JPMorgan Funds – Asia Pacific Income Fund

For available share classes, please check the prospectus.

Topline

Monthly commentary – June 2024

Markets – Returns across Asian markets were mostly contributed in June. Weakness in Hong Kong and rotation into tech and AI were some of the factors that affected markets.

Helped – Stock selection in China and communications services.

Hurt – Overweight allocation and selection in Hong Kong and selection in financials.

Outlook – While markets have been more volatile, there are reasons to be more optimistic about Asian 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 their long-term average.

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

- Returns across Asian markets were mostly contributed in June. Weakness in Hong Kong and rotation into tech and AI were some of the factors that affected markets. Taiwan and Korea appreciated the most, while the bottom performing markets were Hong Kong and Thailand. Taiwan benefitted from continued demand for AI and tech globally. Korea also benefited from demand for AI related hardware, with Samsung and SK Hynix leading the charge. Hong Kong was affected by weak retail sales. Thailand lagged as economic activity moderated with the manufacturing index falling below expectations.
- On the positive side, stock selection in China added to performance. Much of the contribution in the market came from names we do not own due to the lack of yield. In particular not owning two Chinese e-Commerce companies and two Chinese multinational technology companies helped. Within communication services, Netease and Singapore Telecommunications contributed. Other contributors include IT holdings Samsung, TSMC and Quanta Computer, which added to performance on the back of AI components and hardware demand. On the fixed income side, security selection and an overweight allocation to financials aided performance.
- On the negative side, stock selection and an overweight allocation to Hong Kong detracted. The sell-off in the market was evident in the financials sector with our positions in AIA and Hong Kong Exchanges & Clearing detracting from performance. Other detractors include a Korean semiconductor company and a Taiwanese multinational electronics manufacturer company, both stocks we do not own due to a lack of yield. the Korean semiconductor company outperformed due to the rising demand for high bandwidth memory semiconductors and the latter performed on the back of rising demand for AI servers. On the fixed income side, an underweight allocation to quasi-sovereign and sovereign sectors hurt.
- During the month we initiated in an Indian consumer company with a stable yield. We also initiated in a Taiwanese tech name which is expected to benefit from the improving cycle for PC and smartphone components. We rotated within our holdings in India into names with a better growth outlook. We also trimmed positions in Indonesia.

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 economic recovery remains two-speed, with weakness in real estate and to a lesser extent manufacturing weighing on growth, though government action on the former is seeking to improve the supply-demand mismatch, while consumption looks to be stabilising. Valuations, even after the recent rebound, appear supportive. While government policies can be erratic, they are more pro-growth and pro-business, and wide-ranging stimulus measures are expected to deliver cumulative benefits as 2024 unfolds. However, the authorities are more focused on managing risks to growth rather than underwriting a broad-based recovery.
- In contrast to China, prospects in other parts of the region 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 are all set to drive growth.
- While markets have been more volatile, there are reasons to be more optimistic about Asian 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 their long-term average.

NEXT STEPS

For further information, please visit:
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