

## Fund Focus – JF Taiwan<sup>^</sup>

August 2010

- The Fund invests in a single market, primarily Taiwan, and is therefore subject to greater concentration risk than a more diversified investment.
- The Fund may invest in emerging and developing markets and thus may have significant exposure to liquidity and the relevant currency risk. The Fund's price movement may go down or up sharply over a short time span.
- Investors may be subject to substantial losses.

### Fund Quarterly Review – 2Q' 2010

- ◆ Despite generally good 1Q'10 results and upbeat 2Q'10 guidance, the contagion of the sovereign debt crisis in Eurozone hurt sentiment. The Taiex retreated over 7% (in local terms) for the quarter, with most of the decline coming in May. Higher beta tech underperformed in general with opto-electronic and hardware suffering the most. The main concern remains whether the strength of demand could be due to overbooking and may not be sustainable into 2H'10 given the weak global outlook. ECFA (Economic Cooperation Framework Agreement), the preferential trade agreement between China and Taiwan, was officially signed in end June. While market reaction was tepid, non-tech sectors like financials, tourism, retail and China-related stocks picked up.
- ◆ GDP growth continues to gain strength with real 1Q10 GDP +13% yoy, the 4th straight double-digit sequential growth and the best since 4Q 1978. The main driver was gross capital formation and exports, while private consumption declined. The government raised its 2010 GDP and CPI forecasts to 6.1% from 4.7% and to 1.4% from 1.3%, respectively. The Fund underperformed its benchmark in USD in 2Q, mainly due to the overweight in technology, with stock selection outside the tech sector also a factor.

### Performance – JF Taiwan<sup>^</sup>

	2005	2006	2007	2008	2009	2010 YTD
Calendar year return (%)	+30.2	+16.4	+6.7	-48.0	+71.7	-14.4
		1 year	3 years	4 years	5 years	Since inception*
Cumulative return (%)		+9.8	-28.9	-4.3	+14.3	+23.8

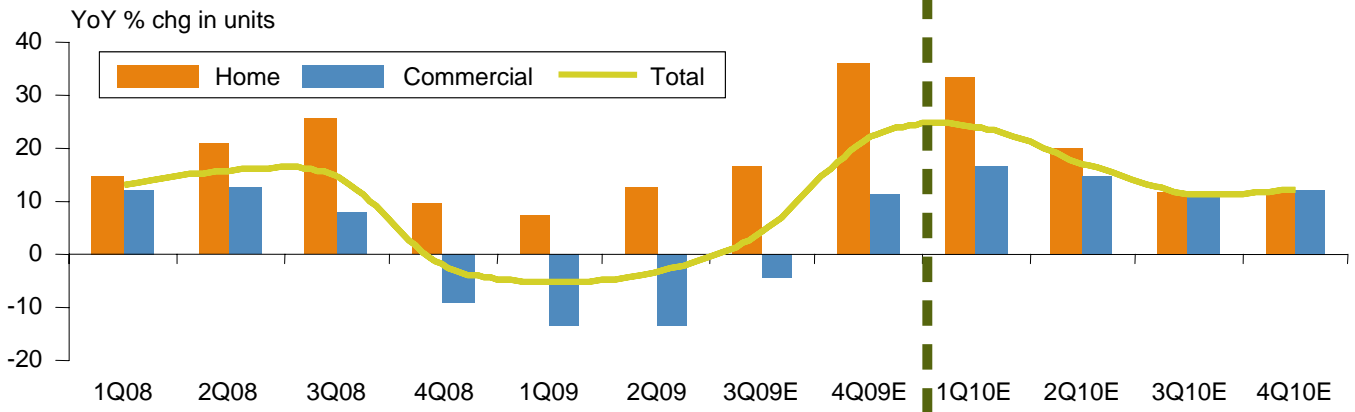
<sup>^</sup> JF share class of JPMorgan Funds. Source: JPMAM (NAV to NAV in USD with income reinvested). Data valid as at 30 June 2010. \*The Fund's inception date was 18 May 2001.

### Outlook & Strategy

- ◆ Market concerns remain over the sovereign debt crisis in the Eurozone, which may potentially slow down the EU economy and purchasing power. Uncertain western and Chinese equity markets could keep investors on the sidelines. The market is also adjusting to the fact that growth in 2H'10 will be lower than in 1H'10 and lower than the historical trend, following a very strong first half.
- ◆ The Taiwanese stock market could stay range bound until we get more clarity on end demand for 2H'10 given concerns with potential overbooking and inventory issues. Investor interest could remain in ECFA-related and high dividend yield stocks. We continue to stay constructive on Taiwan as the recovery remains intact and valuations are attractive with dividend yield support.

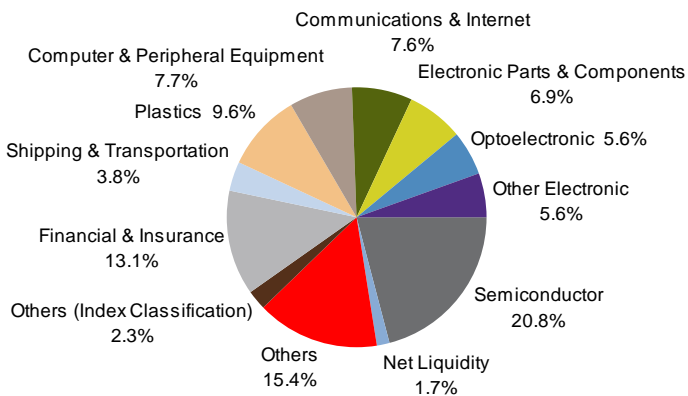
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## Global PC Unit Forecast



Source: Gartner Personal Computer Quarterly Statistics Worldwide Database, September 2009 and Credit Suisse estimates for 2009-2010; JPM Greater China Presentation (June 2010).

## Sector breakdown



Source: JPMAM. Data valid as at 30 June 2010

## Top 5 Holdings

Holding	Sector	%
Taiwan Semiconductor Manufacturing Co. Ltd.	Semiconductor	7.5
Hon Hai Precision Industry Co. Ltd.	Other Electronic	5.5
Cathay Financial Holding Co. Ltd.	Financial & Insurance	3.6
MediaTek Inc.	Semiconductor	3.6
Formosa Chemicals & Fibre Corp.	Plastics	3.4

Data valid as at 31 May 2010

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