

Jupiter Investment Conference 2025

11<sup>th</sup> – 12<sup>th</sup> June

# Harnessing alpha in a shifting market regime

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# The outlook for US policy is unclear

An unpredictable Trump Administration leaves uncertainty at levels experienced in times of crisis



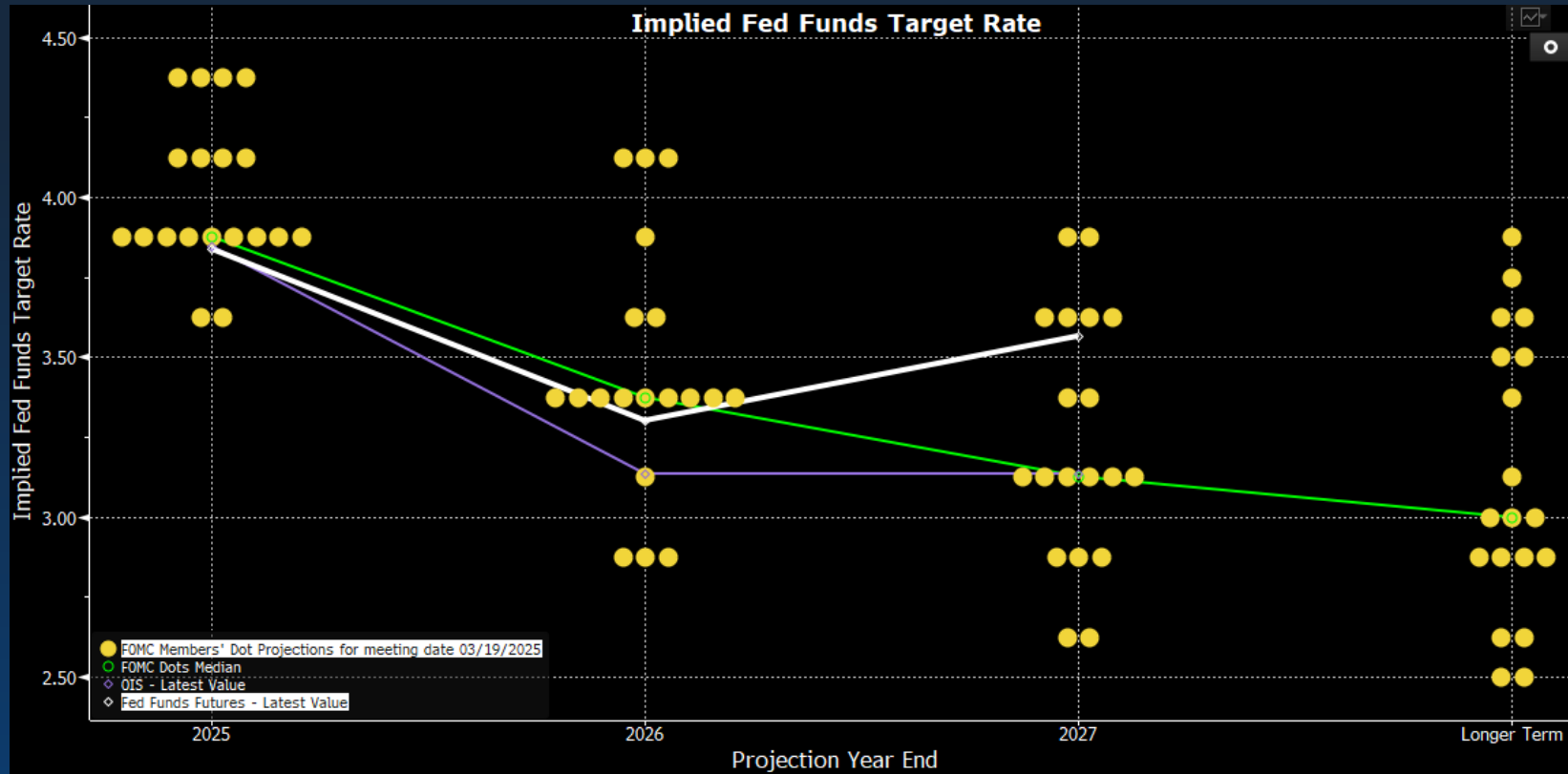
Source: Bloomberg, US Economic Policy Uncertainty Index as at 09.06.25.

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# The direction and timing of rate cuts remains uncertain

FOMC Dot Plot demonstrates a wide range of potential outcomes for 2025 and beyond

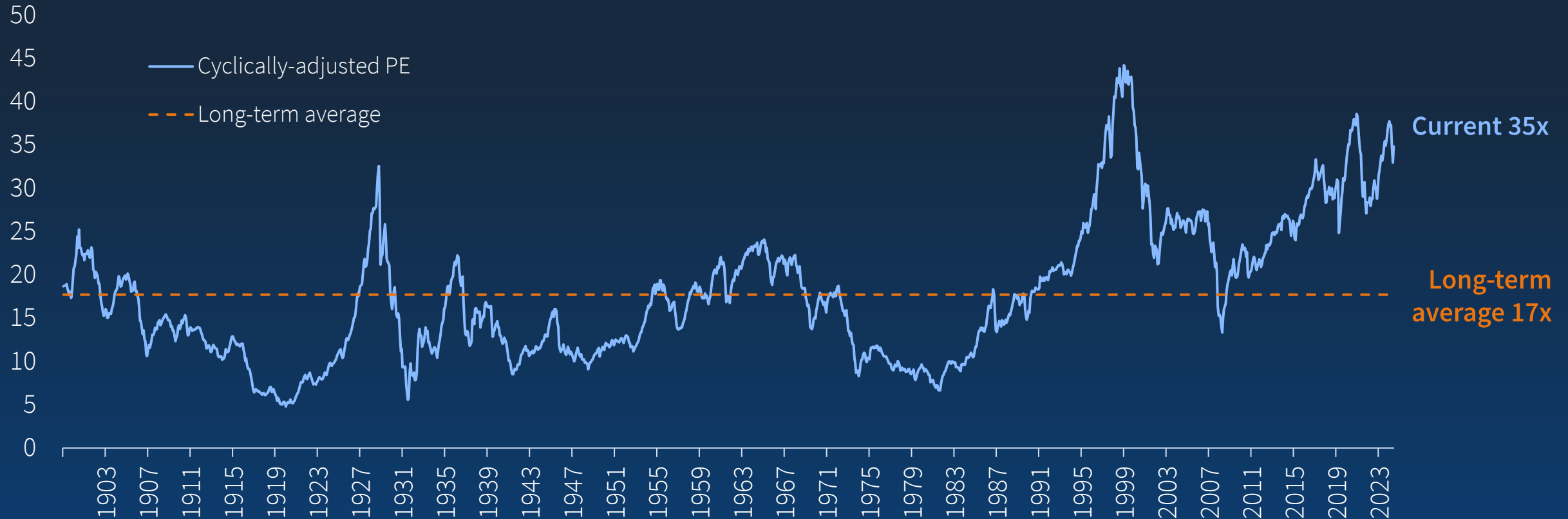


The projections and forecasts presented in this chart are for informational purposes only. The future path of the Federal Funds Target Rate is subject to significant uncertainty and may be influenced by a range of economic, political, and global factors.

Source: Bloomberg, FOMC Dot Plot, as at 27.05.25.

# Equity market valuations nearing 40-year highs

US cyclically-adjusted price-to-earnings above the long-term average



Past performance is no indication of current or future performance.

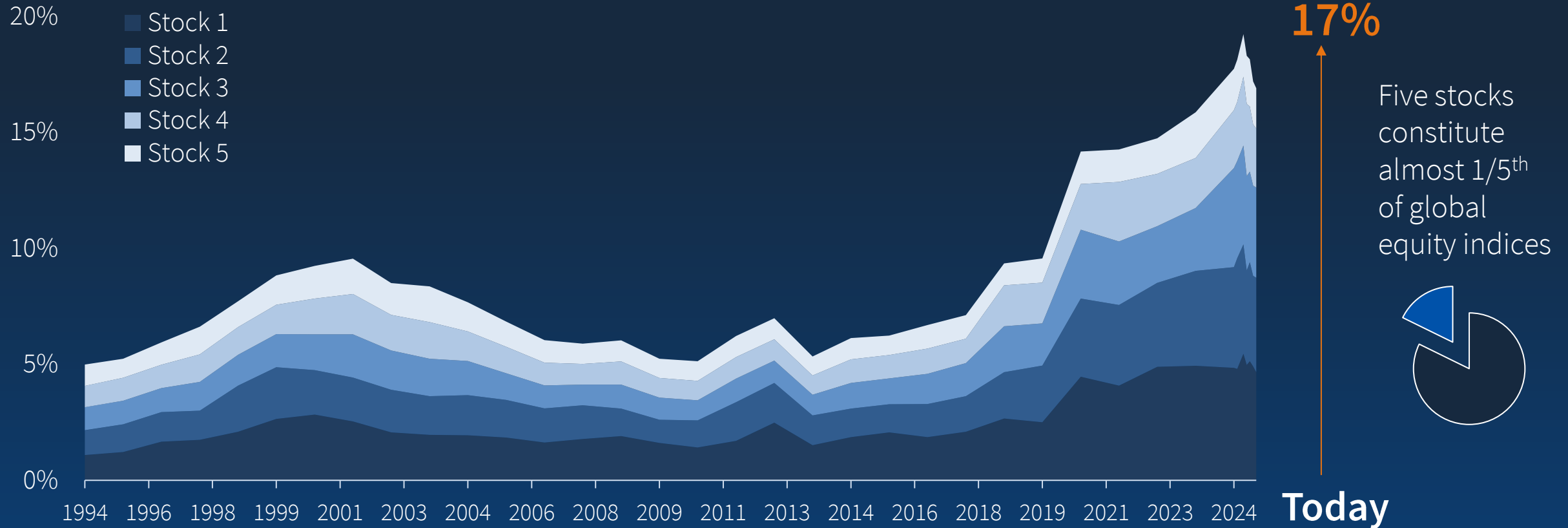
Source: Shiller data.com, from 01.01.1900 to 01.05.2025, representing the US equity markets only.

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# Global equity indices are highly concentrated

Total weighting of 5 largest stocks in the MSCI World Index



Source: MSCI World Index, top 5 largest stock weights from 30.09.94 to 31.04.25.

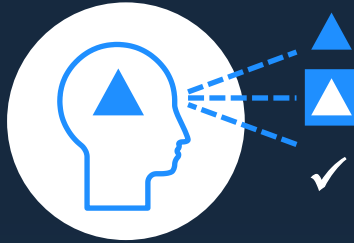
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# Behavioural biases: Relevant in the 2025 uncertainty



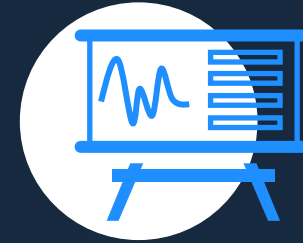
## HERDING

Investors mimic the behaviour of others, especially when faced by highly uncertain outcomes



## CONFIRMATION BIAS

Investors tend to apportion more importance to data that supports their existing views



## HINDSIGHT BIAS

Investors perceive events as being more predictable once they have occurred



## ANCHORING

Investors tend to rely heavily on limited information



## ENDOWMENT EFFECT

Investors tend to value more highly an asset they already own



## OVERCONFIDENCE BIAS

Investors tend to overestimate their own abilities, and the accuracy of their predictions





# **Herding behaviour** can often be found in nature

# Herding behaviour causes regular boom-and-bust cycles

800 Global equity markets can provide a powerful source of returns over the long run



Past performance is no indication of current or future performance, returns may increase or decrease as a result of currency fluctuations.

Any holdings examples are used for illustrative purposes only and should not be viewed as investment advice.

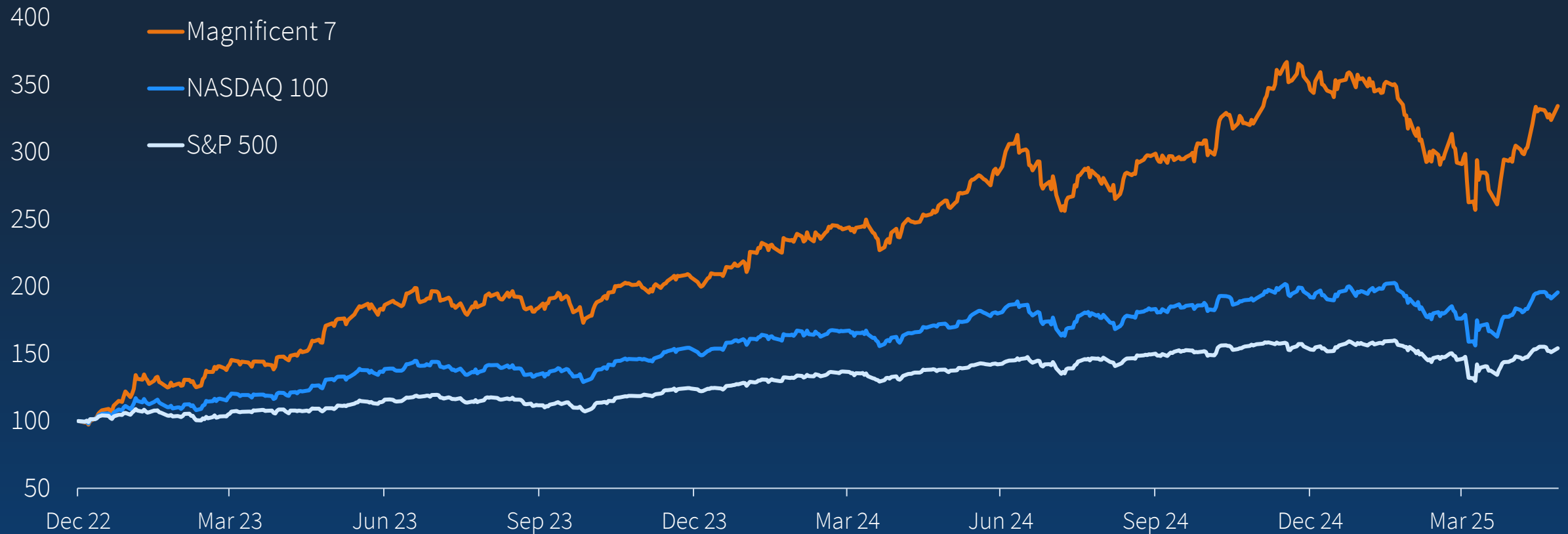
Source: Bloomberg. MSCI World Index (USD) from 31.01.1992 to 26.05.25. FAANGs = Facebook, Amazon, Apple, Netflix and Alphabet (Google).

Magnificent 7 = Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, Tesla.



# Magnificent 7: rally fuelled by AI optimism

Narrative of AI's potential led to Magnificent 7 representing around 30% of the S&P 500

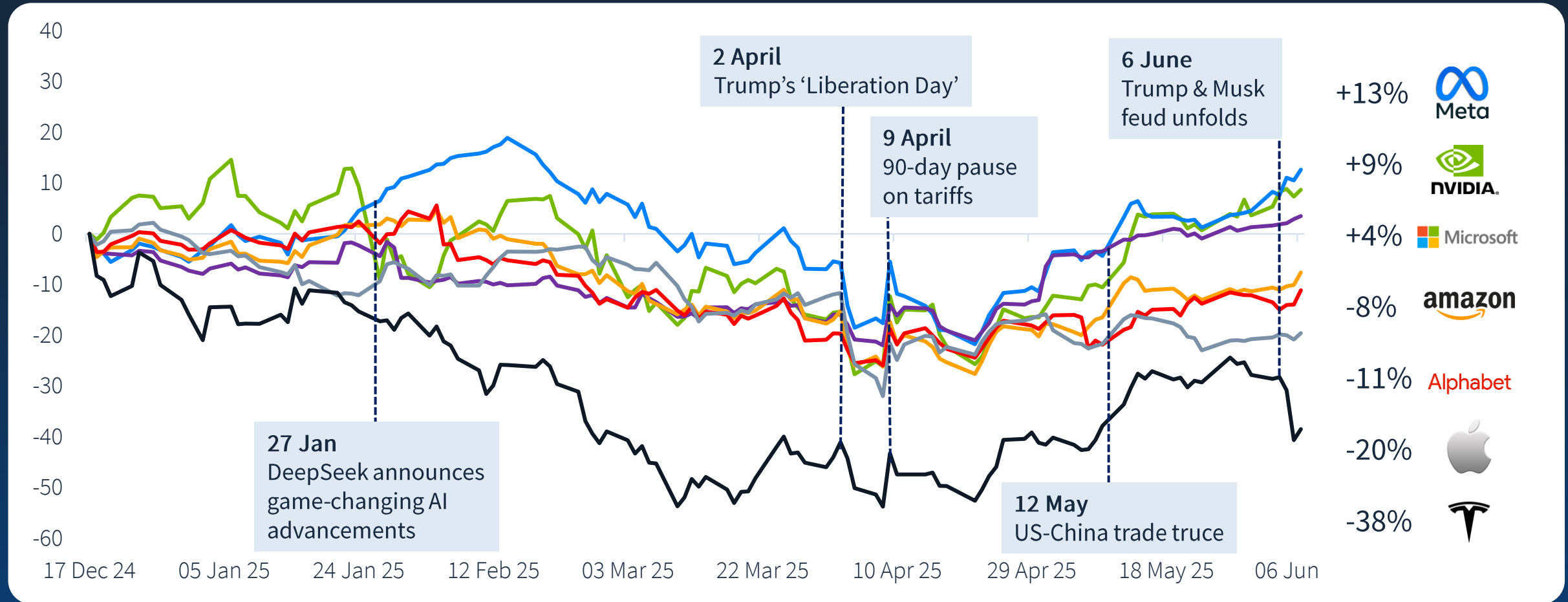


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Source: Bloomberg, from 30.12.2022 (normalised) to 27.05.2025. Magnificent 7 represented by BM7T index. Magnificent 7 = Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, Tesla.

# How have the events of 2025 affected the **Mag 7** narrative?

Best to conduct continuous analysis of each company individually



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Source: Bloomberg Magnificent 7 price returns from 17.12.24 (mag7 peak) to 09.06.25. Magnificent 7 = Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, Tesla.

# So far in 2025, US equities have lagged

What does the change in regional leadership mean for global investors?



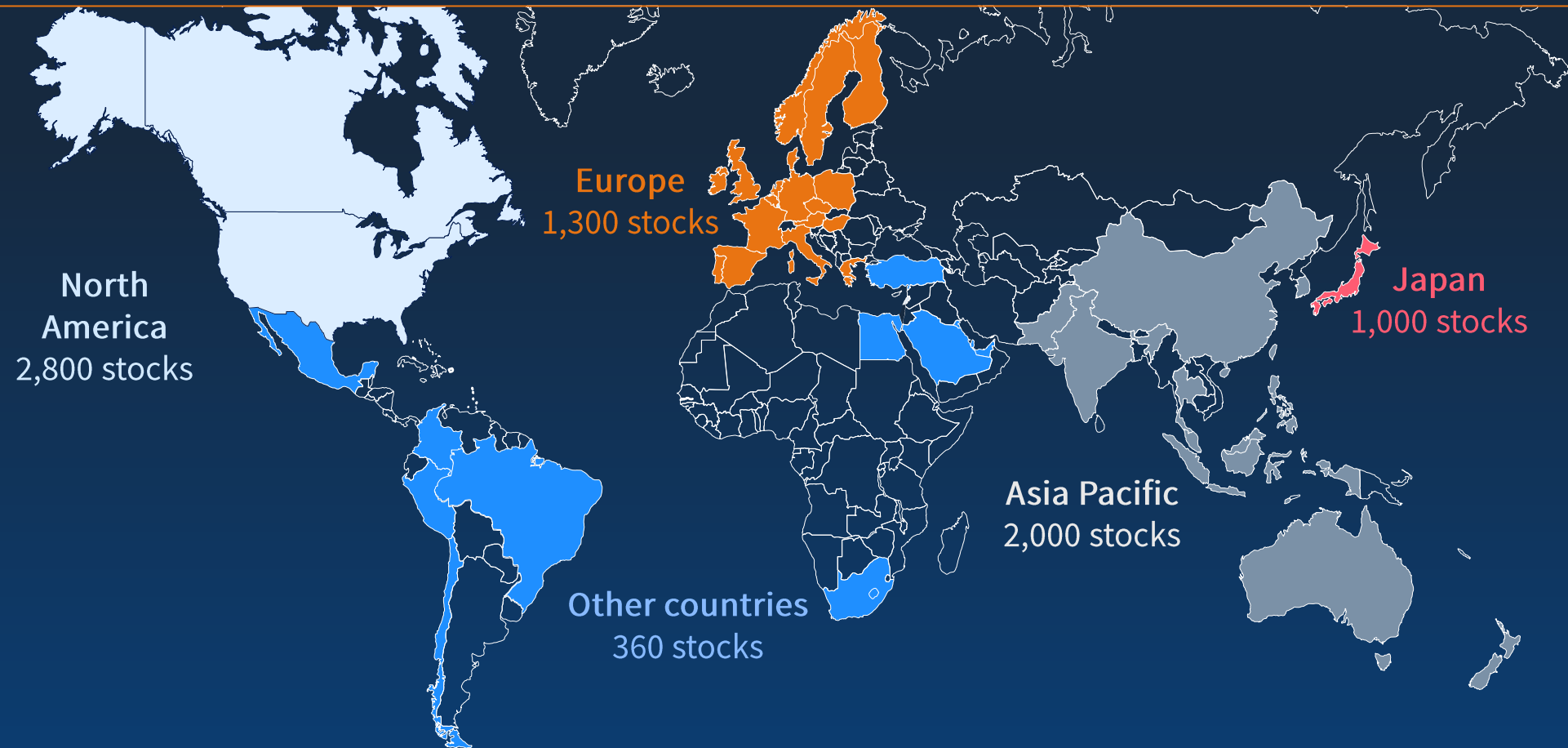
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Source: Bloomberg from 31.12.2024 to 09.06.25.

# A **systematic approach** can analyse stocks from across the world

Broad opportunity set of over 7,000 stocks across different regions



Source: Systematic Equities team, as at 03.03.25.

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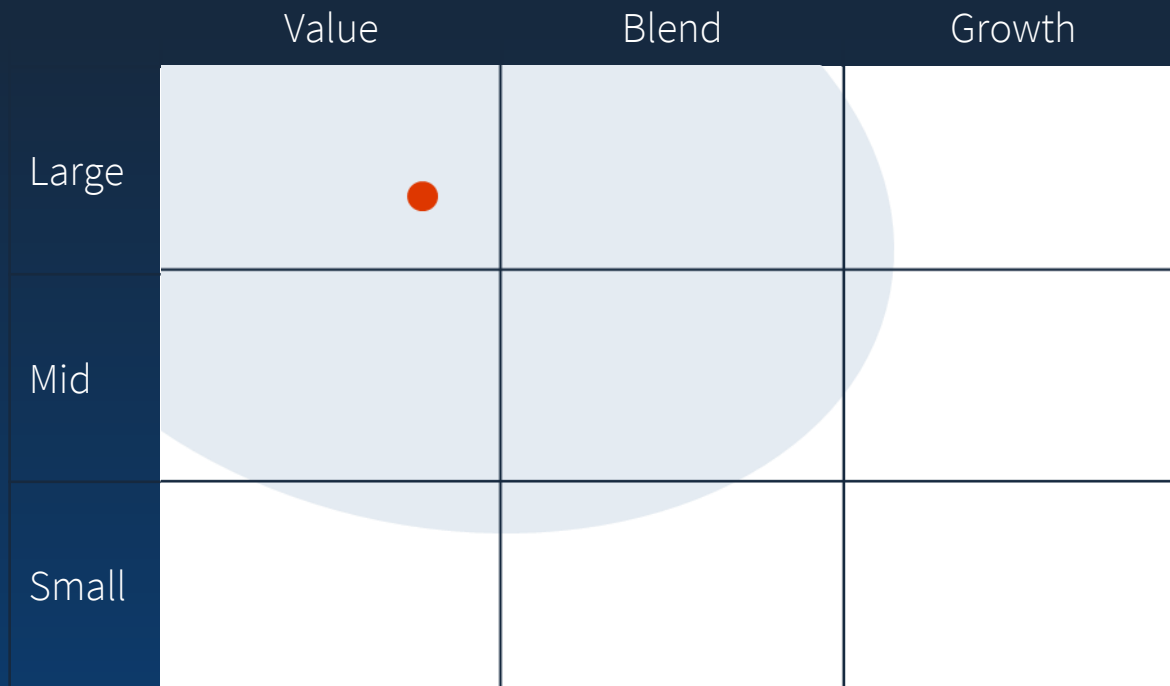
# Unlocking opportunities with dynamic style allocation

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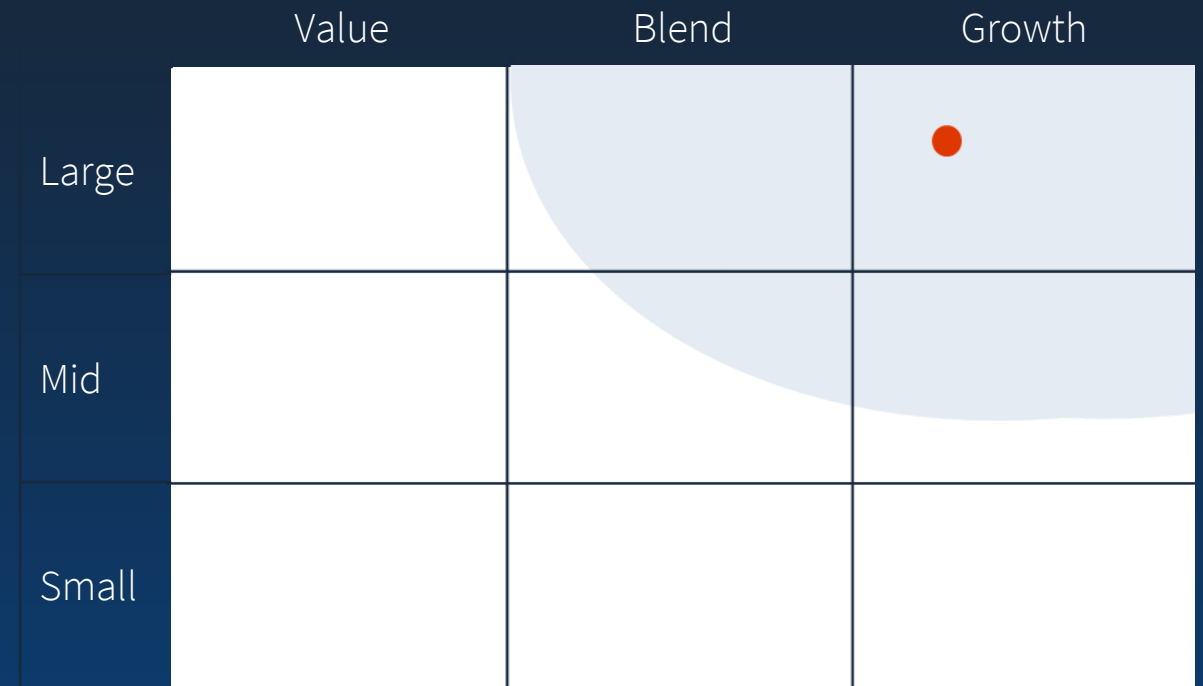
# Limited diversification in traditional style investing

Confirmation biases can lead to overly concentrated style exposures in portfolios

## Typical large-cap value fund



## Typical large-cap growth fund



Source: Morningstar.

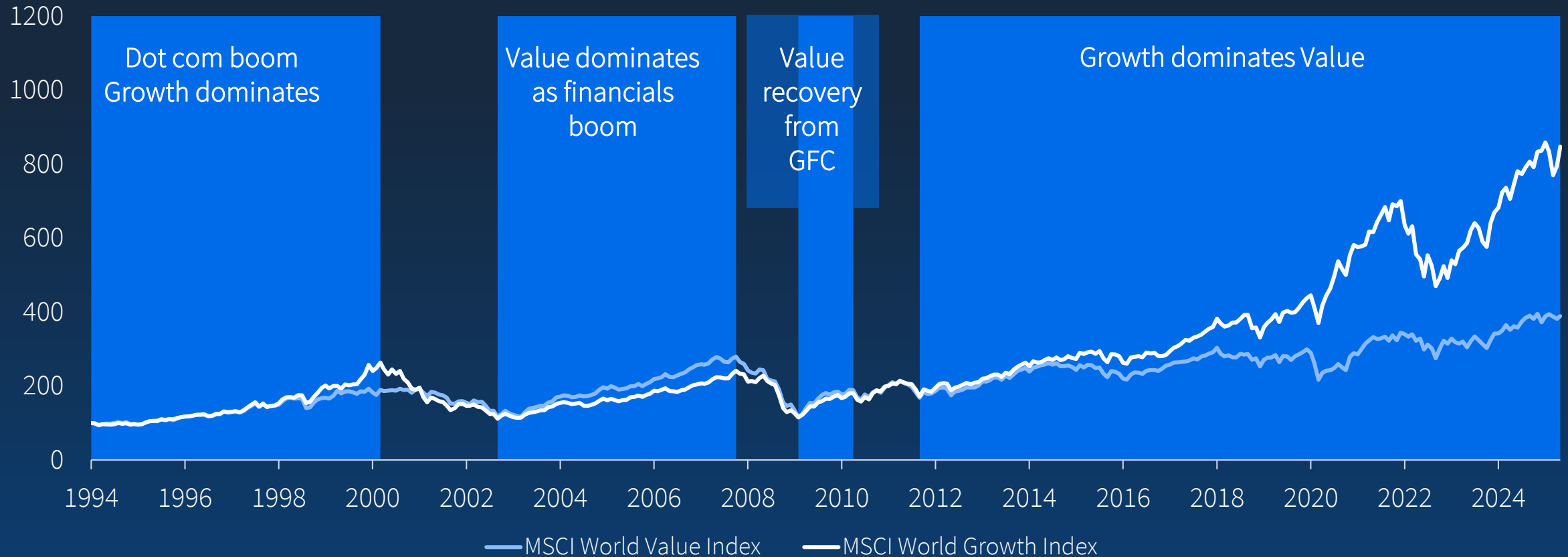
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# Different investment styles in traditional style investing

Leadership in markets rotating between Value and Growth styles of investing



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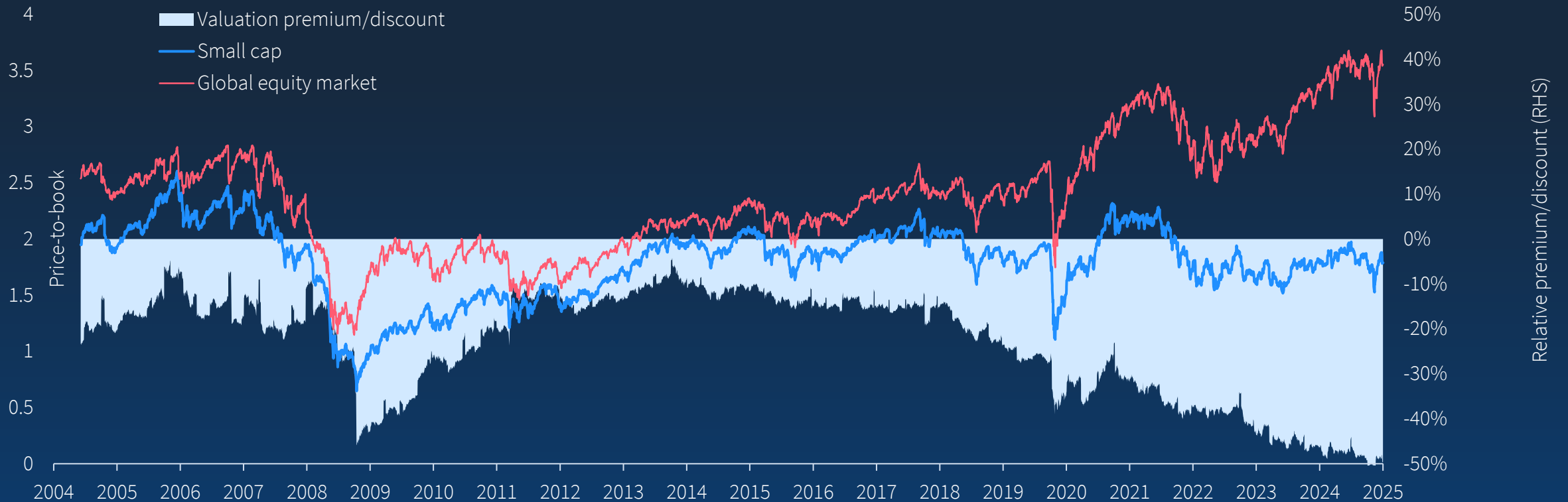
Source: Bloomberg as at 26.05.25.

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# Is there an opportunity outside of large caps?

Small caps at largest discount in 20 years



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Source: Bloomberg, MSCI World Small Cap (MXWOSC) and MSCI World (MXWO) price-to-book from 29.10.04 to 27.05.25.

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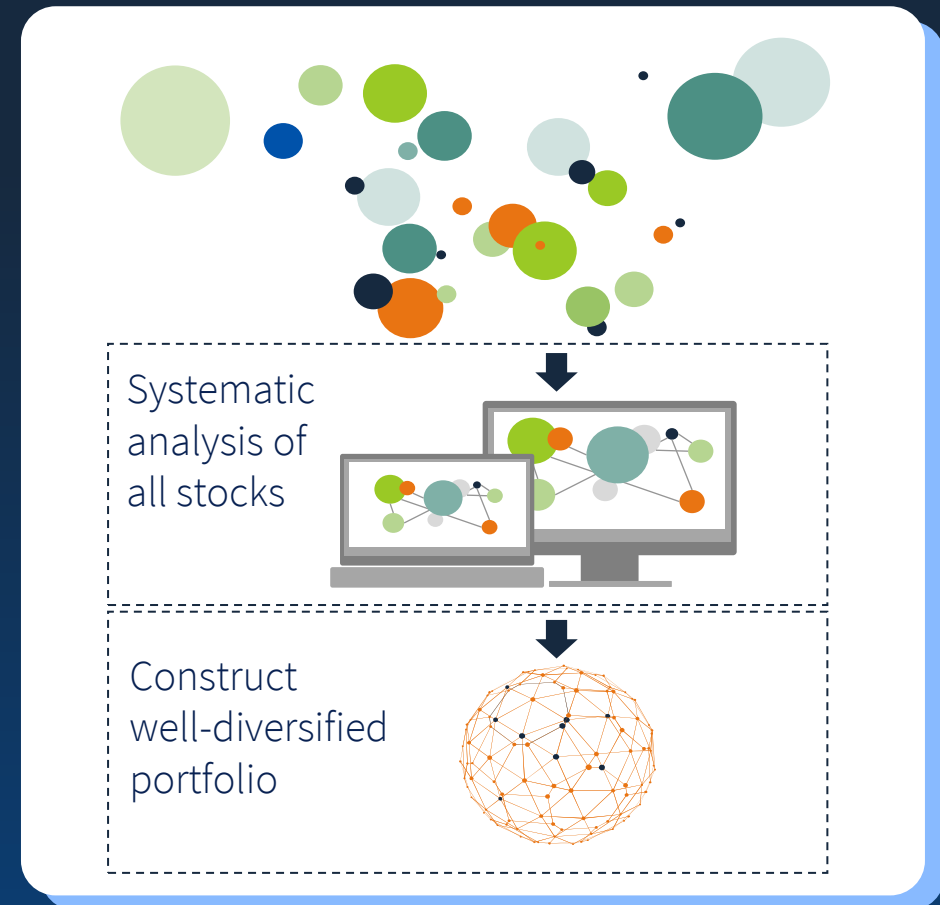
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# Diversification benefits of style-agnostic investing

## Style filtering



## Style diversification

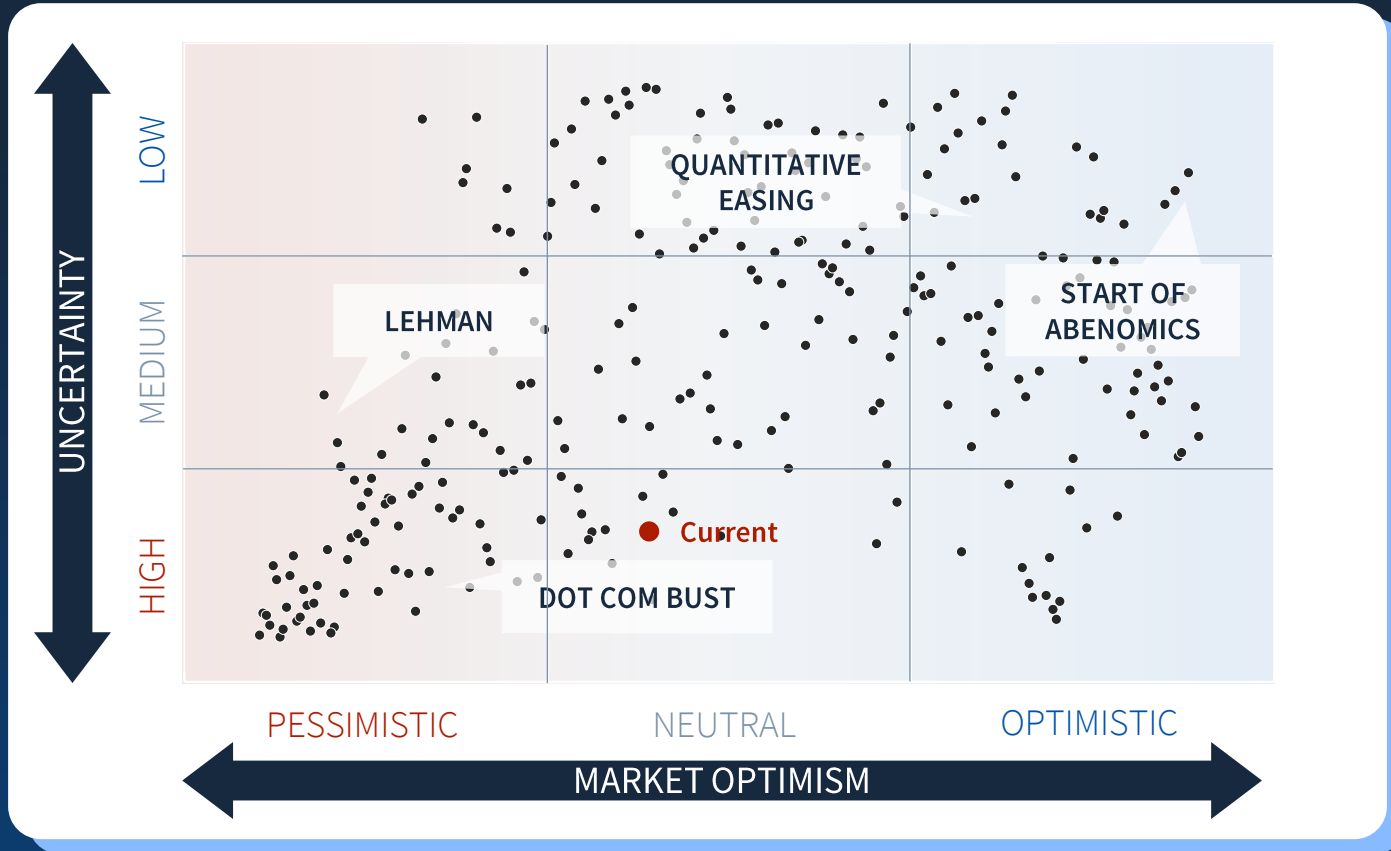


Source: Goldman Sachs Research. As of 31.03.25.

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# The importance of current market environment to effectively allocate across investment styles



- No single investment style works consistently over an entire market cycle
- Current risk environment remains relatively high – political instability and geopolitical uncertainty, persistent inflation, the timing of interest rate cuts
- Current market sentiment is neutral, less positive than the optimistic environment seen last year.

This is information only and is not investment advice.  
Source: Jupiter, Systematic Equities Team as at 30.04.25.

# An active systematic solution can harness opportunities across styles and market cap segments

Example of passive solution

	Value	Blend	Growth
Large	25	35	23
Medium	5	8	5
Small	0	0	0



Example active systematic solution

	Value	Blend	Growth
Large	11	26	19
Medium	6	10	9
Small	5	7	6

Weight %    30+    21-30    11-20    6-10    1-5    0

Source: Morningstar, ‘passive solution’ represented by iShares MSCI World ETF URTH as at 28.05.25, ‘active systematic solution’ represented by Jupiter Merian World Equity Fund as at 31.12.24.



# Diversification by allocating to Alternatives



# Traditional asset allocation

## has failed investors in 1 out of every 5 years

60/40 Portfolio:  
S&P 500/US  
10-Year Treasury  
(Total Returns,  
1982-2025)

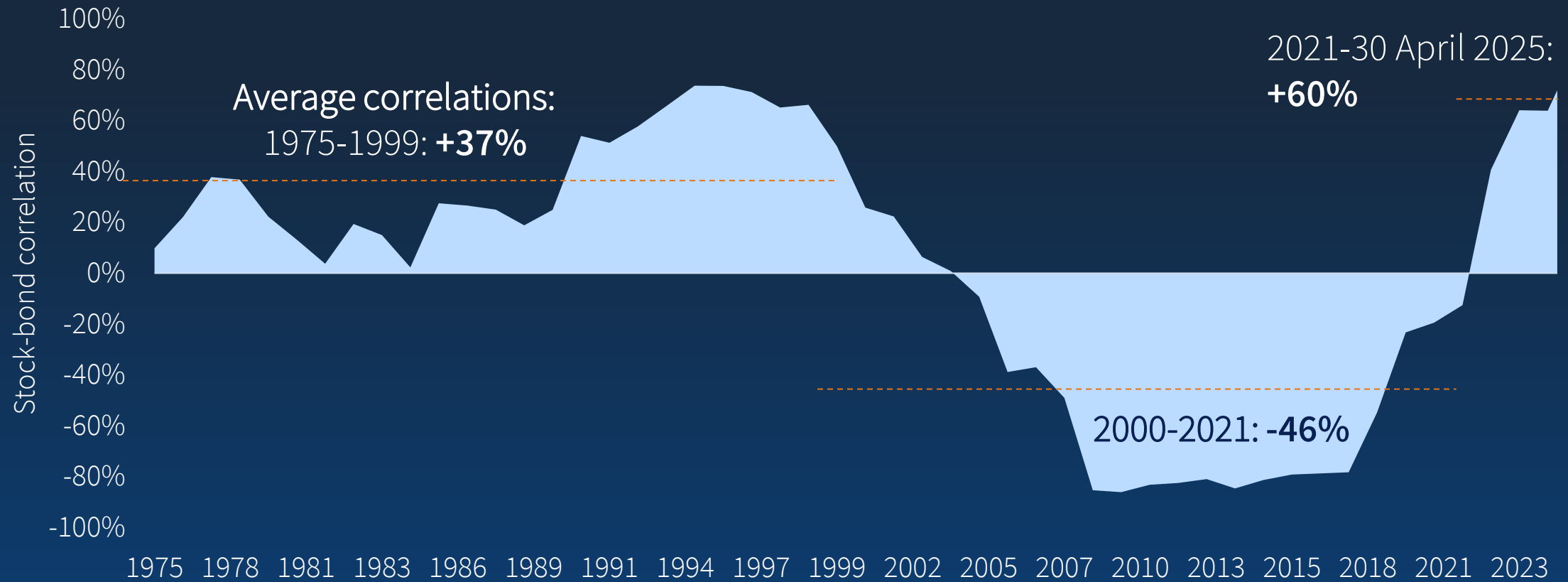
Year	Return	Year	Return	Year	Return	Year	Return	Year	Return
1928	26.6%	1948	4.2%	1968	7.8%	1988	13.2%	2008	-13.9%
1929	-3.3%	1949	12.8%	1969	-7.0%	1989	26.0%	2009	11.1%
1930	-13.3%	1950	18.7%	1970	8.8%	1990	0.7%	2010	12.3%
1931	-27.3%	1951	14.1%	1971	12.4%	1991	24.1%	2011	7.7%
1932	-1.7%	1952	11.8%	1972	12.4%	1992	8.2%	2012	10.7%
1933	30.7%	1953	0.9%	1973	-7.1%	1993	11.7%	2013	15.6%
1934	2.5%	1954	32.9%	1974	-14.7%	1994	-2.4%	2014	12.4%
1935	29.8%	1955	19.0%	1975	23.6%	1995	31.7%	2015	1.3%
1936	21.2%	1956	3.6%	1976	20.7%	1996	14.2%	2016	7.3%
1937	-20.7%	1957	-3.6%	1977	-3.7%	1997	23.8%	2017	14.1%
1938	19.3%	1958	25.4%	1978	3.6%	1998	23.0%	2018	-2.5%
1939	1.1%	1959	6.2%	1979	11.4%	1999	9.2%	2019	22.6%
1940	-4.2%	1960	4.9%	1980	17.8%	2000	1.2%	2020	15.3%
1941	-8.5%	1961	16.8%	1981	0.5%	2001	-4.9%	2021	15.3%
1942	12.4%	1962	-3.0%	1982	25.4%	2002	-7.1%	2022	-18.0%
1943	16.0%	1963	14.2%	1983	14.7%	2003	17.2%	2023	17.2%
1944	12.4%	1964	11.3%	1984	9.2%	2004	8.2%	2024	14.3%
1945	23.0%	1965	7.7%	1985	29.0%	2005	4.0%	2025 YTD	-3.2%
1946	-3.8%	1966	-4.8%	1986	20.8%	2006	10.2%		
1947	3.5%	1967	13.6%	1987	1.5%	2007	7.4%		

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Source: Bloomberg, as at 31.05.25.

# Equities and bonds have become highly correlated

Rolling 10-year correlation of S&P 500 to US 10-year Treasury bonds



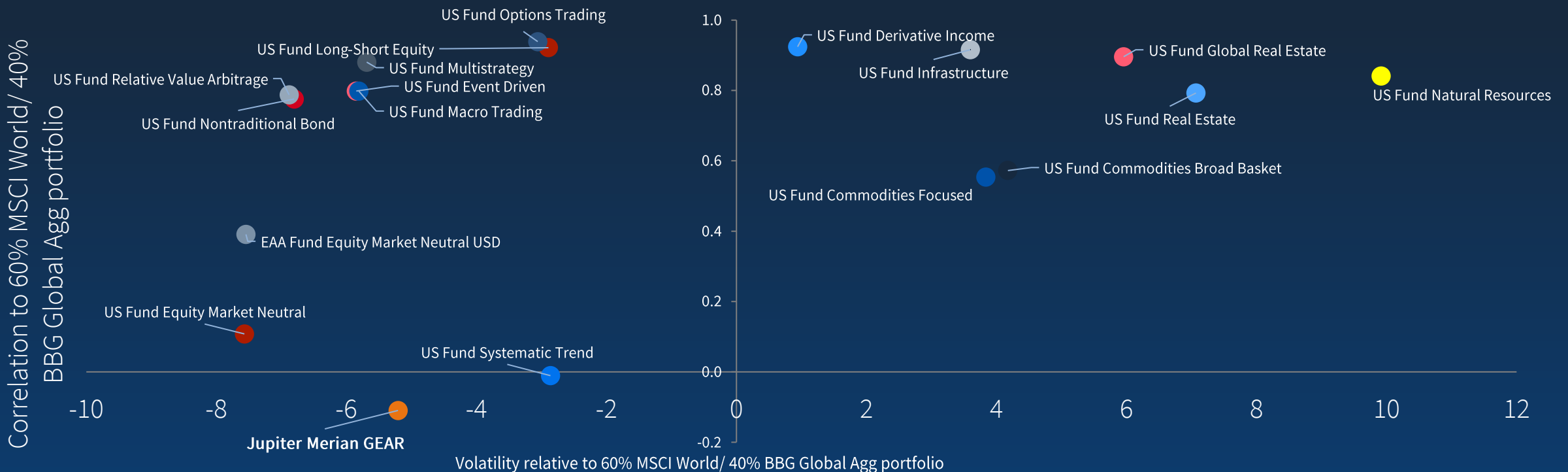
Source: Stern NYU. US T bonds are 10 year US Treasury bonds at the end of each year (Source: Federal Reserve of St Louis). As at 30.12.24.

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# Not all alternatives offer true diversification

Equity Market Neutral portfolios have exhibited low correlation and low volatility in a 60/40 portfolio



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Source: Morningstar. Correlation and volatility versus a portfolio consisting of 60% Bloomberg Global Aggregate Index, and 40% MSCI World Index, from 01.07.2009 to 30.06.2024.

# Equity market neutral can offer returns both up and down markets

Long/short construction can eliminate exposure to the direction of the market



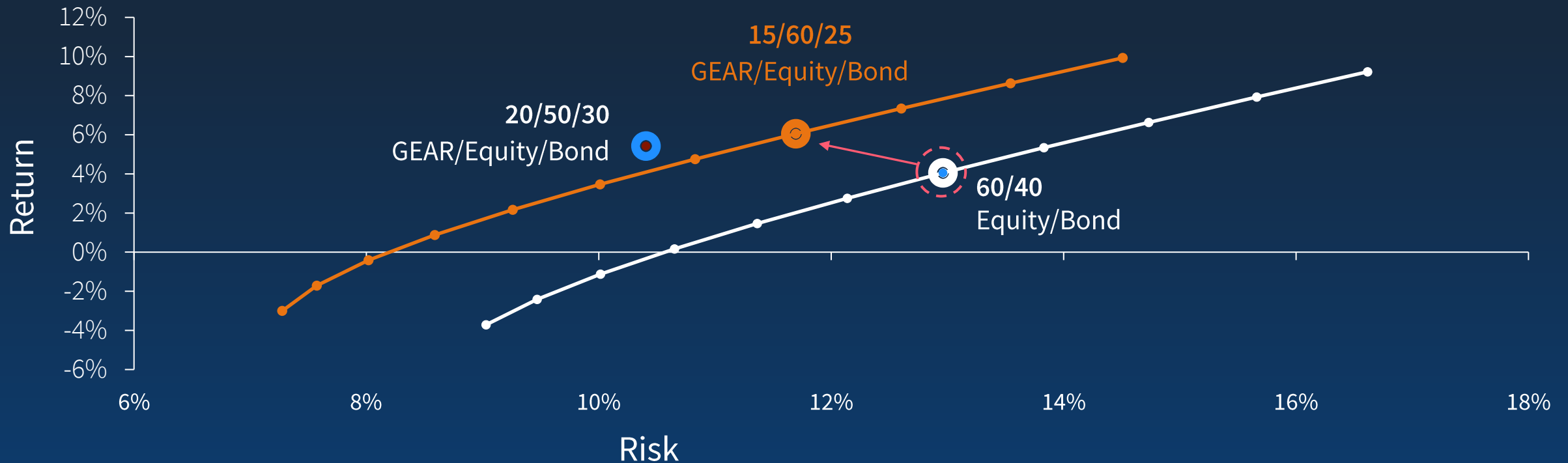
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# Allocating to Equity Market Neutral can enhance outcomes

Adding Equity Market Neutral (EMN) can improve returns while decreasing the risk of a 60/40 portfolio



For illustrative purposes only. Simulated returns are based on simulated client portfolios and cannot predict how an investment in Equity Market Neutral will perform in the future.

Source: Jupiter, Bloomberg, Equity is MSCI World Index (MXWO INDEX), Bond is Bloomberg Global Aggregate IG Debt (Unhedged) (LEGATRUU INDEX) and EMN represents an equity market neutral portfolio. Frictionless monthly rebalance assumed. Period: 30.06.21 to 31.10.24.

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