

Assessment of Value Report – as at 30th April 2020

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



A Letter from the Chair

This is our first report that responds to new rules regarding the assessment of Fund value required by the Financial Conduct Authority (FCA). It gives us an opportunity to articulate how we believe we deliver value for you, our shareholders.

It is our duty to act in your best interests and we believe this report is an important part of that process. In the pages that follow, we have set out the results of our assessment which includes our view on the value we have provided to you.

Discussions around financial product services and costs, in the context of value received, can quickly become complex. We have therefore written this report with you, our shareholders, in mind, to make it easier for you to evaluate the value you receive based on clear and concise information. In addition to addressing the topics required by the new rules, we have also sought to distill our findings to make them useful and impactful to you.

The overall findings of our assessment found that the majority of our Funds and share classes are delivering value. That said, we have identified some areas for enhancement and have highlighted actions we have taken or are planning, in this report.

We have completed a number of initiatives in recent years which have led to cost reductions and enhancements in services provided, which are outlined in the following pages.

We encourage you to continually review your investments. Please use this report to understand our findings for the Fund(s) and share classes in which you own shares. 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,

Andrew Lewis,
Chair of JPMorgan Funds Limited

HOW TO USE THE REPORT

- **Findings by Fund Umbrella and Fund** are summarised on page 4 so you can quickly see the findings for your Fund.
- The summary of findings is followed by a more detailed discussion of the **Funds and Share classes Requiring Further Review**. That more detailed discussion explains why value is being demonstrated or any enhancements that are planned, as shown on page 6 onwards.
- Finally, a detailed discussion of the **Value Assessment Process** and methodology used to produce the 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.
- **Board** The board of the ACD
- **Capped O&A Expenses** The operating and administrative expenses for each share class 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% are 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.
- **Ongoing Charge Figure (OCF)** Published in the KIID, comprising of the ACD Fee and Capped O&A Expenses.

All assessment information in this report applies to the 2019-20 financial year (1 May - 30 April).

Value Assessment Summary

To complete this report we conducted a thorough process for assessing value. This included both a rigorous look at costs relative to performance, as well as other important dimensions of value, such as the quality and depth of services provided to shareholders. To support us in this review, we engaged Broadridge Financial Solutions to provide independent analysis.

The process found that the majority of our Funds and share classes are demonstrating value. The detail of each of the criteria, supporting our arrival at this conclusion, has been outlined in the following pages. We have identified four Funds where we can do better and have outlined how we have taken or intend to take action. We believe that with these actions the Funds will demonstrate value as measured by our process and methodology outlined in this report. We will continue to monitor the implementation of these enhancements.

Taken together, we concluded overall that we provide good value to shareholders.

In order to enhance value by reducing costs we:

- Converted approximately 41,000 direct shareholders' holdings into lower cost share classes.
- Ensured our total Fund fees to shareholders are competitive and that we have Fund structures that systematically pass along savings to shareholders, in particular ongoing Fund operating and administrative (O&A) expenses, which can have a meaningful impact on shareholder investments over time.
 - In 2018, fixed O&A expenses were eliminated on all Funds and expense caps were introduced at competitive rates. This resulted in a reduction of expenses for most share classes. Shareholders are never charged more than the cap regardless of share class size and they benefit from lower fees systematically as Funds grow and achieve economies of scale.
 - All Funds are benefiting from the certainty of maximum rates that expense caps provide, with over 80% of assets invested in share classes charging O&A expenses that are less than their expense caps.

In order to continue to deliver value by providing a broad range of quality services, we:

- Provided access to the strength and support of our global asset management business: 6,993 staff of whom 1,086 are investment professionals, enhanced by continued investment in personnel and technology.
- Reviewed and negotiated actively with service providers on both quality of service and price. In the last review we conducted, our negotiations resulted in a benefit to our shareholders of approximately £1.4m.
- We will appoint an independent director to chair the Board to ensure continued scrutiny on behalf of shareholders, pending FCA approval.

In order to deliver value by continually enhancing our platform and offerings, we:

- Added 10 new multi-asset, equity and fixed income Funds to our UK-domiciled range, offering investors a wider range of investment options.
- Ensured our product range was fit for purpose and competitive, including one Fund merger and one Fund liquidation.

Value Assessment Summary Findings by Fund Umbrella and Fund

The FCA requires that we evaluate our Funds according to at least seven criteria.

Whilst reviewed for all Funds and share classes, four of these criteria apply at the Fund Umbrella level. These are addressed in the first table to the right. “AFM costs” are the costs a Fund pays for the services it receives, as detailed in the prospectus for each Fund Umbrella.

The remaining three criteria apply at the Fund or share class level and are shown in the second table to the right.

The outcome of the evaluation of each of the criteria is categorised as follows:

- Demonstrating Value
- Reviewed Further and Demonstrating Value
- Action Taken or Planned

If any share class of a Fund has a yellow or red rating, the rating for the Fund as a whole shows as the lowest rating.

Information on the meaning of each of the criteria appears in “Value Assessment Process” starting on page 9.

Fund Umbrella	Quality of service	AFM costs	Economies of scale	Classes of units
JPMorgan Fund ICVC	■	■	■	■
JPMorgan Fund II ICVC	■	■	■	■
JPMorgan Fund III ICVC	■	■	■	■

Fund	Performance	Comparable market rates	Comparable services
JPM Asia Growth Fund	■	■	■
JPM Asia Pacific Equity Fund	■	■	■
JPM Diversified Growth Fund	■	■	■
JPM Emerging Europe Equity Fund	■	■	■
JPM Emerging Markets Fund	■	■	■
JPM Emerging Markets Income Fund	■	■	■
JPM Europe (ex-UK) Research Enhanced Index Equity Fund	■	■	■
JPM Europe Dynamic (ex-UK) Fund	■	■	■
JPM Europe Fund	■	■	■
JPM Europe Smaller Companies Fund	■	■	■
JPM Global (ex-UK) Bond Fund	■	■	■
JPM Global Bond Opportunities Fund	■	■	■
JPM Global Corporate Bond Fund	■	■	■
JPM Global Equity Income Fund	■	■	■
JPM Global High Yield Bond Fund	■	■	■
JPM Global Macro Fund	■	■	■
JPM Global Macro Opportunities Fund	■	■	■
JPM Global Research Enhanced Index Equity Fund	■	■	■
JPM Global Unconstrained Equity Fund	■	■	■
JPM Japan Fund	■	■	■
JPM Multi-Asset Cautious Fund	■	■	■
JPM Multi-Asset Growth Fund	■	■	■
JPM Multi-Asset Income Fund	■	■	■
JPM Multi-Asset Moderate Fund	■	■	■
JPM Multi-Manager Growth Fund	■	■	■
JPM Natural Resources Fund	■	■	■
JPM Sterling Corporate Bond Fund	■	■	■
JPM UK Dynamic Fund	■	■	■
JPM UK Equity Core Fund	■	■	■
JPM UK Equity Growth Fund	■	■	■
JPM UK Equity Income Fund	■	■	■
JPM UK Equity Index Fund	■	■	■
JPM UK Equity Plus Fund	■	■	■
JPM UK Equity Value Fund <i>formerly JPM UK Strategic Equity Income Fund</i>	■	■	■
JPM UK Government Bond Fund	■	■	■
JPM UK Smaller Companies Fund	■	■	■
JPM Unconstrained Bond Fund	■	■	■
JPM US Equity Income Fund	■	■	■
JPM US Research Enhanced Index Equity Fund	■	■	■
JPM US Select Fund	■	■	■
JPM US Small Cap Growth Fund	■	■	■

Value Assessment Findings Requiring Further Review

This section of the report gives you more information to understand the summary findings and conclusions for Funds that do not have a green square in each column on the previous page. We encourage shareholders to discuss these results with their financial adviser.













Fund Umbrella Level Results that Required Further Review

Fund Umbrella	Classes of units	Commentary and conclusion
JPMorgan Fund ICVC	■	<ul style="list-style-type: none">• The A share class is designed for shareholders whose financial advisers earn their compensation via commissions, or return commission monies to shareholders via a rebate. As a result, they have a comparably higher cost to other share classes in the Funds.• We took action during 2019 as a first step in limiting the use of A share classes:<ul style="list-style-type: none">– In July 2019, we switched approximately 41,000 direct shareholders to a lower cost share class (B share class), resulting in savings for those shareholders of approximately £4m.– Further, at the same time, we took additional measures to limit entry into the A share classes to only two groups: shareholders who have an agreement with us to pay rebates and shareholders who are clients of intermediaries who receive a commission.• A share classes on 18 Funds were identified as requiring further review based on their comparable market rates.• We acknowledge that the A share class enables access for certain shareholders that require their structure.• We will continue to evaluate how shareholders are using A share classes over the course of the next year. <p><i>We encourage you to discuss your holdings in A share classes with your financial adviser to ensure you benefit from the features or services that result in their comparatively higher cost to other share classes in the Funds.</i></p>
JPMorgan Fund II ICVC	■	
JPMorgan Fund III ICVC	■	

Fund and Share Class Level Results that Required Further Review

The tables on the next page show all Funds and share classes (excluding the 18 Funds with A share classes discussed above, unless there were other considerations for those Funds) that were subject to further review and the outcome of that review. Any share class not mentioned below earned a green square and demonstrates value.

REVIEWED FURTHER AND ENHANCEMENTS PLANNED

Fund	Performance	Comparable market rates	Comparable services	Class(es)	Actions
JPM Europe Fund				A, B, C	<ul style="list-style-type: none"> The A, B and C share class OCFs were identified as higher than median versus the fees charged for comparable services. We reduced ACD fees, effective from 3rd August 2020, as follows: <ul style="list-style-type: none"> Class A, from 1.50% to 1.00%; Class B, from 1.00% to 0.65%; Class C, from 0.75% to 0.50%. We believe that with this action these share classes will demonstrate value as measured by our process and methodology outlined in this report.
JPM Europe Smaller Companies Fund				A, I	<ul style="list-style-type: none"> We have outlined plans to convert the I share classes into the comparable C share class on this Fund, due to be effective 2nd October 2020. We believe that with this action these share classes will demonstrate value as measured by our process and methodology outlined in this report. Refer to Fund Umbrella Level Results for commentary on the comparable market rates of the A share class on this Fund.
JPM Global Macro Fund				B	<ul style="list-style-type: none"> The B share class OCF was identified as higher than median versus the fees charged for comparable services. We reduced ACD fees, effective from 3rd August 2020, as follows: Class B, from 0.80% to 0.60%. We believe that with this action these share classes will demonstrate value as measured by our process and methodology outlined in this report.
JPM Sterling Corporate Bond Fund				A, B, C	<ul style="list-style-type: none"> Based on our analysis, the ACD fees for the A and C share classes on this Fund were higher than the median comparable market rates. We reduced ACD fees for the A and C share classes, effective from 3rd August 2020, as follows: Class A, from 1.00% to 0.80, Class C, from 0.50% to 0.40%. We believe that with this action these share classes will demonstrate value as measured by our process and methodology outlined in this report. Although the B share class ACD fee was not higher than the median comparable market rates, we also reduced that ACD fee from 0.65% to 0.52%.

REVIEWED FURTHER AND DEMONSTRATING VALUE

Fund	Performance	Comparable market rates	Comparable services	Class(es)	Commentary and Rationale for Demonstrating Value
JPM Europe Dynamic (ex-UK) Fund	■	■	■	All	<ul style="list-style-type: none"> Total return over a one-, three- and five-year timeframe has underperformed versus the peer group of competitor funds identified by Broadridge. The primary reason for this has been that the behavioural finance process, that the Fund draws upon, targets value as one of its three long term drivers of returns. Value, as a style, has significantly underperformed as macroeconomic events have dominated. We are not recommending action but will be monitoring the performance. Refer to Fund Umbrella Level Results for commentary on the comparable market rates of the A share class on this Fund.
JPM Global High Yield Bond Fund	■	■	■	A, C	<ul style="list-style-type: none"> The C share class OCF was identified as marginally higher than median versus the fees charged for comparable services. The C share class OCF is below the peer group median identified by Broadridge and continued fee benchmarking completed by us versus comparable market rates. We are not recommending action but will be monitoring the fees and service levels. Refer to Fund Umbrella Level Results for commentary on the comparable market rates of the A share class on this Fund.
JPM Japan Fund	■	■	■	A, C	<ul style="list-style-type: none"> The C share class OCF was identified as marginally higher than median versus the fees charged for comparable services. The C share class OCF is below the peer group median identified by Broadridge and continued fee benchmarking completed by us versus comparable market rates. We are not recommending action but will be monitoring the fees and service levels. Refer to Fund Umbrella Level Results for commentary on the comparable market rates of the A share class on this Fund.
JPM Multi-Asset Income Fund	■	■	■	All	<ul style="list-style-type: none"> This Fund aims to provide income by investing in a global portfolio of income generating securities. The benchmark 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, and as a result the Fund may bear little resemblance to the benchmark. The Fund has underperformed its benchmark over one-, three- and five-year time periods, however through this time it has generated an income yield in line with investment expectations. We are not recommending action but will be monitoring the performance.

Fund	Performance	Comparable market rates	Comparable services	Class(es)	Commentary and Rationale for Demonstrating Value
JPM Multi-Manager Growth Fund	■	■	■	C	<ul style="list-style-type: none"> The C share class OCF was identified as marginally higher than median versus the fees charged for comparable services. The C share class OCF is below the peer group median identified by Broadridge and continued fee benchmarking completed by us versus comparable market rates. We are not recommending action but will be monitoring the fees and service levels.
JPM UK Dynamic Fund	■	■	■	All	<ul style="list-style-type: none"> Total return over a one-, three- and five-year timeframe has underperformed versus the peer group of competitor funds identified by Broadridge. The primary reason for this has been that the behavioural finance process, that the Fund draws upon, targets value as one of its three long term drivers of returns. Value, as a style, has significantly underperformed as macroeconomic events have dominated. We are not recommending action but will be monitoring the performance. Refer to Fund Umbrella Level Results for commentary on the comparable market rates of the A share class on this Fund.
JPM UK Equity Growth Fund	■	■	■	C	<ul style="list-style-type: none"> The C share class ongoing charge (OCF) on this Fund was identified by Broadridge as being higher than the peer group median OCF. This class is expected to pass on benefits to shareholders through the capped O&A expenses model reducing the OCF below the peer group median. We are not recommending action but will be monitoring the fees and service levels.
JPM UK Equity Value Fund (formerly JPM UK Strategic Equity Income Fund)	■	■	■	All	<ul style="list-style-type: none"> The Fund has underperformed its benchmark over one-, three- and five-year time periods. This Fund seeks to identify attractively valued UK companies that we believe are fundamentally sound. (The January 2020 changes to its name and objective were made to emphasise this value-style bias.) Its underperformance is directly attributable to the fact that value stocks have underperformed for several years and there have been further noticeable periods of underperformance since the end of 2018. We are not recommending action but will be monitoring the performance.
JPM UK Smaller Companies Fund	■	■	■	C	<ul style="list-style-type: none"> The C share class OCF on this Fund was identified by Broadridge as being higher than the peer group median OCF. This class is expected to pass on benefits to shareholders through the capped O&A expenses model reducing the OCF below the peer group median. We are not recommending action but will be monitoring the fees and service levels.

The Value Assessment Process

It has long been our practice to periodically review the areas covered by the new FCA rules. However, we conducted this value assessment as a separate exercise and in careful accordance with the new rules.

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 was used to arrive at our findings. Some of the criteria relate to how we run our business and some are Fund specific, so differ for each Fund.

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:

- performance and risk metrics for all Funds and share classes compared to the relevant Fund's objective, policy, and strategy, the relevant prospectus benchmark and a peer group of comparable funds in the Investment Association (IA) Sector 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

We performed a further qualitative review, focusing on those areas Broadridge had flagged as warranting further review. This review included:

- comparison of performance and OCFs to IA Sector medians for one-, three- and five-year time periods as 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
- evaluation of performance of hedged share classes alongside performance of the Fund
- qualitative assessment of Fund performance for the review period

We reviewed these findings, considering both the findings of Broadridge in both executive summary and detailed form, along with our qualitative analysis, to arrive at initial conclusions. We then provided commentary and suggested enhancements to the Board.

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 in respect of your Fund.

Note: Funds and share classes launched during the review period were not reviewed according to the performance criteria above due to their recent approval through our product governance process and limited performance track record.

FUND UMBRELLA LEVEL CRITERIA

1. QUALITY OF SERVICE

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)

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 whose 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 receive demonstrated value. Over the past three years, we have regularly reviewed the services from our providers, and where possible have taken action to benefit from lower fees and improved services.

KEY POINTS

- Shareholders in all share classes received identical or generally comparable quality in all major service quality assessment areas.
- Our service providers were among the leaders in their areas of service within the UK asset management industry, as measured by volume of business.
- Ongoing initiatives intended to keep our offerings competitive – many of them already underway before the start of the report period – will have a positive effect on service quality.

2. AFM COSTS

The costs a Fund pays for the services it receives.

What this assessment can 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 assessments 6 and 7.

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 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 The fees paid to us for services to shareholders have decreased since 2017 even as the average level of assets has risen. This is primarily due to fee reductions and share class migrations completed during this period. The most recent of these was in 2019, and saw assets moving from A Shares to B Shares, which have lower annual costs. Growth in assets in the X/X2 share classes, which generally have lower fee revenue, also contributed to this positive development.

Capped O&A expenses applied to all share classes (with the exception of I shares due to their fee structure) results in us 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 items 6 and 7 below.

With the above in mind we believe the costs of the services provided to shareholders provide good value.

KEY POINTS

- Fees paid to the ACD have decreased each year since 2017, even as assets under management have grown.
- Caps on O&A expenses ensure that these costs remain reasonable, with costs in excess of the caps covered by us.

3. ECONOMIES OF SCALE

Whether the Fund has been able to pass along savings from economies of scale.

What this assessment can 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 a Fund's 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 ensure certainty of 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.

What we found We determined that economies of scale do exist, primarily in the largest Funds (as one would expect). This is made evident in that over 80% of assets invested in the share classes have benefited from economies of scale and therefore lower fees.

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

- All Funds benefit from the certainty of competitive fees through caps on O&A expenses where applicable
- Over 80% of assets invested in the share classes have benefited from O&A expenses 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.

4. CLASSES OF UNITS

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

What this assessment can tell us In effect, this assessment asks whether the share classes offered are what shareholders need and sufficiently differentiated in cost relative to the associated services required for the types of shareholders that are eligible to invest in them. It also tells us 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's needs and eligibility for each, the share classes we offer are sufficiently differentiated in services and costs. In 2019, any shareholders that could benefit from lower costs, namely direct shareholders, were moved to the lower cost share class. As noted earlier, we continue to review A share classes given their comparatively higher expenses to other share classes based on their features.

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.
- A share classes have slightly above-median costs but these are related to features that shareholders and their intermediaries still require.
- We have proposed to further evaluate A share classes, as described on page 5.

FUND AND SHARE CLASS LEVEL CRITERIA

5. PERFORMANCE

Performance over time after deduction of all costs paid from the Fund.

What this assessment can 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:

- each Fund's performance against its investment objective, investment policy, investment strategy, benchmark and peers for the reporting period
- absolute and/or relative performance information
- total return information for the applicable one-, three-, and five-year periods
- a ranking of each Fund within a universe of funds that Broadridge classified as similar as well as a closer ranking against a sub-set of these funds
- performance information that had already been 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 41 Funds, four warranted a closer look, the results and further commentary is provided on pages 7 and 8.

After extensive scrutiny and discussion, we agreed that all of these Funds and share classes have delivered value within the context of their objectives, policies, strategies and designs, and that they remain valid as long-term investments.

KEY POINTS

- Performance after the deduction of costs was good for all share classes in 90% of the Funds.
- The underperformance of the remaining 10% can fairly be attributed to external factors (such as market conditions) or the objectives and design of the Funds. Out of prudence, these Funds are being monitored closely.
- Overall, we believe all Funds have demonstrated value with respect to their performance and are designed to do so over the long-term.

6. COMPARABLE MARKET RATES

What the Funds pay for services compared to market rate costs.

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

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 41 Funds, we found 18 whose market rate comparison data for one or more share classes suggested that a closer look was warranted. The Funds are identified in the larger table on page 4. Here are our findings, by base class. The findings apply to all forms of that base class:

- **A share classes** All 18 Funds had marginally higher costs compared to market rates. This is because A share classes are designed for shareholders whose financial advisers earn their compensation via commissions or, if not, return commission monies to shareholders via a rebate.
- **C share classes** Three of the 18 Funds had marginally higher costs compared to market rates.

KEY POINTS

- While 18 instances were identified by metrics as warranting attention for having marginally higher than median 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 from page 5.

7. COMPARABLE SERVICES

What the Funds pay for services compared to what the same service providers charge others.

What this assessment can tell us This assessment looks at the same basic question as item 6 above, but from a different perspective. Specifically, it looks for evidence where we may be charging the Funds more for a similar level of service as compared to other accounts we manage for other clients.

How we made our assessment We reviewed information about the nature and extent of these services offered to other clients, and the associated costs, as relevant. This included rates offered to institutional separate accounts and to funds available for sale in the UK and outside of the UK if these are structured as “UCITS” funds whose investment management styles were substantially similar to that of each Fund. We also considered the complexity of investment management for Funds relative to our other clients and noted differences in the risks and responsibilities of providing services to the different clients 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 clients were reasonable. However, we did identify six Funds where fees were marginally higher than the median for other accounts managed and we have recommended actions to address this for three Funds.

On three other Funds, we believe the marginally higher-than-median fees are justified because the services provided in the closest available comparisons are not completely parallel. We are not recommending action but will be monitoring the fees and service levels.

KEY POINTS

- **The amounts most Funds are paying for services are in line with market standards.**
- **We are recommending action on three Funds and monitoring on three other Funds to address modest discrepancies.**
- **Fund-specific information on this topic appears on page 5.**

COMMENTS? QUESTIONS?

If you have specific questions about this document please call our UK-based Investor Services team, with your account number to hand, on **0800 20 40 20** (or if calling from abroad +44 1268 44 44 70). Our lines are open Monday to Friday, 9am to 5.30pm.

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.

Telephone calls may be recorded and monitored for security and training purposes.