FundCalibre

investing ON THE go

TRANSCRIPT: EPISODE 404

23 July 2026 (pre-recorded 21 July 2026)

Please be aware that the accuracy of artificial intelligence-generated transcripts, such as those utilised in our interviews, may fluctuate based on factors like audio quality, subject matter complexity, and individual speaker enunciation. Consequently, these transcripts are unlikely to achieve 100% accuracy. However, it is important to note that, at FundCalibre, we do not consider the correction of automatically-generated captions to be an effective or proportionate use of resources.

Given the inherent limitations of machine-generated transcription, we strongly advise against relying solely on this transcript when consuming our content. Instead, we encourage you to use the transcript in conjunction with the accompanying interview to ensure a more comprehensive and accurate understanding of the topic.

Please remember we've been discussing individual companies to bring investing to life for you. It's not a recommendation to buy or sell. The fund may or may not still hold these companies at your time of listening.

[INTRODUCTION]

Staci West (StW): Welcome back to the Investing on the go podcast brought to you by FundCalibre. Artificial intelligence continues to dominate markets, but is it distracting investors from opportunities elsewhere?

Darius McDermott (DM): I'm Darius McDermott from FundCalibre and this is the Investing on the go podcast. I'm delighted to be joined by Sam Witherow, who's the co-manager on the JPM Global Equity Income fund. Sam, good morning, how are you?

Sam Witherow (SW): Hi, good morning, Darius. I'm very well, thanks. So thanks for having me on your podcast.

[INTERVIEW]

DM: Thanks for spending some time. So let's start with US equities, the biggest part of a global equity benchmark, whether it be income or otherwise. How do you describe the current backdrop and sort of what particular opportunities are you seeing in the US market today?

SW: Yeah, so look, I mean, I think we've had a bit of a journey this year from a bit of consolidation at the beginning of the year, then the shock of the war in Iran, and the ramifications that's had for global energy prices. But the one constant more or less through the last six months and indeed the last 18 months has been a bit of euphoria, frankly, about this new technology, AI, the impact that it's gonna have on markets, society, the world.

We can see that really very evidently in the shape of US equity market performance. So high beta and high momentum stocks have enjoyed, you know, by some measures, possibly the best sort of rolling 12-month performance they've ever had since the end of the Second World War. So that gives you some kind of context as to the sort of the backdrop, the euphoric backdrop that we're witnessing in markets.

And I extend that beyond the US to Japan and emerging markets as well, where we've seen very similar things play out. Now, you know, this isn't happening in a vacuum. AI is happening, it is impacting the world at an incredibly fast rate. It is reshaping the sort of earnings picture for global equities. But it is also creating this sort of black hole of attention, just like sucking, all the focus out of the market. And, we think leaving a lot of opportunity, left on the table. And the thing that we particularly point to is the underperformance of what, you know, people will broadly term as quality, or high quality stocks, in the last 12 months. They've experienced a very sharp drawdown.

In some senses, that's just the flip side of the coin for this enthusiasm for high beta high momentum stocks. But to us, that looks like the standout, opportunity because in the very long run, you know, high quality businesses are your friend, you know, high return on capital, high free cashflow margins. These are the things that act as real tailwinds for long-term equity returns.

DM: And some of those quality sectors you would, again, traditionally expect to have fair dividends, but maybe those, you know, high growth, high CapEx, not to coin your phrase, but euphoria stocks maybe, traditionally would be less dividend paying. How does that affect you as a global equity manager? Do you try to have some of the sort of very low paying dividends with higher growth? How do you put that together?

SW: Yeah, so we've always had this flexibility inherence in our process that says, you know, we will look at, any sort of global large cap company that pays a dividend. You know, we break our universe into three specific cohorts of opportunity. The fastest dividend growth stocks on one end, the sort of classic steady high yield is on the other, and then this compounding resilient dividend growth cohort in the middle.

So we've always had the sort of full flexibility, to access stocks along the dividend paying spectrum. Now, it's true that a sort of portion of that super high octane, predominantly tech, cohort that's been driving markets over the last couple of years, you know, that remains non-dividend paying. And we're pretty style pure when it comes to accessing those stocks.

We're not gonna buy stocks that don't pay dividends. But there is a large part of it that has been paying dividends and has been growing dividends, you know, commensurate with the fantastic earnings growth. I mean, even Nvidia finally raised their dividend 25 times, in the most recent quarter. Now, the yield is still very modest, about 50 basis points, but it's starting to show intent that some of these businesses are kind of growing up and becoming a bit more mature. So, in aggregate, the shape of the portfolio remains one that is skewed towards sort of high quality, slightly defensive businesses, but at the same time, we do wanna get a fair bit of, you know, this sort of growth excitement into the portfolio as well because it is real, it is tangible, and it is delivering dividend growth.

DM: Yeah. Well, that maybe sort of leads me to my next though because, you know, as you buy companies that have dividend, even if they are small, that means there's obviously a part of the market you cannot own. And some of those high growth tech, AI semiconductor stocks, call them what might, aren't available to you, yet TSMC, given this is a global fund and you can go anywhere, is still your largest holding. I've had other people say to me they think it's the most quality company on the planet, but still pays a reasonable dividend. Is that how you get most of your tech exposure?

SW: Yeah, okay. Well, I'm glad to hear I'm not the only one who thinks that. But, the way we approach technology and I think, you know, particularly today is to say, look, in aggregate, you know, maybe, you know, we're not necessarily gonna be able to be overweight this category, you know, given the predominance of still low, yielding companies within that. But, we're gonna try and have a really decent allocation here, because there are some, you know, fantastic high-quality resilient dividend payers, and it is the reality is where the growth is happening within the world and has been happening for some time and we shouldn't have our head in the sands around that.

I think what we're trying to do within technology today is trying to have balanced exposure to what Jensen Wang, the CEO of Nvidia calls the AI layer cake. And this is really the sort of the different business models that come together to ultimately deliver, what we're using day by day in terms of, you know, agents or chatbots or whatever it might be. So we have a chunky exposure to the AI picks and shovels, the CapEx beneficiaries, of whom TSMC I think is the shining example of the company which really has the most impregnable moats out there.

It has been a fantastic dividend payer, you know, resilient dividend growth for many, many years. We're then trying to have some exposure to the AI enablers in the middle. These are the companies spending the money that TSMC is receiving. So these are the classic hyperscalers, the Microsofts, of the world that, you know, slightly fallen out of fashion recently because the market is increasingly concerned about the scale of this CapEx spend. We can get onto that, but our view would be, you know, actually broadly, this is justified and that we're approaching a point where I think these companies are gonna start to prove that this CapEx is generating a really healthy return.

Where we've been a bit more cautious of late, in the sort of digital businesses at the top of the stack that are, you know, AI, but also potentially imperilled by AI. You know, there's a sort of cohort stocks, the market's terms sort of AI losers. And I think there's some credibility to that, frankly. Software companies in particular, we worry are gonna have a slightly different, gross margin structure going forward. You know, it's no longer, totally free for them to serve the next incremental customer. You know, by using tokens, they're turning a fixed cost, leverage into variable cost leverage, and that's probably gonna be lower margins for them going forward. So we've learned to become a little bit more cautious there, and we think there's some credibility to some of those market fears around disruption.

But, you know, overall, I guess the message is one of balance. You know, there's a lot of change going on in the world. We need to be a little bit humble about where we think this is going on a five or 10-year view and a little bit nimble in how we react to it.

DM: Right. Well, one can't avoid technology and the hyperscalers and AI and all of that infrastructure, but it's not the only part of the market available to you as a global equity income fund manager. So let's talk about some of the other parts for a little bit. Financials, one of your largest sector overweight, had a pretty good run, certainly the US banks, European banks, UK banks. But obviously financials isn't just banking, it's multiple other sub-sectors. What areas are you liking and where, where are you still sort of got high convictions with hopefully some nice dividends as well?

SW: Yeah. I mean, I'll just come back to something you said at the beginning, Darius, there is that, you know, there is a world outside of technology. Of course, there is, what is true though is that for most of the last three years, there hasn't really been any earnings growth outside of technology. You know, the world has been coping with, I think, what we call a sort of prolonged COVID hangover, as all the sort of good stocking that happened over that period has become, you know, gradually digested. And we think we're finally past that phase of inventory de-stocking. And we're starting to see that show up in the quarterly earnings data.

So, you know, just to looking at the US in isolation, if we take out, you know, any kind of AI-related company, we saw earnings growth or operating profit growth accelerate, from around 5% in Q4 to 8% in the first quarter. We expect it to accelerate a little bit further again in Q2.

So, you know, just to put some tangible numbers on your statement, I think it is happening. You know, there is a broadening out going on. And then, you know, specifically on financials, so I break this into two cohorts. There is a sort of asset light, super high quality, very defensive cohort within financials, where we've always found, like, a really rich picking ground for dividend investing. I think, you know, stocks like MasterCard in the US or frankly, a whole stable of global stock exchanges we've owned for quite a period of time. You know, very established monopolies, very high incremental margins, businesses like CME or Singapore Exchange, this has been really been sourced in the portfolio.

And then on the other side, you know, we've got the more kind of cyclical spicier end, which is mostly banks. But there we're also, overweight today. You know, in general, we'd observe that, you know, high beta stocks are pretty expensive around the world. Banks still retain this discount. I think it's still the sort of, you know, the long aftershock of the global financial crisis. But we would observe that bank returns today are as healthy as they were, before the financial crisis, but they're doing so with radically less leverage.

DM: Much stronger balance sheets

SW: Exactly. Much stronger balance sheets. So we find lots of attractive banks, across the world, frankly. So, you know, names have come to mind. Morgan Stanley, Bank of America, NatWest even here in the UK, DBS Group, in Singapore. We're about 2% overweight, global banks. You know, we're getting, you know, four or 5% yields out of that cohort and some very dependable, dividend growth as well.

DM: Yeah, I was gonna say, I bet that's an area that because of the maturity and, you know, you are able to get some nice dividends and some dividend growth as well. So that's good. We've talked about the broadening out a little bit. Certainly in the last week, 10 days, there's been a bit more volatility around tech names. If we use the Korean stock market just as a proxy, but yet sort of other areas which have been forgotten in this AI supercycle or whatever we term it. Things like healthcare, consumer, that sort of boring consumer staple dependable. Are they starting to see slightly better earnings having had a period of quiet earnings and having been left behind maybe on decent valuations?

SW: I think this comes back to this observation about quality. You know, relatively boring, but high quality, resilient earnings growers across the world we think are being left behind. We not trying to necessarily say that the AI enthusiasm is unwarranted, but we simply observe it's sucking kind of the attention away from other parts of the market. You know, an area that we've become particularly more interested on recently is medtech.

So in the US, we've actually got three holdings in the portfolio, today in that space. You know, this used to be the sort of that sort of intersection between healthcare and technology, you know, high quality industrial businesses, growing high single digit. You know, they used to trade at, you know, really very high multiples for this sort of attractive, resilient earnings growth. Now that there is a sort of shinier object elsewhere in global markets in the shape of AI, you've seen these stocks de - rate massively.

The fundamentals haven't really changed here. So for us, you know, this has gone for me in a group that we always though was a bit too expensive for us with yields that were a bit too modest, to something that's now kind of firmly in our wheelhouse. So we've added a couple of names in that sector and I think we're now 3% overweight healthcare today, as a result.

DM: So just sort of looking ahead broadly to markets, I don't know, six, 12, 18 month type of view. We have had a couple of extraordinary events with sort of 25 being dominated by the tariff announcements and then I wouldn't say rewinding, but the greater clarity that the economy got and stock markets were pretty good globally. And as you rightly say, still appears to be ongoing conflict in the Middle East, Iran, Israel, US, et cetera. Yet markets have still sort of kept on going after a decent wobble, but for a very short period of time. How do you feel about markets? I don't care if you wanna talk regions, I don't care if you wanna just talk long-term P/Es or price of book. How do you feel as a global equity manager about the next period ahead?

SW: So look, I'll provide two angles here. I mean, you know, as a relative manager, right? So on the one hand, global equity markets are a little bit expensive relative to their long-run history, using our long-term earnings forecast, but not meaningfully so. We’ve had a great run, but the reality is most of it has been backstopped by earnings growth. You know, it is delivering. It is happening and as I mentioned, it's starting to broaden. You know, that's a pretty healthy backdrop, for global equity markets, reasonable multiples, broadening, accelerating earnings growth. That's definitely good stuff. And I think we've learned, you know, not to sort of try and sound complacent about what's going on in Iran. The reality is developed world is just so much less oil intensive than it used to be.

And I think that's sort of coming through in the economic statistics and the corporate results. On the other side, you know, the reality is that AI investment is holding up a huge portion of that global earnings growth. So if we have any wobble in the narrative around, you know, the success and advancement of AI into consumer lives, into, corporate workflows, and there's any suggestion that that AI investment trajectory is tapering, let alone falling, just the weight of these stocks and global indices means that you're gonna have quite a serious market correction.

So, you know, we need to be quite mindful about not getting too ahead of our skis on that cohort of companies. Yes, it's real, but, you know, we need to be a little bit humble about what we can know here. And we wanna make sure that in the rest of our portfolio, you know, we're getting really good bang for our buck, in terms of the dividend yield and the dividend growth that cohort is providing and that ultimately the overall shape of our Global Equity Income Fund is one of, you know, remaining sort of high quality and defensively biased. You know, we exist to provide some downside protection to our clients in terms of market stress, as well as trying to give them as much of the upside as we can.

DM: And maybe then just finally, because this is a global income fund, a one-minute summary on the fund from you just as our listeners go knowing what it is they get on the tin when they buy this product.

SW: Yeah so I'll give you what I think are the most important stats about the fund today. So, we offer a 42% yield premium to global equity markets. We think that's, you know, pretty attractive. And we're doing so whilst, also delivering what we think is very compelling dividend growth prospects. So we think over the next five years, the dividends in our portfolio from the companies that generate them are gonna compound at about 7% per year. So, you know, take that and align it with the near 3% dividend yield that the fund is offering. Even if we take apart, any kind of appreciation, depreciation kind of perspectives, that's close to a 10% nominal total return. And that's a pretty attractive opportunity we think in a sort of cross-asset perspective.

And we're doing that whilst maintaining the, you know, overall ethos of wanting to remain sort of high quality and defensive. So the free cashflow margins of the companies in our portfolio, which are, we think is the sort of the cleanest indicator of quality, profitability, you know, those are about 150 basis points higher, than the, you know, average of global equity markets. So, you know, we're delivering this higher yield, we're delivering this faster dividend growth, and we're not sacrificing on quality at the same time.

And ultimately, you know, all this should lead into some results that, you know, like I said, allow investors to participate in market upside up to a certain extent, but also protect them in those tougher periods of market stress.

DM: Sam, thank you very much. That's really concise, and a great chat on equities. Nobody can avoid a chat in equities without talking about AI today. I think we've covered that nicely. So thank you very much, Sam.

StW: JPM Global Equity Income is a core equity income fund. It has a value tilt and will invest globally, including in emerging markets, in large to mega-cap stocks. To learn more about the JPM Global Equity Income fund please visit fundcalibre.com