EDISON

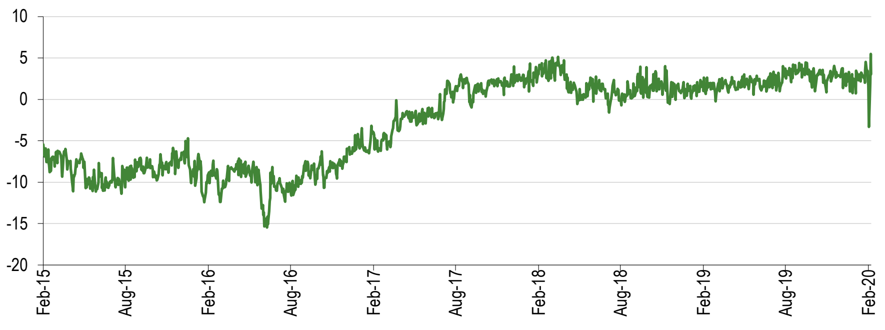
JPMorgan Global Growth & Income

Global 'best ideas' portfolio paying c 4% yield

Investment trusts
Global equity income

JPMorgan Global Growth & Income (JGGI) seeks capital growth from a portfolio of c 50–90 attractively valued stocks drawn from the best ideas of J.P. Morgan Asset Management's (JPMAM's) large team of research-driven global equity analysts. The portfolio is managed by the new team of Helge Skibeli, Raj Tanna and Tim Woodhouse (co-manager alongside Jeroen Huysinga, who retired in Q219). While recent returns have inevitably been hit by the global stock market sell-off, JGGI's NAV total return of +9.5% is ahead of the benchmark MSCI AC World index (+8.8%) over 12 months to 29 February 2020, and broadly in line over one, three and six months. The trust also seeks to reward investors through a high distribution policy, paying out c 4% of the previous year-end NAV in quarterly instalments.

Sustained re-rating since JGGI's 4% distribution policy introduced in 2016



Source: Refinitiv, Edison Investment Research. Note: Shows discount to cum-fair NAV.

The market opportunity

Although near-term returns from equity markets are likely to be volatile, given the level of fear over the impact of the COVID-19 outbreak, there are still some reasons to be optimistic, given monetary and fiscal stimuli and the fact that underlying economic and corporate earnings data had previously been improving. With equity valuations now looking less extended, there may be bargains to be had for investors with a longer-term focus who are prepared to wait out the current storms.

Why consider investing in JGGI?

- Well-defined and consistently applied research process, with managers drawing the best ideas from JPMAM's large and integrated global equity analyst team.
- Diversified portfolio giving access to multiple growth drivers around the world.
- A 4% distribution policy provides visibility over dividends for the year ahead and is well-suited to the investment trust structure.
- A highly experienced portfolio management team, with an average industry experience of 23 years (an average of 17 years with JPMAM).

Sell-off fails to dent consistent rating

Since adopting its higher distribution policy at the start of FY17, JGGI has regularly traded at a premium to cum-income NAV. Although there was a brief spike to a discount in late February (see chart above), the trust is once again trading above NAV, at a premium of 5.2% on 12 March compared with a one-year average of 2.4%. The higher yield (currently 4.7%) has been a major factor in the re-rating.

13 March 2020

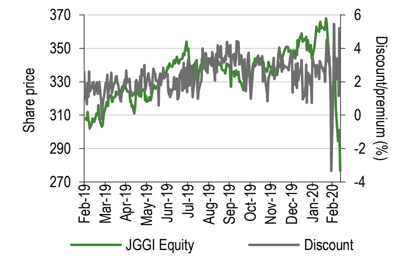
Price	**276.5p**
Market cap	**£384.9m**
AUM	**£395.8m**

NAV*	286.1p
Premium to NAV	5.2%

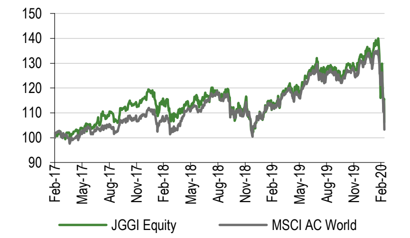
*Including income. As at 12 March 2020.

Yield	4.7%
Ordinary shares in issue	139.2m
Code	JGGI
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	368.0p	276.5p
NAV** high/low	355.4p	262.8p

**Including income.

Gearing

Gross*	7.0%
Net cash*	1.2%

*As at 6 March 2020.

Analysts

Sarah Godfrey +44 (0)20 3681 2519
Mel Jenner +44 (0)20 3077 5720
investmenttrusts@edisongroup.com
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	Recent developments
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. JGGI 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.	■ 25 February 2020: Results for the six months ended 31 December 2019. NAV TR +4.7% with debt at par value (+4.5% with debt at fair value) and share price TR +5.9% versus +4.6% for the MSCI AC World index. ■ 24 February 2020: Stock ticker changed from JPGI to JGGI as part of a move to help signpost investors to J.P. Morgan investment trusts using their initials. ■ 20 February 2020: Third interim dividend of 3.26p declared in respect of the year ending 30 June 2020.

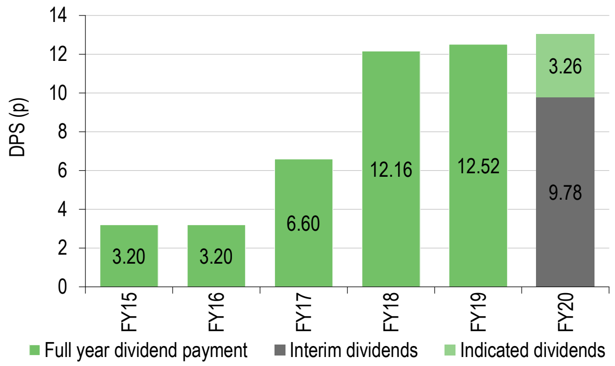
Forthcoming		Capital structure		Fund details	
AGM	November 2020	Ongoing charges	0.55% (H120)	Group	J.P. Morgan Asset Management
Annual results	September 2020	Net gearing	1.1% (28 February)	Managers	Helge Skibeli, Raj Tanna, Tim Woodhouse
Year end	30 June	Annual mgmt fee	0.40%	Address	60 Victoria Embankment,
Dividend paid	Quarterly	Performance fee	Yes (see page 9)		London, EC4Y 0JP
Launch date	1887	Trust life	Indefinite	Phone	+44 (0) 20 7742 4000
Continuation vote	No	Loan facilities	£30m loan notes	Website	www.jpmglobalgrowthandincome.co.uk

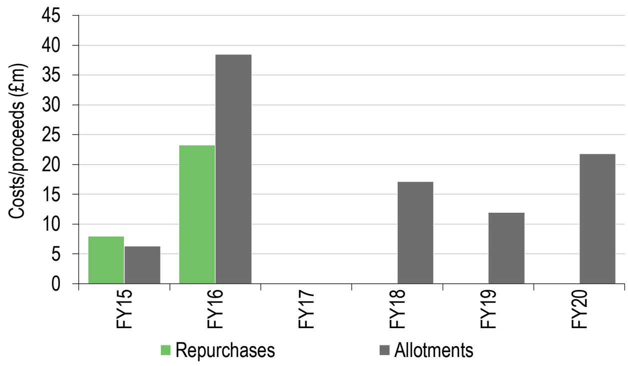
Dividend policy and history (financial years)

Under a 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 2016 stock split.

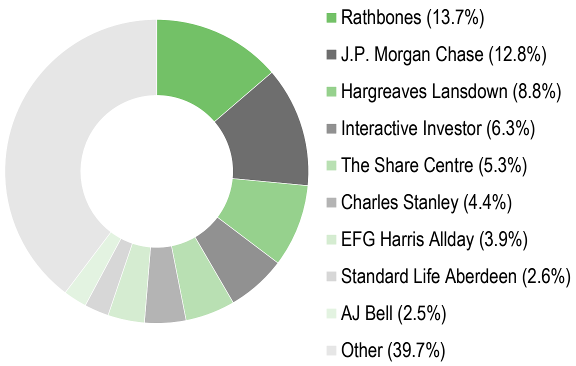
Share buyback policy and history (financial years)

JGGI 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 a discount. Chart is adjusted for a stock split in January 2016 and allotments include subscription shares (final exercise in October 2015).

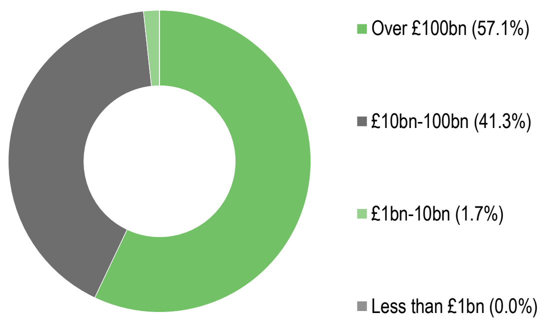




Shareholder base (as at 31 January 2020)



Portfolio exposure by market capitalisation (as at 31 January 2020)



Top 10 holdings (as at 31 January 2020)

			Portfolio weight %	
Company	**Country**	**Sector**	**31 January 2020**	**31 January 2019***
Microsoft	US	Technology - software	3.9	3.1
Alphabet**	US	Media	3.7	3.0
Amazon	US	Media	3.6	2.4
Coca-Cola	US	Consumer staples	3.0	N/A
NextEra Energy	US	Utilities	2.7	N/A
Honeywell	US	Industrial cyclicals	2.5	N/A
Vinci	France	Industrial cyclicals	2.4	N/A
Schneider Electric	France	Industrial cyclicals	2.2	N/A
Norfolk Southern	US	Transportation	2.2	N/A
Taiwan Semiconductor Manufacturing	Taiwan	Tech - semi & hardware	2.2	N/A
Top 10 (% of holdings)			**28.4**	**22.4**

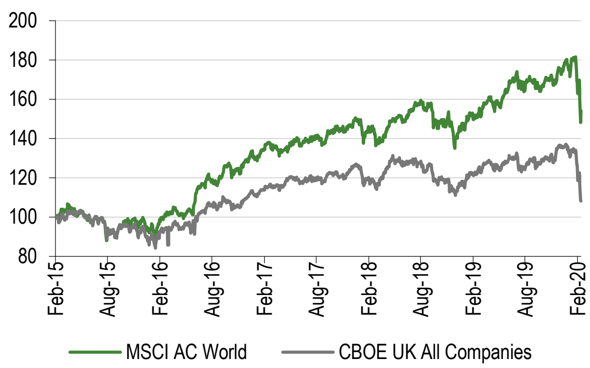
Source: JPMorgan Global Growth & Income, Edison Investment Research, Bloomberg, Morningstar. Note: *N/A where not in end-January 2019 top 10. **Parent of Google.

Market outlook: Virus fears spark volatility

After starting the year in (possibly irrationally) exuberant form, global equity markets declined sharply in late February and into early March as fears grew over the impact of the COVID-19 outbreak on both public health and economic activity. The drop can be seen clearly in Exhibit 2 (left-hand side), wiping out more than six months of gains from both the broad global market and the UK. As governments, central banks and investors continue to try to steer a path through the uncertainty, markets are likely to remain volatile, at least in the near term. However, one immediate impact has been to blow some of the froth off market valuations (Exhibit 2, right-hand side). Between 20 February and 12 March, the 12-month forward P/E ratios of the Datastream indices shown fell by between 8.9% (Japan) and 14.2% (US), and the UK and Japan are now trading below their 10-year average valuation. Although spells of market volatility often spark a 'flight to quality' and an increased focus on typically more expensive 'bond proxy' type stocks that are perceived to be safer, investors with more of a long-term outlook may be well rewarded by a strategy that focuses on finding good companies trading at depressed valuations.

Exhibit 2: Market performance and valuation

Global and UK stock market performance (£) over five years



12-month forward P/E valuations of Datastream indices

	Last	High	Low	10-year average	Last as % of average
Europe	12.3	15.5	7.6	12.3	100
UK	11.5	15.7	8.5	12.6	91
US	16.7	19.5	11.2	15.5	108
Japan	12.8	17.4	10.5	13.6	94
World	14.3	16.3	9.8	13.7	105

Source: Refinitiv, Edison Investment Research. Valuation data at 12 March 2020.

Fund profile: Global growth with added income

JPMorgan Global Growth & Income began life in 1887, changing its name from JPMorgan Overseas in July 2016 when it adopted a new, higher distribution policy. JGGI aims to pay a dividend equivalent to at least 4% of the previous year-end NAV, paid in four instalments and announced at the start of the financial year to give investors certainty over their dividends for the coming 12 months. The distributions may be funded out of capital, allowing the fund managers to continue to pursue a growth-orientated investment strategy without being constrained by the need to generate an income. Following on from the successful introduction of this policy (which saw JGGI's share price re-rate appreciably, from a c 10% discount to a small premium to NAV), it has been rolled out across a number of other JPMAM-managed investment trusts, and in February 2020, JGGI changed its ticker from JPGI to enable investors to identify it more easily as part of this suite of products. ('GGI' stands for 'global growth and income; the other funds so far are JCGI (China Growth and Income) and JAGI (Asian Growth & Income)).

JGGI is the only retail investment product to give investors access to JPMAM's research-driven 'global focus' investment strategy, which it adopted in 2008 under previous manager Jeroen Huysinga. He retired in early 2019, and the JGGI portfolio is now overseen by Helge Skibeli, Raj Tanna, and Tim Woodhouse (previously co-manager with Huysinga), who collectively have nearly 50 years' service with JPMAM. The managers are able to draw on the deep resources of the firm's research-driven process (RDP) analyst team in building a portfolio of c 50–90 stocks, with the aim of providing superior total returns to the benchmark MSCI AC World index. Because of its distribution policy, JGGI is a member of the Association of Investment Companies' Global Equity Income sector. Gearing is available via £30m of 30-year loan notes, and is used tactically (sometimes partly or fully offset by cash) in response to available opportunities. At 6 March 2020, net cash was 1.2%.

The fund managers: Skibeli, Tanna and Woodhouse

The managers' view: Focused on 'finding great investments'

Tanna comments that the performance of global stock markets in 2019 represented 'one of the most unanticipated rallies', with the strongest returns coming in the fourth quarter, largely driven by re-rating rather than underlying earnings growth. Having expected a return to earnings growth and better economic data in 2020, the managers are now cognisant of the risks posed to this scenario by the COVID-19 outbreak, which is still very much a developing issue globally, although they also note the role of central banks in continuing to provide support.

While the immediate sell-off sparked by coronavirus fears has brought P/E valuations back somewhat from very extended levels (although the US is still trading at a double-digit premium to its 10-year average forward P/E), Tanna says the team is more interested in cash flows than P/E ratios as a measure of the relative value of companies and markets. 'Globally, the free cash flow yield is much higher than the yields on other assets such as government bonds and credit,' he explains. 'The biggest spread is in Europe, which is generating 6% of its market cap a year in free cash flow versus a guaranteed loss in fixed income.'

At the portfolio level, JGGI now has no exposure to tobacco (having sold Philip Morris International), although Tanna says this is more a fundamentally based view than an environmental, social and governance (ESG) call. 'Smoking rates are going down, partly through people giving up and partly through switching to next-generation products,' he says. 'These are still an unquantified risk, but they are also much lower-margin than existing cigarettes, so companies are cannibalising their own business for lower profits.'

Gearing ticked up slightly during February, from a small net cash to a small net geared position as markets declined heavily in the final week of the month. The team is remaining relatively cautious given the potential significant impact of COVID-19 on economic activity and corporate earnings. However, the managers add: 'We continue to focus our time on identifying great companies that will become great investments, as we believe this is where our true expertise lies.'

Asset allocation

Investment process: Research-intensive 'best ideas' approach

Since 2008, JGGI has been managed using a research-driven investment process underpinned by the dividend discount model (DDM) developed by JPMAM. The model is based on a cash flow-driven approach to forecasting the long-term expected returns of a company's shares. The 89 analysts in JPMAM's research team intensively research c 1,200 developed market companies, focusing on factors such as the quality of the firm's products and management, its competitive position and its use of cash. Based on this analysis, they generate earnings and cash flow forecasts over a range of time horizons, with a particular focus on the longer term.

Using discounted cash flow forecasts, the analysts compare the projected future value of each company they cover with its current value, and rank all companies into valuation quintiles, from 1 (undervalued) to 5 (overvalued). JGGI's investment universe is drawn primarily from the first two valuation quintiles, from which the managers select their highest-conviction companies to create a portfolio of the analysts' 50–90 'best ideas'. At the core of the process is the belief that the information advantage gained from the depth of research allows the analysts to spot signs of structural change and therefore identify likely long-term winners and losers.

While JGGI's portfolio is a largely unconstrained, 'best ideas' selection, a number of portfolio construction parameters aim to limit unintended risks by ensuring appropriate diversification. These include limits on position sizes, with a maximum of 5%, at the time of purchase, in a single stock, and the top 10 and top 20 holdings respectively limited to 30% and 50% of the total. No more than 25% of the portfolio may be held in non-OECD countries, and the US, UK and Japan in aggregate may make up no more than 75% of the total. In relative terms, stock positions will be no more than 5pp above or below the MSCI AC World index weight, sector allocations will be a maximum of 15pp above or below the benchmark, and regional exposure will be no more than 30pp above or below the index weight. Only North America accounts for more than 30% of the index, so in theory JGGI could zero-weight any other region. Unquoted investments may only be held with prior board approval. Gearing will normally be in a range of 5% net cash to 20% geared and, where necessary, currency exposure will be hedged so it broadly matches the exposure of the benchmark.

Portfolio turnover has historically been between 60% and 80% a year, implying an average holding period of around 18 months. As JGGI only selects stocks from the first two valuation quintiles, a significant revaluation would be likely to spark a sale, and the managers also have an active approach to topping up or trimming positions. During FY19, the level of turnover was higher, at c 106%, reflecting the changes made by the new management team. In H120, turnover was 37.8%, or an annual rate of 75.6%, which is back within the normal range.

Current portfolio positioning

At 31 December 2019 (end-H120), JGGI had 68 companies in its portfolio, a net reduction of 14 from 82 at end-FY19 (30 June). The shorter stock list accompanies an increase in concentration, with the top 10 holdings accounting for 28.4% of the portfolio at end-January 2020, up from 22.4% a year earlier (Exhibit 1). The past 12 months have been a time of transition for JGGI's portfolio, following the retirement of former manager Jeroen Huysinga. While the investment process remains unaltered, Tanna comments that there is inevitably a degree of portfolio turnover following a manager change, and also there was a significant style rotation in markets during the summer months, leading to stock-level volatility, from which the managers were keen to benefit. The first half of FY20 saw 19 names leave the portfolio, with five new purchases.

As shown in Exhibit 3, over the 12 months to end-January 2020, the geographical weightings to North America and Europe rose, while all other regions went down. There is now no developed Asia Pacific exposure, following the sale of Goodman (Australia) and DBS (Singapore). Cash levels also rose substantially, although the volatility in recent weeks has seen JGGI move back to a net geared position at 28 February, having previously had slightly net cash. Although the North American weighting (which is entirely US) rose by 2.3pp over the 12 months, the make-up of the US portfolio is now much more focused, falling from 40 to 32 stocks between end-H119 and end-H120 (having risen in the intervening period to 42 at end-FY19). The managers have increased the overweight to Europe, which they say has 'some of the best businesses in the world'. UK exposure fell sharply over the 12 months to end-January 2020, although most of the reduction came in H219 when Brexit uncertainty was at its height.

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

	Portfolio end-January 2020	Portfolio end-January 2019	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/ index weight (x)
North America	56.1	53.8	2.3	59.3	(3.2)	0.9
Europe & ME ex-UK	22.5	19.3	3.2	13.7	8.8	1.6
Emerging markets	7.2	7.9	(0.7)	11.8	(4.6)	0.6
United Kingdom	4.9	11.0	(6.1)	4.7	0.2	1.0
Japan	3.2	5.0	(1.8)	7.1	(3.9)	0.5
Pacific ex-Japan	0.0	2.2	(2.2)	3.4	(3.4)	0.0
Cash	6.1	0.8	5.3	0.0	6.1	N/A
	100.0	**100.0**		**100.0**		

Source: JPMorgan Global Growth & Income, Edison Investment Research

In sector terms, the biggest disclosed changes over 12 months to end-January were increases in industrial cyclicals (+3.5pp) and retail (+3.4pp), and a reduction in banks (-4.9pp). However, energy – which was a 4.2% position at end-H120 – was not one of the 10 largest sector exposures at 31 January 2020 (financial services ranked 10th at 3.8% of the portfolio), suggesting it has fallen by more than 3.4pp over 12 months, partly as a result of the sales in H120 of EOG Resources and Pioneer Natural Resources, as well as poor performance from stocks still held, such as Diamondback Energy.

Exhibit 4: Portfolio sector exposure vs MSCI AC World index (% unless stated)

	Portfolio end-January 2020	Portfolio end-January 2019	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/ index weight (x)
Industrial cyclicals	11.6	8.1	3.5	7.4	4.2	1.6
Pharma & medtech	10.1	9.0	1.1	9.9	0.2	1.0
Media	8.4	6.9	1.5	8.4	0.0	1.0
Technology - software	8.4	7.3	1.1	6.5	1.9	1.3
Retail	7.4	4.0	3.4	5.6	1.8	1.3
Banks	7.2	12.1	(4.9)	9.7	(2.5)	0.7
Tech - semi & hardware	6.8	N/S	N/A	9.1	(2.3)	0.7
Insurance	4.3	5.8	(1.5)	3.8	0.5	1.1
Consumer staples	4.3	6.1	(1.8)	6.5	(2.2)	0.7
Financial services	3.8	N/S	N/A	4.8	(1.0)	0.8
Energy	N/S	7.2	N/A	N/S	N/A	N/A
Basic industries	N/S	5.8	N/A	N/S	N/A	N/A
Others	21.6	26.9	(5.3)	28.3	(6.7)	0.8
Cash	6.1	0.8	5.3	0.0	6.1	N/A
	100.0	**100.0**		**100.0**		

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

Significant new purchases in H120 included fast food chain McDonald's and discount retailer TJX (both US), as well as Swiss pharmaceutical firm Novartis and Japanese factory automation specialist Keyence. Sales included US pharma giant Pfizer and medical device maker Boston Scientific, as well as French aerospace and defence company Thales, and Swiss consumer goods firm Nestlé.

Performance: Ahead over 12 months despite sell-off

Exhibit 5: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	MSCI AC World (%)	MSCI World (%)	CBOE UK All Companies (%)
29/02/16	(9.9)	(6.7)	(2.2)	(0.7)	(7.6)
28/02/17	54.5	47.0	37.5	36.6	23.7
28/02/18	15.0	6.1	7.8	6.6	4.4
28/02/19	(2.1)	(0.9)	3.3	4.6	1.6
29/02/20	3.0	9.5	8.8	9.6	(2.1)

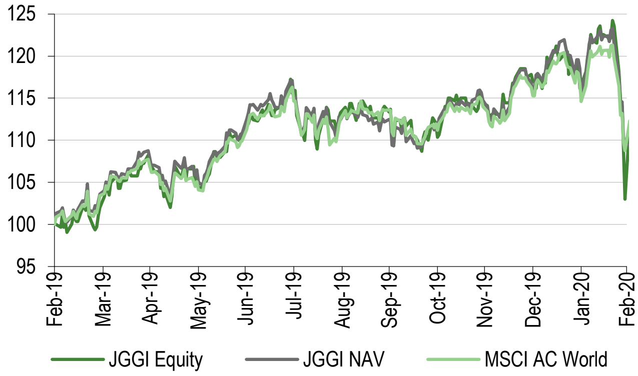
Source: Refinitiv. Note: All % on a total return basis in pounds sterling.

A sharp sell-off in global stock markets in the last week of February, as fears grew over the spread of coronavirus and COVID-19, saw JGGI's NAV and share price fall by 10.8% and 17.5%

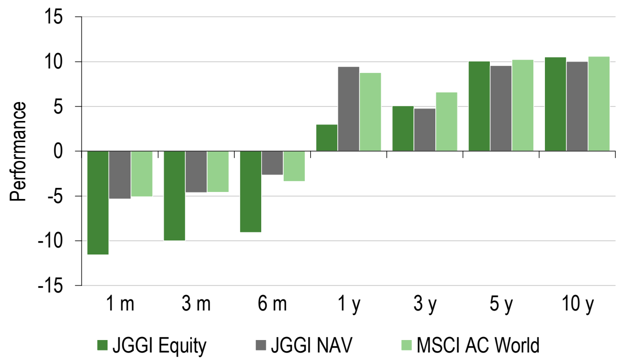
respectively. However, its 12-month NAV total return of 9.5% to 29 February 2020 (Exhibit 5) remains ahead of the benchmark MSCI AC World index return of 8.8%, and far outstrips the return on the broad UK stock market (measured here by the CBOE UK All Companies index), which posted a loss of 2.1%. The magnitude of the drop can be seen in Exhibit 6 (left-hand chart), with its impact on returns over periods of less than one year evident in the right-hand chart. So far in this month, the share price and NAV have both rebounded somewhat, up 11.9% and 5.0% respectively at 5 March, suggesting market sentiment remains finely balanced between fear and greed. Looking over the longer term, JGGI's annualised three-year NAV and share price total returns of c 5% are somewhat behind the benchmark's 6.6% annual return, while over five and 10 years annualised total returns from both JGGI and the index are all in the region of c 10%, a creditable performance.

Exhibit 6: Investment trust performance to 29 February 2020

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.

In H120 (ended 31 December), JGGI's NAV total return with debt at par value marginally outperformed the benchmark, at 4.7% versus 4.6%. With debt at fair value, the trust's 4.5% NAV total return marginally underperformed. Positive contributors to relative performance during the half year included Alphabet (parent of Google), Charter Communications (a US pay TV, broadband and telecoms provider) and Taiwan Semiconductor Manufacturing (TSMC). Together these three made up 7.6% of the portfolio at the half year end. Detractors from performance included US senior housing supplier Ventas and Netflix (both now sold from the portfolio), as well as energy stocks (particularly those in the US shale sector) and Alexion Pharmaceuticals. Since the turn of the year (to 31 January), TSMC has detracted as a result of concerns over its links with Huawei, following the Chinese company's addition to the US government's 'Entity List', while US rail freight operator Norfolk Southern was a positive contributor.

Exhibit 7: Share price and NAV total return performance, relative to indices (%)

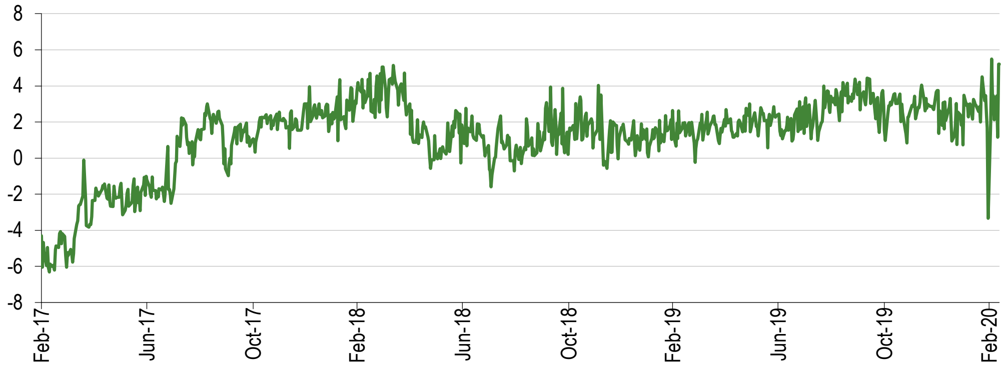
	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to MSCI AC World	(6.8)	(5.7)	(5.9)	(5.3)	(4.2)	(0.8)	(0.8)
NAV relative to MSCI AC World	(0.3)	0.0	0.7	0.6	(5.0)	(3.1)	(5.1)
Price relative to MSCI World	(6.4)	(5.3)	(5.7)	(6.0)	(5.0)	(2.5)	(6.8)
NAV relative to MSCI World	0.1	0.4	1.0	(0.1)	(5.8)	(4.7)	(10.9)
Price relative to CBOE UK All Companies	(2.6)	(0.5)	(3.6)	5.2	11.8	36.2	40.5
NAV relative to CBOE UK All Companies	4.2	5.4	3.2	11.8	10.8	33.0	34.4

Source: Refinitiv, Edison Investment Research. Note: Data to end-February 2020. Geometric calculation.

Discount: Trading consistently at a small premium

At 12 March 2020, JGGI's shares traded at a 5.2% premium to cum-income NAV. This was close to the five-year high of 5.5% seen on 3 March 2020, reflecting current market volatility, with the NAV having fallen by more than the share price on one of the worst trading days in equity market history. The trust briefly spiked downwards to a 3.3% discount at 28 February, the widest point in nearly three years (see Exhibit 8). The current premium compares with average premiums of 2.4% and 1.3% respectively over one and three years, and average discounts of 2.7% and 3.8% respectively over five and 10 years. JGGI's shares re-rated from a persistent c 10% discount following the introduction of the higher distribution policy from FY17 (see front-page chart), leading to the reissuance of more than 15m shares from treasury over this period.

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



Source: Refinitiv, Edison Investment Research

Capital structure and fees

JGGI is a conventional investment trust with one class of share. At 12 March 2020, there were 139.2m ordinary shares in issue. The board regularly issues shares to manage the premium to NAV (up to 10% a year is permitted), and so far in FY20, 6.4m shares (4.8% of the end-FY19 share count) have been allotted, raising £21.8m. Up to 14.99% of shares may be bought back annually to manage a discount to NAV; however, no shares have been repurchased since FY16, prior to the adoption of the higher distribution policy.

The trust is structurally geared via a £30m issue of 30-year unsecured fixed rate loan notes, maturing in 2048 with an annualised coupon of 2.93%. Based on 6 March 2020 net assets, this equates to available gearing of 7.0%, although the trust was ungeared at this date, with cash more than offsetting the borrowing to give a net cash level of 1.2% (compared with a permitted range of 5% net cash to 20% geared).

JGGI's Alternative Investment Fund Manager (AIFM) under the AIFM Directive is JPMorgan Funds, which receives an annual management fee of 0.40% of gross assets. The trust may be liable to pay a performance fee (15% of outperformance) to the AIFM if the NAV total return is more than 0.5pp ahead of the benchmark return in a financial year. The performance fee is paid out over the four subsequent years and may be written back if the NAV total return underperforms during this period. No performance fee was payable in either FY18 or FY19, and ongoing charges at end-H120 (31 December 2019) were 0.55%, a marginal fall from 0.56% at end-FY19.

Dividend policy and record

Since the start of FY17, JGGI has followed a higher distribution policy, targeting a dividend of at least 4.0% of the NAV per share at the previous year end, paid in four equal instalments. Dividends are paid in October, January, April and July, and may be partly funded from capital and revenue reserves. For FY19, the revenue return per share was 4.87p, meaning the 13.04p per share dividend declared for FY20 (being 4.0% of the end-FY19 NAV per share) has been largely funded from capital reserves, as there is currently no revenue in reserve. The H120 (to 31 December 2019) revenue return of 1.77p per share was c 9.2% higher than in H119; portfolio income tends to be higher in the second half of the financial year.

As well as rewarding shareholders with a higher dividend, the distribution policy also aims to give them certainty as to their level of income in the coming year. It is worth noting that in years when NAV returns are negative, the cash value of the dividend may be lower than in the prior year. However, the dividend has grown in absolute terms in each year since the new policy was announced, from 6.6p in FY17 (which was a transitional year) to 12.16p in FY18, 12.52p in FY19, and 13.04p in FY20. The board sees the policy as a means of satisfying investor demand for income without compromising JGGI's growth-orientated investment strategy. The success of this is arguably evident in the fact that JGGI has moved from a discount to NAV to a premium largely in line with those of its peers in the Global Equity Income sector (see Exhibit 9). Based on the current share price and the FY20 dividend, JGGI currently yields 4.7%, reflecting the impact of recent equity market weakness on the share price.

Peer group comparison

Exhibit 9: AIC Global Equity Income sector as at 12 March 2020*

% 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	Premium/ (discount)	Net gearing	Dividend yield
JPMorgan Global Growth & Income	**384.8**	**(0.8)**	**2.1**	**43.0**	**120.9**	**0.6**	**Yes**	**5.3**	**100**	**4.7**
Henderson International Income	259.2	(7.7)	(3.0)	30.5	--	0.8	No	6.7	108	4.5
Invesco Perp Select Glo Eq Inc	49.3	(9.3)	(6.1)	24.9	89.5	0.9	Yes	6.4	108	4.2
Murray International	1,217.8	(7.7)	(7.2)	27.7	83.0	0.7	No	1.1	112	5.7
Scottish American	499.9	2.0	17.9	68.1	132.2	0.8	No	1.7	113	3.5
Securities Trust of Scotland	165.9	(0.8)	5.6	39.9	128.5	0.9	No	(0.2)	109	3.9
Sector average (6 funds)	**429.5**	**(4.0)**	**1.5**	**39.0**	**110.8**	**0.8**		**3.5**	**108**	**4.4**
JGGI rank in sector	**3**	**2**	**3**	**2**	**3**	**6**		**3**	**6**	**2**

Source: Morningstar, Edison Investment Research. Note: *Performance to 11 March 2020 based on cum-fair NAV. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets (100 = ungeared).

JGGI is a constituent of the AIC's Global Equity Income sector, a group of funds that invest globally and pay dividends, but otherwise differ substantially: for example, Henderson International Income Trust (HINT) specifically excludes the UK, while Murray International (MYI) has a strong bias towards emerging markets. Over all periods shown in Exhibit 9, JGGI's NAV total return performance is above the sector average, ranking second, third, second and third respectively over one, three, five and 10 years. It has the lowest ongoing charges in the peer group, although it is one of two funds that may be liable for a performance fee. Underlining the attractiveness of dividends to investors in an environment of continued low bond yields, the funds currently trade at an average premium to NAV, with JGGI's 5.3% premium (at 11 March) being the third-highest (one fund stood at a slight discount at this date). JGGI is the only trust in the group that is currently ungeared, and its 4.7% dividend yield is the second-highest in the sector, although it should be noted that the trust is the only one in the peer group to target a specific level of dividend yield that may be funded partly out of capital.

The board

JGGI currently has five directors, all non-executive and independent of the manager. Nigel Wightman became chairman in 2015, having served on the board since 2010. Jonathan Carey, chairman of the audit and management engagement and remuneration committees, was appointed in 2009. He intends to stand down at the 2020 AGM. Gay Collins, the senior independent director, joined the board in 2012, while Tristan Hillgarth was appointed in 2014. The newest director, Sarah Whitney, was appointed at the start of 2020 and will assume the role of chair of the audit and management engagement committee on Carey's retirement. The directors have professional backgrounds in investment management, corporate finance and PR/communications.

Frankfurt +49 (0)69 78 8076 960	London +44 (0)20 3077 5700	New York +1 646 653 7026	Sydney +61 (0)2 8249 8342
Schumannstrasse 34b	280 High Holborn	1,185 Avenue of the Americas	Level 4, Office 1205
60325 Frankfurt	London, WC1V 7EE	3rd Floor, New York, NY 10036	95 Pitt Street, Sydney
Germany	United Kingdom	United States of America	NSW 2000, Australia