

JPMorgan Funds – ASEAN Equity Fund

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Topline

Month covered – September 2024

Markets – Another strong month with all markets posting contributions in USD terms, aided by currency tailwinds with all currencies strengthening against the USD. However, China's sharp rebound in the last week of the month stole the market spotlight. US rate cuts gave ASEAN central banks room to also begin easing, with Indonesia and Philippines the first to move in the region. The ringgit has been a star performer, and has been the strongest currency in Asia, up 11.4% YTD. The Thai baht also posted a notable turnaround, up 6.1% vs the USD as at end Sep, after depreciating as much as 8% at its trough in April. ASEAN underperformed Axi this month.

Helped – The underweight allocation to and stock selection in Malaysia. Stock selection in Indonesia, communication services and consumer staples.

Hurt – The underweight in financials and Thailand.

Outlook – ASEAN is seeing renewed investor interest again as global investors look to rotate. The region is poised to see more balanced growth this year. Green shoots are appearing in manufacturing and exports which should benefit trade sensitive ASEAN economies that have also been seeing strong FDI flows amidst ongoing supply chain reconfiguration. Declining inflationary pressures and an eventual Fed easing provide a supportive backdrop in terms of financial conditions.

Fund Overview

Investment objective

The Fund aims to provide long-term capital growth by investing primarily in companies of countries which are members of the Association of South East Asian Nations (ASEAN).

Fund launch	4 September 2009
Benchmark	MSCI AC ASEAN 10/40
Market capitalization	All Cap

Month in Review

- The underweight allocation to and stock selection in Malaysia contributed. Stock selection in Indonesia, communication services and consumer staples added value. On the flip side, being underweight in financials and Thailand detracted.
- On the positive side, at the stock level, participating in IPO of 99 Speed Mart (minimarket chain of convenience stores) was the top contributor over the month. With over 2600 outlets, the company has over 40% market share in the country in mini-markets. Elsewhere, Gamuda also did well on strong construction orders relating to the country's data centre buildout. In Indonesia, not owning an Indonesian chemicals manufacturer and an Indonesian open-pit copper and gold company added value. Off-benchmark exposure in Aspirasi Hidup (home improvement and lifestyle products retailer) contributed.
- On the negative side, the underweight in Thailand was the key detractor as the market rallied sharply on the news of the 150bn Baht Vayupak Fund launch and China turnaround. The Vayupak Fund is a state-backed investment fund created to help promote capital market developments and attract investors to the Thai market. The market was also excited by China's potential recovery given the change of tone in the policymaker's determination to turnaround the economy through large scale stimulus. In Indonesia, the overweight positions in Bank Mandiri and Bank Central Asia detracted as the banking sector saw some profit taking to fund other opportunities in the region. The underweight to GoTo GoJek hurt as they announced a strategic partnership with Alibaba, utilizing the services of Alibaba Cloud. Alibaba also committed to maintaining its current shareholding in the 5-year duration.

Looking Ahead

- ASEAN is seeing renewed investor interest again as global investors look to rotate, although it was temporarily paused by the market's hope of a long-awaited recovery in China. The region is poised to see more balanced growth this year. Green shoots are appearing in manufacturing and exports which should benefit trade sensitive ASEAN economies that have also been seeing strong FDI flows amidst ongoing supply chain reconfiguration. Declining inflationary pressures and an eventual Fed easing should provide a supportive backdrop in terms of financial conditions. Governments are also on conservative fiscal and monetary settings which give them room to maneuver if required.
- The positive structural forces that continue to drive ASEAN's growth are still evident, including favourable demographics, a growing middle class, and increasing consumption. There is an accelerating change in consumption behaviour, aided by increasing financial and digital penetration. Both traditional sectors and emerging industries will present investment opportunities for stock pickers.
- Active bottom-up picking remains crucial given the wide dispersion in stock fundamentals across ASEAN. We are overweight Vietnam, where we continue to invest in off benchmark quality names selectively. In Indonesia, despite its long term growth profile, active weight is hovering around neutral given the tight Rupiah liquidity, narrowing trade surplus and uncertainty from upcoming political transition. Exposure in Thailand is more selective but nonetheless is positioned for its bumper than expected tourism revival. Malaysia continues to be an underweight, but we are seeing more encouraging signs from the government's push for the country to be a regional artificial intelligence infrastructure and technology hub. At a sector level, Financials offers exciting opportunities both cyclically and structurally. Across ASEAN, we believe a bar-bell approach to economic sensitive and longer-term growth plays will help add alpha. Fundamentally, we aim to look for long-term compounders and domestic champions with attractive growth prospects.

Provided for portfolio update and reporting purposes only to report on portfolio positioning, not to be construed as offer, research or investment advice. Diversification does not guarantee positive returns or eliminates risks of loss.

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Source: Fund related information and market commentary – J.P. Morgan Asset Management, other market data – various public sources. Data is as of date of the commentary unless stated otherwise.

The Fund seeks to achieve its investment objectives stated in the offering document, there is no guarantee the objectives will be met.

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NEXT STEPS

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Refer to Risk Factors in the Prospectus for further information on risks of the product.

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