JPMorgan Global Strategic Bond Fund

APIR: PER0727AU ARSN: 166529791 ISIN: AU60PER07279

Topline

Monthly returns	
Fund	Benchmark
▼ -0.45%	▲ 0.37%

Benchmark : Bloomberg AusBond Bank Bill Index

Markets Long-term interest rate expectations rose over the month as some economic data surprised to the upside. Against a shifting macroeconomic backdrop, most fixed income markets lost ground.

Helped Our government rates positions.

Hurt Our exposure to emerging market debt.

Outlook Recession remains our base case – central banks are approaching the end of their hiking cycles, and we expect the economic data to deteriorate as the cumulative and lagged impact of monetary policy tightening takes effect.

*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 negative returns in August**, driven by our exposure to emerging market debt. Hard currency sovereigns and corporates were the principal detractor, as the negative impact from the jump in US Treasury yields outweighed a positive spread-tightening contribution. Local currency bonds, where we are selectively positioned in high-conviction countries, suffered from negative foreign exchange movements over the month and detracted from performance.
- **Convertible bonds followed the retracement in equities** and delivered negative returns, which were partially offset by the modest positive contribution from our US and European high yield positions. Our exposure to investment grade corporate credit also detracted, particularly high-quality industrial names, as the sector priced in the upturn in interest-rate expectations.
- **Some negative returns were offset by positive performance** from our government rates positions, primarily our short US Treasury position as yields rose sharply on resilient economic data and higher-for-longer interest rate sentiment. Securitised products were also a marginal contributor.
- **Over the month, we reduced headline duration** from 3.6 to 3.5 years, maintained our exposure to developed market credit and securitised products and reduced our exposure to emerging market debt.

Looking Ahead

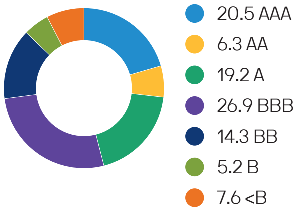
- **Central banks are willing to sustain more restrictive monetary policy**, particularly if measures of economic health continue to print strongly, despite the risk of recession in the longer term from the cumulative and lagged effects of their actions to date. We expect the Federal Reserve to pause in September and hold the Fed Funds rate at the current level, though policymakers retain the option to respond 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 a historically aggressive tightening cycle. Manufacturing has moved into contractionary territory, credit conditions have tightened and the 2-year/10-year US Treasury curve remains inverted.
- **In our view, tight labour markets have supported resilient consumption** and must cool further for inflation to fall sustainably towards the 2% target level. As excess liquidity drains, we think the growth forecast will soften. 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. The team's view remains that credit spreads have room to widen further before investors are adequately protected from the onset of recession.
- **Investors should continue to target any backup in yields to add high-quality duration**, favouring agency mortgage-backed securities, where valuations are at their cheapest since the global financial crisis, and selective exposure to local currency emerging market debt.

Performance and positioning

%	1M	3M	6M	1Y	2Y	3Y	5Y	Since inception
Fund	-0.45	0.41	0.96	2.77	-1.13	0.57	1.49	2.53
Benchmark	0.37	1.04	1.94	3.37	1.86	1.25	1.24	1.69
Outperformance (Total Return)	-0.81	-0.63	-0.98	-0.60	-2.99	-0.68	0.24	0.84

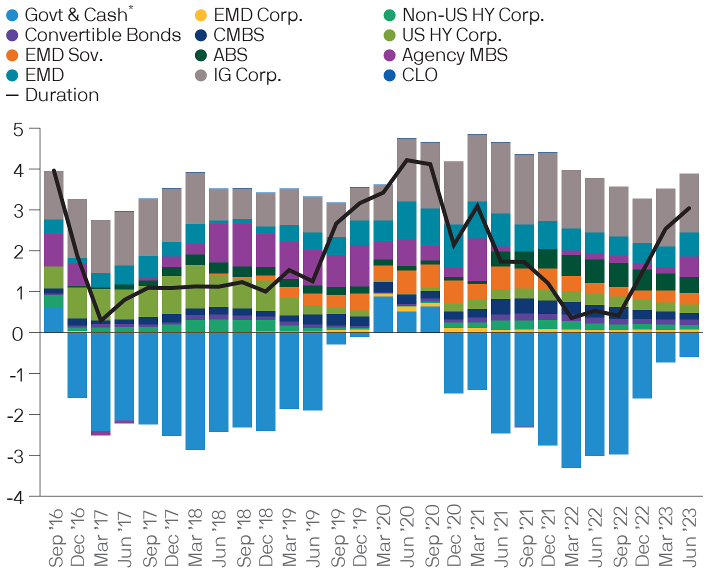
Past performance is not a reliable indicator of current and future results.
Source: J.P. Morgan Asset Management. Bloomberg. Inception date: 12.20.2013. Total Returns are net of ongoing fees and expenses and are calculated on Bid – Bid with gross income reinvested. Returns for periods greater than one 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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Information Sources: Fund information, including performance calculations and other data, is provided by J.P. Morgan Asset Management (the marketing name for the asset management businesses of JPMorgan Chase & Co and its affiliates worldwide). All data is as at the document date unless indicated otherwise. Due to rounding, values may not total 100%. Top holdings, sector and country or region excludes cash. Holdings may be subject to change from time to time. Bloomberg Finance L.P. and its affiliates (collectively, "Bloomberg") are not affiliated with the Manager and do not approve, endorse, review, or recommend the Fund. Bloomberg and the Benchmark are trademarks or service marks of Bloomberg and have been licensed to the Manager. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to the Benchmark.

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