

JPMorgan Global Convertibles Income Fund

Positive outlook for niche asset class

JPMorgan Global Convertibles Income Fund (JGCI) is the UK's only listed closed-end fund focused on the convertible bond market. Convertibles usually pay a coupon (like an ordinary bond) but also have an embedded option to buy the underlying equity, meaning they benefit from rising share prices, as well as downside protection from the par value of the bond being repaid at maturity. While JGCI's NAV total return has been flat to negative over the past year and its share price has drifted lower, its managers see potential for convertible bonds to perform well in the current economic and market environment, given they tend to outperform traditional fixed income as interest rates rise. A continuation vote will take place at the 2018 AGM in November; the board has recommended that investors vote in favour, given the outlook for the asset class. JGCI currently yields c 5% and has an active discount control programme.

12 months ending	Share price (%)	NAV (%)	Benchmark (%)	MSCI World (%)	FTSE All-Share (%)
31/10/14	1.9	3.5	4.0	9.7	1.0
31/10/15	(6.1)	0.1	1.7	6.0	3.0
31/10/16	3.7	6.6	4.2	28.8	12.2
31/10/17	14.5	6.6	7.4	13.5	13.4
31/10/18	(6.7)	(2.8)	(1.0)	5.7	(1.5)

Source: Thomson Datastream. Note: All % on a total return basis in pounds sterling. Benchmark is Bloomberg Barclays Global Convertibles Credit/Rate Sensitive Index (hedged into sterling).

Investment strategy: Diversified convertibles portfolio

JGCI takes a total return approach to meeting its primary income objective, investing across the bond-like to balanced segments of the convertible bond market (see page 3) to secure a blend of yield and capital growth. Security selection is bottom-up, based on fundamental analysis by the experienced team, but also takes account of macro factors such as interest rates, the economic outlook and industry dynamics. The portfolio is diversified by sector, geography, issuer size and credit quality.

Market outlook: Headwinds for bonds and equities

After several years of strong returns from bond and equity markets, both areas now face headwinds from tightening central bank policy, global trade tensions and the possibility of slowing economic growth. The stock market sell-off in October suggests investor sentiment may have shifted towards fear rather than greed. Against such a backdrop, convertible bonds – which combine equity upside with the protection of a bond floor – may find favour as a source of income and potential capital growth.

Valuation: Discount a little wider in market volatility

At 2 November 2018, JGCI's shares traded at a 5.4% discount to cum-income NAV. This is higher than the average discounts over one and five years and since launch (a range of 1.9% to 3.2%), but broadly in line with the three-year average of 5.0%. The discount control policy introduced in 2017 seeks to reduce share price volatility by using buybacks to keep the discount in a low single-digit range. Recent share price weakness has pushed JGCI's dividend yield up to 5.0%.

Investment companies

5 November 2018

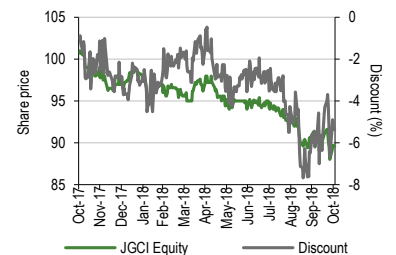
Price 89.6p
Market cap £116.9m
AUM £123.6m

NAV* 94.7p
Discount to NAV 5.4%

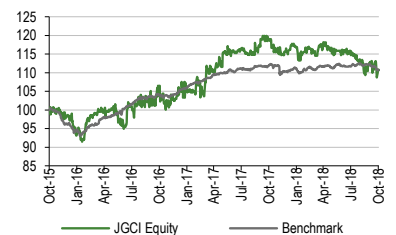
*Including income. As at 2 November 2018.

Yield 5.0%
Ordinary shares in issue 130.5m
Code JGCI
Primary exchange LSE
AIC sector Sector specialist: Debt
Benchmark Bloomberg Barclays Global Convertibles Credit/Rate Sensitive Index (hedged into sterling)

Share price/discount performance



Three-year performance vs index



52-week high/low 101.0p 88.0p
NAV** high/low 102.2p 94.0p

**Including income.

Gearing

Gross* 0.0%
Net cash* 3.8%

*As at 2 November 2018.

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JPMorgan Global Convertibles Income Fund is a research client of Edison Investment Research Limited

Exhibit 1: Company at a glance

Investment objective and fund background

JPMorgan Global Convertibles Income Fund (JGCI) aims to provide investors with a dividend income, combined with the potential for long-term capital growth, from investing in a globally diversified portfolio of convertible securities. The dedicated convertibles team at J.P. Morgan Asset Management (JPMAM) follows a well-developed process that combines equity and credit selection techniques. Capital and income currency exposures are hedged.

Recent developments

- 15 October 2018: Annual results for the year-ended 30 June. NAV TR +1.1% and share price TR -0.6% compared with +1.4% for the Bloomberg Barclays Global Convertibles Credit/Rate Sensitive Index (hedged into sterling). Subject to the passing of the November 2018 continuation vote, a further continuation vote is proposed for the 2019 AGM.
- 12 September 2018: Fourth quarterly interim dividend of 1.125p per share, paid on 25 October 2018.

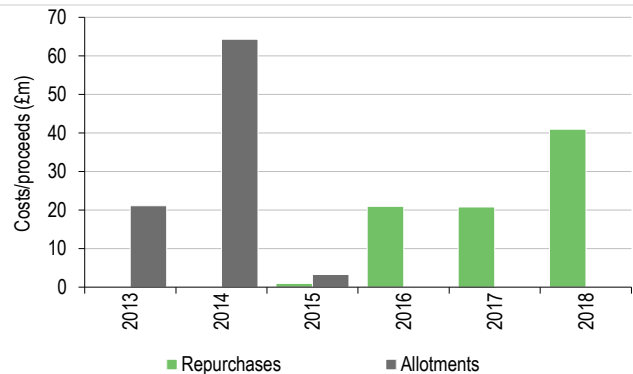
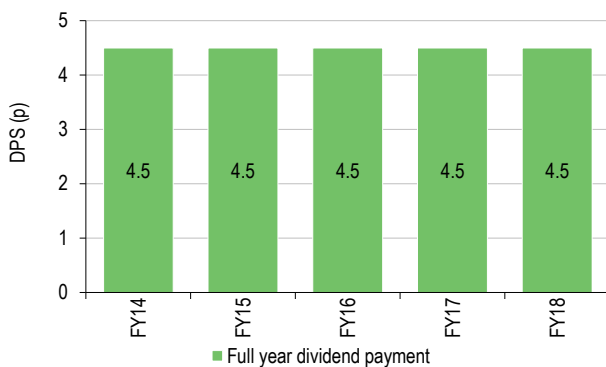
Forthcoming		Capital structure		Fund details	
AGM	November 2018	Ongoing charges	1.0%	Group	J.P. Morgan Asset Management
Interim results	March 2019	Net cash	3.8%	Manager	Team-managed
Year end	30 June	Annual mgmt fee	0.75%	Address	60 Victoria Embankment, London, EC4A 0JP
Dividend paid	Quarterly	Performance fee	None	Phone	+44 (0) 20 7742 9995
Launch date	11 June 2013	Company life	Indefinite, subject to vote	Website	www.jpconvertiblesincome.co.uk
Continuation vote	14 November 2018	Loan facilities	\$32m multi-currency		

Dividend policy and history (financial years)

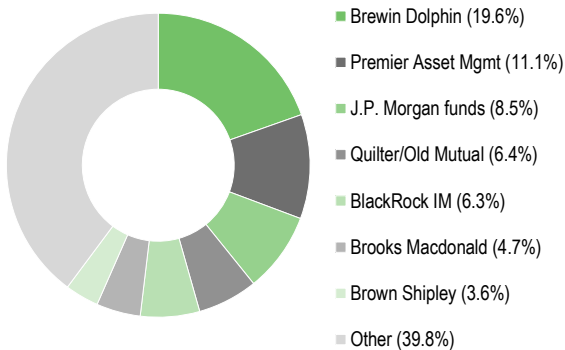
In the first year, dividends were paid half-yearly, but moved to quarterly thereafter. The launch target for a gross dividend of 4.5% of the issue price (100p) has been delivered in each of the five financial years so far.

Share buyback policy and history (calendar years)

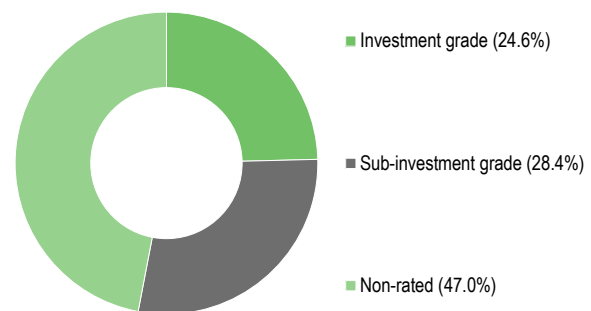
JGCI may buy back up to 14.99% of its issued share capital annually (and renew the authority during the year if required). A discount control policy introduced in May 2017 targets a maximum discount of 2% in normal market conditions.



Shareholder base (as at 10 September 2018)



Portfolio breakdown by official credit quality (as at 30 September 2018)



Portfolio characteristics (as at 30 September 2018)

Portfolio yield to best*	4.6%
Equity sensitivity (delta)	29.3%
Duration (to put)	3.1 years
Number of securities	80
Available cash	2.3%
Bond quality (JPMAM assessment 30 September 2018, includes gearing)	
Internally rated high yield	26.6%
Officially rated high yield	28.4%
Officially rated investment grade	24.5%
Internally rated investment grade	16.6%

Top 10 holdings (% as at 31 August 2018)

Issuer	% of portfolio
Brait Fixed 2.75% 2020	2.9
Finisar Call/Put Fixed 0.5% 2036	2.2
Helical Bar Fixed 4% 2019	2.2
TPK Holding Zero Coupon 2020	2.1
OCI Fixed 3.875% 2018	2.1
Weatherford Intl Fixed 5.875% 2021	2.1
Zhen Ding Tech Putable Zero Coupon 2019	2.1
Ensco Jersey Finance 3% 2024	2.0
St Modwen Properties Fixed 2.875% 2019	2.0
Sacyr Fixed 4% 2019	2.0
Top 10 (% of portfolio)	21.6

Source: JPMorgan Global Convertibles Income Fund, Edison Investment Research, Bloomberg, Morningstar. Note: *Yield to best: highest yield for each bond with all future put dates treated as possible maturity dates and a yield-to-maturity calculation performed for each date.

Fund profile: Dedicated convertible bond fund

JGCI is the first and only London-listed, closed-ended investment company specialising in convertible bonds. Launched in June 2013 and incorporated in Guernsey, it aims to provide investors with a regular dividend income, as well as long-term capital growth potential, by investing in a globally diversified portfolio of convertible securities, broadly in the bond-like and balanced segments of the market (see background to convertible bond investment, below).

The fund has been managed since launch by the London-based convertible bonds team at J.P. Morgan Asset Management (JPMAM). The team is now headed by Hart Woodson, who was appointed earlier this year following the departure of previous team head Antony Vallée. JPMAM says Woodson brings a wealth of experience to the role as a portfolio manager of global convertible bond portfolios and funds for the last 25 years. In his previous position as a managing director and portfolio manager at Advent Capital Management, Woodson co-managed the Advent Global Balanced Convertible Strategy from its inception in 2006. Prior to Advent Capital, he was a senior vice president and managing director of the London office at Gabelli Asset Management. He was co-portfolio manager of the Gabelli Global Convertible Securities Fund from its inception in 1993, the Gabelli International Growth Fund and the Gabelli European Partners Fund. Prior to his portfolio management roles, Woodson worked for more than a decade as a capital markets specialist and credit analyst with ABN AMRO in Amsterdam and Meridian International Bank in New York.

Woodson has authored numerous papers on convertible bond investing over his career, including more recently *The Trump Era: Why Investing in Convertibles Makes Sense* (January 2017) and *Why Convertible Bond Strategies Make Sense Given Solvency II & Other Regulatory Market Stress Tests* (July 2017). He is also the author of a book, *Global Convertible Investing: The Gabelli Way* (Wiley, 2002).

JGCI's management team is led by Natalia Bucci (one of the fund managers since launch) and Paul Levene, who joined in 2015. Bucci and Levene collectively have more than 30 years' experience investing in convertible bonds, and are supported by a team of specialist analysts providing global coverage across industry sectors. The team also has its own dedicated trading desk.

JGCI uses the Bloomberg Barclays Global Convertibles Credit/Rate Sensitive Index (hedged into sterling) as a performance benchmark, and is a member of the Association of Investment Companies' Sector Specialist: Debt sector. It hedges its currency exposures back to sterling, and has the ability to gear up to 20% of net assets, although at the time of writing it had a small net cash position.

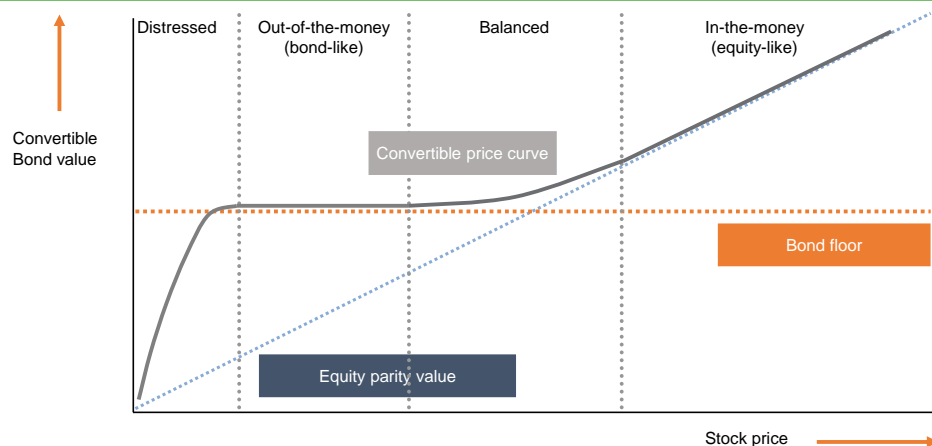
Background to convertible bond investment

Convertible bonds are corporate debt securities that provide the holder with an option to convert into the equity of the issuer at a predetermined price. This optionality causes the bond's price to move with the underlying equity, enabling a convertible bond investor to benefit from equity exposure without having to physically convert into stock.

This close relationship with equity prices gives rise to the convention of assessing the payoff profile of a typical convertible relative to the value of the underlying stock into which the holder may convert (termed 'parity'), as shown in Exhibit 2.

The payoff curve can be split into different segments, each corresponding to a different convertible bond profile type: distressed, bond-like, balanced, and equity-like convertibles. A key difference between profiles is equity sensitivity, or the degree to which the convertibles participate in underlying stock returns.

Exhibit 2: Interaction of bond and equity components of a convertible bond



Source: JPMorgan Global Convertibles Income Fund

With equity-like convertibles, the option is in the money, and these securities exhibit a high degree of equity sensitivity. Equity-like convertibles are most exposed to changes in the underlying share price. Balanced convertibles provide a mixture of equity and credit exposure. The convertible will be trading slightly above the bond floor, which will provide some buffer on the downside if equity prices decline; in a positive scenario, delta (equity sensitivity) will increase quickly and the optionality will increase in value, providing significant upside participation. With bond-like convertibles the option is significantly out of the money and the probability of conversion is low. These securities have little equity sensitivity, and the primary driver of returns is the coupon and yield to maturity, as well as any changes in credit conditions.

Convertible bonds provide downside protection through their ability to redeem at par, thus resulting in a floor to the theoretical price (also known as the 'bond floor') – a particularly attractive feature in times of high equity market volatility. A consequence of this payoff profile is that convertible bonds should, intuitively, offer downside protection when equity markets sell off and exhibit higher sensitivity to positive equity returns – a property termed 'return asymmetry'.

This feature is empirically observable in historical market returns. Since 2000, in years when global equity markets were up, global convertible bonds on average exhibited higher equity return sensitivity than in years when stocks were down.

The fund managers: Natalia Bucci and Paul Levene

The managers' view: Fundamentals favour convertibles

Levene says there is increasing investor interest in convertible bonds as a result of the twin factors of a rising interest rate environment and increased global equity market volatility. In the face of increased geopolitical risks from US-driven trade tariffs, ongoing Brexit negotiations and further risks to European Union stability emanating from Italy, investors are interested in taking risk off the table. However, they still want equity exposure, as global economic growth remains above trend, and traditional investment-grade fixed income looks less attractive as central banks raise rates and unwind asset purchasing programmes. Convertible bonds combine equity upside with downside protection, and as such may look more attractive in the current environment than either the fixed income or equity alternatives. "High-yield bonds, equity income and global real estate investment trusts (REITs) are all very rate sensitive, and will decline as interest rates rise", Levene explains. "Convertible bonds are attractive as you get some yield, but they will be more attractive in a rising interest rate environment, as historically they have outperformed other fixed income alternatives."

There are some geographical divergences in convertible bond market fundamentals, just as there are divergences in central bank policy and the economic outlook. Levene says the convertible bond universe has never been cheaper in Japan in the recent past, while valuations have held up well in Europe on the back of a lack of supply. Conversely, in the US, convertibles have cheapened because of oversupply – this year should see more than \$70bn of new issuance, which would be an increase of 85% year-on-year. Non-Japan Asia has suffered from a general lack of appetite for emerging markets investment (particularly in fixed income), driven by trade conflicts in Asia and economic woes in Turkey and Argentina. However, while sentiment towards Asia may be poor, the convertible bond market fundamentals remain sound.

The manager argues that convertible bonds offer a number of benefits, particularly to yield-seeking investors. While yields on the asset class are currently below their 10-year average, the same is true for almost all fixed income assets, and the historical yield range of convertibles has been smaller than for traditional high-yield bonds, leading to greater predictability of returns. Because all convertible bonds have an underlying listed equity, investors have visibility over the health of the issuer via the statutory reporting cycle. Meanwhile, the asymmetric equity participation (the convertible bond price goes up with the equity price, but is supported on the downside by the bond floor) provides the possibility of attractive risk-adjusted returns.

Asset allocation

Investment process: Research-intensive, total return approach

JGCI's fund managers are part of the wider Global Investment Management Solutions team at JPMAM, which is responsible for delivering the firm's multi-asset strategies. The convertible bonds desk (with five portfolio managers/research analysts under new team head Hart Woodson, as well as technical, trading and support staff) manages an open-ended SICAV as well as JGCI. The SICAV is focused on the balanced to equity-like part of the market (see Background to convertible bond investment, above), while JGCI has historically invested more in the bond-like to balanced segments (hence there may be a degree of overlap in the balanced space). A move in recent years to a more total return approach, as opposed to principally targeting coupon income, means JGCI looks more at the balanced to equity-like part of the market than it did at launch, but the bond-like segment remains important. The bond-like part of the market is less favoured by most convertible bond investors (who are more focused on the equity optionality than the steady income), and as such the managers of JGCI are often able to find attractively valued investments in this space.

Sector and geographical allocations in JGCI's globally diversified portfolio are based partly on where the managers and analysts see the most compelling stock-specific opportunities, and partly on their view of the outlook for yields and overall convertible bond market valuations. Key to the investment process is a thorough fundamental analysis of each issuer and its industry sector.

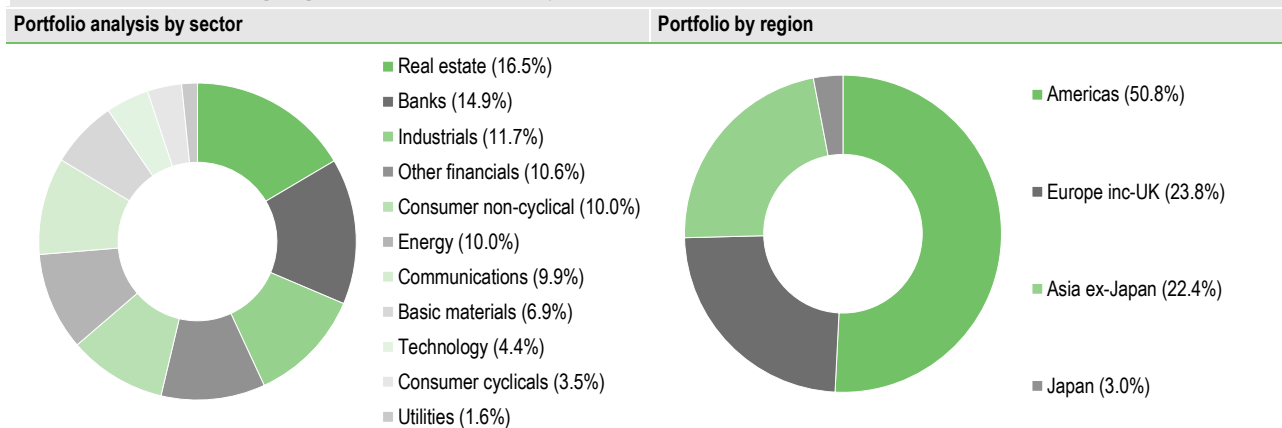
While some investors may own convertibles as a route into the underlying equity, JGCI's managers prefer to sell holdings as the bonds approach parity with share prices, allowing them to reinvest in higher-yielding names; they rarely remain invested following conversion into the underlying equity.

From a credit quality perspective, the majority of the portfolio has tended to be in securities that are either rated below investment grade (BB or below), or which have no official credit rating. (As part of its fundamental analysis, the team will assign their own credit rating to all unrated holdings.) However, in more risky markets such as Asia, JGCI's exposure is more likely to be in investment-grade securities. There is thus a degree of diversification by credit quality, as well as by issuer size, industry and geography. There are normally more than 60 holdings in the portfolio, and no single issuer's securities may exceed 10% of the portfolio at the time of investment. The diversification of the portfolio also leads to a diverse range of underlying yields (including some zero-coupon holdings and some with yields of 8%-plus) and durations.

Current portfolio positioning

At 30 September 2018, there were 80 names in the JGCI portfolio, a reduction from 91 a year previously. The top 10 holdings at 30 September 2018 made up 24.9% of the total. The portfolio is broadly spread by geography and industry sector (Exhibit 3), as well as by issuer size and credit quality. Compared with the Bloomberg Barclays Global Convertibles Credit/Rate Sensitive Index (hedged into sterling), which is used as a benchmark for performance but not for portfolio construction, JGCI is underweight the US and significantly overweight Asia ex-Japan.

Exhibit 3: Sector and geographic portfolio analysis as at 30 September 2018



Source: JPMorgan Global Convertibles Income Fund, Edison Investment Research

Exposure to the US has been reshaped over the past year, and Levene explains it is now “very different from what you would expect from a yield portfolio”, with significant exposure to technology, communications (including internet) and financial names, and very little in high-yielding utility names. The largest US sector weighting is energy, which has been a positive influence on performance year-to-date (as of 30 September 2018).

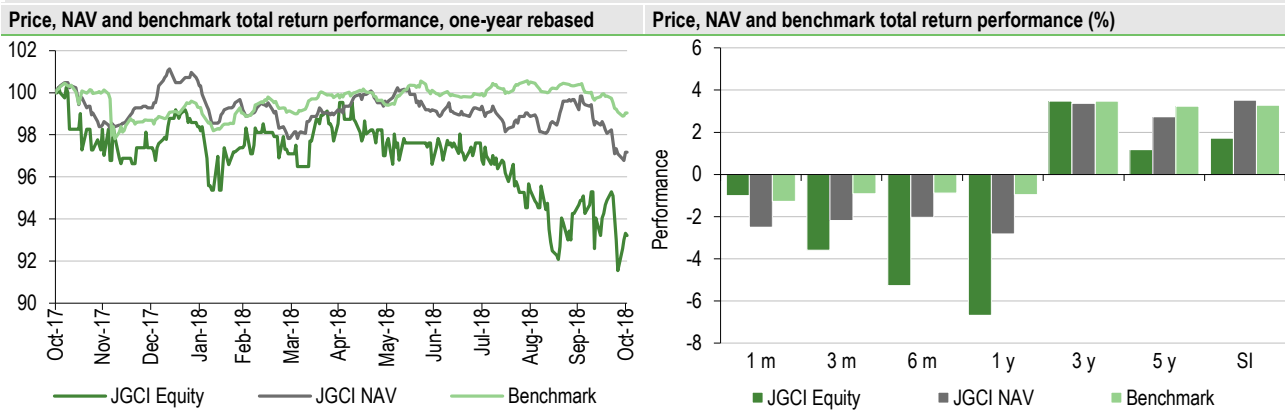
The largest sector allocation is to real estate, where a historical bias to the US and UK has been reduced in favour of increased Asian exposure. Levene says US real estate yields are less attractive as the impact of repeated Fed rate rises feeds through, while UK property has performed well but faces headwinds from Brexit uncertainty. The team is instead focusing on property names in China and Singapore, buying shorter-dated convertibles with positive yields and more balanced profiles.

The biggest increases in weighting over the past 12 months have been in banks (+8.1pp) and other financials (+3.8pp), while the largest decreases have been in industrials (-5.9pp) and communications (-5.2pp). Between them, banks and other financials made up more than a quarter of the portfolio at 30 September 2018. Levene says the rationale for this is that financials tend to be less sensitive to global trade, and valuations are less stretched than in other areas of the market. The other financials exposure includes new holdings in securities of US business development corporations such as Colony Capital and TCP, while holdings in banks include Postal Savings Bank of China and China Construction Bank. The exposure to industrials was reduced following a period of strong performance, as the securities had become expensive but the underlying equities faced pressure from a potential rollover in global economic momentum.

Equity sensitivity (delta) has increased modestly over the past year (from 26.7% to 29.3% at 30 September 2018), partly because the portfolio’s technology names have done well, and also because of the deliberate move to a greater focus on the more balanced segment of the market, where the price of the convertible and the underlying equity are close to parity. Levene says the team still favours the technology and communications sectors, as earnings have been very good and the growth outlook is still positive; while valuations are high, planned share buybacks should provide some support for valuations.

Performance: NAV steady over longer term

Exhibit 4: Investment company performance to 31 October 2018



Source: Thomson Datastream, Edison Investment Research. Note: Three and five-year and since inception (SI, 11 June 2013) performance annualised. Benchmark is Bloomberg Barclays Global Convertibles Credit/Rate Sensitive Index (hedged into sterling).

Exhibit 5: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	SI*
Price relative to benchmark	0.3	(2.7)	(4.4)	(5.8)	0.0	(9.6)	(7.9)
NAV relative to benchmark	(1.2)	(1.3)	(1.2)	(1.9)	(0.3)	(2.4)	1.2
Price relative to MSCI World Index	4.7	(0.6)	(10.4)	(11.7)	(28.3)	(41.0)	(43.1)
NAV relative to MSCI World Index	3.1	0.9	(7.4)	(8.1)	(28.5)	(36.3)	(37.4)
Price relative to FTSE All-Share	4.4	3.8	(1.8)	(5.3)	(11.6)	(18.7)	(22.6)
NAV relative to FTSE All-Share	2.8	5.4	1.5	(1.4)	(11.9)	(12.3)	(14.9)

Source: Thomson Datastream, Edison Investment Research. Note: *SI = since inception, 11 June 2013. Data to end-October 2018. Geometric calculation. Benchmark is Bloomberg Barclays Global Convertibles Credit/Rate Sensitive Index (hedged into sterling).

With the exception of a 2.5% decline during October's market volatility, JGCI has produced broadly steady NAV total returns since launch. The majority of the return paid out in the form of the 4.5p (c 4.5%) annual dividend, in line with the fund's objective. As shown in Exhibit 5, the NAV total return has slightly lagged the benchmark Bloomberg Barclays Global Convertibles Credit/Rate Sensitive Index (hedged into sterling) over most periods (again, much of this is attributable to the underperformance in October 2018, when JGCI's NAV fell by more than the 1.3% decline in the benchmark index) and has outperformed the benchmark by 1.2% since launch. Levene points out that JGCI's NAV held up well in the first nine months of the year compared with US investment-grade and global high-yield bonds, and dollar-denominated emerging market debt (hedged to GBP), all of which had either been in line or had fallen in value year-to-date (to 30 September). However, JGCI's share price performance has been more volatile (Exhibit 4), leading to a negative share price total return of 6.7% over the 12 months to 31 October 2018.

Exhibit 6: NAV total return performance relative to benchmark over three years

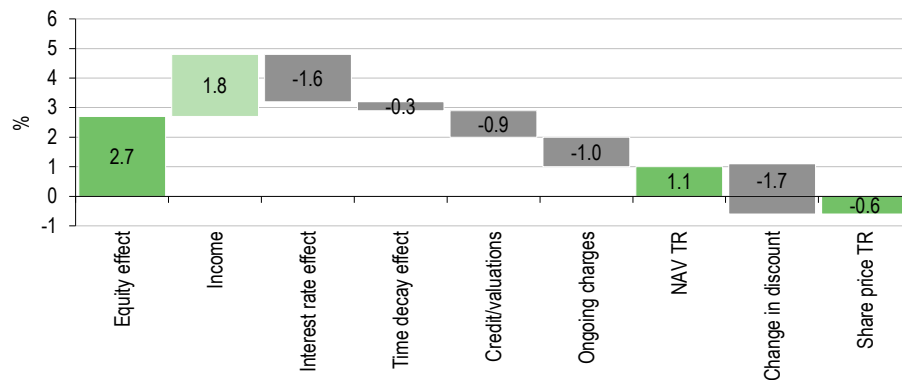


Source: Thomson Datastream, Edison Investment Research

Exhibit 7 shows the contribution of various factors to performance in FY18 (year ended 30 June). In line with the ongoing shift towards more balanced and less bond-like convertible exposure in the portfolio, the return from coupon income was lower than in previous years (it has averaged c 3.1% pa since launch), with the contribution from the performance of the underlying equities making up a greater proportion of the total. The negative interest rate effect is a result of rising risk-free rates, which provide a short-term headwind but should be positive to portfolio returns over the longer term, as coupons on new convertible bond issues increase in line with rising rates.

The best-performing sector for JGCI in 2018 (to 30 September) was energy, where returns were buoyed by the oil price reaching multi-year highs. In geographical terms, US convertibles were an important contributor to returns, as equity markets remained resilient amid rising geopolitical and trade risks, with technology and communications stocks performing particularly well. While these areas have all been hit in the recent market sell-off, the impact on the JGCI portfolio should be limited because of convertibles' bond-like qualities.

Exhibit 7: FY18 contribution to NAV and share price total return performance



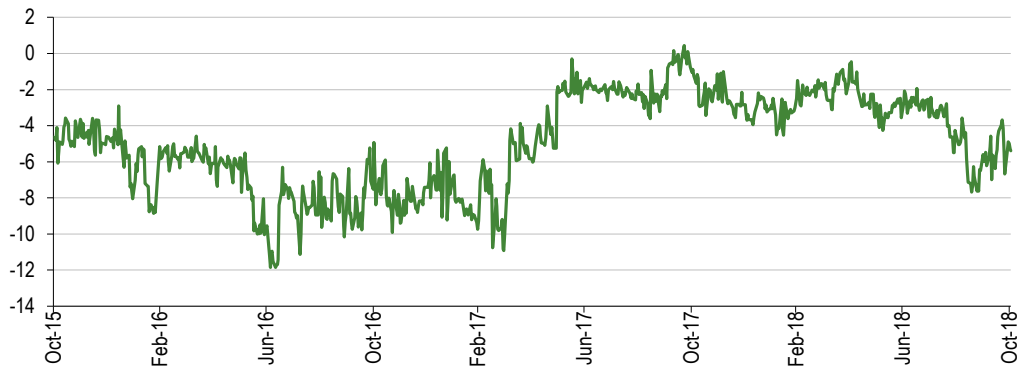
Source: JPMorgan Global Convertibles Income Fund, Edison Investment Research

Discount: Buybacks aim to keep price and NAV close

After trading consistently at a premium to NAV in its first two years of life, JGCI's discount widened through 2015 and 2016, reaching c 10–12% before the introduction of its discount management policy in May 2017. The board said it was concerned that, for a low-volatility asset class, the level of movement in the share price had significantly increased the overall volatility of shareholder returns. Since its introduction, the policy has broadly kept the difference between the cum-income NAV and the share price close to the target range of plus or minus 2%. However, the discount has widened in the recent period of equity and credit market volatility, and reached a 12-month high of 7.7% in late September before narrowing to its current level of 5.4%. This compares with average discounts over one, three and five years, and since inception in June 2013, of 3.2%, 5.0%, 2.4% and 1.9%, respectively.

JGCI has the authority, renewed annually (or more frequently if required), to buy back up to 14.99% of its shares each year (with the period of measurement running from one AGM to the next), and to allot shares up to the equivalent of 10% of the share capital, in order to manage a discount or a premium. After a particularly active period for repurchases since the 30 June 2018 year-end, the board has brought forward the date of the fund's 2018 AGM from December to November, to ensure it has capacity to continue to manage the discount in line with its stated policy.

Exhibit 8: Share price premium/discount to NAV (including income) over three years (%)



Source: Thomson Datastream, Edison Investment Research

Capital structure and fees

JGCI is a Guernsey-incorporated closed-end investment company, listed on the London Stock Exchange. It has one class of share, and at 2 November 2018, there were 130.5m ordinary shares in issue. This was a reduction of 45.8m shares (c 26%) compared with a year earlier, as a result of continued share buybacks aimed at keeping JGCI's discount to cum-income NAV within the board's target range of a 2% discount to a 2% premium. The board estimates that buybacks between the start of FY18 and 10 October 2018 have added c 1.1p per share to the NAV for ongoing holders.

The fund has an indefinite life subject to periodic continuation votes, the next of which is due at the November 2018 AGM. While a continuation vote is normally held every three years, the board has said that in light of the significant level of recent share buybacks, a further vote will take place at the 2019 AGM, subject to the 2018 continuation vote being passed.

JGCI is permitted to gear up to 20% of NAV, and does so via a \$32m multicurrency borrowing facility with Scotiabank, which has been rolled forward for another year and now expires on 1 July 2019. At end-FY18 (30 June), \$20m of the loan (equivalent to £15.1m) was drawn; however, in general, the level of gearing has been modest in recent months, reflecting the managers' caution on current valuations across most asset classes. At 2 November 2018, JGCI had net cash of 3.8%.

JPMorgan Funds is paid an annual management fee of 0.75% of net assets, and there is no performance fee. Ongoing charges for FY18 were 1.00% (FY17: 0.99%).

Dividend policy and record

At its launch in 2013, JGCI stated its intention to pay a dividend of 4.5p a year, representing a 4.5% yield on the issue price. The dividend was originally paid in two instalments, but has been paid quarterly (in January, March, June and October) since FY15. The 4.5p target has been achieved each year, although a small contribution from revenue reserves was required to fund the FY17 dividend, when revenue earnings per share were 4.33p. Reflecting the move to a more total return focus, the revenue return per share for FY18 fell to 3.81p, necessitating a transfer from capital reserves to fund the 4.5p dividend payout. The board has stated that it is content to use capital reserves periodically to support the stability of income to shareholders. These reserves would then be rebuilt from capital gains during other periods of the market cycle. The FY18 dividend was paid in four equal instalments of 1.125p, with the fourth quarterly dividend paid on 25 October 2018. Based on the current share price, JGCI has a dividend yield of 5.0%, which remains attractive compared with yields on government bonds and cash.

Peer group comparison

JGCI is a member of the Association of Investment Companies' Sector Specialist: Debt sector, but as the only UK-listed closed-end fund focused on convertible securities, it has no direct peers in the sector. In Exhibit 9 below, we show a group of sterling-hedged funds with broadly similar investment approaches. The Advent Claymore fund is a US-listed closed-end fund, while the Polar Capital and Salar funds are open-ended. JGCI is the smallest of the four funds. Within the group, JGCI's NAV total returns are below average over one, three and five years, although longer-term averages are skewed by the outperformance of the Advent Claymore fund (part of the stable of funds previously managed by new JPMAM convertibles team head Hart Woodson), and JGCI has outperformed both open-ended funds over the majority of periods. JGCI has the lowest ongoing charges in the group, and also does not charge a performance fee. It is ungeared, and trades at a smaller discount than the Advent Claymore fund. JGCI has the second-highest dividend yield in the peer group.

Exhibit 9: Selected peer group as at 1 November 2018*

% unless stated	Market cap/ fund size £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	Ongoing charge	Perf. fee	Discount (cum-fair)	Net gearing	Dividend yield (%)
JPMorgan Global Convertibles Income	117.0	(2.2)	10.4	15.8	1.0	No	(5.3)	100	5.0
Advent Claymore Conv & Income	379.5	3.5	43.0	45.2	1.1	No	(13.2)	160	6.7
Polar Capital Gbl Convert £ Hedged**	715.6	0.8	5.8	--	1.1	Yes	--	--	4.0
Salar Fund £ Hedged**	991.3	(2.9)	3.3	11.8	1.3	Yes	--	--	0.0
Peer group average	550.8	(0.2)	15.7	24.3	1.1		(9.2)	130	3.9
JGCI rank in peer group	4	3	2	2	4		1	2	2

Source: Morningstar, Edison Investment Research. Note: *Performance to 31 October 2018. TR = total return. **Open-ended funds: fund size refers to assets under management; discounts and gearing are not applicable to open-ended funds. Net gearing is total assets less cash and equivalents as a percentage of net assets (100 = ungeared).

The board

There are five directors on the board of JGCI, all non-executive and independent of the manager. As a Guernsey company, there is a requirement for the majority of directors to be based offshore. Four of the directors – chairman Simon Miller, Philip Taylor, Charlotte Valeur and Paul Meader – have served on the board since JGCI's launch in 2013. Gailena Liew became a director in July 2017 following a year as a board apprentice. All of the directors are based in the Channel Islands, and their professional backgrounds span investment management, accountancy and business.

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