

Fund Focus – JF Pacific Securities

July 2010

- The Fund may invest in emerging markets within the Asia-Pacific region, including Japan, Australia and New Zealand, and therefore may have exposure to 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.

Market Outlook & Investment Strategy

◆ External influences on Asia in 2H 2010 will continue to be mixed – the weak euro, below trend growth in Europe and a grudging recovery in the US, countered by strong developing economy growth. Our portfolio deployment is flexible, as there are currently no big strategic asset allocation bets and we remain committed to moving our bets swiftly in this very fluid environment.

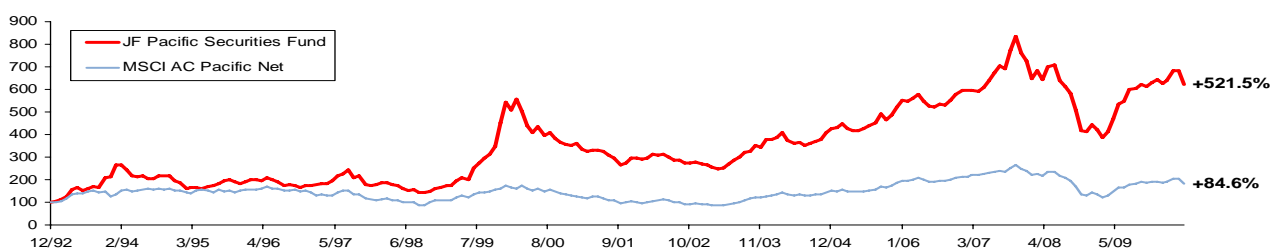
◆ We are overweight Japan, thinking that this market has been oversold, especially in the banking and property sectors. However, we see the JPY/USD exchange rate as overvalued and do not think that the Japanese government would welcome an even stronger yen given competitiveness concerns and the economic recovery's dependence on external demand.

◆ Chinese A-shares are generally trading at discounts relative to H-shares. For example, the A-shares of China Life Insurance, Ping An, ICBC and CCB have all been priced at big discounts to their A-share counterparts. We anticipate renewed A-share performance to be the precursor to better H-share performance.

◆ Elsewhere, we are marginally overweight Australia, seeing certain banks and commodity plays as being oversold. We are unwilling to take a strong view on Korea at present, though we consider the won and banking stocks to be cheap.

◆ Commodities are a sector where we are adding exposure to the portfolio, as they have been unfairly priced with respect to the secular growth potential of the Emerging Markets.

Performance (US\$)



%	3 Months	6 Months	YTD	1 Year	3 Years	5 Years	
JF Pacific Securities	-2.7	-1.4	-3.5	+16.1	-2.8	+48.7	
MSCI AC Pacific Net*	-3.4	-2.7	-4.5	+13.2	-20.0	+25.8	
%	2003	2004	2005	2006	2007	2008	2009
JF Pacific Securities	+39.7	+13.4	+22.3	+14.4	+21.8	-38.8	+44.8
MSCI AC Pacific Net*	+39.8	+17.6	+23.8	+15.7	+11.2	-40.0	+34.8

As at 31 May 2010

* Dividends reinvested after deduction of withholding tax. Prior to 1/7/01, MSCI Pacific Net.

Source: JFAM/Thomson Reuters Datastream (NAV to NAV in USD with income reinvested).

Past performance is not indicative of future performance. Investment involves risk. Please refer to the respective offering document(s).

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- ◆ To conclude, we expect the current instability in financial markets is likely to persist in the short-term, where we view the balance of risks as being more negative than positive.
- ◆ Looking ahead, challenging market conditions are likely to remain as global macro concerns still linger. Our immediate strategy is to tactically position ourselves in a more neutral stance toward risky markets before taking on more risk.
- ◆ However, it is very important for investors to also look beyond the near-term concerns. Over a longer investment horizon we continue to take a very constructive view on Asian equities and believe that as the correction unfolds it will present a good buying opportunity, but one in which we need to be patient.

Geographical Breakdown - (%)			
	Fund	Benchmark	Difference
Japan	41.8	44.2	-2.4
Australia	17.1	15.5	1.6
China	15.1	11.9	3.2
Hong Kong	8.0	4.6	3.4
Korea	7.7	8.5	-0.7
Taiwan	5.4	7.7	-2.3
U.S. Dollar Bonds	2.0	0.0	2.0
Cash	1.3	0.0	1.3
Singapore	0.6	3.1	-2.4
Thailand	0.5	0.9	-0.4
Malaysia	0.5	1.8	-1.3
Indonesia	0.0	1.4	-1.4
New Zealand	0.0	0.2	-0.2
Philippines	0.0	0.3	-0.3

Sector / Industry Breakdown - (%)			
	Fund	Benchmark	Difference
Financials	37.6	27.4	10.2
Industrials	11.9	13.4	-1.5
Materials	11.3	10.4	0.8
Information Technology	8.7	14.6	-5.8
Consumer Discretionary	8.7	12.0	-3.3
Energy	7.5	4.4	3.0
Telecommunication Services	3.8	4.8	-1.0
Health Care	3.7	3.0	0.7
Fixed Interest	2.0	0.0	2.0
Managed Funds	1.5	0.0	1.5
Consumer Staples	1.4	5.7	-4.3
Cash	1.3	0.0	1.3
Utilities	0.6	4.2	-3.5

Source: JPMAM, as at 31.05.10

Performance Award

- ◆ For the fourth year in succession, JF Pacific Securities has been honoured with the Lipper Fund Award in the Equity Asia Pacific category for its consistent returns, a testament to the skill and dedication of our investment team.

Lipper Fund Awards Hong Kong - JF Pacific Securities

2010 Equity Asia Pacific (3 years)

2009 Equity Asia Pacific (10 years)

2008 Equity Asia Pacific (10 years)

2007 Equity Asia Pacific (10 years)



Note: Awards reflect fund performance of the previous year

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