JPMorgan Funds – Asia Pacific Income Fund

For available share classes, please check the prospectus.

Topline

Monthly commentary – January 2024

Markets – Asian equities started the year in the red. Returns across Asian markets were mixed. China, Hong Kong and Korea depreciated the most, while the Philippines, Malaysia, India rose the most.

Helped – Stock selection in IT and China, mostly in the consumer discretionary space.

Hurt – Underweight in energy and India.

Outlook – Headline inflation has fallen across the world as supply chain constraints, energy costs, and commodity scarcity seem mostly resolved and Asia largely continues to have a relatively muted inflation picture.

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 started the year in the red. Returns across Asian markets were mixed. China and Hong Kong depreciated the most, while Malaysia and India appreciated the most. During the month, amid weak investor confidence, China and Hong Kong dragged down due to lack of sufficient policy responses deemed needed to lift corporate and consumer confidence as well as reports of new US restrictions on China's biotech sector. The Malaysian market outperformed despite a challenging environment with exports declining and inflation rising. The Indian market started the year in positive territory, helped by strong local inflows into the market offsetting foreign investor outflows.
- As a reminder, 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 positive side, stock selection in IT added to performance, particularly our holdings in Infosys, TSMC and Wiwynn. The IT service provider Infosys gained as the company remains well positioned to grow the global IT service spending, with stable margins and high free cash flow conversion, most of which is returned to shareholders. The optimism around the semiconductor cycle and the spending around AI-related hardware benefitted Wiwynn. TSMC's 2024 guidance surprised markets due to the positive outlook. Both allocation and stock selection in China contributed to the fund's performance. In particular, our zero holdings in a Chinese manufacturing company and a Chinese e-Commerce company (due to the lack of yield) contributed to the gains, as their respective share prices fell amid intense competition and broad- based sell off in China during the month. On the fixed income side, the underweight allocation in the sovereign space aided performance.
- On the negative side, the underweight to the energy sector was the largest detractor. Not owning an Indian multinational conglomerate was the largest detractor in the sector. Within India, not owning an Indian telecommunications services company, an Indian bank and an Indian automotive company also pulled back gains, as their share price rallied amid strong domestic flows into the Indian market. Our holding in HDFC Bank detracted after reporting weaker-than-expected results. Indian banks are facing growth headwinds in a tighter liquidity environment. Fixed income security selection in real estate offset some of the gains during the month.
- During the month, we sold out of financial and utilities names where we took some profit. We added to a new Indian IT name in the portfolio, which helps us reduce the country risk in India. We switched between financial names with a better outlook and earnings trajectory. We switched between IT names that offer a better growth outlook.

Looking Ahead

- Headline inflation has fallen across the world as supply chain constraints, energy costs, and commodity scarcity seem mostly resolved and Asia largely continues to have a relatively muted inflation picture.
- Concerns around intensifying deflationary momentum continued to build in China. While it has become clear that Chinese mass psychology was characterised by diminished animal spirits in 2023, the critical issue is whether this marks a permanent loss of confidence under the current policy backdrop. Although the ongoing pattern of incremental easing is well established, we believe increasingly upbeat official lines from various authorities such as Central Bank, equity market regulators and SOE regulators should not be underestimated. Additionally, the policy tone has been slightly more proactive towards the property sector, including liquidity support to developers and small pockets of demand-side easing.
- Chinese valuations, while looking to be capped by geopolitics, are close to record lows and there is likely upside once earnings begin to surprise positively.
- 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. However, expectations are for double digit growth in 2024/2025.

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High dividend index: MSCI AC Asia Pacific ex Japan High Dividend Yield Index; broad market index: MSCI AC Asia Pacific ex Japan Index.
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.
The companies/securities, asset classes mentioned above for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. J.P. Morgan Asset Management may or may not hold positions on behalf of its clients in any or all of the aforementioned securities.
Past performance is not indicative of future performance. Forecasts/estimates are based on current market conditions subject to change from time to time and may or may not come to pass. Please refer to the Singapore Offering Documents at www.jpmorgan.com/sg/am/per/.

NEXT STEPS

For further information, please visit:
www.jpmorgan.com/sg/am/per/

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