

# JPMorgan Funds – Europe Sustainable Equity Fund

## Five years of sustainable returns



JPMF – Europe Sustainable Equity Fund provides access to best-in-class sustainable companies, backed by a five-year track record and the Central Labelling Agency's Towards Sustainability label<sup>1</sup>.

### Invest in Europe's leading sustainable companies

In a world where sustainability increasingly matters to companies and investors alike, our Europe Sustainable Equity Fund's ability to capture environmental, social and governance (ESG) opportunities and manage ESG risks can help you to do well while doing good.

The fund is compliant with Article 8 of the European Union's Sustainable Funds Disclosure Regulation (SFDR), has an AAA ESG rating from MSCI, and has a weighted average carbon intensity that is 60% lower than the MSCI Europe benchmark. It also has a top decile performance record since its launch in December 2016, allowing investors to invest sustainably while enjoying attractive returns relative to the broad European market (data as of 31 December 2021).

### Benefit from a best-in-class approach

The fund works by investing in companies with best-in-class sustainability credentials, while seeking to reduce exposure to, or exclude, industries or stocks that are unsustainable<sup>2</sup>.

Best-in-class stocks either lead their peer groups in terms of their sustainability performance (for example, by decreasing their carbon emissions) or offer products and services that are helping to solve global sustainability challenges (for example, by selling products that help their customers reduce their carbon emissions).

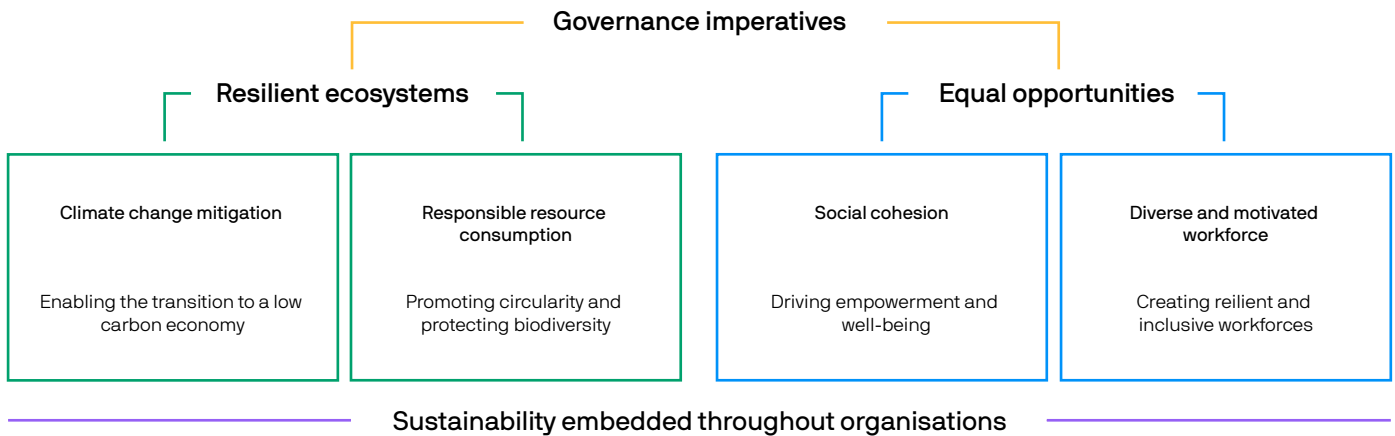
Our team of research analysts and portfolio managers identify best-in-class sustainable companies via rigorous stock research, while we also engage with the companies to influence behaviour and encourage best practice. The aim is to invest in companies that are leading the charge to solve at least one of the following critical environmental and social issues: climate change mitigation; responsible resource consumption; social cohesion; and workforce diversity.

<sup>1</sup> The Towards Sustainability label has been awarded to the JPMorgan Funds – Europe Sustainable Equity Fund from November 2020 to June 2022. The Central Labelling Agency is a Belgian not-for-profit association ([towardssustainability.be](http://towardssustainability.be)).

<sup>2</sup> Full details can be found in the JPMorgan Funds – Europe Sustainable Equity Fund Exclusion Policy.

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### The characteristics of ESG leaders



Source: J.P. Morgan Asset Management. For illustrative purposes only.

### Uncover sustainable leaders in unexpected places

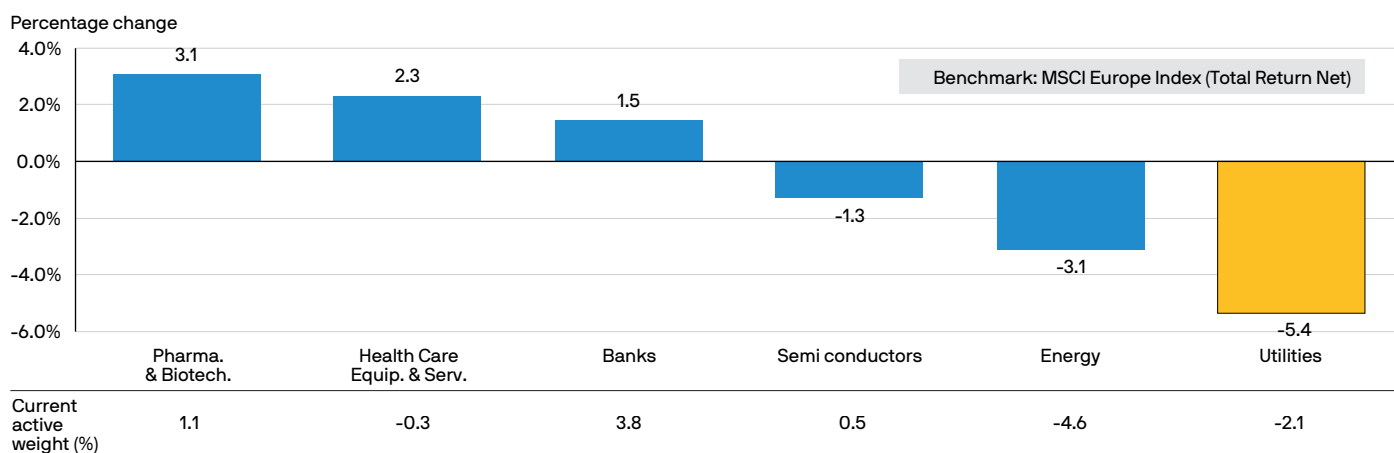
While the fund aims to invest in companies that are providing solutions to the critical ESG issues of the day, it is not wedded to any particular theme or sector. This willingness to invest broadly across markets, including in areas that may not be immediately apparent when you think of sustainability, is a key driver of the fund's success.

The capital goods sector, for example, is not often at the top of the list when it comes to sustainable leadership. However, European capital goods companies are helping to lead the transition to a low carbon economy, either by improving the energy efficiency in their end markets or by helping replace fossil fuels with green energy. A current stand-out is French industrial automation company Schneider Electric, which provides energy management solutions to help its customers achieve their sustainability targets, while embedding strict sustainability targets in its own business goals.

The banking sector is another area that can be overlooked by sustainable investors. However, Europe's lenders will play a critical role in providing the trillions of euros in debt financing that governments and companies will need if they are to meet their carbon reduction goals by 2030. We aim to identify the leaders in green lending—banks, such as Credit Agricole and BNP Paribas, which are among the top green bond underwriters globally, or ING, KBC and Natwest, which have all made pledges to decarbonise their loan books.

Banks are also among the leaders in workforce equality. NatWest, for example, is one of only five companies in the 2020 European Gender Diversity Index that has both a female CEO and CFO or COO.

### Navigating the ESG landscape: key portfolio adjustments in 2021



Source: Bloomberg, J.P. Morgan Asset Management; data as of 31 December 2021.  
Past performance is not a reliable indicator of current and future results.

### Engage to maximise change

As well as our stock research, the fund drives positive change by engaging with companies on sustainability issues. Engagement allows the fund to encourage the companies that it invests in to take action where the greatest ESG impact can be achieved. Even sustainable leaders have room for improvement.

Take Novo Nordisk, for example. The Danish drug maker has led the way with its commitment to help people with diabetes in low- and middle-income countries by lowering the price it charges for insulin. However, we identified a diversity mismatch in the company's workforce, with women making up just 24% of the company's senior management team. The company has now set a 50/50 senior management gender balance target tied to short- and long-term incentive plans.

### Follow fundamentals, not fads

Another key reason why we believe the fund is able to capitalise on today's evolving ESG opportunities is its agile portfolio, which can respond quickly to changing market conditions.

The positive impact of the fund's agile positioning can be clearly seen in 2021, when exposure to renewable energy and utility companies was reduced significantly through the year.

Although supported by long-term climate policy action, our bottom-up analysis suggested that renewable energy stocks were expensive after performing strongly in 2020. Our research highlighted more attractive ESG opportunities in the defensive pharmaceuticals sector, which was benefiting from a market rotation away from cyclicals, and in the banks sector, which was supported by hopes for a strong post-Covid economic rebound.

This core, agile approach to ESG investing means the fund should always be positioned to weather the changing ESG landscape.

**Find out more**

Visit our website to discover how our flagship European Sustainable Equity Fund could help your clients gain the ESG exposure they want, while generating the long-term returns that they need.

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LV-JPM53342 | 02/22 | 09bi222401120117