

JF Asian Total Return Bond

January 2012

Fund objective

To achieve a competitive total return, consisting of capital growth and regular dividend income, through an actively managed portfolio investing primarily in Asian bonds and other debt securities.

Fund Manager's report

Portfolio Review: The Fund returned +1% in December and ended the year roughly flat. Credit market sentiment recovered gradually this month despite the ongoing concern over the European sovereign debt situation that continued to cloud the macro backdrop. US economic data were noticeably better than expectation, while the implementation of the LTRO by the European Central Bank arrested some of the deleveraging pressure from European banks. Our Fund has maintained a lower beta stance this month, trimming some convertible holdings further while adding to selective Chinese investment grade issues. Our foreign exchange positions also maintained a higher than average USD content while interest rate duration is biased toward the high end of our usual range. **Outlook:** In the coming quarter, we see growth to slow further in both developed and emerging markets. The problems in Europe will likely take more quarters to resolve and hence we expect the Asian market to take the cue from that and gyrate from the corresponding headline risks. We are seeing value in particular with Asian high yield bonds, but our strategy is to add on weakness. We will concentrate on higher quality issuers as we anticipate the upcoming regulatory change in the trading environment will require a longer holding period to offset bid-ask spreads. Our medium-term view on Asian currencies remain favourable, though a safer entry point will come when the Fed pursues the 3rd round of quantitative easing.

Portfolio information

Fund manager	Stephen Chang, Hong Kong
Launch date	18.01.05
Fund size (m)	USD 192.5
Base currency and NAV per unit	USD 10.96
12 month High NAV:	USD 11.61 (02.08.11)
12 month Low NAV:	USD 10.48 (04.10.11)
Charges: Initial	3.0% of NAV
Redemption	Currently 0%
Management fee	(up to 0.5% of NAV) 1.0% p.a.
Last distribution (xd date)	USD 0.0350 (30.12.11)
Distribution frequency	Expected monthly
Fund yield ¹⁾	3.92%
SEDOL/ISIN codes	B42HMC2/HK0000055597
Bloomberg code	JFASTRE HK

Portfolio characteristics

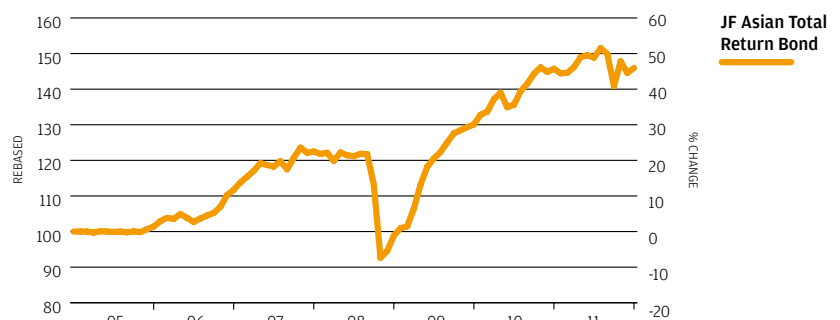
Convertible Bond quality	Unrated: 13.4%
Bond quality	AAA: 1.1% / A: 18.7% / BBB: 14.5% / <BBB: 38.3% / Unrated: 8.8%
Average: duration/maturity	4.7 years / 8.0 years
Yield to maturity	6.62%

Statistical analysis

	3 years	5 years	Since launch ²⁾
Correlation	-	-	-
Alpha %	-	-	-
Beta	-	-	-
Annual volatility %	7.67	11.40	9.83
Sharpe ratio	1.75	0.32	0.30
Annual tracking error %	-	-	-
Average annual return %	13.88	5.49	5.59

- The Fund invests in fixed income instruments in Asia and is therefore exposed to interest rate, credit and currency risk.
- The Fund may invest in derivatives for investment purposes such as Credit Default Swaps (CDS). A CDS is a financial contract that allows the investment manager to increase or decrease credit exposure, typically on bonds or loans of a sovereign or corporate entity, and may therefore be subject to counterparty risk.
- Investors may be subject to substantial losses.
- Investors should not solely rely on this document to make any investment decision.

Performance from 18.01.05 to 30.12.11



Cumulative performance %

	1 month	1 year	3 years	5 years	Since launch
Fund	+1.0	+0.2	+47.7	+30.6	+46.0

Calendar Year performance %

	2006	2007	2008	2009	2010	2011YTD
Fund	+10.2	+9.6	-19.3	+31.6	+12.0	+0.2

Portfolio analysis

By currency

USD	67.8%
CNY	9.4%
IDR	5.2%
KRW	4.0%
SGD	3.4%
MYR	3.2%
HKD	2.6%
PHP	2.5%
Others	1.9%

By sector

5.1%	Net Liquidity
13.4%	Convertibles
14.8%	Agency
16.0%	Corporate (Investment Grade)
24.5%	Government
26.2%	Corporate (High Yield)

Top five holdings (as at end November 2011)

Holding	%
Philippines (Republic of) 6.25% 14/01/36	2.6
Korea Land & Housing Corp 3.5% 27/08/20	2.5
Korea Treasury No1409 4.25% 10/09/14	2.4
Malaysian Government No0902 4.378% 29/11/19	2.2
Republic of Indonesia 5.875% 13/03/20 (RegS)	2.2

For more information, please contact your bank, financial adviser or visit www.jpmmorganam.com.hk

Unless stated otherwise, all information as at the last valuation date of the previous month. Source: JPMAM (NAV to NAV in USD with income reinvested). Source of star rating: Morningstar, Inc. Source of bond rating: Moody's/S&P. Risk ratings (if any) are based on JPMAM's assessment of relative risk by asset class and is subject to change. This is for reference only. Any overweight in any investment holding exceeding the limit set out in the Investment Restrictions was due to market movements and will be rectified shortly. Top ten holdings is available upon request. It should be noted that due to the difference of the fund domiciles the valuation points used by the JF funds and JPMorgan series of funds for fair valuation (where applied) may vary. For details please refer to the respective offering documents(s). ¹⁾Fund yield is defined as the total amount of fund distribution per unit made over the previous 12 months divided by the current NAV per unit. Positive distribution yield does not imply positive return. Dividend is not guaranteed. ²⁾With the exception of the "Average annual return" figure, all data are calculated from the month end after inception. ³⁾The Asset Triple A Investment Awards. For 2011, the award is 'Asset Management Company of the Year, Asia - Retail'. ⁴⁾Asia Asset Management 'Best of the Best' Awards 2009.

The Manager expects to be able to pay distributions from net income generated by the Fund from its investment but in the event that such income is insufficient to pay distributions as it declares, the Manager may in its discretion determine such distributions may be paid from capital. Investors should note that the payment of distributions out of capital represents a withdrawal of part of the amount they originally invested and may result in an immediate decrease in the value of units. No distributions will be paid in the event that the capital of the Fund is insufficient to pay the relevant distribution.

Investment involves risk. Past performance is not indicative of future performance. Please refer to the offering document(s) for details, including the risk factors.

This document has not been reviewed by the SFC. Issued by JPMorgan Funds (Asia) Limited.