The U.S. Active Core Equity strategy utilizes active stock selection with a systematic valuation process. This strategy invests in a diversified portfolio of 70–110 U.S. large-cap equities. The U.S. Active Core Equity strategy seeks to earn an annualized excess return of approximately 2.25% above the S&P 500 Index over a full market cycle (i.e., three to five years) before fees. The strategy’s predicted tracking error relative to the benchmark is approximately 4.0%.

**U.S. Active Core Equity**

**Strategy**

- Capitalizes on the proven insights of our team of equity analysts — one of the largest and most respected buy-side research efforts.
- Minimizes market timing, factor and theme biases by holding a well-diversified, fully invested and largely sector-neutral portfolio of stocks.
- Ranks and selects stocks based on their relative attractiveness on a long-term valuation basis.

**Highlights**

- **Proprietary information advantage** The key to our stock selection process is our commitment to fundamental in-house research. This research is our principal source of information and added value. Our career equity analysts, all industry specialists, devote 100% of their time to making bottom-up earnings, cash flow and dividend forecasts for each of the approximately 650 companies in our research universe. When making forecasts, our analysts emphasize normalized earnings and long-term growth rates.

**Systematic valuation and timing** The dividend discount model (DDM), our fundamental valuation model, incorporates both the current price of a stock and our analysts’ estimates to derive each stock’s dividend discount rate (DDR) — our determination of a stock’s internal rate of return. DDRs are calculated for over 650 medium- and large-cap companies followed by our senior equity analysts. DDRs of the stocks are modestly adjusted for positive or negative consensus earnings revisions. This adjustment reduces the possible error around our analysts’ earnings estimates and improves the timing of purchases and sales. Using the outputs of the valuation model, our analysts rank stocks into quintiles within their respective sectors based on adjusted DDRs. A daily comparison is made of DDRs to rank stocks from most attractive to least attractive within each of our 19 industry sectors. The most attractive stocks are ranked in the first quintile, while the most overvalued stocks are ranked in the fifth quintile.
Disciplined portfolio construction  Our U.S. Active Core Equity portfolio construction process captures the substantial value added by our research and seeks to maximize this advantage while giving proper consideration to risk. The portfolio manager works closely with each industry analyst to select the most attractive stocks within that analyst’s sector. Portfolio managers generally focus purchases on first and second quintile stocks, and underweight third, fourth and fifth quintile stocks. In addition, the portfolio manager seeks to moderate the risk inherent in equity investing through diversification among holdings and broad exposure to sectors within the equity markets.

Strategy assets

$10.9 billion in U.S. Active Core Equity assets*

Investment vehicles

Separate accounts, commingled pension trust funds** and mutual funds

JPMorgan Fleming Asset Management is a leading global investment manager that delivers financial expertise to governments, corporations, endowments, foundations and individuals worldwide. With over $600 billion in assets under management, our business provides the full spectrum of U.S., non-U.S. and global investment management products — from traditional cash management, equity, fixed income and asset allocation to alternative asset classes such as private equity and real estate. Through our association with J.P. Morgan/American Century® Retirement Plan Services, we provide administrative, investment and communication services for corporate retirement plans. Our global resources position us to deliver excellence in investment performance and the highest quality client service.