

# JP Morgan Emerging Markets Income Investment Trust

Global Emerging Markets

## Introduction

The trust seeks to provide an income to shareholders greater than that of the benchmark. The focus is on high quality companies with a blend of income growers, core income and high yielders in the portfolio. This blending of companies at different stages of their income paying cycle gives the trust the ability to grow capital over time as well as having income growth.

[Click here to read the JPM approach to ESG investing.](#)



## Manager - Omar Negyal, Jeffrey Roskell, Isaac Thong

**Omar Negyal** is a Portfolio Manager on the Emerging Markets and Asia Pacific Equities Team. Omar joined JPM in October 2012. He is experienced in emerging markets, with previous analyst and portfolio manager roles at HSBC Global Asset Management, Lansdowne Partners and F&C Asset Management. Omar has an MA, MEng in Chemical Engineering from the University of Cambridge and is a CFA Charterholder.

**Jeffrey Roskell** is a portfolio manager and head of the income team within the Emerging Markets and Asia Pacific Equities team, based in Hong Kong. He joined JPM in 1997 as an investment manager within the Global Equities team in Hong Kong and transferred to manage Asia Pacific portfolios in 2000. He joined the industry in 1992 as a graduate trainee with Prudential Portfolio Managers Limited in London, and subsequently specialised in managing portfolios investing in Continental European equities. Jeffrey obtained an M.A. in Economics from Cambridge University and the IMC from London Business School.

**Isaac Thong** is a portfolio manager for the Emerging Markets and Asia Pacific (EMAP) Income and Total Emerging Markets strategies within the EMAP Equities team, based in London. He was previously a country specialist for Vietnam and Thailand equities and a member of the ASEAN team within the EMAP Equities team based in Singapore. He joined JPM in 2013 from Maybank Asset Management where he was a senior investment analyst covering South Asian equities within the commodities space. He began his career in 2009 with ANZ Banking Group as an economic analyst for the Asia ex-Japan region. Isaac obtained a Bachelor of Commerce degree from McGill University and is a CFA Charterholder.

## Trust Objective

The trust aims to provide dividend income, together with the potential for long term capital growth from a diversified portfolio of emerging market investments.

## Investment Process

The team work on a bottom-up fundamental stock picking framework. The trust will aim to invest in high quality businesses that compound earnings growth over long periods. Analysts undertake fundamental work on companies, completing a 98 question risk profile about the company covering business economics, duration (sustainability of earnings) and governance questions. Approximately half of the questions are around governance and these questions have been used for over a decade.

All analyst work is inputted into a central repository which is accessed by portfolio managers globally. Companies are classified as Premium, Quality, Trading and Structurally Challenged based on the analysts' fundamental work. Analysts input forward return expectations and the companies are ordered by greatest return expectations over a five-year period. The managers believe that five-year expectations are not covered by the wider market, with only shorter-term expectations used by the wider market. The managers believe this offers an advantage against the wider market. Expected returns are evaluated through four sources; earnings growth and dividends which are in management's control, and a change in valuation and currency movements which are influenced by the market. Given that the focus is on income, the managers expect returns to be driven from dividends. Greater scrutiny is on the cash flow conversion of businesses as this is where the dividends will be paid from. Time is spent understanding how management teams view minority shareholders and where cash flow is being used e.g. dividends, investments, acquisitions etc. Earnings growth is key as this can drive cash flow and dividend payments over the longer term.

## Gearing

The trust can utilise gearing up to 20% of net assets.

## Performance Fees

No Performance Fees.

## Discount Mechanism

The trust will undertake purchases and sales of shares to address supply and demand imbalances. There are no particular discount targets.

## Our View

The trust takes advantage of its ability to use gearing which is spread proportionately across the portfolio thereby enhancing the income generated. The revenue reserve is used to smooth income to investors with increases in the income paid to shareholders laying the foundations for increasing income payments over time. The majority of investments will be within the Quality classification, but the trust does also use some trading positions to enhance returns. The analyst resource is vast and fully used by the wider emerging markets team and there is collaboration between the income and growth teams. There are periods of volatility, but longer-term investors are being paid, via income, to weather those periods.

**How to Use This Trust:** This trust can be used as a core holding in an income or growth portfolio. For those seeking a consistent income the trust is ideally placed with its revenue reserve actively used to grow payments to shareholders. There will be bouts of volatility in emerging markets but if these can be weathered the quality positioning of the portfolio will reward longer term investors.

## Key Strengths

### Business

JP Morgan is one the largest asset management firms in the world with strong franchises across the banking and financial services sector.

### Team

The team includes analysts who cover some 1,300 companies across the emerging market universe. The managers and analysts are encouraged to engage in dialogue with one another using a long-established framework.

### Process

The long-established process for investing in emerging markets is adapted with a focus on the income element of return.

### Product

The trust is looking to provide an income to shareholders some 30% greater than the market. Given its close-ended nature, the trust is able to smooth income to investors using revenue reserves and gearing to enhance income.



### Important Notice

This document is aimed at Investment Professionals only and should not be relied upon by Private Investors. Our comments and opinion are intended as general information only and do not constitute advice or recommendation. Information is sourced directly from fund managers and websites. Therefore, this information is as current as is available at the time of production.

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