JPM Cautious Total Return Fund

Stability at the core of your portfolio

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J.P.Morgan
Asset Management

Redefining risk

In a 2009 J.P. Morgan Asset Management survey, almost 60% of IFAs surveyed said their clients' top priority was 'not losing money'. The most important thing for investors is not beating a benchmark – which could still mean heavy losses in falling markets – but preserving their capital.

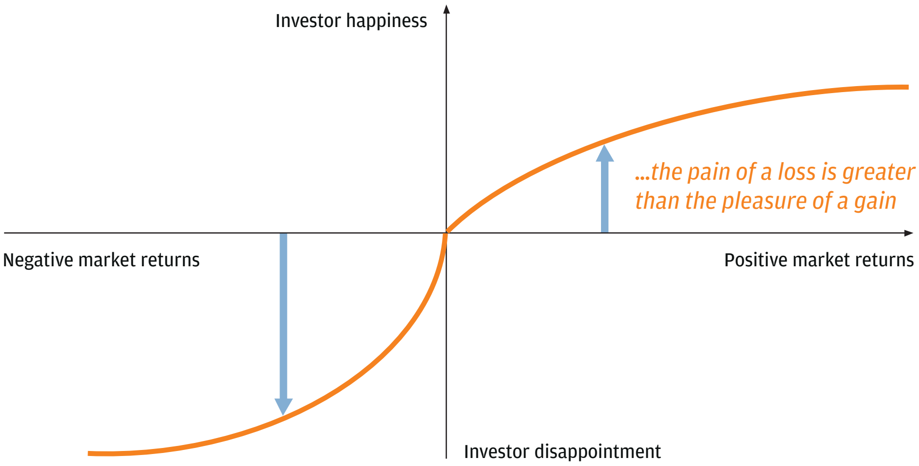
Source: J.P. Morgan Asset Management, Fantasy Fund Manager survey, November 2009

Understanding clients' tolerance of risk

Research shows that the sense of disappointment investors experience from a loss in the value of their investments far outweighs the happiness they feel as a result of a similar-sized gain. This is simply not reflected in the traditional definition of risk used by fund managers – the risk of a fund versus its benchmark.

The JPM Cautious Total Return Fund defines risk in the same way your clients do: the risk of losing money. The fund is aligned with your clients' own concerns for their investments, aiming to defend their capital against large falls in the market and help it to grow steadily over time.

Managing expectations and understanding clients' tolerance of risk



Source: Amonlirdviman, K & Carvalho, C (2010). *Loss Aversion, Asymmetric Market Comovements, and the Home Bias*, Federal Reserve Bank of New York Staff Reports no. 430, 5.

How much risk can your clients afford?

With the FTSE All Share up more than 70% from its lowest point in 2009, investors may no longer feel the immediate need for caution that they did at the height of the financial crisis.

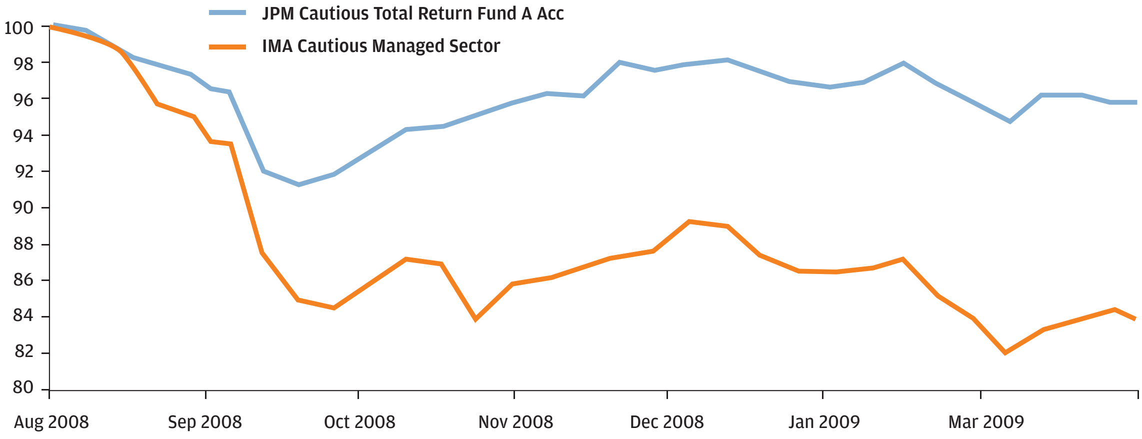
But the volatility resulting from eurozone sovereign debt problems, unrest in the Middle East and concerns over the pace of global growth provides a reminder that markets remain challenging. At the heart of even the most aggressive portfolio is a core of capital with which your clients can't afford to take large risks.

Cautious funds are designed to provide a home for this core capital, seeking to defend your clients' initial investments and pursue incremental positive returns.

How cautious is your cautious fund?

To deliver on your clients' goal of preserving capital, a cautious fund must reflect a truly cautious risk profile. Unfortunately, this is not necessarily the case for funds in the Cautious Managed sector, where equity allocations are typically up to 60%.

During the financial crisis, over 75% of funds in the Cautious Managed sector experienced a loss of more than 15%, with almost half experiencing a loss of more than 20%. Over the same period, the JPM Cautious Total Return Fund lost less than 1% after fees (A Acc shares) – testament to its genuinely cautious approach.[1]

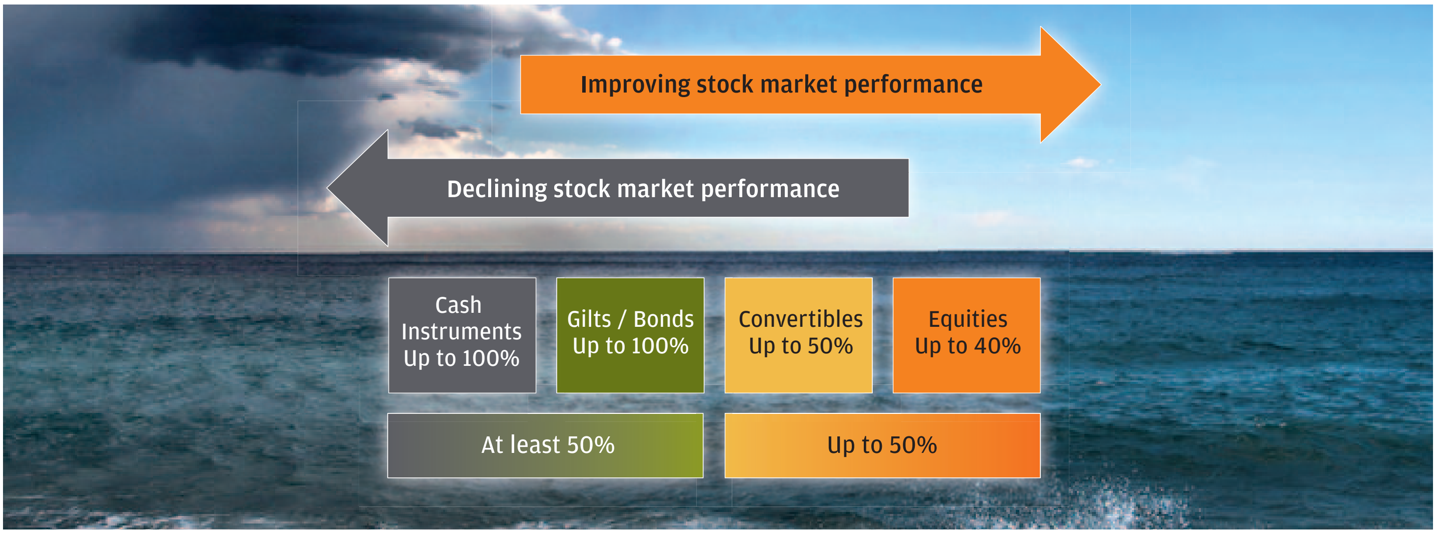


[1]Source: Micropal, 01 September 2008 - 31 March 2009

Preparing for uncertainty

The JPM Cautious Total Return Fund pursues positive returns over the medium term through the market cycle. Its flexible approach allows it to take on more risk when our multi-asset investment experts believe conditions are favourable, and to try to defend capital aggressively in rockier times.

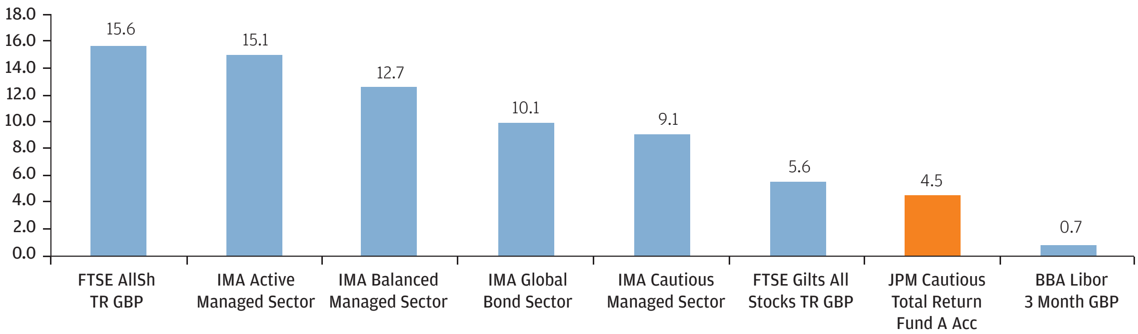
The maximum 40% allocation to equities means that, unlike other cautious funds, the JPM Cautious Total Return Fund will not just keep adding risk in rising markets- so it's better prepared for the falls.



Delivering lower volatility

This cautious approach helps the fund to avoid the volatile performance that many investors do not want from their core investments. Since its inception in July 2005, the average annualised volatility of the JPM Cautious Total Return Fund has been less than 5%. This means it has been less risky than UK Gilts, which are often perceived as highly secure, and dramatically less volatile than the average fund in the Cautious Managed sector.

Annualised volatility as at 30 June 2011



Source: Micropal, 01 July 2005 - 30 June 2011

JPM Cautious Total Return Fund: The steady heart of your clients' portfolios

Today's markets provide plenty of scope for excitement, but at the heart of their portfolios, your clients need lower risk funds that supply fewer surprises than the market.

The JPM Cautious Total Return Fund is designed to serve as an ideal lower risk core fund, emphasising capital preservation and pursuing positive returns through the cycle over the medium-term.

- ☑ **Focuses on capital preservation**
- ☑ **Aims for higher returns than cash over the medium term**
- ☑ **Highly flexible approach**
- ☑ **Managed by multi-asset experts**

"There are plenty of funds designed to add spice to your clients' portfolios. We're there to supply the more stable element – small incremental returns and no big surprises."

Talib Sheikh, portfolio manager

Key risks

- This multi-asset fund invests in bonds, equities (which may include investment in emerging markets and smaller companies), convertible bonds, cash and cash equivalents with a bias towards bonds.
- Bond prices can fluctuate significantly depending not only on the global economic and interest rate conditions but also on the general credit market environment and the creditworthiness of the issuer.
- Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.
- The investment policy of the Fund permits the use of derivatives and/or forward transactions for investment purposes, potentially increasing the volatility and therefore risk of the Fund.
- Total return funds seek to provide a positive return but this is not guaranteed and they should not be used as a substitute for traditional liquidity funds or cash accounts. As the priority of these funds is to provide positive returns, they will not perform in line with stock markets.

Profile of the typical investor

- The Fund may suit investors who are seeking total returns through a combination of capital growth and income, but who are aware of the additional volatility associated with funds of this type when compared to cash. However, the Fund should not be used primarily as an income fund.
- Investors should have at least a three to five-year investment horizon.

To learn how the **JPM Cautious Total Return Fund** can help your clients preserve their capital:

Visit jpmorganassetmanagement.co.uk/Adviser

Call 0800 727 770

Important information

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