

With an Eye to the Future, J.P. Morgan Launches New Thematic ETFs, Expanding Sustainable Investment Opportunities for Investors

J.P. Morgan recently announced a new line of thematic exchange-traded funds (ETFs), providing investors access to alpha opportunities through a range of sustainable themes. Aptly named the Sustainable Consumption ETF (CIRC), Social Advancement ETF (UPWD) and Sustainable Infrastructure ETF (BLLD), J.P. Morgan's new suite of funds complements its existing offerings while aligning with the major trends shaping the future.

Over the past several years, environmental, social and governance (ESG) has become a priority for investors and companies alike. In 2015, sustainable funds garnered \$5 billion. But just five years later, in 2020, investment rose 900% to \$51.1 billion, according to MSCI reports.

J.P. Morgan has responded to this rise in investor interest with a suite of thematic ETFs targeted at sustainable investments that will shape the future. The three new thematic ETFs support the following themes:

- **Sustainable Composition (CIRC):** Invests in companies that focus on efficiency and the move towards a more circular economic model, such as those focused on sustainable design, materials like timber, water, agriculture and recycling/re-use.
- **Social Advancement (UPWD):** Invests in companies that help society survive and thrive, including those providing basic needs such as essential amenities, housing, or healthcare; as well as areas like education, attainable financing and digital access.
- **Sustainable Infrastructure (BLLD):** Invests in companies providing essential assets for a sustainable future, including environmental resilience (e.g., electricity/water/renewables infrastructure), social infrastructure, and improved connectivity (e.g., data centers/logistics).

According to Katie Magee, Thematic Investment Specialist at J.P. Morgan, thematic investing is growing in popularity.

"Looking broadly across the industry, we have seen meaningful growth in thematic assets. A large driver of this growth has been in the ETF vehicle," Magee said.

But many of these offerings have been passive, without periodic intervention from financial experts. J.P. Morgan is setting itself apart by utilizing active thematic ETFs to meet investor demand for ESG investment vehicles.

According to Magee, active thematic investing is uniquely attuned to target ESG goals. "In traditional investing, you have a specific benchmark you're looking at: one specific region, one sector, one area of the market cap. But in thematic investing, these ideas, solutions and innovations can exist anywhere."

But parsing securities from a considerable category like sustainability or ESG, which can encompass anything from a recycling company to an organization promoting diversity in the workplace, requires sophisticated tools. In response, J.P. Morgan created ThemeBot, a machine learning natural language processing-based tool that aids a large multidisciplinary team of portfolio managers and researchers to pick the best batch of companies to promote growth around the chosen theme.

"You can look at renewable energy, recycling, cybersecurity, whatever specific theme, and ThemeBot will then scan through tens of millions of data sources," said Magee.

After extensive fundamental research and due diligence, 60-120 stocks are chosen to be part of the thematic ETF, ensuring only the best securities are used.

By combining the thematic ETF structure with an active model, portfolio managers have more influence in the success of these ETFs. With an active model, these experts can leverage the broad nature of these themes to move with the market.

"For example, in our system consumption ETF, one of our subthemes is water, which you could build a whole fund around. But we also can tap into sustainable food, sustainable material or sustainable production technologies."

The three ETFs are now listed on Nasdaq, bringing J.P. Morgan Asset Management's full U.S. suite of ETFs to 48 products with more than \$78 billion in assets under management.

"For sophisticated investors seeking intentionality when it comes to sustainable investing, we are excited to provide sustainable strategies that leverage active managers," said Bryon Lake, Global Head of ETF Solutions at J.P. Morgan Asset Management.

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