BUILDING STRONGER ETF PORTFOLIOS

J.P. Morgan Asset Management
Alternative Beta UCITS ETFs
Access the potential of alternative returns

With an uncertain investment outlook and increased pressure on fees, investors are increasingly venturing beyond traditional asset classes to diversify their portfolios and pick up enhanced returns. Alternative beta exchange-traded funds (ETFs) can deliver exactly that.

Gain exposure to diversifying returns

Our alternative beta ETFs aim to provide access to uncorrelated return streams and enhanced portfolio diversification benefits. They bring the advantages of alternative investing within the reach of a wide range of investors in a systematic, liquid and transparent way.

BENEFITS OF J.P. MORGAN ASSET MANAGEMENT ALTERNATIVE BETA UCITS ETFS

**Uncorrelated returns**
Hedge fund returns have historically had little or no relationship to traditional equity and fixed income investments.

**Enhanced diversification**
Alternative sources of less correlated returns can bring diversification benefits to existing portfolios.

**Long/short exposure**
The ability to hold short as well as long positions in securities and markets can help deliver positive returns in a variety of environments.

**Investment expertise**
As a pioneer in alternative beta, J.P. Morgan Asset Management provides access to market leading research and insights.

Invest with the pioneers in alternative beta

With an alternative beta track record stretching back to 2009, our alternative beta ETFs benefit from the insights and research of our experienced portfolio management team, backed by the strength of our robust trading, technology and operational platform.

Harnessing J.P. Morgan Asset Management’s research and insights to help investors build stronger ETF portfolios

Diversification does not guarantee investment returns and does not eliminate the risk of loss. There are additional risks related to short exposure and active management. Please refer to the disclosure on page 6 for additional information.
Focus on hedge fund risk premia

The concept of beta—or exposure to market risk—is nothing new for investors. But beta has come a long way since its early focus on index tracking, with alternative beta now offering investors an easier, more cost-effective way to capture hedge fund risk premia.

Deconstructing alternative returns

Before the 1970s, market participants commonly attributed returns to manager skill in stock selection, with no concept of the risk premium that comes for simply being exposed to the equity markets in the first place.

Since then, a significant portion of what we think of as “alpha” has been reclassified as "beta", or the market return. The same shift is now happening in the long/short or alternative world too with the development of alternative beta strategies.

REDEFINING ALPHA AND BETA

Making the benefits of alternative strategies accessible to all

Alternative beta strategies aim to provide access to the uncorrelated sources of return generated by compensated style factors (style investing), or by hedge fund risk premia (hedge fund beta):

- Style investing provides long/short exposure to multiple return factors across asset classes
- Hedge fund beta strategies systematically capture the structural drivers of hedge fund returns

Our range of alternative beta ETFs gives investors the opportunity to capitalise on the benefits of these diversified, uncorrelated investment strategies through a transparent, liquid, lower-cost ETF wrapper.

Beta has moved on from the days of index tracking. Alternative beta is the next step along the spectrum, giving investors a simple and cost effective way to capitalise on alternative returns.
J.P. Morgan Asset Management Quantitative Beta Strategies

Implementing strategic beta and alternative beta strategies demands skills beyond those needed for the management of traditional passive strategies. That’s where the expertise of our specialist Quantitative Beta Strategies team really proves its worth.

Leading the field in alternative beta

Led by CIO Yazann Romahi, PhD—a pioneer in alternative beta—this specialist investment team boasts a public track record of performance since 2009 that few of our peers can match.

The team’s expertise is complemented by an integrated approach that combines our world class quantitative research and portfolio management capabilities with our extensive technology platform, to ensure that maximum value is extracted on behalf of clients.

Our quantitative beta strategies also fully leverage J.P. Morgan Asset Management’s trading team—one of the best resourced in the industry—bringing a further depth of expertise to our ETF platform and a robust commitment to best execution.

WE MANAGE OVER USD 6 BILLION IN QUANTITATIVE BETA STRATEGIES

Source: J.P. Morgan Asset Management; data as of 30 September 2017.

Robust quantitative research, a commitment to technological innovation and a focus on implementation is at the heart of everything we do.

Yazann Romahi PhD
Chief Investment Officer
JPM Managed Futures UCITS ETF (JPMF)

By systematically isolating the beta component of the managed futures hedge fund style, this alternative beta ETF seeks to generate returns in a variety of market environments and bring enhanced diversification benefits to existing portfolios.

**Aim**
To provide long/short exposure to momentum and carry factors across four core asset classes: equities, fixed income, currency and commodities.

**Process**
A bottom-up strategy constructed by taking long and short positions in futures markets backed by a systematic, rules-based approach.

**Results**
A portfolio diversifier with the potential to limit drawdowns and reduce overall volatility by providing returns that are uncorrelated to traditional asset classes.

### Uncorrelated exposure
- Core portfolio diversifier
- Potential to limit drawdown
- Long/short exposure to momentum and carry factors across asset classes

### Managed Futures

<table>
<thead>
<tr>
<th>Managed Futures</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy:</strong></td>
<td>Long/short exposure to momentum and carry factors across asset classes</td>
</tr>
<tr>
<td><strong>Portfolio exposures:</strong></td>
<td><img src="https://via.placeholder.com/15" alt="Momentum" /> <img src="https://via.placeholder.com/15" alt="Carry" /></td>
</tr>
<tr>
<td><strong>Implementation:</strong></td>
<td>Long/short (~50 positions)</td>
</tr>
</tbody>
</table>
| **Asset class exposures:** | • Equities  
                           • Fixed income  
                           • Currencies  
                           • Commodities  
                           • Cash |
| **Risk target p.a.:** | 6%-8% |
| **Return target p.a.:** | Cash + 4% (gross of fees) |
| **Expected beta to MSCI World:** | -0.8 to +0.8 |
| **Typical gross exposure:** | 300% to 500% |

### Factors explained

**Momentum**
Securities whose prices have gone up (or down) tend to continue to go up (or down)

**Carry**
Higher yielding securities tend to outperform lower yielding securities

Source: J.P. Morgan Asset Management. The stated objectives are the investment manager's objectives only, and are not necessarily part of the fund's investment objectives and policies as stated in the prospectus. There is no guarantee that these objectives will be met.
JPM Equity Long-Short UCITS ETF (JELS)

By systematically taking long and short positions in individual equity securities, this alternative beta ETF seeks to provide pure exposure to compensated factors within developed equity markets.

**Aim**
To provide long/short exposure to value, quality and momentum factors within developed global equity markets, via a liquid, transparent vehicle.

**Process**
A bottom-up strategy constructed by taking long and short positions in individual equity securities, backed by a systematic, rules-based investment approach and a futures overlay to adjust the portfolio’s market sensitivity.

**Results**
A portfolio diversifier with the potential to provide an alternative to traditional equity exposure by capturing equity returns, but at lower beta to the equity markets.

**Equity Long-Short**

<table>
<thead>
<tr>
<th>Strategy:</th>
<th>Long/short exposure to equity factors with dynamic market beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio exposures:</td>
<td>Quality</td>
</tr>
<tr>
<td>Implementation:</td>
<td>Long/short (~700 positions)</td>
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<tr>
<td>Asset class exposures:</td>
<td>Equities</td>
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<tr>
<td>Risk target p.a.:</td>
<td>6%-8%</td>
</tr>
<tr>
<td>Return target p.a.:</td>
<td>Cash + 4% (gross of fees)</td>
</tr>
<tr>
<td>Expected beta to MSCI World:</td>
<td>0.0 to +0.3</td>
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<tr>
<td>Typical gross exposure:</td>
<td>200% to 300%</td>
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</tbody>
</table>

**Targeted exposure**
- Alternative to traditional equity
- Long/short exposure to equity factors with dynamic market beta

**Value**

Higher quality securities tend to outperform lower quality securities

Less expensive securities tend to outperform more expensive securities

Source: J.P. Morgan Asset Management. The stated objectives are the investment manager’s objectives only, and are not necessarily part of the fund’s investment objectives and policies as stated in the prospectus. There is no guarantee that these objectives will be met.
J.P. Morgan Asset Management Alternative Beta UCITS ETFs

JPM Managed Futures UCITS ETF  JPM Equity Long-Short UCITS ETF

<table>
<thead>
<tr>
<th>Launch date</th>
<th>14 November 2017</th>
<th>14 November 2017</th>
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<tbody>
<tr>
<td>Domicile</td>
<td>Ireland</td>
<td>Ireland</td>
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<td>Replication method</td>
<td>Physical replication</td>
<td>Physical replication</td>
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<tr>
<td>Base currency</td>
<td>USD</td>
<td>USD</td>
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<tr>
<td>Total Expense Ratio (TER)</td>
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<td>IE00BF4G7308</td>
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<td>JPFM LN</td>
<td>JLES LN</td>
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<tr>
<td>Bloomberg Ticker (USD trading currency)</td>
<td>JPMF LN</td>
<td>JELS LN</td>
</tr>
<tr>
<td>Bloomberg (NAV Ticker)</td>
<td>JPMFGBIV INDEX</td>
<td>JELSUSIV INDEX</td>
</tr>
</tbody>
</table>

JPMorgan ETFs (Ireland) ICAV - Managed Futures UCITS ETF

Investment objective
To seek to provide long-term total return through a portfolio of long and short exposures to multiple asset classes across global markets.

Risk profile
- Investment in the Fund carries with it a degree of risk including the risks described in the “Risk Information” section of the Prospectus. These risks are not intended to be exhaustive and potential investors should review the Prospectus and Supplement carefully and consult with their professional advisers before purchasing Shares.
- As the Fund may make extensive use of Financial Derivative Instruments, the risk profile and the volatility of the Fund may increase. For information in relation to risks associated with the use of Financial Derivative Instruments, please refer to “Derivative Risks” in the “Risk Information” section of the Prospectus.
- Since the instruments held by the Fund may be denominated in currencies other than the Base Currency, the Fund may be affected unfavourably by exchange control regulations or fluctuations in currency rates. For this reason, changes in currency exchange rates can affect the value of the Fund’s portfolio and may impact the value of the Shares.
- Emerging markets may be subject to increased political, regulatory and economic instability, less developed custody and settlement practices, poor transparency and greater financial risks. Emerging market currencies may be subject to volatile price movements. Emerging market securities may also be subject to higher volatility and lower liquidity than non-emerging market securities.
- In addition, there is no guarantee that the use of long and short positions will succeed in enhancing investment returns. The possible loss from taking a short position on a security may be unlimited as there is no restriction on the price to which a security may rise. To mitigate this risk, UCITS, such as the Fund, may only take short positions in respect of investments where any exposure created is covered by the other assets of the UCITS and the Investment Manager will therefore monitor the Fund’s short exposures at all times to ensure that they are adequately covered by the Fund’s other assets. The short selling of investments may be subject to changes in regulations, which could adversely impact returns to investors.
- Investors should also be aware that the value of companies in which the Fund invests may be influenced by movements in commodity prices, which can be very volatile.

JPMorgan ETFs (Ireland) ICAV - Equity Long-Short UCITS ETF

Investment objective
To seek to provide long-term total return through a portfolio of long short equity positions aiming to capture a diversified set of returns.

Risk profile
- Investment in the Fund carries with it a degree of risk including the risks described in the “Risk Information” section of the Prospectus. These risks are not intended to be exhaustive and potential investors should review the Prospectus and Supplement carefully and consult with their professional advisers before purchasing Shares.
- To the extent that the Fund uses Financial Derivative Instruments, the risk profile and the volatility of the Fund may increase. For information in relation to risks associated with the use of Financial Derivative Instruments, please refer to “Derivative Risks” in the “Risk Information” section of the Prospectus.
- Since the instruments held by the Fund may be denominated in currencies other than the Base Currency, the Fund may be affected unfavourably by exchange control regulations or fluctuations in currency rates. For this reason, changes in currency exchange rates can affect the value of the Fund’s portfolio and may impact the value of the Shares.
- In addition, there is no guarantee that the use of long and short positions will succeed in enhancing investment returns. The possible loss from taking a short position on a security may be unlimited, as there is no restriction on the price to which a security may rise. To mitigate this risk, UCITS, such as the Fund, may only take short positions in respect of investments where any exposure created is covered by the other assets of the UCITS and the Investment Manager will therefore monitor the Fund’s short exposures at all times to ensure that they are adequately covered by the Fund’s other assets. The short selling of investments may be subject to changes in regulations, which could adversely impact returns to investors.
- Investors should also be aware that the Fund may invest in securities issued by smaller companies, which may be less liquid, more volatile and tend to carry greater financial risk than securities issued by larger companies.
BUILDING STRONGER ETF PORTFOLIOS

At J.P. Morgan Asset Management, collaborating with our clients in an effort to build stronger portfolios drives everything we do.

We are committed to sharing our expertise, insights and solutions to help make better investment decisions. Whatever you are looking to achieve, together we can solve it.

LET'S SOLVE IT.℠