

JPMorgan Global Strategic Bond Fund

APIR: PER0727AU ARSN: 166529791 ISIN: AU60PER07279

Topline

Monthly returns *Fund	Benchmark
▲ 1.12%	▲ 0.00%
<p>Benchmark: Bloomberg AusBond Bank Bill Index</p> <p>Markets The broad risk rally continued, as vaccine developments progressed and the markets anticipated a clear path to recovery.</p> <p>Helped All sectors added to performance in December.</p> <p>Hurt No sectors detracted from performance in the month.</p> <p>Outlook We expect above-trend growth in 2021. A near-term bounce in inflation is a risk, but we expect low inflation long term.</p>	

*Net of fees performance is calculated on Bid - Bid with gross income reinvested, e.g. net of ongoing fees and expenses.

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

Fund overview

Investment objective

To achieve a return in excess of the Bloomberg AusBond Bank Bill Index by exploiting investment opportunities in, amongst others, the debt and currency markets, using financial derivative instruments where appropriate.

Month in review

- **Emerging market debt** was the top contributor, primarily driven by hard-currency sovereigns (as in previous months). China's recovery remained a tailwind for emerging markets, and the announcement of an effective AstraZeneca/Oxford vaccine boosted risk sentiment further.
- **Local currency bonds also added to the fund**, with positive contributions from China, Indonesia, Mexico and South Africa. EM currencies were an additional key contributor.
- **Corporate high yield**, to which we have recently increased exposure, and convertible bonds, benefitted from positive vaccine news, with US high yield spreads tightening by 47 bps.
- **Continued strong technicals** meant that investment grade credit finished 2020 strong, and we also saw a marginal contribution from our Italy (long) and US (short) government rates positions.
- **We marginally increased our emerging market bond and currency exposure** over the month. We also added some US high yield exposure and rotated out of some asset-backed securities positions into commercial mortgage-backed securities. We added a long Canada government bond position, while removing our exposure to New Zealand and EU bonds. The fund's duration was flat at 2.1 years.

Looking ahead

- **We expect above-trend growth in 2021** as more countries gain control of the coronavirus and vaccine distribution begins. This improving backdrop should drive core government bond yields moderately higher, but we believe central banks will not let rates rise too much.
- **The persistent low-rate environment** should continue to drive demand for higher-yielding bond markets, such as emerging market debt and high yield.
- **The biggest risk to our outlook for 2021** centres around the vaccines: any issues with their efficacy or distribution could result in a delay of the economic re-opening and a double-dip recession.
- **We are also mindful of the potential for a temporary bounce in inflation** in the spring (for instance, if the global re-opening creates a demand surge and pushes prices up) and a possible reduction in fiscal support from governments.

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.

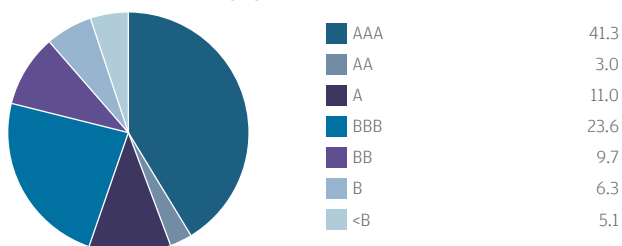
Performance and positioning

%	1M	3M	6M	1Y	2Y	3Y	5Y	Since inception
JPMorgan Global Strategic Bond Fund (Net of Fees)	1.12	3.22	4.95	4.92	5.52	3.18	4.01	3.71
Benchmark	0.00	0.02	0.05	0.37	0.93	1.26	1.52	1.80
Outperformance (Net of fees)	1.12	3.20	4.91	4.56	4.59	1.92	2.49	1.90

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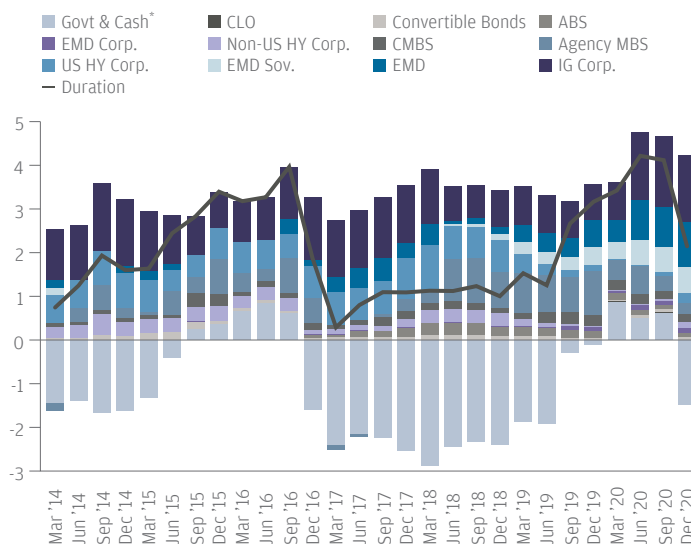
Source: J.P. Morgan Asset Management. Bloomberg. Inception date: 20 December 2013. Net of fees performance is calculated on Bid - Bid with gross income reinvested, i.e. net of ongoing fees and expenses. Returns for periods greater than one year are annualized.

RATING BREAKDOWN (%)



Source: J.P. Morgan Asset Management, as at 31.12.2020.

PORTFOLIO WEIGHTED SECTOR ALLOCATION (DURATION, YEARS)



Source: J.P. Morgan Asset Management, as at 31.12.2020. Empirical duration calculated on daily rolling 1 year data.

*Includes Municipals. 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. EMD: Emerging Market Debt, MBS: Mortgage Backed Security, CMBS: Commercial Mortgage Backed Securities, ABS: Asset Backed Securities, CLO: Collateralised Loan Obligation.

RISK PROFILE

Medium risk. As the fund substantially invests the majority of its assets in debt securities issued in developed and emerging markets, including, but not limited to, debt securities of governments and their agencies, state and provincial governmental entities, supranational organisations, corporations, banks, asset-backed securities and mortgage-backed securities, the fund is considered medium to high risk since these investments are considered a medium to high risk asset class. This means that the Fund's NAV has shown medium fluctuations historically which impacts the level of returns on an investor's investment.

Please refer to the Product Disclosure Statement and Reference Guide (2 December 2019) for more information.

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.

Asset-backed and mortgage-backed securities may be highly illiquid, subject to adverse changes to interest rates and to the risk that the payment obligations relating to the underlying asset are not met.

The fund may be concentrated in a limited number of countries, sectors or issuers and as a result, may be more volatile than more broadly diversified funds.

Convertible bonds are subject to the credit, interest rate and market risks stated above associated with both debt and equity securities, and to risks specific to convertible securities. Convertible bonds may also be subject to lower liquidity than the underlying equity securities.

Contingent Convertible Securities are likely to be adversely impacted should specific trigger events occur (as specified in the contract terms of the issuing company). This may be as a result of the security converting to equities at a discounted share price, the value of the security being written down, temporarily or permanently, and/or coupon payments ceasing or being deferred.

The value of equity securities may go down as well as up in response to the performance of individual companies and general market conditions.

The fund's use of equity derivatives to manage the portfolio's correlation to equity markets may not always achieve its objective and could adversely affect the return of your investment.

The value of financial derivative instruments can be volatile. This is because a small movement in the value of the underlying asset can cause a large movement in the value of the financial derivative instrument and therefore, investment in such instruments may result in losses in excess of the amount invested by the Sub-Fund.

The possible loss from taking a short position on a security may be unlimited as there is no restriction on the price to which a security may rise. The short selling of investments may be subject to changes in regulations, which could adversely impact returns to investors.

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.

INVESTOR PROFILE

The fund is a bond fund for investors looking for an absolute return that seeks to exceed the return of the Benchmark in diverse market environments over time from a combination of capital appreciation and income while reducing the likelihood of capital losses on a medium term basis through a flexible, diversified multi-sector approach.

Investors should take a long-term investment horizon.

NOTES

Net of fees performance is calculated on Bid - Bid with gross income reinvested, e.g. net of ongoing fees and expenses.

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