JPMorgan Funds – Asia Pacific Income Fund

For available share classes, please check the prospectus.

Topline

Monthly commentary – September 2024

Markets – MSCI AC Asia Pacific ex Japan was up during the month. The Federal Reserve initiated a rate cut mid-month and the Chinese government announced a series of economic stimulus measures towards the end of the month.

Helped – Underweight allocation in India and overweight allocation to Hong Kong.

Hurt – Stock selection and allocation in China and stock selection in Korea.

Outlook – With recession/growth risks ever present, markets will be looking at every data point for direction keeping volatility elevated. With a surprise 50bp first cut, expectations are that US rates will fall more quickly.

Fund Overview

Investment objective

The Fund aims to provide income and long term capital growth by investing primarily in income generating securities of countries in the Asia Pacific region (excluding Japan).

Fund launch	15 June 2001
Benchmark	50% MSCI All country Asia Pacific ex Japan Index (Total Return Net)/50% J.P. Morgan Asia Credit Index (Total Return Gross)
Market capitalization	All Cap

Month in Review

- MSCI AC Asia Pacific ex Japan was up during the month. The Federal Reserve initiated a rate cut mid-month, and the Chinese government announced a series of economic stimulus measures, including moderate rate cuts, lending facilities for equity purchases, and buybacks. Returns across Asian markets were mostly contributed. China and Hong Kong appreciated the most, while the detracted markets were Korea and Indonesia. Chinese equities rebounded after the stimulus announcement. Hong Kong also rose meaningfully on the back of the stimulus announcements. The Korean market detracted, dragged down by a weaker-than-expected memory recovery, which particularly impacted large-cap technology stocks. The fall in AI-related beneficiaries due to concerns over valuation also detracted the overall IT sector in the region.
- Stock selection and the underweight allocation to China detracted the most. Many of the growth-oriented names that we do not own due to the lack of yield, such as three Chinese e-commerce companies, rallied hard during the month. The largest detractor at a stock level was Samsung Electronics in Korea due to a weaker-than-expected recovery of the memory cycle. Realtek Semiconductor fell along with other Taiwanese technology names, giving up some ground following strong performance earlier this year. On the fixed income side, security selection in India and Hong Kong hurt performance.
- On the positive side, stock selection in Financials added to performance. Overweight positions in capital market-sensitive names in Hong Kong and China, such as Hong Kong Exchange, AIA, and China Pacific Insurance, gained as part of the stimulus aimed at increasing capital markets activity. Chinese consumer discretionary names such as Haier Smart Home and Fuyao Glass also benefited. The fixed income underweight allocation and security selection in China and Hong Kong contributed.
- In terms of portfolio activities, within equities, we narrowed the underweight exposure to India by initiating a position in a REIT and adding to quality names. We switched holdings within China by taking profit in names that have performed well over the year and reallocating to names with higher expected returns.

Looking Ahead

- With recession/growth risks ever present, markets will be looking at every data point for direction keeping volatility elevated. With a surprise 50bp first cut, expectations are that US rates will fall more quickly.
- China's economic recovery remains two-speed with weakness in real estate and to a lesser extent manufacturing weighing on growth. Consumer confidence remains weak with clear signs of consumers trading down as they digest lower prices in real-estate, a key store of wealth. Policy action finally seems to be recognising this with a raft of interest and mortgage rate reductions, lower downpayments, liquidity injections and greater use of central government funds to stabilise the property sector. This weakness in consumer confidence and consumption means the pick-up in the demand for goods and services will be more extended. The government is acknowledging this with targeted policy support looking to stimulate domestic demand.
- In contrast to China, prospects in other regions look to be more encouraging. In India and Indonesia, while valuations have been looking stretched near term, the new governments look set to continue the policy support of recent years, which is likely to see them maintain their respective investment led expansions. Finally, tech heavy North Asia looks increasingly well positioned as the sector positions for the next decade's big trends: structural demand for AI and cloud adoption set to drive growth, but after a strong run, valuations mean any earnings shortfalls will be punished. With economic data looking like it is broadening out beyond the U.S., emerging market and Asian corporates look increasingly well positioned to benefit from recovery in domestic activity as well as from investment in the materials and manufactured goods needed to support carbon transition.
- After weak earnings growth in 2023 driven by falling margins, higher rates and cyclical pressures, expectations are for double digit growth in 2024/5.

J.P.Morgan
ASSET MANAGEMENT

NEXT STEPS

For further information, please visit:
www.jpmorgan.com/sg/am/per/

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