JPMorgan Funds - Emerging Markets Corporate Bond Portfolio Fund III

JPM D (div) - USD

August 2014

Fund overview

Investment objective

To achieve a return profile comparable to that achieved by holding, from purchase to maturity, an emerging market below investment grade corporate bond, with a remaining term of approximately five years, but with increased diversification by investing the majority of its assets in a portfolio of emerging market below investment grade corporate debt securities, with maturity dates within twelve months of the termination of the Principal Investment Period.

Fund statistics

Morningstar Category™	Global Emerging Markets Corporate Bond
Fund manager(s)	Pierre-Yves Bareau, Scott McKee
Client portfolio manager(s)	Zsolt Papp
Fund launch date	03/10/11
Fund size (as at 31/08/14)	USD 11.6m
NAV (as at 31/08/14)	113.97
12M NAV High (as at 28/08/14)	113.97
12M NAV Low (as at 10/09/13)	106.68
Share class launch date	03/10/11
Average duration	1.6 yrs
Yield to worst	4.7%
Average maturity	2.2 yrs

Fund codes

ISIN	LU0616491584
Bloomberg	JPEMCID LX
Reuters	LU0616491584.LUF

Quarterly comments

(as at 30/06/14)

Review

The fund delivered a positive return in the second quarter. We started the quarter by selling out of our ALFARU 7.88 17s, and added issues including CETV 11.63 16s, VEDLN 6.75 16s and CSOLNO 9.88 17s in April. In May, we increased allocations to a number of issues including our RASGAS 5.83 16s and EIBKOR 3.75 16s. In June, we purchased issues including KOROIL 4.0 16s, QTELQD 3.38 16s and KWIPKK 8.88 16s.

Outlook

Emerging market corporate debt spreads (JPM CEMBI Broad Diversified Index) tightened over the second quarter by 27bps, returning 3.46%, with returns split roughly between 1.1% from the move in Treasuries, and 2.3% from spread compression. The high yield subcomponent of the index outperformed the investment grade subcomponent. Fundamentals improved on the margin and we saw an improvement in rating upgrade-downgrade ratios, with very few non sovereign-related downgrades by the end of the quarter. At the sector level, real estate, oil & gas and metals & mining were the top performers, while the transport and financial sectors were laggards. From a valuation standpoint, emerging markets credit on an absolute basis looks slightly stretched. However, on a relative basis, emerging markets credit still looks very favourable compared to developed market credit. Technicals continued to be supportive for emerging market corporates as institutional inflows continued, while stubborn retail outflows finally turned around in mid-April. Inflows were well met by an active new issues market, especially in an unseasonably busy June, which saw USD 43bn come to market.

Benchmark

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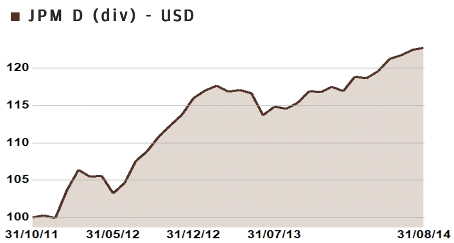
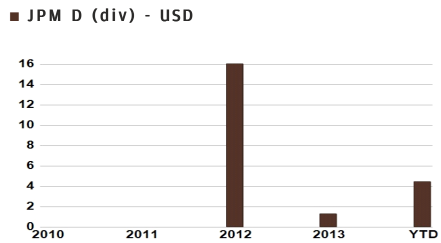
Performance

(as at 31/08/14)

Cumulative performance



Calendar year performance



Cumulative performance

%	1 M	3 M	1 Y	3 Y	5 Y	10 Y
JPM D (div) - USD	0.26	1.25	7.13	-	-	-

Calendar year performance

	2010	2011	2012	2013	YTD
JPM D (div) - USD	-	-	16.05	1.30	4.46

Annualised performance

%	1 Y	3 Y	5 Y	Since inception
JPM D (div) - USD	7.13	-	-	7.29

J.P.Morgan Asset Management

JPMorgan Funds - Emerging Markets Corporate Bond Portfolio Fund III

Fund facts

Fund charges

Initial charge (max.)	3.00%
Redemption charge (max.)	2.00%
Annual Mgt.	1.50%
Expenses	0.40%
TER (Total Expense Ratio)	1.90%

Statistical analysis review

(as at 31/08/14)

	3 years	5 years
Correlation	-	-
Alpha	-	-
Beta	-	-
Annualised volatility	-	-
Sharpe ratio	-	-
Tracking error	-	-
Information ratio	-	-

Investor suitability

Investor profile

This is a bond Sub-Fund that offers exposure primarily to emerging market corporate debt securities maturing within twelve months of the termination of the Principal Investment Period. The Sub-Fund may be suitable for investors looking to gain exposure to a diversified portfolio of such securities, held from purchase to maturity. Investors should have an investment horizon of five years to match the Principal Investment Period of the Sub-Fund.

Key risks

- The value of your investment may fall as well as rise and you may get back less than you originally invested.
- The value of debt securities may change significantly depending on economic and interest rate conditions as well as the credit worthiness of the issuer. Issuers of debt securities may fail to meet payment obligations or the credit rating of debt securities may be downgraded. These risks are typically increased for emerging market and below investment grade debt securities.
- In addition, emerging markets may be subject to increased political, regulatory and economic instability, less developed custody and settlement practices, poor transparency and greater financial risks. Emerging market currencies may be subject to volatile price movements. Emerging market and below investment grade debt securities may also be subject to higher volatility and lower liquidity than non emerging market and investment grade debt securities respectively.
- The credit worthiness of unrated debt securities is not measured by reference to an independent credit rating agency.
- The net asset value per share of your investment at the end of the Principal Investment Period may be less than the net asset value per share at the time of your original investment in certain circumstances. For example, bonds held in the portfolio may be purchased at a price greater than their par value, and this will have the effect of enhancing income at the expense of capital. This situation may typically arise where interest rates are low compared to the coupon on a particular bond.
- The Sub-Fund may be concentrated in a limited number of emerging market corporate issuers and as a result, may be more volatile than more broadly diversified funds.
- Movements in currency exchange rates can adversely affect the return of your investment. The currency hedging that may be used to minimise the effect of currency fluctuations may not always be successful.

Holdings

Bond quality breakdown

(as at 30/06/14)

AAA	0.0%
AA	0.0%
A	4.1%
BBB	8.2%
< BBB	74.7%
Non Rated	0.0%
Cash	13.0%
Percentage of Corporate Bonds	60.9%
Non Investment Grade	74.7%

10 largest holdings

(as at 30/06/14)

Bond holding	Coupon rate	Maturity date	Weight
Banco Pine (Brazil)	8.750%	06/01/17	5.8%
China Shanshui Cement Group (China)	8.500%	25/05/16	5.3%
China Oriental (China)	7.000%	17/11/17	5.0%
Government of Kazakhstan (Kazakhstan)	7.250%	03/05/17	4.9%
Cresud (Argentina)	8.500%	02/02/17	4.8%
Agile Property (China)	8.875%	28/04/17	4.5%
Government of Sri Lanka (Sri Lanka)	6.875%	03/05/17	4.3%
Copeinca (Peru)	9.000%	10/02/17	4.2%
Zoomlion (China)	6.875%	05/04/17	4.0%
Global Bank (Panama)	4.750%	05/10/17	3.8%

Geographical breakdown

(as at 30/06/14)

Country	Fund
China	26.8%
Others	21.1%
United States	11.1%
Brazil	8.8%
Peru	5.4%
Russian Federation	5.2%
Kazakhstan	4.9%
Argentina	4.8%
Sri Lanka	4.3%
India	3.8%
Panama	3.8%
Total	100.0%

Explanatory Notes, Risks and Important Information