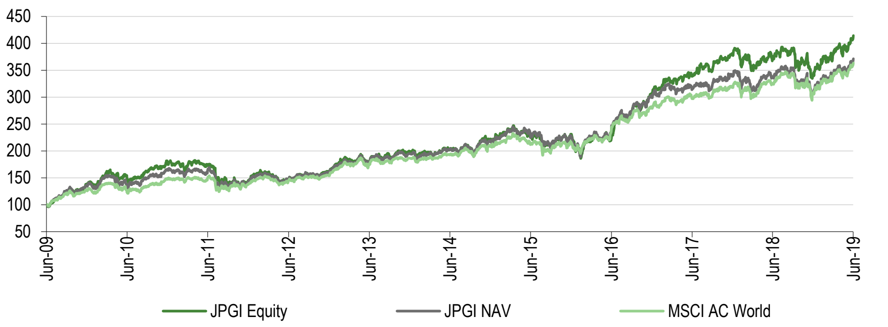
JPMorgan Global Growth & Income

Sharper focus on quality under new managers

Investment trusts
Global equity income

JPMorgan Global Growth & Income (JPGI) has enhanced its management team following the retirement of manager Jeroen Huysinga, with co-manager Tim Woodhouse now supported by Helge Skibeli and Raj Tanna, two of the principal architects of the research-driven global focus investment approach that JPGI follows. While the underlying investment philosophy, backed by more than 50 dedicated research analysts, is unchanged and JPGI remains a relatively concentrated 'best ideas' portfolio, the new team has a greater focus on quality companies that can compound returns over the long term. The managers say that reducing regional risk should maximise the contribution of individual stock positions to returns versus the MSCI AC World benchmark, and lower volatility.

JPGI's strong track record under the global focus process (adopted in 2008)



Source: Refinitiv, Edison Investment Research

The market opportunity

Equities have, on average, produced superior returns to other mainstream asset classes over the very long term, although the risk of capital loss is also higher than with cash or bonds. By investing globally, investors can access growth opportunities in other countries, which may be attractive at a time when conditions in the UK market look less favourable because of continued Brexit uncertainty.

Why consider investing in JPGI?

- JPGI is the only retail investment product offering access to JP Morgan Asset Management's (JPMAM's) research-intensive global focus investment approach. The c 50–90 stock portfolio is based on the best ideas of a large, specialist analyst team.
- The trust invests principally for growth but has a high distribution policy, with dividends set at c 4% of the previous year-end NAV, paid quarterly.
- Performance versus the benchmark MSCI AC World index has been good over most periods and the managers say recent changes to the portfolio should reduce the volatility of returns in the future.

High distribution policy drives small premium to NAV

At 3 July 2019, JPGI's shares traded at a 2.1% premium to NAV. The shares have traded more or less consistently at a premium since the full implementation of the 4% distribution policy in 2017, which has given investors certainty of income without compromising the growth focus of the underlying portfolio.

4 July 2019

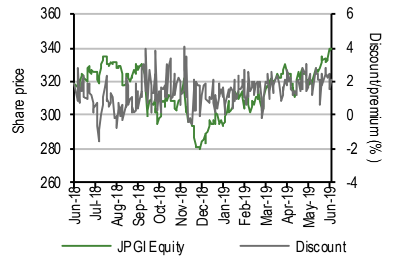
Price	**340.0p**
Market cap	**£452.1m**
AUM	**£475.3m**

NAV*	333.0p
Premium to NAV	2.1%

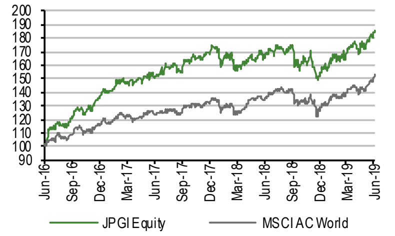
*Including income. As at 2 July 2019.

Yield	3.7%
Ordinary shares in issue	133.0m
Code	JPGI
Primary exchange	LSE
AIC sector	Global Equity Income
Benchmark	MSCI AC World

Share price/discount performance



Three-year performance vs index



52-week high/low	340.0p	279.5p
NAV** high/low	333.0p	275.5p

**Including income.

Gearing

Gross*	6.9%
Net*	4.8%

*As at 28 June 2019.

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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 aims to provide superior total returns and outperform the MSCI AC World index (in sterling terms) over the long term by investing in companies based around the world, drawing on an investment process underpinned by fundamental research. JPGI makes quarterly distributions, set at the beginning of each financial year, with the intention of paying a dividend equal to at least 4% of NAV at the time of announcement.

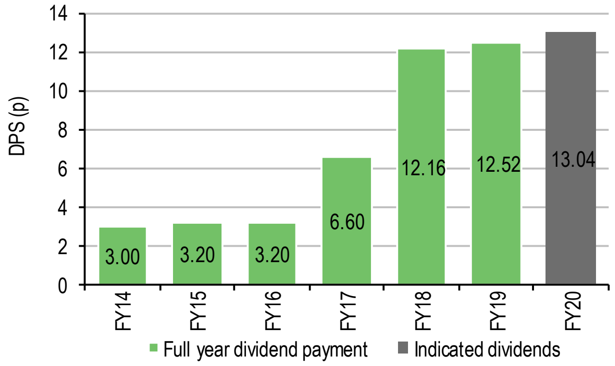
Recent developments

- 2 July 2019: Dividends of 13.04p declared for FY20 (4.0% of 30 June NAV).
- 7 May 2019: fourth interim dividend of 3.13p per share to be paid on 5 July.
- 7 March 2019: results for the half-year ended 31 December 2018. NAV TR -8.5%, share price TR -8.7% versus -5.7% for the MSCI AC World index.
- 1 March 2019: JPGI lead manager Jeroen Huysinga to retire after 22 years at JPMAM and 10 years managing JPGI. Tim Woodhouse continues as joint manager, alongside Helge Skibeli and Raj Tanna.

Forthcoming		Capital structure		Fund details	
AGM	October 2019	Ongoing charges	0.56%	Group	JP Morgan Asset Management
Annual results	September 2019	Net gearing	4.8% (28 June 2019)	Managers	Helge Skibeli, Raj Tanna, Tim Woodhouse
Year end	30 June	Annual mgmt fee	0.40%	Address	60 Victoria Embankment,
Dividend paid	Quarterly	Performance fee	Yes (see page 8)		London EC4Y 0JP
Launch date	1887	Trust life	Indefinite	Phone	+44 (0) 7742 4000
Continuation vote	No	Loan facilities	£30m loan notes	Website	www.jpmglobalgrowthandincome.co.uk

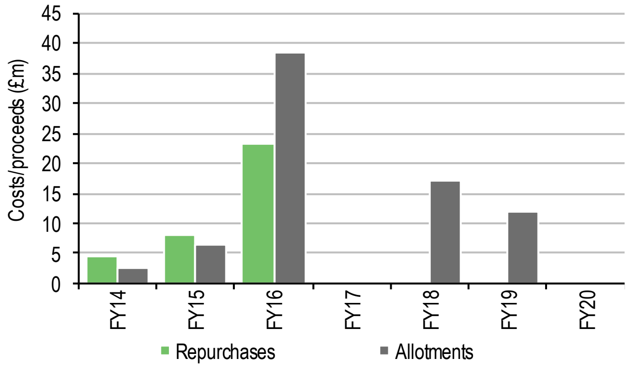
Dividend policy and history (financial years)

Dividends were paid annually in December for periods up to FY16. Under the policy announced in July 2016, quarterly distributions 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 in 2016.

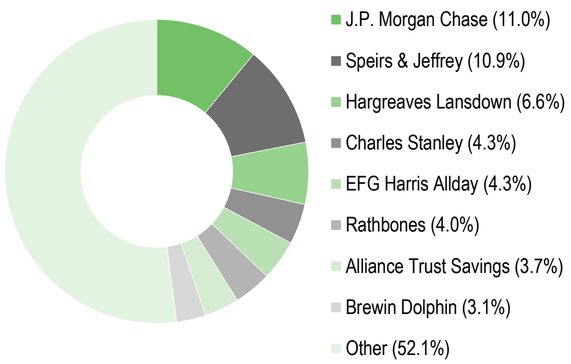


Share buyback policy and history (financial years)

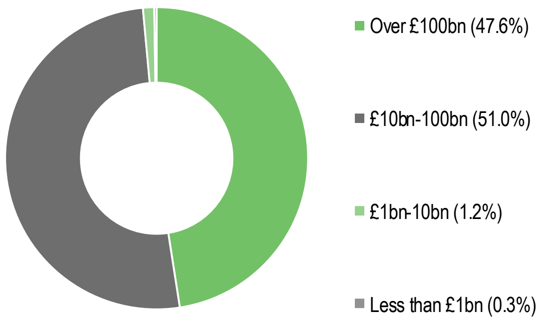
JPGI has the authority, renewed annually, to allot up to the equivalent of 10% of the share capital, and buy back up to 14.99% of shares, to manage a premium or discount. Allotments in the chart include subscription shares (final exercise in October 2015). Chart adjusted for five-for-one stock split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



Shareholder base (as at 28 February 2019)



Portfolio exposure by market capitalisation (as at 31 May 2019)



Top 10 holdings (as at 31 May 2019)

			Portfolio weight %	
Company	**Country**	**Sector**	**31 May 2019**	**31 May 2018***
Alphabet**	US	Media	3.6	4.4
Microsoft	US	Technology - software	3.4	2.8
Amazon	US	Media	2.7	N/A
Honeywell	US	Industrial cyclicals	2.6	N/A
Coca-Cola	US	Consumer staples	2.2	N/A
United Health Group	US	Health services & systems	2.2	2.8
Texas Instruments	US	Tech - semi & hardware	2.2	N/A
Bank of America	US	Banks	2.1	N/A
Pfizer	US	Pharma & medtech	2.1	N/A
Vinci	France	Industrial cyclicals	1.9	N/A
Top 10 (% of holdings)			**25.0**	**21.9**

Source: JPMorgan Global Growth & Income, Edison Investment Research, Bloomberg, Morningstar. Note: *N/A where not in end-May 2018 top 10. **Parent of Google.

Recent developments: Changes to management team

Having managed JPGI for a decade since October 2008, Jeroen Huysinga has retired from asset management to return to higher education, with a view to pursuing a new career in the charity sector. Huysinga had worked at JPMAM for 22 years in the research-driven process (RDP) team and was responsible for implementing the RDP approach in the portfolio of JPGI (then JPMorgan Overseas). Tim Woodhouse, who worked alongside Huysinga, remains part of the management team, which has been expanded to include JPMAM's global head of developed market equity research, Helge Skibeli (who is chief investment officer for the RDP team) and Raj Tanna, head of the RDP international equity team. Although the approach remains broadly unchanged (see Investment process), Woodhouse explains the new team has more of a focus on reduced volatility and a less explicit value approach than Huysinga. JPGI remains a relatively concentrated, 'best ideas' portfolio, but in future the managers expect more of the portfolio's performance versus the index to derive from individual stock positions and less from regional allocation.

Fund profile: Research-driven fund with c 4% yield

JPMorgan Global Growth & Income (formerly JPMorgan Overseas) has existed since 1887 and is listed on the London and New Zealand stock exchanges. It is the only retail investment product offering access to JPMAM's global focus investment strategy, a disciplined, research-intensive process backed up by a large team of experienced, sector specialist analysts. Following the retirement of Jeroen Huysinga (see Recent developments), who had overseen the portfolio since October 2008 when JPGI adopted the global focus strategy, it is now managed by a team made up of Tim Woodhouse, Raj Tanna and Helge Skibeli, who between them have worked at JPMAM for 45 years. Although the trust's objective is to provide superior total returns, JPGI is a member of the Association of Investment Companies' Global Equity Income sector, which it joined in 2016 following the introduction of a high distribution policy. Under this policy, the trust pays out quarterly dividends based on a total annual distribution of c 4.0% of its previous year-end NAV. JPGI uses the MSCI AC World index as a performance benchmark. Gearing is via £30m of 30-year loan notes and is used tactically in response to available investment opportunities.

The fund managers: Woodhouse, Skibeli and Tanna

The managers' view: Increasing impact of stock selection

Woodhouse explains that the refinements to JPGI's investment approach under the expanded management team should result in reduced volatility of returns. There is now less exposure to very out-of-favour companies where the potential returns are higher but the risk of an unfavourable outcome is also elevated, and a greater focus on companies that the managers see as offering higher-quality and long-term compounding of returns. Woodhouse points out that an available pool of 500 stocks (broadly the number in the first two valuation quintiles; see Investment process) encompasses a diverse range of companies that are more 'value' or more 'quality', and in a 50–90 stock portfolio, different portfolio managers could draw on the 'best ideas' of the analysts in very different ways. Woodhouse's background is as a telecoms and media analyst in the European RDP team and he has already brought this expertise to bear in the portfolio, increasing exposure to communications/media stocks such as Amazon and Alphabet (the parent of Google). He argues that Alphabet's P/E multiple, which is not much higher than the S&P 500 average, offers good value given the company has $100bn of cash and owns valuable individual businesses such as YouTube, Google Cloud and Waymo, which are exposed to important structural trends.

Although exposure to some of the world's largest companies, particularly in the US, has risen, the portfolio remains significantly different from the index, offering relatively concentrated exposure to attractively valued names spread across a wide range of geographies and sectors. Woodhouse says a key point is that the managers do not want macroeconomic risk to outweigh the effect of stockpicking. 'Ultimately, when we think of portfolio risk, to have a significant underweight to a region such as North America exposes you to the risk that you have forecasted GDP growth incorrectly,' he says, noting that JPGI's historical country exposure amounted to a big bet on growth in Europe catching up with the US, which now looks less likely to happen in the near term. 'It is hard to get confidence in predicting regional growth, so now we have more focus on stock positions,' he adds.

Asset allocation

Investment process: Disciplined approach with focus on change

The investment process underlying JPGI is based on the dividend discount model developed by JPMAM. Briefly, the model is a research-intensive, cashflow-driven approach to forecasting the long-term expected returns from a company's shares. The analysts in JPMAM's RDP team undertake intensive research, focusing on factors such as the quality of a company's management and products, its competitive position and its use of cash, to generate earnings and cash flow forecasts over a range of time horizons. Analysts are organised into global and local teams, according to whether the industries they cover are driven more by worldwide or country-specific factors. More global sectors include energy and commodities, semiconductors and pharmaceuticals, whereas the more local sectors include retail, construction, property and utilities. The analysts build worldwide and regional industry frameworks, combining global and local insights to create an information advantage. At the core of the philosophy is a belief that spotting signs of structural change is fundamental to identifying long-term winners and losers.

Using discounted cash flow forecasts, the analysts compare the projected future value of each company with its current value and rank all the c 1,200 developed market companies they cover into valuation quintiles, from 1 (undervalued) to 5 (overvalued). JPMAM's analysis suggests that over the long term, undervalued stocks outperform, whereas overvalued stocks underperform. The first two quintiles form the basis of JPGI's investment universe, although the analysts monitor the whole universe and constantly reassess the stocks they cover. The top two quintiles contain c 500 companies, and JPGI's c 75–80 stock portfolio (the official range is 50–90 stocks) is made up of analysts' 'best ideas' from this segment.

Stocks must pass a further three tests (in addition to being in the first two valuation quintiles) before they may be considered for inclusion in JPGI's portfolio. Firstly, they must have 'significant profit potential', with at least 25% upside from current to normalised (based on the sector median) earnings per share. Next, there must be an identifiable catalyst for revaluation, such as management change, corporate restructuring or expansion into new markets, which could change how the market perceives the company. Finally, the catalyst must be expected to occur within the next six to 18 months.

To ensure appropriate diversification, JPGI's managers adhere to several broad limits:

- No more than 5% of the portfolio, at the time of purchase, may be invested in a single stock.
- The aggregate of the top 10 holdings may not exceed 30% of the total portfolio and the top 20 holdings must not exceed 50%.
- Unquoted investments may not be held without prior board approval.
- No more than 25% of the portfolio may be invested in non-OECD countries.
- A maximum of 75% of JPGI's assets may be invested (in aggregate) in the US, UK and Japan.

- Relative to the benchmark MSCI AC World index, stock positions will be no more than 5pp above or below the benchmark weight, regional exposures will be no more than 30pp above or below the benchmark weight and sector allocations will be a maximum of 15pp over or under the benchmark weight.
- Where necessary, currency exposure is hedged so it broadly matches the exposure of the benchmark.
- Gearing is used tactically and will be in the range of 5% net cash to 20% geared.

Portfolio turnover has tended to be between 60% and 80% a year, partly because of stocks moving into and out of the top two valuation quintiles, but also because the managers have an active approach to topping up or trimming holdings. This implies an average holding period of around 18 months, in line with the expected timescale for revaluation catalysts to occur, although some positions remain in the portfolio for much longer than this because of their superior long-term growth potential.

Current portfolio positioning

At 31 May 2019, there were 79 stocks in JPGI's portfolio. The top 10 holdings made up 25.0% of the total, which was a slight increase compared with 21.9% a year earlier. Most positions are between 0.5% and 1.5% of NAV, although the top 10 position sizes range from 1.9% to 3.6% (Alphabet).

Since formally taking over from Huysinga on 14 March 2019, Woodhouse, Tanna and Skibeli have made some adjustments to the portfolio, in line with their greater focus on quality growth stocks compared with unloved 'deep value' situations. In geographical terms (Exhibit 2), the exposure to the US had already risen appreciably over recent years (from 43.1% at end-FY17 to 52.0% at end-FY18), but has ticked up further to 53.3% as the managers seek to make the most of stock-specific growth opportunities while reducing the risk of large regional bets versus the index. North American stocks make up the majority of the MSCI AC World index (58.0%), so the portfolio remains somewhat underweight (-4.7pp), with a similarly sized overweight (+5.4pp) in Europe ex-UK. The only other area where the trust is overweight (+1.8pp) is the UK, although in absolute terms the exposure has fallen significantly, from 13.2% of the portfolio at end-FY17 to 6.9% at 31 May 2019.

Exhibit 2: Portfolio geographic exposure vs benchmark (% unless stated)

	Portfolio end-May 2019	Portfolio end-June 2018*	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/ index weight (x)
North America	53.3	53.5	(0.2)	58.0	(4.7)	0.9
Europe & ME ex-UK	19.3	25.6	(6.3)	13.9	5.4	1.4
Emerging markets	8.6	5.1	3.5	11.9	(3.3)	0.7
United Kingdom	6.9	8.4	(1.5)	5.1	1.8	1.4
Japan	4.6	6.3	(1.7)	7.3	(2.7)	0.6
Pacific ex-Japan	3.3	1.1	2.2	3.8	(0.5)	0.9
Cash	4.0	0.0	4.0	0.0	4.0	N/A
	100.0	**100.0**		**100.0**		

Source: JPMorgan Global Growth & Income, Edison Investment Research. Note: *end-FY18.

In sector terms (Exhibit 3), the realignment of the portfolio saw an immediate reduction in energy and materials (basic industries) stocks, which have gone from overweight to underweight positions. Woodhouse comments that the overweight in basic industries meant there was quite a lot of cyclical risk in the portfolio, with some attractively valued but underperforming stocks such as steel makers Outokumpu and ArcelorMittal. These positions have now been sold, leading to an overall reduction in the weighting, as well as a switch into higher-quality, low-cost materials producers such as Rio Tinto, which is actively returning cash to shareholders.

Woodhouse notes an increase in media and internet stocks, including the purchase last year of Amazon. The manager says this was a step-change for the portfolio, which had previously focused more on stocks that Huysinga felt had been unfairly marked down on fears over the 'Amazonisation' of their markets (such as auto parts distributor O'Reilly Automotive, which remains in the portfolio). The manager also favours Alphabet (the parent of Google), which is now the largest position in the portfolio, although he says not owning Facebook continues to be the right decision. Having previously had no exposure to Apple, the largest stock in the index, the managers have recently taken a small position in the company to reduce stock-specific risk versus the benchmark.

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

	Portfolio end-May 2019	Portfolio end-May 2018	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/ index weight (x)
Banks	10.8	11.4	(0.6)	10.4	0.4	1.0
Industrial cyclicals	9.7	8.2	1.5	7.6	2.1	1.3
Pharma & medtech	8.9	8.6	0.3	9.6	(0.7)	0.9
Media	8.8	5.6	3.2	8.0	0.8	1.1
Tech - semi & hardware	6.4	5.5	0.9	7.5	(1.1)	0.9
Technology - software	6.4	5.9	0.5	6.2	0.2	1.0
Retail	6.7	6.0	0.7	5.7	1.0	1.2
Insurance	5.8	5.3	0.5	3.9	1.9	1.5
Consumer staples	5.7	N/S	N/A	6.8	(1.1)	0.8
Energy	5.4	6.4	(1.0)	5.8	(0.4)	0.9
Basic industries	N/S	7.6	N/A	N/S	N/A	N/A
Others	21.4	29.5	(8.1)	28.5	(7.1)	0.8
Cash	4.0	0.0	4.0	0.0	4.0	N/A
	100.0	**100.0**		**100.0**		

Source: JPMorgan Global Growth & Income, Edison Investment Research. Note: N/S=not separately stated; may be included in 'others'.

Industrial cyclicals is the largest overweight versus the index, followed by insurance, where holdings include UK-listed Prudential. This typifies the managers' approach to the UK while the uncertainty over Brexit continues, seeking to limit potential damage by focusing on companies whose economic exposure is mainly outside the UK and EU. Although Prudential retains an important UK life insurance business, Woodhouse says its growth in Asia is exciting, where it has a long pedigree and a well-developed distribution network, having been operating in the region for almost 40 years. Drinks maker Diageo is another favoured UK stock with significant overseas exposure. Woodhouse says its focus on premium brands (it recently spent $1bn buying the Casamigos tequila brand from George Clooney and his business partners) is key in a world where social media can provide instant feedback on products. However, in line with the move towards favouring stock-specific over regional risk, he adds that the team would consider a switch into US company Brown Forman (which owns Jack Daniel's whiskey, among other premium brands) if the valuation differential between the two companies were to reduce.

Performance: Strong versus index over most periods

Exhibit 4: Five-year discrete performance data

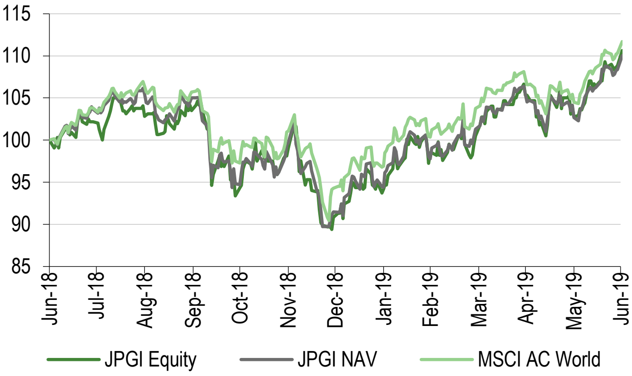
12 months ending	Share price (%)	NAV (%)	MSCI AC World (%)	MSCI World (%)	FTSE All-Share (%)
30/06/15	10.3	11.2	10.1	10.9	2.6
30/06/16	(0.6)	8.2	13.9	15.1	2.2
30/06/17	51.1	29.2	22.9	22.3	18.1
30/06/18	10.5	7.3	9.5	9.9	9.0
30/06/19	8.8	8.3	10.3	10.9	0.6

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

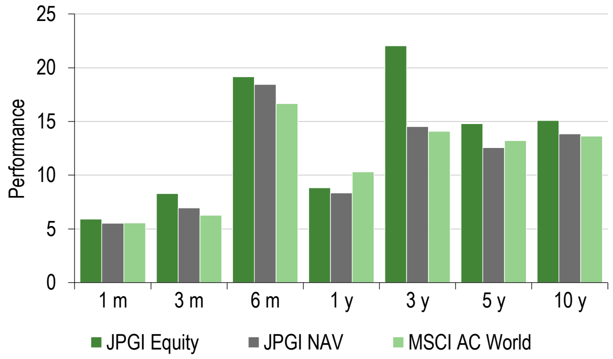
After an exceptional financial year ending 30 June 2017 (FY17), JPGI has produced more modest but still positive performance in the past two years. The refinements to the investment process under the new management team appear to be bearing fruit; having underperformed the MSCI AC World index in both share price and NAV total return terms in FY H119 (to 31 December 2018), the trust has broadly matched or beaten the index over one, three and six months to 30 June 2019 (Exhibits 5 and 6).

Exhibit 5: Investment trust performance to 30 June 2019

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



Price, NAV and benchmark total return performance (%)



Source: Refinitiv, Edison Investment Research. Note: Three, five and 10-year performance figures annualised.

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

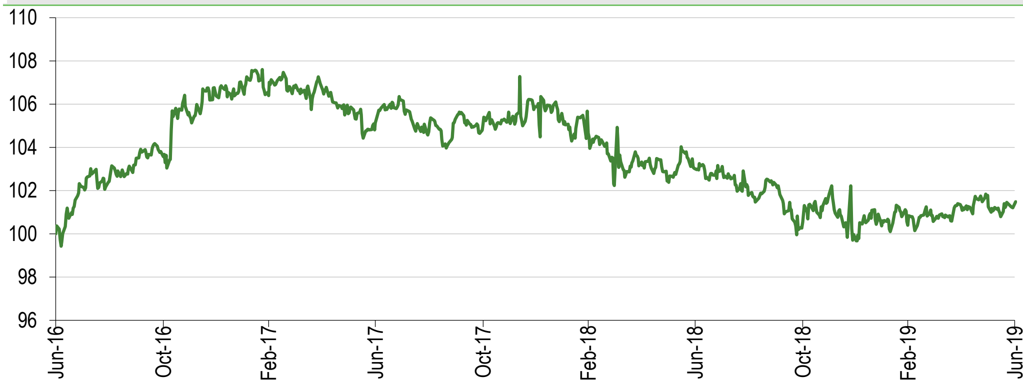
	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to MSCI AC World	0.3	1.9	2.1	(1.3)	22.5	7.1	13.6
NAV relative to MSCI AC World	0.0	0.6	1.5	(1.8)	1.2	(2.8)	1.9
Price relative to MSCI World	0.3	1.5	1.5	(1.9)	21.9	4.8	7.6
NAV relative to MSCI World	(0.1)	0.2	0.9	(2.3)	0.8	(4.9)	(3.5)
Price relative to FTSE All-Share	2.2	4.9	5.5	8.2	40.4	46.8	52.6
NAV relative to FTSE All-Share	1.8	3.6	4.9	7.7	16.0	33.2	36.8

Source: Refinitiv, Edison Investment Research. Note: Data to end-June 2019. Cumulative total returns. Geometric calculation.

During FY H119, JPGI's underperformance was largely attributable to stock selection, with UK-listed online retailer ASOS, US video game developer Electronic Arts and Irish budget airline Ryanair the largest individual detractors. Since the turn of the year, stock selection has had a more positive impact. Performance drivers in the first quarter of calendar year 2019 were spread across both defensive and cyclical areas of the market, including pharmaceuticals, consumer staples, telecoms and utilities (defensive) and industrials, financial services and transport (cyclical). More recently, exposure to the semiconductor sector, which had detracted in the early part of the year, has had a positive impact, whereas healthcare stocks (most of which are US-based) have performed less well, as the US election cycle has led to increased focus on controlling the cost of medical treatment.

In relative terms (Exhibit 6), JPGI's share price total return has outperformed the MSCI AC World index over almost all periods shown, while its NAV has slightly lagged over one and five years, but is in line over one month and has outperformed over all other periods under consideration. The trust has convincingly outperformed the FTSE All-Share index in both share price and NAV total return terms over all periods shown, illustrating the potential benefits for UK investors of investing beyond the domestic market.

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

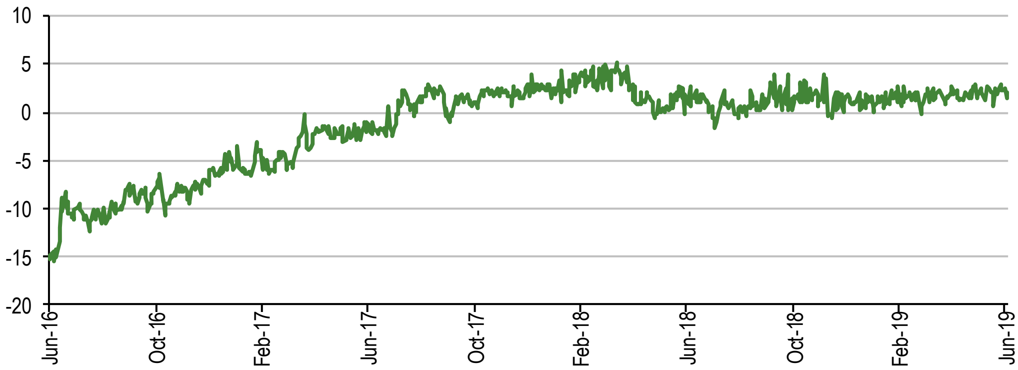


Source: Refinitiv, Edison Investment Research

Discount: Trading consistently at a small premium

At 3 July 2019, JPGI's shares traded at a 2.1% premium to cum-income NAV. The shares steadily rerated following the introduction of the higher distribution policy at the start of FY17 and have broadly traded between par and a 5% premium since mid-2017 (Exhibit 8). The current premium is somewhat higher than the 12-month average of 1.4%, but below the 12-month high of 4.0% seen in August 2018. Over three years (broadly the period since the new distribution policy was introduced) the shares have traded at an average discount to NAV of 1.2%, which is significantly narrower than the five- and 10-year averages of 4.0% and 4.5%, respectively. Regular share issuance helps to satisfy investor demand and keep the premium to NAV under control.

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



Source: Refinitiv, Edison Investment Research

Capital structure and fees

Structured as a conventional investment trust with one class of share, JPGI has 133.0m ordinary shares outstanding. This is an increase of 3.8m shares (2.9% of the share base) so far in FY19, as a result of regular issuance of shares. 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 premium or discount. Gearing is via a £30m issue of 30-year unsecured fixed-rate loan notes with an annualised coupon of 2.93%. This equates to available gearing of c 6.9% based on 28 June 2019 net assets, compared with a permitted range of 5% cash to 20% geared. At 28 June 2019, JPGI's net gearing was 4.8%, down from 6.1% at end-FY H119.

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 the trust's assets less current liabilities. A performance fee (15% of outperformance) may be paid if JPGI's NAV total return is more than 0.5% ahead of the benchmark total return in a financial year. Payment of any performance fees is spread over the subsequent four financial years and may be written back in the event of future underperformance. For FY18, ongoing charges were a very competitive 0.56% (FY17: 0.57%), and no performance fee was paid, as the trust's 8.2% NAV total return was behind the 8.9% return on the MSCI AC World index.

Dividend policy and record

JPGI adopted a new, higher distribution policy at the start of FY17, whereby it declares a dividend of at least 4.0% of the previous year end's NAV (30 June), paid out in four instalments in October, January, April and July. The policy was fully implemented from the start of FY18, with FY17 being a transitional period. As well as a higher yield, the policy gives investors greater of the level of their income from the trust over the coming year, although it is worth noting that in years when NAV returns are negative, the distribution may fall compared with the previous year. For FY19, a total dividend of 12.52p was declared (paid in four instalments of 3.13p), being 4.0% of the end-June 2018 NAV per share of 313.2p. This was an increase of 3.0% on the FY18 total dividend. The revenue return per share in FY18 was 4.24p, so the FY19 dividend has been partly funded from capital and revenue reserves. JPGI's NAV per share at end-June 2019 was 325.8p, and on 2 July the trust declared an FY20 dividend of 13.04p (4.0% of 325.8p), a prospective yield of 3.8% based on the current share price.

The board of JPGI sees the revised distribution policy as a way of satisfying investors' desire for income without compromising the trust's capital growth-focused investment strategy. It has clearly found favour with investors, as the shares have regularly traded at a premium to NAV since mid-2017, having previously traded at a c 5–10% discount. Based on the FY19 total dividend and the current share price, JPGI has a yield of 3.7%.

Peer group comparison

Since adopting its higher distribution policy in June 2016, JPGI has been a member of the Association of Investment Companies' Global Equity Income sector. It is the third-largest fund in the peer group and its NAV total return performance has been above average over three, five and 10 years, ranking second, second and first, respectively. The trust lags the peer group average over one year to 1 July 2019, with a 7.8% increase in NAV. Although three peers have produced double-digit gains over the past year, their portfolios have little in common in terms of regional or sector allocations, suggesting that outcomes have largely been a product of stock selection.

JPGI has the lowest ongoing charges in the peer group, although it is one of two peers to charge a performance fee. It currently trades on the second-highest premium in the group, with four of the peers trading at a premium to NAV and two at a discount. Gearing is below average, while the dividend yield is a little above average. The trust is the only member of the group to target a specific level of distribution that may be funded out of capital; the rest of the peers primarily pay dividends out of portfolio income.

Exhibit 9: AIC Global Equity Income sector as at 1 July 2019*

% 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 (cum-fair)	Net gearing	Dividend yield
JPMorgan Global Growth & Income	**450.3**	**7.8**	**48.2**	**80.5**	**267.5**	**0.6**	**Yes**	**2.1**	**103**	**3.7**
Henderson International Income	304.2	7.2	36.5	69.9		0.8	No	1.8	104	3.3
Invesco Perp Select Glo Eq Inc	64.2	4.2	37.9	67.9	202.3	0.8	Yes	(3.4)	105	3.4
Murray International	1,497.2	10.5	27.1	50.6	202.4	0.7	No	(3.7)	110	4.6
Scottish American	588.8	14.4	48.9	84.6	267.4	0.8	No	3.9	113	2.9
Securities Trust of Scotland	206.8	12.4	33.8	61.0	246.8	0.9	No	0.5	111	3.2
Sector average (6 funds)	**518.6**	**9.4**	**38.7**	**69.1**	**237.3**	**0.8**		**0.2**	**108**	**3.5**
JPGI rank in sector	**3**	**4**	**2**	**2**	**1**	**6**		**2**	**6**	**2**

Source: Morningstar, Edison Investment Research. Note: *Performance to 1 July 2019 based on ex-par NAV. TR=total return. Net gearing is total assets less cash and equivalents as a percentage of net assets (100 = ungeared).

The board

JPGI has four directors, all non-executive and independent of the manager. Nigel Wightman has served on the board since 2010 and became chairman in 2015. Gay Collins, the senior independent director, was appointed in 2012. Jonathan Carey, who chairs the audit and management engagement and remuneration committees, is the longest-serving director, having joined the board in 2009. Tristan Hillgarth became a director in 2016. The directors have professional backgrounds in investment management and PR/communications.

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