JPMorgan China Growth & Income (JCGI)

Invests in high-quality Chinese companies exposed to the country's long-term structural themes.

Update
15 January 2026

Overview

JPMorgan China Growth & Income (JCGI) offers investors exposure to high-quality-growth companies across Greater China, including mainland China, Hong Kong and Taiwan, with its investment team focussed on identifying businesses capable of delivering sustainable, above-market earnings growth over the long term. The investment approach remains firmly rooted in bottom-up fundamental research, with an emphasis on profitability, durability and long-term relevance, rather than short-term macro or political forecasting, alongside a disciplined approach to valuation.

Portfolio activity over the past year reflects this focus. The managers have added selectively to high-quality companies where valuations appeared to understate long-term growth potential, particularly across technology and healthcare, including Wus Printed Circuit Kunshan and GenFleet Therapeutics. Despite these changes, the **Portfolio** retains its long-standing quality-growth bias and remains underweight more cyclical areas with weaker structural growth prospects like energy.

Performance has improved meaningfully over the past 12 months as Chinese equities staged a recovery. JCGI delivered a NAV total return of 34.5%, ahead of the MSCI China Index's 29.9% return. This follows a challenging five-year period for both the trust and the wider China market, underscoring the volatility inherent in the region but also the potential upside when sentiment and fundamentals begin to realign.

JCGI's **Dividend** policy remains unchanged, with an annual distribution targeted at 4% of NAV. For the year to September 2025, this equated to 10.92p per share. Looking ahead, the board has already announced a higher dividend of 13.56p for the 2026 financial year, an increase of around 24%, reflecting the recovery in NAV used to set the distribution.

At the time of writing, JCGI trades at a 10.0% **Discount** to NAV, modestly wider than both its own five-year and unweighted peer group average.

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Analyst's View

China will not be for everyone. It is a volatile market, and the past five years have shown that sentiment can shift quickly. For more risk-averse investors, it may be reason enough to stay away. Yet for those building globally diversified portfolios, overlooking the world's second-largest economy entirely is a bold choice given its economic importance and long-term growth potential.

Moreover, the current backdrop is interesting: China remains one of the few major equity markets trading well below previous highs, with valuation gaps versus US peers still striking. Whilst geopolitical tensions, regulatory uncertainty and the legacy of the property downturn warrant caution, much of this is arguably now reflected in prices. Signs of stabilisation are also emerging, with parts of the property market recovering, policy becoming more supportive and "anti-involution" measures beginning to tackle overcapacity and destructive price competition. Low interest rates and elevated household savings further support the case, as it suggests there is capital on the sidelines that could gradually re-enter the real economy and equity markets as sentiment improves.

In this context, we think investment trusts are a particularly effective way to access China. The market can be illiquid and sentiment-driven, making the closed-ended structure well suited to long-term, bottom-up investing without the pressure of daily flows. Against this backdrop, JCGI stands out, combining exposure to high-quality-growth companies aligned with China's structural priorities with a differentiated income stream that doesn't compromise its growth focus, although the income will vary in line with movements in NAV.

For patient investors willing to accept volatility, we think JCGI offers a distinctive route to China's growth at a time when valuations, sentiment and structural dynamics appear unusually compelling — all at a wider-than-average discount.

BULL
Large on-the-ground research team offers good coverage of the market
Offers a predictable dividend, without having to invest in low-growth high-yielders
Exposure to high-growth opportunities in China, Taiwan, and Hong Kong

BEAR
Ongoing tariff discussions and geopolitical tensions could weigh on the discount in the near term
Dividend paid to investors could fall if the NAV falls
China is a highly volatile market, exacerbated by the trust's tendency to employ gearing

Portfolio

JPMorgan China Growth & Income (JCGI) is managed with a clear focus on identifying high-quality-growth companies across Greater China, including mainland China, Hong Kong and Taiwan. Rebecca Jiang, JCGI's portfolio manager since 2017, is assisted by Simmy Qi in Shanghai, Li Tan in Hong Kong and Howard Wang in Taipei. The team are growth-oriented investors, seeking to identify the structural winners of tomorrow by investing in businesses capable of delivering sustainable, above-market earnings growth over the long term.

Whilst the macro backdrop in China has been challenging in recent years, the team believes that understanding companies deeply, rather than attempting to time sentiment shifts, remains the most reliable way to generate long-term returns. A key strength underpinning this, in our view, is the breadth of research support available to the team. The team benefits from extensive on-the-ground resources, enabling detailed company engagement and valuable local insight (see **Management**).

Their investment philosophy centres on fundamental research rather than short-term macro or political forecasting. The team places particular emphasis on profitability, durability and long-term relevance, favouring companies with strong competitive advantages, robust business models and exposure to enduring structural growth trends. These include China's push for technological self-sufficiency, rising healthcare demand driven by demographic change and the gradual rebalancing of the economy towards consumption and services.

The investment process itself follows a structured three-stage framework. The first stage is fundamental research, where companies are assessed across three dimensions: strategic classification (including business economics, duration and governance), risk analysis (incorporating **ESG** considerations) and an assessment of expected returns over a five-year horizon. The second stage focusses on idea generation, blending quantitative screening with qualitative insights. The final stage is portfolio construction, where position sizes reflect conviction levels, expected risk-adjusted returns and overall portfolio balance. This results in a portfolio of 60 to 80 stocks, balancing growth and quality with valuation discipline whilst seeking attractive long-term upside without overpaying for growth.

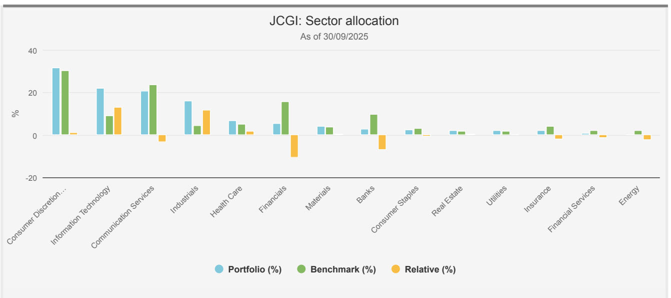
Portfolio activity over the past year reflects this valuation-aware, bottom-up approach. Heightened volatility and prolonged macro uncertainty have created valuation dislocations across parts of the Chinese market, which the team believes offer attractive long-term entry points into high-quality businesses.

New additions over the year include companies positioned to benefit from structural growth in technology and innovation. Wus Printed Circuit Kunshan was initiated as a play on the rising demand for advanced printed circuit boards, driven by increased ASIC usage and higher-layer count requirements as specifications migrate. VeriSilicon was added for its exposure to autonomous driving and ADAS chips, alongside longer-term opportunities in edge AI applications such as AI glasses and consumer AI devices. The company occupies a distinctive position within China by supporting domestic firms with intellectual property solutions, aligning well with the theme of technological self-sufficiency.

Within healthcare, GenFleet Therapeutics was purchased at IPO, reflecting the managers' view that the valuation underestimated the quality of its globally competitive clinical data. Shanghai United Imaging was added as the preferred holding in medical technology, offering exposure to high-end domestic innovation in healthcare equipment.

These purchases were funded by exiting positions where valuations appeared more fully reflected or conviction had diminished, including Full Truck Alliance, CITIC Bank and Haier Smart Home. In Haier's case, the managers became increasingly cautious around near-term domestic demand for white goods, which they expect to remain under pressure. Despite these changes, the portfolio's quality-growth bias remains evident. The trust continues to be underweight areas such as banks and traditional energy, where structural growth prospects are viewed as more limited, whilst overweights to technology, industrial and healthcare businesses reflect the long-term growth potential the managers believe is available.

Fig.1: Sector Allocation



Source: JPMorgan

Despite the changes made over the year, the portfolio's underlying characteristics remain consistent with the managers' long-standing philosophy. Relative to the MSCI China benchmark, JCGI's holdings typically trade on higher valuation multiples, such as price-to-earnings and price-to-book. However, these higher valuations are supported by stronger quality fundamentals, including superior returns on equity and higher expected long-term earnings growth. We think this reflects a deliberate emphasis on capital efficiency, profitability and sustainable growth. Further, when considered alongside the trust's wider-than-average **Discount**, these portfolio traits may further enhance its appeal for investors seeking exposure to China's long-term growth potential through a quality-focussed lens.

Portfolio Characteristics

	PORTFOLIO	BENCHMARK
12-month forward P/E (×)	18.7	13.7
P/B (×)	3.3	1.8
Return on equity (%)	15.5	11.5
Five-year expected growth rate of earnings per share (%)	9.4	8.8

Source: JPMorgan, as at 30/09/2025. **Expected Return in USD currency over the next five years, though positive growth rate does not imply positive return of the fund.

Looking ahead, the managers believe the opportunity set in China remains compelling. China is one of the few major equity markets that is still well below its all-time highs, in contrast to many developed markets that have been testing or surpassing previous peaks. Valuation comparisons between leading Chinese and US-listed companies remain striking, highlighting the extent of the discount applied to Chinese equities.

Whilst there are understandable reasons for investor caution, including geopolitical tensions, regulatory uncertainty and the legacy of the property downturn, the managers argue that much of this pessimism is already reflected in prices. The Chinese equity market remains significantly below its previous peak, even after the recovery seen over the past year.

Importantly, there are signs that some key domestic headwinds are stabilising. Parts of the property market, particularly in tier-one and tier-two cities, are showing signs of moderation, with inventories easing and prices stabilising following policy support in late 2024. Whilst property is unlikely to become a growth engine in the short-term, it may become less of a drag on equity sentiment.

The managers also highlight the importance of China's evolving "anti-involution" policies. Involution refers to intense competition that erodes profitability through overcapacity and price wars, particularly in sectors such as electric vehicles, solar and industrial manufacturing. China's anti-involution measures aim to curb excessive capacity expansion, rationalise supply and shift competition towards innovation, pricing discipline and capital efficiency. Whilst outcomes will vary by sector, industries with solid end-demand growth and technological differentiation appear best placed to benefit, areas where the trust is well represented, notably through holdings such as Xinyi Solar and CATL.

Finally, the backdrop of low interest rates and elevated household savings provides potential support. Household deposits remain near record highs, whilst loan growth is subdued and approaching levels last seen in 2009, suggesting a large pool of domestic capital that could gradually re-enter the real economy and equity markets as confidence improves. In this environment, long-duration-growth assets, particularly in technology and AI-related areas, may continue to see supportive earnings revisions.

Gearing

The board has provided the flexibility for the managers to operate gearing within a set range of 10% net cash to 20% geared, in normal market conditions. Anything above this figure requires board approval. The board repaid in full its £30m two-year revolving loan facility upon its maturity on 15/07/2025, deciding to use low-cost and capital efficient Contracts for Differences (CFDs) in its place. CFDs help the managers fine-tune exposure, providing an alternative, low-cost way of increasing leverage. Together, this allows JCGI to take longer-term positions and potentially enhance returns over time. According to the trust's November 2025 factsheet, net gearing stands at 13.4%.

Performance

China's macroeconomic challenges over the past five years have been difficult to ignore, but the past 12 months have marked a clear shift in momentum. Chinese equities have staged a meaningful recovery, supported by targeted government stimulus, improving domestic consumption trends and renewed investor confidence in areas such as artificial intelligence and China's push for supply-chain and technological self-sufficiency. Whilst tariff uncertainty has continued to drive volatility, both the economy and corporate earnings have shown a degree of resilience that many investors had previously discounted.

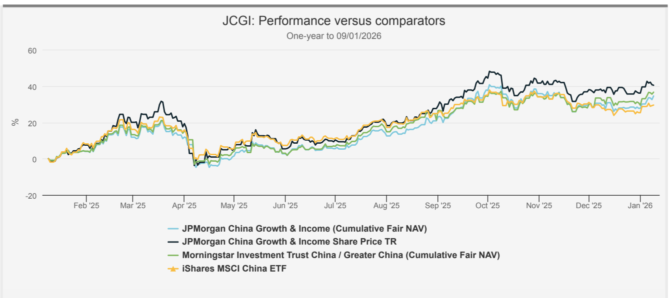
Against this backdrop, the investment team has captured the market recovery well. Over the 12 months, the trust delivered a NAV total return of 34.5% and a share price total return of 40.4%, the latter a reflection of the narrowing discount. This compares with a 29.9% return from the MSCI China Index over the same period. The managers' approach remains firmly rooted in identifying high-quality, high-growth companies aligned with China's long-term structural priorities, with stock selection rather than short-term political positioning expected to drive returns over time. Whilst investors have been on a volatile journey over the past five years, the past year has served as a reminder that China remains a significant engine of global growth and one that can be costly to overlook entirely.

Stock selection was a key driver of performance over the period. Montage Technology and Foxconn Industrial

Internet both contributed strongly, benefitting from renewed enthusiasm around AI-related investment. Minth Group also performed well, supported by progress in its expansion into Mexico, where it is developing battery housing and plastics capacity backed by signed US orders, helping to mitigate tariff risk. Guming Holdings was another notable contributor, delivering strong revenue and profit growth that supported store expansion and continued investment in technology, strengthening both its brand and supply-chain capabilities.

There were, however, areas that detracted from relative returns. An underweight position in Xiaomi proved a headwind as the shares rallied on positive sentiment surrounding its electric vehicle ambitions. Meanwhile, Meituan detracted as heightened competition in food delivery weighed on margins and pricing discipline, pressuring the share price over the year.

Fig.2: One-Year Performance

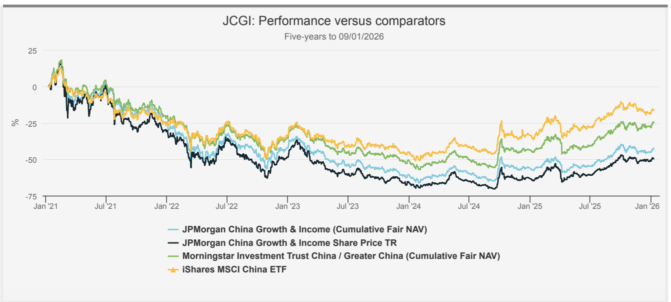


Source: Morningstar. Peer group comparisons are shown on an unweighted Morningstar Investment Trust basis, reflecting the small size and concentrated nature of the sector.
Past performance is not a reliable indicator of future results.

Whilst the past 12 months have marked a return to form, performance since the start of the decade has been far less straightforward. Chinese equities have experienced a pronounced boom-and-bust cycle over this period. A strong rally in 2020, driven by effective pandemic management and robust policy support, gave way to a prolonged period of weakness. A sluggish post-COVID reopening, ongoing property sector stress, regulatory intervention and rising geopolitical tensions all weighed heavily on investor confidence. At the same time, the global shift towards higher interest rates from 2021 onwards worked against long-duration growth stocks, paving the way for more cyclical and value-led areas to outperform, segments of the market that the trust typically avoids by design.

Together, these factors help explain why JCGI has lagged its benchmark over five years, with its NAV total return around 28 percentage points behind the MSCI China Index. Whilst this longer-term underperformance is notable, the recent recovery highlights both the volatility inherent in China-focussed investing and the potential upside when sentiment and fundamentals begin to realign.

Fig.3: Five-Year Performance



Source: Morningstar. Peer group comparisons are shown on an unweighted Morningstar Investment Trust basis, reflecting the small size and concentrated nature of the sector.
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Dividend

JCGI's dividend policy is to pay, in the absence of unforeseen circumstances, an annual dividend equal to 4% of the NAV on the last business day of the preceding financial year. The target dividend is therefore known and announced at the start of each financial year and is paid in four equal interim dividends on the first business day in December, March, June and September.

For the financial year to 30/09/2025, the annual dividend totalled 10.92p per share, paid as four quarterly dividends of 2.73p. This represents a modest reduction from the 11.04p paid in the prior year and reflects the decline in NAV over the preceding period. As the policy is explicitly linked to NAV, when the NAV falls, the absolute dividend figure does too.

Looking ahead, for the financial year ending September 2026, the board has already announced an expected annual dividend of 13.56p, payable in four equal instalments of 3.39p. Assuming no unforeseen circumstances, this implies a year-on-year increase of 24.2% and reflects the recovery in the NAV used to set the distribution.

Importantly, the managers are not tasked with generating a natural income from the portfolio. To the extent required to meet the dividend target, distributions are paid from capital, giving the managers full flexibility over stock selection and portfolio construction. This allows them to focus on long-term growth opportunities rather than short-term yield generation. As a result, JCGI should be viewed primarily as a growth-focussed strategy rather than a conventional equity income trust. That said, whilst the dividend is not designed to rise steadily each year, the policy offers shareholders a transparent, predictable and NAV-linked income stream alongside exposure to long-term capital growth.

Management

JCGI is managed by JPMorgan Asset Management's experienced EMAP Equities team, which has a long-established presence across Greater China. Lead portfolio manager Rebecca Jiang has been responsible for JCGI since 2017 and is based in Hong Kong. As a Greater China specialist, she brings over a decade of experience as an equity analyst covering key sectors such as healthcare, financials, and consumer discretionary, core areas of focus for the trust. She co-manages the trust with Li Tan, also based in Hong Kong, who joined JPMorgan in 2011 and is a core/value specialist within the Greater China team.

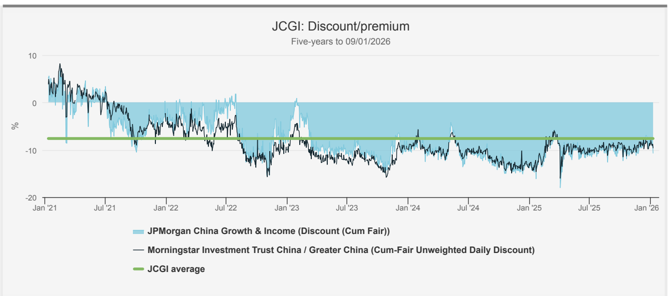
Both managers are supported by Simmy Qi, currently based in Shanghai, as well as Howard Wang, who is based in Taipei. Howard has worked on JCGI since 2006, and due to regulatory changes, he now serves as an investment adviser to the trust, having previously been a named portfolio manager whilst based in Hong Kong.

The team has been further strengthened following JPMorgan's acquisition of its former joint venture partner, CIFM, in early 2023. This has doubled the number of China-dedicated analysts, expanding local coverage and deepening insight through greater on-the-ground access to companies. In our view, this strengthens the team's ability to navigate China's complex and fast-evolving markets, providing an edge with stock selection.

Discount

At the time of writing, JCGI trades at a 10.0% discount to NAV, modestly wider than both its own five-year average of 7.6% and the unweighted peer group average of 8.1%. We use the unweighted peer group average here to avoid the figures being disproportionately influenced by the largest trust in this small, three-strong sector.

Fig.6: Discount



Source: Morningstar

As discussed in **our previous note**, discount dynamics over recent years have been closely tied to shifts in investor sentiment towards China. In the earlier part of the period, JCGI traded close to NAV, and at times at a premium, reflecting China's initially effective management of the COVID-19 pandemic and relatively strong investor confidence. From mid-2022 onwards, however, discounts across the China sector widened materially as prolonged lockdowns, property sector stress and a slower-than-expected reopening contrasted sharply with the recovery seen in many developed markets. Over the same period, JCGI's five-year underperformance relative to its benchmark may also have contributed to the wider discount.

Discount movements over the past year have been particularly volatile. Early 2025 saw a recovery in Chinese equities, supported by renewed optimism around targeted government stimulus, signs of stabilisation in domestic consumption and progress in areas such as artificial intelligence and supply-chain independence. This drove meaningful equity inflows into China between January and April, with JCGI and its peers seeing discounts narrow back towards longer-term averages.

That momentum briefly reversed in May, when discounts moved into double-digit territory following the US "Liberation Day" announcements, which refocussed attention on global trade tensions. Sector-wide discounts widened sharply as tariff concerns resurfaced and risk appetite deteriorated. Despite this, China's equity market has proved relatively resilient, and sector-wide discounts have since moved back into single-digit territory. Whilst the recent agreement between the US and China to de-escalate tensions is encouraging, investor caution remains understandable given President Trump's historically unpredictable approach to trade negotiations. We suspect this uncertainty may continue to weigh on sentiment at times, even if underlying fundamentals remain intact.

What is notable, however, is that China today is far less reliant on US exports than in previous decades. Growth is increasingly driven by domestic demand, alongside a deliberate expansion of intra-regional trade. From 2000 to 2024, China has also overtaken the US as a larger global trading partner, underlining the scale and diversification of its economic footprint. Targeted fiscal and industrial policies are also providing ongoing support to domestic activity, helping explain why trade continues and equity markets have performed better than many expected in the face of geopolitical frictions.

Against this backdrop, JCGI's emphasis on profitability, durability and long-term relevance stands out. The portfolio is tilted towards companies positioned to benefit from structural trends such as high-end technological innovation, rising healthcare demand and greater domestic self-sufficiency in strategically important industries. For investors who remain structurally underweight China following its prolonged period of underperformance, not owning any exposure at all could itself represent a risk. In that context, JCGI's wider-than-average discount may offer a relatively attractive opportunity to access China's long-term growth potential, albeit with the understanding that sentiment-driven volatility is unlikely to disappear.

The board actively monitors the discount and has authority to repurchase up to 14.99% of shares to help manage it or to issue new shares when trading at a premium. During the six-month reporting period to the end of March 2025, no buybacks were undertaken, reflecting the board's view that the discount was broadly in line with peers. More recently, however, a small number of shares have been repurchased, equivalent to around 0.2% of shares in issue as at 09/01/2026, with the most recent transaction occurring in June 2025.

JCGI is also subject to a five-yearly continuation vote, with the next scheduled for the 2028 AGM. In addition, the board has implemented a conditional tender offer to provide further shareholder protection. If, over the five years from 01/10/2022, the trust's NAV total return underperforms its benchmark, up to 15% of the issued share capital will be offered for repurchase at NAV less costs. In the board's view, this mechanism should help limit the extent of any prolonged discount widening if triggered.

Charges

JCGI's latest ongoing charges figure (OCF) stands at 1.05%, from 1.18% for the previous year, mainly reflecting the impact of the reduction of the management. These charges are reflected in the NAV rather than deducted from the share price. But one of the main drivers for the higher OCF is fixed costs, a drawback of a smaller fund, which at the time of writing, JCGI's net assets sit at roughly £270m. The OCF does include a tiered annual management fee of 0.80% per annum on the first £400m of net assets, reducing to 0.75% on net assets above that amount (previously it was a flat 0.90% per annum on net assets). This management fee is allocated 25% to revenue and 75% to capital. In our view, this revised tiered structure is a positive development, offering the potential for costs to fall as the trust grows in size. There is no performance fee.

ESG

Whilst JCGI is not classified as a sustainable or ESG-focussed strategy, its analysis is fully integrated into the investment process. The managers believe the analysis and understanding of ESG factors is essential in identifying high-quality companies with sustainable long-term growth potential. But rather than applying exclusions or constraints, ESG considerations are used to identify risks and opportunities that could materially affect long-term returns. This includes potential headwinds like governance failures, or tailwinds, including regulatory alignment, which may impact a company's share price over time. Each company is also assigned a strategic classification, ranging from Premium to Challenged, based on a qualitative assessment of its economics, governance and long-term durability.

Active engagement with company management is another core part of the ESG process, helping JCGI's managers encourage improved ESG practices and uncover underappreciated strengths. Whilst ESG analysis alone does not drive investment decisions, it may influence position sizing or conviction levels where material risks or opportunities are identified.

Importantly, very few companies in China qualify as 'Premium' under the JPMorgan EMAP's categorisation system, and we believe that the relatively higher ESG risks are a factor in this. Nevertheless, as of November 2025, Morningstar scores JCGI four out of five globes for sustainability when looking across open and closed funds in the Greater China sector and awards the portfolio its 'Low Carbon' designation.

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