

MARKET
INSIGHTS

3Q | 2011

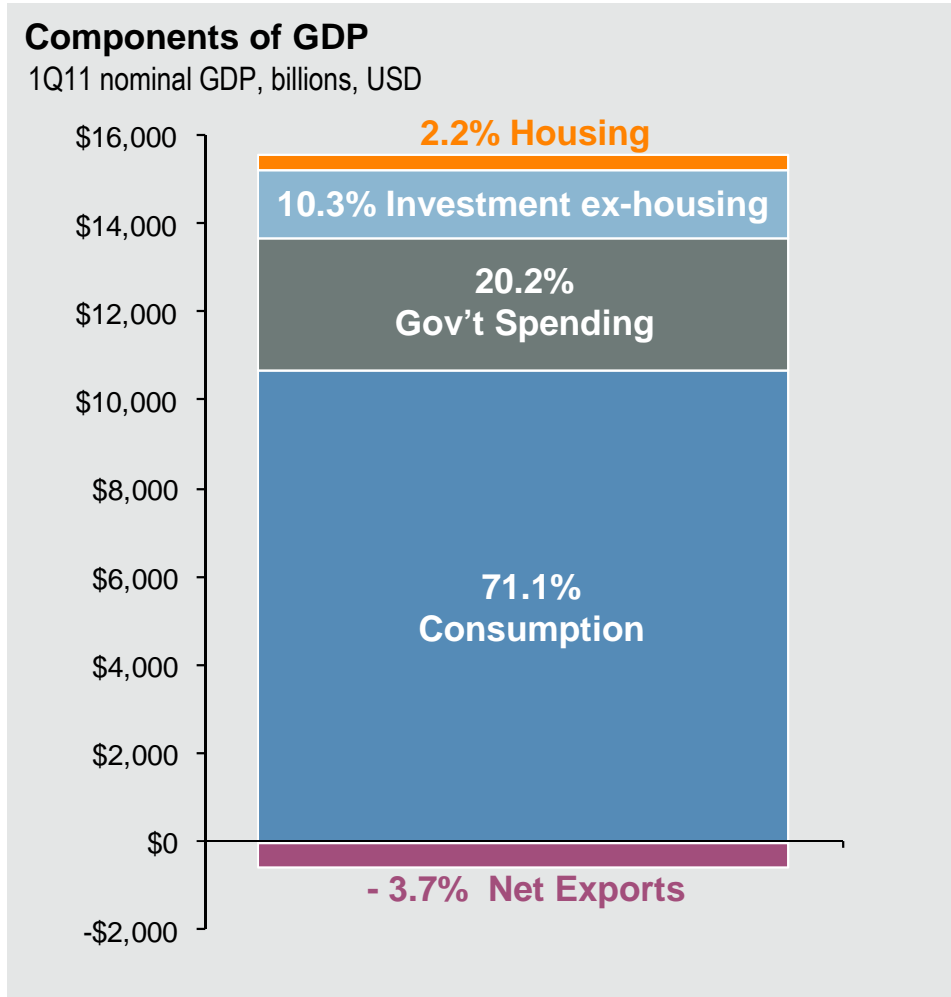
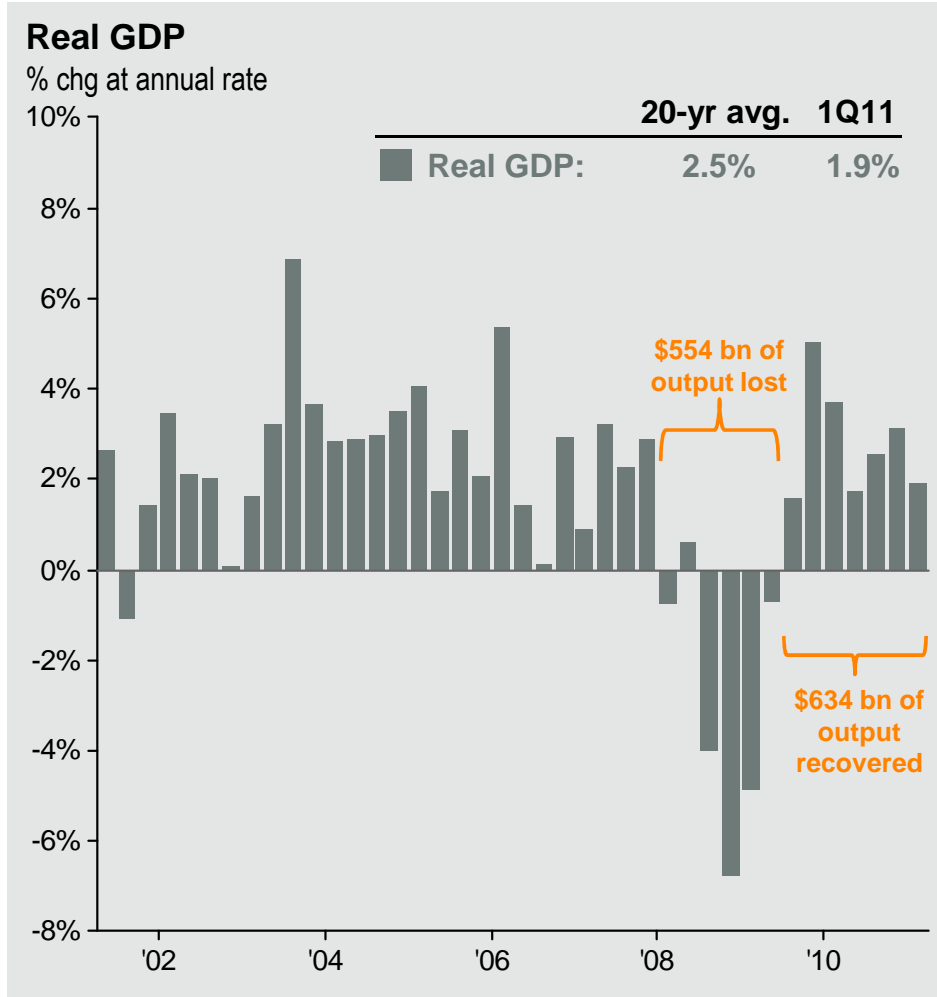
As of June 30, 2011

Guide to the Markets

J.P. Morgan

J.P.Morgan
Asset Management

Economic Growth and the Composition of GDP



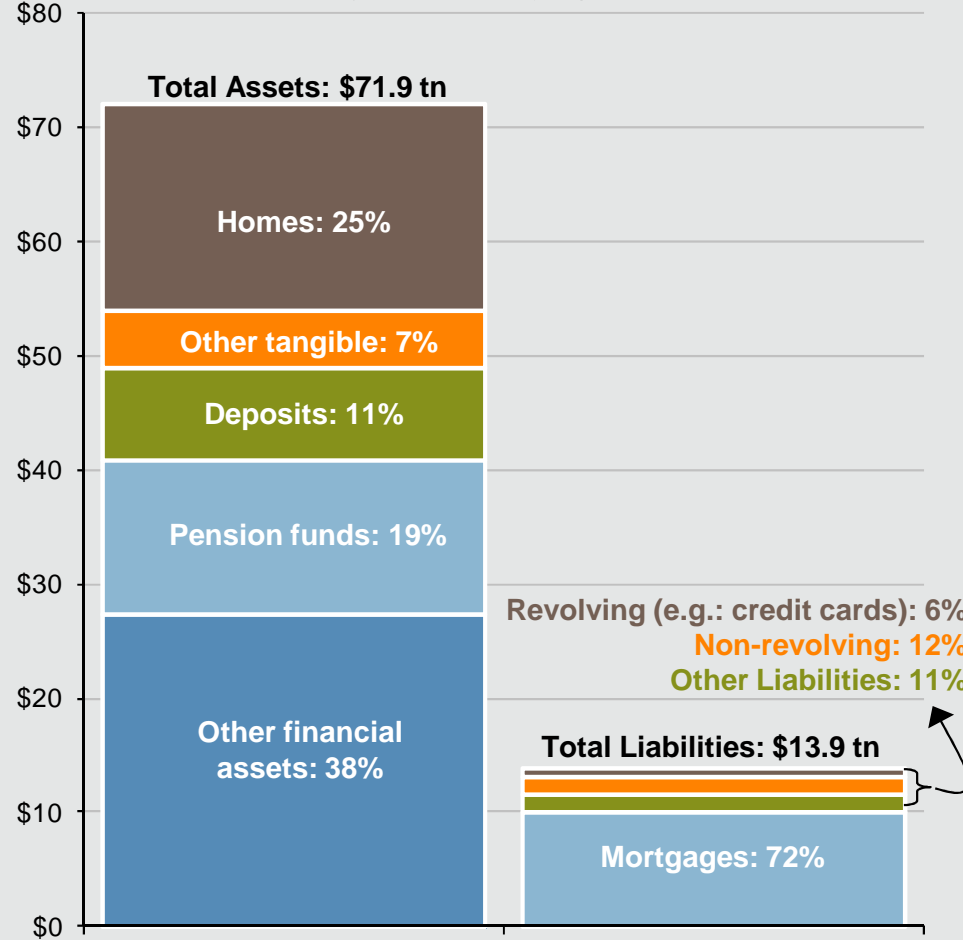
Source: BEA, FactSet, J.P. Morgan Asset Management.

GDP values shown in legend are % change vs. prior quarter annualized and reflect revised 1Q11 GDP.

Data reflect most recently available as of 6/30/11.

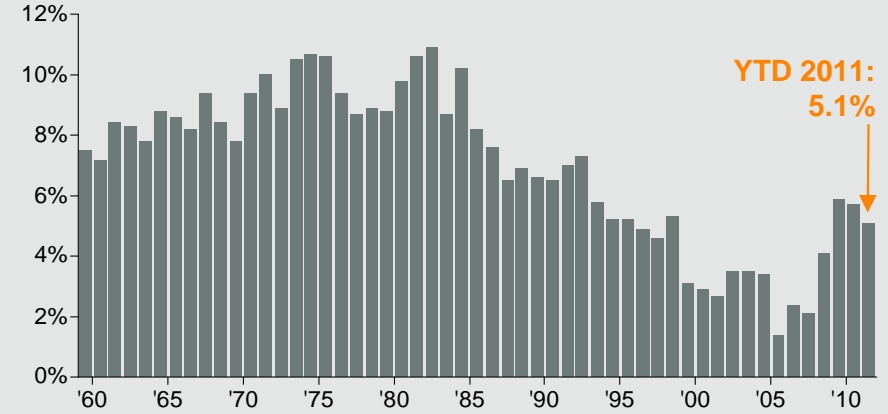
Consumer Balance Sheet

Trillions of dollars outstanding, not seasonally adjusted



Personal Savings Rate

Annual, % of disposable income



Household Debt Service Ratio

Debt payments as % of disposable personal income, seasonally adjusted



Source: (Left) FRB, J.P. Morgan Asset Management. Data includes households and nonprofit organizations. (Right) BEA, FRB, J.P. Morgan Asset Management.

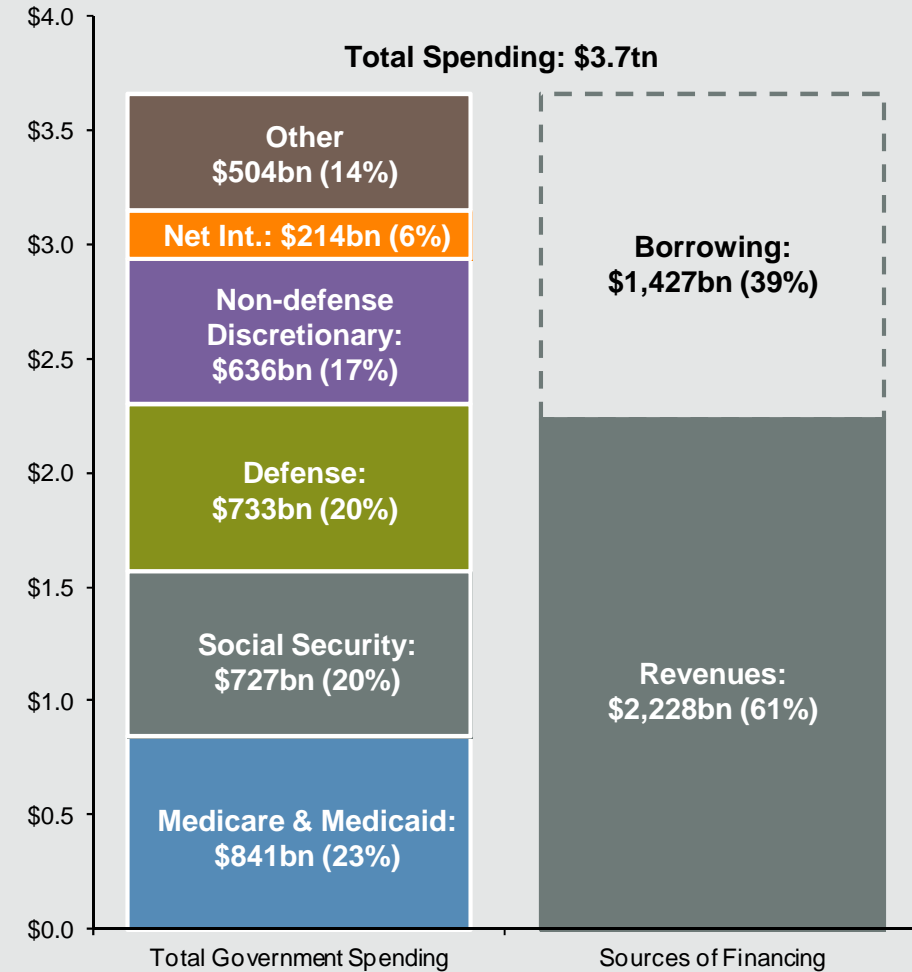
Personal savings rate is calculated as personal savings (after-tax income – personal outlays) divided by after-tax income. Employer and employee contributions to retirement funds are included in after-tax income but not in personal outlays, and thus are implicitly included in personal savings.

Savings rate data are as of May 2011. *2Q11 Household Debt Service Ratio is J.P. Morgan Asset Management estimate. All other data are as of 1Q11.

Data reflect most recently available as of 6/30/11.

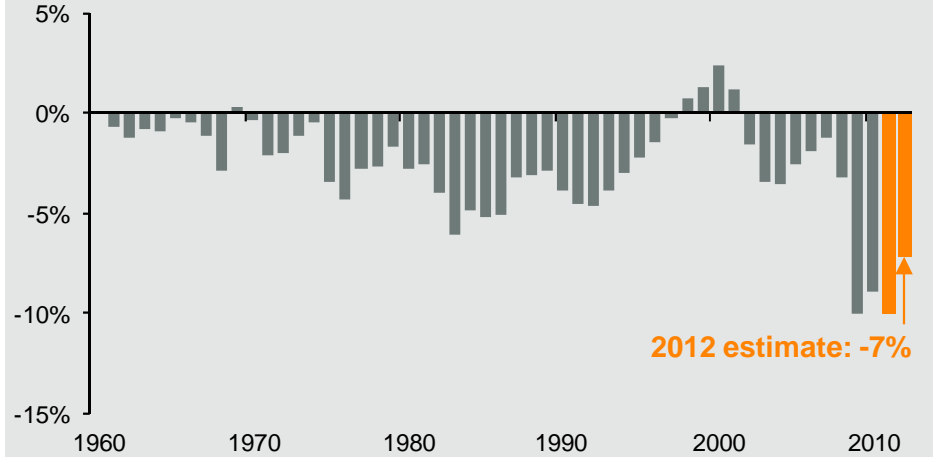
The 2011 Federal Budget

Trillions, USD



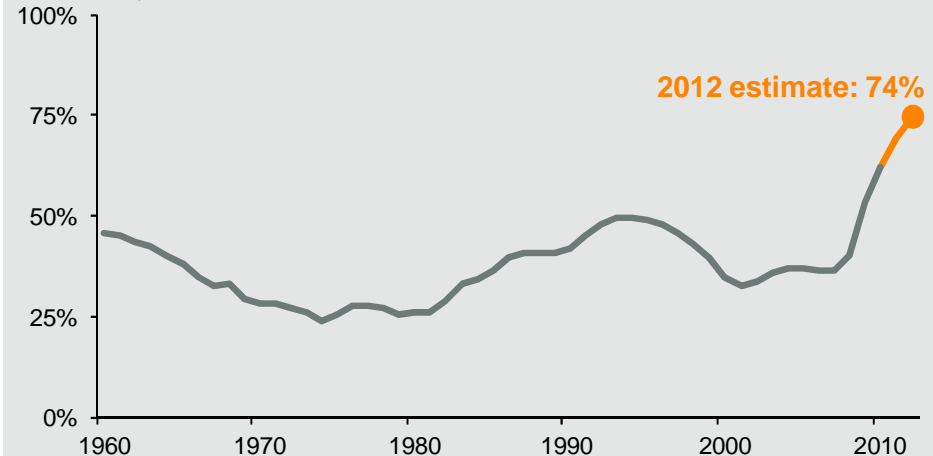
Federal Budget Surplus/Deficit

% of GDP, 1960 – 2012*



Federal Debt (Accumulated Deficits)

% of GDP, 1960 – 2012*



Source: U.S. Treasury, BEA, CBO, OMB, J.P. Morgan Asset Management.

2010 numbers reflect actual CBO data for FY 2010. *Other numbers are based on 2011 and 2012 budget projections from the CBO's "An Analysis of the President's Budgetary Proposals for Fiscal Year 2012" which was released on April 15, 2011.

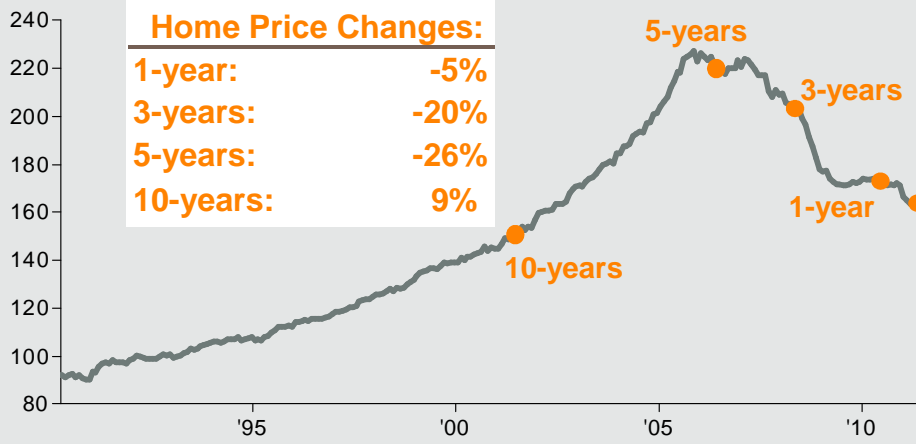
Note: Years shown are fiscal years (Oct. 1 through Sep. 30). Top right chart displays federal surplus/deficit (revenues – outlays).

Data reflect most recently available as of 6/30/11.

The Aftermath of the Housing Bubble

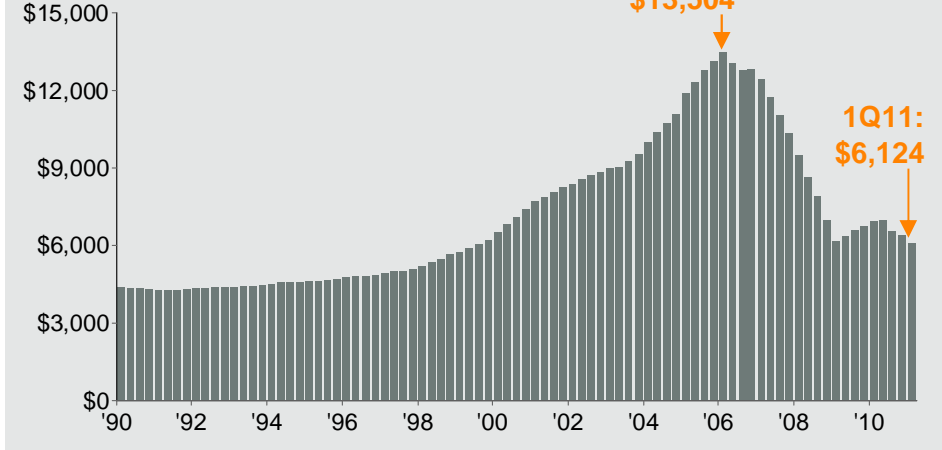
Median Existing Home Prices

\$ thousands, seasonally adjusted



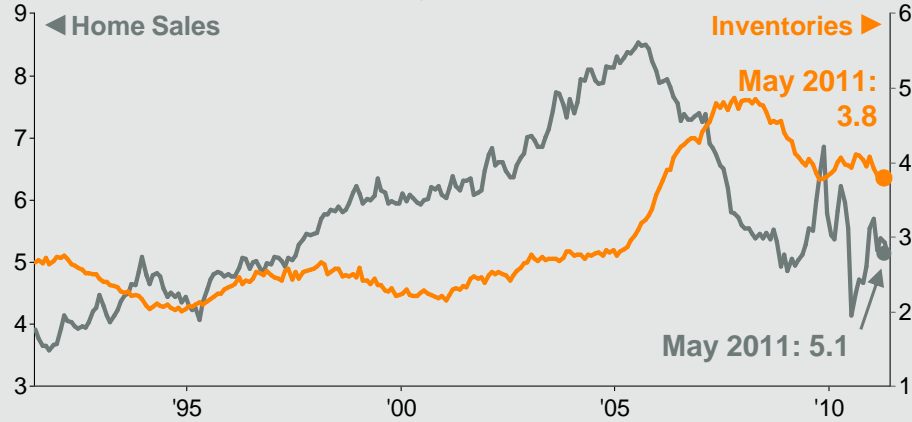
Home Equity

Billions USD, saar



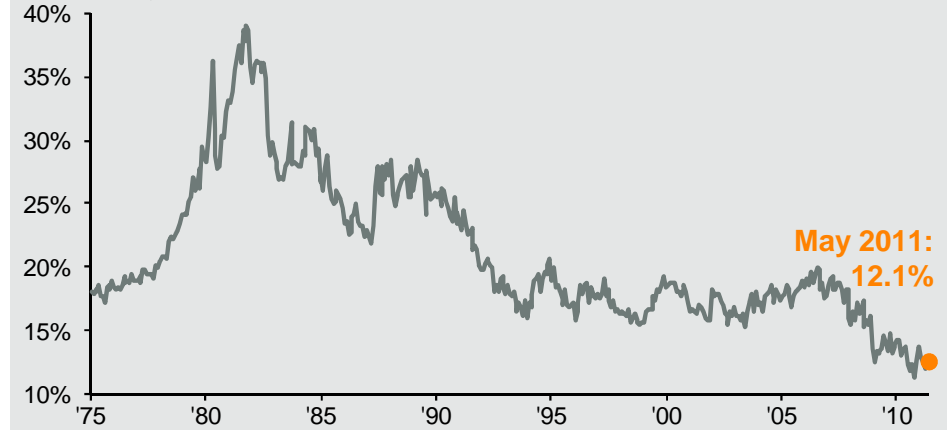
Home Sales and Inventories

Millions, annual rate, seasonally adjusted



Affordability: Mortgage Payment on Average New Home

% of average household personal income

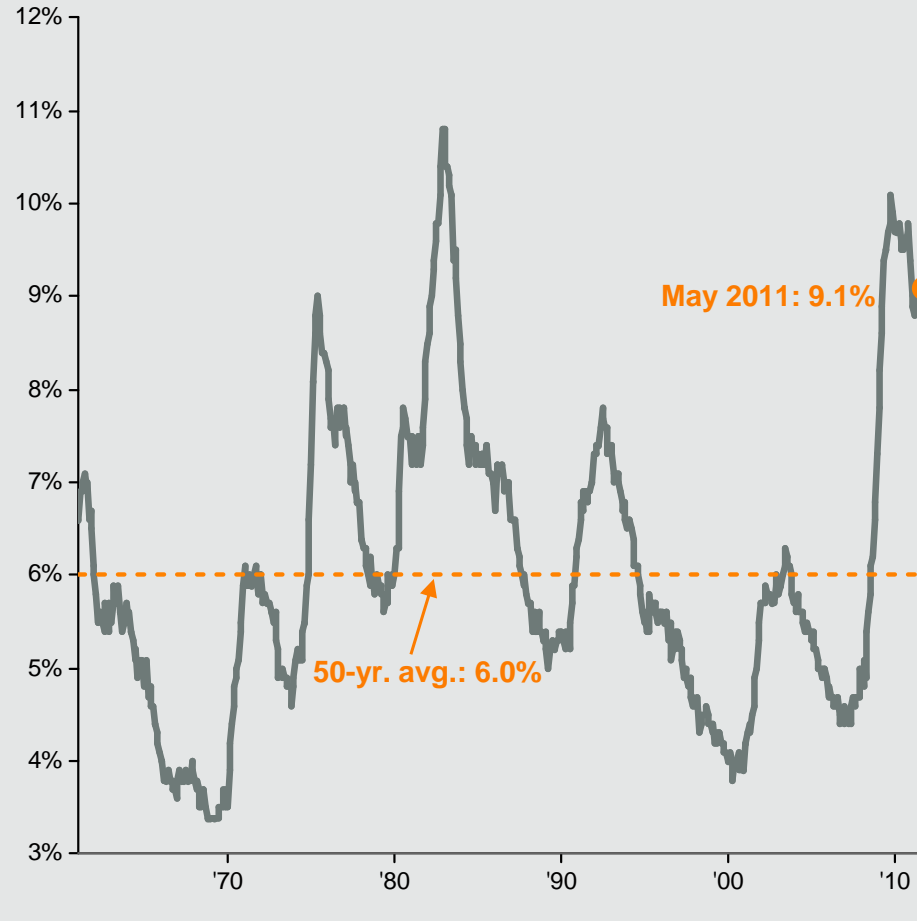


Sources: (Top left) National Association of Realtors, FactSet, J.P. Morgan Asset Management. (Top right) Federal Reserve, FactSet, J.P. Morgan Asset Management. (Bottom left) Census Bureau, National Association of Realtors, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FRB, BEA, J.P. Morgan Asset Management.

Home price based on median sales price of existing homes and are cumulative, not annualized. Home sales includes both new and existing home sales. Existing home sales include single-family, townhomes, condominiums and co-ops. Note: Calculation for bottom right chart assumes a 20% down payment, a 30-year fixed rate mortgage, excludes property tax and homeowners' insurance and is expressed as a percent of pre-tax income. Data reflect most recently available as of 6/30/11.

Civilian Unemployment Rate

Seasonally adjusted

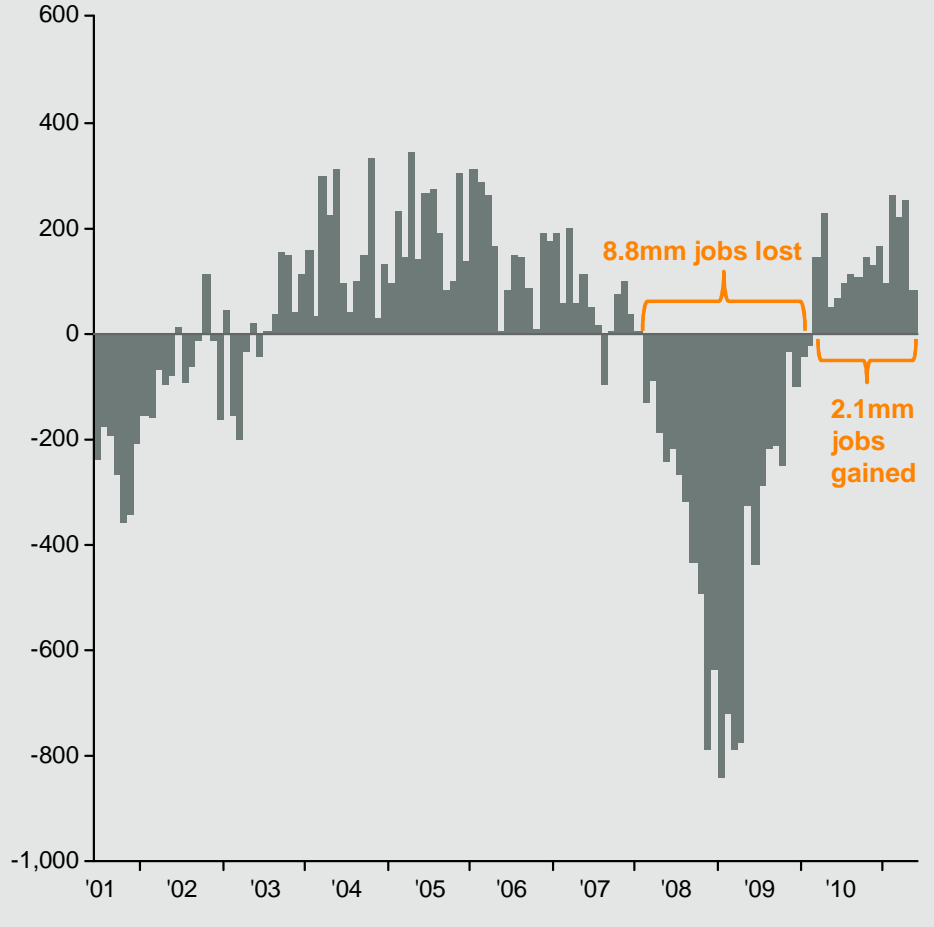


Source: BLS, FactSet, J.P. Morgan Asset Management.

Data reflect most recently available as of 6/30/11.

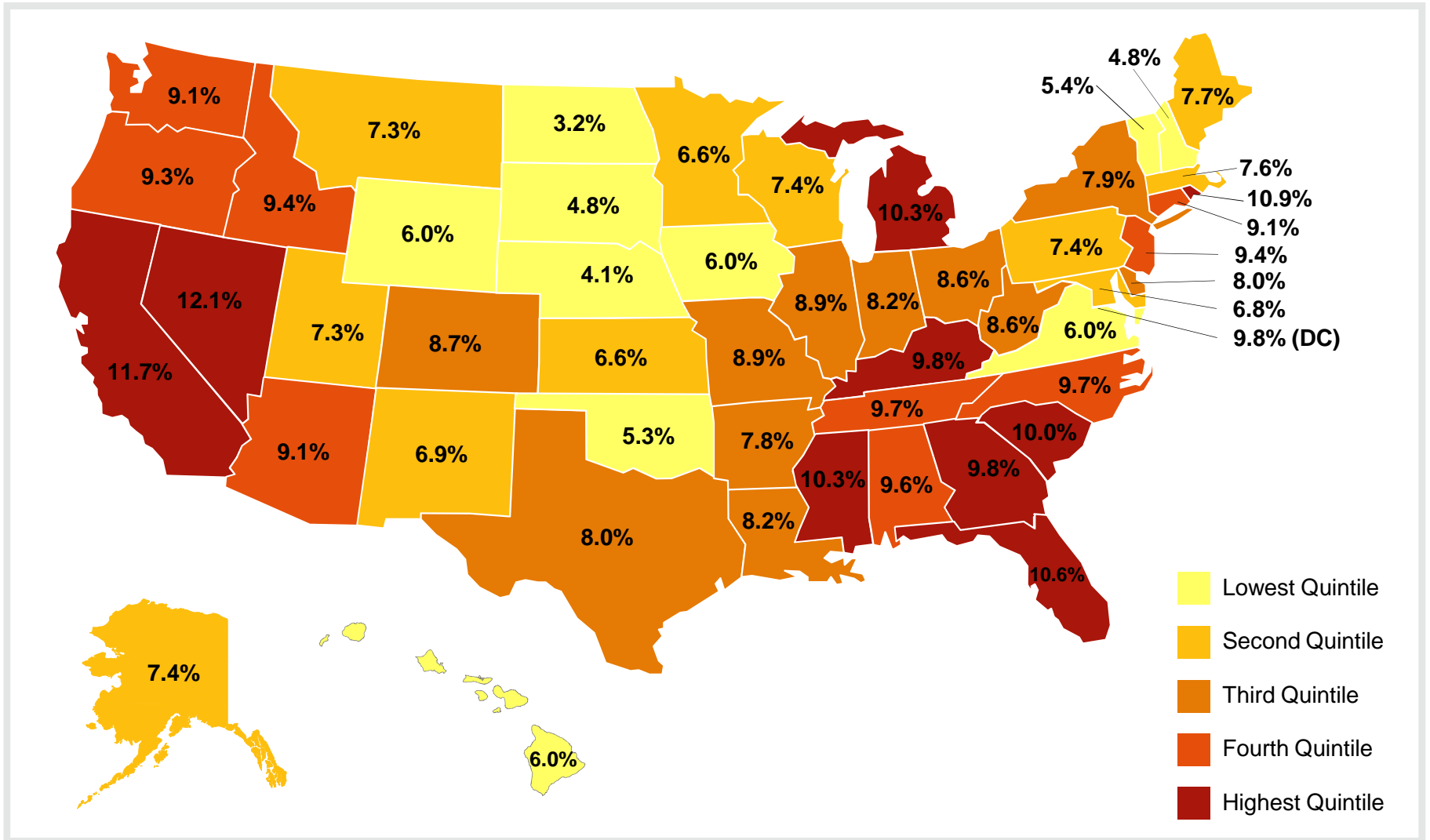
Employment – Total Private Payroll

Total job gain/loss (thousands)



Source: BLS, FactSet, J.P. Morgan Asset Management.

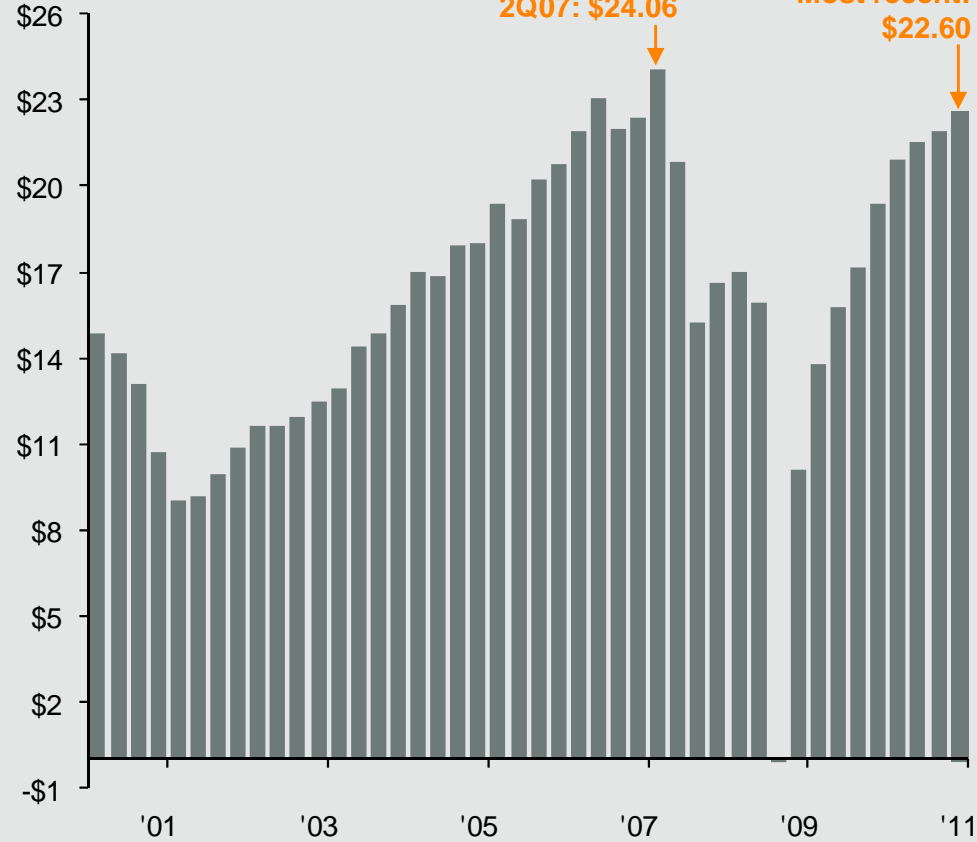
Unemployment Rates Across the U.S.



Source: BLS, J.P. Morgan Asset Management.
 Unemployment rates are as of May 2011.
 Data reflect most recently available as of 6/30/11.

S&P 500 Earnings Per Share

Operating basis, quarterly



Source: Standard & Poor's, J.P. Morgan Asset Management.

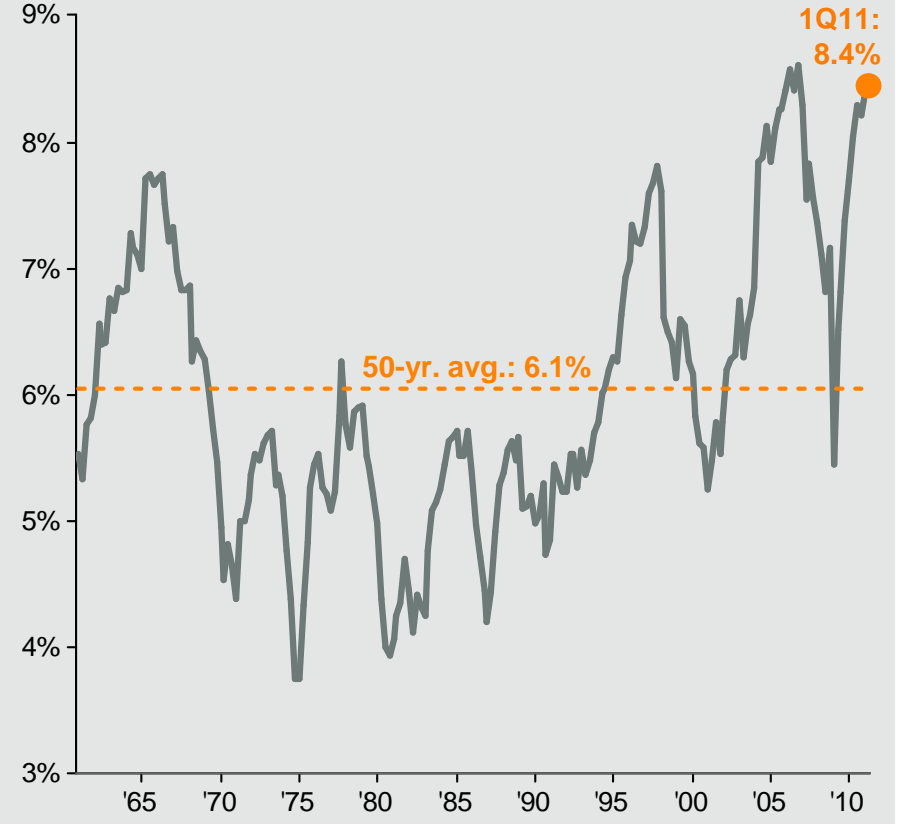
EPS levels are based on operating earnings per share.

Most recently available is a 1Q11 99% complete estimate.

Data reflect most recently available as of 6/30/11.

Adjusted After-Tax Corporate Profits (% of GDP)

Includes inventory and capital consumption adjustments

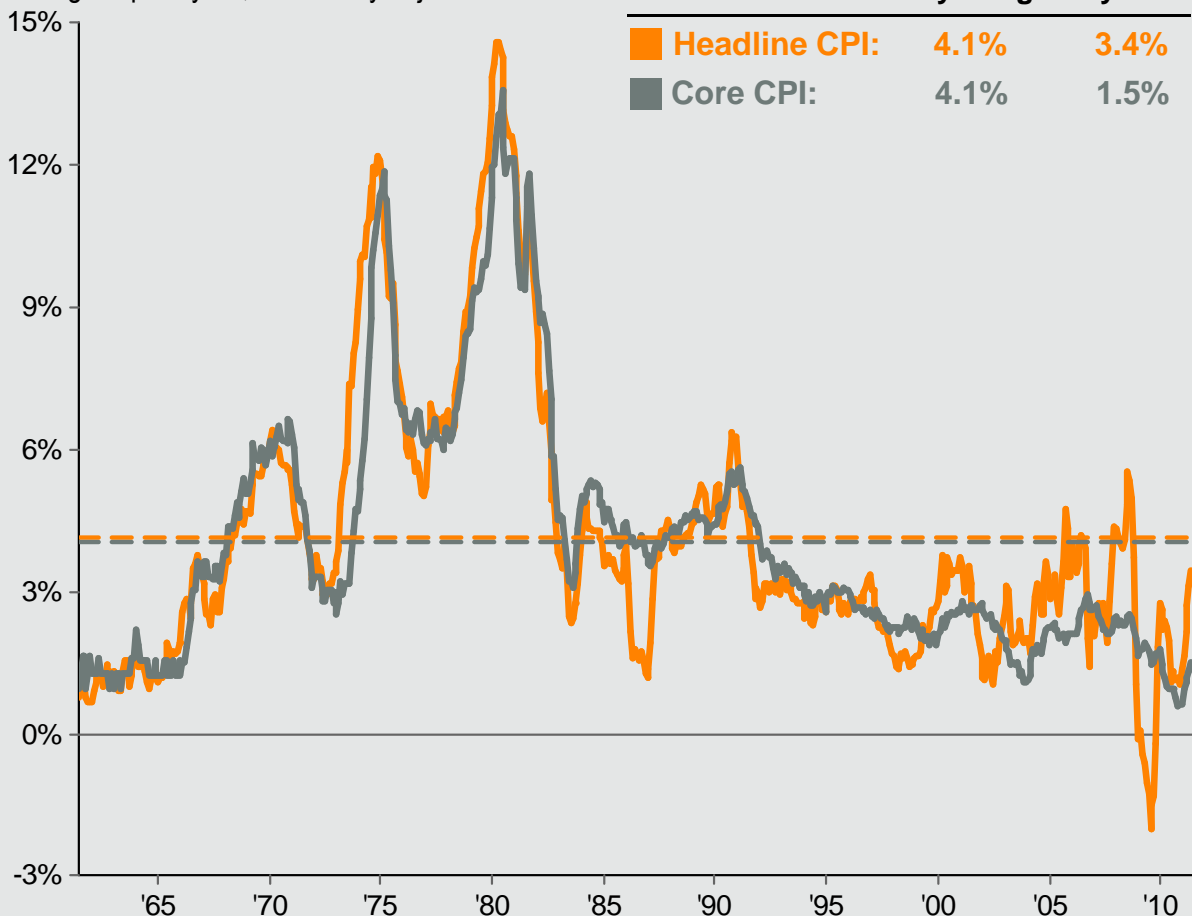


Source: BEA, FactSet, J.P. Morgan Asset Management.

Consumer Price Index

CPI and Core CPI

% chg vs. prior year, seasonally adjusted



CPI Components	Weight in CPI	12-month Change
Food & Bev.	14.8%	3.4%
Housing	41.5%	1.2%
Apparel	3.6%	1.0%
Transportation	17.3%	12.5%
Medical Care	6.6%	3.0%
Recreation	6.3%	0.0%
Educ. & Comm.	6.4%	1.0%
Other	3.5%	1.5%
Headline CPI	100.0%	3.4%
Less:		
Energy	9.1%	20.7%
Food	13.7%	3.5%
Core CPI	77.2%	1.5%

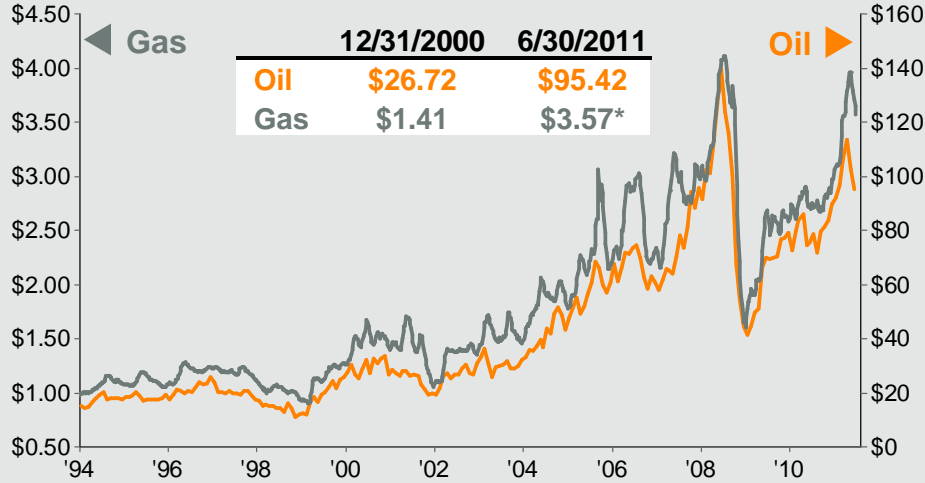
Source: BLS, J.P. Morgan Asset Management.

CPI values shown are % change vs. 1 year ago and reflect May 2011 CPI data. CPI component weights are as of May 2011 and 12-month change reflects data through May 2011. Core CPI is defined as CPI excluding food and energy prices.

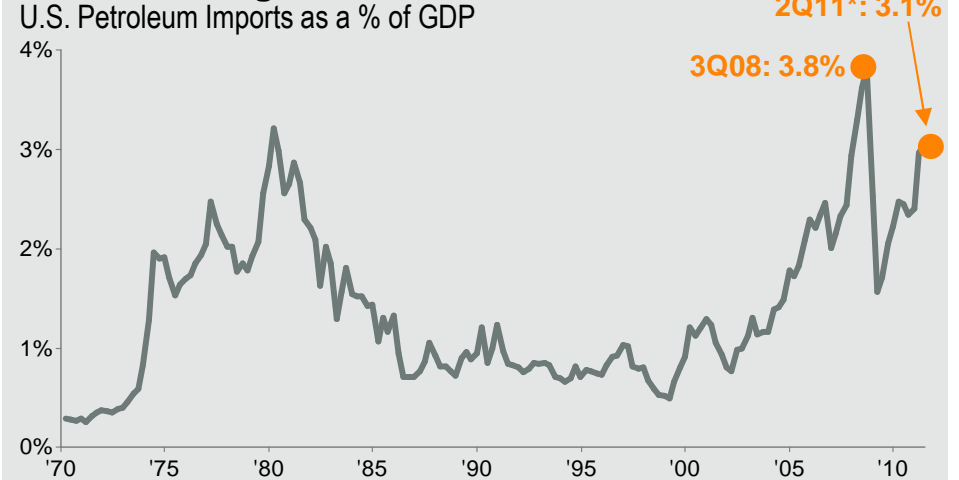
Data reflect most recently available as of 6/30/11.

Oil and the Economy

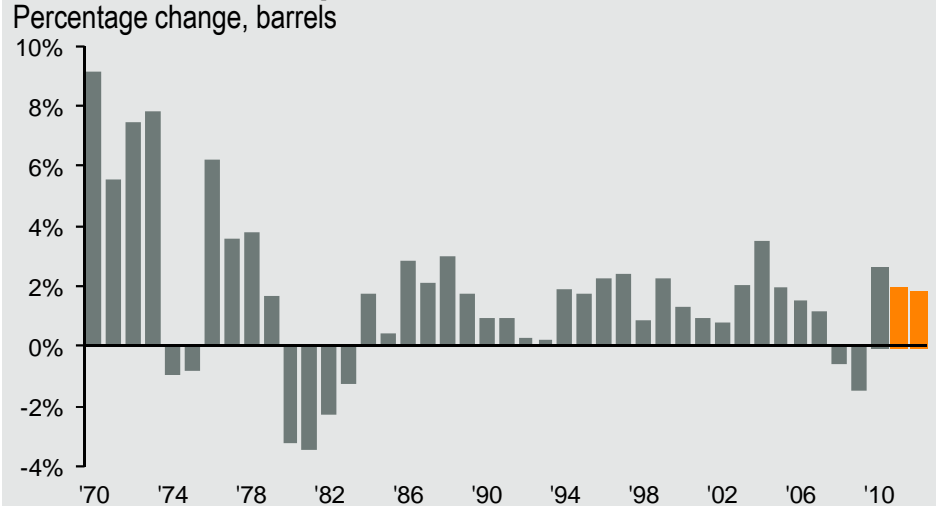
WTI Crude Oil & Retail Gasoline Prices



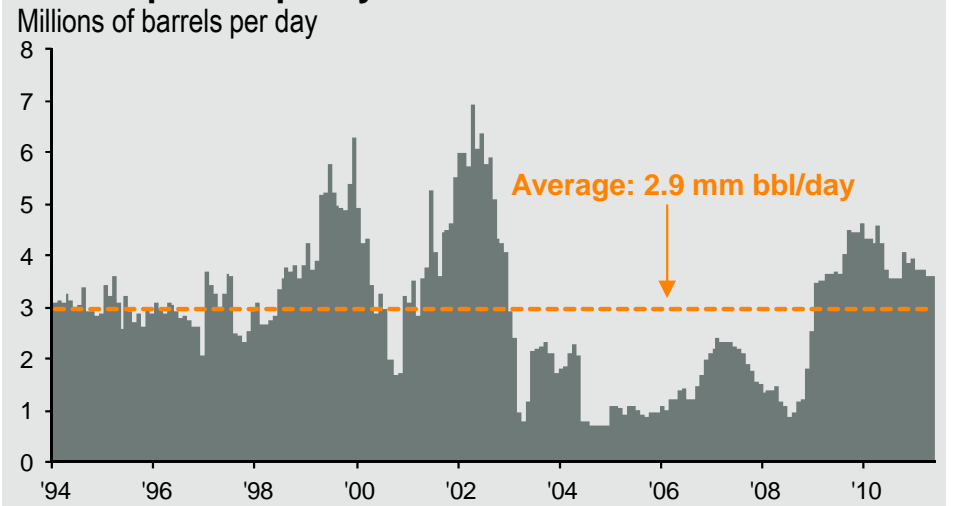
Economic Drag From Oil Prices



World Oil Consumption



OPEC Spare Capacity – Crude Oil



Source: U.S. Department of Energy, FactSet, J.P. Morgan Asset Management.

2011 and 2012 world oil consumption based on estimates from U.S. Department of Energy.*Gasoline price based on weekly series; data are as of 7/1/11.

Data reflect most recently available as of 6/30/11.

Source: (Top) BEA, FactSet, J.P. Morgan Asset Management. (Bottom) OPEC, EIA, J.P. Morgan Asset Management.

*2Q drag from oil prices is a J.P. Morgan Asset Management estimate.

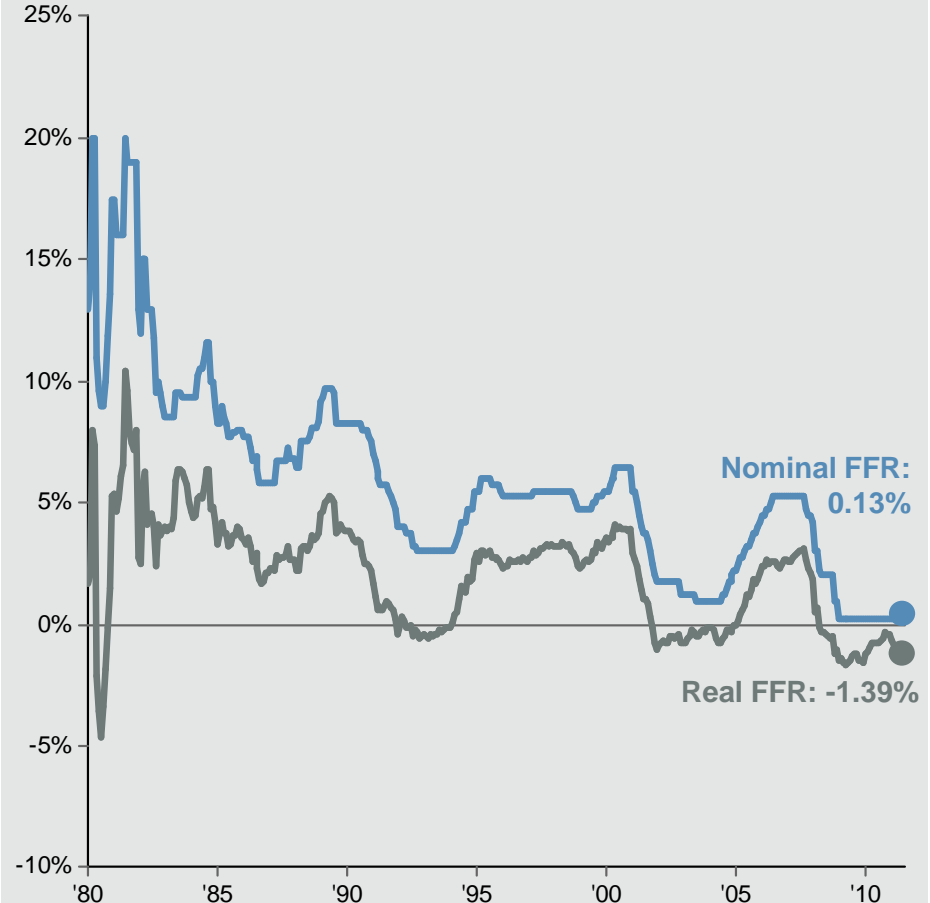
10-Year Yields: Nominal Treasuries & TIPS



Source: St. Louis Fed, Federal Reserve, J.P. Morgan Asset Management.
 Treasury Inflation-Protected Securities were first introduced in 1997.
 Data are as of 6/30/11.

Nominal and Real Policy Rates

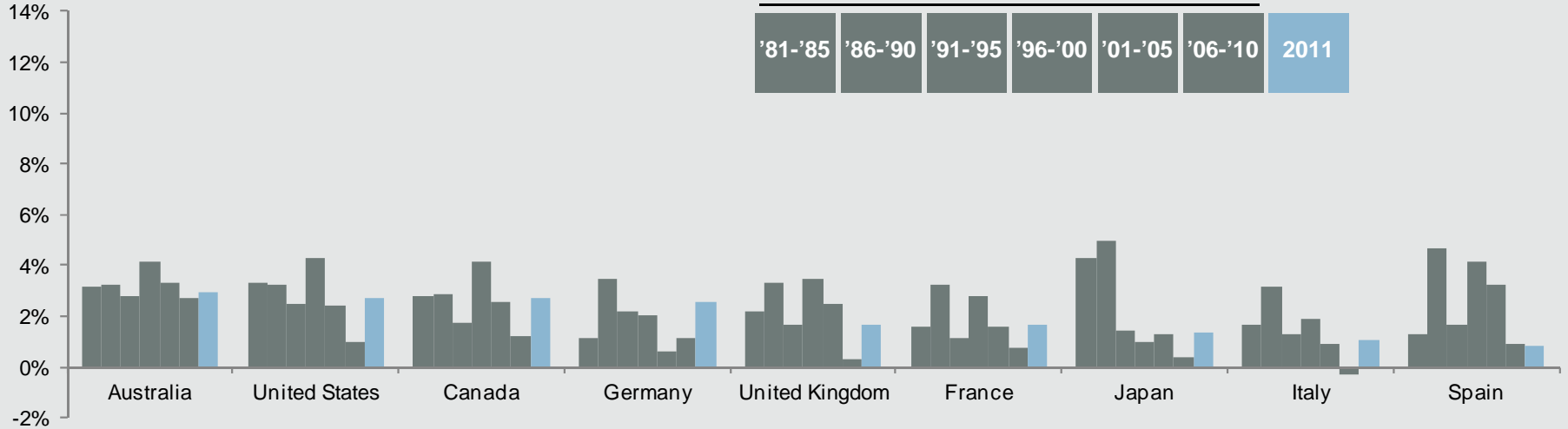
Nominal Fed Funds Rate and Real Fed Funds Rate



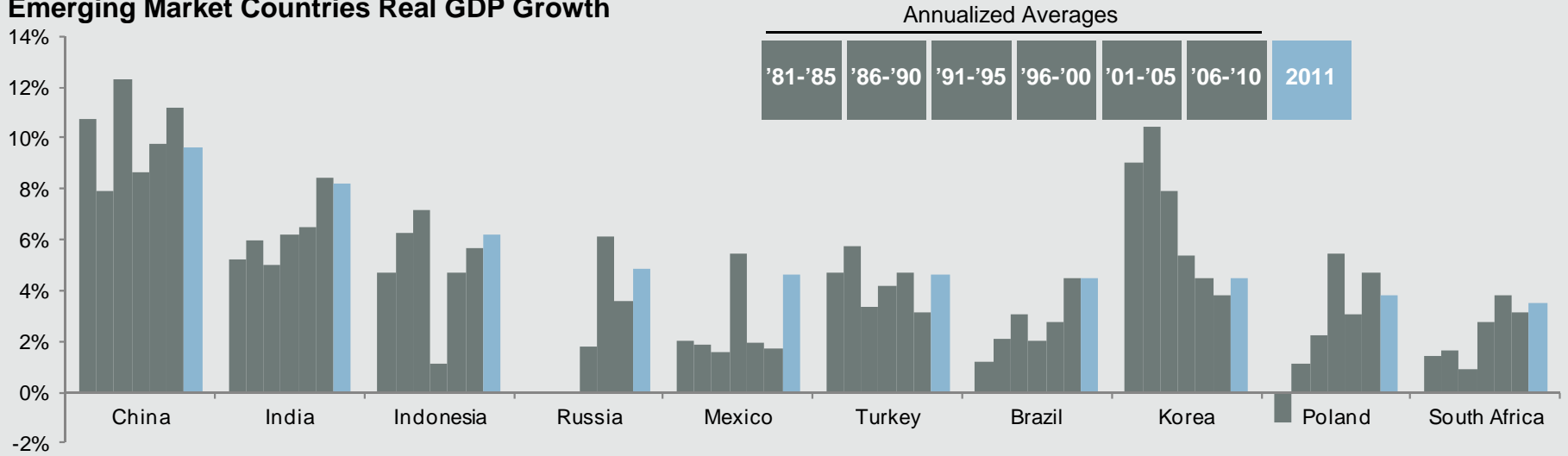
Source: FRB, BLS, J.P. Morgan Asset Management. Chart is the Federal Funds Target Rate less Core CPI (inflation excluding food and energy, year-over-year).
 Data are as of 6/30/11.

Global Economic Growth

Developed Market Countries Real GDP Growth



Emerging Market Countries Real GDP Growth



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

2011 data are estimates as provided by the IMF.

Data are as of 6/30/11.

International Economic and Demographic Data

Economics						Demographics				
	GDP USD (B\$)	GDP Per Capita	GDP Growth	Unempl. Rate	Inflation (CPI)	Population	Population Growth	Percent Age >65	Median Age	Migration per 1000
Developed										
U.S.	\$15,018	\$47,200	1.9%	9.1%	3.4%	313 mm	1.0%	13.1%	36.9 yrs	+4.2
Canada	1,330	39,400	3.9	7.4	3.7	34	0.8	15.9	41.0	+5.7
U.K.	2,173	34,800	2.0	7.7	4.5	63	0.6	16.5	40.0	+2.6
Germany	2,940	35,700	6.1	7.0	2.3	81	-0.2	20.6	44.9	+0.5
France	2,145	33,100	3.9	9.7	2.0	65	0.5	16.8	39.9	+1.5
Japan	4,310	34,000	-3.5	4.7	0.3	126	-0.3	22.9	44.8	-
Italy	1,774	30,500	0.4	8.5	3.0	61	0.4	20.3	43.5	+4.9
Emerging										
Russia	2,223	15,900	5.1	6.4	9.6	139	-0.5	13.0	38.7	+0.3
Mexico	1,567	13,900	2.1	5.2	3.2	114	1.1	6.6	27.1	-3.2
Brazil	2,172	10,800	5.4	6.4	6.6	203	1.1	6.7	29.3	-0.1
China	10,090	7,600	8.8	4.1	5.5	1,337	0.5	8.9	35.5	-0.3
India	4,060	3,500	8.3	10.8	9.1	1,189	1.3	5.5	26.2	-0.1

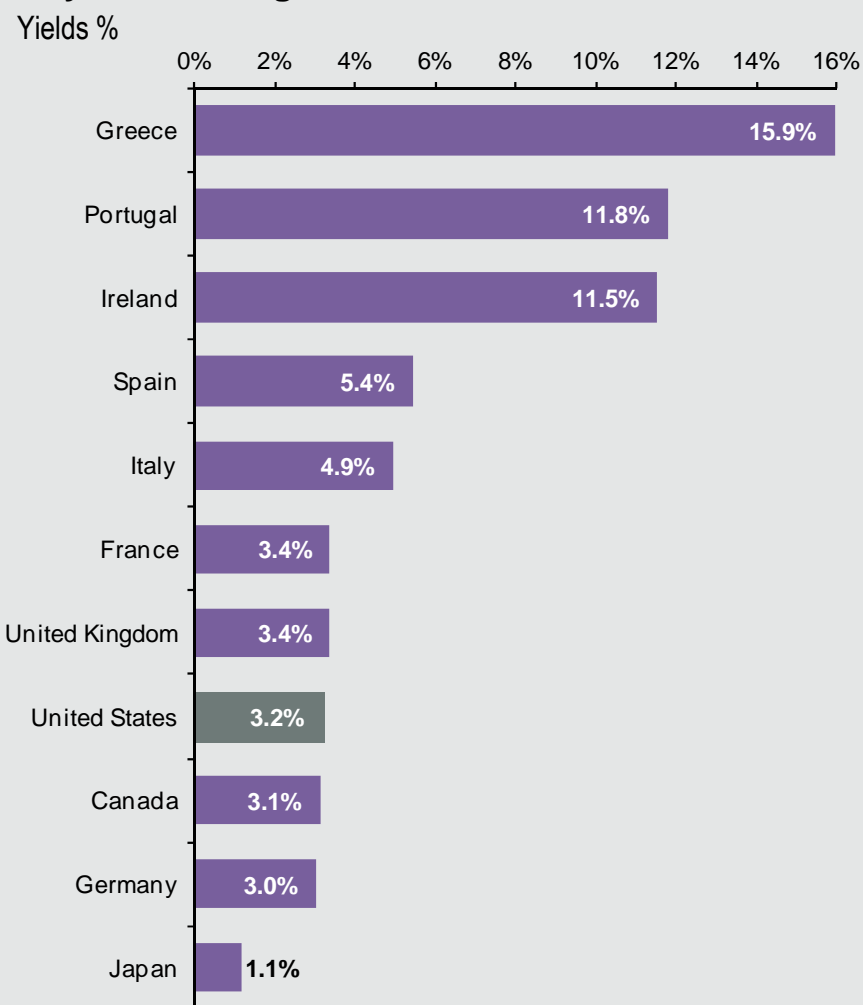
Source: FactSet, CIA, J.P. Morgan Securities, J.P. Morgan Asset Management.

All GDP Growth data are from J.P. Morgan Economics and expressed as % change versus prior quarter annualized with the exception of India, which is from the India Ministry of Statistics & Programme Implementation and represents % change versus a year ago. All GDP Growth data are for 1Q11. India unemployment is from CIA estimates and is as of 2010, and Italy unemployment is as of 12/31/10. CPI Inflation is shown as % change versus a year ago and all data are for 1Q11. Unemployment rate for developed countries refers to May 2011 and comes from FactSet Economics, Eurostat and Statistics Canada. Demographic data provided by CIA World Factbook at CIA.gov.

Data are as of 6/30/11.

Sovereign Debt Vulnerability

10-year Sovereign Debt Interest Rates



	Structural Govt. Deficit % of projected 2011 GDP	Net Govt. Debt	Current Acct. Balance	% Govt. Debt Held Abroad 2010	Weighted Average Maturity
Greece	-6.0	152.3	-8.2	61.5	7.8 years
Portugal	-3.2	86.3	-8.7	56.7	6.6
Ireland	-5.9	95.2	0.2	59.4	7.0
Spain	-4.7	52.6	-4.8	49.6	6.7
Italy	-2.8	100.6	-3.4	47.0	6.8
France	-4.0	77.9	-2.8	64.4	7.3
United Kingdom	-6.6	75.1	-2.4	26.7	13.8
United States	-8.1	72.4	-3.2	31.9	5.3
Canada	-3.6	35.1	-2.8	19.6	6.3
Germany	-2.1	54.7	5.1	52.8	6.7
Japan	-8.3	127.8	2.3	6.9	6.2

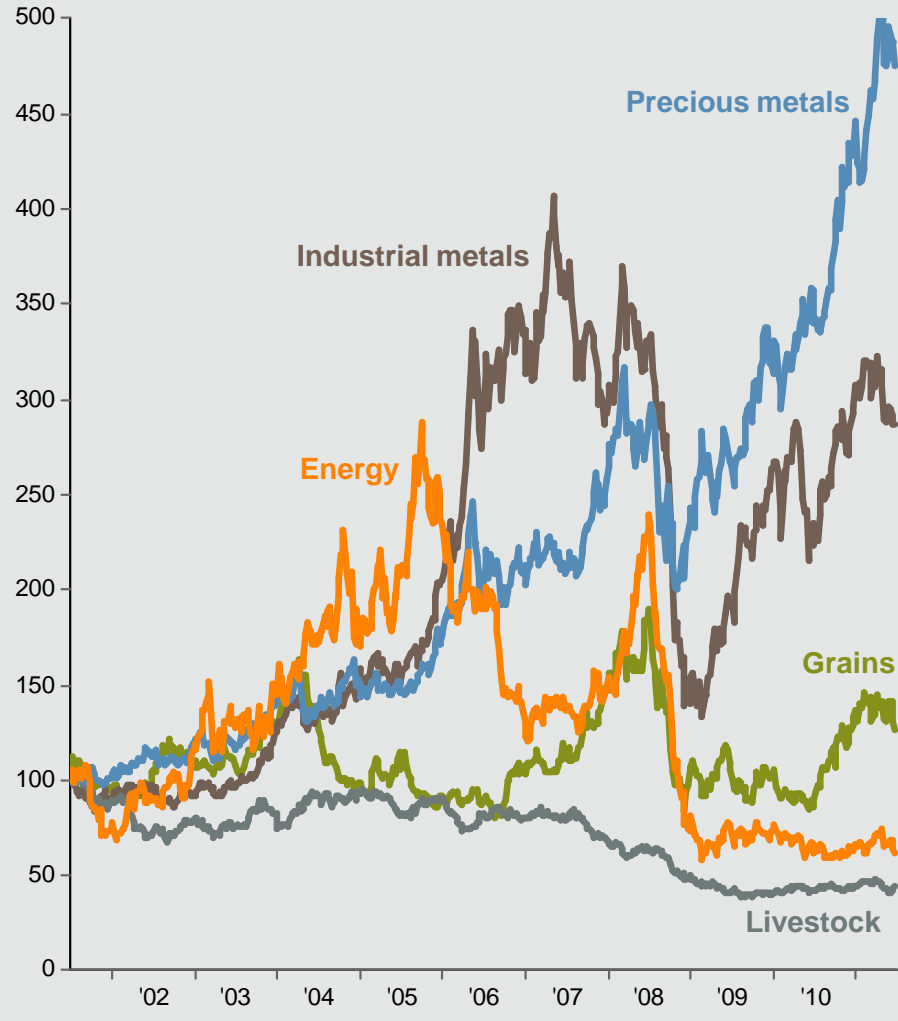
Source: FactSet, IMF's April 2011 Global Financial Stability Report, IMF's June 2011 World Economic Outlook, J.P. Morgan Asset Management.

The Structural Deficit represents what the deficit would be if the economy were operating at its potential. Net government debt is equal to gross government debt less government assets.

Data are as of 6/30/11.

Commodity Prices

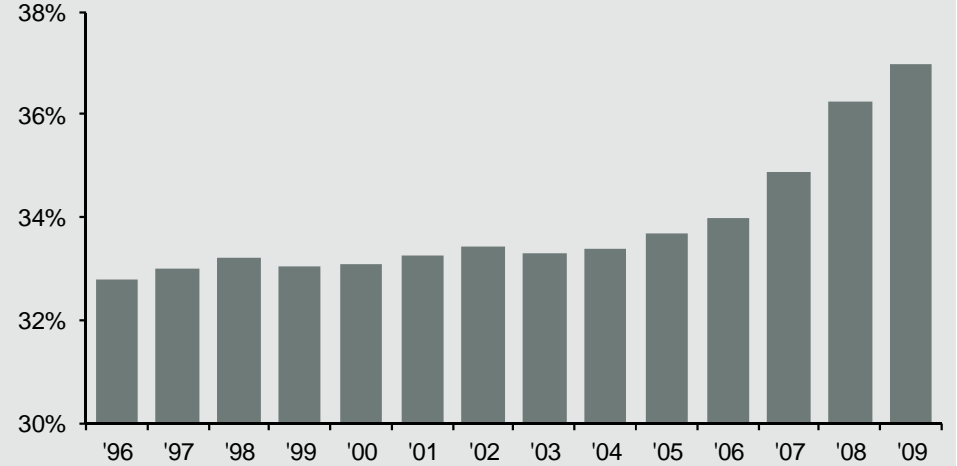
Weekly index prices rebased to 100



Source: Dow Jones/UBS, FactSet, J.P. Morgan Asset Management.
Commodity prices represented by the appropriate DJ/UBS Commodity sub-index.
Data reflect most recently available as of 6/30/11.

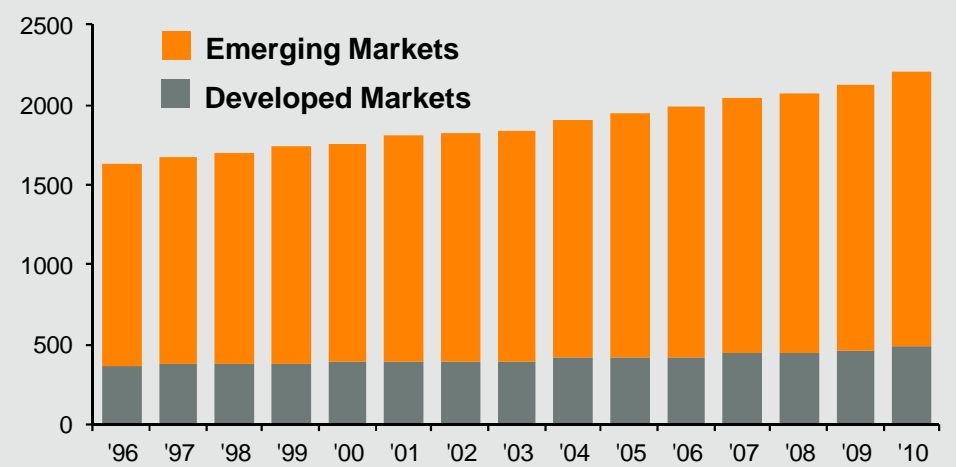
Oil Demand: Emerging Markets Share

Emerging markets as % of total global oil consumption



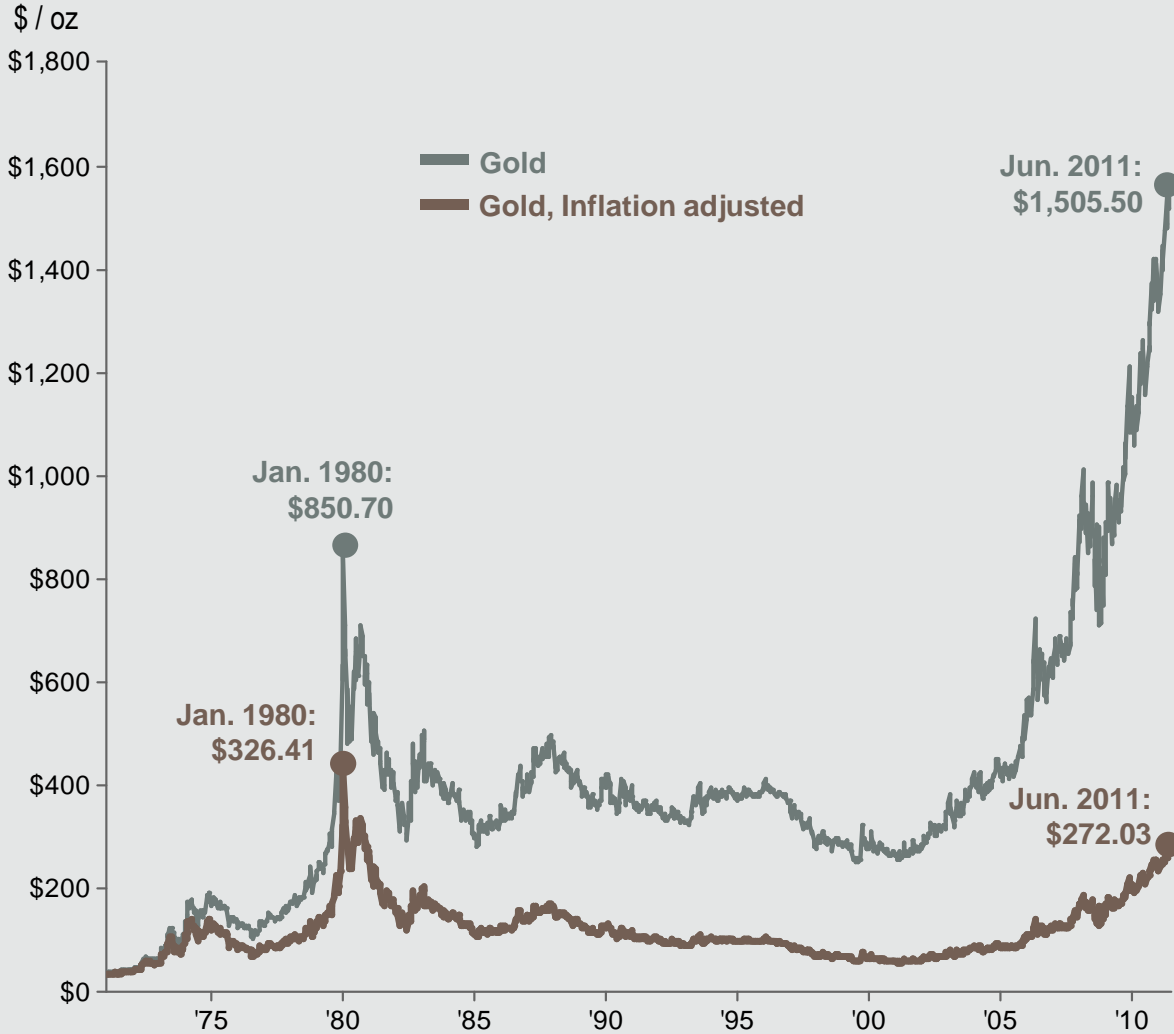
Grain Demand: Emerging vs. Developed Markets

Millions of metric tons



Source: USDA, BP Statistical Review of World Energy, J.P. Morgan Asset Management.
Data are as of 6/30/11.

Gold Prices



World Gold Production

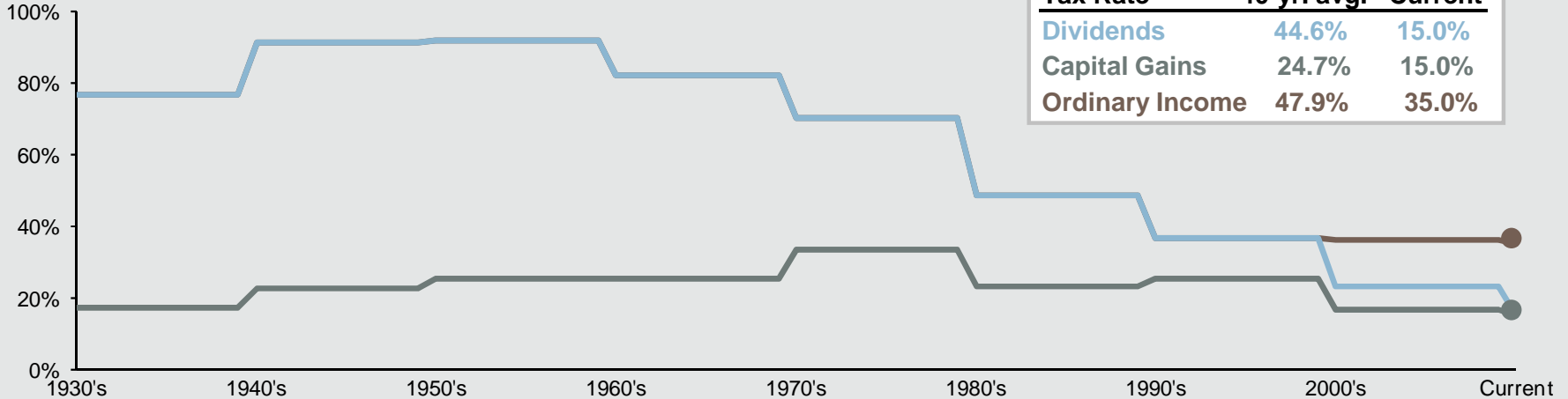
Year	Troy Ounces	Total Value
2000	83.3 mm	\$23 bn
2001	83.6 mm	\$23 bn
2002	82.0 mm	\$25 bn
2003	81.7 mm	\$30 bn
2004	77.8 mm	\$32 bn
2005	79.4 mm	\$35 bn
2006	76.2 mm	\$46 bn
2007	75.9 mm	\$53 bn
2008	73.6 mm	\$64 bn
2009	78.8 mm	\$77 bn

Source: (Left chart) EcoWin, BLS, U.S. Department of Energy, FactSet, J.P. Morgan Asset Management. (Right table) U.S. Geological Survey, World Gold Council, J.P. Morgan Asset Management. CPI adjusted gold values are calculated using month averages of gold spot prices divided by the CPI value for that month. CPI is rebased to 100 at the start of the chart.

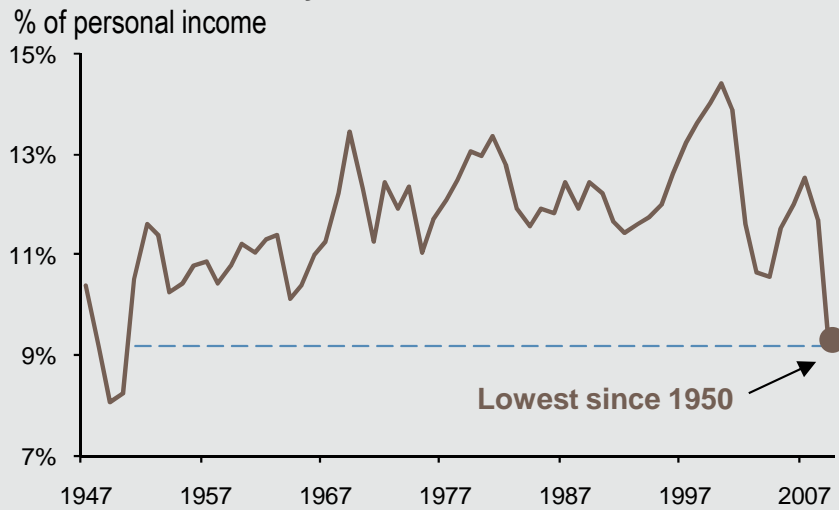
Data reflect most recently available as of 6/30/11.

Marginal and Average Tax Rates

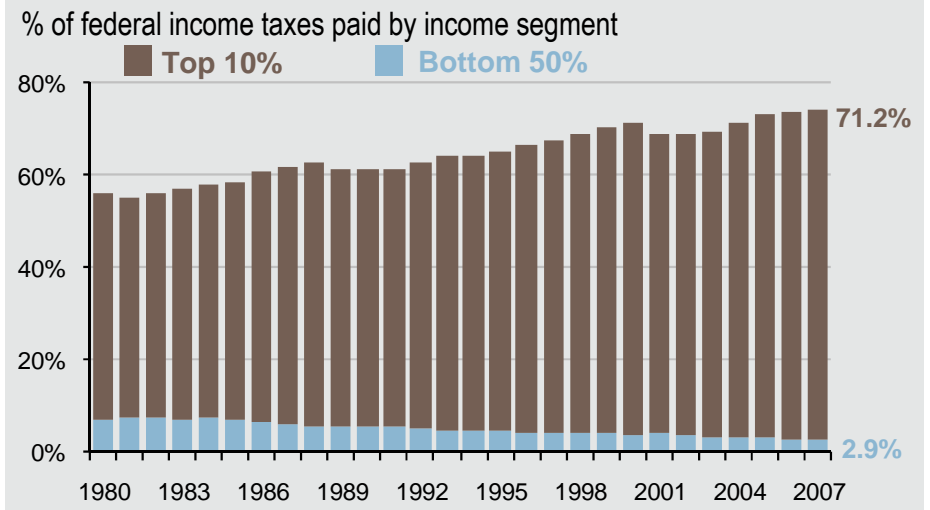
Average Maximum Tax Rate on Dividends and Capital Gains



Taxes Collected by the Government



Share of Federal Income Taxes



Source: (Top) The Tax Foundation, J.P. Morgan Asset Management. Tax rates based on maximum U.S. individual income tax. (Bottom left) BEA, J.P. Morgan Asset Management. (Bottom right) The Tax Foundation, IRS, J.P. Morgan Asset Management. Personal taxes include taxes on income, personal property and payments for personal licenses (see NIPA tables 3.4 and 3.4u). Data through 2007 is latest available from IRS. Includes all returns with positive AGI. 2007 dollar cut-off/minimum AGI for tax return to fall into top 10%: \$113,018; bottom 50%: \$32,870. The only tax analyzed here is the federal individual income tax, which is responsible for about 25% of the nation's taxes paid. Data are as of 6/30/11.

All indexes are unmanaged and an individual cannot invest directly in an index. Index returns do not include fees or expenses.

The **S&P 500 Index** is widely regarded as the best single gauge of the U.S. equities market. This world-renowned index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the S&P 500 Index focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market. An investor cannot invest directly in an index.

The **S&P 400 Mid Cap Index** is representative of 400 stocks in the mid-range sector of the domestic stock market, representing all major industries.

The **Russell 3000 Index**® measures the performance of the 3,000 largest U.S. companies based on total market capitalization.

The **Russell 1000 Index**® measures the performance of the 1,000 largest companies in the Russell 3000.

The **Russell 1000 Growth Index**® measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index**® measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell Midcap Index**® measures the performance of the 800 smallest companies in the Russell 1000 Index.

The **Russell Midcap Growth Index**® measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Index.

The **Russell Midcap Value Index**® measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value Index.

The **Russell 2000 Index**® measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The **Russell 2000 Growth Index**® measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 2000 Value Index**® measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

The **MSCI® EAFE** (Europe, Australia, Far East) Net Index is recognized as the pre-eminent benchmark in the United States to measure international equity performance. It comprises 21 MSCI country indexes, representing the developed markets outside of North America.

The **MSCI Emerging Markets Index**SM is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2007, the MSCI Emerging Markets Index consisted of the following 25 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

The **MSCI ACWI (All Country World Index) Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. As of June 2009 the **MSCI ACWI** consisted of 45 country indices comprising 23 developed and 22 emerging market country indices.

The **MSCI Small Cap Indices**SM target 40% of the eligible Small Cap universe within each industry group, within each country. MSCI defines the Small Cap universe as all listed securities that have a market capitalization in the range of USD200-1,500 million.

The **MSCI Value and Growth Indices**SM cover the full range of developed, emerging and All Country MSCI Equity indexes. As of the close of May 30, 2003, MSCI implemented an enhanced methodology for the MSCI Global Value and Growth Indices, adopting a two dimensional framework for style segmentation in which value and growth securities are categorized using different attributes - three for value and five for growth including forward-looking variables. The objective of the index design is to divide constituents of an underlying MSCI Standard Country Index into a value index and a growth index, each targeting 50% of the free float adjusted market capitalization of the underlying country index. Country Value/Growth indices are then aggregated into regional Value/Growth indices. Prior to May 30, 2003, the indices used Price/Book Value (P/BV) ratios to divide the standard MSCI country indices into value and growth indices. All securities were classified as either "value" securities (low P/BV securities) or "growth" securities (high P/BV securities), relative to each MSCI country index.

The following **MSCI Total Return Indices**SM are calculated with gross dividends: This series approximates the maximum possible dividend reinvestment. The amount reinvested is the dividend distributed to individuals resident in the country of the company, but does not include tax credits.

The **MSCI Europe Index**SM is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe. As of June 2007, the MSCI Europe Index consisted of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

The **MSCI Pacific Index**SM is a free float-adjusted market capitalization index that is designed to measure equity market performance in the Pacific region. As of June 2007, the MSCI Pacific Index consisted of the following 5 Developed Market countries: Australia, Hong Kong, Japan, New Zealand, and Singapore.

Credit Suisse/Tremont Hedge Fund Index is compiled by Credit Suisse Tremont Index, LLC. It is an asset-weighted hedge fund index and includes only funds, as opposed to separate accounts. The Index uses the Credit Suisse/Tremont database, which tracks over 4500 funds, and consists only of funds with a minimum of US\$50 million under management, a 12-month track record, and audited financial statements. It is calculated and rebalanced on a monthly basis, and shown net of all performance fees and expenses. It is the exclusive property of Credit Suisse Tremont Index, LLC.

The **NCREIF Property Index** is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. All properties in the NPI have been acquired, at least in part, on behalf of tax-exempt institutional investors - the great majority being pension funds. As such, all properties are held in a fiduciary environment.

The **NAREIT EQUITY REIT Index** is designed to provide the most comprehensive assessment of overall industry performance, and includes all tax-qualified real estate investment trusts (REITs) that are listed on the NYSE, the American Stock Exchange or the NASDAQ National Market List.

All indexes are unmanaged and an individual cannot invest directly in an index. Index returns do not include fees or expenses.

The **Dow Jones-UBS Commodity Index** is composed of futures contracts on physical commodities and represents nineteen separate commodities traded on U.S. exchanges, with the exception of aluminum, nickel, and zinc.

The **S&P GSCI Index** is a composite index of commodity sector returns representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities. The returns are calculated on a fully collateralized basis with full reinvestment. Individual components qualify for inclusion in the index on the basis of liquidity and are weighted by their respective world production quantities.

The **Barclays Capital U.S. Aggregate Index** represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indexes that are calculated and reported on a regular basis.

This **U.S. Treasury Index** is a component of the U.S. Government index.

West Texas Intermediate (WTI) is the underlying commodity for the New York Mercantile Exchange's oil futures contracts.

The **Barclays Capital High Yield Index** covers the universe of fixed rate, non-investment grade debt. Pay-in-kind (PIK) bonds, Eurobonds, and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, and 144-As are also included.

The **Barclays Capital 1-3 Month U.S. Treasury Bill Index** includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have \$250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non convertible.

The **Barclays Capital General Obligation Bond Index** is a component of the **Barclays Capital Municipal Bond Index**. To be included in the index, bonds must be general obligation bonds rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date. Remarketed issues, taxable municipal bonds, bonds with floating rates, and derivatives, are excluded from the benchmark.

The **Barclays Capital Revenue Bond Index** is a component of the **Barclays Capital Municipal Bond Index**. To be included in the index, bonds must be revenue bonds rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date. Remarketed issues, taxable municipal bonds, bonds with floating rates, and derivatives, are excluded from the benchmark.

The **Barclays High Yield Municipal Index** includes bonds rated Ba1 or lower or non-rated bonds using the middle rating of Moody's, S&P and Fitch.

The **Barclays Capital Taxable Municipal Bond Index** is a rules-based, market-value weighted index engineered for the long-term taxable bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies if all three rate the bond: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate and must be at least one year from their maturity date. Remarketed issues (unless covered to fixed rate), bonds with floating rates, and derivatives, are excluded from the benchmark.

Municipal Bond Index: To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date. Remarketed issues, taxable municipal bonds, bonds with floating rates, and derivatives are excluded from the benchmark.

The **Barclays Capital Emerging Markets Index** includes USD-denominated debt from emerging markets in the following regions: Americas, Europe, Middle East, Africa, and Asia. As with other fixed income benchmarks provided by Barclays Capital, the index is rules-based, which allows for an unbiased view of the marketplace and easy replicability.

The **Barclays Capital MBS Index** covers the mortgage-backed pass-through securities of Ginnie Mae, Fannie Mae, and Freddie Mac. Aggregate components must have a weighted average maturity of at least one year, must have \$250 million par amount outstanding, and must be fixed rate mortgages.

The **Barclays Capital Corporate Bond Index** is the Corporate component of the U.S. Credit index.

The **Barclays Capital TIPS Index** consists of Inflation-Protection securities issued by the U.S. Treasury.

The **J.P. Morgan EMBI Global Index** includes U.S. dollar denominated Brady bonds, Eurobonds, traded loans and local market debt instruments issued by sovereign and quasi-sovereign entities.

The **J.P. Morgan Domestic High Yield Index** is designed to mirror the investable universe of the U.S. dollar domestic high yield corporate debt market.

The **CS/Tremont Equity Market Neutral Index** takes both long and short positions in stocks with the aim of minimizing exposure to the systematic risk of the market (i.e., a beta of zero).

The **CS/Tremont Multi-Strategy Index** consists of funds that allocate capital based on perceived opportunities among several hedge fund strategies. Strategies adopted in a multi-strategy fund may include, but are not limited to, convertible bond arbitrage, equity long/short, statistical arbitrage and merger arbitrage.

*Market Neutral returns for November 2008 are estimates by J.P. Morgan Funds Market Strategy, and are based on a December 8, 2008 published estimate for November returns by CS/Tremont in which the Market Neutral returns were estimated to be +0.85% (with 69% of all CS/Tremont constituents having reported return data). Presumed to be excluded from the November return are three funds, which were later marked to \$0 by CS/Tremont in connection with the Bernard Madoff scandal. J.P. Morgan Funds believes this distortion is not an accurate representation of returns in the category. CS/Tremont later published a finalized November return of -40.56% for the month, reflecting this mark-down. CS/Tremont assumes no responsibility for these estimates.

Past performance is no guarantee of comparable future results.

Diversification does not guarantee investment returns and does not eliminate the risk of loss.

Bonds are subject to interest rate risks. Bond prices generally fall when interest rates rise. The price of **equity** securities may rise, or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. These price movements may result from factors affecting individual companies, sectors or industries, or the securities market as a whole, such as changes in economic or political conditions. Equity securities are subject to "stock market risk" meaning that stock prices in general may decline over short or extended periods of time.

Small-capitalization investing typically carries more risk than investing in well-established "blue-chip" companies since smaller companies generally have a higher risk of failure. Historically, smaller companies' stock has experienced a greater degree of market volatility than the average stock.

Mid-capitalization investing typically carries more risk than investing in well-established "blue-chip" companies. Historically, mid-cap companies' stock has experienced a greater degree of market volatility than the average stock.

Real estate investments may be subject to a higher degree of market risk because of concentration in a specific industry, sector or geographical sector. Real estate investments may be subject to risks including, but not limited to, declines in the value of real estate, risks related to general and economic conditions, changes in the value of the underlying property owned by the trust and defaults by borrower.

International investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Also, some overseas markets may not be as politically and economically stable as the United States and other nations. Investments in **emerging markets** can be more volatile. As mentioned above, the normal risks of investing in foreign countries are heightened when investing in emerging markets. In addition, the small size of securities markets and the low trading volume may lead to a lack of liquidity, which leads to increased volatility. Also, emerging markets may not provide adequate legal protection for private or foreign investment or private property.

Investments in **commodities** may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Use of leveraged commodity-linked derivatives creates an opportunity for increased return but, at the same time, creates the possibility for greater loss.

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Derivatives may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions than other types of investments and could result in losses that significantly exceed the original investment. The use of derivatives may not be successful, resulting in investment losses, and the cost of such strategies may reduce investment returns.

Price to forward earnings is a measure of the price-to-earnings ratio (P/E) using forecasted earnings. **Price to book value** compares a stock's market value to its book value. **Price to cash flow** is a measure of the market's expectations of a firm's future financial health. **Price to dividends** is the ratio of the price of a share on a stock exchange to the dividends per share paid in the previous year, used as a measure of a company's potential as an investment.

There is no guarantee that the use of **long and short positions** will succeed in limiting an investor's exposure to domestic stock market movements, capitalization, sector swings or other risk factors. Investing using long and short selling strategies may have higher portfolio turnover rates. Short selling involves certain risks, including additional costs associated with covering short positions and a possibility of unlimited loss on certain short sale positions.

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