

# JPMorgan Global Strategic Bond Fund

APIR: PER0727AU ARSN: 166529791 ISIN: AU60PER07279

## Topline

Monthly returns	
Fund	Benchmark
▲ 0.67%	▲ 0.37%
<b>Benchmark :</b> Bloomberg AusBond Bank Bill Index	
<b>Markets</b> Recent trends held up in July: inflation continued to cool, some economic indicators showed resilience and optimism over the prospect of a 'soft landing' scenario continued to grow. As the uncertain global outlook persisted, government bonds retreated but risk markets stayed sanguine.	
<b>Helped</b> Our exposure to investment grade corporate credit.	
<b>Hurt</b> Our exposure to high yield corporate credit.	
<b>Outlook</b> Policymakers are expected to maintain tighter policy to suppress consumption and bring inflation down to target levels. In our view, recession is the probable outcome as the trailing impact of central-bank actions to date begins to depress economies.	

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 July**, driven by our exposure to investment grade corporate credit, where spreads tightened over the month. Cyclical performers performed well, primarily in financial names, where we cautiously added back some risk on attractive valuations and to provide additional carry.
- **We remain net short government bond duration**, primarily through our short US Treasury position, which added to performance as yields rose on continued monetary policy tightening from the Federal Reserve. Emerging market debt contributed, with positive returns from hard currency sovereigns and corporates, particularly in the high yield part of the market given the broader risk-on sentiment. Local currency bonds also contributed.
- **Convertible bonds followed the July rally in equities** and showed positive returns. Securitised products were also a minor contributor. While risk sectors benefitted from resurgent optimism of a 'soft landing' for the economy, our defensive positioning in high yield was a marginal detractor overall, where our US and European cash bond positions are fully hedged with US CDX protection.
- **Over the month, we increased headline duration** from 3.0 to 3.6 years and maintained our exposure to securitised products, developed market corporate credit, and emerging market debt.

## Looking Ahead

- **Policymakers are prepared to risk a recession** to return inflation to the 2% target level by responding with further hikes if inflation data exerts renewed upside pressure on interest rates. Recession remains our base case, as historically reliable leading indicators continue to point to economic contraction as the probable outcome of central bank actions to date. 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, an economic downturn can take hold in early 2024**, delayed by the cumulative and lagged impacts of a historically rapid monetary policy tightening cycle. Private sector balance sheets still benefit from years of accumulated monetary policy stimulus – the consumer continues to drive the US economy, sustained by tight labour markets, while the latest corporate earnings surpassed consensus estimates, powered by healthy margins.
- **As excess liquidity drains**, we think the economic forecast will worsen and investors should monitor potential areas of weakness on the periphery: the regional banking system, the office segment of commercial real estate and the elevated level of floating rate corporate borrowing. We believe some risk sector spreads have room to widen before investors are adequately protected 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.

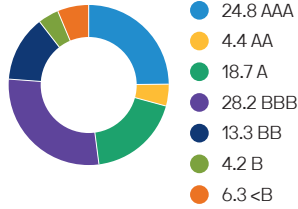
All data is sourced by J.P. Morgan Asset Management and is correct as at the date of this commentary.

### Performance and positioning

%	1M	3M	6M	1Y	2Y	3Y	5Y	Since inception
Fund	0.67	0.64	1.05	3.62	-0.77	0.85	1.67	2.60
Benchmark	0.37	0.97	1.81	3.15	1.67	1.13	1.20	1.67
Outperformance (Total Return)	0.29	-0.34	-0.76	0.47	-2.45	-0.28	0.47	0.93

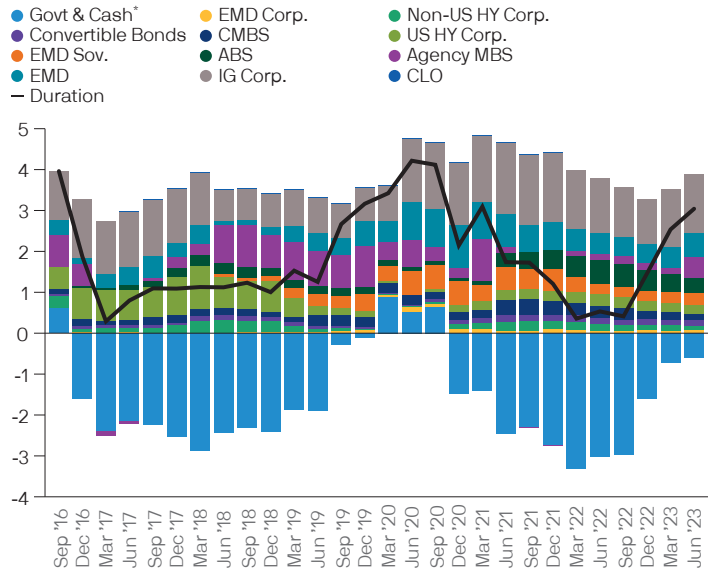
**Past performance is not a reliable indicator of current and future results.**  
 Source: J.P. Morgan Asset Management, Bloomberg. Inception date: 12.20.2013. Total Returns are net of ongoing fees and expenses and are calculated on Bid - Bid with gross income reinvested. Returns for periods greater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