

**IMPORTANT: This letter requires your immediate attention. If you have any questions about the content of this letter, you should seek independent professional advice.**

Capitalised terms in this letter have the same meaning as in the Hong Kong Offering Document of JPMorgan Funds (the “Fund”) unless otherwise specified.

29 November 2019

Dear Investor,

### **JPMorgan Funds (SICAV Range)**

#### **Amendments to Reflect Requirements under the Revised Code on Unit Trusts and Mutual Funds**

The Fund and certain of its sub-funds (the “Sub-Fund(s)”) are authorised by the Securities and Futures Commission (“SFC”) for sale to the public in Hong Kong<sup>1</sup> pursuant to the Code on Unit Trusts and Mutual Funds (“Code”) which has recently been revised. The Hong Kong Offering Document of the Fund and the Product Key Facts Statements of the Sub-Funds will be updated as follows in light of the revised Code with effect from 30 December 2019 (“Effective Date”).

#### **1. Use of financial derivative instruments**

The revised Code, among other updates, requires disclosure on the purposes of and expected maximum net derivative exposure (as defined in the revised Code) arising from the use of derivatives by SFC-authorized funds in the offering documents. In this connection, the SFC published the Guide on the Use of Financial Derivative Instruments for Unit Trusts and Mutual Funds (“Guide”) which provide guidance on the use of financial derivative instruments, including the calculation of net derivative exposure.

##### **1.1 Sub-Funds other than JPMorgan Funds - Emerging Markets Local Currency Debt Fund / JPMorgan Funds - Global Government Bond Fund**

Based on the guidance in the revised Code and the Guide in relation to the calculation of net derivative exposure level (“NDE Level”), the NDE Level of each Sub-Fund (other than JPMorgan Funds - Emerging Markets Local Currency Debt Fund, JPMorgan Funds - Global Government Bond Fund and JPMorgan Funds - USD Money Market VNAV Fund) may be up to 50% of their respective net asset values. For JPMorgan Funds - USD Money Market VNAV Fund, it will not use financial derivatives instruments for any purposes.

##### **1.2 JPMorgan Funds - Emerging Markets Local Currency Debt Fund / JPMorgan Funds - Global Government Bond Fund**

Currently, as disclosed in the Hong Kong Offering Document of the Fund:

- JPMorgan Funds - Emerging Markets Local Currency Debt Fund may invest in financial derivative instruments to achieve its investment objective and for the purposes of hedging;

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<sup>1</sup> SFC authorisation is not a recommendation or endorsement of a fund nor does it guarantee the commercial merits of a fund or its performance. It does not mean the fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

- JPMorgan Funds - Global Government Bond Fund may use financial derivative instruments for the purposes of hedging and efficient portfolio management; and
- each of JPMorgan Funds - Emerging Markets Local Currency Debt Fund and JPMorgan Funds - Global Government Bond Fund invests in financial derivative instruments to a limited extent for investment purposes.

According to the Guide, hedging is one of the circumstances under which the use of derivatives may be excluded from the calculation of NDE Level and the criteria for financial derivative instruments to be considered as being acquired for hedging purposes (“Hedging Criteria”) are prescribed in the revised Code and the Guide. In light of the revised Code and the Guide, the Management Company has reviewed the use of financial derivative instruments by JPMorgan Funds - Emerging Markets Local Currency Debt Fund and JPMorgan Funds - Global Government Bond Fund including the Management Company’s assessment regarding the Sub-Funds’ use of financial derivative instruments under Hedging Criteria. According to the Management Company’s calculation pursuant to the methodology provided in the revised Code and the Guide and to allow for a more extensive and flexible use of financial derivative instruments under the current investment strategies of the Sub-Funds, the NDE Level of each of JPMorgan Funds - Emerging Markets Local Currency Debt Fund and JPMorgan Funds - Global Government Bond Fund may be more than 100% of their respective net asset value.

It is not expected that the operation of JPMorgan Funds - Emerging Markets Local Currency Debt Fund and JPMorgan Funds - Global Government Bond Fund and the manner in which the two Sub-Funds are being managed will be different from the current practice. Furthermore, the investment objectives of the two Sub-Funds will remain unchanged, and the above update will not have any effects on the existing investors of the two Sub-Funds and will not materially prejudice the rights or interests of the investors of the two Sub-Funds. There will be no change in the fee level or cost in managing the two Sub-Funds.

Investors should note that a Sub-Fund with a NDE Level of more than 100% of its net asset value may be subject to an increased level of risk associated with derivatives which include counterparty/ credit risk, liquidity risk, valuation risk, volatility risk and market risk, as further detailed in the Hong Kong Offering Document of the Fund. Any decrease in the value of the underlying assets of the Sub-Funds may be magnified, resulting in a loss significantly greater than the amount invested. The possible extensive exposure to derivatives may negatively impact the value of underlying assets of the Sub-Fund and may also increase the volatility of a Sub-Fund’s net asset value and may lead to significant losses.

The costs associated with the above changes in relation to JPMorgan Funds - Emerging Markets Local Currency Debt Fund and JPMorgan Funds - Global Government Bond Fund will be borne by the Management Company.

If, as a consequence of the above update, you wish to redeem your shares, or switch your holdings in JPMorgan Funds - Emerging Markets Local Currency Debt Fund and JPMorgan Funds - Global Government Bond Fund into any other funds which are managed by JPMorgan Funds (Asia) Limited or for which it acts as Hong Kong representative<sup>2</sup> and which are authorised by the SFC for sale to the public in Hong Kong, you may do so free of charge during the waiver

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<sup>2</sup> Please note that, as provided in the relevant offering documents of the funds, the manager or the Hong Kong representative (as applicable) of each such fund has the discretion to accept or reject in whole or in part any application for units or shares (as the case may be) in the fund.

period from the date of this letter until 5:00p.m. (Hong Kong time) on 27 December 2019<sup>3</sup>. The redemption charge applicable to the Sub-Funds is currently at 0% of the net asset value per share. All other switching and redemption conditions as disclosed in the offering documents still apply. Details of such funds (including the relevant offering documents) can be found on our website [am.jpmorgan.com/hk](http://am.jpmorgan.com/hk)<sup>4</sup>. SFC authorisation is not a recommendation or endorsement of a fund nor does it guarantee the commercial merits of a fund or its performance. It does not mean the fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

## **2. Other enhancement of disclosures in light of Revised Code**

Certain disclosures in the Hong Kong Offering Document of the Fund will be enhanced to comply with the revised Code.

The current offering documents of the Fund and the Sub-Funds are available free of charge upon request during normal working hours at the registered office of JPMorgan Funds (Asia) Limited<sup>5</sup>, and on our website [am.jpmorgan.com/hk](http://am.jpmorgan.com/hk)<sup>4</sup>. The updated offering documents reflecting the above changes will be available on or after the Effective Date.

The Management Company of the Fund accepts responsibility for the accuracy of the content of this letter.

If you have any questions with regard to the content of this letter or any other aspect of the Sub-Funds, please do not hesitate to contact:

- your bank or financial adviser;
- your designated client adviser, account manager, pension scheme trustee or administrator;
- our Intermediary Clients' Hotline on (852) 2265 1000;
- our distributor hotline on (852) 2978 7788; or
- if you normally deal directly with us, our J.P. Morgan Funds InvestorLine on (852) 2265 1188.

Yours faithfully,  
For and on behalf of  
JPMorgan Funds (Asia) Limited  
as Hong Kong Representative of the Fund



Edwin TK Chan  
Director

<sup>3</sup> Please note that although we will not impose any charges in respect of your switching or redemption instructions, your bank, distributor, financial adviser or pension scheme trustee or administrator may charge you switching or redemption fees and/or transaction fees and may impose different dealing arrangements. You are advised to contact your bank, distributor, financial adviser or pension scheme trustee or administrator should you have any questions.

<sup>4</sup> The website has not been reviewed by the SFC.

<sup>5</sup> The registered office of JPMorgan Funds (Asia) Limited is located at 21st Floor, Chater House, 8 Connaught Road Central, Hong Kong.