JPMorgan Global Growth & Income

Value-focused growth fund with 4% distributions

JPMorgan Global Growth & Income (JPGI) has enjoyed a strong period of share price performance since adopting a higher distribution policy in mid-2016. NAV returns have also kept pace with the benchmark MSCI AC World index, in spite of the trust's focus on long-term valuations in an environment where market returns have been driven more by 'growth at any price'. JPGI is the only UK retail investment product offering access to J.P. Morgan Asset Management's (JPMAM's) global focus investment process, which uses a large team of expert sector analysts to identify undervalued stocks with significant profit potential. Manager Jeroen Huysinga remains positive on the global economic outlook for at least the next 12-18 months, and has been finding particular opportunities in industrial cyclicals and financials, while being significantly underweight in technology stocks.

12 months ending	Share price (%)	NAV (%)	MSCI AC World (%)	MSCI World (%)	FTSE All-Share (%)
31/01/14	9.1	9.9	9.3	12.6	10.1
31/01/15	19.3	19.2	17.5	17.7	7.1
31/01/16	(8.5)	(3.8)	(0.8)	1.1	(4.6)
31/01/17	51.8	41.6	33.7	32.8	20.1
31/01/18	19.5	11.9	13.4	11.9	11.3

Source: Thomson Datastream. Note: All % on a total return basis in GBP.

Investment strategy: Seeking value with catalysts

JPGI has been managed using JPMAM's global focus investment process since October 2008. The process is implemented by manager Jeroen Huysinga, backed by a large global team of analysts who use JPMAM's dividend discount model to rank a universe of c 2,500 stocks into valuation quintiles. For JPGI, companies in the cheapest two quintiles are subjected to further tests, and must display significant profit potential and a catalyst for re-rating within six to 18 months, in order to be considered for inclusion in the portfolio of 50-90 stocks. Within broad allocation limits, stock selection is largely unconstrained by geography and sector.

Market outlook: Strong returns drive high valuations

Global stock markets saw exceptional returns in 2017, and continued to perform strongly into the new year. However, this has led to valuations that are generally well above long-term averages. Given the risk that these stocks could be pricing in a more favourable economic scenario than the current environment of rising interest rates and inflation might suggest, investors may prefer to focus on lower-valued stocks, which could offer re-rating alongside greater growth potential.

Valuation: Higher yield drives shares to a premium

At 2 February 2018, JPGI's shares traded at a 2.2% premium to cum-income NAV. This was a little below the three-year high of 3.0% seen at the end of December 2017, reflecting a sustained re-rating since the announcement of the new distribution policy in July 2016, which supports the current yield of 3.2%. The shares have broadly traded at a premium to NAV since early August 2017, and since September an additional 2.6m shares have been issued to meet demand.

Investment trusts

6 February 2018

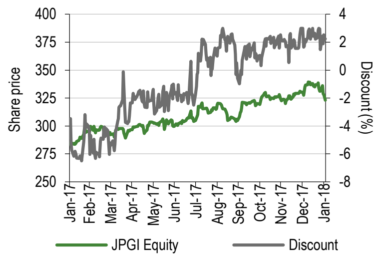
Price	**323.0p**
	NZ$6.34
Market cap	**£407.7m**
AUM	**£421.7m**

NAV*	315.9p
Premium to NAV	2.2%

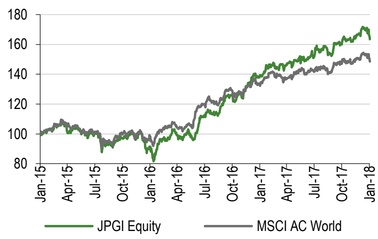
*Including income. As at 2 February 2018.

Yield (12m trailing)	3.2%
Ordinary shares in issue	126.2m
Code	JPGI
Primary exchange	LSE
AIC sector	Global Equity Income
Benchmark	MSCI AC World index

Share price/discount performance



Three-year performance vs index



52-week high/low	339.5p	283.5p
NAV** high/low	330.7p	297.2p

**Including income.

Gearing

Gross*	7.5%
Net*	1.4%

*As at 2 February 2018.

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Edison profile page

JPMorgan Global Growth & Income is a research client of Edison Investment Research Limited

Exhibit 1: Trust at a glance

Investment objective and fund background

JPMorgan Global Growth & Income (JPGI, formerly JPMorgan Overseas IT) aims to achieve capital growth from world stock markets, by holding a diversified portfolio of investments in which the investment manager has a high degree of conviction. Following a change in its distribution policy in July 2016, it also aims to pay a dividend equivalent to at least 4% of NAV at the preceding year-end, announced at the start of the year to give visibility of income.

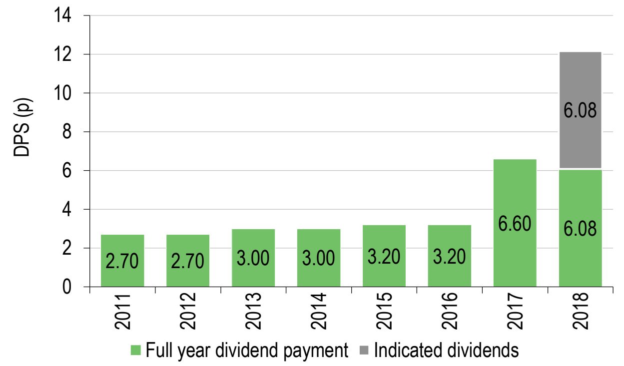
Recent developments

- 9 January 2018: New issue of £30m of 30-year unsecured loan notes with a fixed coupon of 2.93%, replacing the £25m revolving credit facility with National Australia Bank.
- 25 October 2017: Second interim dividend of 3.04p per share announced.
- 25 October 2017: All resolutions passed at AGM.
- 20 September 2017: Annual results for the year ended 30 June. NAV TR +29.0% and share price TR +51.2% compared with benchmark TR of +22.2%.

Forthcoming		Capital structure		Fund details	
AGM	October 2018	Ongoing charges	0.57%	Group	J.P. Morgan Asset Management
Interim results	February 2018	Net gearing	0.8%	Manager	Jeroen Huysinga, Tim Woodhouse
Year end	30 June	Annual mgmt fee	0.4% of gross assets	Address	60 Victoria Embankment, London, EC4Y 0JP
Dividend paid	Quarterly	Performance fee	Yes (see page 8)		
Launch date	1887	Trust life	Indefinite	Phone	020 7742 4000
Continuation vote	No	Loan facilities	£30m (see page 8)	Website	www.jpmglobalgrowthandincome.co.uk

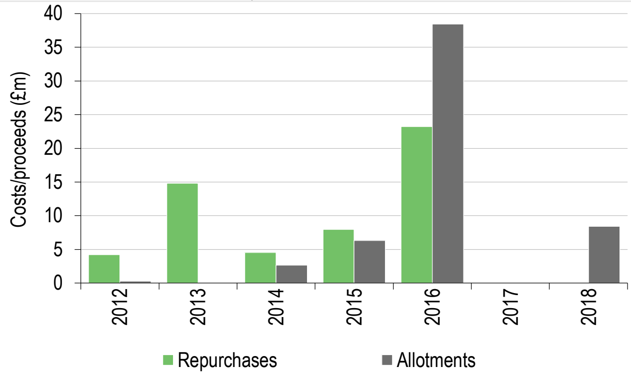
Dividend policy and history (financial years)

Dividends were paid annually in December for periods up to FY16. Under the new distribution policy, quarterly dividends are paid in October, January, April and July, equal (in total) to at least 4% of previous year-end NAV. FY17 was a transitional period. Chart adjusted for five-for-one stock split in January 2016.

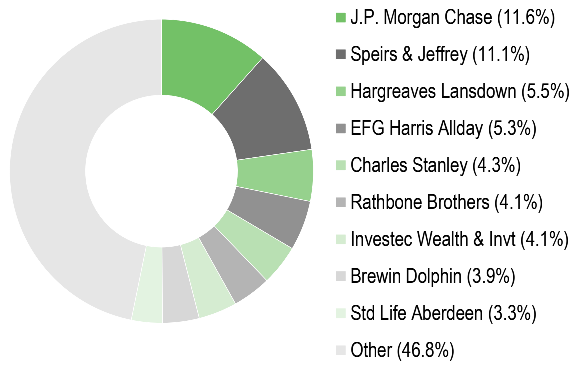


Share buyback policy and history (financial years)

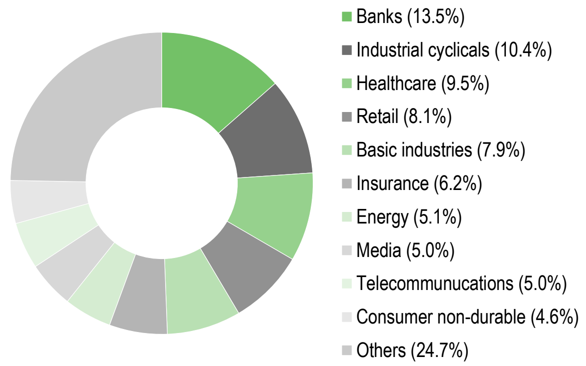
JPGI has the authority, renewed annually, to allot up to the equivalent of 10% of the share capital and buy back up to 14.99% of shares. Allotments in the chart include subscription shares (final exercise in October 2015). Chart adjusted for five-for-one stock split in January 2016.



Shareholder base (as at 3 November 2017)



Portfolio exposure by subsector (as at 31 December 2017)



Top 10 holdings (as at 31 December 2017)

			Portfolio weight %	
Company	**Country**	**Subsector**	**31 December 2017**	**31 December 2016***
Alphabet	US	Media	3.9	3.1
Outokumpu	Finland	Basic industries	2.4	3.2
Pioneer Natural Resources	US	Energy	2.3	N/A
UnitedHealth Group	US	Healthcare	2.3	1.8
Prudential	UK	Insurance	2.1	2.0
Microsoft	US	Technology - software	2.0	N/A
O'Reilly Auto Parts	US	Transport servs & cons cyc	1.8	N/A
Diamondback Energy	US	Energy	1.8	N/A
Citigroup	US	Banks	1.8	1.8
Ping An Insurance	Hong Kong	Insurance	1.8	N/A
Top 10 (% of portfolio)			**22.2**	**22.2**

Source: JPMorgan Global Growth & Income, Edison Investment Research, Bloomberg, Morningstar. Note: *N/A where not in December 2016 top 10.

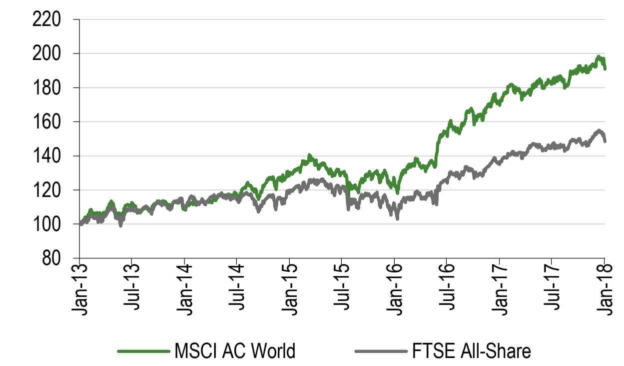
Market outlook: Strong returns lead to high valuations

Following on from a strong 2017, global equity markets entered the new year in a mood of continued optimism. As shown in the chart below, sterling-based investors in global equity markets (as measured by the MSCI AC World index) have almost trebled their money in total return terms over the past five years, far outstripping the returns seen by those who invested only in the UK, as measured by the FTSE All-Share index. The global economy has enjoyed a period of synchronised growth, and company earnings beat expectations in 2017 for the first time in several years. The US corporation tax cuts will provide a further boost to earnings in the world's largest stock market.

The corollary to this rosy scenario is that average stock valuations now look extended in many markets. As shown in the table below, US forward P/E ratios are 26% above their 10-year average, and price/book ratios are also high (the current 3.6x is a close to a 10-year high and 49% above the long-run average). While other markets are less egregiously overvalued (the current UK price/book ratio is actually below the 10-year average, for example), the overall level of valuations suggests that a valuation-aware investment approach may be advisable, particularly in an environment where monetary tightening and rising inflation could begin to put a brake on economic expansion.

Exhibit 2: Market performance and valuation

World versus UK equity market performance over five years



Valuation metrics of Datastream indices

	Forward P/E (x)	Fwd P/E as % of 10-year average	Price/book (x)	Yield (%)
Europe ex-UK	14.4	123	1.8	2.8
UK	14.2	117	1.6	3.5
US	18.6	126	3.6	1.8
Japan	15.6	108	1.6	1.8
World	16.0	121	2.3	2.3

Source: Thomson Datastream, Edison Investment Research

Fund profile: Global growth with added income

JPMorgan Global Growth & Income (formerly JPMorgan Overseas) is the only retail investment vehicle offering access to J.P. Morgan Asset Management's global focus investment approach, which it has followed under manager Jeroen Huysinga since October 2008. Originally launched in 1887, it is listed on the London and New Zealand stock exchanges, and aims to provide capital growth for its investors from a global portfolio of 50-90 attractively valued stocks with significant profit potential and clear catalysts for revaluation. In July 2016, JPGI announced a new distribution policy, aimed at boosting its appeal to income-seeking investors in a low interest rate environment. While continuing to invest primarily for growth, the trust aims to distribute at least 4.0% of its previous year-end NAV as a dividend in four quarterly instalments, announced at the start of the financial year in order to give investors greater certainty. The dividend may be funded partly out of capital (the portfolio yield has historically been between 1% and 2%) or from the revenue reserve.

JPGI is a member of the Association of Investment Companies' Global Equity Income sector (which it joined from the Global sector following the adoption of the new distribution policy), and measures its performance against the MSCI All Country World index (ACWI). Gearing is permitted in a range from 5% net cash to 20% geared, and the trust has recently issued £30m of 30-year loan notes with a fixed coupon of 2.93%, locking in low-cost borrowing for the long term.

The fund manager: Jeroen Huysinga

The manager's view: Good times still rolling

Huysinga is optimistic on the global economic backdrop, with synchronised growth around the world. He points to particularly strong trade growth (forecast at 3.6% for 2017 and 3.2% for 2018 by the World Trade Organisation, compared with an average of 2.2% for the previous four years), and favourable economic and business sentiment indicators (purchasing managers' indices (PMIs) were in expansionary territory across developed and emerging markets in Q317). Capex intentions are extremely robust, particularly in the US, where merger and acquisition (M&A) activity could also accelerate in 2018 as a result of the recent US tax reforms. Furthermore, ambitious supply-side reforms in China have the potential to rebalance the economy, reduce pollution and improve the environment, without having a significant negative impact on growth.

The manager is closely monitoring risks to the outlook, and says that if the synchronised global recovery were to stutter, the logical starting point would be the US, which has enjoyed nine years of strong growth. Stock markets have historically peaked six months before the onset of a recession, but at present risk factors such as a peak in corporate profits, a downturn in employment rates, a change in the direction of leading indicators or a widening in high-yield bond spreads all appear muted. As a result, Huysinga sees decent growth in the US continuing for another 12-18 months, and longer in Europe and Japan (notwithstanding the risk of contagion from a US recession), where the recovery is at a much earlier stage.

Huysinga points to discipline among company managements leading to higher shareholder returns. Earnings growth surprised on the upside in 2017 for the first time in more than five years, and has the potential to reach double digits again in 2018. However, in spite of value companies generally having better earnings momentum than growth companies, the market has disproportionately rewarded growth stocks such as the FAANGs (Facebook, Apple, Amazon, Netflix and Google/Alphabet), a trend that Huysinga sees as unsustainable.

He reports that the JPGI portfolio is currently positioned for 'conventional good times', with a high weighting in cyclical industrial companies such as steel producer Outokumpu, builders' merchant Ferguson and tool supplier Stanley Black & Decker, where valuations are favourable but there is a clear path to a re-rating. However, given the risk after such a sustained bull run that the market is already pricing in the most favourable scenarios, Huysinga has reduced net gearing to near zero.

Asset allocation

Investment process: Focus on valuation and upside potential

JPGI's value-focused investment process is based on the dividend discount model (DDM) developed by J.P. Morgan Asset Management, which we describe in detail in our initiation note. Manager Jeroen Huysinga is supported by a large global team of analysts, organised by sector, who use the cash flow-based DDM valuation approach to calculate long-term expected stock returns. By assessing factors such as the quality of a company's management and products, its competitive position and use of cash, the analysts are able to generate earnings and cash flow estimates over a range of time horizons, which they use to synthesise a projected dividend stream for each company. They then calculate a dividend discount rate (DDR) by equating the projected dividends to the current share price. The higher the DDR, the better the long-term value of the company. Between them, the c 70 analysts cover around 2,500 companies, split into 17 sectors under broad headings of financials, consumer, healthcare, industrials and TMT (technology, media and telecoms). Based on the DDR, the analysts rank the stocks in each sector into valuation quintiles, with the two cheapest quintiles forming the basis of JPGI's investment universe.

Stocks in the cheapest two quintiles must pass a further three tests before being considered for inclusion in the JPGI portfolio. ‘Significant profit potential’ is measured as having at least 25% upside from current to normalised (based on the sector median) earnings per share. This test narrows the investment universe to c 500 stocks. The final two tests focus on catalysts for revaluation: firstly there must be an identifiable catalyst for the market to re-evaluate its view of a company, such as restructuring, new management or expansion into new markets; and secondly, the catalyst should be expected to occur broadly within the next six to 18 months. Holding periods may be much longer than this, however, as companies may still offer significant growth opportunities well after the market has begun to appreciate their potential.

Relatively few stocks can pass all four tests, and the resulting list of c 50-90 stocks forms the basis of the JPGI portfolio. The analysts monitor the whole universe, not just the two cheapest quintiles, and constantly reassess the stocks they cover, allowing Huysinga to ensure that every stock in the portfolio continues to meet all four criteria. While holdings do not have to be constituents of the MSCI AC World index benchmark, the majority are included in the index, and new positions are usually sized at 0.5-1.5pp above their benchmark weight. A number of broad limits aim to ensure the portfolio remains appropriately diversified:

- Individual positions are limited to 5% of the portfolio at the time of investment, and 5pp above or below their index weighting. (In practice this means there are no stocks that JPGI is ‘forced’ to hold, since the largest constituent of the benchmark, Apple, is only c 2% of the index.)
- Regional exposures (North America, Europe ex-UK, UK, Japan, Pacific ex-Japan and emerging markets) are limited to 30pp above or below their index weighting (in practice this means the portfolio will always include some US stocks, which currently make up c 53% of the index), with total investment in non-OECD countries capped at a maximum of 20%.
- Sector exposures (based on the 17 sectors used by JPMAM to analyse the universe) are limited to 15pp above or below the index weight; in practice there are no sectors that make up more than 15% of the index, so sector allocation is effectively unconstrained.
- The top 10 holdings are limited to a maximum of 30% of the portfolio, with the top 20 limited to a maximum of 50%, to ensure that all positions can make a meaningful contribution to returns.
- Gearing is permitted in a range of 5% net cash to 20% geared.

Current portfolio positioning

At 31 December 2017, there were 79 holdings in the JPGI portfolio, towards the higher end of the typical range of 50-90 stocks. The top 10 holdings made up 22.2% of the total, a percentage unchanged on 12 months earlier, although only five names were common to the top 10 in both periods.

Within the broad overweight/underweight limits detailed above, stock selection is geographically and sector-agnostic, and is an output of where the team sees the best value opportunities. Currently this has led to appreciable overweights in financials, consumer discretionary stocks and industrials (Exhibit 3), with the biggest overweight in industrial cyclicals, where Huysinga says there are “provocative opportunities” in “great companies on good valuations”. A recent purchase in this area is US power management company Eaton, where JPGI’s manager sees the recent fortification of the management team as a clear catalyst for revaluation. In financials, Huysinga has bought insurance companies T&D (Japan) and Swiss Re, as well as adding to holdings in banks DBS (Singapore) and Svenska Handelsbanken (Sweden). The manager says banks have gone from an underweight position a year ago to one of the top five overweight sectors.

Other major purchases include Microsoft, a previous holding that had been sold on concerns over the cost of developing its cloud service Azure, but which Huysinga bought back on an undemanding valuation; Pioneer Natural Resources, a US oil exploration and production company whose low costs provide significant profit upside in a rising oil price environment; O’Reilly Auto Parts, a US automotive parts supplier whose expert customer service staff, extensive stock of products and strong distribution network should be sufficient to counter any perceived threat from Amazon; and Italian electric utility company Enel, which Huysinga says still looks cheap and is benefiting from a more shareholder-friendly style of management.

Exhibit 3: Portfolio sector exposure vs MSCI AC World index (% unless stated)

	Portfolio end-December 2017	Index weight	Active weight vs index (pp)	Trust weight/ index weight (x)
Financials	22.1	18.7	3.3	1.2
Consumer discretionary	16.7	12.0	4.7	1.4
Industrials	14.0	10.9	3.2	1.3
Information technology	11.8	18.1	(6.3)	0.6
Healthcare	10.0	10.7	(0.7)	0.9
Materials	6.6	5.5	1.1	1.2
Energy	6.9	6.4	0.6	1.1
Consumer staples	6.0	8.8	(2.7)	0.7
Telecommunications	4.0	3.0	1.0	1.3
Utilities	1.5	2.9	(1.4)	0.5
Real estate	0.0	3.1	(3.1)	0.0
	100.0	**100.0**		

Source: JPMorgan Global Growth & Income, Edison Investment Research.

Exhibit 4: Portfolio geographic exposure (% unless stated)

	Portfolio end-December 2017	Portfolio end-December 2016	Change (pp)
North America	45.5	46.6	(1.1)
Europe & Middle East ex-UK	20.1	25.4	(5.3)
UK	13.1	13.0	0.1
Japan	9.5	9.4	0.1
Emerging markets	5.6	2.4	3.2
Pacific ex-Japan	1.6	3.2	(1.6)
Cash	4.6	0.0	4.6
	100.0	**100.0**	

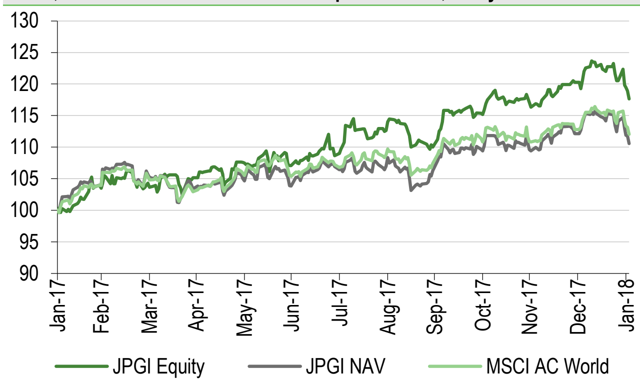
Source: JPMorgan Global Growth & Income, Edison Investment Research

In geographical terms (Exhibit 4), most exposures are broadly similar to those of 12 months ago, with the exception of a fall in the European weighting and an increase in cash held. Gearing is currently negligible, in recognition of the strong performance of global markets, and the potential for the next significant move to be downwards. While UK exposure remains at c 13%, Huysinga says the only truly domestic UK stock he holds is housebuilder Taylor Wimpey, which should benefit from the political pressure to solve the UK's housing crisis.

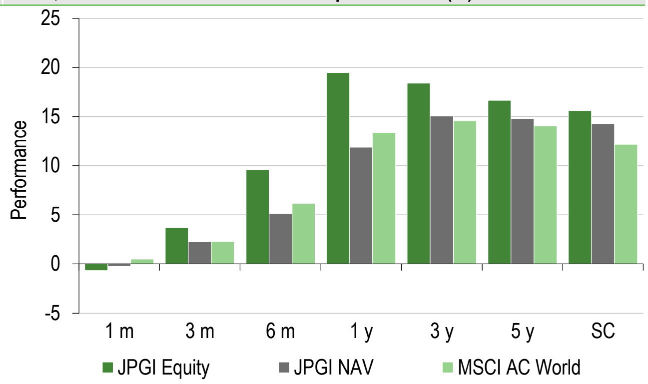
Performance: Solid absolute and relative record

Exhibit 5: Investment trust performance to 31 January 2018

Price, NAV and benchmark total return performance, one-year rebased



Price, NAV and benchmark total return performance (%)



Source: Thomson Datastream, Edison Investment Research. Note: Three, five and 10-year performance figures annualised. Manager Jeroen Huysinga has been in place since 1 October 2008 (SC), which is also the date of the change to the global focus strategy.

JPGI has seen particularly strong share price performance over the past 12 months (Exhibit 5, left-hand chart), with the shares moving from a discount to a premium to NAV as investors have reacted favourably to the higher distribution policy and solid record of absolute returns. As shown in the right-hand chart, JPGI has produced annualised NAV returns of c 15% over three and five years and since adopting the global focus strategy in October 2008, outperforming the benchmark MSCI AC World index over all these periods. Partly as a result of the very strong one-year performance, the share price total return is ahead of the NAV total return over all the periods shown.

NAV outperformance of the benchmark in sterling terms over all but the most recent periods shown (where it has lagged marginally by 0.5-1.5pp) has been achieved in spite of not owning index heavyweights Apple, Facebook and Amazon, which have all outperformed JPGI holding Alphabet (Google). Strong performers in the portfolio included Japanese machine tool firm DMG Mori, Hong Kong-listed Chinese insurance company Ping An Insurance, and US healthcare and health insurance stock UnitedHealth. Other healthcare stocks, including Allergan, Shire and Teva Pharmaceuticals, detracted from performance, as did US and Russian supermarket chains Kroger and Magnit, and US communications stock Dish Network, which Huysinga still favours based on the gap between the market value of the business and its strategic value as an acquisition target. All stock comparisons are in local currency terms, as JPGI predominantly hedges its currency exposure back towards the benchmark.

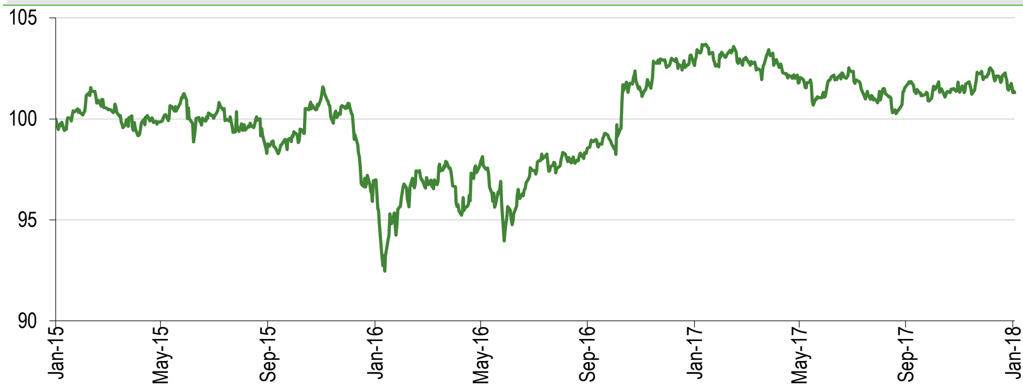
JPGI's relative performance record is shown in Exhibits 6 and 7 (all in sterling terms). As well as outperforming its benchmark in share price total return terms over all but one of the periods shown, it has also outperformed the MSCI World index (which excludes emerging markets) over almost all periods, and has convincingly beaten the FTSE All-Share index, illustrating the potential benefits for UK investors of looking beyond their home market. Five-year performance versus the benchmark, as shown in Exhibit 7, has been reasonably consistent except in the first half of 2016, when JPGI's value investment style was out of favour.

Exhibit 6: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	SC
Price relative to MSCI AC World	(1.2)	1.4	3.2	5.4	10.3	11.8	32.7
NAV relative to MSCI AC World	(0.8)	(0.0)	(1.0)	(1.3)	1.3	3.3	19.1
Price relative to MSCI World	(0.9)	1.8	3.7	6.7	10.5	8.5	30.3
NAV relative to MSCI World	(0.4)	0.3	(0.5)	(0.0)	1.4	0.2	17.0
Price relative to FTSE All-Share	1.3	2.6	5.5	7.3	30.3	43.7	69.0
NAV relative to FTSE All-Share	1.7	1.2	1.2	0.6	19.6	32.7	51.7

Source: Thomson Datastream, Edison Investment Research. Note: Data to end-January 2018. Geometric calculation. SC = since strategy change.

Exhibit 7: NAV total return performance relative to benchmark over three years

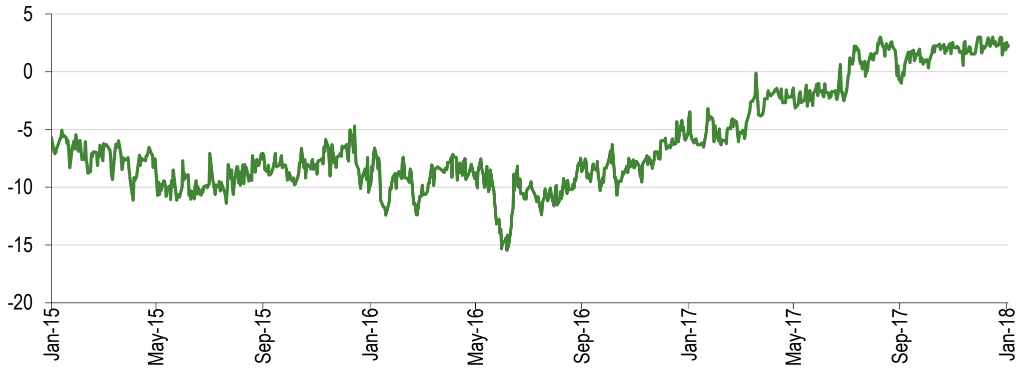


Source: Thomson Datastream, Edison Investment Research

Discount: At a premium after sustained re-rating

At 2 February 2018, JPGI's shares traded at a 2.2% premium to cum-income NAV. This was a little lower than the five-year high of 3.0% reached in late December 2017, and comes after a significant and sustained re-rating since the announcement of the new distribution policy in July 2016. The current premium compares with average discounts of 0.8%, 6.0%, 6.4% and 5.8% over one, three, five and 10 years respectively. The board has been reissuing shares from treasury in response to demand and in order to manage the premium. Since adopting the new distribution policy, JPGI also reports an appreciable change in its share register, with more individual investors now owning the shares via platforms and wealth managers.

Exhibit 8: Share price premium/discount to NAV (including income) over three years (%)



Source: Thomson Datastream, Edison Investment Research

Capital structure and fees

JPGI is a conventional investment trust with one class of share. At 2 February 2018, there were 126.2m ordinary shares in issue, an increase of 2.1% (2.6m) over the previous 12 months as a result of issuance since the shares moved to a premium to NAV in August 2017. The board may allot shares up to the equivalent of 10% of the share capital or repurchase up to 14.99% of shares each year to manage a discount or a premium. In January 2018, the trust announced a new issue of £30m of 30-year unsecured fixed-rate loan notes, with an annualised coupon of 2.93%. This replaces the previous £25m multi-currency revolving credit facility, and is equivalent to c 7.5% of net assets at 2 February 2018. Gearing is permitted in a range of 5% net cash to 20% geared, and at 2 February 2018, the trust had net gearing of 1.4%.

JPMorgan Funds acts as JPGI's alternative investment fund manager (AIFM) under the AIFM Directive, and is paid an annual management fee of 0.4% of assets less current liabilities. Ongoing charges for FY17 were 0.57%, compared with 0.64% in FY16. A performance fee (15% of outperformance) may also be paid if the trust outperforms the benchmark by more than 0.5% in a financial year. The fee is paid out over four years and may be written back in the event of any underperformance. For FY17 a performance fee of £2.347m was accrued, but no performance fee was paid in respect of the year, because of underperformance in FY16.

Dividend policy and record

Having previously paid dividends that broadly reflected the level of income received in a year, JPGI moved to a new, higher distribution policy with effect from the beginning of FY17. Under the new policy, which aims to give investors greater certainty of income as well as a higher yield, the trust declares a dividend of at least 4.0% of its year-end NAV, paid in equal instalments in October, January, April and July. After a transitional period in FY17 (which included a final dividend in respect of FY16 as well as three quarterly dividends), FY18 is the first year in which the policy is fully operational. In July 2017, JPGI announced a target dividend of 12.16p for the year ending 30 June 2018 (4.01% of the 30 June 2017 NAV). Because of strong NAV performance in FY17, the dividend is significantly higher than the FY17 total dividend of 6.60p. So far two instalments of 3.04p each have been declared. With net revenue per share having amounted to 3.74p in FY17, the dividend will be partly funded out of capital and revenue reserves.

Because the new policy targets a set percentage of NAV, the dividend is likely to fluctuate from year to year and may go down as well as up in absolute terms. However, the board sees the higher yield as an attractive way of satisfying investors' desire for income without compromising on JPGI's growth-focused investment strategy, as well as keeping the discount to a minimum. Success in this regard is evident in the fact that the trust now trades at a small premium to NAV.

Peer group comparison

JPGI has been a member of the AIC's Global Equity Income sector since adopting its higher distribution policy in June 2016. However, it still invests principally for capital growth, setting it apart from some peers, which may follow a strategy more focused on total returns. In terms of one-year performance, the trust ranks fourth in the peer group, although the dispersion of returns is quite narrow, with six out of seven funds achieving NAV total returns of between 10.9% and 15.9%. Over three and five years and since the change to the global focus strategy in October 2008, JPGI ranks first in the group for NAV total returns. The trust has the lowest ongoing charges in the peer group, although it is one of two to charge a performance fee. JPGI trades on the smallest premium (to ex-income NAV), and has a below-average level of gearing. The dividend yield of 3.2% is a little below the weighted average, ranking fourth out of seven peers.

Exhibit 9: AIC Global Equity Income peer group as at 2 February 2018*

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR SC**	Ongoing charge	Perf. fee	Discount (ex-par)	Net gearing	Dividend yield (%)
JPMorgan Global Growth & Income	**407.7**	**13.1**	**54.6**	**99.4**	**254.1**	**0.6**	**Yes**	**0.6**	**101**	**3.2**
Blue Planet Investment Trust	24.5	0.9	14.1	41.6	--	3.7	No	3.5	150	9.5
Henderson International Income	293.4	14.9	45.0	80.5	--	0.9	No	2.7	100	3.1
Invesco Perp Select Glbl Eq Inc	70.0	15.9	48.7	93.3	200.5	1.0	Yes	(0.0)	106	3.1
Murray International	1,541.1	10.9	40.1	44.7	189.9	0.7	No	1.4	112	4.1
Scottish American	494.0	15.2	52.3	72.6	164.8	0.9	No	1.2	117	3.1
Securities Trust of Scotland	190.1	11.8	38.1	61.1	167.7	1.0	No	(4.5)	111	3.5
Sector weighted average		**12.4**	**44.4**	**62.2**	**193.7**	**0.8**		**1.0**	**110**	**3.7**
JPGI rank in sector	**3**	**4**	**1**	**1**	**1**	**7**		**5**	**6**	**4**

Source: Morningstar, Edison Investment Research. Note: *Performance data to 1 February 2018. **SC: since change to global focus mandate, 1 October 2008. TR=total return. Net gearing is total assets less cash and equivalents as a percentage of net assets (100 = ungeared).

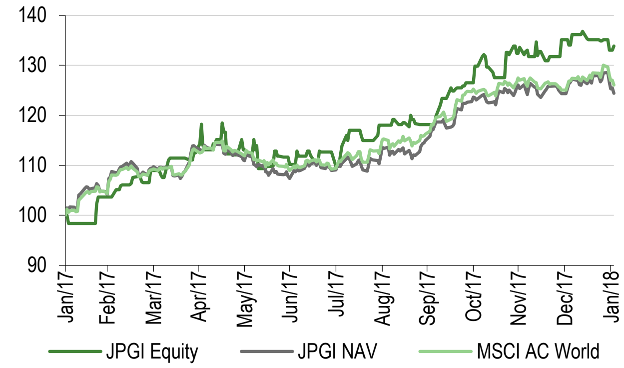
The board

There are four directors on the board of JPGI, all non-executive and independent of the manager. Chairman (since 2015) Nigel Wightman was appointed to the board in 2010. Jonathan Carey, chair of the remuneration and audit & management engagement committees, became a director in 2009. Gay Collins, the senior independent director, was appointed in 2012, while Tristan Hillgarth joined the board in 2016. The directors' professional backgrounds are in investment management and PR/communications.

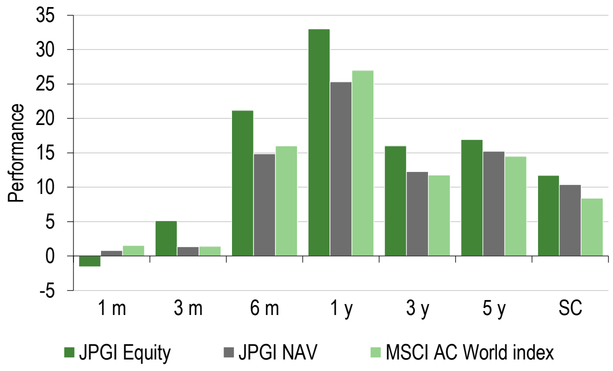
Performance tables in New Zealand dollar terms

Exhibit 10: Investment trust performance - in New Zealand dollar terms to 31 January 2018

Price, NAV and benchmark total return performance, one-year rebased



Price, NAV and benchmark total return performance (%)



Source: Thomson Datastream, Edison Investment Research. Note: Three, five and 10-year performance figures annualised. Manager Jeroen Huysinga has been in place since 1 October 2008 (SC), which is also the date of the change to the global focus strategy.

Returns for New Zealand-based investors in JPGI have been enhanced by weakness in the NZ dollar versus sterling in recent months. While medium-term annual returns (three and five years) are similar for both UK and NZ investors at c 12-18% pa, NZ investors have seen 25.3% and 33.0% NAV and share price total returns over 12 months to 31 January 2018, compared with 11.9% and 19.5% for sterling-based investors. With the majority of the strengthening in sterling taking place between September and December, NZ investors have also seen more positive returns over three and particularly six months, although returns over one month have been flat to negative. Longer term, sterling has been weaker on average versus the NZD, depressing returns for NZ investors.

Exhibit 11: Investment trust discrete years' performance – in New Zealand dollar terms

12 months ending	Share price (%)	NAV (%)	MSCI ACWI (%)	MSCI World (%)	FTSE All-Share (%)
31/01/14	17.2	18.3	17.7	21.3	18.6
31/01/15	19.5	21.3	19.6	19.9	9.1
31/01/16	3.7	1.9	5.1	7.1	1.0
31/01/17	13.2	10.8	4.7	4.0	(6.0)
31/01/18	33.0	25.3	27.0	25.3	24.6

Source: Thomson Datastream. Note: Total return basis, in NZ$ terms.