



JPMorgan Funds – US Select Equity Plus Fund

The JPMorgan Funds – US Select Equity Plus Fund employs a well-defined stock selection process, leveraging the fundamental insights of our US equity research team, to build a 130/30 active extension strategy designed to capitalise on both undervalued and overvalued US stocks: increasing the potential for alpha while improving investment efficiency.

In 2025, the US Select Equity Plus C (acc) USD share class returned +14.4% net of fees, underperforming the S&P 500 Net Total Return Index which returned +17.4%.

The relative underperformance was a result of a challenging market environment for our process, the portfolio’s positioning and stock selection.

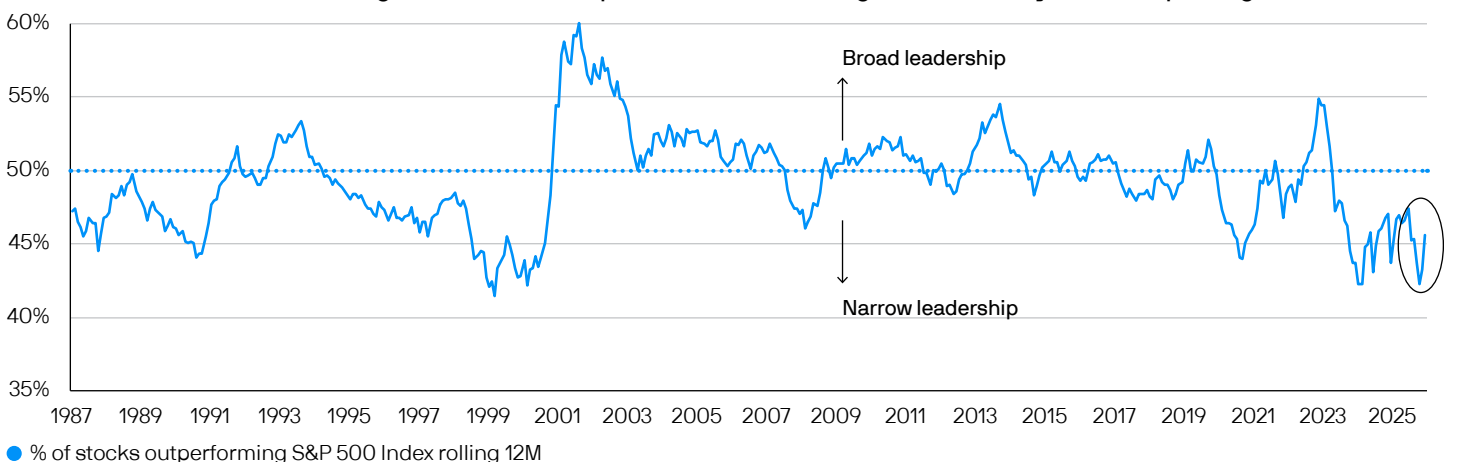
Market environment

Overall, 2025 was another strong year for the US equity market, with the S&P 500 generating a total return of 17.9%. However, performance over the year was marked by sharp market moves. Post-Election enthusiasm was followed by DeepSeek and tariff-related volatility that pushed the S&P 500 down 15.1% through 8 April 2025. Subsequently, the market rallied 38.3%, reflecting the elevated risk-on environment driven by AI-related enthusiasm.

Our investment process is supported by fundamental research insights and driven by the idea that a stock’s price should reflect its long-term earnings and cash flows. In environments like 2025 – driven by fear or greed, or responding to rapidly changing fundamentals – our process tends to underperform.

Notably, market leadership in 2025 remained narrow: 10 stocks drove 60% of the S&P 500’s return, while roughly 355 stocks (more than 60% of the benchmark) underperformed the market, with nearly 190 stocks (15% of the benchmark) declining over the year. This environment led to an elevated degree of difficulty for fundamental stock-picking across the board in 2025.

Market environment: Furthering narrow leadership has elevated the degree of difficulty for stock picking



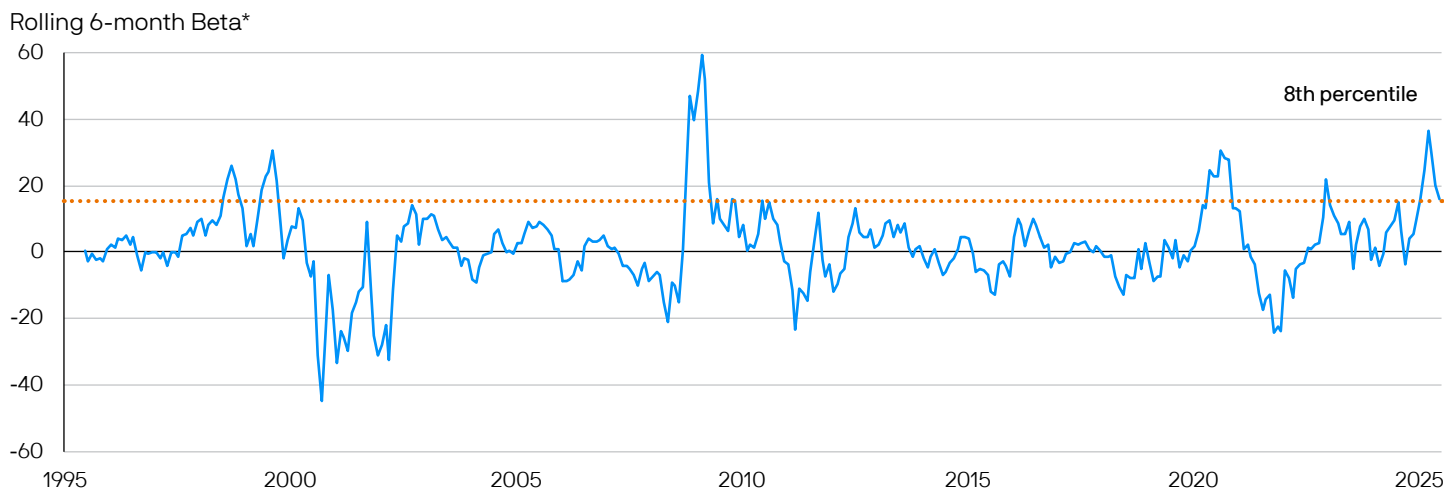
Source: J.P. Morgan Asset Management, data as of December 2025.

We can see this phenomenon through another lens. The chart below shows rolling relative performance of high-beta companies relative to lower-beta names over time. Over the last 30 years, the relative outperformance of high-beta stocks has been this extreme only a few times.

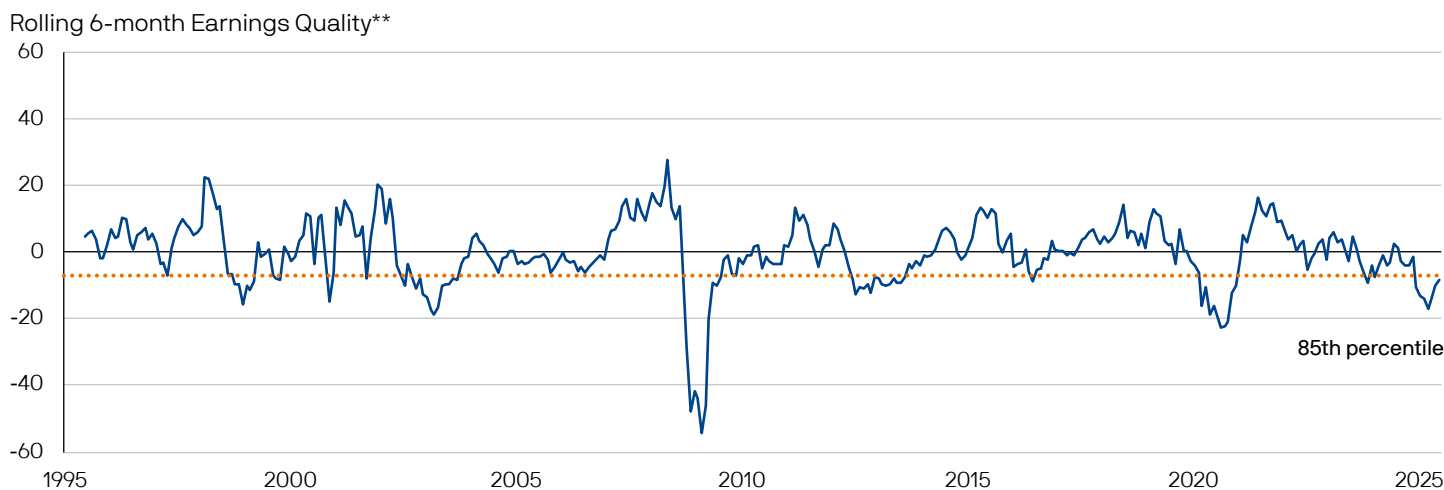
Looking at a similar relative performance chart of the highest-quality vs. lowest-quality stocks, there have only been a handful of periods over the last three decades where high quality has underperformed low quality to this extent.

The US Select Equity Plus fund is designed to have a beta of 1 and our research process incorporates an evaluation of the fundamental quality of a company and a valuation discipline. These factor dynamics proved a headwind to recent performance.

High beta factor has seen this level of outperformance only 7 other times over the last 3 decades



Quality factor has seen this level of underperformance only 14 other times over the last 3 decades



Source: Barra, J.P. Morgan Asset Management. These examples are included solely to illustrate the investment process and strategies which have been utilized by the manager. It should not be assumed that investments within the portfolio have or will perform in a similar manner to the investments above. Please note that these investments are not necessarily representative of future investments that the manager will make. There can be no guarantee of future success. A full list of firm recommendations for the past year is available upon request. Data as of December 2025. * As measured by Q1-Q5 Barra Beta. ** As measured by Q1-Q5 Barra Earnings Quality. **Past performance is not a reliable indicator of current and future results.**

2025 Fund performance

In 2025, stock selection also detracted from performance. One general theme we observed, was that after years of anticipating higher earnings power around AI-related companies vs. the market, we underestimated earnings potential in 2025. Although we sharply revised our earnings estimates higher mid-year, these stocks continued to move down in our internal rankings due to their higher valuations and looked less attractive in our process.

Across sectors, stock selection was most challenged within software & services. Our overweight position in Salesforce early in the year detracted from performance. Despite improvements in operating margins, the company’s subscription revenue growth continued to decelerate. We continually update and review our investment theses and closed this position during the year. Throughout the year we also maintained an underweight position in Palantir due to elevated valuations, and had a short position in IBM, both of which detracted from performance. However, our short positions in Accenture and Adobe—two companies facing AI-related headwinds—added value over the year.

Stock selection was also challenged in healthcare. Notably, our relative overweight to UnitedHealth was the single largest detractor from fund performance over the year as recent mispricing and higher-than-expected costs led to a sell-off in the stock price. Our relative overweight to Sarepta Therapeutics also detracted.

Stock selection was positive in the semis & hardware sector. Over the course of the year, our overweight position in Seagate Technology was our largest contributor in the sector, reflecting strong financial results and robust demand. In addition, our relative overweights to Micron Technology, TSMC and Western Digital all added value, as did our underweight position in Apple.

Our overweight to Howmet Aerospace was the largest individual contributor overall. The company delivered robust growth in commercial and defense aerospace, and we maintain conviction in the business.

Performance attribution

For the one year period ending 31 December 2025

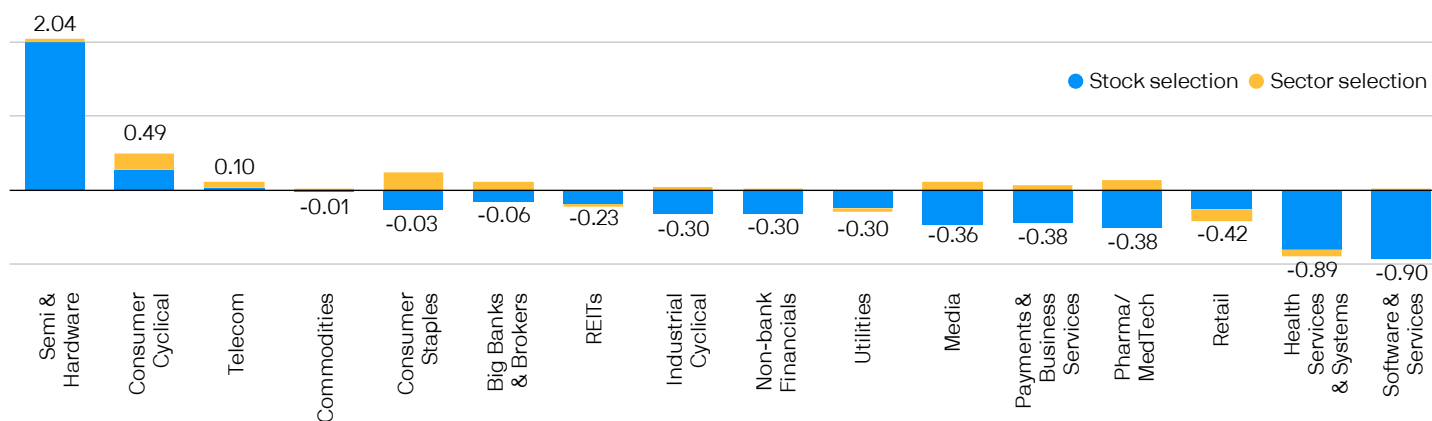
Attribution summary*	Long-only portfolio: -1.34%	Stock: -2.65%
	30/30 portfolio: -0.88%	Sector: 0.43%
Benchmark	S&P 500 Index	

Stock attribution**

Top contributors	Relative weight (%)	Stock return (%)	Impact (%)
Howmet Aerospace	2.47	88.08	1.32
Seagate Technology	0.67	230.31	0.90
Micron Technology	0.55	236.46	0.74
Apple***	-1.14	9.22	0.50
TSMC	1.32	56.34	0.26

Top detractors	Relative weight (%)	Stock return (%)	Impact (%)
UnitedHealth	0.93	-33.64	-0.50
Salesforce	0.48	-25.63	-0.48
Sarepta Therapeutics	0.14	-70.23	-0.43
ServiceNow	0.82	-27.97	-0.43
Palantir Technologies***	-0.55	135.03	-0.41

Sector attribution (%)



Source: J.P. Morgan Asset Management. Figures may not add up to 100% due to cash & cash equivalent component. *The attribution summary approximates the gross excess returns of the portfolio and is calculated based on daily holdings which does not represent actual trading, liquidity constraints, fee schedules and transaction costs. It is shown for illustrative purposes only and is not meant to be representative of actual results. **Based on stock selection relative to group return and average weight relative to S&P 500 Index. ***Indicates stock underweighted relative to index weight during part or all of the analysis period. The portfolio is actively managed. Holdings, sector weights, allocations and leverage, as applicable, are subject to change at the discretion of the investment manager without notice. **Past performance is not a reliable indicator of current and future results.**

Portfolio changes and positioning

We remain focused on our core investment philosophy when managing the US Select Equity Plus Fund: build a diversified 130/30 extension portfolio of companies based on the convictions of our Fundamental Research team, while integrating a robust risk management. Over the course of the year, we continued to invest in our research capabilities and re-underwrite our convictions and investment theses.

Within the portfolio, we added some new positions where our analysts have strong conviction, including 3M, Ecolab, Apollo and Intuit. We traded out of positions where our views have changed: Block, Otis and Salesforce. We have also reduced some of our underweights in companies that have become larger drivers of risk, such as Tesla.

As of 31 December 2025, the portfolio remained highly diversified across 151 long positions and 110 short positions to create a beta 1 portfolio with roughly 63% active share. We see more opportunities in the media sector, where we are overweight Amazon, Disney and Meta. We also have strong exposure to the retail sector via overweight positions in Lowe's, Burlington and McDonald's. We have less conviction in consumer staples and consumer cyclicals companies.

The fund is positioned to take advantage of opportunities across the S&P 500. One example of a pair trade in the portfolio is a long position in home improvement retailer Lowe's vs. a short position in Home Depot, allowing us to take advantage of an attractive valuation spread and access to strong management. Similarly, within payments, we are long attractively valued Mastercard relative to PayPal, a company facing increasing competition and declining profit margins.

We are also looking for opportunity to capture alpha beyond the largest mega-cap stocks. The additional gross exposure means that even small sectors can have a big impact in the portfolio. Currently, we see opportunities in utilities and insurance, each of which make up less than 3% of the benchmark, but where we can take long and short positions to capitalise on dispersion within the sector.

Looking ahead to 2026, we have a reasonably optimistic outlook for US equities, supported by continued capital expenditure from the "Magnificent 7" technology stocks and companies across the market, in addition to potential interest rate cuts from the Federal Reserve and fiscal stimulus. Our research analysts are currently forecasting 14% year-on-year earnings growth from the S&P 500 in 2026, driven by earnings growth of 23% from the Magnificent 7 and 11% from the rest of the market. That said, we are mindful of risks – including geopolitical tensions and overall valuations that are elevated vs. the long-term average. However, heightened valuations are dominated by a handful of mega-cap technology names, leaving plenty of opportunity across the market for stock selection to add value, particularly in a portfolio that can take advantage of both long and short positioning.

Strong long-term outperformance includes periods of underperformance

Despite the weaker alpha in 2025, US Select Equity Plus has generated strong excess returns over three, five and 10 years, putting it in the top decile of its Morningstar peer group over each of these time periods. While maintaining a reasonable level of risk, the fund's information ratio also ranks in the top decile across these periods. We are seeking to generate strong risk-adjusted returns over a cycle and we have a strong track record since the strategy's inception more than 20 years ago.

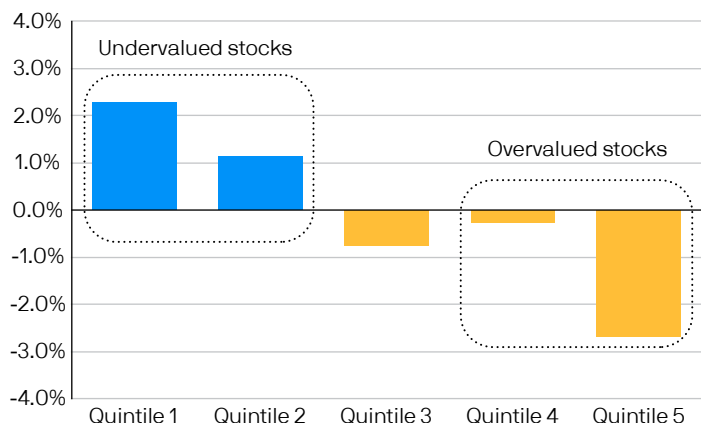
We have seen past instances of the market shifting away from fundamentals, such as during the dotcom bubble in the early 2000s and the lead-up to the global financial crisis, and we see some parallels to the 2005-2006 energy boom, suggesting that the current froth will eventually subside as spending slows and fundamentals reassert themselves.

During these periods, our disciplined process and philosophy have kept us grounded to take advantage of long-term opportunities when there are short-term market dislocations, like we are seeing today.

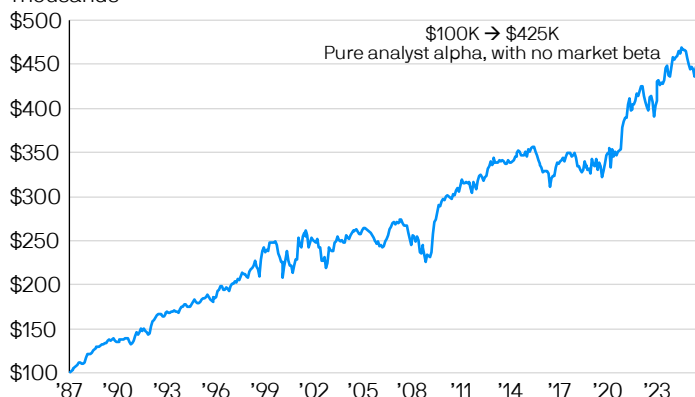
Our process incorporates an element of valuation discipline, which has been a headwind to recent performance. Going forward, this process helps us identify relative opportunities within sectors, which can be effectively accessed via a long-short extension strategy. We maintain conviction in our fundamental research process which has generated strong outcomes for clients over time.

Our research process has added value for nearly four decades

Quintile Performance vs. S&P 500 Index since 1987



Cumulative hypothetical growth of undervalued stocks relative to overvalued stocks
Thousands



Source: J.P. Morgan Asset Management. Past performance is not an indication of future performance. Top: J.P. Morgan Investment Management U.S. Equity research universe versus the S&P 500 Index, with quintiles rebalanced monthly. Quintile performance represents the annualized returns of quintiles vs. the annualized return of the S&P 500 over the full time period. Quintile performance results have certain inherent limitations. Unlike an actual performance record, quintile results do not represent actual trading, liquidity constraints, fee schedules and transaction costs. No representation is being made that any portfolio will or is likely to achieve profits or losses similar to those shown. Right chart shows the US DDR/Expected Return Q1-2 minus Q4-5 cumulative performance, sector neutral, equal weighted from January 1987 to December 2025. **Past performance is not a reliable indicator of current and future results.**

As we look ahead, we see a strong case for the US Select Equity Plus Fund to add value for clients. US Select Equity Plus is one of the few extension funds in the market with a nearly 20-year track record, powered by deep fundamental research and consistent outperformance.

While the S&P 500 is highly concentrated, our ability to go both long and short offers differentiation and higher active share; we also maintaining a diversified portfolio with more than 250 holdings and an expected tracking error just below 3%. In an environment where equity returns moderate, clients need higher alpha solutions and our approach allows us to fully capitalise on our research analysts’ high-conviction ideas for potential outperformance.

We recognise that outperformance is not always linear, but we are steadfast in our goal to deliver alpha over the market cycle through rigorous, idiosyncratic stock picking and a holistic view of portfolio construction. We believe this approach positions us well to navigate market dynamics and capitalise on opportunities for growth over the longer term.

Annualised performance (%)

	Three months	One year	Three years	Five years	Ten years	Since Inception*
JPM US Select Equity Plus C (acc) - USD	3.29	14.36	24.78	15.20	14.97	11.09
S&P 500 Net Total Return Index**	2.56	17.43	22.48	13.92	14.22	10.16
Excess return	0.73	-3.07	2.30	1.27	0.74	0.92

Calendar year performance (%)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
JPM US Select Equity Plus C (acc) - USD	9.32	21.97	-7.93	29.78	24.82	29.80	-19.56	31.56	29.13	14.36
S&P 500 Net Total Return Index ²	11.23	21.10	-4.94	30.70	17.75	28.16	-18.51	25.67	24.50	17.43
Excess return	-1.91	0.87	-2.99	-0.92	7.07	1.64	-1.05	5.89	4.63	-3.07

Source: J.P. Morgan Asset Management, as at 31 December 2025. Fund performance is shown based on the NAV of the share class C in USD with income (gross of shareholder tax) reinvested including actual ongoing charges excluding entry and exit fees. Figures greater than 1 year are annualised. * Share class inception date is 1 November 2007. Fund inception date is 5 July 2007. ** S&P 500 Net 30% withholding tax. **Past performance is not a reliable indicator of current and future results.**

