MONTHLY COMMENTARY | 30 JUNE 2024

JPMorgan Funds – Emerging Markets Opportunities Fund

C (acc) USD: LU0431993079

For other available share classes, please check the prospectus.

Topline

Fund	Benchmark*
▲+5.2%	▲+3.9%

Month covered – June 2024

Markets – June was another good month for returns from equities as the ongoing investor optimism about the economic outlook continued to support risk assets.
Helped – Stock selection in Korea, South Africa and India as well as being overweight Korea.
Hurt – Stock selection in Mexico and Brazil, as well as being overweight both and an off-benchmark allocation in Argentina.
Outlook – Economic data continues to show resilience in global growth, most recently in a pickup in global trade flows, whereas inflation, while moderating, remains at levels necessitating a cautious approach to monetary policy, specifically in the US. 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. 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 outperformed the index in June. Stock selection in Korea, South Africa and India as well as being overweight Korea were the main contributors. Stock selection in Mexico and Brazil, as well as being overweight both and an off-benchmark allocation in Argentina were the main detractors.
- Stock selection in Korea, largely driven by SK Hynix and Samsung Electronics, contributed in June. The demands of AI computing, along with capacity discipline, are seeing expectations for how this cycle unfolds evolve rapidly. With limited supply and seemingly ever greater demand, the potential for returns has seen investors continuing to buy the likely winners. Kia Corp, which continues to see strong operational momentum on demand for its hybrid vehicles, also contributed.
- In South Africa, after the sell-off into the elections, stocks rallied as it became clear that the new government was likely to be formed of a coalition of "national unity" which might be able to tackle some of the worst economic woes facing the country. Consequently, holdings in FirstRand, Capitec and Clicks contributed to returns in anticipation of better economic conditions.
- Stock selection in India contributed with Shriram Finance reversing its losses from May after the announced disposal of its affordable housing unit. HDFC Bank, which has been derated over the last 12 months following its merger with HDFC, recovered 11% in June as investors view it as a relative value opportunity. A potential increase in its index weight may also drive further flows. Finally, Ultratech also contributed as the new government is seen as continuing the push to spend heavily on improving India's infrastructure.
- An overweight to Mexico, largely a result of stock level conviction, detracted with Banorte and Grupo Aeroportuario Pacifico being key among them. The sell-off in these names was not driven by any company specific news, but more by the market's adverse reaction to the results of Mexico's Presidential election, which saw the incumbent party re-elected with a governing coalition that has a strong position in Congress. This has raised concerns over what constitutional changes the government might try and make, leading investors to sell off Mexican assets.
- Stock selection in Brazil detracted as the market pulled back further on a combination of better than expected employment data and on the back of comments that President Lula was not looking to cut government spending to address fiscal concerns, which has heightened inflation worries. Consequently, expectations for further interest rate cuts have been pared back. This led to weakness in the portfolio's holdings with Banco do Brasil, Sendas Distribuidora and TIM all falling.
- Weakness in Mexico and Brazil also filtered through to the portfolio's holding in Mercadolibre, which reversed May's positive performance. While there was no company specific news, the shares were sold down on concerns over the possible impact on consumer demand from recent events in Mexico and Brazil.

Looking ahead

- Despite the improvement in inflation in developed markets, the interest rate narrative remains higher for longer. 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 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.
- 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 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.

Performance

%	1M	3M	YTD	1Y	3Y	5Y	Since inception
JPMorgan Funds – Emerging Markets Opportunities Fund	+5.2	+5.9	+8.8	+10.6	-8.1	+1.1	+5.7
MSCI Emerging Markets Index (Total Return Net)	+3.9	+5.0	+7.5	+12.6	-5.1	+3.1	+5.1
Excess return (geometric)	+1.2	+0.8	+1.2	-1.7	-3.2	-1.9	+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	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	Volatility	Failure to meet the Sub-Fund's objective.
Shareholders could lose some or all of their money.	Shares of the Sub-Fund will fluctuate in value.	

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.