

# JPMorgan Investment Funds – Europe Strategic Dividend Fund

January 2012

## A dividend style approach to investing

The JPMorgan Investment Funds – Europe Strategic Dividend Fund allows investors to pursue dividend style returns from European equities. The fund benefits from our extensive investment expertise in Europe, seeking out the most attractive high dividend yielding stocks to generate long-term capital appreciation.

### Exploiting behavioural biases

Our style funds employ a disciplined process based on behavioural finance. Behavioural finance theory suggests that investors do not act rationally, as traditional theories suggest. Instead, their investment decisions are driven by human emotions such as fear and greed, which leads to inefficiencies within the market.

Investors can construct strategies to exploit some of these behavioural biases. The JPM Europe Behavioural Finance team aims to take advantage of these biases by focusing on stocks with specific 'style' characteristics – in this case, high dividend yielding stocks – seeking to profit from the style opportunities inherent in Europe's equity markets.

### Focusing on dividends

Dividends have been the primary driver of equity returns over the long term, both through growth in dividend payouts and through dividend reinvestment. Dividend strategies therefore provide a powerful tool for investors looking for long-term capital growth. We have confidence that dividends will be maintained in Europe given the current strength of corporate profits – thereby providing a consistent source of return for investors.

Dividend growth in Europe has been very strong over the past decade, outpacing most other regions. The MSCI Europe ex UK Index has posted annualised dividend growth of 5.7% since 1999, compared to just 1.8% in the US (Source: J.P. Morgan 30 December 2011). Furthermore, with the yield on the MSCI Europe Index currently attractive compared to government bonds, high yielding equities are benefiting from growing demand from income hungry investors.

Our disciplined bottom-up investment process invests purely in the most sustainable high yielding stocks, with no negative constraint on sectors, which means that the fund is able to maintain a pure high yield style at all times.

### Proven management expertise

The JPM Europe Strategic Dividend Fund is managed by a team of 41 dedicated European investment professionals who manage assets totalling EUR 10.8 billion (source: J.P. Morgan Asset Management 30 September 2011).

This experience has allowed the fund to build up a strong history of consistent outperformance and durable long-term returns – enabling it to seek out the most attractive high yielding stocks using an investment process based on rigorous stock analysis and fundamental research.

### Portfolio diversification potential

Style investing can help to improve the risk-return profile of a diversified portfolio. In addition, investors who already have an allocation to growth or value stocks may benefit from adding a fund focusing on dividends, as these styles can perform well at different times. This can help to produce more consistent returns and lower volatility over the long term.

## Fund highlights

- Benefit from a strong Europe, and strong companies – sentiment in Europe is rebounding and many companies are delivering better than expected profits and growing dividends.
- High dividend companies tend to outperform – over the long term the primary source of return for equities has come from the dividend yield and dividend growth.
- Our proven record at picking high dividend stocks – a strong, repeatable process and massive resources helps us find the stocks we think will outperform.

### Investment objective

*To provide long-term returns by investing primarily in high dividend-yielding equities of European companies.*

# JPMorgan Investment Funds – Europe Strategic Dividend Fund

## Key facts

### JPM Europe Strategic Dividend Fund A (dist) - EUR

ISIN	LU0247987802
Benchmark	MSCI Europe (Total Return Net)
Fund manager	Michael Barakos
Shareclass launch date	15 May 2006
Fund size*	EUR 552.8 m
Shareclass currency	EUR
Morningstar Rating™*	★★★★
TER**	1.90%

**New A (div) - EUR shareclass available - ISIN LU0714182432**

\* as at 31 December 2011

\*\* TER (Total Expense Ratio): annual management & advisory fee + operating & administrative expenses

For further information about this fund, please contact your local J.P. Morgan Asset Management representative or visit [www.jpmorganassetmanagement.lu](http://www.jpmorganassetmanagement.lu)

## Why invest in funds managed by J.P. Morgan Asset Management?

### Performance built on principles

Star teams not star fund managers

Defined, disciplined processes

Quantitative and qualitative analysis

Integrated risks controls

### Global reach, local presence

Partner with an established global leader

Benefit from our worldwide, local presence

Capitalise on our resources and expertise

### Wide range of investment funds

Knowledge of a great number of markets and sectors

In-depth expertise in all major asset classes

A legacy of innovation

## Who is the fund suitable for?

- This fund is a value dividend style equity fund and seeks to aim long-term returns from broad market exposure to European stock markets.
- It is suitable for investors who want to add a dividend/income strategy to diversify their portfolio.
- Investors should have at least a three-to-five year investment horizon.

## Risks associated with an investment in the fund

- This equity fund invests primarily in a portfolio of higher yielding European equities including the UK.
- As the fund invests in equities, investors are exposed to stock market fluctuations and the financial performance of the companies held in the fund's portfolio.
- The volatility of the fund is limited by its diversification across a large number of companies and industry groups.
- Also, the fund's careful risk controls and high level of stock diversification aim to ensure low volatility relative to the benchmark index. Therefore, returns are not dependent on taking large risks against the fund's benchmark.
- Investors should be aware that the fund may invest in emerging European markets, which may be subject to additional political and economic risks, while stocks can be negatively impacted by low liquidity, poor transparency and greater financial risks.
- This fund is denominated in EUR, but will have exposure to non-EUR currencies.

Any forecasts, figures, opinions or investment techniques and strategies set out, unless otherwise stated, are J.P. Morgan Asset Management's own as at January 2012. They are considered to be accurate at the time of writing, but no warranty of accuracy is given and no liability in respect of any error or omission is accepted. They may be subject to change without reference or notification to you. The views contained herein are not to be taken as an advice or recommendation to buy or sell any investment and the material should not be relied upon as containing sufficient information to support an investment decision. It should be noted that the value of investments and the income from them may fluctuate in accordance with market conditions and taxation agreements and investors may not get back the full amount invested. Both past performance and yield may not be a reliable guide to future performance. Changes in exchange rate may have an adverse effect on the value price or income of the product. Investments in smaller companies may involve a higher degree of risk as they are usually more sensitive to market movements. Investments in emerging markets may be more volatile and therefore the risk to your capital could be greater. Further, the economic and political situations in emerging markets may be more volatile than in established economies and these may adversely influence the value of investments made. You should also note that if you contact J.P. Morgan Asset Management by telephone those lines could be recorded and may be monitored for security and training purposes. J.P. Morgan Asset Management is the brand name for the asset management business of JPMorgan Chase & Co. and its affiliates worldwide. The product may not be authorised or its offering may be restricted in your jurisdiction. Prior to any application investors should inform themselves as to the requirements within the respective country for transactions in the product, any applicable exchange control regulation and the tax consequences of any transaction in the product. Shares may not be offered to or purchased directly or indirectly by U.S. persons. All transactions should be based on the latest available full prospectus, the Key Investor Information Document (KIID) and any local offering document. These documents together with the annual report, semi-annual report and the articles of incorporation for the Luxembourg domiciled products are available free of charge upon request from JPMorgan Asset Management (Europe) S.à.r.l., European Bank & Business Centre, 6 route de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg, your financial adviser or your J.P. Morgan Asset Management regional contact.

Issued in Luxembourg by JPMorgan Asset Management (Europe) Société à responsabilité limitée, European Bank & Business Centre, 6 route de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg, R.C.S. Luxembourg B27900, capital social EUR 10.000.000.

Please note that the fund ratings are as at the end of the calendar month and are calculated by Morningstar based on the previous month's performance data. Source: Morningstar Direct™. Copyright © 2012 Morningstar, Inc. All Rights Reserved. Morningstar Rating™ as of 31 December 2011 in the Europe Large-Cap Value Equity category™. Morningstar Rating is for A (dist) EUR share class only; other classes may have different performance characteristics.