COCOS:
HARVESTING HIGHER YIELDS

JUPITER FINANCIALS CONTINGENT CAPITAL FUND

jupiteram.com

For professional and institutional investors only. Not for retail investors,

JUPITER ASSET MANAGEMENT

The attractions of contingent convertible bonds, or "cocos," are numerous, and many of the world's most sophisticated investors, including pension funds, sovereign wealth funds, insurance companies, private banks and family offices have recognised that they have a potentially valuable role to play in a portfolio.

We believe that cocos deserve a place in a broad range of portfolios, and that now may be an opportune time to consider allocating to them. Cocos can provide levels of yield comparable with high yield bonds, but with a lower overall credit risks. The most relevant issuers of cocos are large and well-known financial institutions with strong balance sheet fundamentals and time-tested business models, thanks to a long process of improvement and recapitalization started after the global financial crisis.

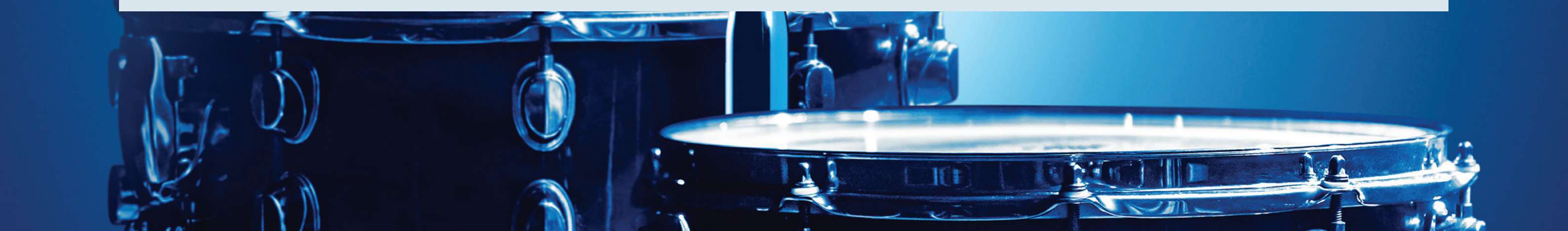
WHAT IS A "COCO"?

A "coco" or "contingent convertible" bond is a type of security issued by banks and insurance companies. They were first issued after the financial crisis, and were designed expressly to help ensure that banks are sufficiently well capitalised to survive another severe shock to the global financial system. For investors, cocos are a liquid asset class that can provide a high yield at relatively low volatility compared to bank equity, as well as low correlation to the rest of fixed income markets.

In the normal course of events, cocos function much like ordinary "callable" bonds, meaning that they pay regular coupons to investors, and can be "called" by their issuers (essentially, bought back) on specified future dates. The key difference between cocos and ordinary callable bonds is that, in the event that an issuer's financial health deteriorates below certain predefined levels, financial regulators have the power to "switch off" the coupon payments. Should an issuer's financial health deteriorate even further, regulators would require an issuer's cocos to be converted into equity. In the case of the majority of issuers of cocos, we believe that the risk of coupons being turned off, or of the cocos being converted to equity, is extremely small.

For example, the Bank of England's 2021 solvency stress test showed that "the major UK banks are resilient to a severe path for the economy in 2021–25 on top of the economic shock associated with the Covid-19 pandemic that occurred in 2020. These results support the Financial Policy Committee's judgement that the system is resilient to outcomes for the economy that are much more severe than the Monetary Policy Committee's central forecast.

Source: Bank of England, Stress testing the UK banking system: 2021 Solvency Stress Test results, https://www.bankofengland.co.uk/stress-testing/2021/bank-of-england-stress-testing-results.



HIGHLIGHTS OF COCOS

- **Designed after the financial crisis, with input and involvement from regulators**
- **A more cost-effective way for banks to raise capital than issuing new equity, hence the attraction for issuers**
- **Highly attractive yield, relative to the credit quality of the issuers**
- **Markedly lower realised price volatility than bank equity**
- **Cocos have a relatively low, or negative, correlation with a number of key asset classes, giving an allocation to them the potential to enhance overall portfolio diversification.**
- **Highly liquid asset class, with huge daily volumes traded**
- **Banks' business models and capital structures are virtually unrecognisable from their form before the global financial crisis; they are now well capitalised, with more stable revenues and much lower engagement in high-risk business lines**

Investment risk - there is no guarantee that the Fund will achieve its objective. A capital loss of some or all of the amount invested may occur.

Strategy risk - investments in Contingent Convertible bonds may result in material losses to the Fund based on certain trigger events. The existence of these trigger events creates a different type of risk from traditional bonds and may more likely result in a partial or total loss of value or alternatively they may be converted into shares of the issuing company which may also have suffered a loss in value.

Credit risk - the issuer of a bond or a similar investment within the Fund may not pay income or repay capital to the Fund when due. Bonds which are rated below investment grade are considered to have a higher risk exposure with respect to meeting their payment obligations.

Interest rate risk - investments in bonds are affected by interest rates and inflation trends which may affect the value of the Fund.

Liquidity risk - some investments may become hard to value or sell at a desired time and price. In extreme circumstances this may affect the Fund's ability to meet redemption requests upon demand.

Derivative risk - the Fund uses derivatives to generate returns and/or to reduce costs and the overall risk of the Fund. Using derivatives can involve a higher level of risk. A small movement in the price of an underlying investment may result in a disproportionately large movement in the price of the derivative investment. Derivatives also involve counterparty risk where the institutions acting as counterparty to derivatives may not meet their contractual obligations.

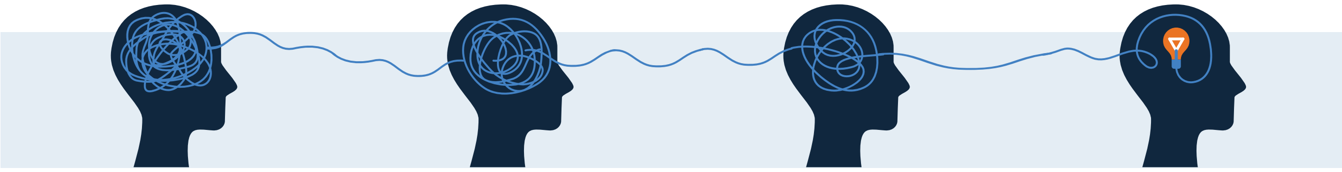
Currency risk - the Fund can be exposed to different currencies and may use techniques to try to reduce the effects of changes in the exchange rate between the currency of the underlying investments and the base currency of the Fund. These techniques may not eliminate all the currency risk. The value of your shares may rise and fall as a result of exchange rate movements.

Capital erosion risk - the Fund takes its charges from the capital of the Fund. Investors should be aware that there is potential for capital erosion if insufficient capital growth is achieved by the Fund to cover the charges. Capital erosion may have the effect of reducing the level of income generated.

The fund may be subject to various other risk factors, please refer to the Prospectus for further information. The KIID and Prospectus are available from Jupiter on request.

REASONS TO CONSIDER AN ACTIVLEY MANAGED "COCO" FUND

COCOS ARE NOT AS COMPLEX AS YOU THINK



Anecdotal evidence shows that some investors are unnecessarily avoiding holding cocos because they believe they may be in intrinsically more complex than other instruments they are perfectly happy to hold.

We would argue that cocos are, in reality, not much more complex than a normal callable bond – an instrument many fixed income investors would hold without giving the matter so much as a second thought. Indeed, more complex than the instruments themselves is the field of banking regulation – in itself, a strong case for choosing an active coco fund, run by managers with a deep understanding of bank capital structures and banking regulation.

YIELD. GLORIOUS YIELD!

When yield accounts for such a high proportion of total investment returns, are you missing out on one of the most attractive yielding assets currently available?

By owning cocos, it is possible to achieve an income stream that compares favourably with that which is available from riskier high yield issuers, but with thecredit quality of some of the world's largest and most capitally robust financial institutions.

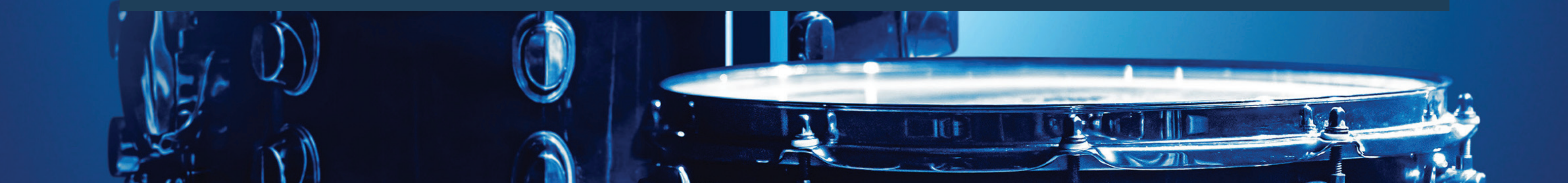
FirstEnergy

Fitch credit rating	BB+
Bond yield to worst (15.01.26)	3.36%

HSBC

Fitch credit rating	BBB
Bond yield to worst (27.04.26)	5.50%

Source: Bloomberg as at 31.03.2022. Company examples are not a recommendation to buy or sell.



BANKS *REALLY* HAVE CHANGED

The global financial crisis and its ensuing damage is still raw in our collective memory. In many investors' minds, banks still conjure up images of bloated balance sheets, and a focus on engaging in risky – but potentially high-margin –business.

More than a decade on from the crisis, however, this image simply doesn't reflect the reality of the companies banks have become.

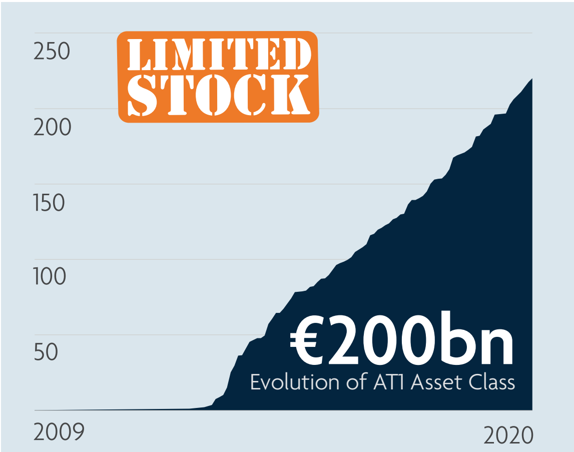
Balance sheets have in many cases shrunk radically, and the businesses in which many banks engage have been pared back, so that many now focus on core deposit taking and lending business. As a result, many banks have become much more like utility businesses, providing necessary but ultimately unexciting services, with much steadier revenues.

CASE STUDY

What a difference a decade makes... Royal Bank of Scotland Group plc arguably faced some of the greatest challenges of all major banks in the global financial crisis. A decade on, the bank (now called NatWest Group) has a balance sheet that is a shadow of its former self, has returned to profitability, and has made significant progress on its stated priority of "simplifying the bank."

SUPPLY OF COCOS IS NOT ENDLESS...

The relative newness of cocos as financial instruments may have led some investors to hold back from allocating to them. As a result, net issuance – which has increased quite steadily over the last five years or so – has at least kept up with demand. However, some potential coco investors may not realise that total net issuance is expected to start peaking in the next few years, suggesting a much increased likelihood that demand may start to creep ahead of supply.



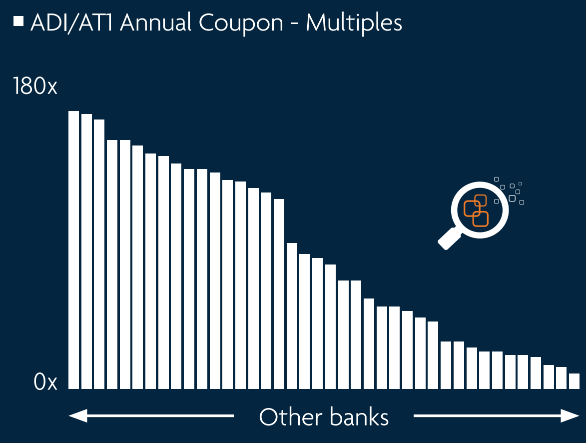
Source: Citigroup Global Markets Limited, EBA as at 31.12.2020.

NOT ALL COCOS ARE BORN EQUAL SO CHOOSE CAREFULLY, AND UNDERSTAND YOUR RISKS

The coco investment universe contains dozens of issuers, the majority of which are "household name" European financial services firms.

It's important to remember that the "trigger events" of cocos create a different type of risk to traditional bonds that can make them lose their value, namely if the coupons are turned off or if the coco is converted into shares. We think that coco investors should focus on high-quality issuers, where there is clear visibility of the issuer's ability to pay coupons. While the asset class can be accessed through ETFs, we believe that investors may not be fully alert to some of the risks of doing so.

IDENTIFYING "UNINVESTIBLE" ISSUERS



For illustrative purposes only.

OUR APPROACH

The fund has a robust, structured and repeatable five stage process. Its aim is to select the highest quality and best value issuers, which in the manager's opinion have the strongest balance sheets and capital generation characteristics. The manager focuses on cocos that have the lowest likelihood of missing coupon payments, in his view. Through detailed analysis of available distributable items and by making forecasts of retentions, he seeks to predict whether issuers will have sufficient reserves in the future to pay coupons. He also aims to invest in cocos whose likelihood of conversion is remote.

01 **CREDIT FUNDAMENTALS**
Fundamental, in-depth analysis of the issuers' balance sheets including ad-hoc internal stress tests.

02 **BUFFER TO COUPON DEFERRAL**
Assessing issuers' capital ratios versus capital requirements and whether issuers will maintain a healthy capital buffer under stress scenarios.

03 **DISTRIBUTABLE RESERVES**
Forecasting whether issuers have sufficient reserves to comfortably pay coupons now and in the future.

04 **EXTENSION RISK**
Analysing the probability of call of every bond and assessing whether current prices adequately reflect the risk of being extended.

05 **RELATIVE VALUE**
Selecting the most attractive bonds across different banking systems and within banks' full capital structure.

OUR TEAM

LUCA EVANGILISTI Investment Manager

The investment manager, Luca Evangelisti, has been involved with the asset class since the early days of its inception. He has invested across the capital structure and is the lead decision maker for Financials credit in Jupiter's flagship global flexible bond strategy. Luca joined Jupiter in January 2013. In addition to managing the Jupiter Financials Contingent Capital Fund, he is Head of Credit Research in the Fixed Income team. Before joining Jupiter, Luca worked at Moody's Investors Service as an associate credit analyst. Prior to this, he worked at Goldman Sachs as a financial analyst on the Southern European team. He began his investment career in 2008. Luca has a Bachelor's degree in Business Management and a Master's degree in International Corporate Finance.

MATTHEW MORGAN Investment Director

Matthew Morgan joined Jupiter in 2019 and is an Investment Director, supporting the fixed income and multi-asset strategies. In this capacity, Matt is responsible for the commercial development and business strategy, owning interactions with clients and distribution, while being fully embedded within the investment team and process. Prior to joining Jupiter, Matt was at BlackRock for thirteen years, where he was a director in the institutional team, helping some of the UK's largest institutions develop investment strategy. Matt has a degree in History and Modern Languages from the University of Oxford and is a CFA® charterholder.

...drawing on Jupiter's wealth of expertise across fixed income and multi-asset.

JUPITER FIXED INCOME TEAM

ARIEL BEZALEL Investment Manager

30 investment professionals

JUPITER MULTI-ASSET TEAM

TALIB SHEIKH Investment Manager

4 investment professionals

Source: Jupiter, as at 30.06.2022. Updated annually.

IMPORTANT INFORMATION

This is a marketing communication. Please refer to the latest sales prospectus of the sub-fund and to the Key Investor Information Document (KIID), particularly to the sub-fund's investment objective and characteristics, before making any final investment decisions.

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