MONTHLY COMMENTARY | 31 JULY 2024

JPMorgan Funds – Emerging Markets Opportunities Fund

C (acc) USD: LU0431993079

For other available share classes, please check the prospectus.

Topline

Fund	Benchmark*
▼ -1.4%	▲ +0.3%

Month covered – July 2024

Markets – Developed equities were marginally up in a volatile month with a number of notable economic and political developments. While Growth stocks were weak as investors grew more sceptical about the potential for future returns from investment in artificial intelligence. A weaker than expected US Consumer Price Index reading early in the month, combined with weaker US labour market data, reassured bond investors that the Federal Reserve will soon begin cutting interest rates.

Helped – Stock selection in South Africa and Peru as well as an off-benchmark allocation in Spain.

Hurt – Stock selection in Korea, Taiwan and India, as well as being underweight the latter.

Outlook – Economic data continues to show relatively stable global growth, even if there are signs of slowing momentum. More encouragingly, inflation is now showing more sustained moderation, which is increasing the likelihood that interest rates will soon start to fall across many developed markets, even if it may be a gradual process. While this has been less of an issue across EM; an earlier start to hiking cycles helped contain inflation which allowed a number of emerging markets to cut policy rates, it may help sentiment. For Emerging Markets, China's economy is in a multi-year adjustment with weakness in real estate and to a lesser extent manufacturing weighing on aggregate activity, though there are signs of greater policy support for the former. However, consumption looks to be stabilising with signs of a tentative recovery and overall valuations are supportive. While the USD fell in real terms in 2023 from multi-decade highs even more rapidly than expected, its anticipated downward trajectory over the medium term is likely to remain volatile. Elsewhere in emerging markets, there are clearer signs of economic growth, of inflation having peaked, and a turn in the technology cycle after a prolonged period of weakness.

*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.

Past performance is not reliable indicator of current and future performance. The Fund seeks to achieve its stated investment objectives. There can be no guarantee the objectives will be met. Opinions, estimates, forecasts, projections and statements of financial market trends are based on market conditions at the date of the publication, constitute our judgment and are subject to change without notice. There can be no guarantee they will be met. The fund is an actively managed portfolio. Holdings, sector weights, allocations and leverage, as applicable, are subject to change at the discretion of the investment manager without notice. The companies/securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. J.P. Morgan Asset Management may or may not hold positions on behalf of its clients in any or all of the aforementioned securities.

Month in review

- The portfolio underperformed the index in July. Stock selection in Korea, Taiwan and India, as well as being underweight the latter were the main detractors. Stock selection in South Africa and Peru as well as an off-benchmark allocation in Spain were the main contributors.
- Stock selection in Korea, following the significant sell-off in technology names as investors rethought extremely bullish expectations, detracted. This was largely driven by SK Hynix, which fell sharply despite announcing solid results. Election volatility in the US, particularly around the possibility of tariffs across the board, also negatively affected sentiment leading to a sharp fall in the shares of Hyundai Motor and Kia Corp. Their strong operational momentum continues.
- This weak sentiment also affected the portfolio's holdings in Taiwan for largely similar reasons. Consequently, holdings in Wiwynn, ASE technology and Realtek Semiconductor all fell on no stock specific news.
- Stock selection in India, as well as being underweight, detracted from returns in July. Specifically, the portfolio's holdings in HDFC Bank and Reliance Industries were the key detractors. In the case of the former, perceived weak deposit growth weighed on performance, even as ROAs and asset quality remains strong, and the entire sector struggled for new deposits. Reliance also announced results which were softer than anticipated on the back of weak refining margins.
- In South Africa, stock selection contributed with FirstRand, Capitec and Shoprite contributing. For the financials, a positive trading statement from Capitec, indicating first half profits would be stronger than anticipated, driven by improving credit quality off a high base, pushed the shares of both higher. Similarly, Shoprite released turnover data indicating market share gains, as well as lower costs associated with South Africa's electricity shortage. This potentially bodes well for 2025 margins.
- A number of holdings across Latin America contributed to returns during the month, as expectations around lower interest rates increased. This saw financial holdings: BBVA (listed in Spain, but bulk of revenues from LatAm) and Credicorp, contribute with BBVA also announcing better than anticipated results. Other contributors were Sendas Distribuidora and Sabesp in Brazil. Sendas, given its higher level of net debt to EBITDA would certainly benefit from lower rates.
- While India detracted overall, holdings in two of the country's leading software stocks: Tata Consultancy and Infosys, contributed to returns. Both companies are, after many quarters of relative weakness, seeing an improvement not only in revenue, but also in margins leading to greater conviction that the worst of the cyclical slowdown is behind it for the sector.

Looking ahead

- Post month end, a surprisingly weak US jobs report, coupled with a more hawkish BOJ has caused a major spike in volatility leading to a surge in the Yen against many currencies as carry trades unwind.
- With recession 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. While consumption looks to be stabilising 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. 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 entering a new cycle with structural demand for AI, cloud adoption and EVs set to drive growth.
- 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	-1.4	+3.7	+7.3	+4.4	-6.1	+1.0	+5.6
MSCI Emerging Markets Index (Total Return Net)	+0.3	+4.8	+7.8	+6.3	-2.7	+3.4	+5.1
Excess return (geometric)	-1.7	-1.1	-0.5	-1.8	-3.4	-2.3	+0.5

%	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
Hedging

Securities
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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The term 'Fund' used throughout this document refers to the relevant 'Sub-Fund', which is a legal term used in the Prospectus.