

## JPM UK Equity Core

UK All Companies

### Introduction

The fund aims to provide capital growth and outperform the FTSE All-Share Index (net) over the long term by investing primarily in a portfolio of UK companies.

The fund has a 1% tracking error relative to the FTSE All Share which is achieved by having stock and sector overweights and underweights of a maximum of 30bps. The team use value, quality and momentum factors to analyse stocks, and assign an overall score to each holding depending on these factors.



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

### Why RSMR Rate this Fund

- Well-resourced team
- Consistent and repeatable process
- Disciplined approach to risk management
- Competitively priced for the resource used

### Fund Process

The team employ an active, bottom-up, team-based investment approach, which focuses on maximising exposure to Value, Quality and Momentum investment styles. To achieve this, when assessing a company, the team ask three key questions:

1. Is it a good business? – Does it have high returns of invested capital to generate cash to grow the business. Are the management team disciplined, are they returning cash to shareholders if they have no plans to use it?
2. Is it attractively valued? – Both on a backward looking and forward-looking basis can the valuation be justified.
3. Is the outlook improving? – Is the share price momentum improving, is the operational momentum improving?

The team identify stocks to include in the fund using two sources, quantitative research and fundamental analysis. The quantitative research enables the team to monitor the overall view of the market with the ability to screen, sometimes intraday, to identify companies that meet the team's criteria. Fundamental analysis is required, especially for small and mid-cap names that are less researched. This may include meeting management and site visits.

The fund can be +/-1% in both stock and sector active holdings, however the internal limit for this is currently 30bps. This is due to 30bps being enough to meet the risk budget of the fund, which is a tracking error of 1% relative to the FTSE All Share on a time adjusted basis. There is a difference in the price point of the fund and the market close.

Off-benchmark holdings are not permitted with index futures used for liquidity or to obtain low-cost exposure in response to news and to minimise the erosion of performance from physical trades.

Every month an optimisation takes place to bring the fund back in line with its parameters, which is reviewed by the managers as a matter of course. Trading can occur intramonth based on news flow or fundamental analysis, although the main trades are undertaken at month end to ensure costs are kept to a minimum.

### Evaluation

Due to the focus of the fund being on attractively priced, high quality stocks with positive momentum, the team expect (by combining these factors) that fund will outperform the index over the long term with greater consistency.

Underperformance can occur when the market is favouring expensive, poor quality stocks with weak momentum. The team expect stocks that fall into this category to outperform briefly as the market returns to stock specifics.

### Application

The fund is designed to be a core position to give exposure to the UK stock market. The fund has stock and sector limits of 30bps relative to the index. This is to keep the core exposure to the index but allow the managers to have some flexibility to outperform the index. The fund can be used alongside satellite holdings biased to high conviction areas of the UK market.

## Our Opinion

The fund is a low-cost, low active risk, actively managed strategy, offering exposure to core UK equities and exploiting a rigorously applied, disciplined process in seeking to deliver consistent risk-adjusted returns. They employ an active, bottom-up, team-based investment approach, which focuses on maximising exposure to Value, Quality and Momentum investment styles. The team focus as much on portfolio construction as selection, aiming to mitigate incidental risk (e.g. market cap, sector), and ensure performance is driven by stock selection and exposure to the Value, Quality and Momentum investment styles.



### 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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