

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

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Topline

Monthly Total Return	
Fund	Benchmark
▲ 6.48%	▲ 6.23%
Benchmark : MSCI World ex Australia Index (Total Return Net) hedged to AUD	
Markets Global equities had a strong start to the year as further signs of moderating inflation, falling gas prices, reversal of China's zero-Covid policy and a surprise improvement in European business activity helped improve the global economic outlook.	
Helped Stock selection in banks and industrial cyclical.	
Hurt Stock selection in pharm/medtech and technology – software.	
Outlook The story for the global economy in 2022 has largely been about battling record-high inflation. Even though the latest datapoints suggest that inflation is receding, the aggressive monetary policy response from central banks has impacted economic growth. While 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 the primary driver of performance** and was positive in 11 of the 19 sectors in our internal sector classification scheme this month.
- **An underweight position in Pfizer**, an American multinational pharmaceutical and biotechnology corporation, contributed to relative returns. Despite posting better than expected quarterly profits, the shares fell amid a downbeat full year 2023 outlook. Management warned of a significant drop in its sales for the year on account of a decline in Covid-19 product sales, which was not well received by investors.
- **An overweight position in NextEra Energy**, the US utility company, detracted from performance over the month. The company reported solid quarterly results which came in slightly ahead of expectations but their guidance for 2023 was seen as disappointing. The company also announced that third party investigation into alleged illegal lobbying practices was completed with no adverse legal outcome. However, the President of their Florida utility business who was a key person of interest in the investigation announced they were stepping down. This was seen negatively by the market and shares fell around 9% on the day.

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 see one or two quarters of negative real GDP growth in 2023.
- **If we have a recession, it is likely to be a mild one** as 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.
- **2022 turned out to be a very tough year** for investors with heightened volatility and a painful selloff 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	6.48	6.24	0.83	-6.18	5.36	7.05	6.86	8.14
Benchmark	6.23	6.19	1.39	-6.15	4.30	6.08	6.28	7.99
Outperformance (Total Return)	0.24	0.05	-0.55	-0.03	1.06	0.97	0.59	0.15

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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