

# JPMorgan Global Strategic Bond Fund

APIR: PER0727AU ARSN: 166529791 ISIN: AU60PER07279

## Topline

Monthly returns	
Fund	Benchmark
▲ 0.20%	▲ 0.30%
<b>Benchmark :</b> Bloomberg AusBond Bank Bill Index	
<b>Markets</b> Recessionary signals from most leading economic indicators appeared in sharp contrast to a resilient consumer buoyed by robust labour markets. Amid an uncertain forecast, fortunes varied across global fixed income markets.	
<b>Helped</b> Our exposure to local currency emerging market debt.	
<b>Hurt</b> Our US high yield positions.	
<b>Outlook</b> Recession remains our base case. As central banks continue to tighten monetary policy, the cumulative and lagged impacts of their actions to date have yet to be fully felt until labour markets weaken and consumption slows.	

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 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.

### Investor profile

This product is likely to be appropriate for a consumer seeking capital growth and regular income to be used as a small allocation within a portfolio where the consumer has a medium risk/return profile and needs daily access to capital. The minimum suggested holding period is 5 years.

## Month in Review

- **The fund generated positive returns in June**, driven by our exposure to emerging market debt where both local currency bonds and hard currency sovereigns and corporates contributed positively.
- **We remain net short government bond duration**, where our short US Treasury and German Bund positions helped the fund's performance in June as yields rose on hawkish rhetoric from the US Federal Reserve and the European Central Bank. Our exposure to investment grade corporate credit delivered modest positive returns, primarily in high-quality industrial names where spreads ground tighter over the month.
- **Convertible bonds followed the rally in equities** and contributed to performance, and European high yield was a modest contributor, although these positive returns were neutralised by negative returns from our US high yield exposure. Securitised products also detracted, given their sensitivity to rising core rates.
- **Over the month, we increased headline duration** from 2.8 to 3.0 years, increased our exposure to securitised products through agency mortgage-backed securities and maintained our overall emerging market debt exposure.

## Looking Ahead

- **Central banks are committed to a course of higher rates and tighter policy** to reduce inflation to the 2% target level, and policymakers are prepared to pay the price of a recession to get there. Year-end interest-rate expectations have risen steadily and economic good news stories look set to postpone recession rather than prevent it – a reflection of the trailing effect of monetary policy and the years of accumulated policy stimulus yet to evaporate from private-sector balance sheets. Sustained by excess savings (still above pre-pandemic levels) and a persistently tight labour market, the consumer continues to drive the US economy, primarily in the service sector.
- **Recession remains our base case**, as historically reliable leading indicators suggest that an economic downturn is the most probable outcome: manufacturing has moved into contractionary territory, credit conditions have tightened and the 2-year/10-year US Treasury curve remains deeply inverted. In our view, the onset of recession is likely by early 2024 as the gradual removal of excess liquidity begins to curb consumption, compress profit margins and cool labour markets.
- **Investors should maintain vigilance** over simmering stress points in the regional banking system, the office segment of commercial real estate and the elevated level of floating-rate corporate borrowing. Some risk sectors are currently priced for a 'soft landing', and we believe this does not adequately protect investors from the onset of recession in the time horizon we project.
- **We continue to target any backup in yields** to add high-quality duration: we favour agency mortgage-backed securities, where valuations are at their cheapest since the global financial crisis, and selective exposure to local currency emerging market debt.

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.

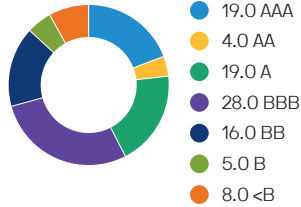
All data is sourced by J.P. Morgan Asset Management and is correct as at the date of this commentary.

## Performance and positioning

%	1M	3M	6M	1Y	2Y	3Y	5Y	Since inception
Fund	0.19	0.33	1.93	4.45	-1.11	1.09	1.67	2.55
Benchmark	0.30	0.90	1.70	2.89	1.48	1.01	1.17	1.64
Outperformance (Total Return)	-0.11	-0.57	0.23	1.55	-2.59	0.08	0.50	0.91

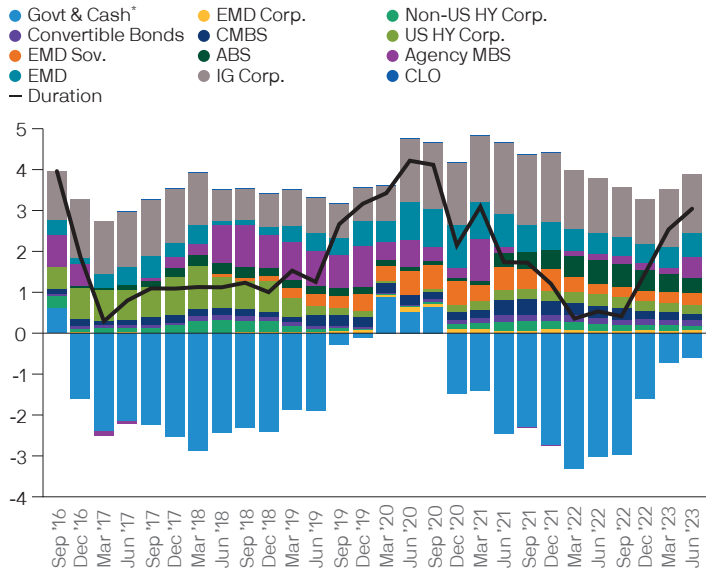
**Past performance is not a reliable indicator of current and future results.**  
 Source: J.P. Morgan Asset Management. Bloomberg. Inception date: 12.20.2013. Total Returns are net of ongoing fees and expenses and are calculated on Bid - Bid with gross income reinvested. Returns for periods greater than one year are annualized.

### Rating breakdown (%)



Cash is included in AAA.

## Portfolio weighted sector allocation (duration, years)



Source: J.P. Morgan Asset Management, as at <<<VARIABLE NEEDED - Variable - EMEAC - Wtd Sector Alloc Duration rule.dataDate>> 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.

## 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

### General Disclosures

Before investing, obtain and review the Product Disclosure Statement of the Fund and Target Market Determination which have been issued by Perpetual Trust Services Limited, ABN 48 000 142 049, AFSL 236648, as the responsible entity of the fund available on <https://am.jpmorgan.com/au> to understand the various risks associated with investing in the Fund and in making any investment decision. Past performance is not a reliable indicator of future performance and investors may not get back the full amount invested. Future performance and return of capital is not guaranteed. Information is considered correct at the time of issue but no liability for errors or omissions will be accepted by JPMorgan Asset Management (Australia) Limited or its affiliates. This document is intended solely for the person to whom it is provided by the issuer. Positive yield does not imply positive returns. Yields are not guaranteed. Fund holdings and performance are likely to have changed since the report date. No provider of information presented here, including index and ratings information, is liable for damages or losses of any type arising from use of their information.

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