable funds identified by Broadridge.

### Seven criteria ratings



- Quality of service
- Performance
- AFM costs
- Economies of scale
- Comparable market rates
- Comparable services
- Classes of units

# Reviewed further & demonstrating value (continued)

## JPM Unconstrained Bond Fund

**Investment Objective:** The Fund aims to provide a positive return which is higher than that of the Fund's Benchmark (ICE Overnight GBP LIBOR) over a rolling 3 year period in all market conditions. A positive return is not guaranteed over this or any time period and capital loss may occur.

**Benchmark Name:** ICE BofA SONIA Overnight Rate Index

**Benchmark Resemblance/Uses:** The Fund is actively managed. The Benchmark is a Performance Target and the Fund seeks a return in excess of the Benchmark but its holdings in securities are not constrained by the Benchmark. The Benchmark has been chosen as it reflects the investment strategy for the Fund.

### Comparable market rates

- The fund is amber because the C share class OCF is greater than the median OCF of comparable funds identified by Broadridge.
- Our further review noted that the group of comparable funds identified by Broadridge is extremely concentrated and only form part of the larger comparable market. The fund is priced 19bps below the IA average which we believe is material.
- We believe the fund is priced competitively for its risk-return profile and it has the ability to deliver economies of scale benefits to shareholders through the capped O&A expenses model reducing the OCF below the peer group median as the share class grows.
- Based on the findings of our further review noted above, we have concluded that the fund is demonstrating value on the comparable market rates criteria. We are not recommending action, but we will be monitoring the fees to ensure the findings of our further review continue to explain why the fund is delivering value on this criteria despite the OCF being greater than the median OCF of comparable funds identified by Broadridge.

### Seven criteria ratings



- Quality of service
- Performance
- AFM costs
- Economies of scale
- Comparable market rates
- Comparable services
- Classes of units

# Reviewed further & demonstrating value (continued)

## JPM Multi-Asset Income Fund

**Investment Objective:** To provide income by investing in a global portfolio of income generating securities, using derivatives where appropriate.

**Benchmark Name:** 40% MSCI World Index (Net) Hedged to GBP, 30% Bloomberg US High Yield 2% Issuer Cap Index Hedged to GBP, 30% Bloomberg Global Credit Index Hedged to GBP

**Benchmark Resemblance/Uses:** The Fund is actively managed. The Benchmark is a Performance Comparator and the Fund may bear little resemblance to its Benchmark. The Benchmark has been chosen as it reflects the main investment universe and strategy for the Fund.

### Performance

- The fund is amber because it has underperformed versus the median performance of comparable funds identified by Broadridge over a five-year time period.
- Our further review noted that the fund aims to provide income by investing in a global portfolio of income generating securities. The comparator benchmark reflects the investment universe and strategy for the fund. It is used as a means of measuring risk and to give an indication of the types of asset classes that the fund would expect to invest in. As such the total return of the fund and performance versus its comparator benchmark or peers is not the key measure of value on the performance dimension given the fund's objective. As a result we reviewed the income yield to make our assessment.
- The fund has generated an income yield in line with investment expectations and comparable to peers in the IA sector. In addition, the 12-month yield was observed as above the median of comparable funds identified by Broadridge from May 2019 to April 2023, and 2nd quartile in 2023.
- Based on the findings of our further review noted above, we have concluded that the fund is demonstrating value on the performance criteria. We are not recommending action but we will be monitoring the performance on a quarterly basis.

### Seven criteria ratings



- Quality of service
- Performance
- AFM costs
- Economies of scale
- Comparable market rates
- Comparable services
- Classes of units



# Reviewed further & demonstrating value (continued)

## JPM Multi-Manager Growth Fund

**Investment Objective:** To invest worldwide in any economic sector by investing at least 80% of the Fund's assets in investment trusts. The fund aims to provide capital growth over the long-term (5-10 years).

**Benchmark Name:** FTSE All-Share Equity Investment Instruments Index (Net)

**Benchmark Resemblance/Uses:** The Fund is actively managed. The Benchmark is a Performance Comparator and the Fund may bear little resemblance to its Benchmark. The Benchmark has been chosen as it reflects the main investment universe and strategy for the Fund.

### Performance

- The fund is amber because it has underperformed versus the median performance of comparable funds identified by Broadridge over a five-year time period. In addition the fund has underperformed its comparator benchmark over the one-, three-, five- and ten-year time periods.
- Our further review noted that the fund aims to provide capital growth over the long-term (5-10 years) by investing at least 80% of the Fund's assets in investment trusts worldwide in any economic sector. There are very few peers following a comparable strategy, however three peers were identified that invest the majority of their assets into investment trusts. When compared to these peers the fund performs best over five- and ten-year time periods.
- Further, the comparator benchmark relative underperformance was -8bps. which we believe is marginal over ten years. In addition the fund has met its performance objective by providing 450bps and 779bps annually in capital growth over five and ten years respectively.
- Based on the findings of our further review noted above, we have concluded that the fund is demonstrating value on the performance criteria. We are not recommending action but we will be monitoring the performance on a quarterly basis.

### Seven criteria ratings



- Quality of service
- Performance
- AFM costs
- Economies of scale
- Comparable market rates
- Comparable services
- Classes of units

# Reviewed further & demonstrating value (continued)

## JPM UK Dynamic Fund

**Investment Objective:** To maximise capital growth over the long-term (5-10 years) by investing at least 80% of the Fund's assets in UK equities.

**Benchmark Name:** FTSE All-Share Index (Net)

**Benchmark Resemblance/Uses:** The Fund is actively managed. The Benchmark is a Performance Comparator and the Fund may bear little resemblance to its Benchmark. The Benchmark has been chosen as it reflects the main investment universe and strategy for the Fund.

### Performance

- The fund is amber because it has underperformed versus the median performance of comparable funds identified by Broadridge over a five-year time period and has underperformed its comparator benchmark over the one- and five-year time periods.
- Our further review noted that the fund ranks in the 1st quintile over the three-year versus the median performance of comparable funds identified by Broadridge.
- In addition the fund has outperformed the comparator benchmark over ten-years and has positive absolute performance in all time periods. It is also in the top quintile versus the IA peer group over three-years.
- The fund utilises a best ideas approach to finding the most attractive investment ideas with minimal constraints. This means returns can fluctuate, particularly in the short term.
- Based on the findings of our further review noted above, we have concluded that the fund is demonstrating value on the performance criteria. We are not recommending action but we will be monitoring the performance on a quarterly basis.

### Seven criteria ratings



- Quality of service
- Performance
- AFM costs
- Economies of scale
- Comparable market rates
- Comparable services
- Classes of units

# Reviewed further & demonstrating value (continued)

## JPM UK Equity Plus Fund

**Investment Objective:** To provide capital growth over the long-term (5-10 years) through exposure to UK companies by direct investments in securities of such companies and through the use of derivatives.

**Benchmark Name:** FTSE All-Share Index (Net)

**Benchmark Resemblance/Uses:** The Fund is actively managed. The Benchmark is a Performance Comparator and the Fund may bear little resemblance to its Benchmark. The Benchmark has been chosen as it reflects the main investment universe and strategy for the Fund.

### Comparable market rates

- The fund is amber because the C share class OCF is greater than the median OCF of comparable funds identified by Broadridge by approximately 6bps.
- Our further review noted that this fund follows an active extension investment approach, which has very few directly comparable funds.
- With this differentiated investment approach compared to the majority of the Broadridge identified peers, it is concluded that the marginally higher fee is justified.
- Based on the findings of our further review noted above, we have concluded that the fund is demonstrating value on the comparable market rates criteria. We are not recommending action, but we will be monitoring the fees to ensure the findings of our further review continue to explain why the fund delivers value despite the C share class OCF being greater than the median OCF of comparable funds identified by Broadridge.

### Seven criteria ratings



- Quality of service
- Performance
- AFM costs
- Economies of scale
- Comparable market rates
- Comparable services
- Classes of units

# Reviewed further & demonstrating value (continued)

## JPM UK Equity Value Fund

**Investment Objective:** To provide capital growth over the long-term (5-10 years) through investment in a value style biased portfolio of UK companies.

**Benchmark Name:** FTSE All-Share Index (Net)

**Benchmark Resemblance/Uses:** The Fund is actively managed. The Benchmark is a Performance Comparator and the Fund may bear little resemblance to its Benchmark. The Benchmark has been chosen as it reflects the main investment universe and strategy for the Fund.

### Performance

- The fund is amber because it has underperformed versus the median performance of comparable funds identified by Broadridge over a five-year time period and has underperformed its comparator benchmark over the one-, five- and ten-year time periods.
- Our further review noted that the fund's performance has improved over the three-year period when value as a style has recovered to a degree. Over three-years the fund outperforms the comparator benchmark.
- The fund specifically targets attractively valued UK companies that the Investment Manager believes are fundamentally sound. Therefore in certain market environments the fund may underperform funds that do not follow a value style and the broad market.
- Based on the findings of our further review noted above, we have concluded that the fund is demonstrating value on the performance criteria. We are not recommending action but we will be monitoring the performance on a quarterly basis.

### Seven criteria ratings



- Quality of service
- Performance
- AFM costs
- Economies of scale
- Comparable market rates
- Comparable services
- Classes of units

# Reviewed further & demonstrating value (continued)

## JPM US Small Cap Growth Fund

**Investment Objective:** To provide capital growth over the long-term (5-10 years) by investing at least 80% of the Fund's assets in a growth style biased portfolio of small capitalisation US companies.

**Benchmark Name:** Russell 2000 Growth (Net of 15% withholding tax)

**Benchmark Resemblance/Uses:** The Fund is actively managed. The Benchmark is a Performance Comparator and the Fund may bear little resemblance to its Benchmark. The Benchmark has been chosen as it reflects the main investment universe and strategy for the Fund.

### Performance

- The fund is amber because it has underperformed versus the median performance of comparable funds identified by Broadridge over a five-year time period
- In our further review, the Investment Manager noted that while the fund experienced a difficult 2021 and 2022, the long-term investment process continued to be followed and more recently the performance has improved.
- In addition, over the longer term, the fund's investment approach of a higher growth style exposure has led to the fund being ahead of its comparator benchmark over the five- and ten-year periods.
- Based on the findings of our further review noted above, we have concluded that the fund is demonstrating value on the performance criteria. We are not recommending action but we will be monitoring the performance on a quarterly basis.

### Seven criteria ratings

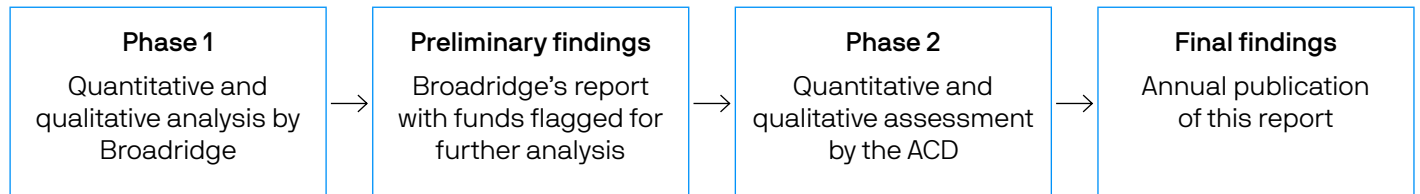


- Quality of service
- Performance
- AFM costs
- Economies of scale
- Comparable market rates
- Comparable services
- Classes of units

# The value assessment process

As discussed earlier, the FCA requires the value assessment to consider at least seven distinct but interconnected criteria. This section describes in detail the criteria and process that were used to arrive at our findings. Throughout this process, the assessment has been subject to the direction and approval of the Board.

## Methodology



### Phase 1

To support the value assessment, we began by identifying and engaging a third-party independent consultant, Broadridge, to perform quantitative and qualitative analysis and evaluation. Broadridge is a large firm with experience and extensive knowledge in the areas of UK investment scheme costs, operations and performance evaluation. Broadridge also has access to a wealth of industry data that was essential to the evaluations that involved comparisons with peer groups and industry standards.

Broadridge used the following criteria to evaluate the funds and share classes and flagged those requiring further review:

- quality of service metrics utilising quantitative data from their Fund Buyer Focus solution, an ongoing interview process with fund selectors across the UK focusing on quality of products and service provided
- performance and risk metrics for all funds and share classes compared to the relevant fund's objective, policy and strategy, the relevant fund benchmark and a peer group of comparable funds for one-, three-, five-year and since inception time periods, where available
- comparison of published ongoing charges figures for all funds and share classes compared to both a competitor peer group and IA Sector medians

### Phase 2

The ACD performed further quantitative and qualitative review, focusing on those areas Broadridge had flagged as warranting further review as well as areas identified on the Board's ongoing watch list and the ACD's Annual Range Review. This review included:

- comparison of performance and OCFs to IA sector medians for one-, three- and five-year time periods compared to the ACD's established rigorous ongoing review metrics
- review of performance consistency through multiple time periods compared to the fund benchmark and IA Sector, leveraging the ongoing reviews of performance that the ACD performs on a quarterly basis
- evaluation of performance of hedged share classes alongside performance of the fund
- qualitative assessment of fund performance over all relevant time periods, as at the review period

We considered the findings of Broadridge and the ACD in both executive summary and detailed form, along with our qualitative analysis, to arrive at initial conclusions.

The final step was preparing this report, which includes the final findings as a single point of reference for shareholders to understand the outcome of the value assessment.

We completed the analysis of each of the criteria at the share class level. Therefore, this single reference point at the fund level is represented by the lowest-rated share class for the relevant criteria, with respect to your fund.

# 1. Quality of service

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## The range and quality of services provided to shareholders by the ACD

**What can this assessment tell us** This assessment is a measurement of the quality of what is received for the amount paid. For most services provided to the funds, the main quality criteria centre around such attributes as competitiveness, responsiveness, performance/delivery level and transparency of these factors to shareholders.

**How we made our assessment** In addition to the report from Broadridge and our qualitative review, we also considered information presented throughout the year at Board meetings. This information included:

- the standards required of each service provider (such as the depositary, auditor, custodian etc.) to the funds
- risk management
- shareholder service and dealing complaints handling
- fund distribution regulatory compliance
- product governance (including investment oversight)
- treating investors fairly post sales reviews

We also looked at initiatives to grow and maintain the business. These included the launch of new funds, material changes to processes or service providers and the progress being made in ongoing initiatives where the goal it is to keep the funds responsive to market and regulatory changes.

**What we found** Overall, we found that the quality of service shareholders received demonstrated value. Complaint volumes for the 12-month period were reduced 9% compared to 2022. We regularly review the services from our providers, and where possible, we have taken action to benefit from lower fees and improved service offerings.

### Key points

- According to the Broadridge Fund Buyer Focus survey data, our rankings have remained consistently high relative to peers across product quality, marketing, and sales and account management from 2019 to 2023.
- Shareholders in all share classes continued to receive identical or generally comparable quality in all major service quality assessment areas.
- Within the UK asset management industry our service providers were among the leading organisations within their areas of expertise.

## 2. Performance

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### Performance over time after deduction of all costs paid from the fund

**What can this assessment tell us** Many shareholders consider performance after the deduction of costs the most important assessment of all. It is the most direct measure of the shareholder's experience: what were the results relative to costs and was the expected benefit provided?

**How we made our assessment** We considered:

- the minimum recommended holding period (5 years) of the funds is used primarily as the initial hurdle in the performance assessment. In addition absolute and/or relative performance information for the applicable one-, three-, five- and ten-year periods is considered
- each fund's performance against its investment objective, investment policy, investment strategy, benchmark and peers for the reporting period
- impact of specific investment style versus broader benchmarks and/or peers
- a review of the materiality of short-term performance challenges
- a ranking of each fund within a universe of funds that Broadridge classified as similar as well as a closer ranking against a subset of these funds
- performance information and the ongoing quarterly watch list provided at regular Board meetings
- evaluation of performance of hedged share classes alongside performance of the relevant fund

Broadridge highlighted information about certain representative share classes to help ensure appropriate comparisons.

**What we found** Of our 48 funds, 11 warranted a closer look, this is increased by three since 2022. The results and further commentary are provided on pages 7 to 21 of this report.

After extensive scrutiny and discussion, we concluded that all of these funds and share classes have delivered value within the context of their investment objectives, policies, strategies and designs, and that they remain valid as long-term investments. However four funds were found to not demonstrate this value consistently. Commentary for these funds can be found on pages 7 to 21.

#### Key points

- Overall, we believe the majority of funds have demonstrated value with respect to their performance and are designed to do so over the long term. Performance information can be found on the fund-specific page of the [JPM website](#).
- Eleven funds warranted a closer look and upon further review four of these funds were identified as not demonstrating consistent value when taking all described relevant performance considerations into account.
- Six of these 11 funds will continue to be monitored as identified in the 2022 report, and the additional five will now also be monitored closely.



# 3. AFM costs

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## The costs a fund pays for the service it receives

**What can this assessment tell us** This assessment is essentially a direct question: do you believe that fund costs are reasonable relative to the services provided? The answer to this question provides context for the evaluation of the overall expenses in criteria 5 and 6.

**How we made our assessment** We considered financial activity for the reporting period, relating to ACD fee revenue and expenses generated from managing, distributing and providing services to each fund.

We took the directly attributable revenues and expenses recorded by each fund and supplemented these with the output from an activity-based costing model.

The Board recognised that it is difficult to make comparisons of this nature because peer information is not publicly available at this level. Furthermore, the review can be influenced by numerous factors, such as methodology, corporate structure and the mix of services provided.

**What we found** Capped O&A expenses applied to all share classes (with the exception of I shares due to their fee structure) results in the ACD absorbing costs where the actual costs are higher than the expense fee caps, thereby lowering the fees actually paid by most funds. The caps are discussed in more detail in criteria 5 and 6.

With this finding in mind, we believe the costs of the services provided to shareholders demonstrate value.

### Key points

- During this period revenues fluctuated, primarily due to market impacts. Average basis point management fees fell during the period. Average AUM for the period fell by approximately 8% since 2022, due to markets.
- Caps on O&A expenses ensure that these costs remain reasonable, with costs in excess of the caps covered by the ACD.

## 4. Economies of scale

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### Whether the fund has been able to pass along savings from economies of scale

**What can this assessment tell us** It should be possible that overall costs begin to decrease when fund assets grow to a certain point. This assessment seeks to establish whether the funds have been able to achieve this type of cost efficiency and whether shareholders have benefited.

**How we made our assessment** Our overall criteria here were comparatively straightforward: are funds' share class O&A expenses being limited by their expense caps? If not, economies of scale in O&A expenses have been achieved to the point that it no longer requires the ACD to absorb the costs to maintain the fee cap.

We make a practice of capping certain fund costs at a competitive level. We cover any costs above the caps that would otherwise have been paid by the funds.

While the caps generally remain in place at all times to limit maximum expenses if assets decline, the expectation is that they will not have any practical effect as a fund's assets grow and economies of scale bring the relevant costs below the cap.

This year we enhanced the review of this criteria by adding a comparison of the model that the ACD employs versus other comparable models including unified tiered fee models. This review confirmed that the capped O&A model systematically ensured that investors receive economies of scale relative to other models that could be used.

**What we found** We determined that economies of scale do exist, primarily in the largest funds, as one would expect. This is evidenced by the fact that 79% of assets invested in the share classes have benefited from economies of scale and therefore lower fees. In 2022, 82% of assets were benefiting from economies of scale. The reduction is due to the drop in average AUM since 2022.

Even where economies of scale are not sufficient to produce any direct cost savings to pass along, shareholders benefit from economies of scale indirectly through our voluntary absorption of certain costs via the fee caps. Our financial capacity to absorb these costs is in large part a function of efficiencies made possible by the scale of the overall fund offering.

#### Key points

- The model employed by charging investors actual expenses but with an O&A cap means investors systematically receive economies of scale as funds grow in size.
- 79% of assets invested in the share classes have achieved economies of scale where O&A expenses are lower than their expense caps.
- We seek to maintain and increase economies of scale through asset growth but also through strong ongoing investment in people and technology to enhance the services provided to the funds.

# 5. Comparable market rates

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## What the funds pay for services compared to market rate costs

**What can this assessment tell us** This assessment looks at whether the funds are paying more than what similar funds elsewhere are paying for comparable services.

**How we made our assessment** The main factors we considered were:

- the contractual ACD fee paid by each fund compared to the information prepared by Broadridge about management fee rates paid by other funds in the same category as each fund
- information about other expenses
- any fee waiver or expense reimbursements currently in place for each fund and the ACD fee resulting after these expense reduction measures were taken into account

In practice, it is difficult to make comparisons of fees and expenses because there are variations in the services that are included in the fees paid by other funds.

We also noted that market rates for all funds are reviewed through our product governance process on an annual basis to identify any situations where rates are above median for the share classes which are not designed to pay compensation via commissions, or which return commission monies to shareholders via a rebate, triggering a review across all funds.

**What we found** Of our 48 funds, we found four funds with market rate comparison data for one or more share classes that required further review. The funds are identified in the table on pages 5 and 6. Our findings are shown by base class and apply to all forms of that base class:

- **C share class:** three of the four funds, UK Equity Plus Fund, UK Smaller Companies Fund and Unconstrained Bond Fund, were identified as having marginally higher costs compared to Broadridge's identified peer group medians.
- **E share class:** one of the four funds, JPM Global Research Enhanced Index Equity Fund, had marginally higher costs compared to market rates and was also highlighted in our 2022 report.

### Key points

- For both the C and E share classes identified as warranting further review for having marginally higher than market costs, the current levels appear appropriate in light of the benefits and/or incurred costs that exist in those cases.
- Fund-specific information on this topic appears on pages 7 to 21.

## 6. Comparable services

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### What the funds pay for services compared to what the same service providers charge others

**What can this assessment tell us** This assessment looks at the same basic question as criteria 5 above, but from a different perspective. Specifically, it looks for evidence that we may be charging the funds more for a similar level of service compared to other accounts we manage for other investors.

**How we made our assessment** We reviewed information about the nature and extent of these services offered to other investors, and the associated costs, as relevant. This included rates offered to institutional separate accounts, as well as to funds available for sale in the UK and outside of the UK, if they are structured as UCITS funds with investment management styles substantially similar to that of each fund. We also considered the complexity of investment management for funds relative to our other investors and noted differences in the risks and responsibilities of providing services to the different investors from a regulatory, legal and market perspective.

**What we found** Overall, we concluded that the fee rates charged to each fund in comparison to those charged for other investors were reasonable.

The fees for JPM Japan Fund were found to be marginally higher than median fees charged for comparable services. We believe this is justified when we look at differences in vehicle structures, investment objectives and approaches and competitive dynamics.

#### Key points

- The amounts most funds are paying for services are in line with other services that the ACD and affiliate European entities provide.
- Fund-specific information on this topic appears on pages 7 to 21.

# 7. Classes of units

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## Are share classes what shareholders need and sufficiently differentiated in cost relative to the associated services provided

**What can this assessment tell us** In effect, this assessment asks whether the share classes offered are what shareholders need and whether they are sufficiently differentiated in cost relative to the associated services required for the types of shareholders that are eligible to invest in them. It also explores the appropriateness of shareholders holding share classes with higher costs.

Share classes exist because different shareholders have different needs and different means. A financial institution acting on behalf of thousands of individuals may invest large sums and have the ability to route orders straight into the system that processes transactions in fund shares. In exchange for its large investments and labour-saving systems, the institution quite reasonably expects lower costs.

In contrast, accounts for individual shareholders require more attention and usually have lower asset levels. The standard way of addressing these differences in needs is to create share classes that are tailored to the main categories of shareholders. Some exist to offer alternative payment options. Others exist to offer specific features or service levels.

**How we made our assessment** Share classes are among the fund characteristics that are most closely and frequently reviewed by us. These regular reviews can lead to the launch of new share classes and the merger or liquidation of share classes that no longer meet shareholder needs as reflected in demand.

For this current assessment, we examined all share classes in all funds and compared the costs and benefits to account size and other relevant shareholder information.

**What we found** Having considered shareholder needs and eligibility for each, the share classes we offer are sufficiently differentiated in services and costs.

### Key points

- The range of share classes offered meet the needs of shareholders in our funds and their costs are appropriately differentiated relative to services provided.

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### J.P. Morgan Helpline

Freephone 0800 20 40 20 (or if calling from abroad +44 1268 44 44 70). Telephone lines are open Monday to Friday, 9am to 5.30pm.

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