JPMorgan Funds – ASEAN Equity Fund

For available share classes, please check the prospectus.

Topline

Month covered – February 2024

Markets – ASEAN markets regained some ground following the prior month's consolidation. Vietnam and Philippines continued to lead the pack on low rates, improved liquidity and earnings delivery.

Helped – Stock selection in Thailand, Indonesia and communication services.

Hurt – Stock selection in Philippines and Singapore.

Outlook – ASEAN 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. Services growth driven by re- opening and tourism recovery continues to be a cyclical tailwind – albeit from a higher base.

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

- Stock selection was the primary driver of performance which was partially offset by negative sector allocation.
- On the positive side, stock selection in Thailand added most value, followed by Indonesia. In Thailand, not holding a Thailand telecommunications company contributed. The parent company of Thailand telecommunications company detracted. In aggregate, we effectively hold a neutral position to the pair. The stocks fell on weaker than expected fourth quarter results. Elsewhere in Thailand, True Corp. contributed driven by a combination of better-than-expected synergies post the merger between True and DTAC, and a successful bond issuance which helped alleviate concerns around refinancing. CP All (CVS operator) added value on better than feared result and outlook. In Indonesia, the highly anticipated election concluded with a clear victory for Prabowo-Gibran, removing market overhang and allowing policy continuation. Foreign inflows continued to stream in with our overweight to the banks contributing. In Philippines, International Container Terminal Services (global port management company) contributed on strong earnings and improving outlook. As investors warm up to the idea of a soft landing and peak rates, ICT which pre-dominantly operates in emerging markets and is a proxy to global trade is considered a beneficiary.
- On the negative side, stock selection in Singapore dragged. The overweight to Genting Singapore (resort developer and operator) detracted on a results miss albeit profits were up by 80% yoy, and higher than expected bad debt provision was also a worry. Capitaland Investment (real estate investment manager) fell on weak results and a combination of other factors such as weakness in China macro, higher interest cost and slower capital recycling.

Looking Ahead

- ASEAN 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. Services growth driven by re-opening and tourism recovery continues to be a cyclical tailwind – albeit from a higher base. Meanwhile a more dovish Fed and declining inflationary pressures should provide a supportive backdrop in terms of financial conditions. Governments are also on conservative fiscal and monetary settings which will provide them some room to maneuver if required.
- Looking forward, we are seeing a regime change across the Asia, with growth in North Asia and China, being structurally lower. The implication is that market leadership at the sector and country level could make tidal turns and perform much differently than the last decade. The structural tailwinds of favourable demographics, a rising middle class and increasing consumption, which underpins ASEAN's growth continues to be evident. At the corporate level, supply chain diversification continues. At the consumer level, financial and digital penetration rates are rising. Tourism is normalizing and will recontribute crucially to the economies. Investment opportunities present itself in both 'Old Economy' sectors; as well as 'New Economy' related industries that are emerging. These include both enablers and disruptors riding the increasing digitalization, as well as beneficiaries of the decarbonisation mega-trend.
- Active bottom-up picking remains crucial given the wide dispersion in stock fundamentals across ASEAN. We are overweight to Indonesia and Vietnam (long term growth profiles). Indonesia is ramping up for its own elections in Feb 24, while Vietnam is showing signs of recovery after a painful correction period. Exposure in Thailand is more selective but nonetheless is positioned for its bumpier than expected tourism revival. Malaysia continues to be an underweight, but bottom-up ideas continue to present itself. 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.
* Diversification does not guarantee positive returns or eliminate risk of loss.
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.
The companies/securities, asset classes mentioned above 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. Past performance is not indicative of future performance. Forecasts/estimates are based on current market conditions subject to change from time to time and may or may not come to pass. Please refer to the Singapore Offering Documents at www.jpmorgan.com/sg/am/per/.

NEXT STEPS

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

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.

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