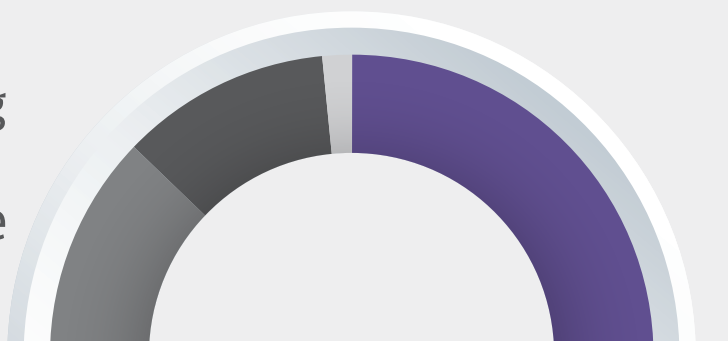


LIQUID ALTERNATIVES

Multi-manager UCITS: Providing transparent, cost-effective and liquid alternative fund exposure

March 2019



Karim Leguel

Head of Investment Specialists
for EMEA and APAC

Investing in alternative funds using a multi-manager UCITS format can bring compelling diversification benefits to balanced investment portfolios, particularly at a time of increased equity market volatility, says **Karim Leguel**, Head of Investment Specialists for EMEA and APAC at J.P. Morgan Alternative Asset Management.

A more supportive alternative fund environment

As we enter the late stages of the cycle, markets could expect increasing market volatility and potentially increased dispersion of returns across different markets. In this kind of environment, we'd expect alternative strategies to do well and offer effective diversification to traditional portfolios.

Particularly in an environment of rising bond yields, alternative funds tend to do well and outperform traditional fixed income assets.

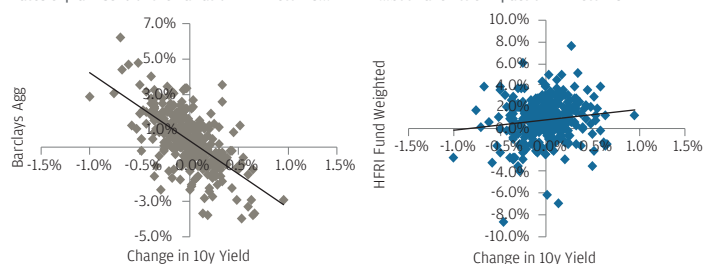
A similar trend is also evident when you compare past alternative fund returns to equities. On a relative basis, alternative funds have outperformed equity markets when volatility has increased, while on average, alternative funds have provided effective downside protection to portfolios in months when equity markets have fallen.

ALTERNATIVE FUNDS HAVE HISTORICALLY OFFERED DECORRELATION FROM FIXED INCOME.

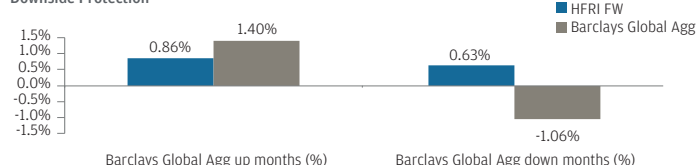
Relationship between Returns and Changes in 10y Rates

Rates explain 85% of the variation in FI returns...

...but have little impact on HF returns

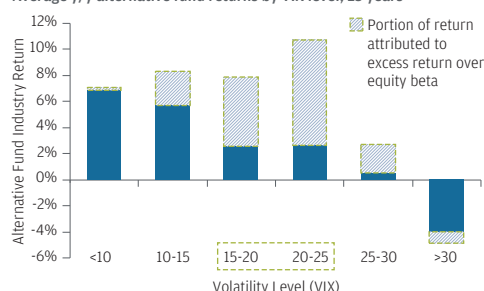


Downside Protection



ON A RELATIVE BASIS, ALTERNATIVE FUNDS HAVE OUTPERFORMED EQUITY MARKETS WHEN VOLATILITY INCREASES.

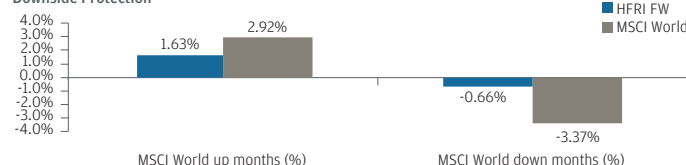
Average y/y alternative fund returns by VIX level, 25 years



ALTERNATIVE FUNDS MAY BENEFIT FROM VOLATILITY

- 2017 volatility was the lowest in over 100 years
- More normalized levels of volatility improve the opportunity set for alternative funds
- Higher, but stable, levels of volatility tend to benefit relative value managers in particular

Downside Protection



Past performance is not indicative of future results.

Top charts, (LHS) - Source: Morgan Markets, Alternative Fund Research from January 1990 to December 2018. (RHS) - Source: HFRI, CBOE, FactSet, J.P. Morgan Asset Management. Data as of December 31, 2018. Past performance is no guarantee nor necessarily indicative of future results. For illustrative and discussion purposes only. Portion of return attributed to beta references the MSCI Global Net LCL Currency index and assumes an HFRI beta to MSCI of 0.4. Bottom charts, Source: Bloomberg, Alternative Fund Research from January 1990 to December 2018.

ALTs by

J.P.Morgan
Asset Management

The advantages of the multi-manager UCITS format

For investors who want to invest in a fund covered by Europe's UCITS regulation (undertakings for Collective Investment in Transferable Securities), or who want daily liquidity, transparency and control from their alternative fund investments, the multi-manager UCITS format can be a very competitive option. UCITS is a regulatory framework that creates a harmonised regime of rules and regulations throughout Europe for the management and sale of mutual funds—providing investors with regulatory oversight compared to many alternative funds that are non-UCITS compliant.

Multi-manager UCITS funds work by setting up a number of separately managed accounts within a UCITS-compliant structure, and then hiring different alternative managers to act as sub-advisers to each mandate. Because these alternative managers do not need to have a UCITS-compliant fund to be included in the portfolio, the multi-manager UCITS approach can select from a broad range of managers and strategies.

While there will still be a number of alternative funds that cannot be accessed, the managed account structure opens up a much wider investment universe to UCITS investors than is available in other UCITS-compliant formats.

The multi-manager UCITS format also provides full portfolio transparency and daily liquidity to investors, and allows for full operational control of the assets by the fund sponsor. So the sub-adviser has control over the investment strategy within set guidelines, but has no ability to move money in or out of the account, for example.

Efficient fee structure can boost alpha

Perhaps most importantly, multi-manager UCITS funds can be structured to provide competitive fees—with the sub-advisers paid a management fee only, and no performance fee applicable either at the UCITS level or at the managed accounts level.

When combined with the wide choice of managers and strategies, the competitive fee structure can help multi-manager UCITS funds maintain alpha and potentially achieve results that are broadly comparable to an offshore alternative fund portfolio.

The result is a diversified, liquid and cost-effective structure that allows UCITS investors to access a wide range of alternative strategies, helping them to boost overall portfolio performance and manage volatility through the market cycle.

Designed for core alternative fund exposure

For investors looking to make a core alternatives allocation, the multi-manager UCITS format provides liquid access to an expanded universe of managers and differentiated sources of alpha, a greater oversight and control of underlying assets, a low correlation to both equity and fixed income markets and attractive fees.



LET'S SOLVE IT.®

Important information

This is a marketing communication and as such the views contained herein do not form part of an offer, nor are they to be taken as advice or a recommendation, to buy or sell any investment or interest thereto. Reliance upon information in this material is at the sole discretion of the reader. Any research in this document has been obtained and may have been acted upon by J.P. Morgan Asset Management for its own purpose. The results of such research are being made available as additional information and do not necessarily reflect the views of J.P. Morgan Asset Management. Any forecasts, figures, opinions, statements of financial market trends or investment techniques and strategies expressed are, unless otherwise stated, J.P. Morgan Asset Management's own at the date of this document. They are considered to be reliable at the time of writing, may not necessarily be all inclusive and are not guaranteed as to accuracy. They may be subject to change without reference or notification to you. 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. Changes in exchange rates may have an adverse effect on the value, price or income of the products or underlying overseas investments. Past performance and yield are not a reliable indicator of current and future results. There is no guarantee that any forecast made will come to pass. Furthermore, whilst it is the intention to achieve the investment objective of the investment products, there can be no assurance that those objectives will be met. J.P. Morgan Asset Management is the brand name for the asset management business of JPMorgan Chase & Co. and its affiliates worldwide. To the extent permitted by applicable law, we may record telephone calls and monitor electronic communications to comply with our legal and regulatory obligations and internal policies. Personal data will be collected, stored and processed by J.P. Morgan Asset Management in accordance with our EMEA Privacy Policy www.jpmorgan.com/emea-privacy-policy. As the product may not be authorised or its offering may be restricted in your jurisdiction, it is the responsibility of every reader to satisfy himself as to the full observance of the laws and regulations of the relevant jurisdiction. Prior to any application investors are advised to take all necessary legal, regulatory and tax advice on the consequences of an investment in the products. Shares or other interests may not be offered to, or purchased, directly or indirectly by US persons. All transactions should be based on the latest available Prospectus, the Key Investor Information Document (KIID) and any applicable 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., 6 route de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg, your financial adviser or your J.P. Morgan Asset Management regional contact. In Switzerland, JPMorgan Asset Management (Switzerland) LLC, Dreikönigstrasse 37, 8002 Zurich, acts as Swiss representative of the funds and J.P. Morgan (Suisse) SA, 8 Rue de la Confédération, 1204 Geneva, as paying agent of the funds. JPMorgan Asset Management (Switzerland) LLC herewith informs investors that with respect to its distribution activities in and from Switzerland it receives commissions pursuant to Art. 34 para. 2bis of the Swiss Collective Investment Schemes Ordinance dated 22 November 2006. These commissions are paid out of the management fee as defined in the fund documentation. Further information regarding these commissions, including their calculation method, may be obtained upon written request from JPMorgan Asset Management (Switzerland) LLC. This communication is issued in Europe (excluding UK) by JPMorgan Asset Management (Europe) S.à r.l., 6 route de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg, R.C.S. Luxembourg B27900, corporate capital EUR 10,000,000. This communication is issued in the UK by JPMorgan Asset Management (UK) Limited, which is authorised and regulated by the Financial Conduct Authority. Registered in England No. 01161446. Registered address: 25 Bank Street, Canary Wharf, London E14 5JP.

LV-JPM51918 | 03/19 | 0903c02a825284dd

ALTs by

J.P.Morgan
Asset Management