

# JPMorgan Funds - Emerging Markets Equity Fund

JPM A (dist) - USD: LU0053685615

For other available share classes, please check the prospectus.

## Topline

Monthly returns	
Fund	Benchmark
▲ 6.28%	▲ 2.21%
<p><b>Benchmark:</b> MSCI Emerging Markets Index (Total Return Net)</p> <p><b>Markets</b> Emerging markets failed to capitalise on the persistent and pervasive improvement in global growth as the US Federal Reserve effectively committed to maintain the fed funds rate at zero for an extended period of time. The asset class rose 2.2% USD in August, underperforming developed markets by a margin.</p> <p><b>Helped</b> Stock selection in China and financials.</p> <p><b>Hurt</b> Stock selection in South Korea; stock-specific performance in Brazil.</p> <p><b>Outlook</b> Concerns surrounding the management of Covid-19 remain present across almost all emerging markets, with the possible exception of North Asia. In China especially, a strong policy response has helped curtail the spread of the disease and mitigate the economic slowdown. The rest of emerging markets - particularly India, Brazil and South Africa - face a more challenging outlook. Some countries are opting for earlier re-opening than others, which has made the economic recovery different in each country.</p>	

Past performance is not a reliable indicator of current and future results.

## Ratings and awards

Morningstar analyst rating™

BRONZE

Morningstar rating™

★★★★★

Morningstar category™

Global Emerging Markets  
Equity

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## Fund overview

### Investment objective

To provide long-term capital growth by investing primarily in emerging market companies.

**Fund launch** 13 April 1994

**Currency** USD

## Month in review

- **Stock selection in China** aided performance. Our position in Techtronic Industries was a leading contributor. The company reported strong results for the first half of 2020, showing that profit was up 16% year-over-year and first-half performance was driven by the launch of new products and accelerated future product development, and was well diversified across regions. Foshan Haitian Flavoring was also among the top contributors after posting strong results in the month.
- **Stock selection in financials** was a tailwind to performance in August. In addition to contributions from exposure in China, where a position in insurer AIA Group was among the leading contributors, the portfolio also benefited from holdings in Indian financials. HDFC Bank and Housing Development Finance Corp were both among the leading contributors to returns as economic activity picked up following the easing of the national lockdown in June.
- **Stock selection in South Korea** detracted from performance, predominantly due to not owning the electric vehicle (EV) battery-makers, including LG Chem, and auto manufacturers, including Hyundai Motor, which are now seeing margin improvements from successful new model launches as well as cost efficiencies.
- **Our exposure to Raia Drogasil**, the Brazilian pharmacy operator, detracted from returns. The company reported a soft set of results for Q2, driven by a number of factors including: 1) the closure of over 100 stores, which were located in malls, due to Covid-19 restrictions; 2) stocking up by consumers on over-the-counter medicines in Q1; and 3) a 60-day moratorium on the annual price hike for prescription drugs.
- **Current market conditions**, if anything, reinforce that the way we have always invested - focusing on strong balance sheets and large competitive moats - is the right philosophy. In August, we exited our position in Sberbank following a strong recovery back to pre-pandemic levels. We have maintained exposure to companies with sustainable competitive advantages, consistent cash flow generation and strong management teams. This has worked well for the portfolio over the long term, and we remain confident that it is the right strategy to pursue in current market conditions.

## Looking ahead

- **The fund uses our comprehensive research platform** to identify high-quality businesses that compound earnings sustainably over long periods, resulting in a long-term, high-conviction portfolio with a quality and growth bias.
- **How long the coronavirus persists** as a health risk is crucial for economies and financial markets. Lockdowns are starting to ease, but it's not yet clear if the effects of the virus are dissipating entirely.
- **In an environment where earnings are challenged**, we look for the opportunities in emerging market equities where earnings growth can compound over the long run.

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.

All data is sourced by J.P. Morgan Asset Management and is correct as at the date of this commentary.

## Performance and positioning

%	1M	3M	YTD	1Y	3Y	5Y	10Y
<b>JPM Emerging Markets Equity A (dist) - USD</b>	6.28	28.65	10.69	24.43	9.16	13.56	5.57
<b>Benchmark</b>	2.21	19.53	0.45	14.49	2.83	8.66	3.76
<b>Excess return (geometric)</b>	3.98	7.63	10.19	8.69	6.15	4.51	1.74
<b>%</b>	2019	2018	2017	2016	2015		
<b>JPM Emerging Markets Equity A (dist) - USD</b>	30.14	-16.30	41.79	13.59	-16.32		
<b>Benchmark</b>	18.42	-14.57	37.28	11.19	-14.92		
<b>Excess return (geometric)</b>	9.90	-2.03	3.28	2.16	-1.65		

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Source: J.P. Morgan Asset Management. Share class performance is shown based on the NAV (net asset value) of the above share class with income (gross of shareholder tax) reinvested including actual ongoing charges excluding any entry and exit fees. Performance over one year is annualised. Share class inception date is 13.04.1994.

### SECTOR BREAKDOWN (%)

		Compared to benchmark
Financials	23.65	5.90
Consumer Staples	12.01	5.75
Consumer Discretionary	24.14	4.37
Information Technology	17.20	-0.34
Industrials	3.77	-0.69
Health Care	3.08	-1.12
Utilities	0.73	-1.30
Communication Services	11.25	-1.70
Real Estate	0.00	-2.39
Energy	2.00	-3.60
Materials	0.67	-6.38

### TOP/BOTTOM FIVE POSITIVE/NEGATIVE ACTIVE POSITIONS AGAINST THE BENCHMARK (%)

Stock	Position	Stock	Position
Sea Ltd. (Singapore)	3.12	Alibaba Group Holding Ltd.	-1.75
Hdfc Bank Limited	3.10	Tencent Holdings Ltd.	-1.63
Epam Systems, Inc.	2.93	Naspers Limited*	-1.27
Aia Group Limited	2.79	China Construction Bank Corporation*	-1.07
Techtronic Industries Co., Ltd	2.53	Infosys Limited*	-0.67

## COUNTRY BREAKDOWN (%)

Country	2019	2020
India	16.82	8.52
Singapore	3.12	3.12
Belarus	2.93	2.93
China	45.16	2.63
Argentina	2.49	2.36
Brazil	6.51	1.67
Portugal	1.22	1.22
Hungary	0.88	0.67
Indonesia	1.99	0.57
Egypt	0.52	0.41
Panama	0.39	0.39
Turkey	0.65	0.31
Peru	0.50	0.26
Spain	0.14	0.14
Mexico	1.62	0.01
Pakistan	0.00	-0.02
Czech Republic	0.00	-0.10
Greece	0.00	-0.13
Colombia	0.00	-0.18
United Arab Emirates	0.00	-0.50
Chile	0.00	-0.53
Poland	0.00	-0.71
Philippines	0.00	-0.74
Qatar	0.00	-0.80
Malaysia	0.00	-1.66
South Africa	1.75	-1.80
Thailand	0.00	-1.94
Saudi Arabia	0.00	-2.56
Russian Federation	0.00	-2.93
Taiwan	6.83	-5.62
South Korea	4.99	-6.49

\*Denotes a stock either not held or held at an underweight position relative to the index during all or part of the analysis period

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.

## KEY RISKS

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
<p><b>Other associated risks</b> <i>Further risks the Sub-Fund is exposed to from its use of the techniques and securities above</i></p>		
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.

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