JPMorgan Global Strategic Bond Fund

APIR: PER0727AU ARSN: 166529791 ISIN: AU60PER07279

Topline

Monthly Total Return	
Fund	Benchmark
▼ -0.92%	▲ 0.01%

Benchmark : Bloomberg AusBond Bank Bill Index

Markets Inflation continued to dominate across all developed markets, with core rates rising and risk assets negatively impacted.

Helped Government rates, where short US Treasury exposure helped to hedge against higher rates.

Hurt Investment grade credit, which has continued to sell off as rates have risen.

Outlook We think rates can go higher, as long as growth remains above trend. Inflation looks set to persist in the near term.

*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.

Month in review

- **Investment grade credit** was a key detractor, with longer duration impacting as core rates rose, and spreads also widening by 11 basis points (bps). Heavy supply in the market was another headwind from a technical perspective, despite evidence from earnings season that fundamentals remain robust.
- **Corporate high yield** was also a driver of negative performance as risk markets underperformed, with high yield spreads widening by 53 bps in the US and 36 bps in Europe, as well as core rates moving higher. Investor sentiment was softer than in recent months, as evidenced by outflows across the industry. Convertible bonds, typically highly correlated to equity markets, also sold off.
- **Securitised products** also detracted, driven by agency MBS and CMBS, which are vulnerable to tightening from the Federal Reserve.
- **Emerging market debt was the final detractor**, driven by hard currency sovereigns, where spreads widened by 16 bps. Performance from our local currency bond positions was flat.
- **On the positive side, government rates** went a long way to offsetting the performance from spread sectors, given our short exposure across developed markets. A broad-based increase in yields therefore meant that this short positioning proved an effective hedge for the strategy.
- **Over the month,** we reduced duration from 1.2 to 0.9 years, via short UK and US rates exposure. Conscious of tight valuations, we are reducing overall high yield exposure from 30% to 27%. We selectively increased exposure (from 2% to 4%) to emerging market local currency bonds, and trimmed our exposure to agency MBS, bringing overall securitised exposure from 32% to 29%.

Looking ahead

- **With central banks more hawkish**, there is scope for the market to price further rate hikes, providing growth remains above-trend. We expect the Fed to start hiking in March, and the pace and volume of hikes will hinge on inflation. As such, we remain short core government bonds.
- **We remain constructive on corporate fundamentals**, with high yield companies experiencing record low defaults and with low levels of distressed debt in the market.
- **However, we are conscious of relatively tight valuations** in a rising yield environment, and we are therefore more cautious than in recent months.
- **One area of interest is emerging market local currency debt**, where central banks have tightened policy ahead of developed markets. We see selective valuation opportunities following a rise in yields over the past year.

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.

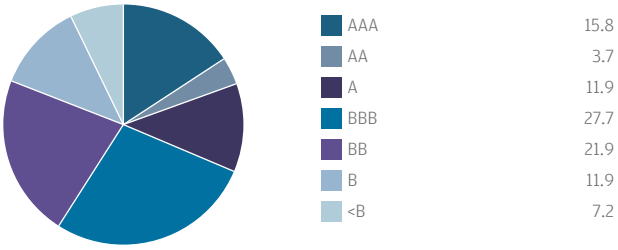
Performance and positioning

%	1M	3M	6M	1Y	2Y	3Y	5Y	Since inception
Fund	-0.92	-1.11	-1.25	-0.52	1.74	2.83	2.49	3.12
Benchmark	0.01	0.01	0.02	0.03	0.16	0.57	1.08	1.57
Outperformance (Total Return)	-0.93	-1.13	-1.26	-0.55	1.58	2.26	1.41	1.56

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

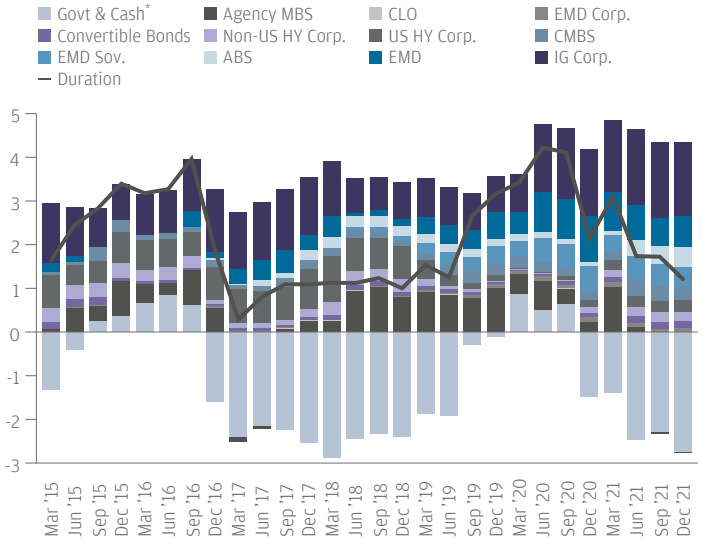
Source: J.P. Morgan Asset Management. Bloomberg. Inception date: 20 December 2013. Total Returns are net of ongoing fees and expenses and are calculated on Bid – Bid with gross income reinvested. Returns for periods greater than one year are annualized.

RATING BREAKDOWN (%)



Source: J.P. Morgan Asset Management, as at 31.01.2022.

PORTFOLIO WEIGHTED SECTOR ALLOCATION (DURATION, YEARS)



Source: J.P. Morgan Asset Management, as at 31.12.2021 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

The Fund is subject to **Investment risks** and **Other associated risks** from the techniques and securities it uses to seek to achieve its objective. The table on the right explains how these risks relate to each other and the **Outcomes to the Unitholder** that could affect an investment in the Fund. **Please refer to the Product Disclosure Statement, Target Market Determination and Reference Guide for more information**.

Investment risks *Risks from the Fund's techniques and securities*

Techniques	***Securities***	
Concentration	China	- Investment grade debt
Derivatives	Contingent convertible bonds	- Unrated debt
Hedging	Convertible securities	Emerging markets
Short position	Debt securities	Equities
	- Below investment grade debt	MBS/ABS
	- Government debt	

Other associated risks *Further risks the Fund is exposed to from its use of the techniques and securities above*

Credit	Market	Currency
Liquidity	Interest rate	

Outcomes to the Unitholder *Potential impact of the risks above*

Loss	**Volatility**	**Failure to meet the Fund's objective.**
Unitholder could lose some or all of their money.	Units of the Fund will fluctuate in value.	

NOTES

Total Returns are net of ongoing fees and expenses and are calculated on Bid – Bid with gross income reinvested.

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