

JPMorgan Funds – ASEAN Equity Fund

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Topline

Month covered – June 2024

Markets – ASEAN edged up for the month, led by large-cap rebound in Indonesia and sustained contribution in Singapore. Vietnam saw the most notable detractor, giving up most of its gains registered in May on persistent foreign selling pressure while renewed concerns on Thailand's politics sent the market into fourth month of consecutive decline. ASEAN underperformed AxD this month.

Helped – Stock selection in consumer discretionary, Malaysia and Indonesia.

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 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 in Indonesia, Malaysia and consumer discretionary contributed. Stock selection in Singapore dragged.
- On the positive side, in Indonesia, Bank Central Asia was the largest contributor as the broader Indonesian market saw a large-caps rebound after reassurance by the President-Elect's economic team that deficit will be kept below 3%. Indonesian equities rose after 3 months of consecutive decline. Not owning an Indonesia copper-and-gold mining company (valuation concerns) added value. In Malaysia, overweight to Inari (Semicon) helped on improved visibility with volume pick up. Gamuda (engineering & construction) showed higher than expected order book guidance with the outlook of Data Center buildouts. In Thailand, not owning a renewable energy company contributed as the stock detracted on concerns over its EV business viability and major shareholder's force selling. Intouch Holdings, a telecommunication company, contributed along with other names in the sector.
- On the negative side, in Singapore, the underweight to Singapore Telecommunications was a key detractor as the stock did well on decent yield support, improving earnings and dividend outlook. The overweight to Sembcorp detracted on concerns around China renewables business. In Thailand, CP All (CVS Operator) fell along with other consumer names as macro concerns persisted despite government budget coming through. PTT Global Chemical, a petrochemical company, detracted on poor demand-supply outlook.

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 declining inflationary pressures and expectation of 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.
- Looking ahead, we are witnessing significant changes in regime across Asia, particularly with regards to the growth contributions from China, which is experiencing a structural slowdown. The implication is that market leadership, both at the sector and country levels, could undergo substantial changes and perform quite differently compared to the previous decade. The positive structural forces that continue to drive ASEAN's growth are still evident, including favourable demographics, a growing middle class, and increasing consumption. At the corporate level, we continue to see supply chain diversifications. While at the consumer level, there is a change in consumption behaviour, aided by increasing financial and digital penetration. 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 (long term growth profile). In Vietnam, we continue to invest in off benchmark quality names selectively. In Indonesia, despite its long term growth profile, we are now neutral given the valuation premium and potential noise going into the election season (although we expect policy continuity even with a new government). 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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Refer to Risk Factors in the Prospectus for further information on risks of the product.

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