JPM USD Ultra-Short Income UCITS ETF

Tickers: JPPS, JPST, JPTS

Topline

Monthly returns

Fund	Benchmark
▲ 0.36%	▲ 0.41%

Benchmark : ICE BofA US 3-Month Treasury Bill Index

Markets There was no US Federal Reserve (Fed) meeting in February, and the federal funds rate remained at 5.25-5.50%. The annual rate of consumer price index inflation fell back to 3.1% (year on year). Government bond yields rose significantly over the month, while credit spreads tightened.

Helped The tightening in spreads helped performance.

Hurt The move higher in government bond yields was a drag on performance.

Outlook Preliminary US purchasing managers' indices showed a pick-up in the manufacturing sector, while growth in the service sector moderated slightly but remained positive. Non-farm payrolls increased by a strong 353,000, and average hourly earnings increased by 4.5% year on year. Despite the resilience of the economy, we think the Fed is done raising rates and will cut later this year.

Past performance is not a reliable indicator of current and future results.

Fund Overview

Investment objective

The Sub-Fund aims to provide current income while seeking to maintain a low volatility of principal.

Trading information

Stock exchange	Exchange ticker	Trading currency	Bloomberg ticker	Reuters RIC	Sedol
London Stock Exchange	JPST	USD	JPST LN	JPST.L	BF4Z362
London Stock Exchange	JPTS	GBP	JPTS LN	JPTS.L	BF4Z373
Borsa Italiana	JPST	EUR	JPST IM	JPST.MI	BF8Q2Z3
Deutsche Borse	JPPS	EUR	JPPS GY	JPPS.DE	BF8Q2Y2
SIX SWISS	JPST	USD	JPST SW	JPST.S	BF8Q361

Month in Review

- **US Treasury front-end yields** increased in February 2024. The one-month yield increased 2.5 basis points (bps) to 5.40%, the three-month yield increased 1.6bps to 5.38% and six-month yields increased 11.2bps to 5.31%. Further out the curve, yields rose significantly, with one-year yields increasing 28.9bps to 5.00%, two-year yields increasing 41.1bps to 4.62%, three-year yields increasing 43.2bps to 4.41% and five-year yields increasing 40.9bps to 4.25%. Investment grade credit spreads tightened as well, with the Barclays 1-5Y US Corporate Index option-adjusted spread falling 6bps, ending the month at 77bps.
- **The strategy's duration** increased very slightly from 0.58 to 0.61 years, and spread duration increased from 0.72 to 0.77.

Looking Ahead

- **Even with a robust economy, we expect potential interest-rate reductions** in 2024 should inflation continue to moderate. Fed chair Jerome Powell, during his congressional testimony, indicated that the Federal Open Market Committee sees current policy rates as restrictive and suggested forthcoming rate cuts. In February, markets repriced expectations for 2024 rate cuts as strong labour-market and inflation data contradicted the aggressive rate cuts that had been reflected in yields at the start of the month. We expect this type of rates volatility to persist as markets evaluate incoming data. At this stage of the economic cycle, we will look to maintain a long-duration position but are not currently looking to extend duration meaningfully beyond current levels.
- **We maintain a positive outlook on investment-grade credit**, from both a fundamental and technical standpoint. Despite substantial supply, spreads have continued to tighten since the start of the year, with February seeing a record USD 195+ billion in issuance. Demand remains strong, fuelled by the expectation of a soft landing for the economy and expected interest-rate cuts later in the year. Fourth-quarter corporate earnings are beating expectations, with credit fundamentals having bottomed out in the second quarter of 2023. Given the inverted curve and uncertainty surrounding the timing of rate cuts, we prefer focusing new purchases on two-year and shorter floating-rate securities and short fixed-rate paper. Specifically, we favour six-month tier 2 commercial paper and one-year floating-rate bank paper. Additionally, we will opportunistically add three-year investment grade credit that appears attractive across various rate scenarios.
- **AAA asset-backed security spreads remain attractive** relative to short-maturity investment grade corporates. Pool performance, although normalising, remains within expectations. Consumer health remains broadly durable, with balance sheets, liquidity and debt service at manageable levels. We will retain an up-in-quality bias, adding prime auto loans and leases, credit card and equipment asset-backed securities.

Performance and positioning

%	1M	3M	YTD	1Y	3Y	5Y	Since inception
Fund	0.36	1.51	0.90	5.23	2.33	2.41	2.45
Benchmark	0.41	1.31	0.84	5.25	2.44	1.98	1.99
Excess return (geometric)	-0.05	0.20	0.06	-0.01	-0.11	0.42	0.45

%	2023	2022	2021	2020	2019
Fund	5.06	1.07	0.09	2.30	3.41
Benchmark	5.05	1.47	0.05	0.67	2.28
Excess return (geometric)	0.01	-0.40	0.05	1.63	1.10

Past performance is not a reliable indicator of current and future results.
Source: J.P. Morgan Asset Management. Share class performance is shown based on the NAV (net asset value) of the share class with income (gross of shareholder tax) reinvested including actual ongoing charges excluding any entry and exit fees. Performance over one year is annualised. Performance is shown based on the NAV which may not be the same as the market price of the ETF. Individual shareholders may realize returns that are different to the NAV based returns. Share class inception date is 15.02.2018.

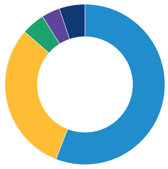
Holdings

TOP 10	Sector	Maturity date	% of assets
US Treasury (United States)	Government	15/7/24	1.9
Westpac Bank (Australia)	Certificate of Deposit	21/2/25	1.2
BP (United Kingdom)	Commercial Paper	28/9/23	1.1
US Treasury (United States)	Government	15/11/26	1.1
Cooperatieve Rabobank (Netherlands)	Corporate	10/1/25	1.1
Abbvie (United States)	Corporate	15/3/25	1.0
BP (United Kingdom)	Commercial Paper	28/9/23	1.0
Barclays (United Kingdom)	Certificate of Deposit	8/8/24	1.0
OCP CLO 2016-11 (Cayman Islands)	Asset Backed Securities	26/10/30	1.0
Bank of Montreal (Canada)	Commercial Paper	5/11/24	0.9

Number of holdings

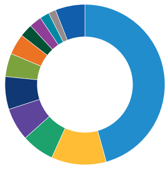
263

Sector breakdown (%)



- 55.9 Corporate
- 30.5 Money Market Instruments
- 4.7 Securitized
- 3.7 Government
- 5.2 Cash

Country breakdown (%)



- 45.7 United States
- 11.1 Canada
- 6.6 Australia
- 6.6 France
- 6.6 United Kingdom
- 4.7 Cayman Islands
- 4.2 Japan
- 2.6 Sweden
- 2.5 Netherlands
- 1.9 Germany
- 1.5 Korea
- 6.0 Other

The Fund is an actively managed portfolio; holdings, sector weights, allocations and leverage, as applicable are subject to change at the discretion of the Investment Manager without notice.

RISK PROFILE

The value of debt securities may change significantly depending on economic and interest rate conditions as well as the credit worthiness of the issuer. Issuers of debt securities may fail to meet payment obligations or the credit rating of debt securities may be downgraded. These risks are typically increased for below investment grade debt securities which may also be subject to higher volatility and lower liquidity than investment grade debt securities. The credit worthiness of unrated debt securities is not measured by reference to an independent credit rating agency.

Asset-backed, collateralised loan obligations and mortgage-backed securities may be less liquid than other securities in which the Sub-Fund will invest, subject to adverse changes to interest rates and to the risk that the payment obligations relating to the underlying assets are not met.

Exclusion of issuers that do not meet certain ESG criteria from the Sub-Fund's investment universe may cause the Sub-Fund to perform differently compared to similar funds that do not have such a policy.

The Sub-Fund may be concentrated in the banking industry and in the US sectors, markets and/or currency. As a result, the Sub-Fund may be more volatile than more broadly diversified funds.

Summary Risk Indicator

1	2	3	4	5	6	7

Lower risk Higher risk

The risk indicator assumes you keep the product for 5 years. The risk of the product may be significantly higher if held for less than the recommended holding period. In the UK, please refer to the synthetic risk and reward indicator in the latest available key investor information document.