JPMorgan Funds – Asia Pacific Income Fund

For available share classes, please check the prospectus.

Topline

Monthly commentary – February 2024

Markets – Asian equities ended the month in the green. During the month, the Lunar New Year holidays were a surprise with credit and travel data beating expectations in China.

Helped – The underweight in materials, healthcare and Taiwan.

Hurt – Stock selection in consumer discretionary, IT and Australia.

Outlook – Headline inflation has fallen across the world as supply chain constraints, high shipping and energy costs, and commodity scarcity seem mostly resolved, though base effects will slow further progress.

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 as returns across Asian markets contributed. China and Taiwan appreciated the most, while Thailand and Singapore appreciated the least. During the month, China recouped much of its losses from January as the Lunar New Year holidays were a surprise, with both credit and travel data beating expectations. The ongoing optimism around AI and positive quarterly results boosted the IT sector in Taiwan. Conversely, Thailand was affected by a drop in manufacturing activity and deflation. In Singapore, CPI fell amid lower services and food inflation.
- 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, the underweight in consumer discretionary was the largest detractor. In particular, Shenzhou International detracted the most as investors expect the slower-than-expected restocking in apparels can affect earnings. Our zero holdings in a Chinese EV manufacturing company and a Chinese manufacturing company (mostly due to the lack of yield) offset gains, as the growthy names contributed amid a rising market. Within IT, Infosys and Accton Technology detracted. Accton saw a slowing momentum. Infosys fell as investors remained cautious over their future growth outlook. On the fixed income side, security selection in real estate and the diversified sectors detracted.
- On the positive side, the underweight in materials added to performance. Within Australian materials, the underweight in BHP Group and not owning an Australian global metal mining and green energy company offset some of the losses as the iron ore sector contracted amid falling iron ore prices. Within healthcare, not owning an Australian multinational biotechnology company contributed to performance amid margin recovery results. However, we remain cautious mostly over increased competition and weaker-than-expected sales with its CSL Vifor business (development of iron-based products). Our Taiwan exposure generated gains, mostly supported by the IT sector's strong performance amid AI-related demand. The fixed income underweight allocation to quasi-sovereign and sovereign sectors added to performance.
- During the month, we sold out of financial and consumer discretionary names with a lower conviction. We bought new exposure into a new financial name and a Chinese company which has recently entered our yielding stock universe. We switched between financial names with a better earnings trajectory. We trimmed and took profit in a few IT names focusing on those offering a better growth outlook.

Looking Ahead

- Headline inflation has fallen across the world as supply chain constraints, high shipping and energy costs, and commodity scarcity seem mostly resolved, though base effects will slow further progress.
- China's economy is in a multi-year adjustment with weakness in real estate and 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 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 aggressively, 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.

J.P.Morgan
ASSET MANAGEMENT

NEXT STEPS

For further information, please visit:
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Refer to Risk Factors in the Prospectus for further information on risks of the product.

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