JPMorgan Global Growth & Income

Strong long-term capital growth

Investment trusts

JPMorgan Global Growth & Income (JPGI) is managed by Jeroen Huysinga, using J.P. Morgan Asset Management's (JPMAM's) global focus investment process. He aims to generate long-term capital growth from a portfolio of 50-90 equities that is diversified by geography and sector. The manager notes that stock market leadership has been narrow, led by growth and momentum stocks, which has been detrimental to JPGI's investment performance in recent months (although the trust continues to outperform most of its peers in the AIC Global Equity Income sector). Huysinga is 'sticking to his knitting', buying undervalued stocks, as over the long term, cheaper companies have generated superior share price annual returns. The trust's higher dividend policy, initiated in July 2016, appears to have found favour with investors, as JPGI's discount has closed and its shares now regularly trade close to NAV.

12 months ending	Share price (%)	NAV (%)	MSCI AC World (%)	MSCI World (%)	FTSE All-Share (%)
31/07/14	5.1	4.8	4.6	4.7	5.6
31/07/15	14.2	13.4	11.8	14.1	5.4
31/07/16	11.1	14.8	17.7	17.7	3.8
31/07/17	35.1	23.1	18.5	17.6	14.9
31/07/18	10.0	8.9	12.1	13.1	9.2

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

Investment strategy: Proprietary and bottom-up

The manager is able to draw on JPMAM's well-resourced team of global analysts. Their philosophy is that companies are ultimately valued on their projected future cash flows, so the analysts rank the universe of c 2,500 stocks into valuation quintiles. For JPGI, those in the two cheapest quintiles are subject to further in-depth analysis. Companies considered for investment must have at least 25% profit growth potential from current to normalised earnings per share, and there must be an identified catalyst that could lead to a potential share price revaluation.

Market outlook: Overall valuations less attractive

Global stock markets have performed well since early 2016 as an improvement in the global economy has fed through into strong corporate earnings growth. Equity valuations have also re-rated as yields on other major asset classes, such as bonds, remain low compared with historical averages. On a forward P/E basis, most developed markets are trading at a premium to their long-term averages, and in an environment where there are macroeconomic (such as trade tensions) issues to consider, investors may benefit from a more valuation-aware approach.

Valuation: Discount has narrowed materially

The change in JPGI's dividend policy in mid-2016 has arguably helped to narrow the discount, which stood at c 15% following the outcome of the UK's European referendum. Its current 0.6% share price discount to cum-income NAV compares with the average discounts of the last three, five and 10 years (range of 4.2% to 5.4%). Based on the announced 12.52p total distribution for FY19, JPGI offers a prospective 3.8% dividend yield.

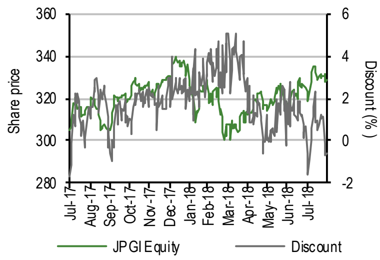
31 August 2018

Price	**328.5p**
Market cap	**£424m**
AUM	**£451m**
NAV*	330.4p
Discount to NAV	0.6%

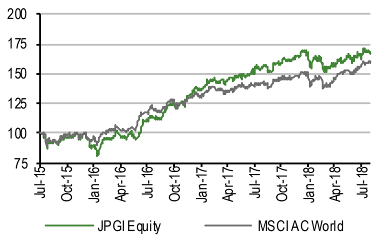
*Including income. As at 29 August 2018.

Prospective yield	3.8%
Ordinary shares in issue	129.0m
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	300.0p
NAV** high/low	332.4p	290.7p

**Including income.

Gearing

Gross*	6.4%
Net*	6.4%

*As at 27 August 2018.

Analysts

Mel Jenner	+44 (0)20 3077 5720
Sarah Godfrey	+44 (0)20 3681 2519

investmenttrusts@edisongroup.com

Edison profile page

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

EDISON

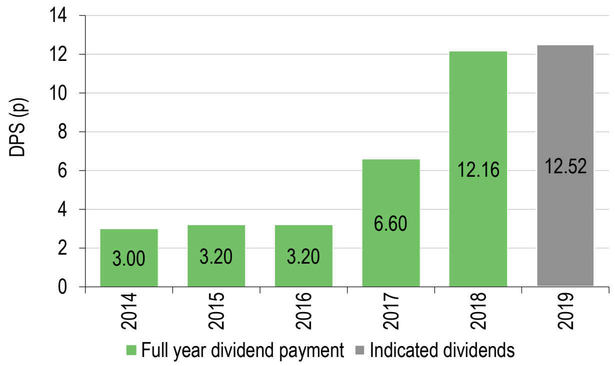
Exhibit 1: Trust at a glance

Investment objective and fund background	Recent developments
JPMorgan Global Growth & Income (JPGI, formerly JPMorgan Overseas IT) aims to provide total returns and outperform the MSCI AC World index over the long term by investing in companies based around the world. JPGI makes quarterly distributions, set at the beginning of each financial year to give visibility of income, with the intention of paying a dividend equal to at least 4% of NAV at the time of announcement.	■ 9 May 2018: First interim dividend of 3.13p per share declared for the financial year ending 30 June 2019, payable on 5 October. ■ 4 July 2018: JPGI intends to pay dividends totalling 12.52p per share, which represents a yield of 4.0% based on its NAV at the end of FY18 (30 June). ■ 9 May 2018: Fourth interim dividend of 3.04p per share declared for the financial year ending 30 June 2018, payable on 6 July.

Forthcoming		Capital structure		Fund details	
AGM	October 2018	Ongoing charges	0.57%	Group	J.P. Morgan Asset Management
Annual results	September 2018	Net gearing	6.4%	Manager	Jeroen Huysinga, Tim Woodhouse
Year end	30 June	Annual mgmt fee	0.4%	Address	60 Victoria Embankment, London EC4Y 0JP
Dividend paid	Quarterly	Performance fee	Yes (see page 8)		
Launch date	1887	Trust life	Indefinite	Phone	+44 (0) 7742 4000
Continuation vote	No	Loan facilities	£30m (see page 8)	Website	www.jpmglobalgrowthandincome.co.uk

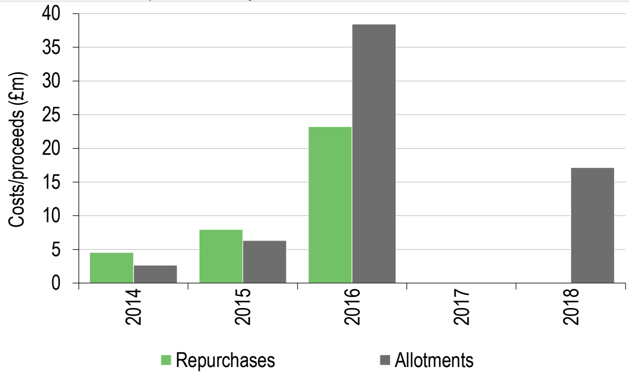
Dividend policy and history (financial years)

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

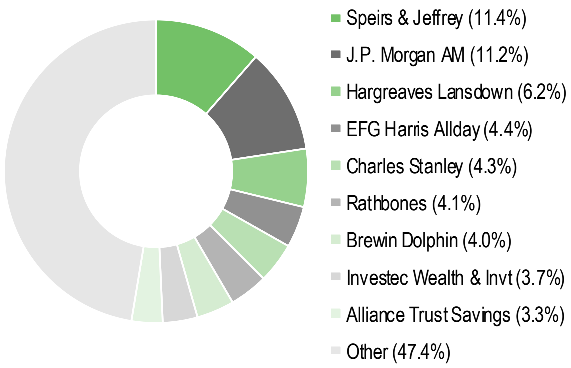


Share buyback policy and history (financial years)

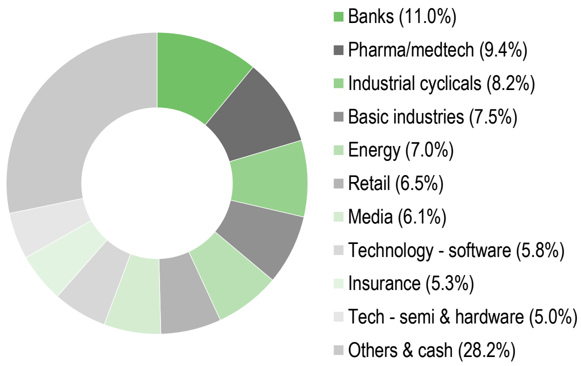
JPGI has the authority, renewed annually, to allot up to the equivalent of 10% of the share capital and buy back up to 14.99% of shares. Allotments in the chart include subscription shares (final exercise in October 2015). Chart adjusted for five-for-one stock split in January 2016.



Shareholder base (as at 3 August 2018)



Portfolio exposure by subsector (as at 30 June 2018)



Top 10 holdings (as at 31 July 2018)

			Portfolio weight %	
Company	**Country**	**Sector**	**31 July 2018**	**31 July 2017***
Alphabet**	US	Media	4.3	2.8
Microsoft	US	Technology – software	3.0	N/A
UnitedHealth Group	US	Health services & systems	2.9	2.4
Prudential	UK	Insurance	1.9	2.4
Pioneer Natural Resources	US	Energy	1.8	1.8
Iberdrola	Spain	Utilities	1.8	N/A
Union Pacific	US	Transportation	1.7	N/A
O'Reilly Auto Parts	US	Retail	1.7	N/A
Citigroup	US	Banks	1.7	1.8
Roche	Switzerland	Pharma/medtech	1.7	N/A
Top 10 (% of portfolio)			**22.5**	**21.1**

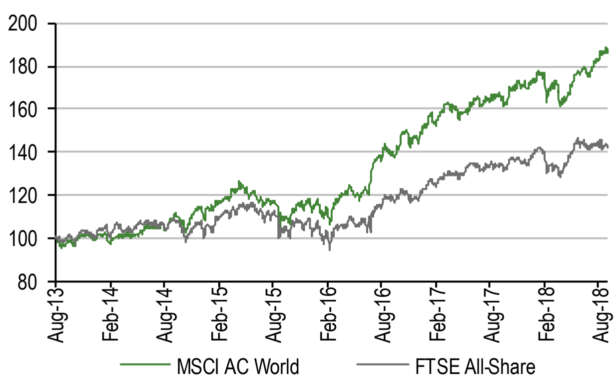
Source: JPMorgan Global Growth & Income, Edison Investment Research, Bloomberg, Morningstar. Note: *N/A where not in end-July 2017 top 10. **Formerly known as Google.

Market outlook: Time to be more selective

Exhibit 2 (LHS) shows the performance of world and UK stock markets (in sterling terms) over the past five years. The potential benefits of investing overseas are illustrated by the significant outperformance of global equities over the period. While stock markets have recently returned to more normal levels of volatility following a particularly benign period in 2017, since the beginning of 2016 investors have enjoyed above-average annual total returns. An improving global economy has led to robust corporate earnings growth. For example, in Asia, earnings estimates were revised upwards during 2017 when typically, estimates at the start of the year are too aggressive and have to be revised downwards. Along with supportive corporate earnings, shares have been revalued as yields on other assets such as bonds and cash remain low compared with history. As a result, aggregate equity valuations are now less attractive. On a forward P/E multiple basis (Exhibit 2, RHS), most of the developed markets are trading at a premium to their 10-year average (particularly in Europe and the US). There are also macroeconomic issues to consider, such as rising interest rates; the outcome of Brexit negotiations; and more recently, an escalation in trade disputes, driven by the US's protectionist policies. In an environment of higher equity valuations and escalating trade tensions, investors may be rewarded by being more selective. A fund that is focused on seeking undervalued companies, with a good long-term record of generating capital growth, may appeal.

Exhibit 2: Market performance and valuation

World versus UK equity market performance over five years (in sterling)



Valuation metrics of Datastream indices

	Forward P/E (x)	Fwd P/E as % of 10-year average	Price/book (x)	Yield (%)
Europe ex-UK	13.5	113	1.7	3.1
UK	13.0	105	1.6	3.7
US	17.2	115	3.5	1.8
Japan	13.3	92	1.4	2.0
World	14.7	111	2.2	2.4

Source: Thomson Datastream, Edison Investment Research. Note: Valuation data as at 30 August 2018.

Fund profile: Valuation-based, bottom-up selection

JPGI was originally launched in 1887 and was formerly known as JPMorgan Overseas Investment Trust. It is listed on both the London and New Zealand stock exchanges. JPGI is the only retail investment product offering access to JPMAM's global focus investment approach and since October 2008, it has been managed by Jeroen Huysinga. He aims to generate long-term capital growth from a diversified portfolio of 50-90 global equities that are trading at a discount to their forecast intrinsic value. Performance is benchmarked against the MSCI All Country World index. There are investment guidelines in place including: a maximum 5% of total assets (at the time of investment) in a single stock; the top 10 holdings should not exceed 30% (with a maximum of 50% in the top 20); no more than 25% may be invested in non-OECD countries; sector ranges are plus or minus 15% and regional ranges are plus or minus 30% versus the index; and no more than 75% in aggregate may be invested in the US, Japan and the UK. JPGI generally does not invest in unquoted companies and any such investment requires prior board approval. Currency exposure is predominantly hedged against the benchmark. Gearing is permitted in a range of 5% net cash to 20% geared; net gearing at 27 August 2018 was 6.4%.

Under a new distribution policy announced in July 2016, dividends are now paid quarterly, in equal instalments, and in aggregate are equivalent to at least 4% of the trust's previous year-end NAV. This enables investors to have greater clarity on their level of income, although there has been no change to the investment process; the manager continues to focus on capital growth rather than total return. The dividend may be funded out of capital as well as from revenue returns. Following the change in distribution policy, JPGI moved from the AIC Global sector to the AIC Global Equity Income sector; its performance ranks favourably versus its peers (see Exhibit 9).

The fund manager: Jeroen Huysinga

The manager's view: Portfolio affected by market's growth bias

When we met with Huysinga in mid July, he explained that JPGI's investment process had not performed well over the prior 12 months. The process was initiated in 1997 and since then, global stocks in the two cheapest valuation quintiles have outperformed. However, over the last year, growth and momentum has been a very powerful theme in world stock markets. Within the key US market, while investors have recently become more discerning about FAANG stocks – Facebook, Amazon, Apple, Netflix and Alphabet (Google) – ytd to end July, Amazon's stock price has appreciated by more than 50% and Netflix's by more than 75%. The manager says that JPGI's investment process is contrarian, selling stocks when they become unattractively valued and reinvesting the proceeds into cheaper companies. He says that he finds the current environment "painful", but will be sticking with the trust's tried-and-tested investment approach.

Our previous meeting with Huysinga was in November 2017, when he discussed a synchronised global economic recovery. However, he says that while he believes that in aggregate the global economy is doing "okay", there is now more divergence between countries. He suggests that the US economy is still "fine" as both fiscal policy and tax reform are important drivers of corporate earnings. He cites the positive fundamentals within the US railroad industry, where pricing is robust and volume growth is strong, partly due to high wage inflation in the trucking industry, which is leading companies to switch their mode of transport when moving freight. On a more general theme, the manager highlights very strong comparable revenue growth at industrial distributor Fastenal, which is a good indicator of overall economic activity. Huysinga also notes strong employment trends in the US, high consumer sentiment and strong fundamentals within the US banking system, all of which are supportive for economic growth.

The manager comments that economic activity in Europe is less robust, such as in Germany, where growth has decelerated. There have been increased concerns about global trade, due to the US's focus on protectionism, which Huysinga says will "end badly" for everyone if there is an all-out trade war. He says this could be particularly bad for the US corporate sector, which has received a significant uplift in profits over many years, by offshoring its operations to countries such as China. Within Europe, there have also been political concerns, for example surrounding the Italian general election in March this year, and there is ongoing uncertainty as the UK tries to negotiate its exit from the EU.

Within Asia, the manager notes the negative economic surprise in China in 2014-16, which led to a global industrial recession and saw the oil price fall to below $30 a barrel. However, going forward, while he thinks the Chinese economy may slow somewhat from the current rate of c 6.5% pa, Huysinga does not expect it to implode. Elsewhere in the region, the manager recently visited Japan and notes the country's low unemployment, high consumer confidence and strong domestic activity. He says that job vacancy rates in Tokyo are very low. However, Japan continues to suffer from a lack of inflation, despite the Bank of Japan's aggressively loose monetary policy. In terms of stock market performance, Huysinga notes that in Japan, as elsewhere, it is growth companies that have performed very well, such as personal care firm Shiseido.

Asset allocation

Investment process: Very disciplined, value-based approach

Lead manager Huysinga is a member of JPMAM's well-resourced global focus investment team. It is made up of five fund managers and c 70 analysts across four regional research teams (Europe, Japan, emerging markets/Pacific Rim and the US). Huysinga explains that the research team is constantly being upgraded; this is being helped by a European law, Markets in Financial Instruments Directive (Mifid II), which he says is offering big opportunities to recruit high-quality analysts as sell-side firms cut back on their research teams.

The investment team follows the philosophy that a company's value is determined by its future cash flow stream. The analysts create industry frameworks, which enable identification of structural change; this is turn can determine which companies will be future winners and losers. Earnings forecasts are the key element of the research process: near term (next one and two years), sustainable earnings (year three), and sustainable earnings growth (years four to eight). By comparing a company's forecast value (based on its discounted future cash flow) with the current value of the business, the analysts derive a quintile valuation ranking between 1 (undervalued) and 5 (overvalued). The manager primarily invests in companies with a first or second quintile valuation, although the analysts also research companies in the other quintiles, which may be candidates for future investment. Huysinga notes that over the last 20 years, undervalued stocks have generated superior excess annualised returns (+4.9% and +1.6% pa for stocks in the first and second quintiles respectively, compared with -1.9% and -4.7% for stocks in the fourth and fifth quintiles respectively). As well as passing the manager's valuation threshold, candidates for investment must also have at least 25% profit growth potential from current to normalised (based on the sector average) earnings per share. There must also be a catalyst for a potential revaluation (preferably within the next six to 18 months), which may include: a new product launch; a change in the management team; or a corporate restructuring. JPGI's resulting portfolio is invested across the market capitalisation spectrum. It contains between 50 and 90 holdings (currently c 80) and has a high active share of c 90%. (Active share is a measure of how a portfolio differs from its benchmark, with 0% representing full index replication and 100% no commonality.)

Current portfolio positioning

At end July 2018, JPGI's top 10 positions made up 22.5% of the portfolio, which was broadly in line with 21.1% a year earlier; five positions were common to both periods. The portfolio's normalised P/E is significantly below that of the benchmark (c 12.5x vs c 14.5x respectively), while its long-term earnings growth rate is higher, at 10% versus 6% for the benchmark. The manager explains that based on sector-median normalised valuations, at its current share price, JPGI offers a 30% discount to the estimated fair value of its aggregate holdings. The trust's geographic exposure is shown in Exhibit 3. Over the 12 months to end June, the largest increase in exposure is in North America (+8.0pp), although JPGI remains underweight this key market versus the benchmark, while the largest decrease is in the UK (-4.0pp).

Exhibit 3: Portfolio geographic exposure vs benchmark (% unless stated)

	Portfolio end-June 2018	Portfolio end-June 2017	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/ index weight (x)
North America	53.5	45.5	8.0	56.8	(3.4)	0.9
Europe & ME ex-UK	23.3	25.0	(1.7)	14.5	8.9	1.6
UK	9.8	13.8	(4.0)	5.7	4.1	1.7
Japan	6.4	8.4	(2.1)	7.6	(1.3)	0.8
Emerging markets	6.0	5.9	0.1	10.9	(4.9)	0.5
Pacific ex-Japan	1.1	1.4	(0.3)	4.5	(3.4)	0.2
	100.0	**100.0**		**100.0**		

Source: JPMorgan Global Growth & Income, Edison Investment Research

Exhibit 4 shows JPGI's sector exposure. The largest increases in the year to end June are utilities (+3.1pp), consumer discretionary (+2.3pp) and telecoms (+2.0pp), with the largest decreases in consumer staples (-5.8pp), industrials (-2.9pp) and financials (-2.8pp). While stocks are selected on a bottom-up basis, there are recurring themes within the portfolio including:

- the changing consumer habits of millennials – holdings include US sports apparel manufacturer Nike and European fashion retailers ASOS and Inditex (Zara);
- electric and self-driving vehicles – holdings include European semiconductor manufacturer ASML and automotive company Volkswagen; and
- improving bank returns on equity driving higher levels of sustainable earnings – holdings include US banking giant Citigroup, European-based Santander and Singapore-based DBS.

Exhibit 4: Portfolio sector exposure vs benchmark (% unless stated)

	Portfolio end-June 2018	Portfolio end-June 2017	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/ index weight (x)
Financials	19.2	22.0	(2.8)	18.7	0.5	1.0
Consumer discretionary	18.0	15.7	2.3	18.6	(0.5)	1.0
Healthcare	13.6	12.1	1.5	11.1	2.4	1.2
Industrials	12.1	15.0	(2.9)	10.0	2.1	1.2
Information technology	11.2	10.4	0.8	13.4	(2.2)	0.8
Materials	7.8	7.7	0.0	5.5	2.3	1.4
Energy	7.2	5.5	1.7	6.7	0.5	1.1
Consumer staples	4.4	10.2	(5.8)	6.5	(2.0)	0.7
Telecommunications	3.4	1.4	2.0	3.8	(0.3)	0.9
Utilities	3.1	0.0	3.1	3.0	0.1	1.0
Real estate	0.0	0.0	0.0	2.7	(2.7)	0.0
	100.0	**100.0**		**100.0**		

Source: JPMorgan Global Growth & Income, Edison Investment Research

Relatively new positions within JPGI's portfolio include US railroad Union Pacific, with a network spanning 23 states in the western two-thirds of the US. The company has undergone a heavy capex cycle to support its growing operations, spending c $34bn over the last decade. It serves many of the fastest-growing population centres in the US, operates from all major West Coast and Gulf Coast ports, connects with Canada's rail systems and is the only US railroad serving all six major Mexico gateways. Union Pacific recently released its Q218 earnings report – earnings per share increased by 37% year-on-year to a record $1.98, while the operating ratio (a measure of company efficiency) increased by 1.1pp to 63.0%. Volumes increased by 4% led by the industrial and premium divisions, while agricultural and energy volumes were modestly lower year-on-year. During H118, dividends per share increased by 21% year-on-year – and Union Pacific has also been returning cash to shareholders via its share repurchase plan. Huysinga says that the company has a strong management team and he believes that the company's margins can continue to expand. Despite these favourable attributes, Union Pacific is trading on a reasonable valuation.

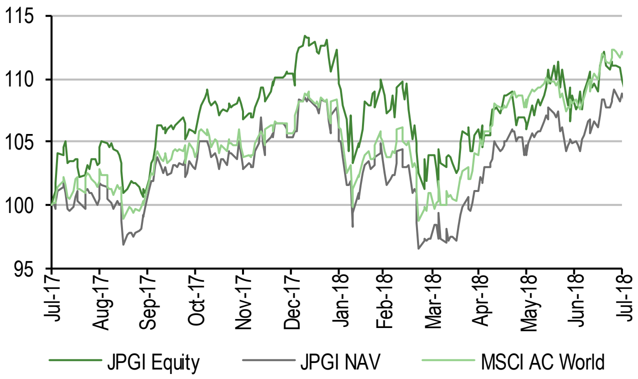
Recent sales have primarily been on valuation grounds. These include: US discount retailer TJX; US bank and brokerage firm Charles Schwab; German/Japanese industrial manufacturer DMG Mori; and Japanese air conditioning manufacturer Daikin. Also within the US, the manager has made a switch within the home-improvement retailing sector, selling Lowes, when the company's share price rallied following an announcement that its CEO was stepping down, and reinvesting the proceeds in industry number one operator Home Depot. Huysinga stresses the importance of JPGI's investment process noting that while some of the positions that were sold have continued to appreciate, he will continue to 'stick to his knitting'.

Performance: Robust absolute track record

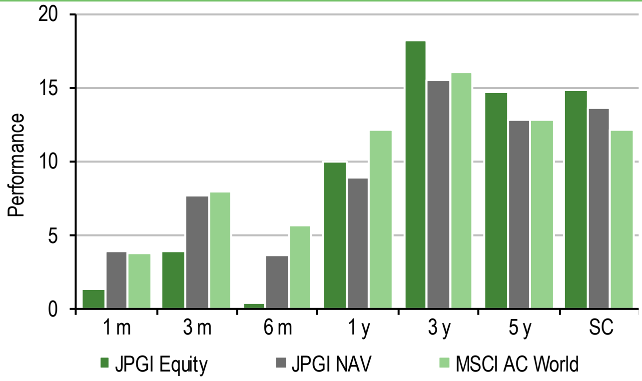
Over the last 12 months, JPGI's NAV and share price total return of 8.9% and 10.0% respectively have trailed the benchmark's 12.1% total return. This is not unexpected given the trust's value-based investment approach, as over the period stock market leadership has been narrow, with a strong bias towards growth and momentum stocks. For JPGI, the largest contributors to performance include financial stocks Ping An Insurance and DBS, along with US healthcare services company UnitedHealth, while the largest detractors include US direct-broadcast satellite provider Dish Network and Finnish stainless steel company Outokumpu. In absolute terms, JPGI has delivered robust investment performance. Over the last three years, it has generated annualised NAV and share price total returns of c 16% and c 18% respectively, while over the last five years respective annualised NAV and share price total returns are c 13% and c 15%.

Exhibit 5: Investment trust performance to 31 July 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: Manager Jeroen Huysinga has been in place since 1 October 2008, which is also the date of the change to the global focus strategy (SC). Three and five-year and SC performance figures annualised.

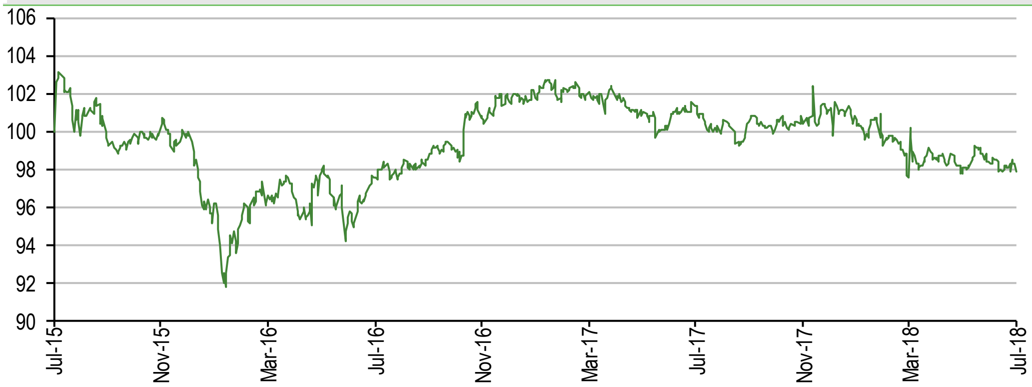
JPGI's relative returns are shown in Exhibit 6. Its NAV total return is ahead of the benchmark's total return since the trust's change in strategy in October 2008, although it has modestly lagged over most of the shorter periods. In share price terms JPGI has outperformed the benchmark over three and five years, and since the change in strategy. The potential benefits of investing overseas are illustrated by JPGI's significant outperformance versus the FTSE All-Share index in both NAV and share price terms over three and five years, and since the trust's strategy change.

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	(2.4)	(3.7)	(5.0)	(1.9)	5.5	8.2	26.1
NAV relative to MSCI AC World	0.1	(0.2)	(1.9)	(2.9)	(1.6)	(0.0)	13.3
Price relative to MSCI World	(2.5)	(4.8)	(6.2)	(2.7)	5.4	5.9	22.3
NAV relative to MSCI World	(0.0)	(1.3)	(3.2)	(3.7)	(1.6)	(2.1)	9.9
Price relative to FTSE All-Share	(0.0)	(0.1)	(4.5)	0.8	26.7	36.6	61.4
NAV relative to FTSE All-Share	2.5	3.6	(1.4)	(0.2)	18.2	26.3	45.1

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

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



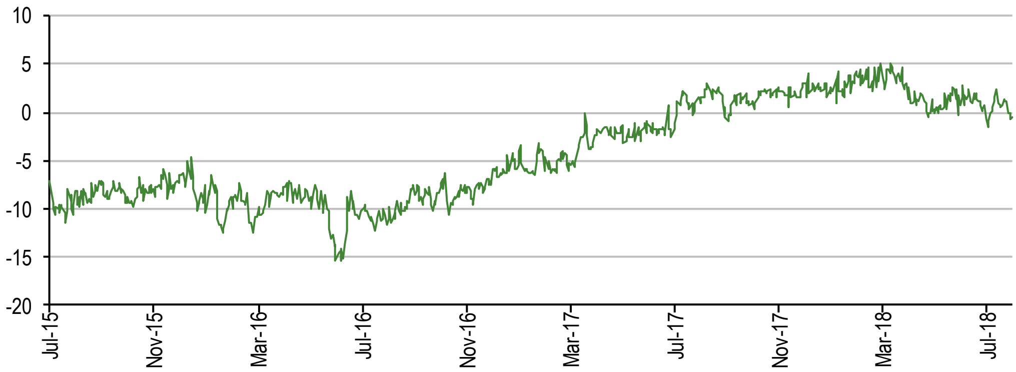
Source: Thomson Datastream, Edison Investment Research

Discount: Trading close to NAV

JPGI's board aims to limit the trust's discount to 5% in normal market conditions. Renewed annually, it has the authority to repurchase up to 14.99% of its shares and to allot up to 10% in order to manage a premium. JPGI's current 0.6% discount compares with the range of a 5.1% premium to a 1.7% discount over the last 12 months. Over the last one, three, five and 10 years, the trust has traded at an average premium of 1.8% and average discounts of 4.2%, 5.4% and 5.3% respectively.

The trust's discount has narrowed significantly following the implementation of its new distribution policy and possibly also due to the strong investment performance. As a result, there have been no share repurchases since FY16 (Exhibit 1). So far in FY19, the share count has increased by 4.3%; 5.3m shares have been issued, raising gross proceeds of £17.1m.

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. There are currently 129.0m ordinary shares in issue. On 9 January 2018, the board announced that the trust had agreed to issue £30m of 30-year fixed-rate notes at what it views to be an attractive low rate of 2.93% (the previous £25m revolving credit facility with National Australia Bank was repaid). The new notes are unsecured, allowing increased flexibility to manage future borrowings. There is no change to the gearing policy, which is within a range of 5% cash to 20% geared in normal market conditions. At 27 August 2018, net gearing was 6.4%.

JPMorgan Funds is the trust's alternative investment fund manager (AIFM) and is paid an annual management fee of 0.4% of assets (excluding those invested in funds where J.P. Morgan also earns a management fee) less current liabilities. The manager is also entitled to a performance fee if total shareholders returns exceed the benchmark's total return by more than 0.5% over the financial year. The fee payable is 15% of the excess total return (excluding the effect of share repurchases) and is payable equally over four years. Any performance fee accrued, but not paid, is reduced by any underperformance in subsequent years and the amount of the fee paid in any one year is capped at 0.8% of JPGI's published net assets at the end of the relevant period. Any excess performance fee is carried forward until paid in full, unless it is offset against subsequent underperformance. In FY17, ongoing charges were 0.57%, which was 7bp lower than 0.64% in FY16; no performance fee was payable in either financial year. In H118, ongoing charges were again modestly lower at 0.54% (0.66% including estimated annualised performance fees).

Dividend policy and record

JPGI adopted a new distribution policy in FY17, which offers shareholders an annual distribution of at least 4.0% of year-end NAV. Dividends are paid quarterly in October, January, April and July. The change in policy away from a single annual payment that broadly reflected the trust's revenue returns allows investors certainty of income, and has presumably proved popular, as the discount has closed from c 15% in June 2016 and JPGI now regularly trades close to NAV.

At end FY17, JPGI had revenue reserves of c £12.4m, which was c 0.8x of the financial year's annual distribution, although dividends may also be paid out of capital. The board believes that by not distinguishing between revenue and capital returns, larger dividends can be paid on a sustainable basis. In July 2018, the board announced that it intends to pay a total annual distribution of 12.52p per share in respect of FY19, which is 3% higher than 12.16p per share paid in FY18. Based on JPGI's current share price, this equates to a prospective dividend yield of 3.8%.

Peer group comparison

JPGI became a member of the AIC's Global Equity Income sector following the change in its distribution policy in June 2016, although the trust still aims to generate long-term capital growth rather than focusing on total returns. Compared to the peer group, JPGI has an impressive performance track record; its NAV total returns rank first over five and 10 years, and second over one and three years. The trust's global focus strategy was initiated in October 2008, so has been in place for the vast majority of the last decade. JPGI has the lowest ongoing charge in the sector, although it is only one of two trusts eligible for a performance fee. It has a lower-than-average level of gearing and the third highest dividend yield, which is below the average (although this is skewed by Blue Planet's double-digit yield).

Exhibit 9: AIC Global Equity Income peer group as at 30 August 2018*

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Ongoing charge	Perf. fee	Discount (ex-par)	Net gearing	Dividend yield
JPMorgan Global Growth & Income	423.8	10.4	68.4	96.6	230.7	0.6	Yes	(0.5)	106	3.8
Blue Planet Investment Trust	21.0	8.6	33.4	49.5		3.6	No	(15.6)	132	10.1
Henderson International Income	298.8	8.0	61.5	82.3		0.9	No	1.3	100	2.9
Invesco Perp Select Global Eq Inc	68.2	8.6	54.3	78.7	171.6	0.8	Yes	(0.9)	107	3.4
Murray International	1,448.0	(3.7)	57.2	46.1	152.3	0.6	No	(0.1)	112	4.3
Scottish American	535.4	11.0	69.9	81.4	143.7	0.8	No	2.7	115	2.8
Securities Trust of Scotland	188.7	8.6	55.3	59.9	139.3	0.9	No	(5.7)	105	3.8
Sector average	**426.3**	**7.4**	**57.1**	**70.7**	**167.5**	**1.2**		**(2.7)**	**111**	**4.4**
Trust rank in sector (7 funds)	**3**	**2**	**2**	**1**	**1**	**7**		**4**	**5**	**3**

Source: Morningstar, Edison Investment Research. Note: *Performance to 29 August 2018. 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 JPGI's board, all non-executive and independent of the manager. The chairman is Nigel Wightman, who was appointed as a director in September 2010 and assumed his current role in 2015. The other three directors and their year of appointment are Gay Collins (senior independent director, February 2012), Jonathan Carey (September 2009) and Tristan Hillgarth (November 2014). Three of the directors have backgrounds in asset management, while Collins has long-term experience in the PR/communications industry. All four of the directors hold shares in JPGI, helping to ensure that all shareholders' interests are aligned.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
295 Madison Avenue, 18th Floor
10017, New York
US

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia