MONTHLY COMMENTARY | 30 SEPTEMBER 2024

JPMorgan Funds – Emerging Markets Opportunities Fund

C (acc) USD: LU0431993079

For other available share classes, please check the prospectus.

Topline

Fund	Benchmark*
▲ +4.3%	▲ +6.7%

Month covered – September 2024

Markets – September was a robust month for global equity markets, driven by the Federal Reserve's long-anticipated rate cuts and new stimulus measures in China.

Helped – Being underweight Taiwan, as well as the Gulf countries.

Hurt – Stock selection in Korea, China and Mexico, as well as being overweight Korea and Mexico.

Outlook – Economic data shows relatively stable global growth, despite signs of slowing momentum. Encouragingly, inflation is moderating, increasing the likelihood of gradual interest rate cuts in developed markets. In emerging markets, earlier rate hikes have contained inflation, allowing some to start cutting policy rates. Sustained cuts from developed market central banks may accelerate this process, improving sentiment. China's economy faces a multi-year adjustment with real estate and manufacturing weaknesses, though policy support is increasing. Consumer confidence remains weak, with signs of trading down due to lower real estate prices. Valuations are near historic lows. The USD fell in real terms in 2023 from multi-decade highs, but its medium-term trajectory remains volatile. Elsewhere in emerging markets, economic growth is improving, inflation has peaked, and the technology cycle is recovering, though valuations are less supportive.

*Benchmark - see performance table on page 2.

Fund overview

Investment objective

The Fund aims to provide long-term capital growth by investing primarily in an aggressively managed portfolio of emerging market companies.

Fund information	
Inception date	July 1990
Benchmark	MSCI Emerging Markets Index (Total Return Net)
Market capitalization	All Cap
Target number of holdings	50-90

Targets are indicative, subject to change from time to time.

Past performance is not reliable indicator of current and future performance. The Fund seeks to achieve its stated investment objectives. There can be no guarantee the objectives will be met. Opinions, estimates, forecasts, projections and statements of financial market trends are based on market conditions at the date of the publication, constitute our judgment and are subject to change without notice. There can be no guarantee they will be met. The fund is an actively managed portfolio. Holdings, sector weights, allocations and leverage, as applicable, are subject to change at the discretion of the investment manager without notice. The companies/securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. J.P. Morgan Asset Management may or may not hold positions on behalf of its clients in any or all of the aforementioned securities.

Month in review

- The portfolio underperformed the index in September. Stock selection in Korea, China and Mexico, as well as being overweight Korea and Mexico were the main detractors. Being underweight Taiwan, as well as the Gulf countries were the main contributors.
- Stock selection in Korea detracted, particularly holdings in Samsung Electronics and SK Hynix, as investors moved their focus to a deceleration in demand and possible inventory build for more conventional DRAM from last month's concerns on the demand side for AI and its supply chain. This saw further weakness in the shares of both companies with Samsung trading at close to trough valuations of 1.1X PBR. Kia Motors was also weak after the company indicated current operating margins at around 13% were likely to fall to closer to 10%: a still impressive level.
- While economic sentiment in China remains weak, the government seems to have finally realised this and announced, while not a "big bang", a raft of interest and mortgage rate reductions, lower downpayments, liquidity injections and greater use of central government funds to stabilise the property sector, all of which propelled the market higher. Consequently, stock selection in China detracted, largely driven by not owning domestic brokerages: East Money, CITIC Secs, China Intl Capital, and the most heavily indebted real estate companies: Longfor and China Vanke being two examples. Domestic healthcare names not owned, were also very strong on the back of expectations that long awaited government funding would lead to improved demand.
- Stock selection in Mexico, as well as being overweight detracted from returns with Walmart de Mexico being the key name. This was on no company specific news and despite Mexico's central bank cutting interest rates for the second month running. Sentiment remains cautious ahead of the new government taking office, presenting its budget and managing the pending constitutional changes.
- The top ten individual contributors to the portfolio's returns were all Chinese names. Key among them were: Tencent, Haier Smart Home, Yum China, AIA, Midea, PDD Holdings, Yili and Wuliangye Yibin, however their robust performance was more than offset by the long tail of names not owned, including those outlined above.
- While stock selection in technology related names detracted, the aggregate underweight to Taiwan contributed at the margin as the broad IT supply chain weakened on concerns over the sustainability of the recovery that has been underway for the last 12 months.
- Being underweight the Gulf countries: Kuwait, U.A.E, Saudi Arabia and Qatar contributed at the margin, as they underperformed the broader asset class. While lower US rates should help liquidity in the banking system, a weaker oil price, if sustained at lower levels, would likely put greater pressure on government finances which could impact growth and loan demand.

Looking ahead

- With recession/growth risks ever present, markets will be looking to every data point for direction keeping volatility elevated. With a surprise 50bp first cut, expectations are that US rates will fall more quickly.
- With many EM central banks having relatively high policy rates, especially compared with domestic inflation, EM central banks are now in a position to cut rates faster assuming inflation remains on its current downward trajectory: Mexico, China, Czechia, Chile, Hungary and now South Africa have cut rates in 2024.
- China's economic recovery remains fragmented with consumer confidence weak amid 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. Valuations appear supportive, but earnings revisions remain negative. While government policies can be erratic, they are more pro-growth and pro-business, and these stimulus measures are expected to deliver cumulative benefits in to 2025. However, the authorities remain more focused on managing risks to growth rather than underwriting a broad-based recovery.
- Latin America and EMEA, where rates could potentially fall the most, have attractive domestic growth opportunities, particularly in financials and consumer related sectors.
- 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.
- North Asian technology companies look to be in a new cycle with structural demand for AI and cloud adoption in particular set to drive growth, but after a strong run, valuations mean any earnings shortfalls will be punished.
- After weak earnings growth in 2023 driven by falling margins, higher rates and cyclical pressures, expectations are for double digit growth in 2024/5.

Performance

%	1M	3M	YTD	1Y	3Y	5Y	Since inception
JPMorgan Funds – Emerging Markets Opportunities Fund	+4.3	+3.4	+12.4	+20.8	-4.2	+2.5	+5.8
MSCI Emerging Markets Index (Total Return Net)	+6.7	+8.7	+16.9	+26.1	+0.4	+5.8	+5.4
Excess return (geometric)	**-2.2**	**-4.9**	**-3.8**	**-4.2**	**-4.6**	**-3.0**	**+0.3**

%	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
JPMorgan Funds – Emerging Markets Opportunities Fund	-1.4	-17.4	+10.4	+46.6	-13.6	+23.8	+19.3	-5.9	-25.1	+6.3
MSCI Emerging Markets Index (Total Return Net)	-2.2	-14.9	+11.2	+37.3	-14.6	+18.4	+18.3	-2.5	-20.1	+9.8
Excess return (geometric)	+0.8	-2.9	-0.7	+6.8	+1.2	+4.5	+0.8	-3.5	-6.2	-3.2

Past performance is not an indication of current and future performance.
Fund performance is shown based on the NAV of the share class C in USD with income (gross of shareholder tax) reinvested including actual ongoing charges excluding any entry and exit fees. Share class inception date: March 03, 1997. Figures greater than one year are annualised.

Summary Risk Indicator

Lower Risk — Higher Risk

1	2	3	4	**5**	6	7

INVESTMENT OBJECTIVE

To provide long-term capital growth by investing primarily in an aggressively managed portfolio of emerging market companies.

The Sub-Fund is subject to Investment risks and Other associated risks from the techniques and securities it uses to seek to achieve its objective.

The table on the right explains how these risks relate to each other and the Outcomes to the shareholder that could affect an investment in the Sub-Fund.

Investors should also read Risk Descriptions in the Prospectus for a full description of each risk.

Investment risks
Risks from the Sub-Fund's techniques and securities

Techniques	Securities	
Hedging	China Emerging markets	Equities

Other associated risks
Further risks the Sub-Fund is exposed to from its use of the techniques and securities above

Currency	Liquidity	Market

Outcomes to the shareholder
Potential impact of the risks above

Loss	Volatility	Failure to meet the Sub-Fund's objective.
Shareholders could lose some or all of their money.	Shares of the Sub-Fund will fluctuate in value.	

The Fund seeks to achieve its stated investment objectives. There can be no guarantee the objectives will be met.
The risk indicator assumes you keep the product for 5 years. The risk of the product may be significantly higher if held for less than the recommended holding period. In the UK, please refer to the synthetic risk and reward indicator in the latest available key investor information document.

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The term 'Fund' used throughout this document refers to the relevant 'Sub-Fund', which is a legal term used in the Prospectus.