

KAI SPOTLIGHT

Q1 - March 2023

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Company Spotlight JPMORGAN CHASE & Co.

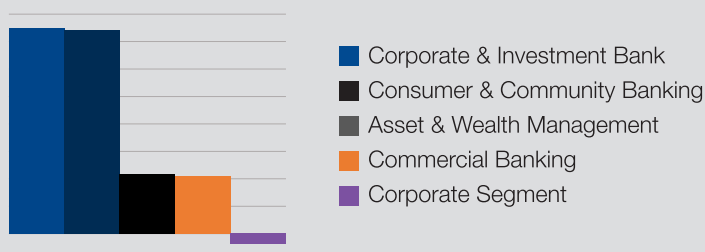
JPMorgan Chase (JPMorgan) is the largest bank in the United States with over \$3.7 trillion in assets. It operates in over 100 countries and has over 290,000 employees.¹ The company has been one of the longest standing holdings in client portfolios at KAI Asset Management and we believe the recent developments surrounding U.S. regional banks only solidifies JPMorgan's position as one of the most dominant and sound U.S. banking franchises.

Our analysis suggests that JPMorgan has established a winning track record and demonstrated superior profitability due to the diversification and discipline of its core business units. These include traditional banking in commercial and community services, one of the most reputable investment banking divisions on Wall Street, and a global asset management division.

JPMorgan Net Profit by Business Segment² Millions USD

Corporate & Investment Bank	14,970
Consumer & Community Banking	14,871
Asset & Wealth Management	4,365
Commercial Banking	4,213
Corporate Segment	(743)

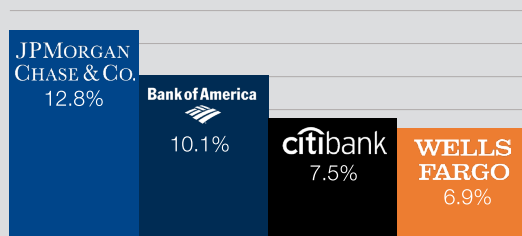
37,676



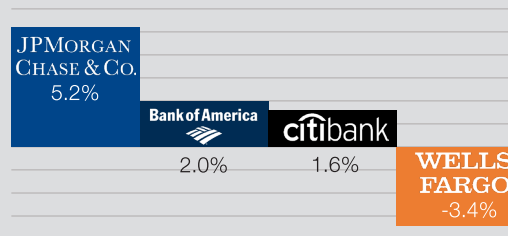
JPMorgan's diversified business model allows the bank to be less reliant on net interest income (NII) and traditional lending as a profit driver as these can be susceptible to swings in interest rate and credit cycles. This helps the company earn higher returns on investment, as measured by Return On Equity (ROE). Additionally its diversified business model has allowed the company to achieve a track record of superior growth, as measured by its 5-year Compounding Annual Growth Rate (CAGR) in revenue, when compared to its primary competitors and other global systemically important banks (G-SIBs).

Profitability

Return On Equity (ROE)³



5-Year Revenue Compounding Annual Growth Rate (CAGR)³



When banks collect deposits, they typically pay interest on those deposits and then look to lend out those same deposits at higher rates. The interest being paid to depositors cuts into profitability as it relates to a bank's lending business. However, a large component of JPMorgan's deposit base are chequing accounts which typically pay zero interest. This cheap source of capital allows JPMorgan to provide lower risk loans at lower interest rates to borrowers while still maintaining attractive profitability levels as tracked by its NII. This also gives JPMorgan a distinct advantage over smaller banks as those banks often need to offer higher interest rates to attract depositors.

¹S&P Capital IQ, KAI Asset Management Inc. analysis (March 2023) ²Net profit after tax based on data for the 12 months ending December 31, 2022, S&P Capital IQ, KAI Asset Management Inc. analysis (March 2023) ³Based on data for the 12 months ending December 31, 2022, S&P Capital IQ, KAI Asset Management Inc. analysis (March 2023)

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Banks will also incur operating costs that are not related to interest expenses. JPMorgan has been a leader among its primary competitors as demonstrated by their efficiency ratio, with a lower figure typically demonstrating superior discipline and operations management.

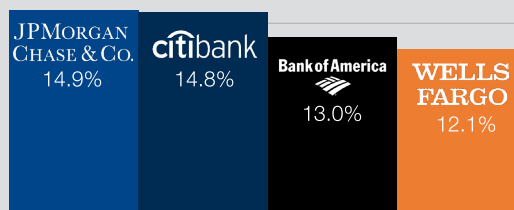
Efficiency

	Efficiency Ratio ¹	Rank ¹
JPMorgan	58.0%	1
Bank of America	64.7%	2
Citibank	68.1%	3
Wells Fargo	78.0%	4

Finally, risk management is a crucial component for bank shareholders and one of the most closely monitored metrics is the Tier 1 Capital Ratio. The Tier 1 Capital Ratio is used to measure a bank's financial strength and regulators will set minimum level requirements that banks must attain. All else equal, a higher ratio means that the bank has more financial strength to manage lending risk exposure.

Solvency

Tier 1 Capital Ratio¹



It is our belief that JPMorgan is well positioned to navigate the turmoil within the banking industry. We expect JPMorgan will continue to earn new business, execute with operational excellence and efficiency, and benefit from the continued trend of banking consolidation. We view JPMorgan as an exceptional business and we are pleased to own it in client portfolios.

¹Based on data for the 12 months ending December 31, 2022, S&P Capital IQ, KAI Asset Management Inc. analysis (March 2023) | © KAI Asset Management Inc. (KAM) 2023. KAM is a Portfolio Manager and Exempt Market Dealer registered in the provinces of Manitoba, Saskatchewan, British Columbia, Alberta, and Ontario. The firm is also registered as an Investment Fund Manager (IFM) in the provinces of Manitoba and Ontario. This communication is directed only to persons resident in those jurisdictions. The information contained herein is for general information purposes only and does not constitute an offer or solicitation of securities, managed account services, or advice on any specific security. The opinions set out herein are effective as of the date of publication and the authors do not undertake to notify the reader of subsequent changes. Certain general or market information contained herein has been obtained from sources believed to be reliable however KAM cannot guarantee their accuracy. Any opinions expressed in this newsletter are just that, and are not guarantees of any future performance or returns. 230413