
JPMorgan China Region Fund Inc. Shareholder Update

November 2015

Market outlook and investment themes

China – Outlook

- **Minimal economic fallout** coming from A-share market reversal.
- Policy direction largely unchanged but **execution is key**.
- **RMB depreciation should be slow**, with credibility at risk and massive reserves to intervene.
- **Near term sentiment may remain volatile** as the deleveraging process continue.
- Despite headwinds, we continue to focus on **secular growth opportunities in the “new economy” sectors: internet, healthcare, consumption and environmental protection**.

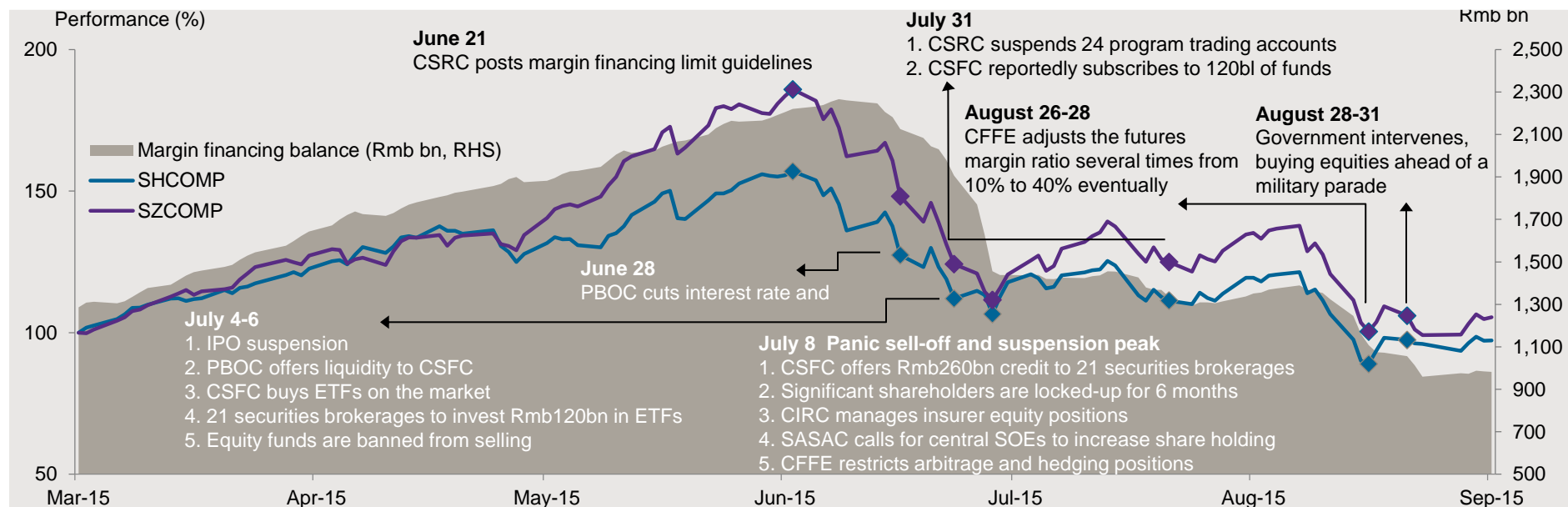
Source: J.P. Morgan Asset Management. As at October 2015.

The opinions and views expressed here are those held by the author at the time of publication, which are subject to change and are not to be taken as or construed as investment advice.

The equity market, once a cornerstone for reform, crumbles

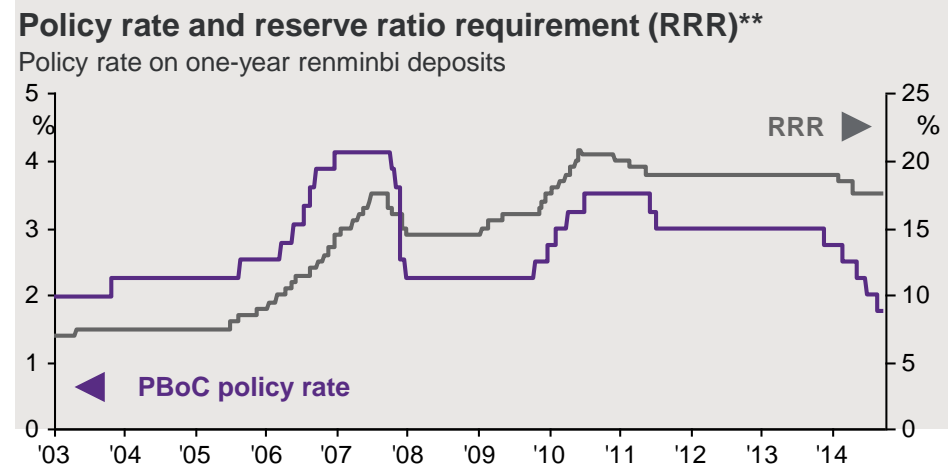
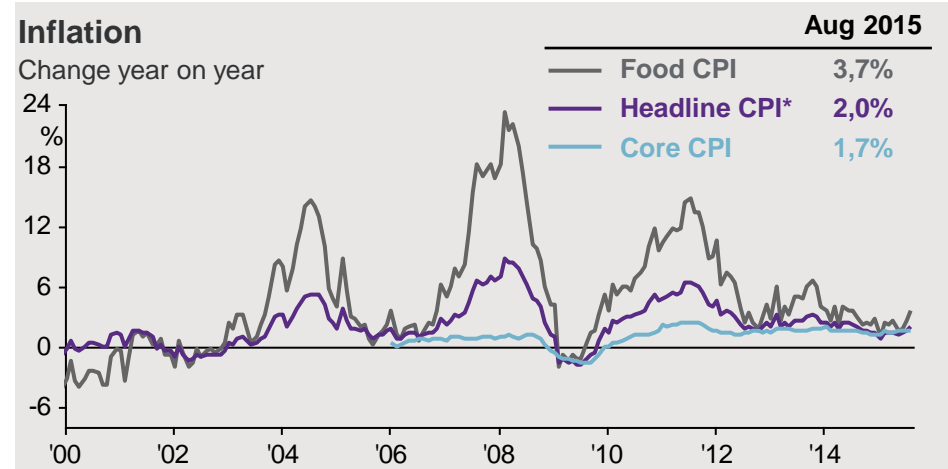
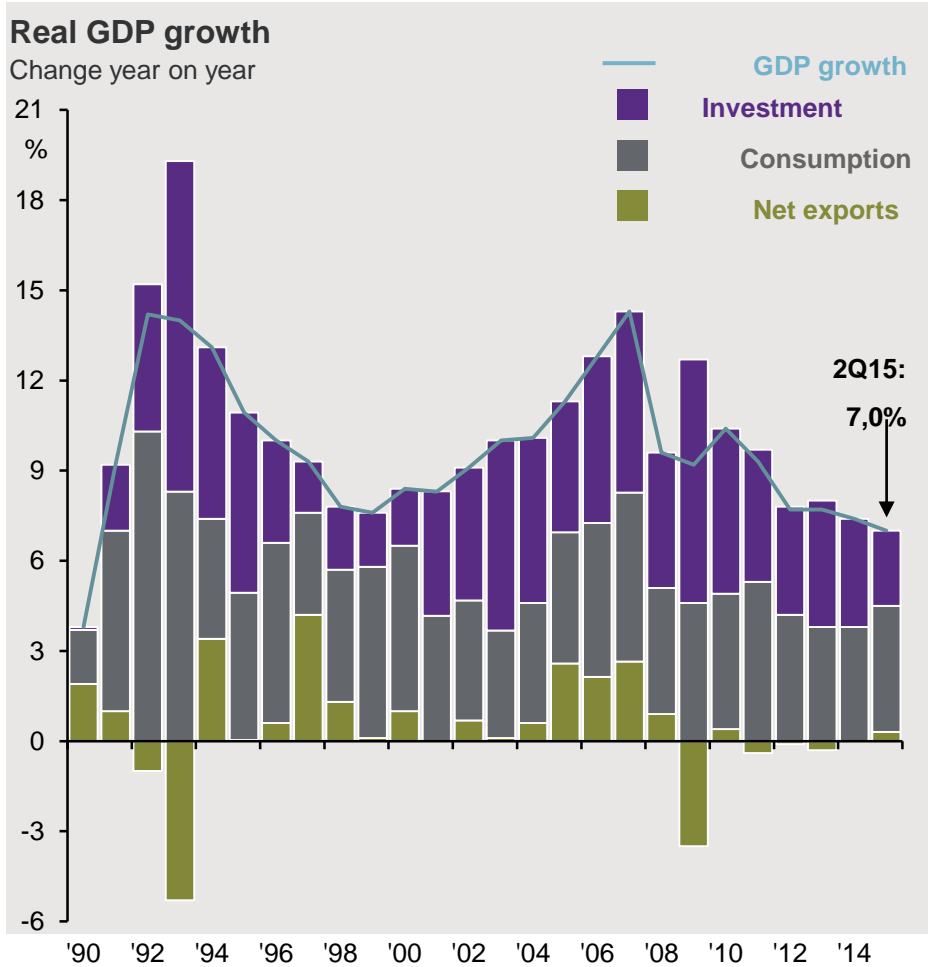
- CSRC finally attempted to moderate OTC equity margin financing. A lack of coordination with PBOC caused a chaotic sell-off.
- Chinese leadership panicked and intervened with questionable effectiveness.

Shanghai / Shenzhen Stock Exchange Composite Index vs. margin financing balance



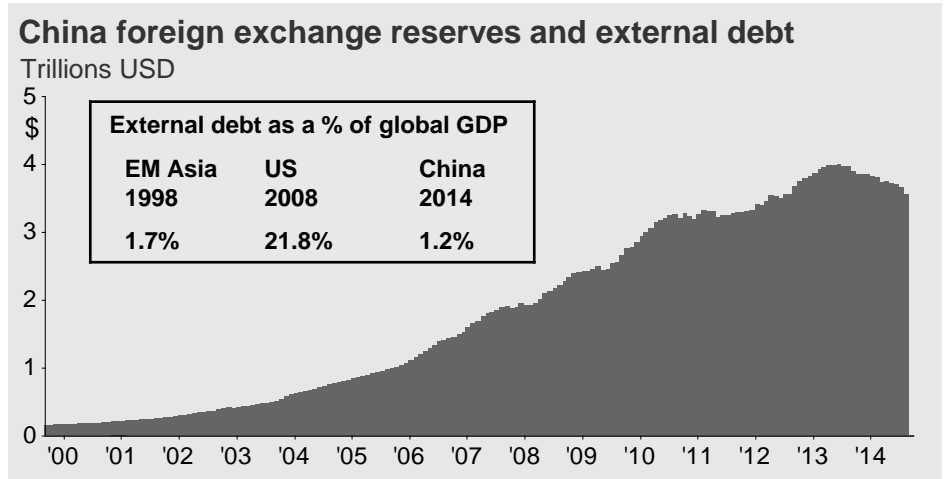
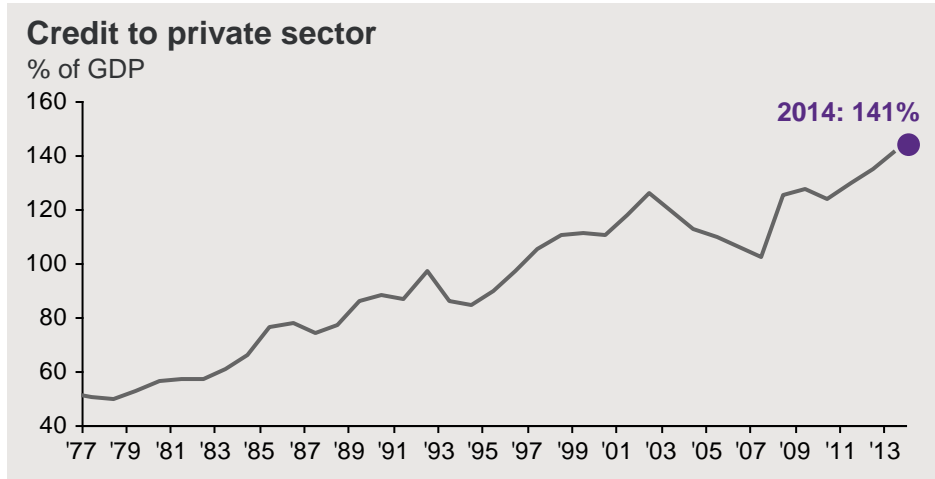
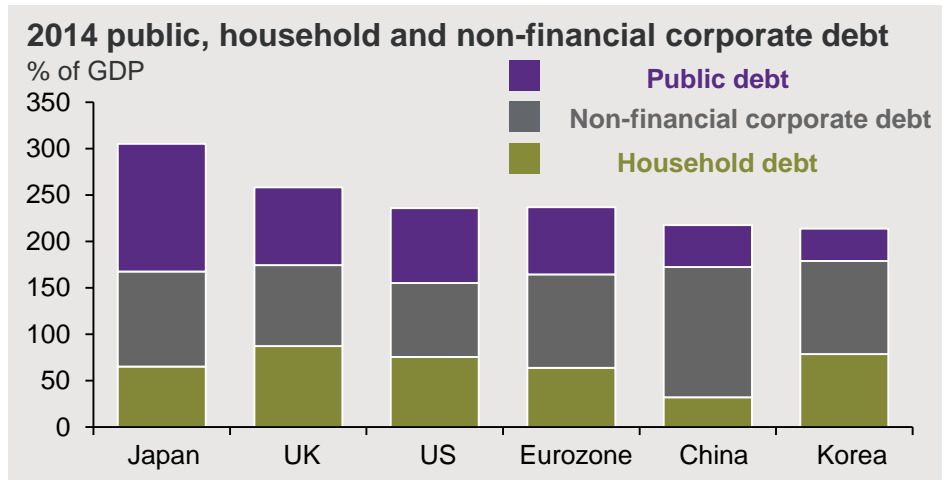
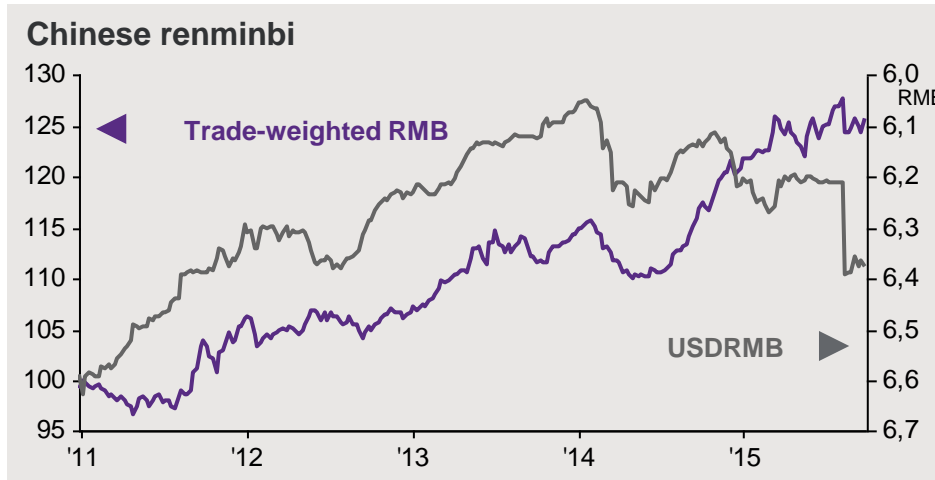
CSFC = China Securities Finance Corporation. CIRC = China Insurance Regulatory Commission. CSRC = China Securities Regulatory Commission. CFFE = China Financial Futures Exchange.
Source: WIND, Bloomberg, CICC Research, J.P. Morgan Asset Management. As at September 2015.

China: Room for monetary easing to support growth



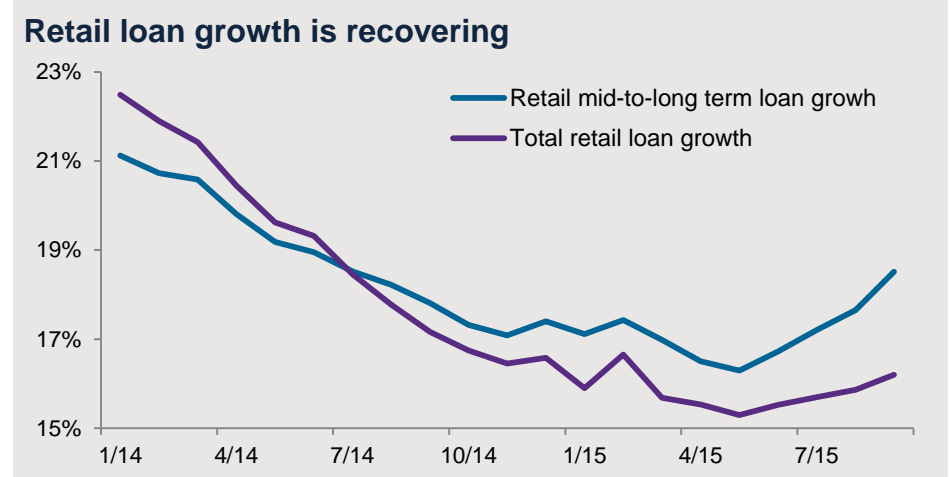
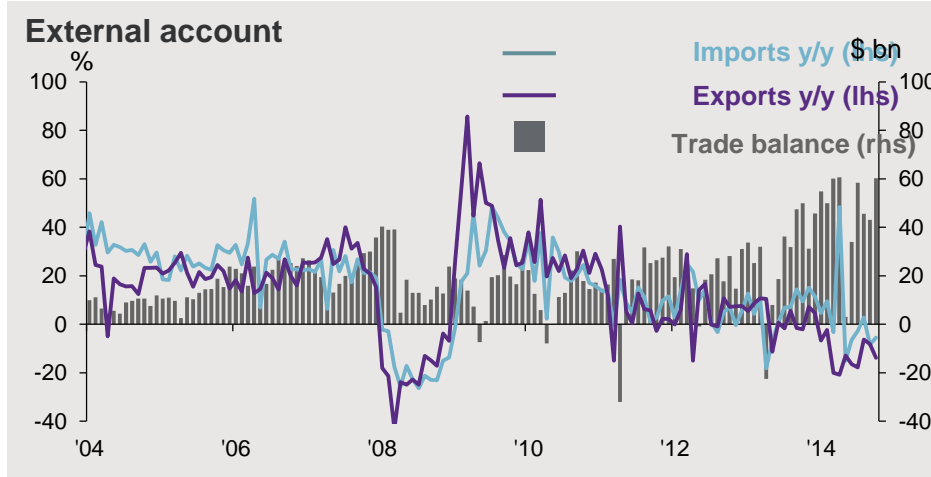
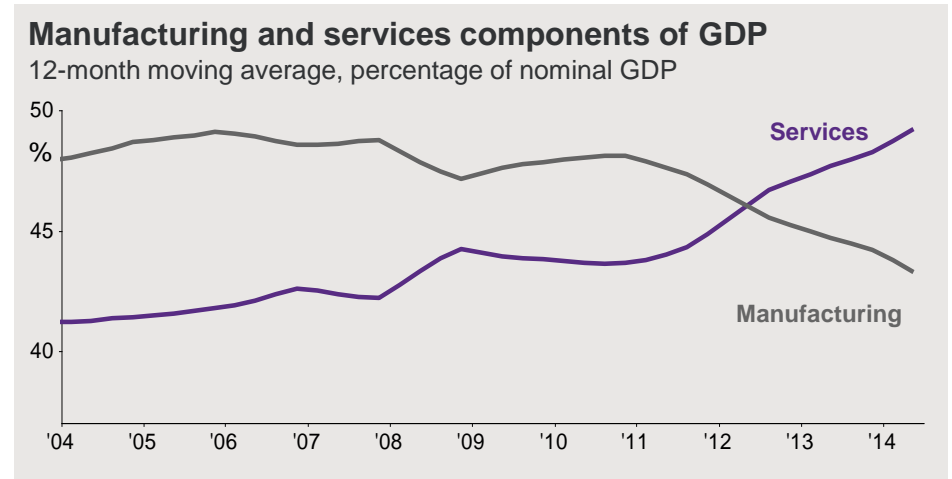
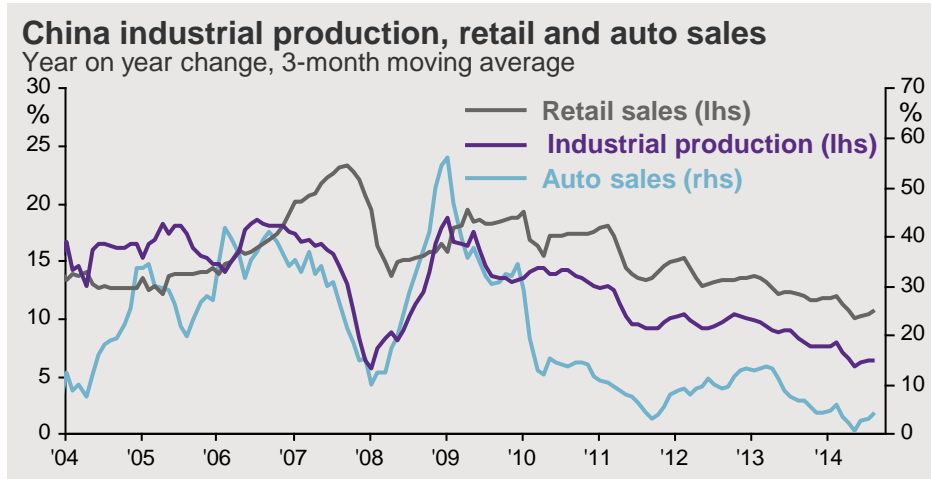
Source: (Left and top right) FactSet, National Bureau of Statistics of China, J.P. Morgan Asset Management. (Bottom right) FactSet, People's Bank of China (PBoC), J.P. Morgan Asset Management. *CPI is the Consumer Price Index. Core CPI is defined as CPI excluding food and energy. **Average RRR for large and small banks. *Guide to the Markets - Europe*. Data as of 30 September 2015.

China's financial dynamics



Source: (Top left) BIS, CEIC, Lombard Street Research, J.P. Morgan Asset Management. (Bottom left) FactSet, World Bank, J.P. Morgan Asset Management. (Top right) BIS, IMF World Economic Outlook April 2015, Lombard Street Research, J.P. Morgan Asset Management. (Bottom right) People's Bank of China, FactSet, J.P. Morgan Asset Management. *Guide to the Markets - Europe*. Data as of 30 September 2015.

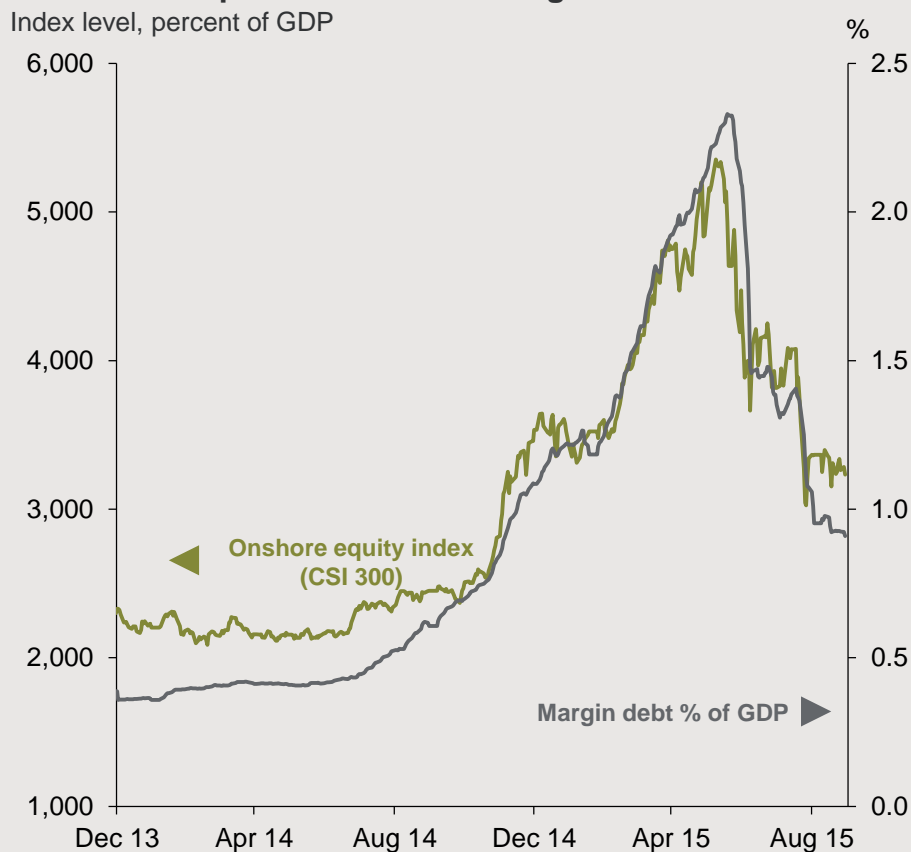
China economic indicators show a two-speed economy



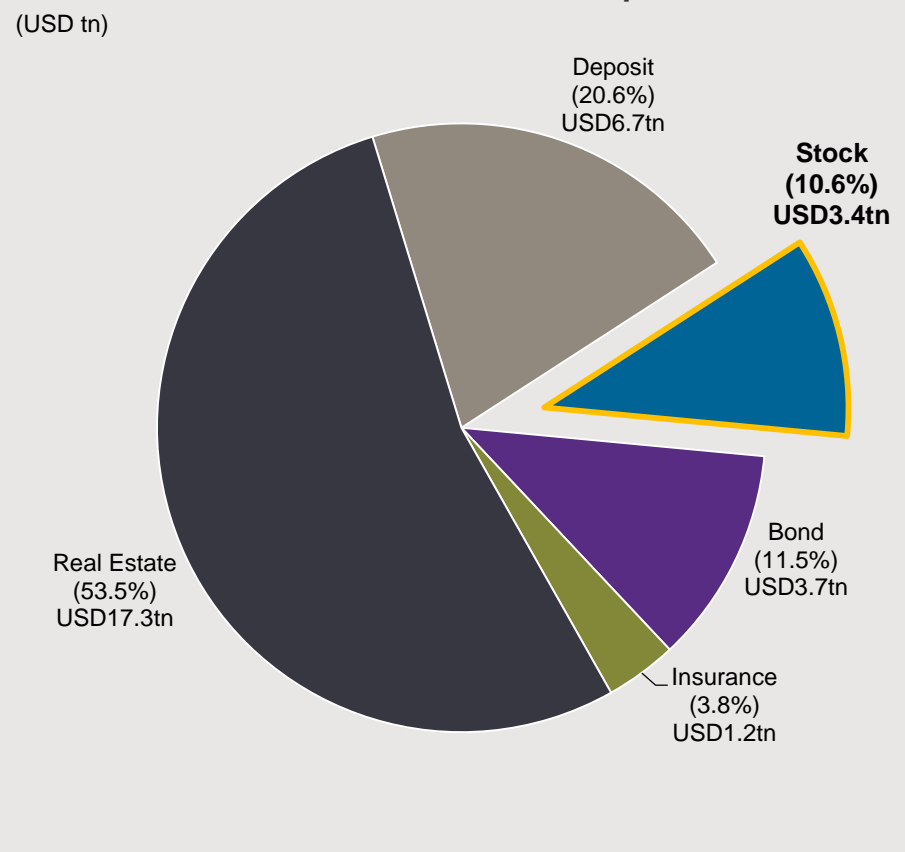
Source: (Top and bottom left, top right) FactSet, National Bureau of Statistics of China, J.P Morgan Asset Management. *Guide to the Markets - Europe*. Data as of 30 September 2015. (Bottom right) People's Bank of China. Data as of 30 Sep 2015.

Investors should keep China's troubles in perspective

Stock market performance and margin debt



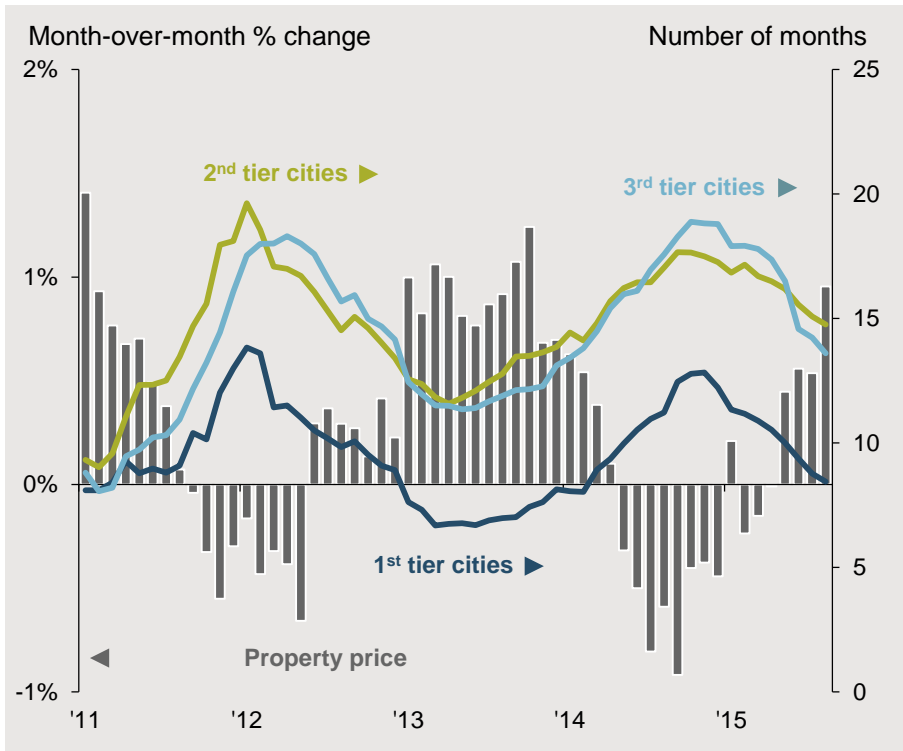
10% of Chinese household assets are equities



Source: (Left) CEIC, FactSet, National Bureau of Statistics of China, J.P. Morgan Asset Management. (Right) Wind, CEIC, Federal Reserve, CICC research, J.P. Morgan Asset Management. Data available as of 9 Oct 2015.

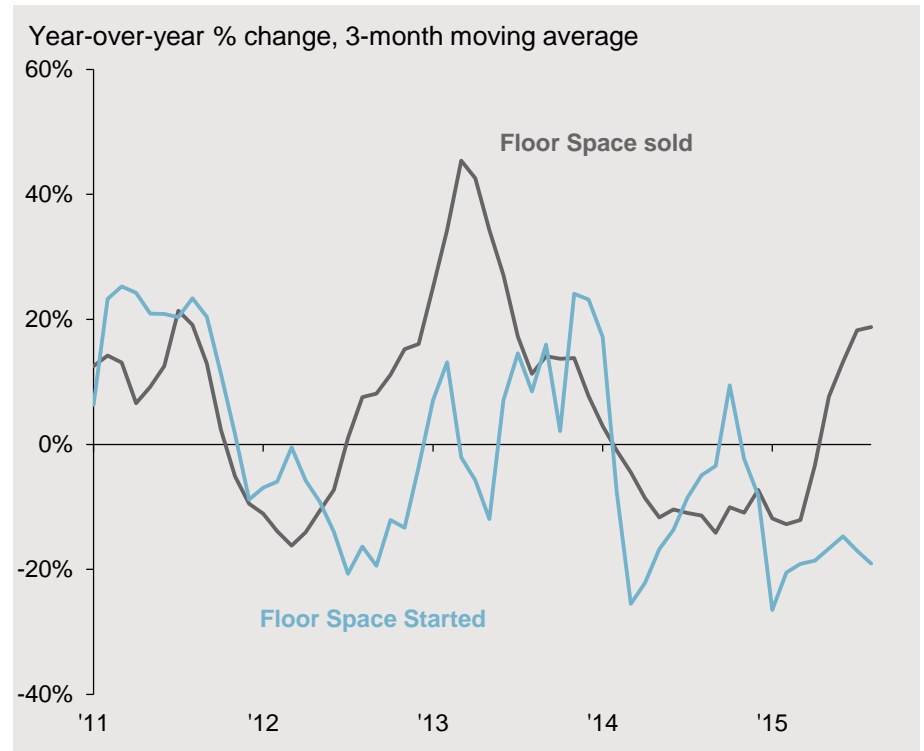
The bottoming of the property market is more important in reducing economic risk

Top 100 cities property prices and housing inventory



Source: J.P. Morgan Economics, Soufun, National Bureau of Statistics, J.P. Morgan Asset Management. Data available as of 30 September 2015

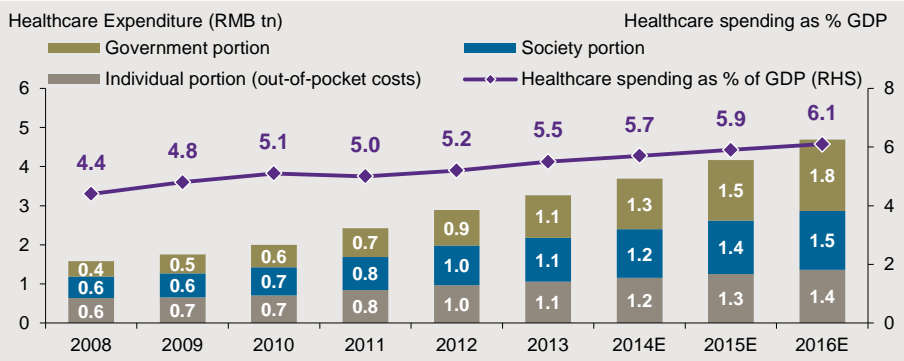
Private residential floor space sold and started



Source: National Bureau of Statistics, J.P. Morgan Asset Management. Data available as of 30 September 2015

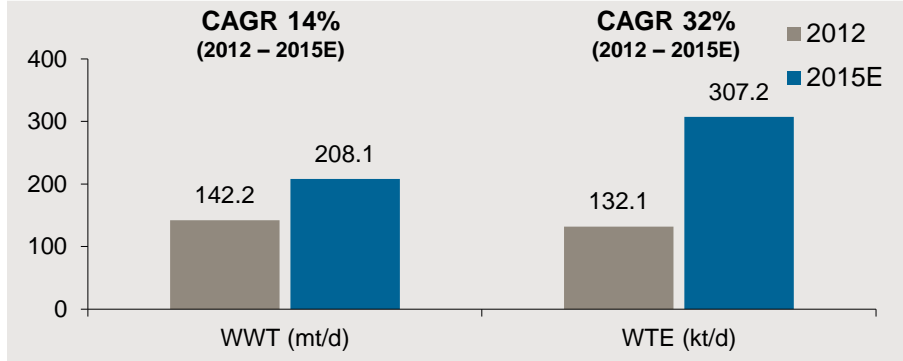
Investment themes in the 'new normal'

China healthcare industry is in a secular bull market



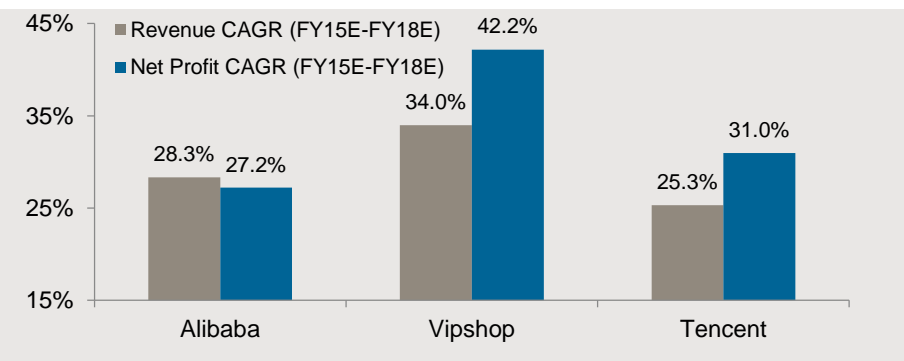
Source: National Health and Family Planning Commission of PRC, end Oct 2014

Still a lot of work to be done to upgrade the environmental standard



Source: Ministry of Environmental Protection, Ministry of Housing and Urban-Rural Development. As at Oct 2014. WWT = Waste Water Treatment WTE = Waste to Energy

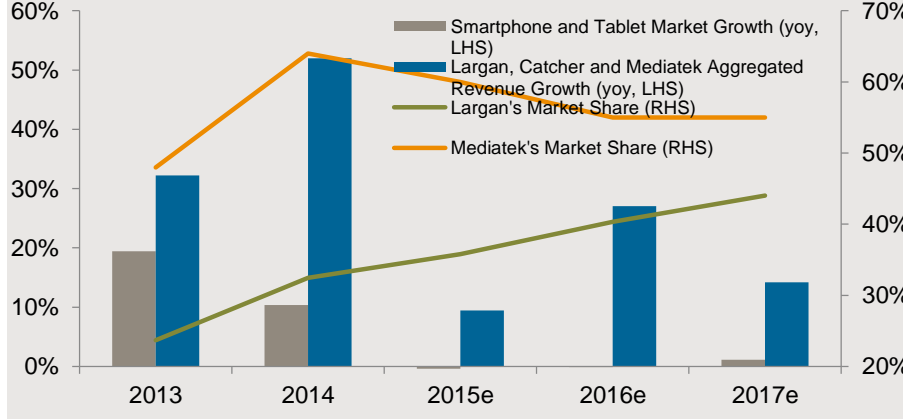
Leading internet traffic gateways show strong growth momentum



Source: Company Information, Bloomberg. As of 31 Oct 2015

Net Profit numbers are under U.S. GAAP

Market share gain story in niche components



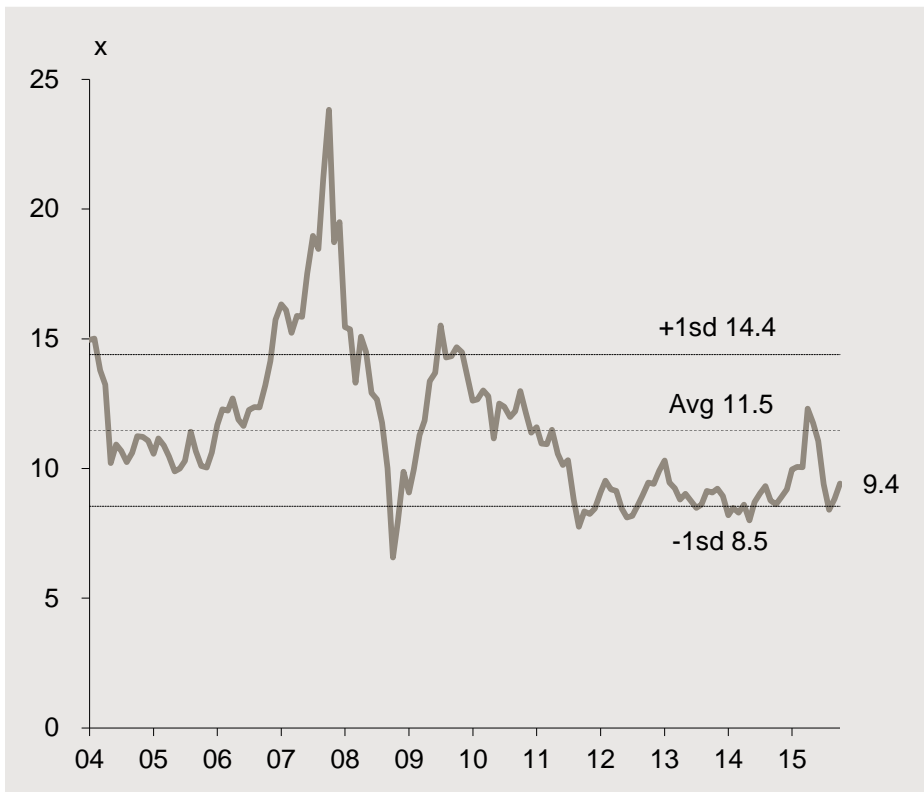
Source: Company Information, Morgan Stanley Research, As of 30 Sep 2015

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Given the inherent uncertainties and risks associated with forecasts, projections and other forward statements, actual events, results or performance may differ materially from those reflected or contemplated. The companies/securities above are shown for illustrative purpose only. Their inclusion should not be interpreted as a recommendation to buy or sell. J.P. Morgan Asset Management may or may not hold positions on behalf of its clients in any or all of the aforementioned securities.

China valuations

MSCI China 12-Month Forward PE



Source: Thomson Reuters Datastream, FactSet, 31 Oct 2015

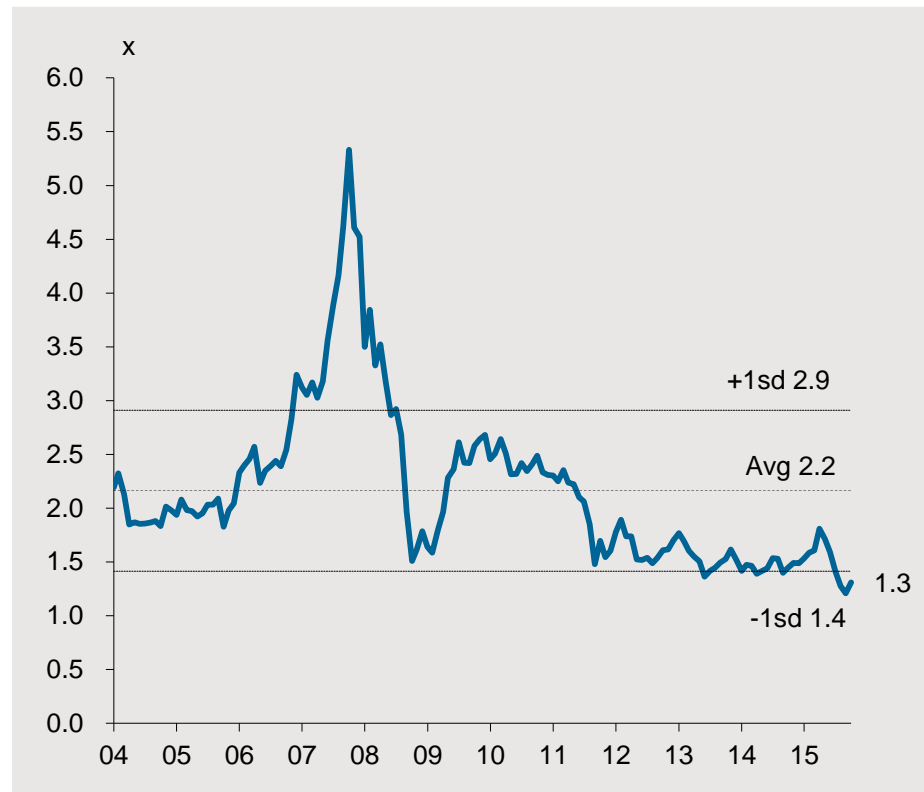
PE = Price to Earnings Ratio

PB = Price to Book Ratio

Indices do not include fees or operating expenses and are not available for actual investment.

Past performance is not indicative of future performance.

MSCI China Trailing PB



Source: Thomson Reuters Datastream, FactSet, 31 Oct 2015

Fund update

JPMorgan China Region Fund Inc.

Investment philosophy

- We are **growth-oriented investors** from highly diverse backgrounds who primarily invest in higher quality companies
- We believe Greater China offers attractive growth opportunities comprising both **domestic demand** and **niche exporters**
- We principally formulate and review investment theses through discussions with corporate management teams. These conversations facilitate judgments on quality and sustainability of growth
- Our **solid local knowledge** and **strong local contacts** via our large and well-resourced teams give us an edge
 - We average 50-200 company visits/meetings per fund manager/analyst per year
 - Our Taipei office not only provides research support throughout Greater China, but is also one of the largest domestic investors in Taiwan (managing over USD1.1bn* in domestic equities)
- Portfolio construction decisions are the responsibility of the primary portfolio manager on each fund, with **oversight on strategies, sizing and risk** from the team leader

... simple effective beliefs

- Only including pure equity mandates.

Source: J. P. Morgan Asset Management. As at 30 Sep 2015.

The targets and aims provided are the Investment Manager's targets and aims only. There is no guarantee that these targets and aims will be achieved.

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Performance

JPMorgan China Region Fund Inc. as of 30 Sep 2015

Market value

JPMorgan China Region Fund Inc.

USD 111.2m

Annualised performance (%)

	Three months	Six months	YTD	One year	Three years	Five years	Since launch
JPMorgan China Region Fund Inc. (NAV)	-23.3	-17.2	-11.1	+1.2	+6.8	+1.8	+4.6
Customized Benchmark [^]	-21.8	-17.2	-10.4	+0.2	+5.9	+2.6	+2.7
Excess return*	-1.5	+0.0	-0.7	+0.9	+0.9	-0.8	+2.0

Calendar year performance (%)

	2007	2008	2009	2010	2011	2012	2013	2014
JPMorgan China Region Fund Inc. (NAV)	+54.3	-53.9	+61.4	+14.1	-26.3	+22.3	+12.5	+13.0
Customized Benchmark [^]	+37.6	-49.5	+66.7	+13.2	-18.7	+20.5	+5.1	+16.1
Excess return*	+16.7	-4.4	-5.3	+0.9	-7.6	+1.8	+7.4	-3.2

Fund launch date: 16 Jul 1992

[^] Customized benchmark - 80% MSCI Golden Dragon Index (NDR), 20% CSI 300 Index (Net). Prior to 13-Apr-2012, MSCI Golden Dragon Index (NDR). Prior to 1-Mar-2001, 25% TWII, 20% BNPPCI, 50% MSCI HK, 5% HSBC; Prior to 1-Mar-1999, 60% HK SE All Ordinaries, 30% CLSA China B, 10% Taiwan SE Weighted; Prior to 1-Jan-1997, Peregrine Greater China Index.

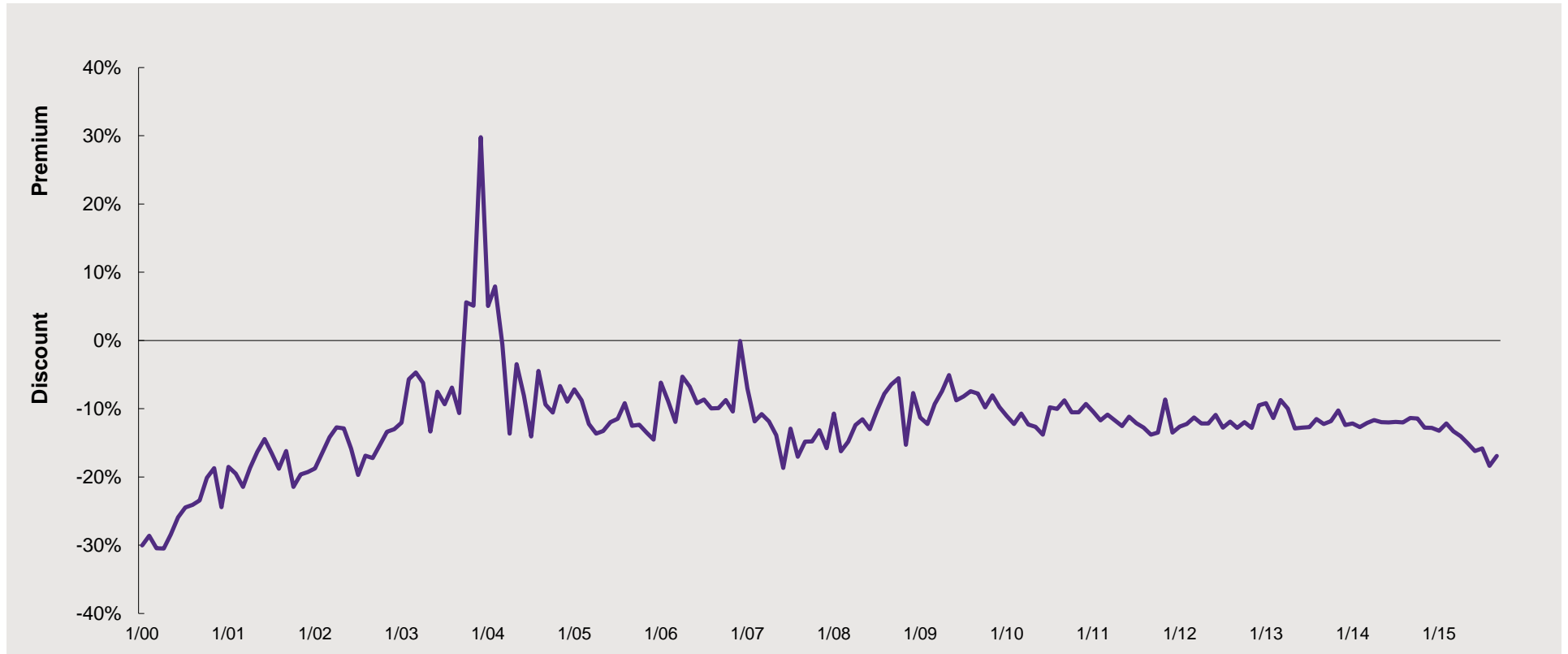
* Arithmetic excess return presented.

Source: J.P. Morgan Asset Management/Thomson Reuters Datastream (NAV to NAV in USD with income reinvested). As at 31 Oct 2015.

Investment involves risk. Fund performance is shown based on the NAV of the share class above indicated (in USD) which already includes Annual Management Fees, Operating and Administrative Expenses. Past performance is not an indication of future performance. Please refer to the offering document(s) for details, including the risk factors before investing. Indices do not include fees or operating expenses and are not available for actual investment. .

Premium / Discount to Net Asset Value

JPMorgan China Region Fund Inc. as of 30 Sep 2015



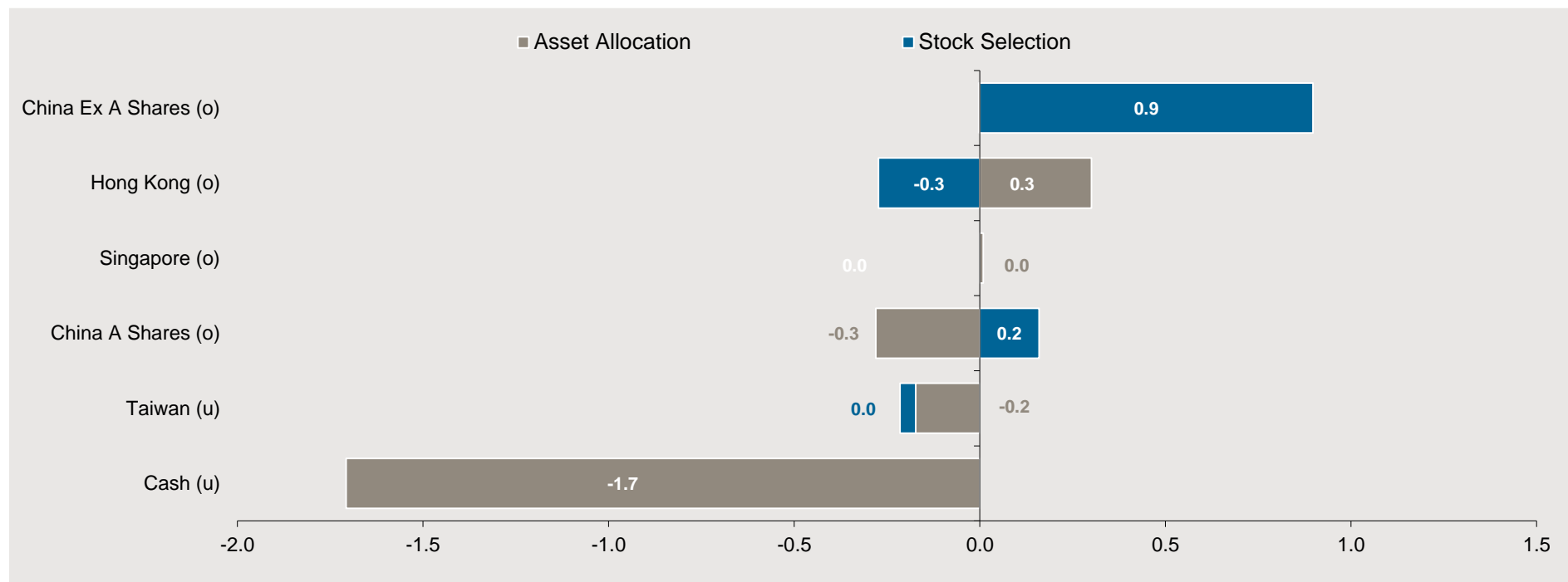
Source: Bloomberg, as at 30 Sep 2015

Performance attribution

JPMorgan China Region Fund Inc. 3Q15

Attribution summary	Stock: +0.7 Country: -1.9
Benchmark	80% MSCI Golden Dragon Index (NDR) + 20% CSI 300 Index (Net)

Country attribution (%)



Source: J.P. Morgan Asset Management, FactSet, gross of fees in USD to 30 Sep 2015.

Data for Total Attribution shown (stock selection plus country allocation). Attribution may not match official returns due to differences in systems, rounding. Past performance is not an indication of future performance. The above portfolio characteristics are shown for illustrative purposes only and are subject to change without notice.

Top 10 contributors/detractors to active returns

JPMorgan China Region Fund Inc. 3Q15

Benchmark

80% MSCI Golden Dragon Index (NDR) + 20% CSI 300 Index (Net)

Top 10 contributors	Country	Sector	Stock return %	Weight difference %	Impact %
Bank of China Limited	China	Financials	-33.02	-2.15	0.32
Sino Biopharmaceutical Limited	China	Health Care	5.93	1.05	0.30
AAC Technologies Holdings Inc.	China	Information Technology	10.41	0.68	0.27
Hanergy Thin Film Power Group Ltd.	China	Information Technology	-100.00	-0.20	0.26
PetroChina Co. Ltd.	China	Energy	-36.36	-1.01	0.19
MediaTek Inc	Taiwan	Information Technology	-43.38	-0.67	0.19
China Merchants Bank Co., Ltd.	China	Financials	-13.09	1.86	0.18
Cheung Kong Infrastructure Holdings Limited	Hong Kong	Utilities	15.79	0.50	0.17
Industrial and Commercial Bank of China Limited	China	Financials	-26.66	-2.56	0.17
E.SUN Financial Holding Co., Ltd.	Taiwan	Financials	-2.76	0.86	0.15

Top 10 detractors	Country	Sector	Stock return %	Weight difference %	Impact %
China Mobile Limited	China	Telecommunication Services	-6.00	-2.03	-0.32
Sunac China Holdings Ltd.	China	Financials	-51.65	0.51	-0.31
Hon Hai Precision Industry Co., Ltd.	Taiwan	Information Technology	-10.28	-1.79	-0.24
Wynn Macau Ltd.	Hong Kong	Consumer Discretionary	-40.49	0.39	-0.21
China Harmony New Energy Auto Holding Ltd.	China	Consumer Discretionary	-56.64	0.26	-0.17
CLP Holdings Limited	Hong Kong	Utilities	1.30	-0.76	-0.17
Power Assets Holdings Limited	Hong Kong	Utilities	4.46	-0.60	-0.16
CAR Inc.	China	Industrials	-32.46	0.85	-0.14
China Construction Bank Corporation	China	Financials	-27.15	1.66	-0.13
LARGAN Precision Co., Ltd.	Taiwan	Information Technology	-31.02	1.01	-0.12

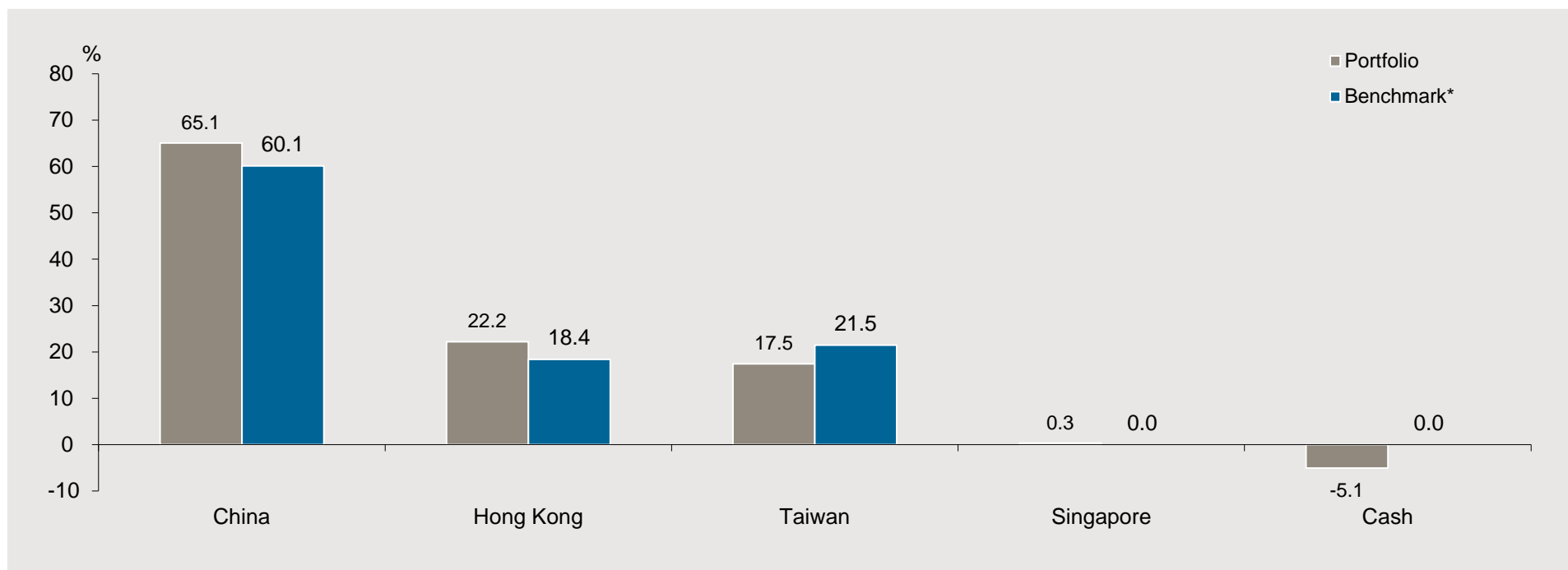
Source: FactSet, J.P. Morgan Asset Management. As at 30 Sep 2015.

Past performance is not indicative of future performance. The companies/securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. However, it cannot be assumed that these types of investments will be available to or will be selected by the fund in the future. Subject to change at the discretion of the Investment Manager without notice.

Allocation across countries

As at 30 Sep 2015

Asset Allocation vs the Benchmark*



* 80% MSCI Golden Dragon Index (NDR) + 20% CSI 300 Index (Net).

** China includes China A-Shares, China B Shares and Hong Kong H-Shares, Red Chip and P Chip (companies listed in Hong Kong and either incorporated in mainland China, with controlling shareholders from mainland China or with operations in mainland China).

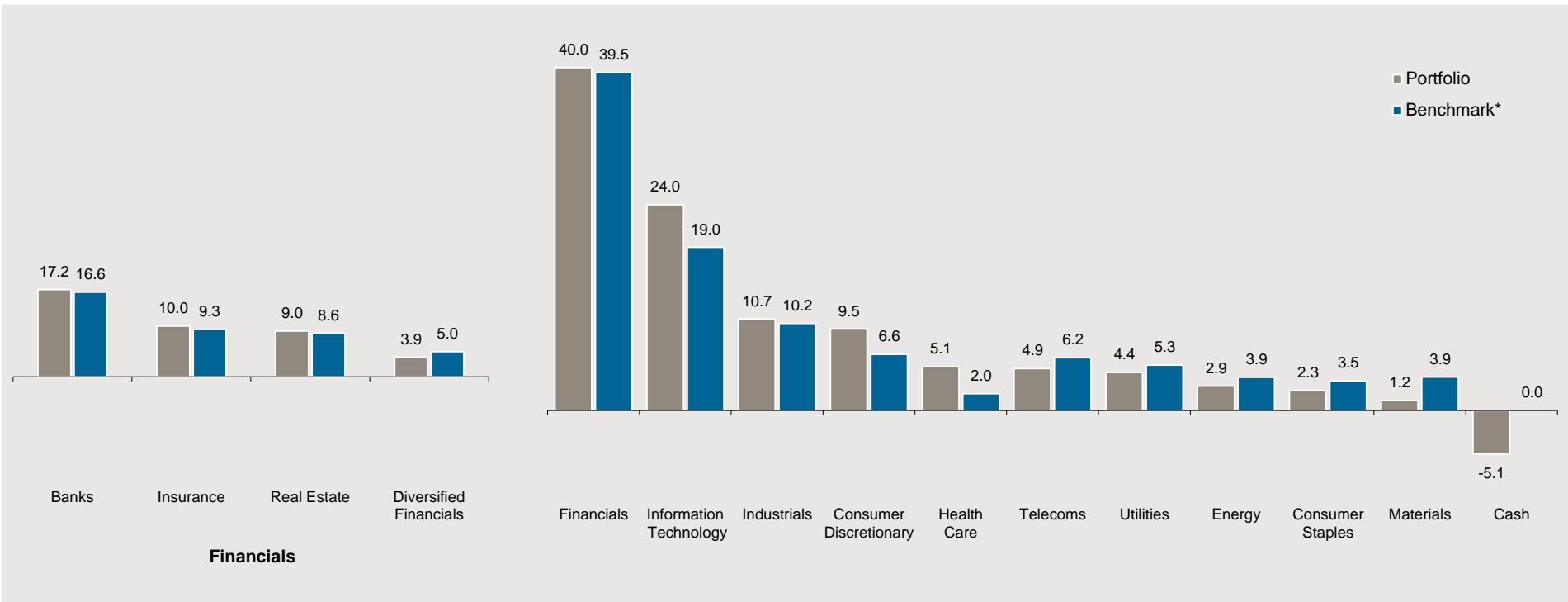
Source: J.P. Morgan Asset Management, MSCI.

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.

Allocation across sectors

As at 30 Sep 2015

Sector Allocation vs the Benchmark* (%)



* 80% MSCI Golden Dragon Index (NDR) + 20% CSI 300 Index (Net).

Source: J.P. Morgan Asset Management, MSCI.

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Appendix

Highlights

Conclusion

- A high conviction, growth-oriented approach
 - Sustainable growth biased investments with vigorous validation of investment thesis and fundamental analysis
 - Deep value stocks with either restructuring or cyclical recovery characteristics selected based on business cycle and asset-specific parameters to further add value

- Comprehensive approach combining country/sector allocations and fundamental analysis
 - Experienced portfolio management team with diverse backgrounds working with a substantial Greater China and EMAP sector research platform across 8 offices
 - Fundamental analysis with emphasis on return on equity and growth

- An investment approach tested by experience
 - Commitment to the asset class going back over 40 years
 - Successful track record in both country and stock selection

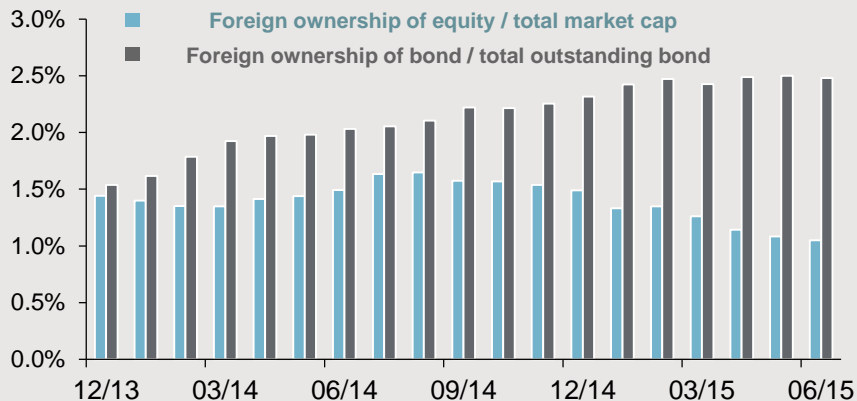
For illustrative purpose only.

J.P. Morgan Asset Management launched the first mutual fund back in 1969.

Source: J.P. Morgan Asset Management. As at 30 Sep 2015

Over the long-term, capital market liberalisation is continuing

Share of foreign investors in China's capital market

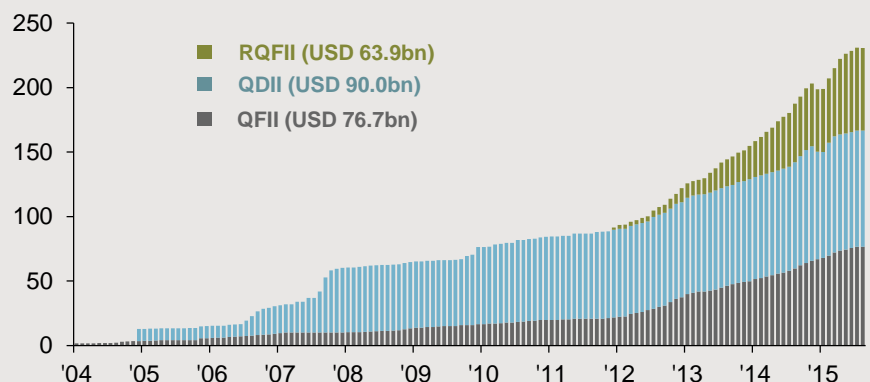


12-month forward P/E



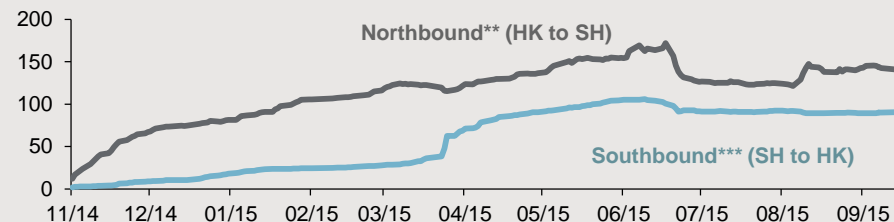
Approved quota of QFII, QDII and RQFII*

USD billions



SH-HK Connect quota utilization (aggregate)

RMB billions



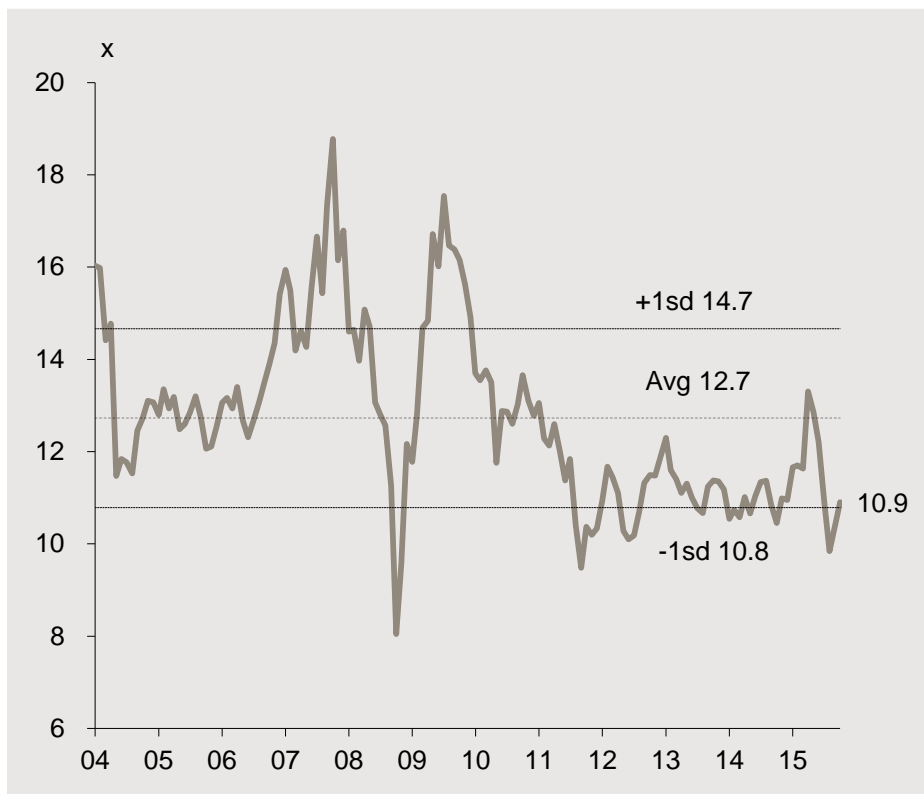
Exchange	Quota (RMB, bn)	Utilization (RMB, bn)	Utilization rate (%)
Northbound	300	140.9	47.0%
Southbound	250	90.5	36.2%

Source: (Top left and bottom left) CEIC, J.P. Morgan Asset Management. (Top right and bottom right) Bloomberg, J.P. Morgan Asset Management. *Qualified Foreign Institutional Investor (QFII) scheme allows approved foreign investors to convert foreign currency to RMB in order to invest in China's domestic capital markets. RMB Qualified Foreign Institutional Investor (RQFII) scheme allows Hong Kong branches/subsidiaries of mainland fund

management companies to invest offshore RMB in the domestic Chinese capital markets. Qualified Domestic Institutional Investors (QDII) allows qualified Chinese investors to raise funds in mainland China and use the proceeds to invest offshore. **Northbound: Hong Kong and overseas investors are allowed to trade certain stocks listed on the Shanghai Stock Exchange. ***Southbound: Mainland institutional investors and certain eligible individual investors are allowed to trade certain stocks listed on the Hong Kong Stock Exchange. *Guide to the Markets – Asia 4Q 2015*. Data reflect most recently available as of 30/9/15.

Greater China valuations

MSCI Golden Dragon 12-Month Forward PE



Source: Thomson Reuters Datastream, FactSet, 31 Oct 2015

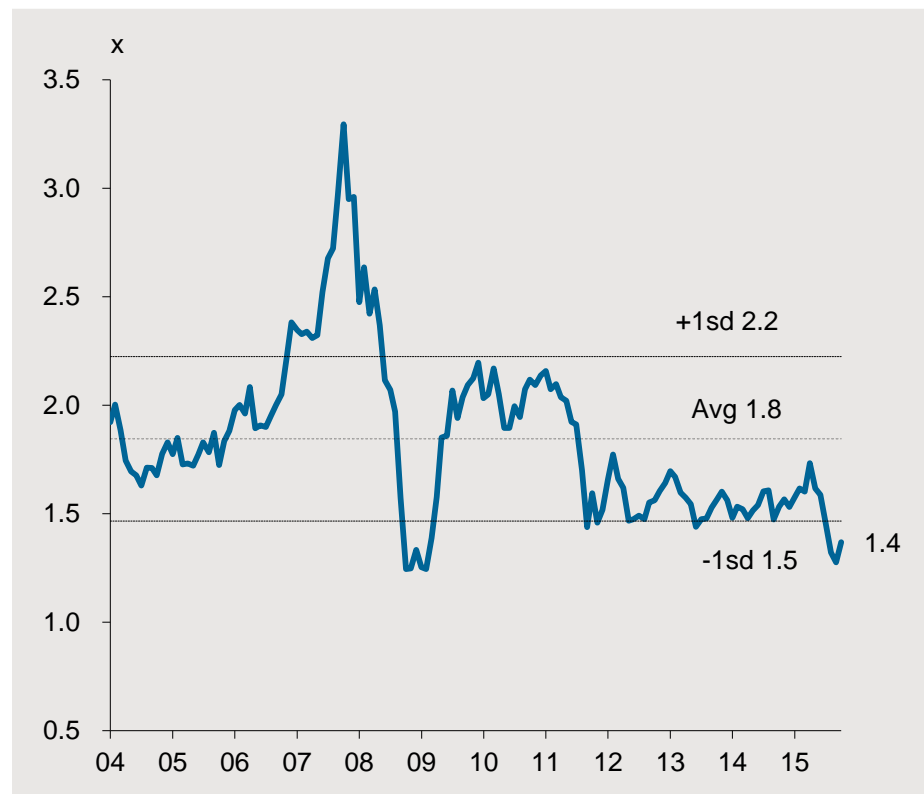
PE = Price to Earnings Ratio

PB = Price to Book Ratio

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MSCI Golden Dragon Trailing PB



Source: Thomson Reuters Datastream, FactSet, 31 Oct 2015

China A-shares valuations

CSI300 Index 12-Month Forward PE



Source: Thomson Reuters Datastream, FactSet, 31 Oct 2015

PE = Price to Earnings Ratio

PB = Price to Book Ratio

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CSI300 Index Trailing PB



Source: Thomson Reuters Datastream, FactSet, 31 Oct 2015

J.P. Morgan Asset Management

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Approval code: 4d03c02a8002e211

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