



JPMorgan European Discovery (JEDT)

JEDT's strong outperformance foreshadows a recovery for European smaller companies.

Overview

Update
11 August 2025

JPMorgan European Discovery (JEDT) is a European smaller companies specialist focused on generating capital growth. Over the last year JEDT has delivered strong outperformance of the index and, in 2025, investors have begun to allocate more capital to European equities, helping to add momentum to the wider market. Much of this capital has gone to large-caps and JEDT's management team argue that small caps remain at historically low valuations compared to European large caps, where valuations have risen above long-term averages.

Since March 2024 JEDT has been under the **Management** of Jules Bloch, Jack Featherby and Jon Ingram, who have refined and built upon JEDT's approach, centred around valuation discipline, strong business models and earnings momentum. **Performance** since then has been strong in absolute and relative terms, with an NAV TR of 26% comfortably ahead of the benchmark's 19% total return. With the discount narrowing over this period, JEDT's share price TR has been higher still at 32%. This strong run of performance brings the five-year NAV total return to c. 57% against the benchmark's 54% and again, a narrowing discount means that the share price TR is higher at 76%.

JEDT's **Discount**, c. 7% at the time of writing, has narrowed significantly compared to the five-year average of c. 12%. This coincides with the strong run of performance noted above and a share buyback programme, which has returned £110m to shareholders in 2025. Additionally, JEDT reduced management fees from 0.75% to a tiered 0.70% on the first £300m of net assets, and 0.65% thereafter.

JEDT's **Gearing** has remained relatively constant at c. 6% and while JEDT has seen **Dividend** increases over the last two years, its 2.2% yield can be viewed as an outcome rather than an objective of the strategy, and investors should not necessarily expect a progressive dividend.

Analyst's View

In our last note we said "JEDT's investment strategy is [in part] based on 'momentum' derived from companies beating expectations and ... recent performance suggests it could be developing a momentum story of its own." In 2025 a long streak of negative fund flows for European equity funds has been broken, with over \$40bn of inflows over the first half of the year. Most of this went to large-caps and so notwithstanding JEDT's strong performance, we think that a lot of the potential remains untapped. In the first phase of a rising market, we would expect large-caps to perform well as investors 'buy the index', but in time we would also expect some of that to trickle down to small- and mid-caps as investors seeking new sources of alpha. That phase is yet to come and could be a major tailwind for JEDT.

Meanwhile, notwithstanding the lack of capital flows, smaller companies have delivered strong returns driven by earnings growth and JEDT's team have selected a portfolio that has delivered very strong outperformance. Shareholders, of course, receive their returns through the share price and JEDT's very active use of buybacks has, in our view, been a parallel factor to strong performance in delivering a narrower discount, with the share price total return 32% since the team took over the trust last year. Thus, while performance has been strong, in our view the potential remains for momentum to build.

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BULL

Positive absolute and relative performance since the new team took on management of the trust

Positive capital flows into Europe have not yet trickled down to small-caps, which remain attractively valued

Small-caps can provide idiosyncratic returns and strong recovery potential when interest rates fall

BEAR

Smaller companies have some inherently higher risks than larger companies

JEDT's gearing can amplify losses as well as gains

A low dividend yield may not suit some investors



Portfolio

JPMorgan European Discovery (JEDT) aims to generate capital growth through a portfolio of continental European smaller company equities managed using JPMorgan Asset Management's value, momentum and quality process. Looking at the big picture first, JEDT has generated strong absolute returns over the last five years, but European equities generally and smaller companies especially have been a low priority for international investors, measured by capital outflows. In 2025 that began to change, with significant inflows into Europe. Although the reasons are many and varied, one can simplify them down to first, a recognition of the fundamental value available in European equities; second, a shift by investors away from the US and third, and perhaps most importantly for JEDT, the improving outlook in some parts of Europe for domestic economies. Notably, Germany's stimulus plan, focusing on infrastructure, could be a significant boost to many small- and mid-cap companies with a greater focus on domestic Europe than some of the global champions that dominate the index. Europe's pathway to higher defence spending perhaps achieves greater headlines than this and has resulted in many strong share price performances for defence stocks, but an economic recovery for Germany could be a significant positive for European equities. JEDT's holding in German engineering consulting firm Bilfinger is one holding already benefitting from this and is one of the strongest-performing stocks in the portfolio in the first half of 2025.

Further, the team argues that large caps valuations have risen to relatively expensive levels, while small caps have remained at historically low-levels, even while prospects are improving. And, while the observation that small companies can grow faster than large companies is well known, the team has a more sophisticated analysis of this, looking at where the highest returns in small-caps come from. Their analysis shows that a significant source of returns comes from a relatively small number of what they describe as 'hidden gems'. These are those smaller companies with long duration profitability capable of generating 10x returns over a period of 10 or 20 years. The analysis further shows that these types of companies predominantly come from the technology, industrials and healthcare sectors, and these are therefore key priorities for them in selecting stocks. They also observe that these types of companies are capable of producing very asymmetric returns, or in other words, the reward outweighs the potential risk, which can be a return of several times the investment.

The team's fundamental approach to stock picking derives from three simple questions: is it a good business? Is the valuation attractive? And is the outlook improving? Rather than having a specific style bias, the team's approach leads to continual evolution of the portfolio in different market conditions, although in asking questions such as

'is it a good business?' factors such as return on capital—strong and visible cash flows—typically associated with 'quality' are usually favoured across the portfolio. Further, a focus on valuation and an improving outlook are likely to result in lower than market valuation and potentially higher forecast earnings growth.

Stocks selected for their value characteristics will typically conform to themes such as a company-specific catalyst for recovery, or a wider market-related cyclical recovery, and the most important measure of value is cash generation. This is a tangible measure of a company's performance rather than a financial metric that can be manipulated. Momentum stocks on the other hand tend to have characteristics such as a fast-growing end market, an acquisition strategy or a disruptive technology. This process means JEDT has relatively high portfolio turnover, with the team having a rigorous sell discipline and constant reassessment of whether portfolio holdings have met their objectives, or are experiencing deteriorating momentum, for example. Portfolio company SPIE, discussed further below is a good example of a holding that matches all the above criteria, with a balanced and profitable business trading at a significantly lower valuation than average for its sector, industrials, and with growing sales. As a result the share price has gathered momentum and has risen by over 70% during 2025 year to date.

Two companies in the portfolio that play to the theme of digitalisation are CTS Eventim and Scout24. Readers are quite likely to have encountered CTS Eventim, as it is the second largest event ticketing business globally after Ticketmaster. This is really a sophisticated digital platform that allows event organisers a seamless experience that can integrate with their own platform. Scout24 is a German business that provides a comprehensive real estate platform for residential and commercial real estate, covering both listings for sales and rentals, prompting comparisons with the UK's Rightmove. However, Scout24 business goes much wider than Rightmove, with services such as property management, mortgage and moving services. Again, this is a technology platform that offers significant efficiency gains when compared to more traditional services in this market. A third example, Italian company Lottomatica, is an online gambling business, with a market-leading technology platform, and is the single largest contributor to JEDT's performance in 2025, with the share price rising over 100%.

Decarbonisation, and more specifically electrification, is an important theme for the team. German company SPIE is a leader in electrical systems in a wide variety of circumstances, such as grid infrastructure, datacentre electrical and network infrastructure and building efficiency. The team believe SPIE could be a major beneficiary from Germany's infrastructure spending plans. Swiss company Accelleron, originally spun out of



global giant ABB, provides proprietary turbocharging technology for the marine and power industries. Accelleron's equipment and technology offers significant efficiency gains and is for example capable of being retrofitted to older ships to bring them closer to modern efficiency standards. A more recent source of growth is from providing similar technology to the engines that provide backup power to datacentres, again playing to the digitalisation theme.

In healthcare, the team point to two Swedish companies as examples of innovative smaller companies. Software company RaySearch, whose technology is helping to improve treatment for cancer by optimising radiotherapy treatments to deliver much more precise doses of radiation. BoneSupport has developed an injectable cement for healing bone fractures, which incorporates antibiotics, leading to less surgical intervention and faster recovery times.

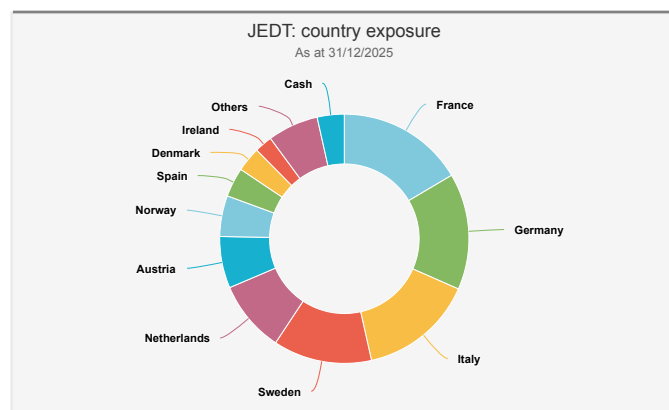
While discussion about M&A activity in small-caps is often in the context of profiting from portfolio companies being bid for, the team highlight that many smaller companies in Europe operate in very fragmented markets, and that absorbing competitors and consolidating a market can be a source of strong growth. Two companies they own, Italian IT consultant Reply and Sweden's industrial company Hexpol have between them executed over 25 M&A transactions since 2016, both achieving strong growth as a result.

The table below shows JEDT's ten largest active positions, as opposed to the conventional list of top ten holdings, with several of these names in the examples above. JEDT maintains a relatively broad spread of 70–80 holdings and the largest absolute position size is just under 3%. The table is a good reminder that while European equities, both large- and small-cap, show a high weighting to industrials, this term perhaps disguises how much practical technology exists in the market, with the example

of SPIE, discussed above, listed as an 'industrial' but with a distinct technology flavour to its growth drivers.

JEDT's geographical exposure is shown below and while this can be viewed as an output from stock picking rather than a series of strategic decisions about which countries to focus on, it serves as a good reminder that the smaller companies universe in Europe is more broadly spread than large-caps, where France, Germany and Switzerland, home to many of the global mega-caps, dominate the index and thus a trust such as JEDT can provide diversification in more ways than just by market cap. We look at JEDT's diversification characteristics in the **Performance section**.

Fig.1: Geographical Exposure



Source: JPMorgan Asset Management

To summarise, JEDT's portfolio gives investors a diversified set of companies with a bias to growth sectors such as technology, industrials and healthcare, with a combination of unique and secular growth stories to tell, and the opportunity to generate returns several multiples of the initial investment over many years. Valuation is, though, an important metric for the team and JEDT's portfolio is usually below average compared to the benchmark. Investor sentiment to Europe has, as measured by capital flows, improved significantly in 2025, with over \$40bn of

Ten Largest Active Weights

NAME	%	COUNTRY OF LISTING	SECTOR
Bilfinger	2.5	Germany	Industrials (Engineering & Construction)
Covivio	2.1	France	Real Estate (REITs)
Storebrand	2.6	Norway	Financials (Insurance)
Lottomatica	2.7	Italy	Consumer Discretionary (Casinos & Gaming)
SPIE	2.7	France	Industrials (Construction & Engineering)
Royal Vopak	2.2	Netherlands	Energy (Oil & Gas Storage & Transportation)
AQ Group	1.9	Sweden	Industrials (Electrical Equipment)
Gaztransport & Technigaz	2.5	France	Industrials (Marine Engineering)
Koninklijke BAM Groep	2	Netherlands	Industrials (Construction & Engineering)
Koninklijke Heijmans	1.9	Netherlands	Industrials (Construction & Engineering)

Source: JPMorgan Asset Management as of 30/06/2025



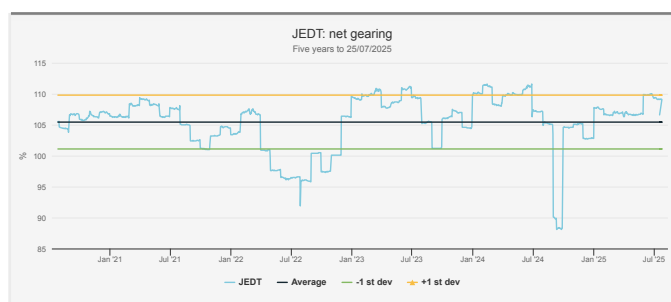
new capital in to European equities in the first five months of the year, but little of this has trickled down to small-caps yet. But with many small-caps exposed to domestic growth stories with tailwinds finally developing, such as Germany's infrastructure stimulus package, it may not be too long until capital does flow down, and in the smaller companies world, it doesn't take much to have an impact on markets.

Gearing

JEDT is currently geared at c. 6%, close to the long-term average depicted in the chart below. JEDT's formal policy on gearing is to allow a range of between 20% cash and 20% net geared. Decisions around gearing are made based on the team's fundamental view of the portfolio rather than to time markets.

Gearing is supplied by a short-term multicurrency revolving credit facility, which gives the flexibility to adjust gearing dynamically, using the most appropriate currency. In the chart below, gearing moved to a net cash position in mid-2024 ahead of JEDT's tender offer, shown in more detail in the [Discount section](#).

Fig.2: Net Gearing

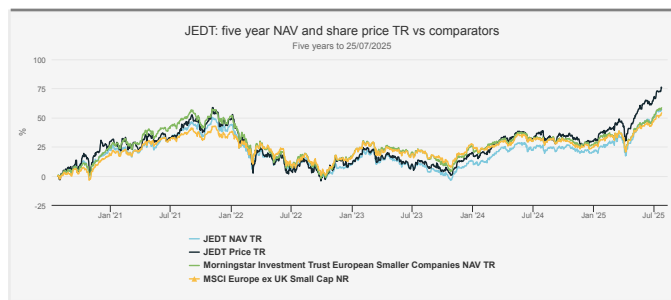


Source: Morningstar

Performance

JEDT's NAV total return over the last five years is c. 57%, with the accompanying share price total return c. 76% as the discount has narrowed. This is partly a result of a very active buyback programme, with details in the [Discount](#)

Fig.3: Five-Year Performance



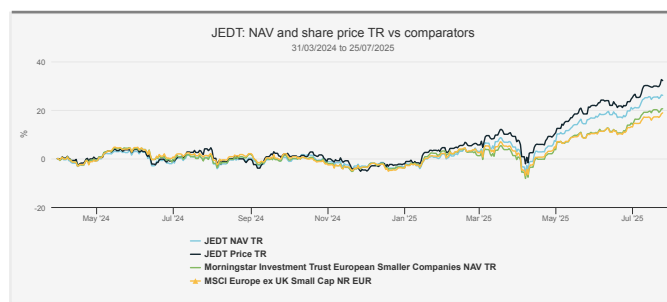
Source: Morningstar

Past performance is not a reliable indicator of future results.

[section](#), and partly because investors have 'rediscovered' European equities in the last year or so. JEDT's NAV total return slightly outpaces the benchmark total return of 54% and is in line with the peer group average of 58%. Annualised, JEDT's five-year NAV TR is 9.5%.

More details are in the [Discount section](#), but JEDT has a tender offer in 2029 that would be triggered if it underperforms the benchmark in the five-year period up to 31/03/2029. The start of this period approximately coincides with the appointment of the current [Management](#) team of JEDT so it's also a useful period to track their achievements. As ever, one shouldn't read too much into performance over relatively short time periods, but for the record performance since 31/03/2024 is an NAV total return of 26% against the benchmark and peer group's 19% and 21% respectively, which is a strong result. The share price total return of c. 32% continues to be ahead, with the discount on a narrowing trend.

Fig.4: Performance Measurement Period To Date

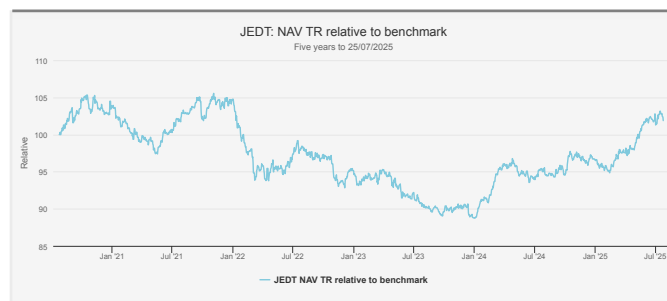


Source: Morningstar

Past performance is not a reliable indicator of future results.

The chart below shows JEDT's NAV TR performance relative to the benchmark, with one divided by the other and rebased to 100. The chart illustrates the strong period of outperformance since the team took the reins.

Fig.5: Relative Performance



Source: Morningstar

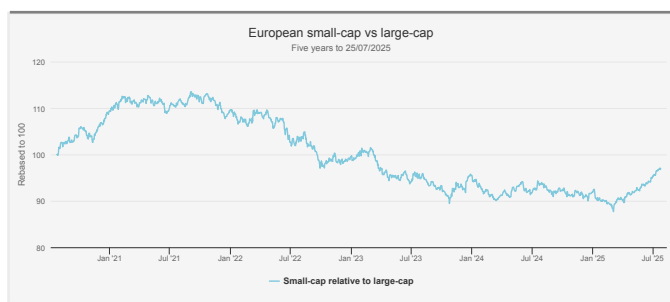
Past performance is not a reliable indicator of future results.

While the last year has seen strong performance, longer-term analysis of performance requires some context, as the last five years has been characterised by small-caps as an asset class underperforming large-caps. The chart



below takes JEDT's small-cap benchmark and divides it by the large-cap equivalent, again rebasing to 100, to show this. In the above chart we see that JEDT has been on a consistent streak of outperforming its benchmark since early 2024, but below we can see it is only much more recently that small-caps have begun to recover some of their underperformance against large-caps. It is early days, but it is expected that when there is a wide shift in investor sentiment to a region, the first wave of buying tends to be in large-caps, and it is only as that phase matures that investors start looking further down the market-cap spectrum. European equities have seen significant inflows of capital in the first half of 2025, almost entirely into large-caps, and so while small-caps are now beginning to outperform, the as yet unfulfilled potential for more money to flow into equities further down the market cap could, in our view, be a catalyst for further outperformance.

Fig.6: Small-Cap Vs Large-Cap



Source: Morningstar

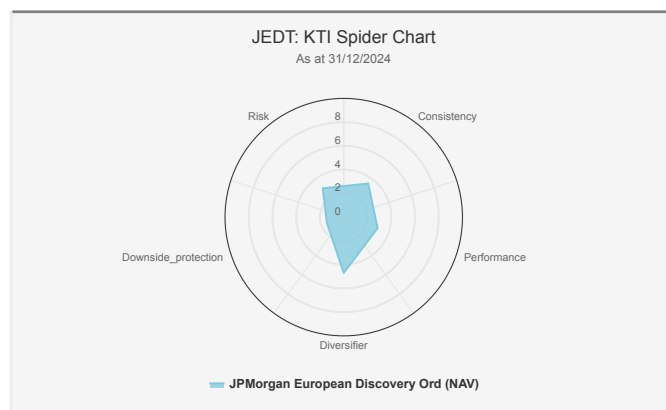
Past performance is not a reliable indicator of future results.

In our proprietary Spider Chart below, JEDT's performance is analysed against an expanded peer group of all European and European smaller companies trusts over the past five years in some key categories. Each category is scored out of ten based on rolling 12-month returns over the last five years, and scores are normalised to the peer group. As such this data reflects the performance characteristics investors would have experienced over the last five years.

While the last year, discussed above, has marked a strong performance period for JEDT, the five-year context remains that small-caps have underperformed large-caps and this is a macro headwind beyond the control of management. Therefore, because the quantitative analysis compares JEDT with large-cap trusts, the result is a lower-than-average set of scores over the five years. However, we note that the quantitative analysis is up to the period to the end of 31/12/2024 and therefore doesn't, yet, include the strong six months that JEDT has delivered. As we noted in our previous note, lower scores in quantitative analysis can be just as valid for identifying turning points in performance as it can be for highlighting historic track records, and should JEDT's strong performance continue, this will have been the case here. JEDT's higher score in the

diversification category is a reminder that small-caps do offer a different set of sectors, countries and companies, and, as discussed in the **Portfolio section**, the potential for asymmetric returns, with the upside potential of the best performing smaller companies being many multiples of the downside.

Fig.7: KTI Spider Chart



Source: Kepler Trust Intelligence, Morningstar

Past performance is not a reliable indicator of future results.

Dividend

JEDT's current yield is 2.2%. The trust pays dividends twice yearly and the board's policy is to pay out substantially all revenue received in the year. Since the goal is primarily capital growth, JEDT does not have a progressive dividend policy and dividends can be considered an output of the investment process rather than an objective of it.

Historically, JEDT has not always increased its dividend, but for the year ending 31/03/2025 total dividends increased significantly to 13.0p (2024: 10.5p), driven partly by higher dividends paid by portfolio companies and partly by the timing of share buybacks later in the year, after some portfolio income had been received, but before it was paid out as a dividend. Buybacks reduce the number of shares on which dividends are paid, therefore the earnings per share for the financial year were paid out across a fewer number of shares.

JEDT's revenue reserves, £12.3m after the payment of the final dividend, are equivalent to c. 13p per share based on the current 95.1m shares in issue.

Management

JEDT is co-managed by Jules Bloch, Jack Featherby and Jon Ingram.

Jules Bloch, Vice President, is a portfolio manager in JPMAM's European small-cap specialist investment team



and currently manages a number of European small-cap mandates, both in fund structures and in segregated mandates, including the Europe Dynamic Small Cap Fund. An employee since 2017, Jules was previously an investor analyst within JPMorgan Private Bank. He holds a master's in management from the EDHEC Business School and a Diploma in Accounting and Finance from the London School of Economics and Political Science. He is a CFA charterholder.

Jack Featherby, Executive Director, is also a portfolio manager in JPMAM's European small-cap specialist investment team and currently manages a number of European small-cap mandates, both in fund structures and in segregated mandates. Jack manages the c. €500m Europe Sustainable Small Cap Equity Fund, which has outperformed its benchmark since its launch in December 2019. Jack has been with JPMAM since 2018 and previously held merger and acquisitions advisory roles with Rothschild and Wells Fargo. Jack holds an M.Eng in Materials, Economics and Management from the University of Oxford and is a CFA charterholder.

Jon Ingram, Managing Director, is head of JPMAM's Unconstrained team. He joined the firm in 2000 as a graduate trainee. Jon has a strong long-term track record managing the c. £800m JPMorgan European Dynamic fund, which is an unconstrained fund that, unlike JEDT, invests across the market-cap spectrum.

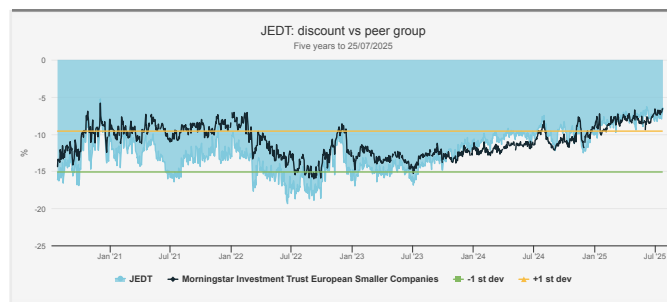
The team have numerous tools and resources available to them, and JPMorgan Asset Management has a large global team of analysts covering over 2,500 companies, together with other specialists such as data scientists and ESG specialists who can furnish them with decision-making tools and information, but the ultimate judgement on what companies to own rests with the team. The value, momentum and quality process that informs the team's stock picking is well-established at JPMAM, and is used as part of the strategy for several other investment trusts, including JPMorgan European Growth & Income (JEGl).

Discount

JEDT's current discount of c. 7% is in line with the peer group average. Recently, both JEDT and the peer group have experienced significant discount narrowing, with JEDT's five-year average c. 12%. This can clearly be seen in the chart below. JEDT's peer group of three other trusts has experienced significant corporate activity during 2025, with European Smaller Companies (ESCT) first returning 40% of assets through a tender offer and subsequently smaller rival European Assets (EAT) agreeing to merge with ESCT. Once completed, this will leave JEDT in a peer group

of just two other trusts. In our view the rapidly improving investor sentiment to European equities is likely to trickle down to smaller companies, and this could mean that JEDT could see further discount narrowing, particularly when supply of smaller companies trusts is so constrained.

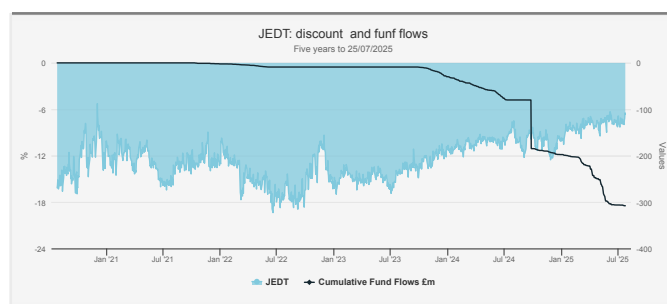
Fig.8: Discount Vs Peer Group



Source: Morningstar

The next chart shows the discount against the cumulative total of fund flows, with a descending black line indicating share buybacks and vice versa for share issuance. In September 2024, a tender offer for 15% of shares returned just over £100m to shareholders and before and after this the board has also made active use of share buybacks, with c. £110m spent in 2025. As the discount has narrowed towards the end of the period covered on the chart, the pace of buybacks has, understandably, slowed. As always, a discount can narrow for a number of reasons, and improved investor sentiment to European equities has probably played a part, but it is certainly the case looking at this chart that discount narrowing has coincided with a significant buyback and tender offer programme.

Fig.9: Discount And Buybacks



Source: Morningstar

JEDT also has a performance-related tender offer, which would be triggered if JEDT's NAV total return was less than the benchmark total return over a five-year period, ending 31/03/2029. At the time of writing, with approximately 16 months elapsed under that 60-month measurement period, JEDT's NAV total return is c. 26% compared to the benchmark's c. 19%.



Charges

JEDT's ongoing charges figure (OCF) of 0.90% compares to the AIC European Smaller Companies peer group average of 0.89%, although this average is likely to be lower once the merger of European Smaller Companies (ESCT) and European Assets (EAT) completes in September 2025.

With effect from 01/04/2025, JEDT's management fee reduces from 0.75% to a tiered structure, with 0.70% on the first £300m of net assets and then 0.65% above £300m. With net assets currently just under £600m, this blends to a fee of 0.68%, although this figure will move up and down as net assets change. The OCF figure above is backward-looking and we can expect this to be lower when it is recalculated in a year's time.

JEDT's KID shows 'n/a' for the RIY figure. Ahead of completing a review of cost disclosures, interim guidance by the FCA allows for a variety of approaches to the RIY disclosure, including 'n/a'. As such, peer group comparisons of the RIY figure are not possible.

ESG

The team conforms to JPMAM's integrated approach to ESG, treating financially material ESG factors as integral to investment decisions alongside other factors, with over 2,500 companies globally covered by the firm's checklist of 40 questions, which aims to capture consistent quantitative data on ESG factors. Co-manager Jack Featherby currently manages other ESG-specific strategies, bringing that direct experience to the JEDT team.

JEDT is assigned an above average rating for ESG from Morningstar, using portfolio analytics to compare it to its entire database of European smaller companies equity funds. JEDT is not marketed as an ESG product.



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