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Get the active advantage

with J.P. Morgan Asset Management

The advantages of active management are clear.

Quite simply, in a world characterised by distorted markets and index inefficiencies, skilled active managers have a wealth of opportunities to generate excess returns.

And in today's market environment, where asset prices are no longer buoyed by ultra-low interest rates, the opportunities are looking particularly attractive. Now the tide is receding, revealing an investment landscape where fundamental research matters more than ever.

We think active strategies should play an essential role in long-term portfolio building. Here's why we think it's time for you to get the active advantage.

1. Outperformance

International and global markets are rife with inefficiencies.

Whether it's finding undervalued securities, recognising industry trends before they become mainstream, or seeking uncorrelated sources of return in multi-asset portfolios, the ability of active managers to uncover and act on real-time information can be a significant benefit. Passive strategies, on the other hand, are forced to hold all the securities in the index, whether they are attractively valued or not.

Look for active managers who have the resources to seize an information advantage through rigorous fundamental research and the demonstrated skill to turn that advantage into consistent outperformance.

Knowledge is power, and not everyone has it.

2. Risk management

Active management can help investors to better manage investment risks in their portfolios – especially uncompensated risks.

Passive strategies, by their nature, expose investors to all index risks, regardless of whether those risks are likely to be rewarded. You're all in, no matter what.

Take the S&P 500 Index in the US for example, where around 80% of the index's returns have been attributable to tech's "magnificent seven" stocks since the beginning of 2023. In July 2024, the tech sector accounted for well over 30% of the total S&P 500 market capitalisation, the highest proportion since the dotcom boom of the early 2000s (Source, J.P. Morgan Asset Management *Guide to the Markets – Europe*. Data as of 30 August 2024).

Or take fixed income indices, where the largest weightings are given to the most indebted issuers, not the most creditworthy.

And where some bond market segments, such as emerging market debt, can include exposures to higher risk issuers that ideally require careful consideration by specialist investors.

For passive investors, these unintended index biases and risk exposures are unavoidable. But betting on yesterday's winners, or rewarding the largest borrowers, may not be the best long-term approach. Active managers can adjust portfolio allocations to reflect what's happening in the markets, or anticipate what's next.

Getting ahead like this matters, particularly when geopolitical events, currency fluctuations, and regulatory changes are having outsized effects on asset prices.

Active managers naturally think forward. Passive strategies naturally look back.

3. Investment opportunities

Because most passive strategies only hold what's in the benchmark, they miss out on the money that could potentially be made by investing in securities that aren't in the benchmark.

The MSCI Emerging Markets Index, for example, only covers 85% of the investable market, leaving out small-cap stocks and including a significant geographical skew towards China.

Active managers can use their information advantage to invest in attractive companies or securities that haven't yet made it into a given index – or in rebound stories that have dropped out of one. Conversely, they can choose not to hold a company that's in the benchmark too.

They can pinpoint and act on themes or trends as and when they arise, while passive strategies only rebalance periodically – and when they do, they do it using old news.

In the right hands, accessing the full spectrum of investment opportunities can be a gamechanger, but it demands good judgement and global reach.

The J.P. Morgan Asset Management advantage

The argument for including active strategies in portfolios is a strong one. When paired with the scale, expertise and active culture of J.P. Morgan Asset Management, the case is even stronger.

1. Our scale. Your competitive edge.

J.P. Morgan Asset Management's scale is not just a statistic – it's a strategic advantage. Present across four continents, 16 countries and 76 markets, we have the on-the-ground experience that is crucial to understand the nuances of sectors, markets, and individual companies or issuers (Source for all company information: J.P Morgan Asset Management, as of 30 June 2024).

We have over 1,300 in-market portfolio managers, investment specialists and research analysts, who use their expertise to uncover undervalued stocks or bonds, take top-down regional and sector allocation decisions, determine duration and spread exposures, and implement strategic and tactical asset allocation decisions across our portfolios.

We also have the trading resources and market relationships to seize opportunities rapidly – something that comes naturally to us as part of one of the world's biggest banks.

And finally, our investors have access to a single, state-of-the-art investment platform (Spectrum), which allows our firm-wide research to be shared across our investment teams, and provides advanced portfolio management tools and trading capabilities enhanced by artificial intelligence (AI) to help bring our insights to life in your portfolios. The result? A dependable competitive edge.

Research capabilities

We use our research capabilities to capitalise on market inefficiencies and uncover securities that offer long-term value, turning them into outperformance opportunities across our active portfolios.

We invest over $500 million in our technology capabilities each year to ensure we can continue to build portfolios that are optimised to help you reach your long-term goals.

2. Our information. Your advantage.

Since the 1980s, J.P. Morgan Asset Management has built up a formidable research team. With over 380 dedicated research analysts across asset classes, we generate proprietary research to power our active portfolios.

We treat the analyst position as a career, not a stepping stone. Our analysts are judged against and remunerated for the calls they make. This responsibility cultivates more honest and curious conversations in pursuit of the investment insights that our portfolio managers can then use to help them select the most attractive securities for our portfolios.

And this research isn't just about crunching numbers; it's about joining the dots between the trends shaping industries and even across asset classes. Collaborating in global teams, our analysts build frameworks to identify the likely long-term winners and losers within the industries they cover.

Along the way, they connect with thousands of company management teams, industry experts, and local stakeholders to gain insights that can't be gleaned from public data alone. That's vital when the widespread use of AI means most people are working with the same inputs. Only investors capable of combining AI tools with proprietary, qualitative data will truly maximise its potential. Fundamentally, there's no substitute for looking someone in the eye – that's real intelligence, and it's the foundation for long-term success.

Backed by an annual research budget of $420 million and covering over 4,600 companies, our network helps us uncover the insights others might miss. No algorithm can replace that work – but they can be improved by the information it yields.

Research teams

Whether it's an under-the-radar technology company in Southeast Asia or a sustainable energy provider in Latin America, our research teams are constantly on the lookout for investments with the potential to deliver long-term value.

The J.P. Morgan Asset Management global research network conducts over 10,000 company meetings every single year in search of attractive long-term opportunities.

3. Our philosophy. Your belief.

Our investment philosophy is rooted in the long term. True value is often only realised over years, not months. For us, the key is to focus on the areas where we have advantages while reducing risks in areas where we don't. This approach requires discipline – particularly when it comes to managing uncompensated risks.

We focus on our advantage as a truly active manager – security-specific research – so that long-term performance is driven by our insights rather than broad market movements. Our aim is to turn our information advantage into positive excess returns for our clients.

Active strategies

Our active strategies are designed to minimise uncompensated risks while focusing on areas where we have a distinct advantage, ensuring portfolios are better equipped for long-term success.

Our approach works, with 87% of our long-term fund assets outperforming their peer group median return over the last 10 years (as of 30 June 2024).*

Past performance is not indicative of current or future results.

*Percentage of active mutual fund and active ETF assets under management in funds ranked in the 1st or 2nd quartile: All quartile rankings, the assigned peer categories and the asset values used to derive these rankings are sourced from the fund rating providers. Quartile rankings are based on the net-of-fee absolute return of each fund. Where applicable, the fund rating providers redenominate asset values into US dollars. The percentage of AUM is based on fund performance and associated peer rankings at the share class level for US-domiciled funds, at a "primary share class" level to represent the quartile ranking for UK, Luxembourg and Hong Kong SAR funds and at the fund level for all other funds. The performance data may have been different if all share classes had been included. "Primary share class" means the C share class for European funds and Acc share class for Hong Kong SAR and Taiwan funds. If these share classes are not available, the oldest share class is used as the primary share class. Due to a methodology change effective 30 September 2023, prior results include all long-term mutual fund assets and exclude active ETF assets.

The power to build stronger portfolios

The case for having actively managed strategies in your portfolios is stronger than ever, but to truly capitalise on the potential of active management, you need a partner who combines global scale, deep expertise, a proven track record, and a commitment to you.

Our commitment to your success is not just an output – it's a core part of our identity, and has been for more than a century.

We're here to help solve your investment challenges and provide value that extends beyond numbers or products. It's all about giving you the power, and the perspective, to build stronger portfolios.

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