

JPMorgan Global Research Enhanced Index Equity Trust - Class A (Hedged) Units

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Topline

Monthly Total Return

Fund	Benchmark
▼ -5.50%	▼ -5.19%

Benchmark : MSCI World ex Australia Index (Total Return Net) hedged to AUD

Markets Global equities performed strongly over the fourth quarter as investors reacted positively to signs that inflationary pressures are moderating, which may slow the pace of interest rate hikes from major central banks.

Helped Stock selection in financial services and retail.

Hurt Stock selection in banks and pharmaceuticals/medical technology.

Outlook The story for the global economy in 2022 has been mainly about battling record-high inflation. Even though the latest data points suggest that inflation is receding, the aggressive monetary policy response from central banks has impacted economic growth. Whilst we saw global profits expanding modestly in 2022, cracks are starting to appear, and we now expect a moderate decline in global earnings in 2023.

Total Returns are net of ongoing fees and expenses and are calculated on Bid - Bid with gross income reinvested.

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

Fund Overview

Investment objective

To achieve a long-term return in excess of the benchmark; the risk characteristics of the portfolio of securities held by the Fund will resemble the risk characteristics of the portfolio of securities held in the benchmark.

Month in Review

- **Stock selection was positive** in 11 of the 19 sectors in our internal sector classification scheme this quarter.
- **An overweight position in Volvo**, a Swedish automobile company, contributed to relative returns. The stock rallied as the company sales increased in December despite supply chain issues, as the lockdown in China had created shortages and production constraints for Volvo. Volvo is leveraging its first-mover advantage in electric trucks, as December witnessed a significant surge in sales of electric and rechargeable cars.
- **A neutral position in Tesla**, the US automotive & clean energy company, detracted from returns over the period. Shares have come under pressure in recent months as the company's founder Elon Musk has been selling down his stake in Tesla to finance his highly controversial takeover of Twitter. Tesla shareholders are concerned this is distracting him from his role at Tesla. Shares came under further pressure as new data from China showed that Tesla registrations fell 26% during a week where overall electric vehicle registrations rose 58%, highlighting growing investor concern around intensifying competition.

Looking Ahead

- **Consumer spending is expected to be hampered** by a continued fiscal drag and falling household savings, and a meaningful decline in government spending relative to revenues could reduce aggregate demand within the economy. Recession fears, higher interest rates and declining corporate margins could also weaken business fixed investment. Therefore, there is a significant risk that most major developed economies will see one or two-quarters of negative real GDP growth in 2023.
- **However, if we have a recession, it is likely to be a mild one.** The pent-up demand for labour, the lack of over-building in the most cyclical sectors of the economy, healthy bank balance sheets and the absence, so far, of some new macroeconomic shock, seem to provide some protection against a worse outcome.
- **Moderating inflation**, together with more obvious signs of economic weakness, could allow central banks to suspend further rate hikes early in the new year.
- **The year 2022 turned out to be a very tough year** for investors, with heightened volatility and a painful sell-off in financial assets. While risks around the growth outlook are high for 2023, they are also much better reflected in equity valuations. We believe equity markets could now offer an attractive entry point to the long-term investor.
- **The fund remains broadly region, sector and style neutral versus the benchmark.** Our focus is on identifying attractive stocks within each sector, in each region, to generate incremental excess returns over time. Our process is currently pointing towards above-average levels of these stock opportunities in the marketplace.

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. Provided for information only, not to be construed as investment recommendation or advice.

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

Performance

%	1M	3M	6M	1Y	2Y	3Y	5Y	Since inception
Fund	-5.50	7.03	2.71	-17.03	2.36	5.10	6.27	7.36
Benchmark	-5.19	7.17	3.41	-17.24	1.47	4.25	5.76	7.24
Outperformance (Total Return)	-0.30	-0.15	-0.70	0.22	0.90	0.85	0.51	0.12

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

Source: J.P. Morgan Asset Management. Inception date: 05.05.2015. Total Returns are net of ongoing fees and expenses and are calculated on Bid – Bid with gross income reinvested. Returns for periods greater than one year are annualised. The Excess returns are calculated Arithmetically.

Key Risks

It is important to understand that the value of investments may rise or fall, investment returns are not guaranteed and it is possible that investors may lose their money. The appropriate level of risk for each person depends on a range of factors, including age, investment timeframe and the investor's risk profile. For more detailed information relating to the risks of the Fund, please refer to the relevant Product Disclosure Statement and Target Market Determination available on the website.

Notes

The JPMorgan Global Research Enhanced Index Equity Trust invests directly in the underlying securities and offers 2 asset classes of units: JPMorgan Global Research Enhanced Index Equity Trust - Class A and JPMorgan Global Research Enhanced Index Equity Trust Class A (Hedged).

Total Returns are net of ongoing fees and expenses and are calculated on Bid – Bid with gross income reinvested. Adjusted returns have been calculated by JPMAM. Blended benchmarks have been calculated by JPMAM.

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