

JPMorgan Funds – ASEAN Equity Fund

For available share classes, please check the prospectus.

Topline

Month covered – January 2024

Markets – ASEAN markets consolidated in January as all markets declined in USD terms with the exception of the Philippines which posted encouraging inflation trends and a better-than-expected 4Q23 GDP print.

Helped – Stock selection in Indonesia, both overweight and stock selection in the financials sector.

Hurt – Stock selection in 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 markets 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 in Indonesia was the biggest contributor over the month. The overweight to and stock selection in the financials sector helped. On the other hand, stock selection in Singapore dragged.
- On the positive side, at the stock level, off-benchmark exposure to Bank Syariah in Indonesia contributed. Our exposure in Indonesian banks (Bank Mandiri, BCA and Bank Syariah) contributed on a solid fourth quarter print and positive outlook for 2024. For Bank Syariah, particularly, fourth quarter results saw healthy growth in loans and deposits, which highlighted the recovery of the franchise after the cybersecurity incident in 2023. Indofood CBP also did well with no company-specific news. Underweight to Astra International helped as the stock fell on concerns around the competitive landscape in the auto sector after BYD's entry. In Philippines, several bellwether stocks such as BDO Unibank and SM Investments did well as foreign funds flow turned positive. Banks led the rally on improving loans growth outlook coupled with prospect of trading gains. At the macro level, inflation decelerated to 3.9%, lower than consensus estimates and also the lower end of the BSP's estimated range of 3.6-4.4%.
- On the negative side, the overweight to offshore marine engineering name, Seatrion detracted. The company issued a guidance on write-downs to streamline its asset base post strategic review which led to some selling pressure on the stock. However, we believe operating metrics continue to improve as recent contract wins should drive an earnings recovery over time. In Thailand, consumer related names detracted. CP All (CVS operator) underperformed due to concerns around elevated financing costs and Central Retail detracted on tourism recovery concerns along with a weaker macro backdrop. In Indonesia, not owning an Indonesian copper-and-gold mining company dragged as the stock continues to be supported by local investors on the back of EV theme. We are avoiding the name on rich valuations.

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.

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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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