TARGET DATE FUND COMMENTARY
2ND QUARTER, 2021

CHARLIE MACBAIN
ANALYST, MANAGER RESEARCH

Our mission is to enrich the lives of our clients, colleagues and communities through sound financial advice, integrity, and commitment to service beyond expectation.

J.P. MORGAN SMARTRETIREMENT

MEETING DATE: JULY 20, 2021

FOCUS AREA

Organizational Update

COMMENTARY

There were no changes to the target date portfolio management team during the quarter.

Investments Update

COMMENTARY

There were no changes made to the underlying investments of the SmartRetirement series during the quarter.

J.P. MORGAN SMARTRETIREMENT

MEETING DATE: JULY 20, 2021

FOCUS AREA

Performance and Positioning Update

COMMENTARY

J.P. Morgan SmartRetirement Performance Update:
The J.P. Morgan SmartRetirement series had mixed performance compared to the benchmark and underperformed peers in the second quarter.

- Importantly, SmartRetirement's glidepath added value in the second quarter, which is a positive indicator for the firm's overall approach.
- The primary driver from a glidepath perspective was the series' allocation to REITs, which is larger than most peers, as REITs were one of the top performing sectors during the second quarter.
- However, these gains were offset by losses stemming from the series' underlying managers and tactical positioning, which was a reversal from last quarter when manager selection and tactical positioning were contributors.
- Most of J.P. Morgan's equity managers follow a growth-at-a-reasonable-price approach, which tends to favor more quality and value stocks over higher growth names.
- While this approach helped performance in the first quarter when cyclical and value sectors outperformed, it was a detractor in the second quarter as growth rebounded.
- The series also has a tactical overweight to cyclical and value sectors in the U.S., and this further weighed on results in the second quarter.
- J.P. Morgan first initiated the cyclical overweight in March 2021, and it was additive for most of the second quarter.
- The team elected to add to the position in June and unfortunately mis-timed the bet as markets rotated to more defensive sectors and cyclical names sold-off over the second half of the month.

Positioning Update:
J.P. Morgan has a favorable outlook on risk assets as the firm expects global growth to continue at an above average rate. Accommodative monetary policy in the U.S. and Europe along with fiscal stimulus that is just beginning to ramp up in Europe are the primary drivers behind J.P. Morgan's outlook. While concerns about further spread of the delta variant has made the team less constructive on value sectors, it expects solid corporate earnings growth to support the broader equity market over the second half of the year.

- The SmartRetirement series continues to be broadly overweight equity and underweight fixed income.
- J.P. Morgan reintroduced an overweight to U.S. large-cap stocks at the end of the second quarter after moving to a neutral position in the first quarter.
- Concurrently, the team closed its overweight to small- and mid-cap stocks as it expects them to experience more volatility resulting from the spread of the delta variant.
- Within international equities, the team maintained an overweight to developed markets.
- The developed market overweight is concentrated to the U.K. and Japan as their economies are tied more to cyclical sectors, such as industrials and financials, which should continue to do well in an economic expansion.
- While SmartRetirement is broadly underweight fixed income, within the portfolio it is overweight high yield as J.P. Morgan views this as a way to participate in an economic recovery with less equity risk.

Note: Benchmark relative performance refers to fund performance compared to the S&P Target Date Indices.

J.P. MORGAN SMARTRETIREMENT BLEND MUTUAL FUNDS

MEETING DATE: JULY 20, 2021

FOCUS AREA

Organizational Update

COMMENTARY

There were no changes to the target date portfolio management team during the quarter.

Investments Update

COMMENTARY

There were no changes made to the underlying investments of the SmartRetirement Blend series during the quarter.

J.P. MORGAN SMARTRETIREMENT BLEND MUTUAL FUNDS

MEETING DATE: JULY 20, 2021

FOCUS AREA

Performance and Positioning Update

COMMENTARY

J.P. Morgan SmartRetirement Blend Performance Update:
The J.P. Morgan SmartRetirement Blend series had mixed performance compared to the benchmark and underperformed peers in the second quarter.

- Relative to the benchmark, SmartRetirement Blend's further-dated vintages outperformed while those closer to retirement underperformed.
- Importantly, SmartRetirement's glidepath added value in the second quarter, which is a positive indicator for the firm's overall approach.
- The primary driver from a glidepath perspective was the series' allocation to REITs, which is larger than most peers, as REITs were one of the top performing sectors during the second quarter.
- However, these gains were offset relative to the peer group by losses stemming from the series' tactical positioning, which was a reversal from last quarter when tactical positioning was a contributor.
- The series has a tactical overweight to cyclical and value sectors in the U.S., and this was the primary detractor from returns in the second quarter.
- J.P. Morgan first initiated the cyclical overweight in March 2021, and it was additive for most of the second quarter.
- The team elected to add to the position in June and unfortunately mis-timed the bet as markets rotated to more defensive sectors and cyclical names sold-off over the second half of the month.

Positioning Update:
J.P. Morgan has a favorable outlook on risk assets as the firm expects global growth to continue at an above average rate. Accommodative monetary policy in the U.S. and Europe along with fiscal stimulus that is just beginning to ramp up in Europe are the primary drivers behind J.P. Morgan's outlook. While concerns about further spread of the delta variant has made the team less constructive on value sectors, it expects solid corporate earnings growth to support the broader equity market over the second half of the year.

- The SmartRetirement Blend series continues to be broadly overweight equity and underweight fixed income.
- J.P. Morgan reintroduced an overweight to U.S. large-cap stocks at the end of the second quarter after moving to a neutral position in the first quarter.
- Concurrently, the team closed its overweight to small- and mid-cap stocks as it expects them to experience more volatility resulting from the spread of the delta variant.
- Within international equities, the team maintained an overweight to developed markets.
- The developed market overweight is concentrated to the U.K. and Japan as their economies are tied more to cyclical sectors, such as industrials and financials, which should continue to do well in an economic expansion.
- While SmartRetirement Blend is broadly underweight fixed income, within the portfolio it is overweight high yield as J.P. Morgan views this as a way to participate in an economic recovery with less equity risk.

Note: Benchmark relative performance refers to fund performance compared to the S&P Target Date Indices.

J.P. MORGAN SMARTRETIREMENT PASSIVE BLEND CIT

MEETING DATE: JULY 20, 2021

FOCUS AREA

Organizational Update

COMMENTARY

There were no changes to the target date portfolio management team during the quarter.

Investments Update

COMMENTARY

There were no changes made to the underlying investments of the SmartRetirement Passive Blend series during the quarter.

J.P. MORGAN SMARTRETIREMENT PASSIVE BLEND CIT

MEETING DATE: JULY 20, 2021

FOCUS AREA

Performance and Positioning Update

COMMENTARY

J.P. Morgan SmartRetirement Passive Blend Performance Update:
The J.P. Morgan SmartRetirement Passive Blend series had mixed performance compared to the benchmark and underperformed peers in the second quarter.

- Relative to the benchmark, SmartRetirement Passive Blend's further-dated vintages outperformed while those closer to retirement underperformed.
- Importantly, SmartRetirement's glidepath added value in the second quarter, which is a positive indicator for the firm's overall approach.
- The primary driver from a glidepath perspective was the series' allocation to REITs, which is larger than most peers, as REITs were one of the top performing sectors during the second quarter.
- However, these gains were offset relative to the peer group by losses stemming from the series' tactical positioning, which was a reversal from last quarter when tactical positioning was a contributor.
- The series has a tactical overweight to cyclical and value sectors in the U.S., and this was the primary detractor from returns in the second quarter.
- J.P. Morgan first initiated the cyclical overweight in March 2021, and it was additive for most of the second quarter.
- The team elected to add to the position in June and unfortunately mis-timed the bet as markets rotated to more defensive sectors and cyclical names sold-off over the second half of the month.

Positioning Update:
J.P. Morgan has a favorable outlook on risk assets as the firm expects global growth to continue at an above average rate. Accommodative monetary policy in the U.S. and Europe along with fiscal stimulus that is just beginning to ramp up in Europe are the primary drivers behind J.P. Morgan's outlook. While concerns about further spread of the delta variant has made the team less constructive on value sectors, it expects solid corporate earnings growth to support the broader equity market over the second half of the year.

- The SmartRetirement Passive Blend series continues to be broadly overweight equity and underweight fixed income.
- J.P. Morgan reintroduced an overweight to U.S. large-cap stocks at the end of the second quarter after moving to a neutral position in the first quarter.
- Concurrently, the team closed its overweight to small- and mid-cap stocks as it expects them to experience more volatility resulting from the spread of the delta variant.
- Within international equities, the team maintained an overweight to developed markets.
- The developed market overweight is concentrated to the U.K. and Japan as their economies are tied more to cyclical sectors, such as industrials and financials, which should continue to do well in an economic expansion.
- While SmartRetirement Passive Blend is broadly underweight fixed income, within the portfolio it is overweight high yield as J.P. Morgan views this as a way to participate in an economic recovery with less equity risk.

Note: Benchmark relative performance refers to fund performance compared to the S&P Target Date Indices.