



A wealth of opportunities

JAGI can take advantage of Asia's growth drivers.

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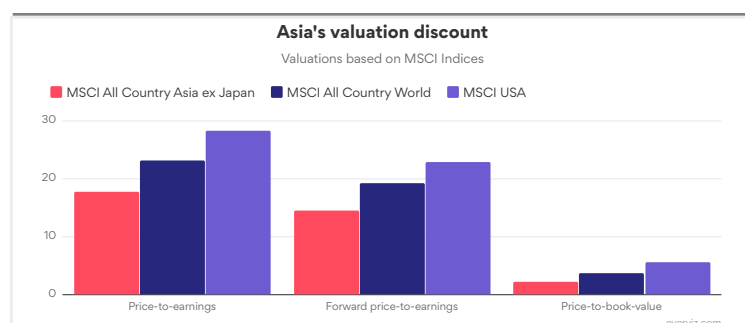
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One of the great things about discount supermarkets like Aldi and Lidl is that you can find products of the same, or sometimes even higher, quality than more expensive branded counterparts. Occasionally, you can find high-quality gems trading at discounts in investment markets too. Asia looks to fit that bill today, in our view.

In some ways, Asia is the same as most of the rest of the world in that recent returns relative to US markets have been poor. Indeed, Asia has lagged America significantly over most timeframes from three to 20 years.

This underperformance has left valuations looking attractive. As you can see from the chart below, Asia trades at a c. 25% discount to the rest of the world on both trailing and forward price-to-earnings multiples, and when it comes to the price-to-book ratios, the discount is c. 40%.

Fig.1: Low Valuations



Yet, over longer periods of time, Asia has performed strongly. The MSCI AC Asia ex Japan Index has returned 672% in US dollar terms over the 25 years to 19/12/2025, beating the S&P 500's returns by c. 55 percentage points.

It looks as though Asia may be building the foundations for future outperformance too. Asian markets have outperformed developed markets so far this year, with the MSCI AC Asia ex Japan Index returning 25.5% in US dollar terms in the 12 months to 19/12/2025, versus a 21.9% return from the MSCI World Index.

AI beneficiaries

We think that the reason for this is that the drivers that are propelling America's Magnificent Seven cohort of mega-cap technology stocks are also in situ in Asia markets – and they

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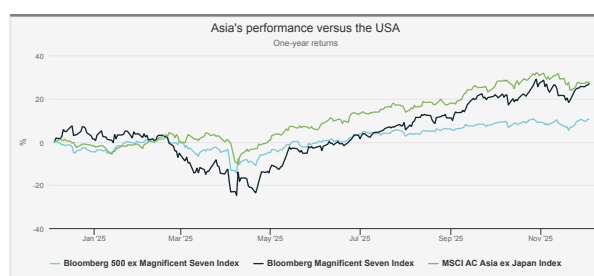


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encompass a much larger number of stocks than seven. Indeed, the MSCI AC Asia ex Japan Index has beaten even the strong returns of the Bloomberg Magnificent 7 Index, as you can see from the chart below.

Fig.2: Magnificent Outperformance



Source: Bloomberg

Past performance is not a reliable indicator of future results

Asia is a hub of technological innovation and is home to a vast swathe of potential AI beneficiaries. The technology sector accounts for 30% of the Asian index, versus 34% of the US index.

Taiwan's TSMC, for instance, produces over 60% of the world's semiconductors and has a 90% market share when it comes to leading-edge chips. Korea's



Samsung Electronics and SK Hynix, meanwhile, account for 50% of the global supply of memory chips.

Then there's China, where companies are playing catch-up with the market leaders in the US. The Chinese hyperscalers are spending considerable amounts to build out their AI capabilities, which provides scope for growth.

These include both Alibaba, the market leader in AI cloud services at c. 36% market share in China, and Tencent, which also has a fast-growing cloud business. Despite both firms benefitting from their AI-linked businesses, they are parts of a diversified product suite, providing diverse revenue streams.

In this vein, technology isn't the only place where Asia exhibits innovation. China's economic slowdown is weighing on domestic consumption, with companies such as Gucci and Prada reporting declining sales in the country.

Yet, at Popmart stores across China (and even on London's Oxford Street), people are willing to stand in long queues to get their hands on the company's flagship toy, Labubu, which shot to stardom when a member of the K-pop group Blackpink endorsed the product indirectly.

The digital transformation is boosting innovation and disruption in other sectors, such as fast-moving consumer goods, biotechnology and climate technology.

Value up

Japan's corporate governance transformation, which we've written about extensively, is having real influence elsewhere around Asia. Take Korea as an example. We've mentioned that the country is home to several technology companies that are set to benefit from the AI build-out, yet there's something else that's exciting investors.

Korea's government has launched the "Value Up" initiative, an effort to boost the value and appeal of Korean companies by addressing their persistent undervaluation compared with global peers.

As a result of its implementation, price-to-book valuations have already started to increase. Indeed, financial firms have seen aggregate price/book ratios increase from 0.3x to 0.5x in the past year.

Some Korean companies also have the potential to significantly increase their returns on equity (ROE) by better optimising the cash on their balance sheets.

This is the main driving force behind the overweight exposure to Korea for **JPMorgan Asia Growth & Income**

(JAGI). Managers Robert Lloyd and Pauline Ng see the benefits coming from within Korea's chaebols such as Samsung C&T, which is effectively the holding company of the wider conglomerate. JAGI's view is that the company has huge potential to buyback shares, cancel treasury shares and improve its return on equity.

Bargain shopping

One country that has finally started to underperform the wider Asian region is India, after four straight years of the MSCI India Index outperforming the MSCI Emerging Markets Index. This has largely been due to an earnings slowdown, compounded by tariff uncertainty.

The Indian government has responded by cutting interest rates, simplifying the Goods and Services Tax, giving direct tax cuts, offering targeted handouts and by introducing potential pay increases for public sector workers.

India's equity markets, previously viewed as highly valued, have been essentially flat over the past 12 months. This has had the effect of bringing down frothy valuations, with the current price-to-earnings premium of the Indian market over emerging markets now down to c. 58%, below the ten-year average of c. 63%, and has caused Robert and Pauline to start to look at new ideas in the country.

One example is Eternal, a market leader in food distribution and quick commerce. The firm has both scale and an efficient model that should enable it to increase revenue and market share. Whilst the firm is currently loss making as it invests in future growth, these losses have narrowed over the past few years.

Underappreciated dividend culture

In addition to Asia's undervaluation versus both the US and global peers, the region provides a premium yield. At 2.1%, the dividend yield on the MSCI AC Asia Index is c. 25% higher than the MSCI ACWI and c. 90% higher than the MSCI USA.

This provides the bedrock of an investor's total return from the Asia Pacific region, alongside the potentially lucrative capital gains the AI transformation and corporate governance improvements should also bring, in our view.

The unique features of the investment trust structure provide an extra kicker for total returns. JAGI was an early adopter of an enhanced dividend strategy, whereby a combination of underlying revenue and capital contribution means the trust can pay out a high and stable income to investors.



This approach provides JAGI's managers with greater flexibility to invest in the best opportunities from a total return perspective, without being beholden to a yield target. This could be supportive for longer term returns by allowing the managers to invest in higher growth opportunities.

JAGI's current dividend is set at 1.5% of NAV per quarter, offering a notional yield of 6% -providing investors with a very attractive yield far above what the asset class generates.

Core exposure to Asia

In addition to its high yield, JAGI's portfolio is constructed to avoid big allocation bets while allowing stock selection to be the primary driver of performance, providing a core exposure to the wide range of opportunities across the Asian region.

Robert and Pauline, who each have over 20 years of experience, use a bottom-up investment process to identify a concentrated equity portfolio of quality companies at reasonable valuations.

They can utilise the vast resources of JPMorgan's Emerging Markets and Asia Pacific Equities team, which includes over 30 sector-specific analysts based across the region, in addition to several quant, macro, and country-specific analysts.

This has all resulted in a return profile that has delivered consistent outperformance over a number of periods, with JAGI outperforming its index in eight of the past ten calendar years, including 2025 to date, contributing to long-term cumulative outperformance.

The underlying portfolio's strong quality characteristics and slight smaller company bias could also pair well against more traditional equity income strategies and create good diversification benefits for shareholders.

Despite all of these factors, JAGI trades at a discount that is not only wider than its own five-year average but also its peer group, leaving the trust offering high-yielding exposure to a growth-focused asset class at an attractive valuation, in our view.

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