MONTHLY COMMENTARY | 31 AUGUST 2024

JPMorgan Funds – Emerging Markets Opportunities Fund

C (acc) USD: LU0431993079

For other available share classes, please check the prospectus.

Topline

Fund	Benchmark*
▲+0.4%	▲+1.6%

Month covered – August 2024

Markets – August was an eventful month for investors. Any hopes of a late summer lull were quickly dashed at the beginning of month after the publication of disappointing US economic data, together with an interest rate hike by the Bank of Japan, sparked a sharp sell-off across global equity markets. However, by month end, the market had rebounded as investors began to price in more aggressive policy easing by the Federal Reserve.

Helped – An off-benchmark allocation to Argentina, as well as stock selection and being overweight Indonesia and South Africa.

Hurt – Stock selection in Korea, China and Mexico, as well as being overweight Korea and Mexico.

Outlook – Economic data shows relatively stable global growth, despite signs of slowing momentum. Encouragingly, inflation is moderating, increasing the likelihood of gradual interest rate cuts in developed markets. In emerging markets, earlier rate hikes have contained inflation, allowing some to start cutting policy rates. Sustained cuts from developed market central banks may accelerate this process, improving sentiment. China's economy faces a multi-year adjustment with real estate and manufacturing weaknesses, though policy support is increasing. Consumer confidence remains weak, with signs of trading down due to lower real estate prices. Valuations are near historic lows. The USD fell in real terms in 2023 from multi-decade highs, but its medium-term trajectory remains volatile. Elsewhere in emerging markets, economic growth is improving, inflation has peaked, and the technology cycle is recovering, though valuations are less supportive.

*Benchmark - see performance table on page 2.

Fund overview

Investment objective

The Fund aims to provide long-term capital growth by investing primarily in an aggressively managed portfolio of emerging market companies.

Fund information	
Inception date	July 1990
Benchmark	MSCI Emerging Markets Index (Total Return Net)
Market capitalization	All Cap
Target number of holdings	50-90

Targets are indicative, subject to change from time to time.

Month in review

- The portfolio underperformed the index in August. Stock selection in Korea, China and Mexico, as well as being overweight Korea and Mexico were the main detractors. An off-benchmark allocation to Argentina, as well as stock selection and being overweight Indonesia and South Africa were the main contributors.
- Stock selection in Korea detracted as investors continued to reconsider bullish expectations around the demand side for AI and its supply chain. This led to a further retracement in the share prices of both Samsung Electronics and SK Hynix. Recent meetings with both companies confirmed that contracted growth rates remain robust, while supply discipline and CAPEX plans in place are likely to mean that this current cycle still has further to go.
- Sentiment in China remains weak and investors seem quick to sell off any company on the slightest signs of a deterioration in the operating environment or where there is no clearly improving outlook. This saw weakness in a number of holdings despite earnings numbers which were as expected. Consequently, holdings in Netease, PDD Holdings, Haier Smart Home and Inner Mongolia Yili all detracted from returns during the month.
- Stock selection in Mexico, as well as being overweight detracted from returns with holdings in Walmart de Mexico and Grupo Financiero Banorte falling. This was on no company specific news and despite Mexico's central bank cutting interest rates, which should have been positive for sentiment. It seems that the market remains cautious ahead of the new government taking office and the potential constitutional changes.
- In Argentina, the off-benchmark allocation to Mercadolibre was the largest contributor. Results from the company at the beginning of the month which saw both sales (GMV) and earnings before interest and tax well ahead of expectations propelled the share price higher. The company looks to be benefitting from its significant investment into logistics.
- After a period of weakness driven by concerns over the economic cycle, stock selection as well as being overweight in Indonesia contributed. This was largely driven by holdings in Bank Mandiri and Bank Rakyat. In the case of the former, it announced good results, strong loan growth, a ROE above 20% and positive NPL trends, while Bank Rakyat's NPL provisioning which had scared the market earlier in the year looks to have been more of a one-off issue than something more systemic.
- In South Africa, sentiment post the elections and the formation of a government of national unity continues to see investors re-evaluate the opportunity. This will have been helped by the country achieving over 150 days of uninterrupted power supplies: something last seen in 2019. Consequently, holdings in FirstRand and Clicks contributed on no company specific news.

Looking ahead

- With recession/growth risks reviving, markets will be looking to every data point for direction keeping volatility elevated. Expectations are now that US rates will now fall more quickly.
- With many EM central banks having relatively high policy rates, especially compared with domestic inflation, EM central banks may now have the capacity to cut rates faster assuming inflation remains on its current downward trajectory: Brazil, Mexico, China, Czechia, Chile and Hungary have cut rates in 2024.
- China's economic recovery remains two-speed with weakness in real estate and to a lesser extent manufacturing weighing on growth. Consumer confidence remains weak with clear signs of consumers trading down as they digest lower prices in real-estate, a key store of wealth. Policy action remains cautious and incremental, whether it be the small reductions in prime lending rates or the targeted consumer goods stimulus. Valuations appear more supportive, but earnings revisions remain negative. 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.
- In India and Indonesia, while valuations look stretched near term, the outcome of recent elections looks set to continue the policy support of recent years, which is likely to see them maintain their respective investment led expansions.
- North Asian technology companies look to be in a new cycle with structural demand for AI and cloud adoption in particular set to drive growth, but after a strong run, valuations mean any earnings shortfalls will be punished.
- After weak earnings growth in 2023 driven by falling margins, higher rates and cyclical pressures, expectations are for double digit growth in 2024/5.

Performance

%	1M	3M	YTD	1Y	3Y	5Y	Since inception
JPMorgan Funds – Emerging Markets Opportunities Fund	+0.4	+4.2	+7.8	+12.4	-6.8	+2.1	+5.6
MSCI Emerging Markets Index (Total Return Net)	+1.6	+5.9	+9.6	+15.1	-3.1	+4.8	+5.2
Excess return (geometric)	-1.2	-1.7	-1.6	-2.3	-3.9	-2.6	+0.4

%	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
JPMorgan Funds – Emerging Markets Opportunities Fund	-1.4	-17.4	+10.4	+46.6	-13.6	+23.8	+19.3	-5.9	-25.1	+6.3
MSCI Emerging Markets Index (Total Return Net)	-2.2	-14.9	+11.2	+37.3	-14.6	+18.4	+18.3	-2.5	-20.1	+9.8
Excess return (geometric)	+0.8	-2.9	-0.7	+6.8	+1.2	+4.5	+0.8	-3.5	-6.2	-3.2

Past performance is not an indication of current and future performance.
Fund performance is shown based on the NAV of the share class C in USD with income (gross of shareholder tax) reinvested including actual ongoing charges excluding any entry and exit fees. Share class inception date: March 03, 1997. Figures greater than one year are annualised.

Summary Risk Indicator

Lower Risk — Higher Risk

1	2	3	4	**5**	6	7

INVESTMENT OBJECTIVE

To provide long-term capital growth by investing primarily in an aggressively managed portfolio of emerging market companies.

The Sub-Fund is subject to **Investment risks** and **Other associated risks** from the techniques and securities it uses to seek to achieve its objective.

The table on the right explains how these risks relate to each other and the **Outcomes to the shareholder** that could affect an investment in the Sub-Fund.

Investors should also read Risk Descriptions in the Prospectus for a full description of each risk.

Investment risks
Risks from the Sub-Fund's techniques and securities

Techniques	Securities	
Hedging	China Emerging markets	Equities

Other associated risks
Further risks the Sub-Fund is exposed to from its use of the techniques and securities above

Currency | Liquidity | Market

Outcomes to the shareholder
Potential impact of the risks above

Loss
Shareholders could lose some or all of their money.

Volatility
Shares of the Sub-Fund will fluctuate in value.

Failure to meet the Sub-Fund's objective.

The Fund seeks to achieve its stated investment objectives. There can be no guarantee the objectives will be met.
The risk indicator assumes you keep the product for 5 years. The risk of the product may be significantly higher if held for less than the recommended holding period. In the UK, please refer to the synthetic risk and reward indicator in the latest available key investor information document.

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