

# JPMorgan Funds – ASEAN Equity Fund

For available share classes, please check the prospectus.

## Topline

### Month covered – May 2024

**Markets** – MSCI ASEAN was flat for the month. Vietnam, Singapore and Malaysia contributed while Indonesia, Philippines and Thailand detracted. Indonesia and Philippines in particular were affected by a combination of weak results and currency volatility due in part to higher for longer interest rate expectations. On the other hand, Malaysia reached a 52-week high given a confluence of positive local news flow driving optimism in data centre and semiconductor-related plays. ASEAN underperformed AxD this month.

**Helped** – Stock selection in industrials and Malaysia.

**Hurt** – Stock selection in financials and Indonesia.

**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).

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

## Month in Review

- It was a relatively quieter month for the market in general, but we did observe price swings across various sectors and names.
- On the positive side, in Indonesia, not owning a Malaysian bank was the top contributor as the sector was detracted by reversal of equity flows. In Malaysia, home improvement retailer, Mr. DIY did well on the back of steady earnings delivery and positive consumer sentiment from the announced hike in civil servants' salary. Within Industrials, Gamuda rose on order wins on data centre contracts. In Thailand, the underweight to Utilities (Energy Absolute) and Infrastructure (BTS Group) helped, as it was a challenging month for Thailand on global and domestic weakness.
- On the negative side, in Indonesia, not owning an Indonesian copper-and-gold mining company dragged as the stock rose sharply over the month. While the stock is thematically popular with local investors, we are underweight the name on high valuation considering limited volume growth. Meanwhile Bank Mandiri, Bank Central Asia and Bank Rakyat all detracted along with the Indonesian banking sector as banks have posted generally disappointing Q1 results, coupled with the general trend of large caps being sold off. Indonesia recorded a Balance of Payment deficit of -US\$6.0bn in 1Q24, coming from US\$8.6bn surplus in 4Q23. Both Current Account and Financial Account recorded wider deficits. In Philippines, BDO Unibank detracted after posting relatively weaker results as compared to other big banks.

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

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