
Rethinking Fixed Income?

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Introduction

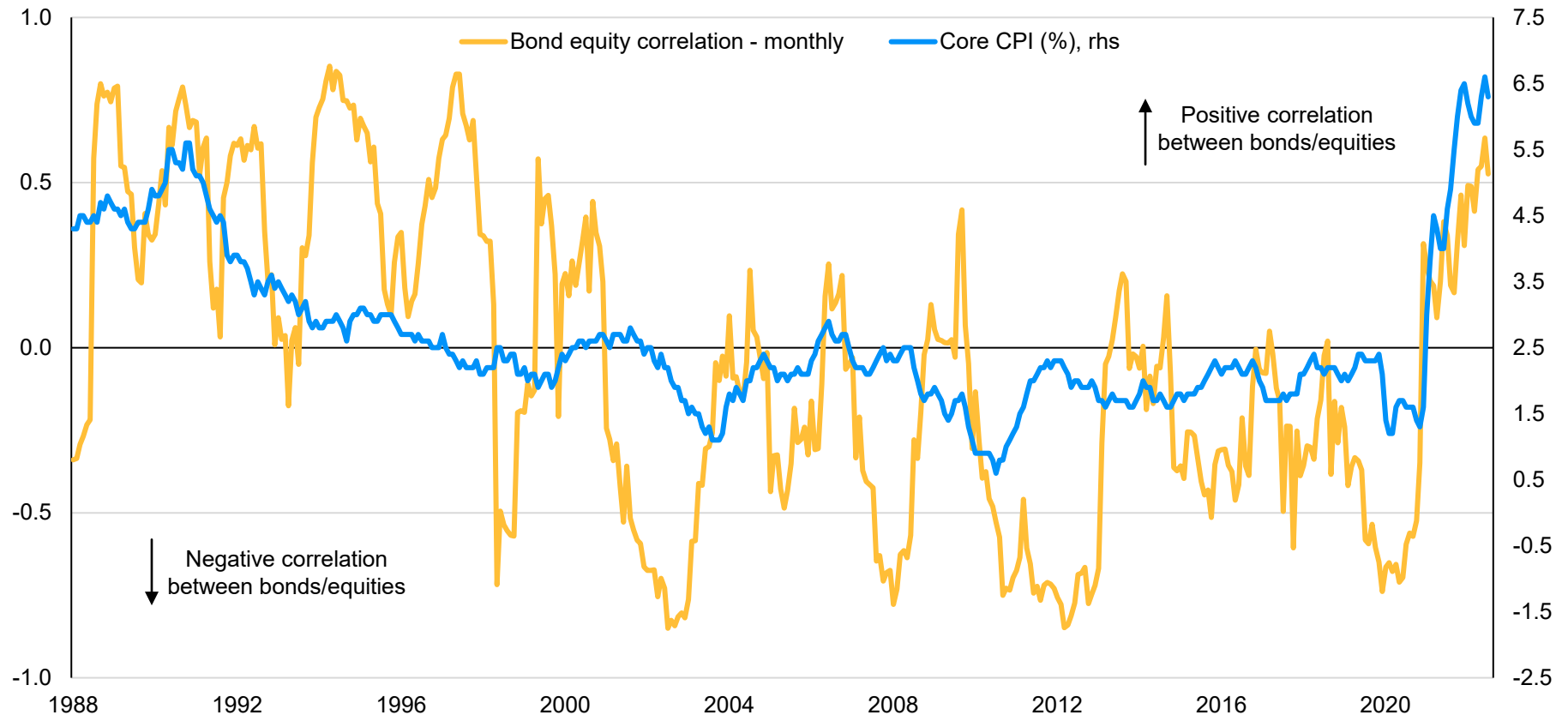
A look back at 2022

A look ahead to 2023

JPM Fixed Income
Solutions

High inflation has switched off the central bank “put”

Bonds and equities are typically positively correlated when inflation is above 2.5%

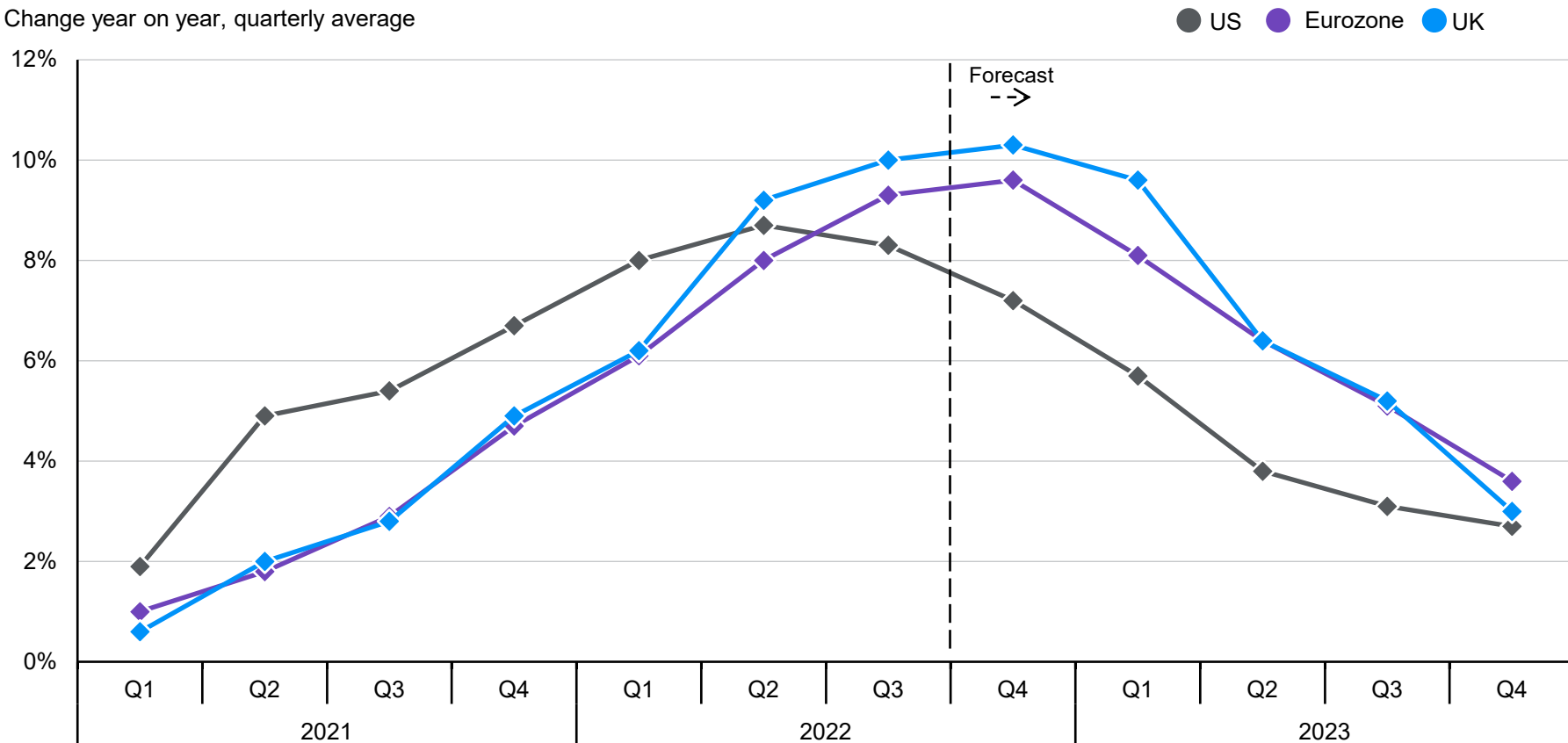


Source: Bloomberg, Bureau of Labor Statistics, Goldman Sachs, Morgan Stanley. As at 25 November 2022. CPI: Consumer price index.

Economists expect inflation to fall

Median of economists' forecasts for headline CPI

Change year on year, quarterly average



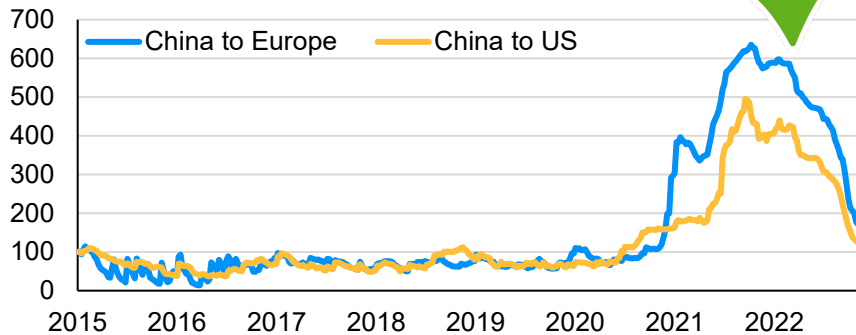
Source: Bloomberg, BLS, Eurostat, ONS, J.P. Morgan Asset Management. CPI is consumer price index. Guide to the Markets – UK. Data as of 3 November 2022.

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.

Our inflation checklist

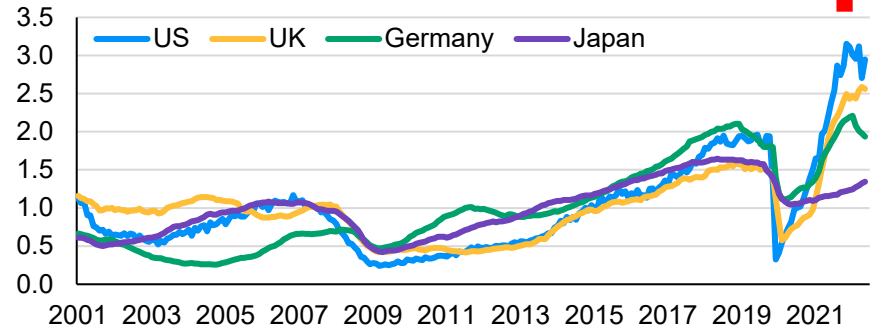
Shipping costs have dropped sharply

Container Freight rate, 2015 Jan =100



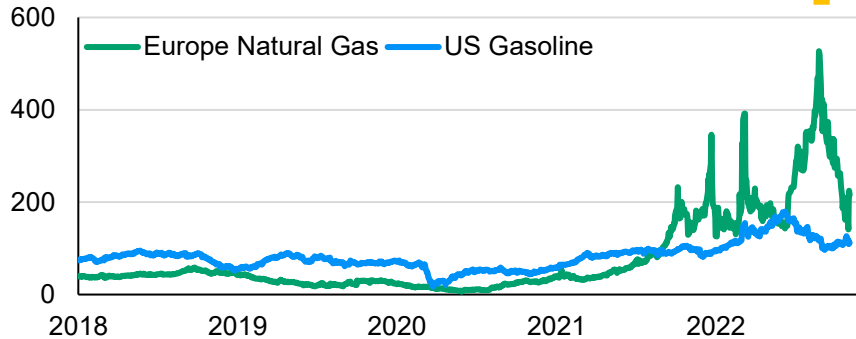
The labour market remains tight

Vacancies / Unemployed relative to average



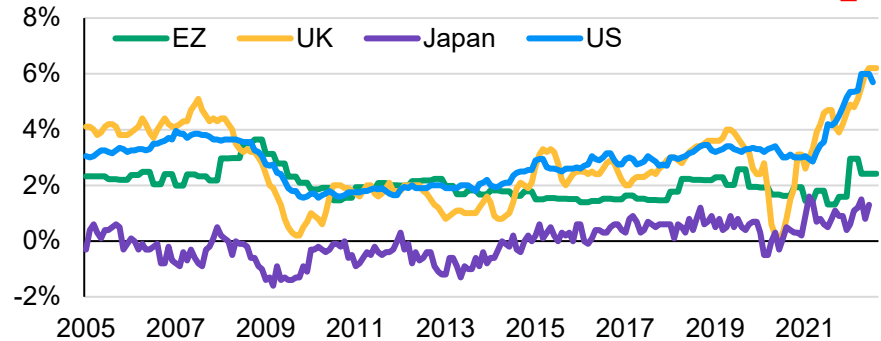
Energy prices have declined

Price per barrel, USD



Little moderation so far in wages

Wages

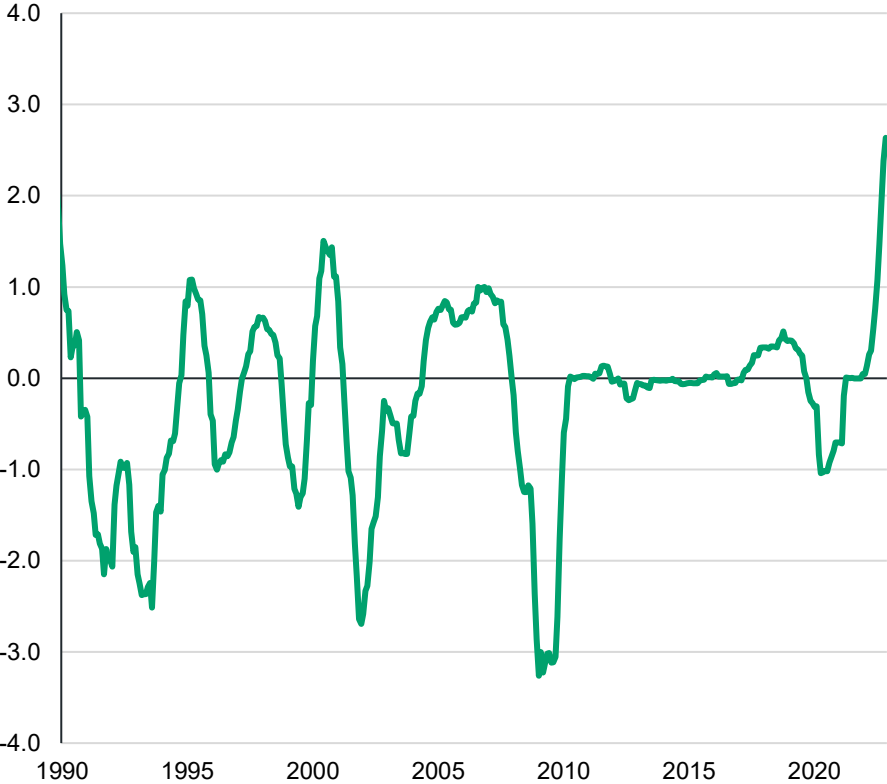


Source: Bloomberg, Eurostat, Office for National Statistics, Bureau of Labor Statistics, Atlanta Fed, Ministry of Health Labour and Welfare, MIAC. As of November 2022.

The monetary policy response has been substantial...

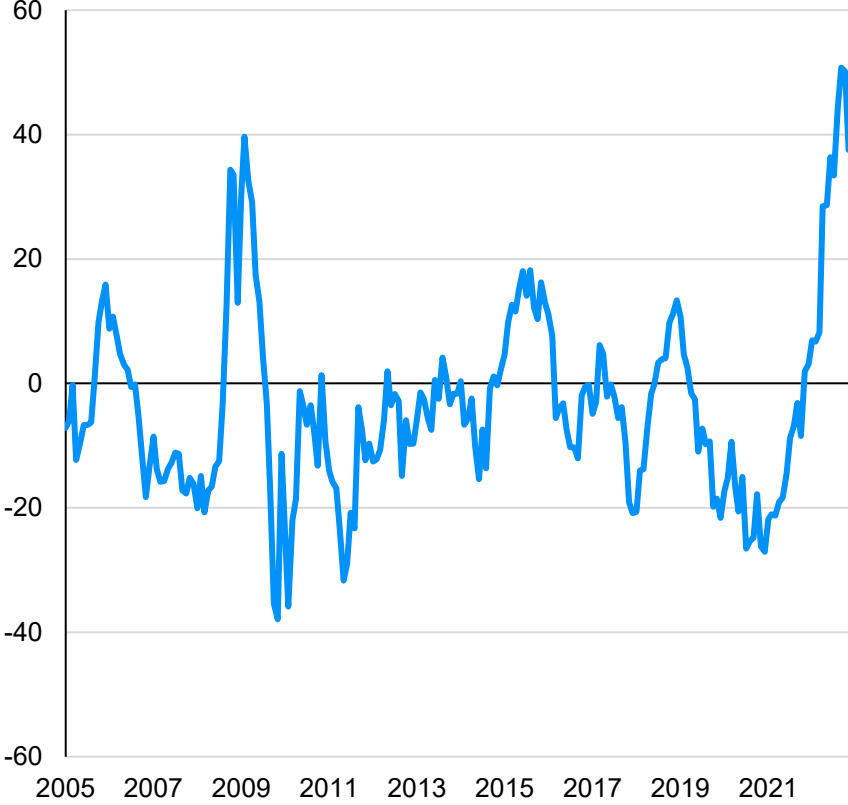
Central banks have hiked aggressively

Average 12-mo rolling changes in policy rate in US, Eurozone and UK



Record pace of tightening in financial conditions

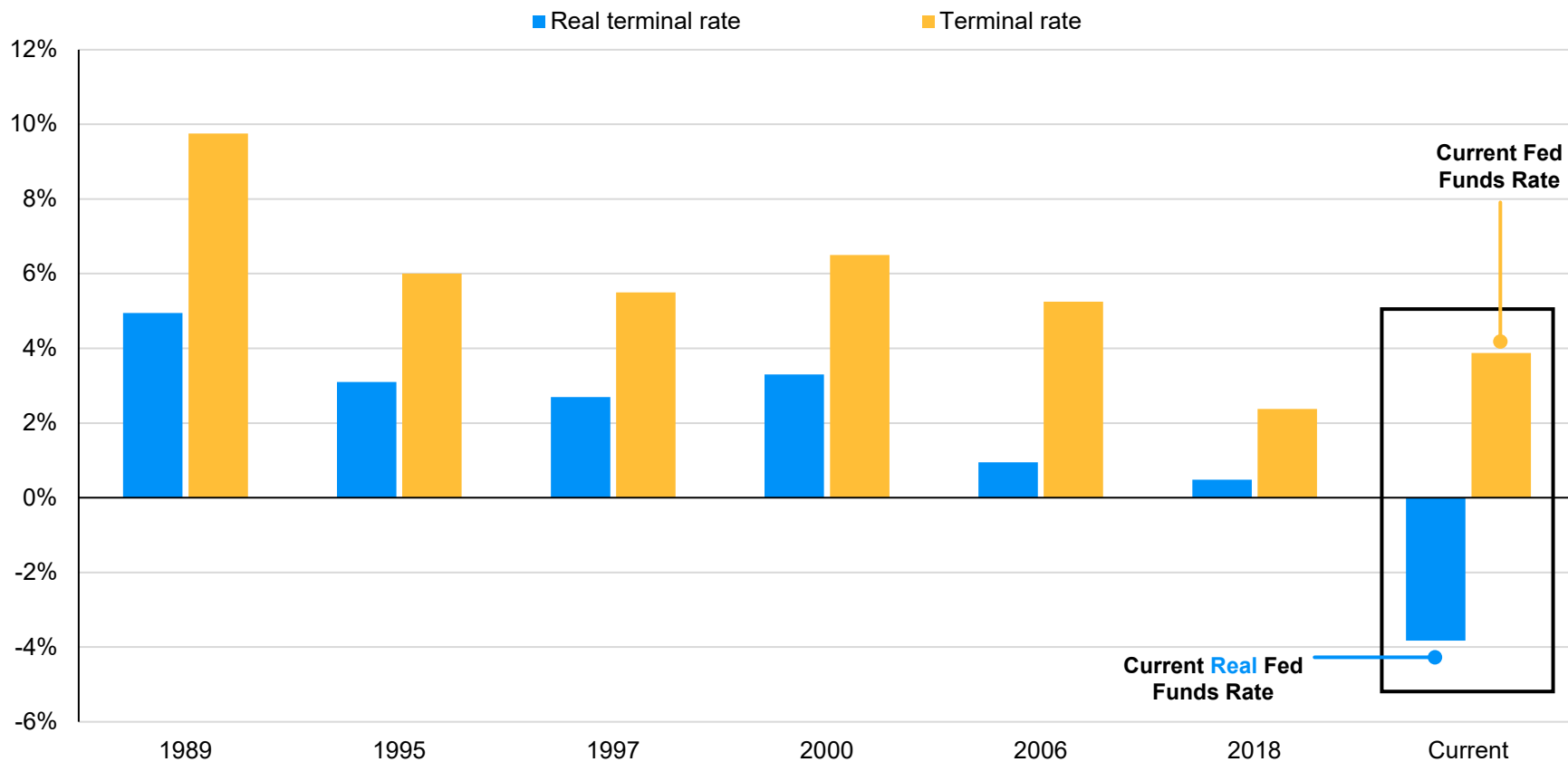
US Financial Conditions Index, 12m change



Source: Bloomberg, Bureau of Labor Statistics, Goldman Sachs, Morgan Stanley, Bank of England, European Central Bank, Federal Reserve. As at 28 November 2022.

...but there are more hikes to come

The Federal Reserve has never stopped hiking with negative real rates

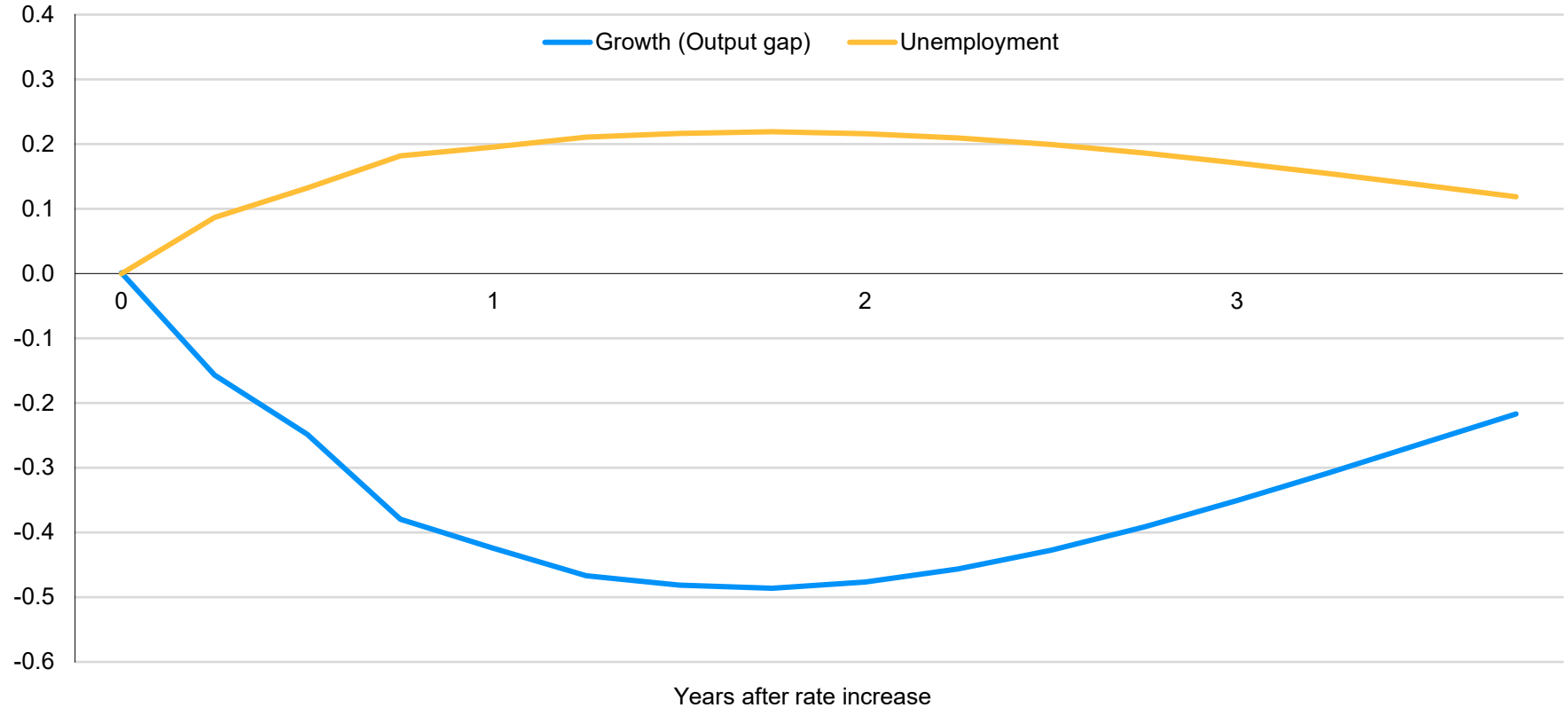


Source: Bloomberg, Federal Reserve. As of 25 November 2022.

Monetary policy impacts the economy with a lag

Growth and unemployment years after Fed rate hikes

Impact of 100bp increase in Fed Funds rate

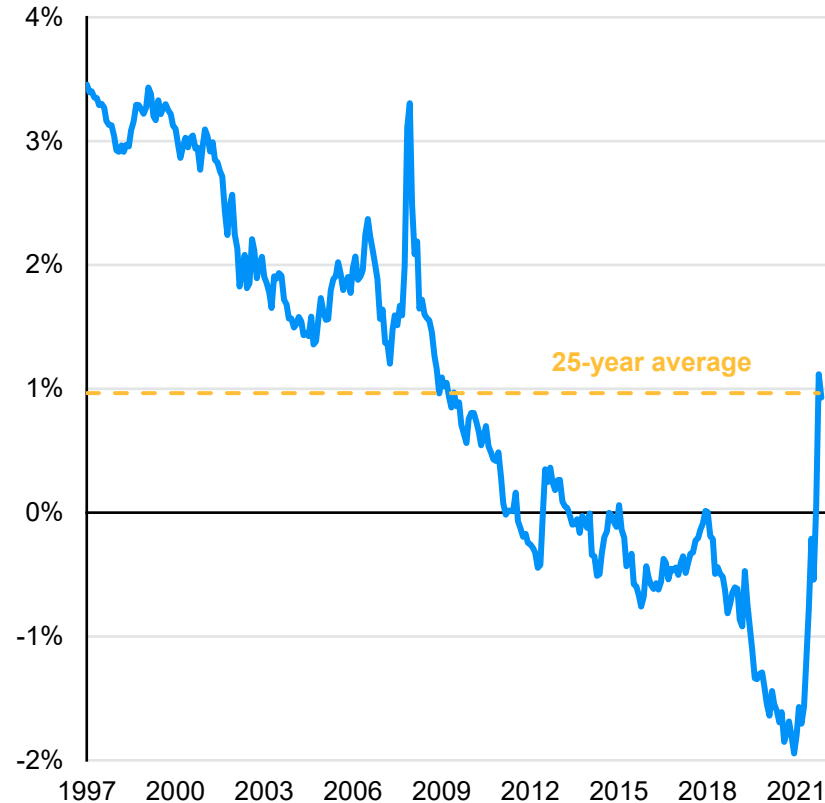


Source: JP Morgan, Bloomberg, Bureau of Labor Statistics, Federal Reserve. As at 8 November 2022.

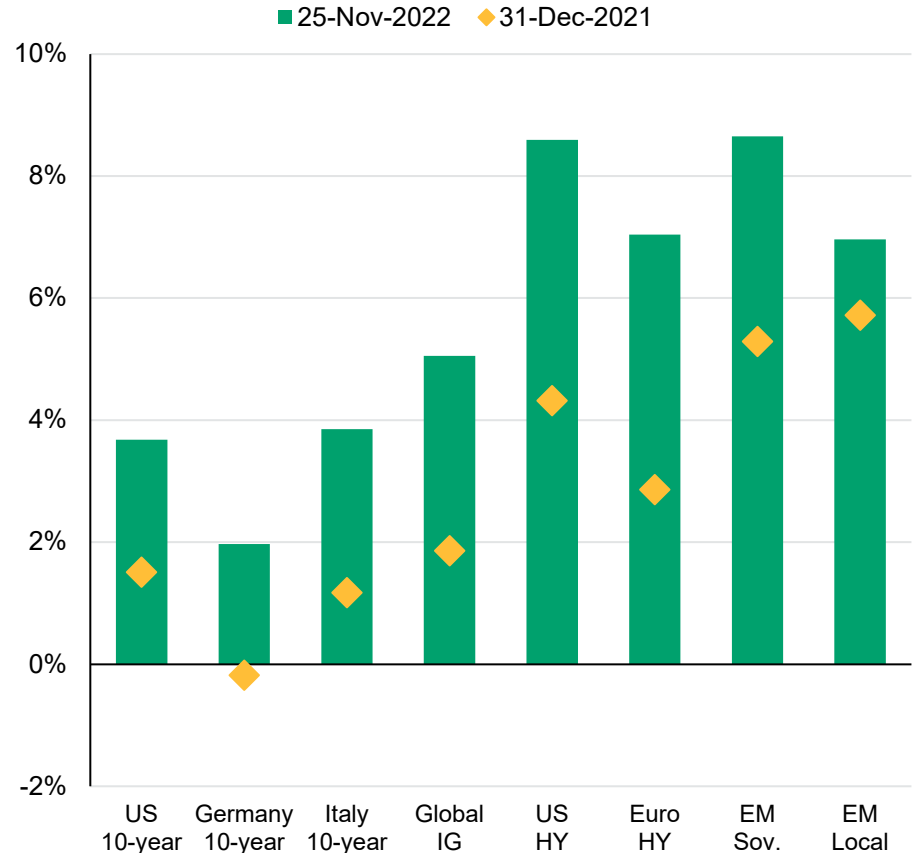
Through the pain... time for the gain?

Real yields look more attractive than they have in 15 years

Global government bond real yields



Meaningful correction in yields across fixed income sectors

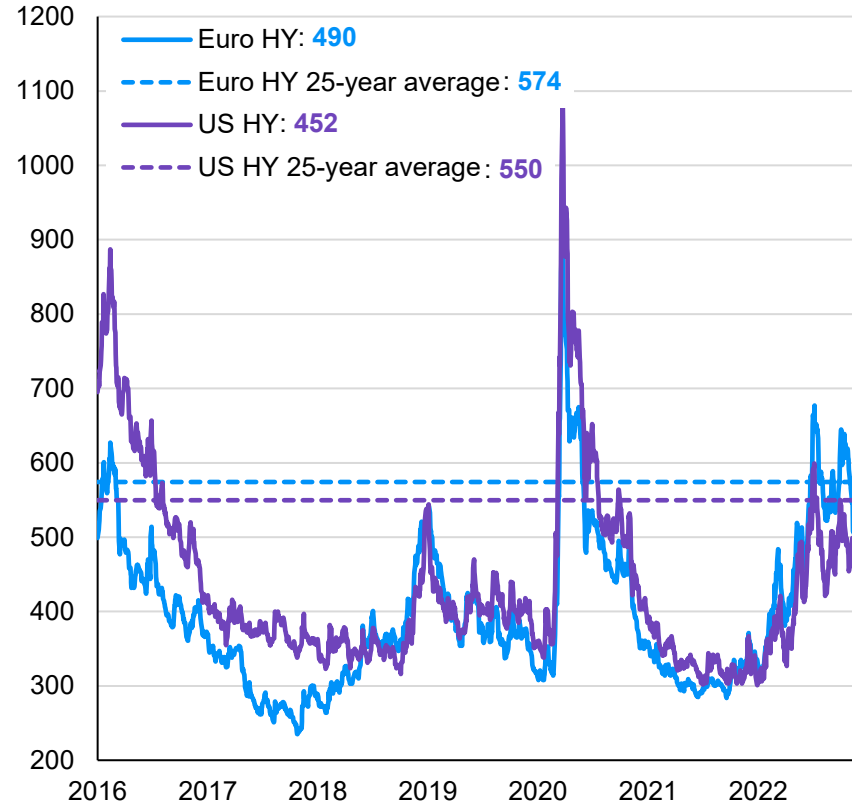


Source: Bloomberg, Barclays Live, J.P. Morgan, ICE BofA. As November 2022. IG: Investment grade; HY: High yield; EM: Emerging markets.

Spreads tell a more nuanced story

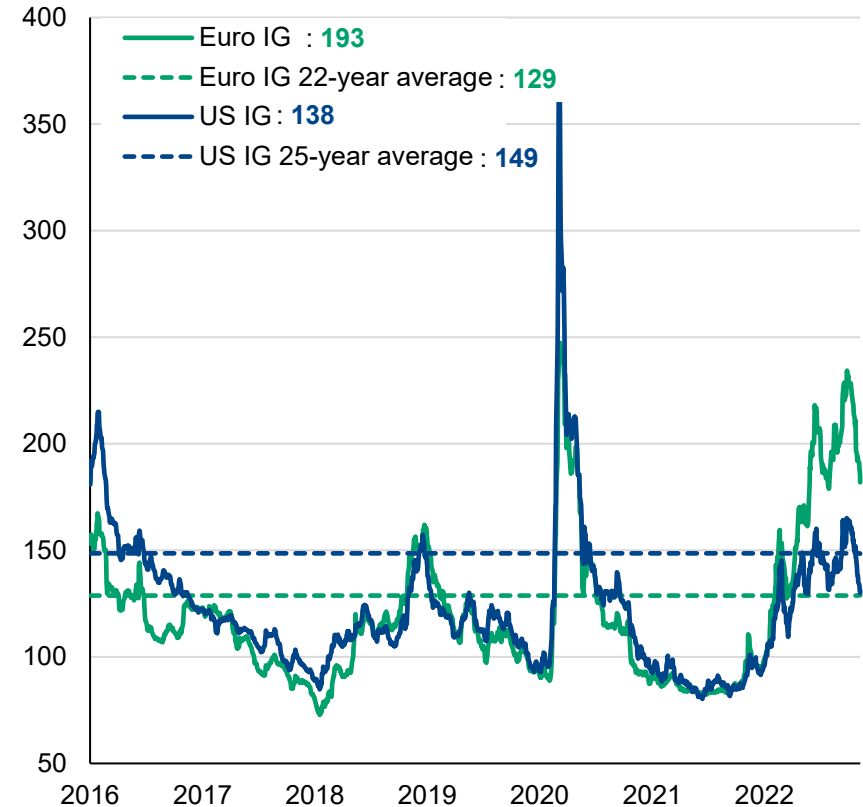
High yield: Spreads are at or tighter than long-term averages

OAS, bps



Investment grade: Spreads are more compelling

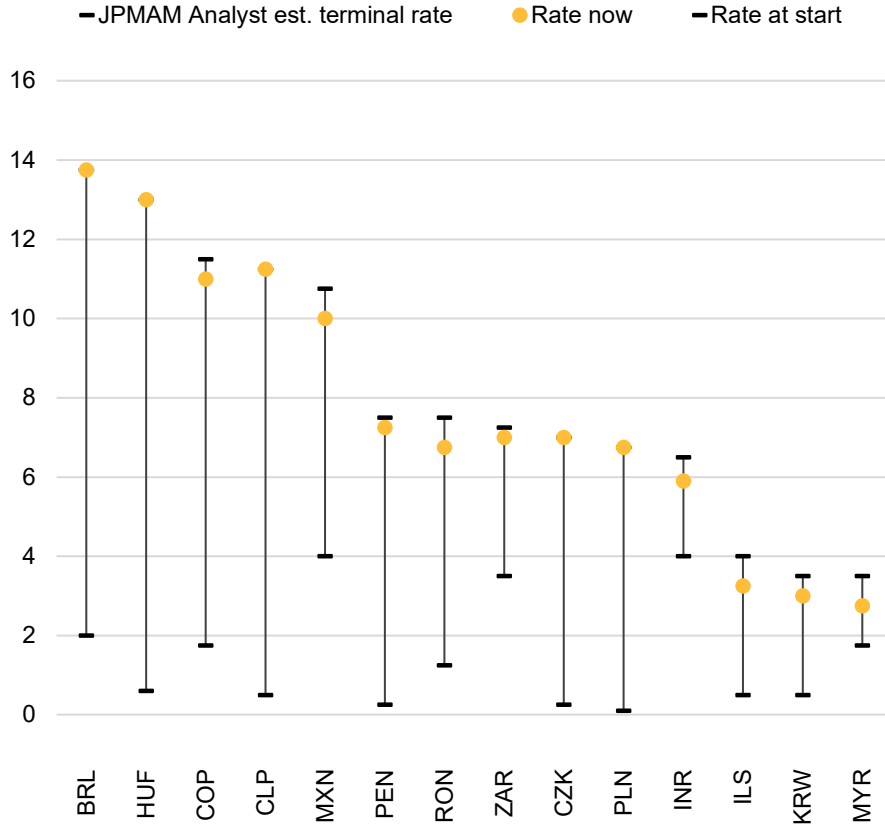
OAS, bps



Source: Bloomberg, ICE BofA, Barclays Live. As of 25 November 2022. HY: High yield; IG: Investment grade; OAS: Option-adjusted spread; bps: basis points.

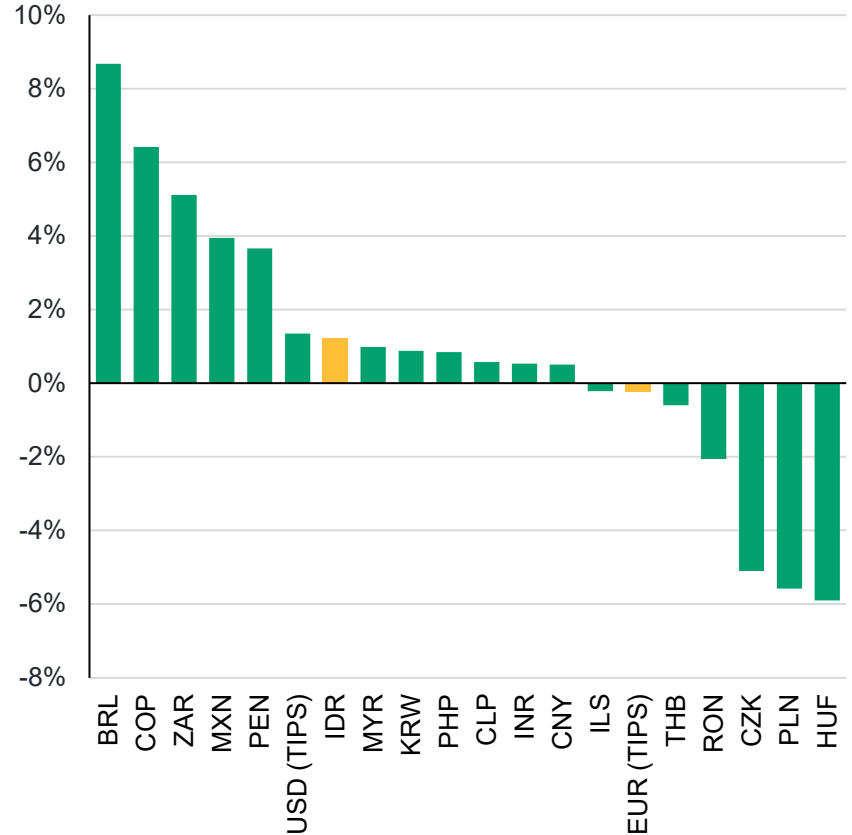
Emerging market debt: Poised to perform

Several EM central banks are at the end of their hiking cycles



Select countries offer attractive real yields

10 year real bond yields



Source: Bloomberg, J.P. Morgan, J.P. Morgan Asset Management (JPMAM). As of 28 November 2022. EM: Emerging markets; TIPS: Treasury Inflation-Protected Securities.

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J.P. Morgan Asset Management's range of fixed income strategies

Strategy	Aggregate Bond	Global Bond Opportunities	Global Bond Opportunities Sustainable	Income	Global Corporate Bond	Emerging Markets Corporate Bond
Focus	Core solution, seeks benchmark outperformance while limiting drawdown	Opportunistic, strategic unconstrained approach across all global bond markets	Opportunistic, strategic approach across all global bond markets with focus on sustainability	Consistently deliver high level of income, with lower volatility than individual sectors	Pure play building block solution focused on global corporate bonds	Pure play building block solution focused on EM corporate bonds
Benchmark	Bloomberg Global Aggregate Index (USD Hedged)	Benchmark Agnostic	Benchmark Agnostic	Benchmark Agnostic	Bloomberg Global Aggregate Corporate Index (USD Hedged)	JPMorgan CEMBI Broad Diversified
Sustainability approach	ESG Promote / Article 8	ESG Promote / Article 8	Positive Tilt / Article 8	ESG Promote / Article 8	ESG Promote / Article 8	ESG Promote / Article 8

Source: J.P. Morgan Asset Management. EM: Emerging markets.

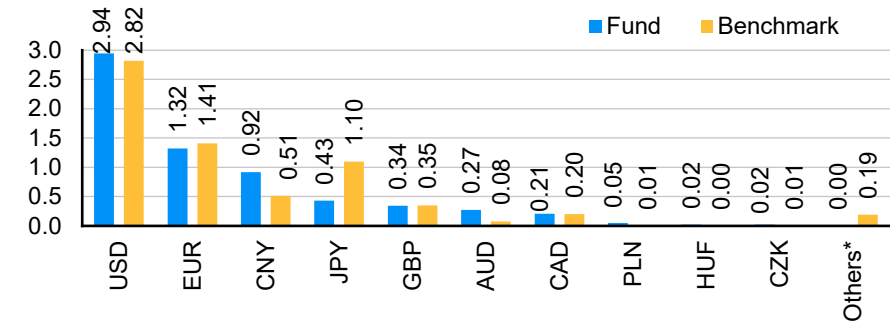
J.P. Morgan Asset Management's range of fixed income strategies: Positioning

JPMorgan Funds – Aggregate Bond Fund

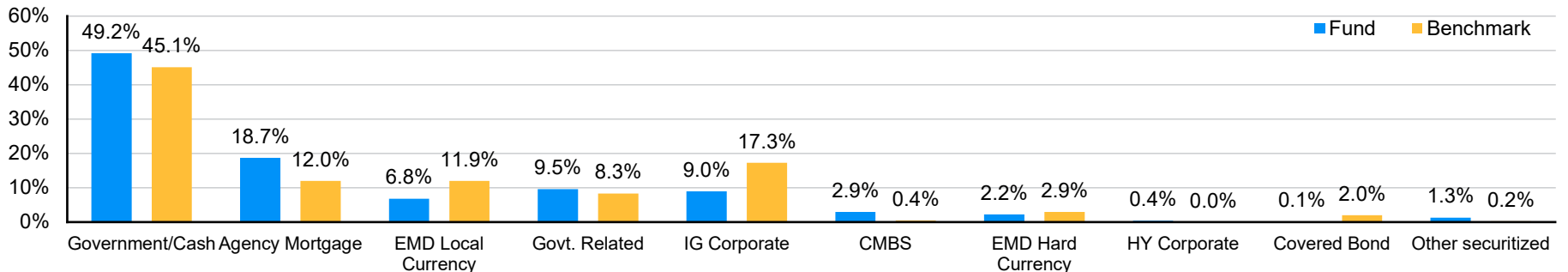
Core solution, seeks benchmark outperformance while limiting drawdown

Key characteristics	Fund	Benchmark	Difference
Duration (yrs)	6.52	6.67	-0.15
Wtd Spread Duration (yrs)	2.73	3.45	-0.71
Duration times spread (yrs)	3.06	3.92	-0.86
Yield to Maturity (%)	4.84	4.31	0.53
Credit Quality	AA-	A+	

Regional Allocation – Weighted Duration (yrs)



Sector allocation (% market value)



Source: J.P. Morgan Asset Management. Data as of October 31, 2022. The portfolio 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. Benchmark: Bloomberg Global Aggregate Index (Total Return Gross) Hedged to USD. Index statistics are compiled by running vendor data through J.P. Morgan's internal analytic models. *Others include IDR, ILS, KRW, MXN, MYR, NZD, SGD, THB OAS: Option adjusted spread. Yield is not guaranteed and may change over time.

Conclusion

2022 has been an uphill climb

- High inflation has driven a positive correlation between bonds and equities
- Central banks have hiked rates aggressively to combat high inflation

Are bonds set for a downhill run?

- There's still more rate hikes to come, but monetary policy works with a lag and there are signs that inflation is cooling off
- Real yields and select credit spreads offer value

JPM Fixed Income Solutions

- A range of solutions to meet investors' needs

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Disclosure slides

Investment objective and risk profile

JPMorgan Funds – Aggregate Bond Fund

INVESTMENT OBJECTIVE

To achieve a return in excess of global bond markets by investing primarily in global investment grade debt securities, using derivatives where appropriate.

Main Risks

The Sub-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 Shareholder that could affect an investment in the SubFund. Investors should also read Risk Descriptions in the Prospectus for a full description of each risk.

Risk and Reward profile

1	2	3	4	5	6	7
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Lower risk **Higher risk**
 Potentially lower reward Potentially higher reward

Investment Risks

Risks from the Sub-Fund's techniques and securities

Techniques	Securities	
Derivatives Hedging	China Contingent convertible bonds Debt Securities - Government debt - Investment grade debt - Below Investment grade debt - Unrated debt	MBSs/ABSs Emerging Markets

Other Associated Risks

Further risks the Sub-Fund is exposed to from its use of the techniques and securities above

Credit Interest Rate	Currency Market	Liquidity
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Outcomes to the Shareholder

Potential impact of the risks above

Loss Shareholders could lose some or all of their money.	Volatility Shares of the Sub-Fund will fluctuate in value.	Failure to meet the Sub-Fund's objective.
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Please refer to the Fund's prospectus and Key Investor Information Document (KIID) for more information relating to the Fund. Investment in certain share classes is based on eligibility criteria which can be obtained in the prospectus.

Important information

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