



**BUILDING
STRONGER
PORTFOLIOS**

ESG Integration

Multi Asset Solutions

July 2020

Solutions – Manager Selection

ESG Integration – Multi-Asset Solutions

Multi-Asset Solutions (MAS) takes ESG factors into consideration from both a top-down and a bottom-up perspective—in top-down asset allocation decisions and the bottom-up fundamental research of our underlying managers, where applicable. From a top-down perspective, we evaluate whether there is adequate compensation for the additional risk premium required for investing in asset classes with relatively immature corporate governance institutions or riskier operating and/or capital structures.

From a bottom-up perspective, ESG analysis is conducted via the fundamental investing process of the underlying fund managers, who assess materiality of ESG risk and determine whether they are adequately compensated for that risk at the company or issuer level.

We also seek to mitigate ESG risks in the strategy selection and risk management components of our investment process. Strategy selection combines manager research and portfolio construction. Here the manager research team looks to understand how ESG is considered within an underlying manager's investment process, how the manager defines and mitigates material ESG risks, and the investment rationales for the inclusion of securities that may score poorly and/or contain perceived headline risk. MAS portfolio managers then evaluate the portfolio construction benefits of including a manager with higher perceived ESG risk vs. the incremental risk that the manager introduces at the total portfolio level. Generally speaking, managers that are valuation-sensitive or biased toward carry tend to have the highest perceived ESG risks, but simply excluding them from the underlying opportunity set results in an unbalanced portfolio and suboptimal risk-adjusted returns over longer time horizons.

Consistent with the standards set forth across J.P. Morgan Asset Management, MAS has implemented technology and governance enhancements to efficiently facilitate integration of ESG considerations into our process. For example, portfolio management and construction tools such as Spectrum™ can identify fund- and security-level outliers, data also available to an independent risk management group that conducts ESG risk discussions at the total portfolio level—an important second line of defense.

BUILDING STRONGER 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.



The views contained herein are not to be taken as advice or a recommendation to buy or sell any investment in any jurisdiction, nor is it a commitment from J.P. Morgan Asset Management or any of its subsidiaries to participate in any of the transactions mentioned herein. Any forecasts, figures, opinions or investment techniques and strategies set out are for information purposes only, based on certain assumptions and current market conditions and are subject to change without prior notice. All information presented herein is considered to be accurate at the time of production. This material does not contain sufficient information to support an investment decision and it should not be relied upon by you in evaluating the merits of investing in any securities or products. In addition, users should make an independent assessment of the legal, regulatory, tax, credit and accounting implications and determine, together with their own financial professional, if any investment mentioned herein is believed to be appropriate to their personal goals. Investors should ensure that they obtain all available relevant information before making any investment. It should be noted that investment involves risks, the value of investments and the income from them may fluctuate in accordance with market conditions and taxation agreements and investors may not get back the full amount invested. Both past performance and yields are not reliable indicators of current and future results.

J.P. Morgan Asset Management is the brand for the asset management business of JPMorgan Chase & Co. and its affiliates worldwide.

To the extent permitted by applicable law, we may record telephone calls and monitor electronic communications to comply with our legal and regulatory obligations and internal policies. Personal data will be collected, stored and processed by J.P. Morgan Asset Management in accordance with our privacy policies at <https://am.jpmorgan.com/global/privacy>.

This communication is issued by the following entities:

In the United States, by J.P. Morgan Investment Management Inc. or J.P. Morgan Alternative Asset Management, Inc., both regulated by the Securities and Exchange Commission; in Latin America, for intended recipients' use only, by local J.P. Morgan entities, as the case may be. In Canada, for institutional clients' use only, by JPMorgan Asset Management (Canada) Inc., which is a registered Portfolio Manager and Exempt Market Dealer in all Canadian provinces and territories except the Yukon and is also registered as an Investment Fund Manager in British Columbia, Ontario, Quebec and Newfoundland and Labrador. In the United Kingdom, by JPMorgan Asset Management (UK) Limited, which is authorized and regulated by the Financial Conduct Authority; in other European jurisdictions, by JPMorgan Asset Management (Europe) S.à r.l. In Asia Pacific ("APAC"), by the following issuing entities and in the respective jurisdictions in which they are primarily regulated: JPMorgan Asset Management (Asia Pacific) Limited, or JPMorgan Funds (Asia) Limited, or JPMorgan Asset Management Real Assets (Asia) Limited, each of which is regulated by the Securities and Futures Commission of Hong Kong; JPMorgan Asset Management (Singapore) Limited (Co. Reg. No. 197601586K), this advertisement or publication has not been reviewed by the Monetary Authority of Singapore; JPMorgan Asset Management (Taiwan) Limited; JPMorgan Asset Management (Japan) Limited, which is a member of the Investment Trusts Association, Japan, the Japan Investment Advisers Association, Type II Financial Instruments Firms Association and the Japan Securities Dealers Association and is regulated by the Financial Services Agency (registration number "Kanto Local Finance Bureau (Financial Instruments Firm) No. 330"); in Australia, to wholesale clients only as defined in section 761A and 761G of the Corporations Act 2001 (Commonwealth), by JPMorgan Asset Management (Australia) Limited (ABN 55143832080) (AFSL 376919).

For U.S. only: If you are a person with a disability and need additional support in viewing the material, please call us at 1-800-343-1113 for assistance.

Copyright 2020 JPMorgan Chase & Co. All rights reserved.

LV-JPM52791 | 07/20 | 0903c02a82957a63



Printed on Forest Stewardship Council certified material.

FSC, promoting environmentally appropriate, socially beneficial and economically viable management of the world's forests.