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. AI-related names led the charge along with the recovery in China and the Value Up program in Korea.

Helped – Stock selection in consumer discretionary and Australia.

Hurt – Stock selection in Taiwan and the overweight allocation to Hong Kong.

Outlook – 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.

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. AI-related names led the charge along with the recovery in China and the Value Up program in Korea. Taiwan and Korea appreciated the most, while the bottom-performing markets were Hong Kong and the Philippines. Taiwan's gains were led by investor buying large caps stocks along with AI-related names. Korea was among the top-performing markets as industrial production prints strongly rebounded, above expectations. AI related names in Korea also benefited from the general AI trend. Hong Kong was affected by earnings downgrades and a fall in export numbers. The Philippines fell due to outflows in the consumer staples sector and continued to face higher-than-expected 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, stock selection in Taiwan was the largest detractor. In particular, owning Accton Technology pulled back gains on the back of weaker-than-expected results. Not owning a Taiwanese multinational electronics manufacturer company also curbed performance, as the AI growth outlook and recent positive earnings helped boost the company precision's share price. In Hong Kong, our holdings in AIA dragged performance. AIA's unclear growth outlook relating to China EV growth and the potential for margin dilution affected the share price although we remain comfortable with their capital position and potential for further buyback. The largest detractor during the month was Infosys which fell due to downward guidance revisions. The underweight allocation in the quasi-sovereign sector in the fixed income portfolio pulled performance back.
- On the positive side, stock selection in consumer discretionary added to performance. Not owning a Chinese multinational technology company, a Chinese EV manufacturing company and a Chinese e-Commerce company (due to their lack of yield), contributed to performance. The Chinese multinational technology company and the Chinese e-Commerce company fell as investors remained cautious over geopolitical uncertainties. The Chinese EV manufacturing company's share price pulled back after its previous rally. In Australia, owning Santos, Vicinity Centres, QBE Insurance, and Brambles offset some of the losses. Clearance of regulatory hurdles and improved capital returns was a headwind for Santos' share price. Fixed income overweight allocation to metals & mining added to performance.
- During the month, we initiated a new position in a Chinese company that has entered the yield universe and demonstrated the ability to improve shareholder return. We funded it by trimming other internet names. We added to reasonably-valued holdings in India by initiating two stocks with yield opportunity and high conviction level. We rotated within technology following earning signals and outlook. We also trimmed some of the rate-sensitive financials taking profit

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 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.

J.P.Morgan
ASSET MANAGEMENT

NEXT STEPS

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

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