JPMorgan Funds – Asia Pacific Income Fund

For available share classes, please check the prospectus.

Topline

Monthly commentary – August 2024

Markets – The region recovered from US recession fears at the start of the month. ASEAN markets contributed from the hopes of a rate cut scenario.

Helped – Stock selection in Taiwan along with selection and allocation in Indonesia.

Hurt – Stock selection in Korea and the underweight to Malaysia.

Outlook – After a year of weak earnings growth in 2023 driven by falling margins, higher rates and cyclical pressures, expectations are for double digit growth in 2024/5.

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

- The month began with a sharp equity sell-off driven by US recession fears following a weaker-than-expected unemployment report and a surprise BoJ rate hike, which led to a sharp appreciation of the JPY and a carry trade unwind. Despite these initial shocks, markets recovered as US recession fears eased with better growth and inflation data. The US Dollar marginally weakened over the month on anticipated rate cuts, benefiting ASEAN markets in particular, which significantly contributed. Outside ASEAN, Hong Kong, Australia, and Taiwan contributed, while Korea, China, and India detracted.
- On the positive side, stock selection in Taiwan added to performance. The holdings in Nien Made Enterprises, Realtek Semiconductor and Parade Technologies contributed. Not owning a Taiwanese electronics manufacturer company also contributed. Nien Made posted strong 2Q24 results as profits beat expectations. This was driven by a favourable product mix. Realtek Semiconductor also posted solid 2Q results as operating margins improved. The overweight allocation to and stock selection in Indonesia aided performance as the market gained on the back of a weaker US Dollar and the expectation of a rate cuts. Bank Mandiri and Telkom Indonesia rebounded with the market environment. On the fixed income side, the underweight allocation to China and no exposure to Maldives contributed.
- On the negative side, stock selection in Korea detracted as investors continued to reconsider bullish expectations around the demand side for AI and its supply chain. This led to a further retracement in the share prices of Samsung Electronics. Shinhan Financial Group gave back some of its gains from the previous month. Zero holdings in Malaysia detracted as the market contributed on the back of a weaker USD and expectations of rate cuts. On the fixed income side, security selection in India and Hong Kong detracted.
- During the month we initiated positions in two REITs, funded by selling real estate names in which we feel lower conviction. We also sold out of a materials name and a consumer staples name after their strong performance over the year.

Looking Ahead

- Economic data continues to show relatively stable global growth, even if there are signs of slowing momentum. More encouragingly, inflation is now showing more sustained moderation, which is increasing the likelihood that interest rates will soon start to fall across many developed markets, even if it may be a gradual process.
- China’s economic recovery remains two-speed with weakness in real estate and to a lesser extent manufacturing weighing on growth. While consumption looks to be stabilizing policy action remains cautious and incremental, whether it be the small reductions in prime lending rates or the targeted consumer goods stimulus. This 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 is acknowledging this with targeted policy support looking to stimulate domestic demand.
- In contrast to China, prospects in other markets look to be more encouraging. In India and Indonesia, while valuations look stretched near term, the outcome of recent elections looks set to continue the policy support of recent years, which is likely to see them maintain their respective investment led expansions. 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. With economic data looking like it is broadening out beyond the U.S., Asian corporates look increasingly well positioned to benefit from recovery in domestic activity as well as from investment in the materials and manufactured goods needed to support carbon transition.
- After a year of weak earnings growth in 2023 driven by falling margins, higher rates and cyclical pressures, expectations are for double digit growth in 2024/5.

J.P.Morgan
ASSET MANAGEMENT

NEXT STEPS

For further information, please visit:
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