

JUKE: Active UK market exposure, at low cost



Launched just a year ago, **JPMorgan UK Equity Core ETF (JUKE LN)** has already reached over £100 million in assets under management. The attraction for investors is clear: the fund provides low cost, active exposure to one of the cheapest equity markets globally, backed by the capabilities of a dedicated team of UK equity investors.

Darkest before the dawn

UK equities remain one of the most unloved asset classes globally. As we all know, however, markets are cyclical, with the point of maximum pessimism often representing a buying opportunity. At the moment, investors are very pessimistic about the UK's prospects compared to other equity markets, with the MSCI UK Index trading at its widest discount to the MSCI World Index since 1975.¹

Yet, while the idea of the UK market outperforming may seem alien to many who have joined the industry in the last decade, from 2000 to 2010 the UK was actually one of the top performing markets, outperforming both the S&P 500 and the MSCI World.² This golden era for UK equities was heralded by the popping of the tech bubble. Today, with valuations once again extended in many markets and in several sectors, the UK looks very attractive when compared to other developed equity markets around the world.

¹ Source: J.P. Morgan Asset Management using data from MSCI, I/B/E/S, Morgan Stanley Research. Based on PE (Price to Earnings), PBV (Price to Book Value) and PD (Price to Dividend). Average relative valuations use 12 month forward data where available. Data from 31 December 1974 to 31 March 2023.

² Source: J.P. Morgan Asset Management using data from Bloomberg.

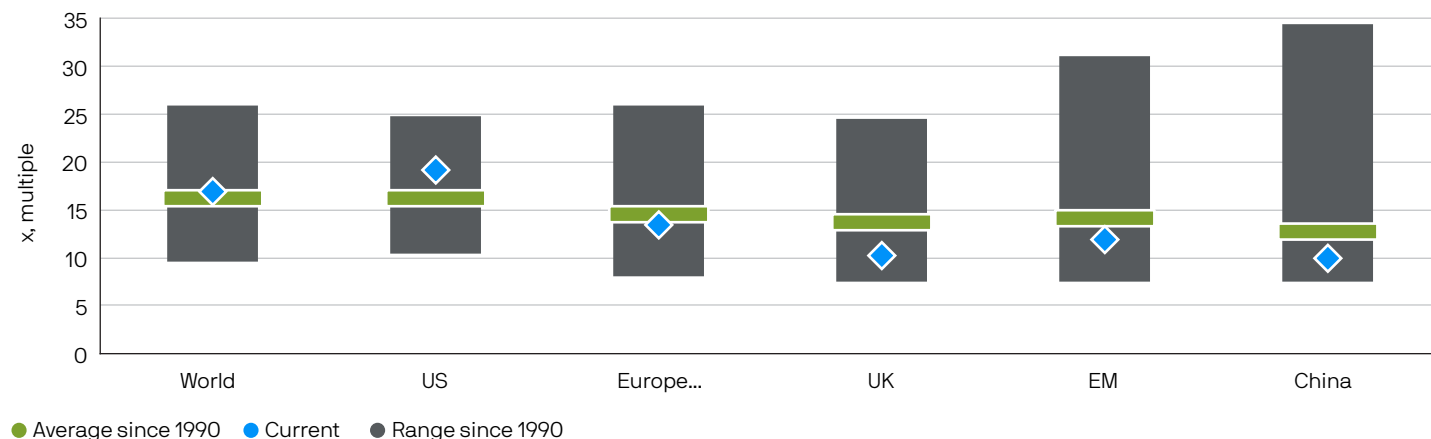
Why pay more for the same type of global company?

One of the challenges for the UK market is its sector composition, particularly the low weighting towards technology stocks compared to the US, for example. However, while differences in sector weights account for some of the valuation gap between the UK and other stock markets, it is difficult to explain why comparable companies should trade on such different valuations based on where they are listed.

Take the valuation of UK-listed leaders in the oil, beverage and tobacco sectors compared to competitors in other markets as an example. Shell and Exxon are both oil majors with global asset bases, Diageo and Brown-Forman are spirit makers, and British American Tobacco and Philip Morris are tobacco/nicotine products companies. In each case there is a significant valuation gap between the UK-listed company and its global peer.

These large valuation discounts tend to be noticed eventually, either through public markets closing the valuation gap or through M&A and other corporate activity. We have already seen several bids in the UK market this year, which is just another signal of how cheap the UK market is at the moment.

Global forward price-to-earnings ratios



Source: IBES, MSCI, Refinitiv Datastream, S&P Global, J.P. Morgan Asset Management. Forward P/E ratio is price to 12-month forward earnings. MSCI indices are used for all regions/countries (due to data availability), except for the US, which is represented by the S&P 500. Range and average for China is since 1996, due to data availability. Past performance is not a reliable indicator of current and future results. Guide to the Markets - UK. Data as of 30 June 2023.

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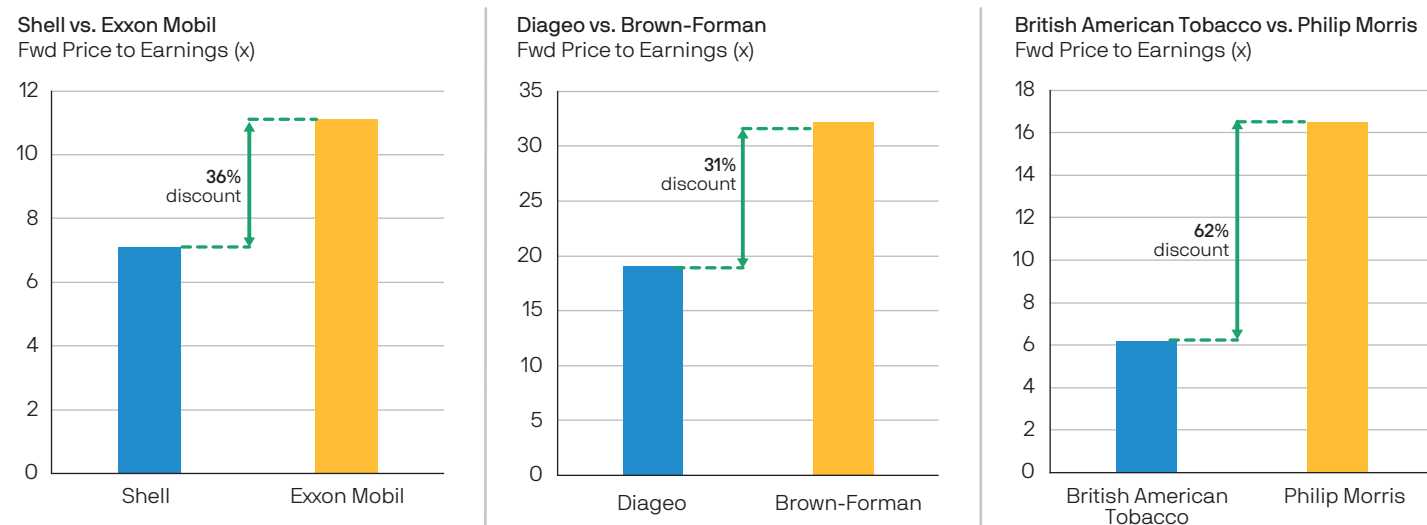
Low-cost, active ETF exposure to the UK market

JUKE provides investors with a cost effective and efficient way to allocate to the valuation opportunity in the UK market. This actively managed UK equity ETF may be just one year old, but the investment process and the team behind the strategy have been designed to build upon the success of the JPM UK Equity Core Fund, a long established OEIC that has delivered strong returns. The strategy's portfolio management team – James Illsley, Callum Abbot, Chris Llewelyn and Zach Chadwick – have an average of over 20 years' industry experience and

are part of a wider team of UK specialists with significant experience investing in the UK.

JUKE is available for an ongoing charge of just 25 basis points. While investors should also take account of other costs of owning an ETF, including the cost of buying and exiting the fund, JUKE provides access to a compelling valuation opportunity in the UK market, backed by a team of specialist UK equity portfolio managers with a long track record.

Valuation gap of selected UK stocks (forward price-to-earnings ratio)



Source: J.P. Morgan Asset Management, as at 14 July 2023. The securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. Opinions, estimates, forecasts, projections and statements of financial market trends are based on market conditions at the date of the publication, constitute our judgment and are subject to change without notice. There can be no guarantee they will be met.

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