JPMorgan Funds – Asia Pacific Income Fund

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Topline

Monthly commentary – April 2024

Markets – Asian equities ended the month in the green, with significant dispersion. China and Hong Kong appreciated the most, while the bottom-performing markets were Indonesia and Korea.

Helped – Stock selection in China and Taiwan.

Hurt – Stock selection and allocation decisions in India and Indonesia.

Outlook – Headline inflation has fallen across the world. China's economy is in a multi-year adjustment with targeted policy support. India and Indonesia are supported by policy actions, and tech-heavy North Asia looks positioned for the next decade's big trends including structural demand for AI.

Fund Overview

Investment objective

The Fund aims to provide income and long term capital growth by investing primarily in income generating securities of countries in the Asia Pacific region (excluding Japan).

Fund launch	15 June 2001
Benchmark	50% MSCI All country Asia Pacific ex Japan Index (Total Return Net)/ 50% J.P. Morgan Asia Credit Index (Total Return Gross)
Market capitalization	All Cap

Month in Review

- Asian equities ended the month in the green, albeit with significant dispersion amid the US 'Higher for Longer' scenario. China and Hong Kong appreciated the most, while the bottom-performing markets were Indonesia and Korea. China's earnings revisions contributed to the index return, along with an anticipation of further policy support for the property sector. Hong Kong also gained, led by the rally in value names across the index. A weakening Indonesian Rupiah led to a unexpected hike in policy rates in Indonesia, impacting the equity market. Korea saw some sell-off, mostly on profit taking in tech hardware, together with a decrease in exports.
- The strategy usually tends to perform well when yield/value/low beta are being favoured. Conversely, it will be more challenging for the strategy when pure growth stocks drive the market or in a rapidly rising market environment.
- On the negative side, stock selection and an overweight in Indonesia detracted from gains, as it was the laggard during the month. Indonesian banks despite their long-term structural growth sold off mostly on currency weakness, rate hike and rising credit cost concern. Our stock selection in Bank Rakyat and Bank Central Asia lagged despite posting good results. Stock selection and an underweight in India also dragged amid contributed earnings revisions overall. Infosys detracted the most, on concerns over weaker quarterly results. Our fixed income holdings in Australia and China detracted from performance,
- On the positive side, stock selection in China added to performance, mainly a number of consumer and financial names. Haier Smart Home, Fuyao Glass, China Merchants Bank and China Pacific Insurance offset some of the losses, mostly driven by strong earnings and continued export/overseas strength. Haier's improvement in shareholder returns was well received in the markets. Within Taiwan, our holding in TSMC and the underweight in MediaTek contributed to performance as the sector pulled back after TSMC trimmed their guidance. On the Fixed Income side, our holdings in Hong Kong and Malaysia added to performance.
- During the month, we initiated a new position in a telecom name in Singapore and an energy name in Australia. We also rotated within technology following earnings signals. We trimmed rate-sensitive financials and took profit in some names in Taiwan and China.

Looking Ahead

- Headline inflation has fallen across the world, though the current conflict in the Middle East could put pressure on shipping costs and energy prices if the situation escalates.
- China's economy is in a multi-year adjustment with weakness in real estate and to a lesser extent manufacturing weighing on aggregate activity. A more gradual recovery in consumer confidence and consumption, still hampered by high levels of unemployment among the young, means the pick-up in the demand for goods and services will be more extended. The government seems to be acknowledging this with targeted policy support looking to stimulate domestic demand.
- In contrast to China, prospects in other regions look to be more encouraging. In India and Indonesia, while valuations look stretched in the near term, the two countries supported by policy actions over the last several years look to be enjoying an investment-led expansion. Finally, tech-heavy North Asia looks increasingly well positioned as the sector positions for the next decade's big trends: structural demand for AI, cloud adoption and EVs all set to drive growth.
- While markets have been more volatile, there are reasons to be more optimistic about Asia Pacific equities: falling global inflation provides central banks room to cut further, the US dollar is down substantially and China's economy is growing, even if the recovery has been delayed and will take longer to unfold than had originally been envisaged. Valuations remain around long-term average.

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NEXT STEPS

For further information, please visit:
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