# JPMorgan Funds – Emerging Markets Dividend Fund

For available share classes, please check the prospectus.

## Topline

**Monthly commentary – April 2024**

**Markets** – Emerging Markets (EM) equities posted flattish returns. They saw a sharp correction in the first half of the month as the market came to terms with the idea of fewer Fed rate cuts amid stickier-than-anticipated inflation prints, however they gained from April lows as strong macro prints, rising commodity prices, and a tilt towards Value helped lift sentiment.

**Helped** – Stock selection in Korea and China.

**Hurt** – Stock selection and underweight in India and Indonesian stock selection.

**Outlook** – Economic data continues to show resilience in global growth, most recently in a pickup in global trade flows, whereas inflation, while moderating, remains persistently at levels necessitating a cautious approach to monetary policy. That said, this has been less of issue across EM; an earlier start to hiking cycles helped contain inflation, with a number of emerging markets having cut policy rates. North Asian technology companies look to be entering a new cy cle with structural demand for AI, cloud adoption and EVs set to drive growth.

## Fund Overview

**Investment objective**

The Fund aims to provide income by investing primarily in dividend-yielding equity securities of emerging market companies,whilst participating in long term capital growth.

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| **Fund launch** | Dec 2012 |
| **Benchmark** | MSCI Emerging Markets Index (Total Return Net) |
| **Market capitalization** | All Cap |

## Month in Review

- Stock select ion in India and Indonesia detract ed, while Chinese ex posure and Korean stock selection contributed albeit to a lesser degree.
- In India, stock select ion weakness was led by Infosys, with HCL Technologies, also in the IT outsourcing space, lagging as well.
- During April, Infosys issued relatively muted guidance for the financial year to March 2025, forecasting only 1-3% constant currency revenue growth. The demand environment for IT services appears quite weak but we continue to see this as an attractive investment, as a premium name which offers (currently) 3.5% yield and where longer-term growth should be more impressive than low single digits.
- In Indonesia, the weakness was primarily due to Bank Rakyat, who reported softer numbers , showing some deterioration in credit quality, with its mic ro finance borrowers suffering more than expected in the current economic environment in Indonesia. Indonesia’s recent rat e hike was a negative impact to the business as cost of funding increases while microfinance rates stay flat.
- With the backdrop for China easing over the month given further policy support , stock select ion contributed. Haier Smart Home an d Fuyao Glass both delivered earnings results through April.
- Haier Smart Home reported mid-single digit revenue growth and additionally delivered margin expansion. The company continues to signal upside to its dividend pay-out, recognizing continued balance sheet strength and strong cash flow generation.
- Stock selection in Korea contributed, mitigating the slight impact of the overweight exposure as the market pulled back. KB Financial contributed, as did zero exposure to a South Korean semiconductor company as it was dragged down in line with other technology hardware names.
- From a dividend pers pective, the shifting corporate lifecycle in China continues to show tangible results with Inner Mon golia Yili announcing a dividend representing 15% growth. This uptick puts the stock on a 4.2%yield and the company also announced a buyback, showing further confidence from management.
- In Latin Americ a, Mexican bank , Banorte, announced a semi-annual dividend representing 5% yield (on its own) and 14% growth year-on-year.
- From a positioning standpoint, changes followed expected return and yield signals resulting in trimming several strong performers to fund additions.
- The portfolio continues to look strong in terms of the key characterist ics we look for to produce dividends: decent returns on equity, healthy free cash flow conversion and positive dividend policies from the companies invested in.

## Looking Ahead

- Despite the improvement in inflation in developed markets, the interest rate narrative remains higher for longer as risks abound. In contrast, many EM central banks have relatively high policy rates, especially compared with domestic inflation. Consequently, EM central banks have capacity to cut rates assuming inflation remains on its current downward trajectory: Brazil, Mexico, Czechia, Chile, Hungary have cut rates in 2024.
- China’s economic recovery looks to be two-s peed with weakness in real estate and to a lesser extent manufacturing weighing on growth, while consumption looks to be stabilizing and valuations, at close to record low levels, 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.
- Latin America and EMEA, where rates could potentially fall the most, have attractive domestic growth opportunities , particularly in financials and consumer related sectors.
- For India and Indonesia, while valuations look stretched near term, the t wo countries look to be enjoying an investment led expansion, supported by positive policy act ions over the last several years which is expected to continue.
- North Asian technology companies look to be entering a new cycle with structural demand for AI, cloud adoption and EVs set to drive growth.
- After a year of weak earnings growth in 2023 driven by falling margins, higher rates and cyclical pressures, expectations are for double digit growth in 2024/5.



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## NEXT STEPS

For further information, please visit:
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