

# JPMorgan Funds – ASEAN Equity Fund

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## Topline

### Month covered – August 2024

**Markets** – A strong month across ASEAN amid imminent rate cuts. The Philippines, Indonesia, Malaysia, and Thailand each saw significant 9-10% gains, powered in part by notable appreciation in the respective local currencies, while the Ringgit basked as the best performing currency in Asia year-to-date. Foreign net buying continued for the second consecutive month, with a positive skew to Indonesia, Malaysia and the Philippines. Even fixed income flows followed a similar story. ASEAN strongly outperformed AxJ this month.

**Helped** – The underweight allocation to the materials sector.

**Hurt** – Stock selection in Thailand, Singapore and financials.

**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).

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

## Month in Review

- Stock selection in Thailand, Malaysia and Singapore detracted. At the sector level, the underweight to the materials sector added value. Stock selection in financials, energy and communication services detracted.
- On the negative side at the stock level, the overweight to Universal Robina Corp (leading Phil F&B producer) was the largest detractor. The stock detracted due to a results miss and underwhelming topline. In Singapore, Sea Limited (consumer internet) impacted as the company announced better than expected results amid a more benign competitive landscape. We were marginally underweight but have added on more positive outlook. Malaysian banks did well, benefitting from a confluence of inflows, good second quarter results, and some contributed surprise in dividend distribution. The underweight to Pubic Bank detracted, though it was more than offset by our overweight position in CIMB Group, which rallied on results with a special dividend. Malaysian utilities name, YTL Power, detracted as the stock continued to see profit taking after a strong rally in 1H.
- On the positive side, in Indonesia, the overweight to Bank Mandiri was the top contributor over the month as the financials sector saw a rebound due to foreign inflows. Not owning an Indonesian open-pit copper and gold company and a Singaporean airline company also added value. In the Philippines, lower interest rates beneficiaries such as Ayala Land and BDO Unibank contributed as the softer US rates outlook gave room for BSP to cut rates without impacting the Peso. BSP cut rates by 25bps to 6.25%, becoming one of the first Asian banks to cut this cycle.

## Looking Ahead

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

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