JPMorgan Funds – Asia Pacific Income Fund

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Topline

Monthly commentary – May 2024

Markets – Asian equities ended the month mostly in the green. Improved macro-economic data in China, continued demand for AI, and the Indian elections partly drove the markets.

Helped – Stock selection and allocation in Hong Kong and Singapore.

Hurt – Stock selection in China, and the overweight in Indonesia.

Outlook – Tech-heavy North Asia looks increasingly well positioned for the next decade's big trends: structural demand for AI, cloud adoption and EVs are all set to drive growth.

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 mostly in the green. Improved macro-economic data in China, continued demand for AI, and the Indian elections partly drove the markets. Taiwan and Hong Kong appreciated the most, while the bottom performing markets were Indonesia and Philippines. Taiwan benefitted from continued demand for AI globally along with better than expected results in the financials sector. Hong Kong gained, though finished the month off the mid-month highs due to profit taking. Weak macro-economic data along with a surprise rate hike in Indonesia trickled down to equity markets as investors sold off. The Philippines lagged as investors remained concerned over sticky inflation, uncertainty around US Fed rate cuts and the weakness of the Philippine Peso against the USD.
- On the negative side, stock selection in China detracted. Fuyao Glass, Midea Group and Haier Smart Home are some of the consumer discretionary names in China that detracted. Despite their long-term structural growth story, Indonesian banks sold off mostly on currency weakness, and rate hike and rising credit cost concerns. Our stock selection in Bank Rakyat and Bank Central Asia lagged despite the companies posting good results. Fixed income underweight allocation to the quasi-sovereign sector detracted from performance.
- On the positive side, stock selection in and allocations to Hong Kong and Singapore added to performance, mainly in a few financial names. AIA, HSBC and DBS offset some of the losses as the stocks benefited from the 'higher for longer' rate environment. Other contributors were Accton Technology and TSMC, which benefited from continued high demand for AI related chips and memory. On the fixed income side, security selection and an overweight allocation in the financials sector contributed to performance.
- During the month we initiated a new position in a utilities name in China, a financials name in Indonesia and a consumer discretionary name in Hong Kong. We also rotated within technology and financials following earnings signals.

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

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