MARKET INSIGHTS

3Q | 2013

Retirement Quarterly Investment Review

J.P.Morgan Asset Management

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Economy

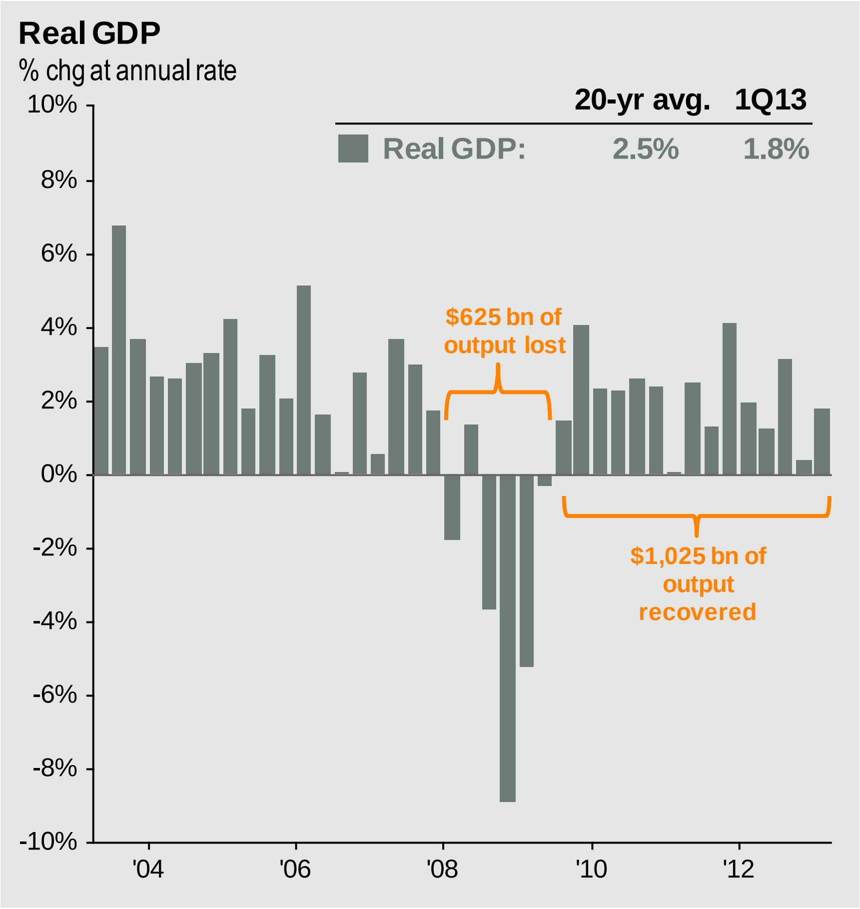
Economic Scorecard

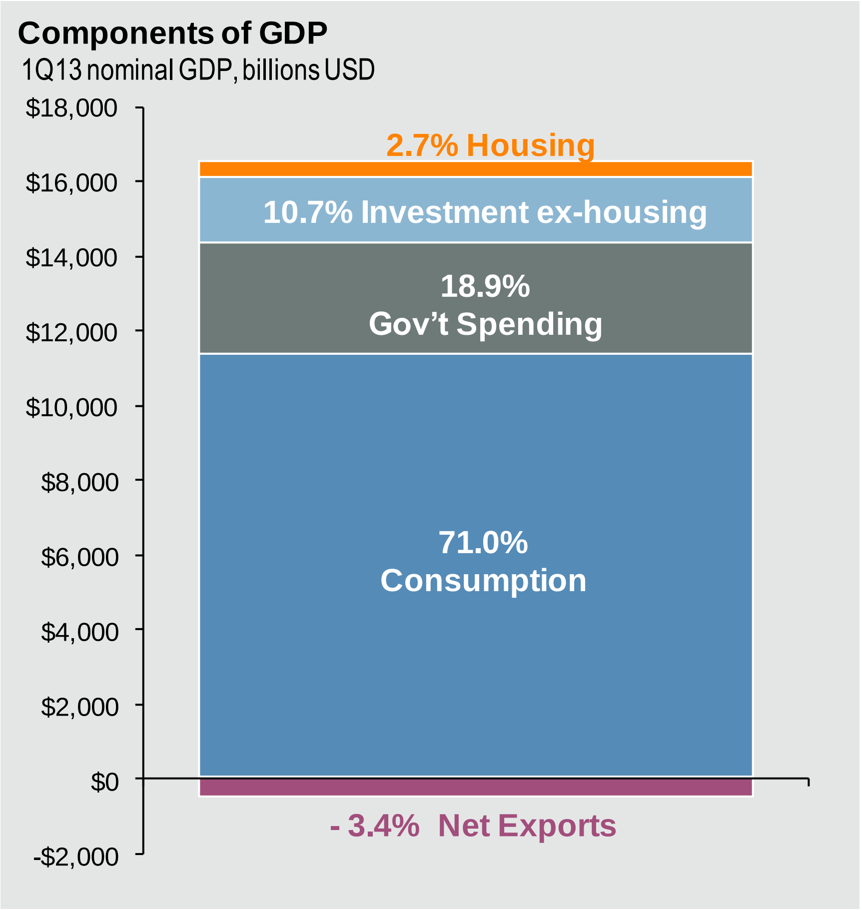
Economy

Growth	👍👎	U.S. economic growth remains modest but extremely resilient to the fiscal drag of higher taxes and fiscal austerity imposed by the sequester. Although growth could prove slower in 2Q13, pent-up demand in the cyclical sectors, particularly autos and housing, help offset the decline in government spending. Furthermore, a steady improvement in sentiment should be supportive of growth, and although a number of headwinds remain, we expect the economy to continue expanding in 2013.
Jobs	👎	The unemployment rate ended the 2Q13 about where it began, but there has been steady improvement in many labor market indicators with private sector job creation averaging 194,000 per month in 2013, in line with the 189,000 seen throughout 2012.
Profits	👍👎	Although margins have reached record peaks, this does not necessarily mean that earnings growth is coming to an end. While it is true that earnings will be much more dependent on revenues than margins going forward, company balance sheets and fundamentals remain quite strong. The operating flexibility of corporations has been and will remain important as they seek the fastest growing markets to sell into.
Inflation	👍	Headline inflation remains below 2% year-over-year, which coupled with continued easing in the core measures (ex-food and energy), is reflective of a slow growth environment. Inflation should remain subdued in the coming months, as there is still slack in the labor market, making a significant rise in wages unlikely.
Rates	👍	The FOMC has signaled their data dependent intention to pare back purchases of Treasuries and mortgage-backed securities over a period less than a year, starting as early as the end of 2013. The FOMC target levels of 6.5% unemployment and 2.5% inflation rate, still appear to be what is necessary to see short-term interest rates move, but the simple mention of slowing Fed purchases was enough to send longer dated rates higher in 2Q13. Higher interest rates could impact certain parts of the economy but are unlikely to move high enough to derail the recovery in housing or the expansion overall.
Risks	👎	(1) An over-easy Fed may pose a longer-term threat to bond investors. (2) Higher oil prices due to turmoil in the Middle East. (3) Financial turmoil caused by an ongoing European sovereign debt crisis. (4) Credit conditions for individuals and small businesses remain challenging.
Investment Opportunities	👍	(1) Stocks continue to look compelling relative to fixed income. (2) High yield bonds look cheaper than Treasuries, but a diversified approach to fixed income seems most appropriate. (3) Residential real estate continues to look attractive as a long-term investment.

Source: Standard & Poor's, FRB, BLS, BEA, J.P. Morgan Asset Management.
The above is shown for illustrative purposes only. Data are most recent as of 6/30/13.

U. S. GDP growth remains slow but resilient



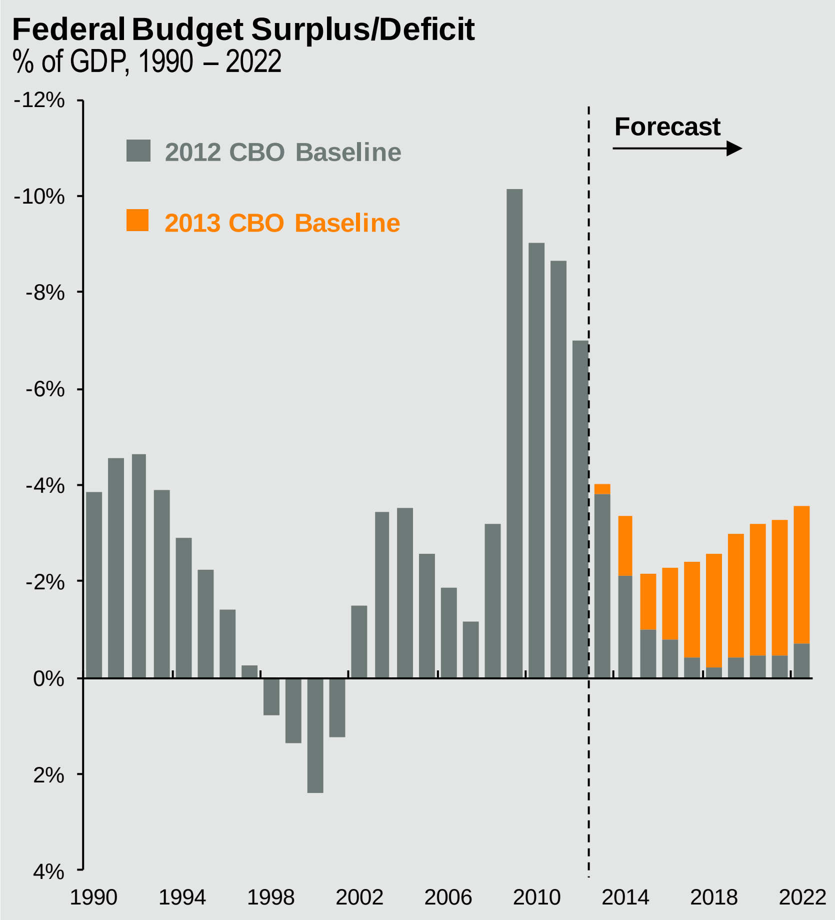


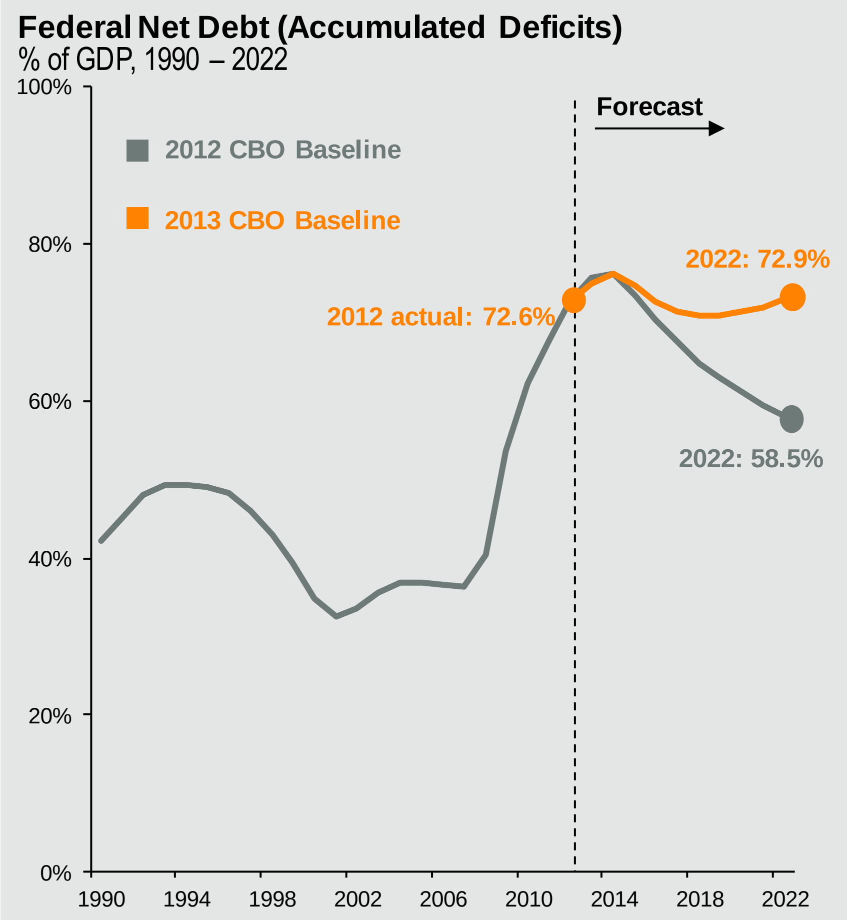
Source: BEA, FactSet, J.P. Morgan Asset Management.

GDP values shown in legend are % change vs. prior quarter annualized and reflect 1Q13 GDP.

Data are as of 6/30/13.

While the U.S. is shouldering fiscal drag remarkably well, austerity should be less of a headwind in the years ahead



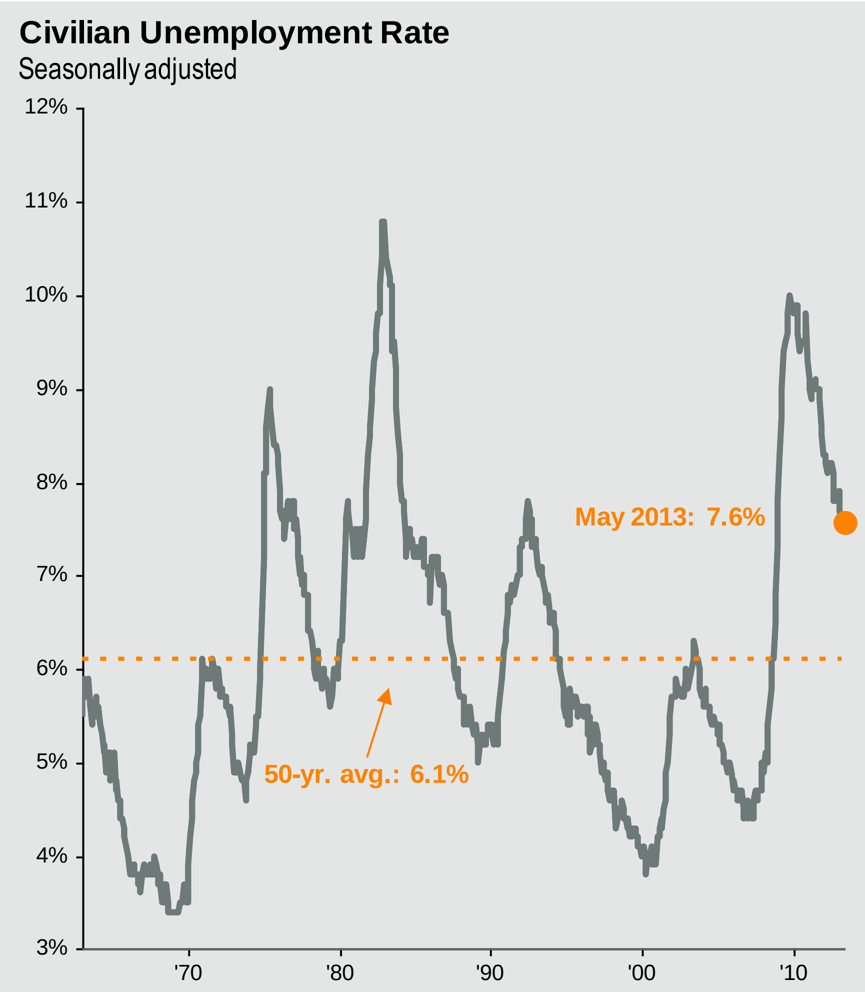


Source: U.S. Treasury, BEA, CBO, J.P. Morgan Asset Management.

2012 numbers are actuals. Note: Years shown are fiscal years (Oct. 1 through Sep. 30). Chart on the left displays federal surplus/deficit (revenues – outlays). Federal net debt comprises all financial liabilities of the Federal government (gross debt) minus all intra-government holdings as assets. Deficit and debt scenarios are based on CBO budget forecasts from August 2012 and May 2013, which include the American Taxpayer Relief Act's cost estimates.

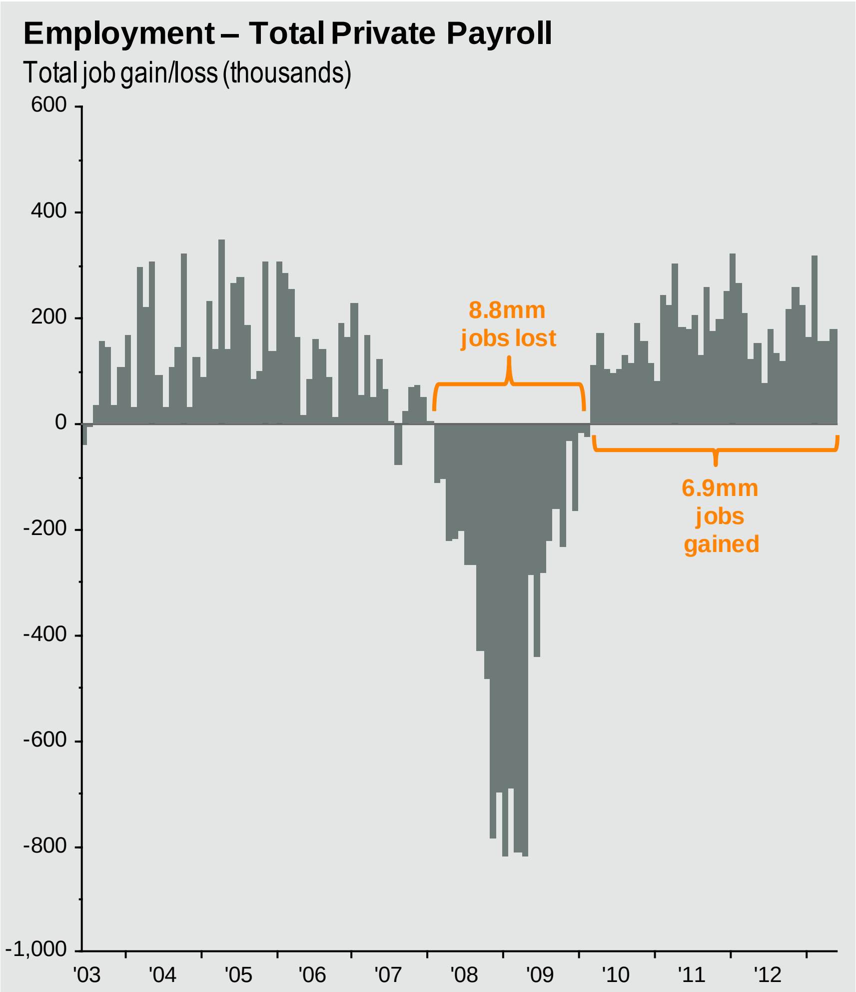
Data are as of 6/30/13.

…and businesses are cautiously hiring



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

Data are as of 6/30/13.

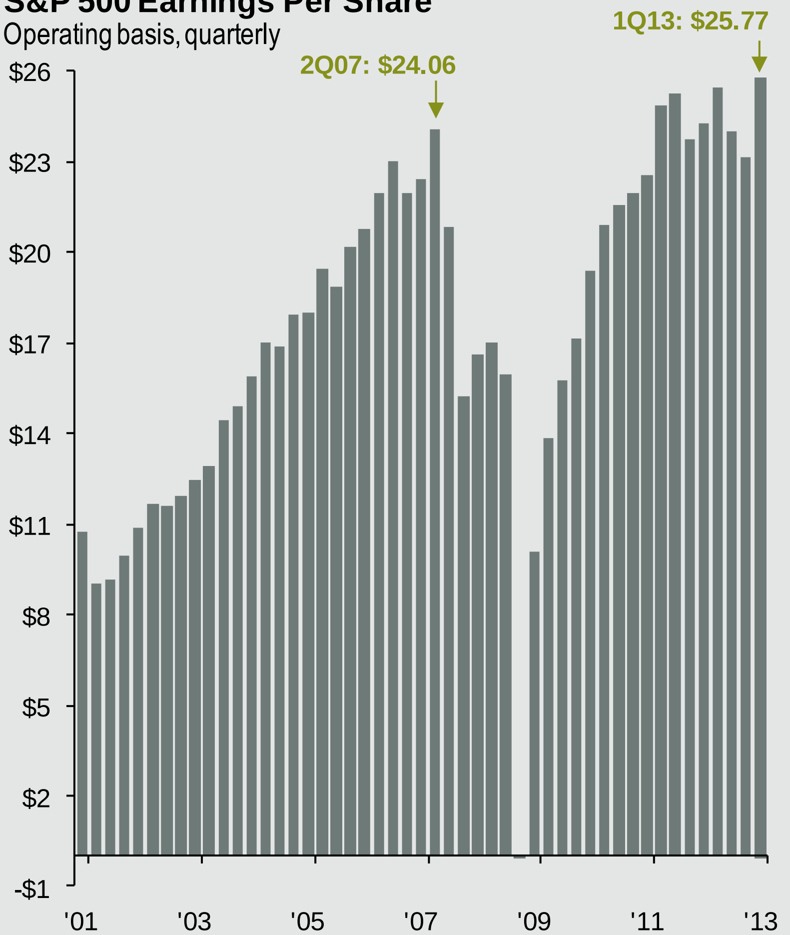


Source: BLS, FactSet, J.P. Morgan Asset Management.

Profits remain elevated despite a slowing growth rate…

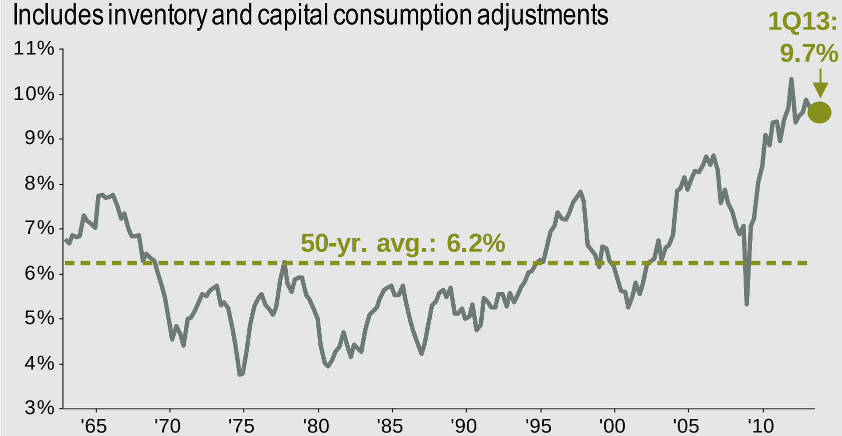
S&P 500 Earnings Per Share

Operating basis, quarterly



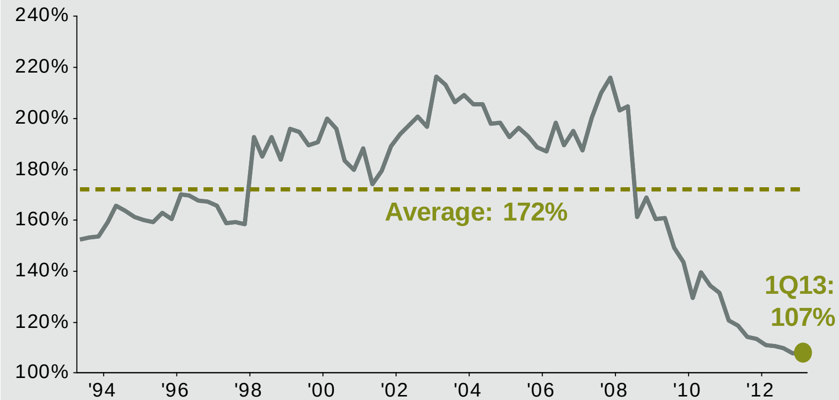
Adjusted After-Tax Corporate Profits (% of GDP)

Includes inventory and capital consumption adjustments



Total Leverage

S&P 500, ratio of total debt to total equity, quarterly



Source: Standard & Poor's, Compustat, BEA, J.P. Morgan Asset Management.
EPS levels are based on operating earnings per share. Most recently available data is 4Q12 as 1Q13 are Standard & Poor's estimates with 99.7% of companies reported.
Past performance is not indicative of future returns.

Data are as of 6/30/13.

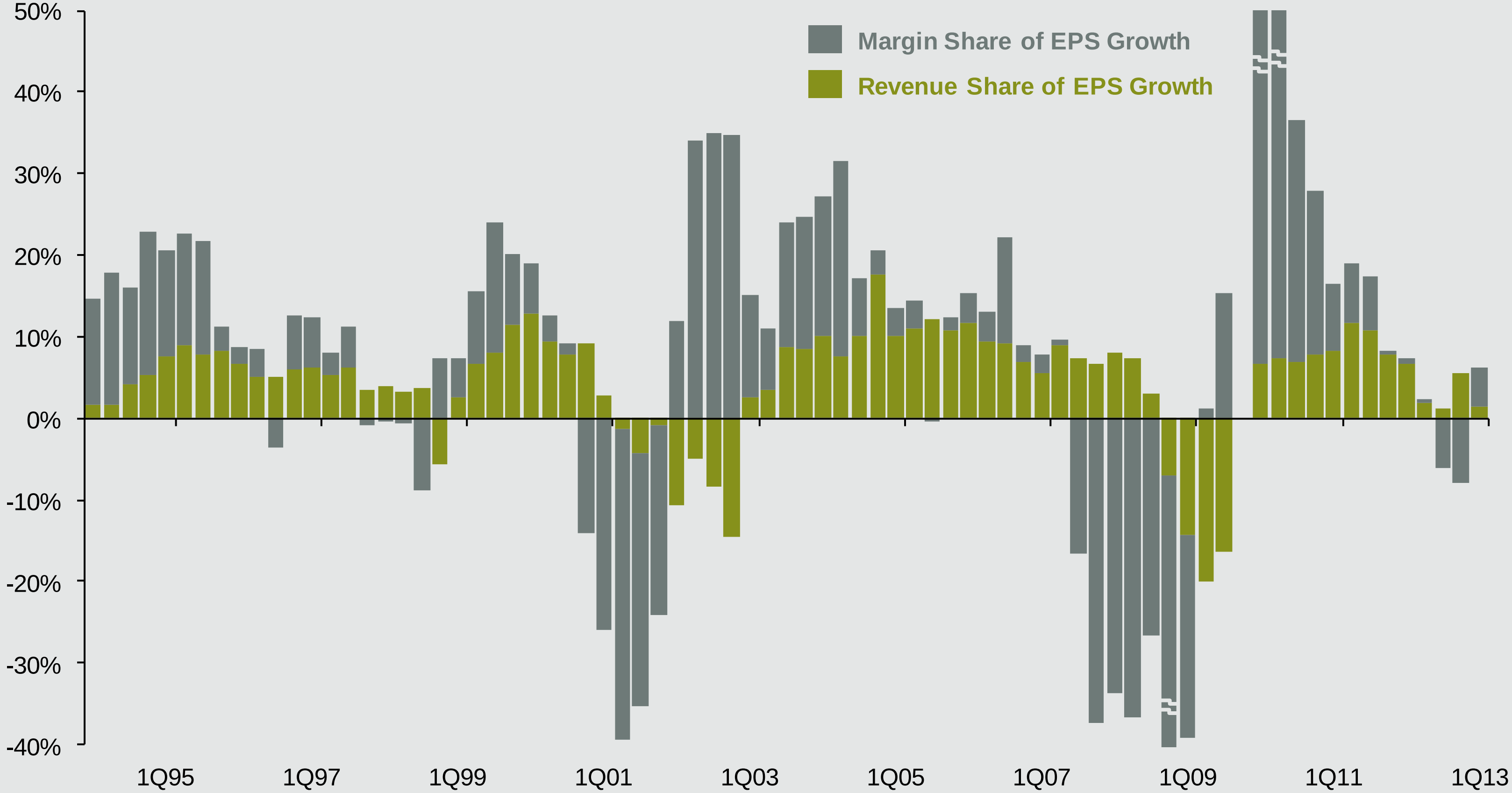
MARKET INSIGHTS

…EPS growth rates should continue to drift towards revenue growth rates

Economy

S&P 500 Year-Over-Year EPS Growth

Growth broken into revenue growth and margin expansion, quarterly



Source: Standard & Poor's, Compustat, J.P. Morgan Asset Management.
EPS levels are based on operating earnings per share. Most recently available data is 4Q12 as 1Q13 are Standard & Poor's estimates with 99.7% of companies reported. Past performance is not indicative of future returns. 4Q2008, 1Q2010 and 2Q2010 reflect -101%, 92% and 51% growth in operating earnings, and are adjusted on the chart.

Data are as of 6/30/13.

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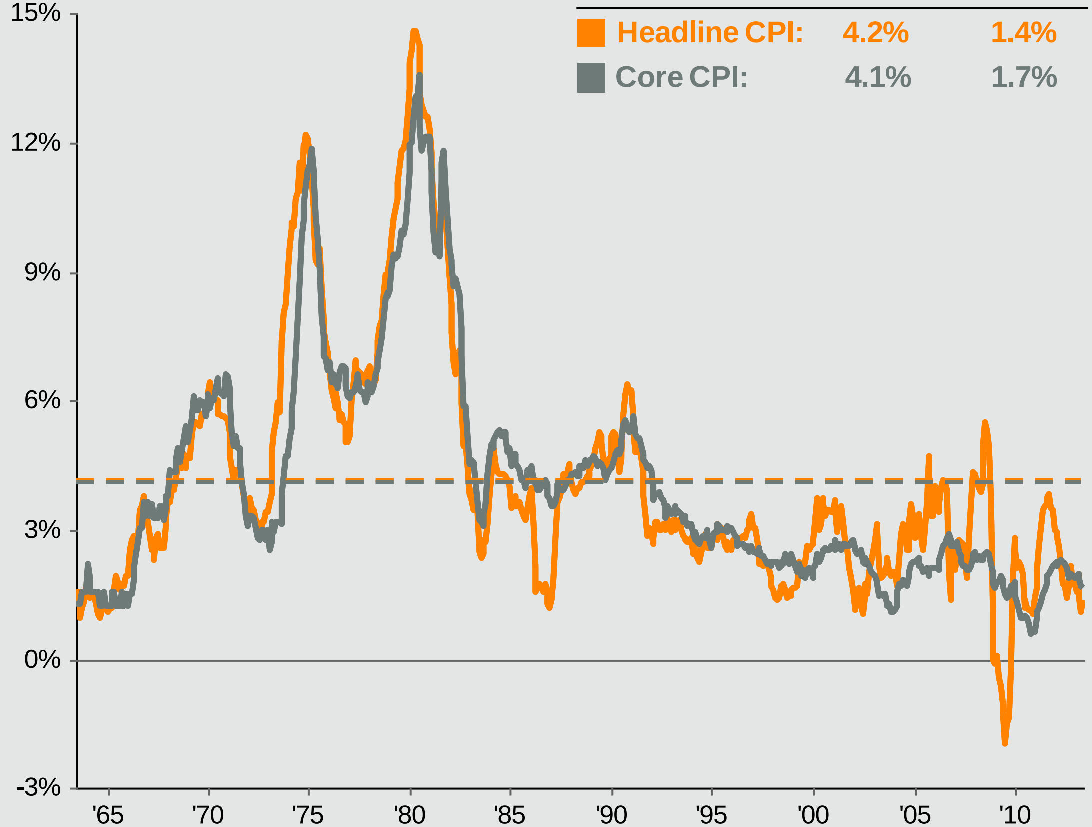
Inflation remains subdued…

CPI and Core CPI

% change vs. prior year, seasonally adjusted



CPI Components	Weight in CPI	12-month Change
Food & Bev.	15.3%	1.4%
Housing	41.0%	2.2%
Apparel	3.6%	0.2%
Transportation	16.8%	-0.5%
Medical Care	7.2%	2.2%
Recreation	6.0%	0.8%
Educ. & Comm.	6.8%	1.3%
Other	3.4%	1.8%
Headline CPI	**100.0%**	**1.4%**
Less:		
Energy	9.6%	-0.8%
Food	14.3%	1.4%
Core CPI	**76.1%**	**1.7%**

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

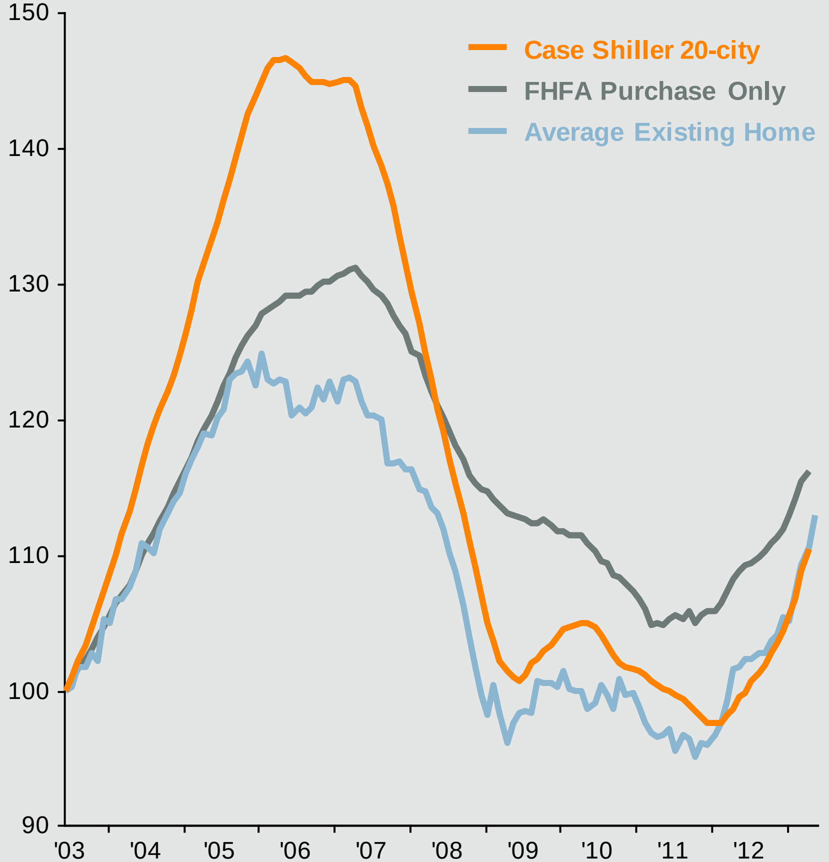
CPI used is CPI-U and values shown are % change vs. 1 year ago and reflect May 2013 CPI data. CPI component weights are as of December 2012 and 12-month change reflects non-seasonally adjusted data through May 2013. Core CPI is defined as CPI excluding food and energy prices.

Data are as of 6/30/13.

Housing remains a bright spot in the recovery

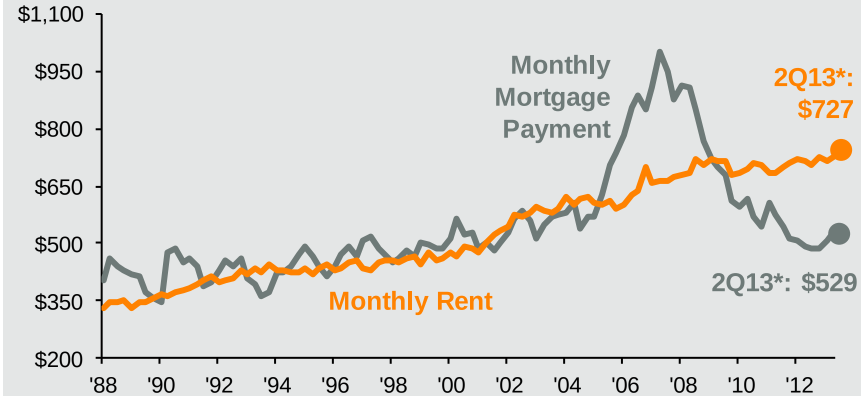
Home Prices

Indexed to 100, seasonally adjusted



Monthly Rent vs. Monthly Mortgage Payment

Vacant properties



Home Inventories

Millions, annual rate, seasonally adjusted

Sources: (Left) National Association of Realtors, Standard & Poor's, FHFA, FactSet, J.P. Morgan Asset Management. (Top right) Census Bureau, J.P. Morgan Asset Management. Monthly mortgage payment assumes a 20% down payment at prevailing 30-year fixed-rate mortgage rates; analysis based on median asking rent and median mortgage payment based on asking price. (Bottom right) Census Bureau, National Association of Realtors, J.P. Morgan Asset Management. *2Q13 rent and mortgage payment values are J.P. Morgan Asset Management estimates.

Data are as of 6/30/13.

Markets

The stock market has rallied to previous peak levels, but relative to valuations doesn't look stretched…

S&P 500 Index

Characteristic	Mar-2000	Oct-2007	Jun-2013
Index level	1,527	1,565	1,606
P/E ratio (fwd.)	25.6x	15.2x	13.9x
Dividend yield	1.1%	1.8%	2.0%
10-yr. Treasury	6.2%	4.7%	2.5%

Source: Standard & Poor's, First Call, Compustat, FactSet, J.P. Morgan Asset Management.

Dividend yield is calculated as the annualized dividend rate divided by price, as provided by Compustat. Forward Price to Earnings Ratio is a bottom-up calculation based on the most recent S&P 500 Index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by FactSet Market Aggregates. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns.

Data are as of 6/30/13.

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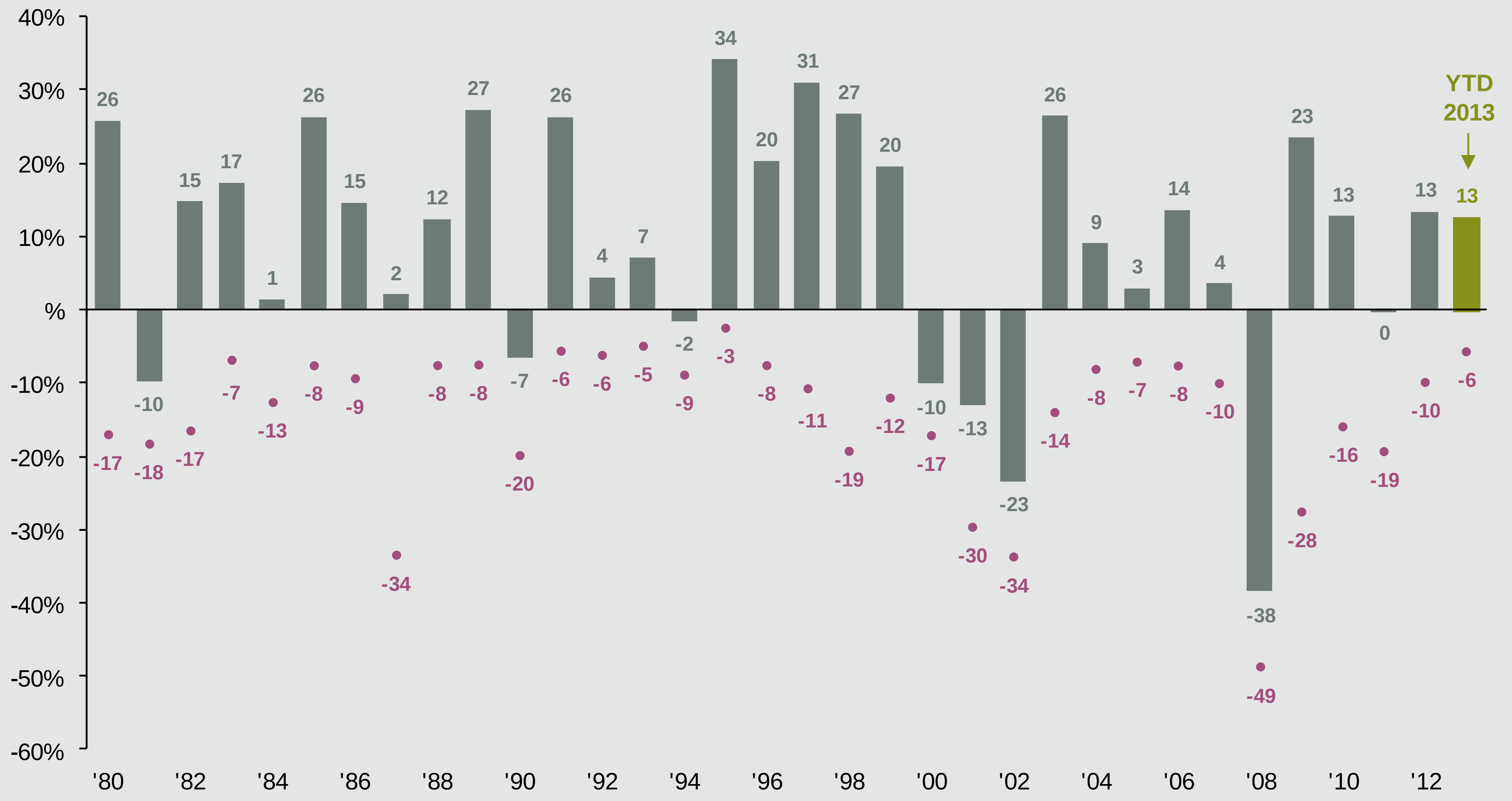
MARKET INSIGHTS

Although the market has potential for future volatility

Markets

S&P 500 Intra-year Declines vs. Calendar Year Returns

Despite average intra-year drops of 14.7%, annual returns positive in 25 of 33 years



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

Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2012, 2013 numbers represent year to date returns.

Data are as of 6/30/13.

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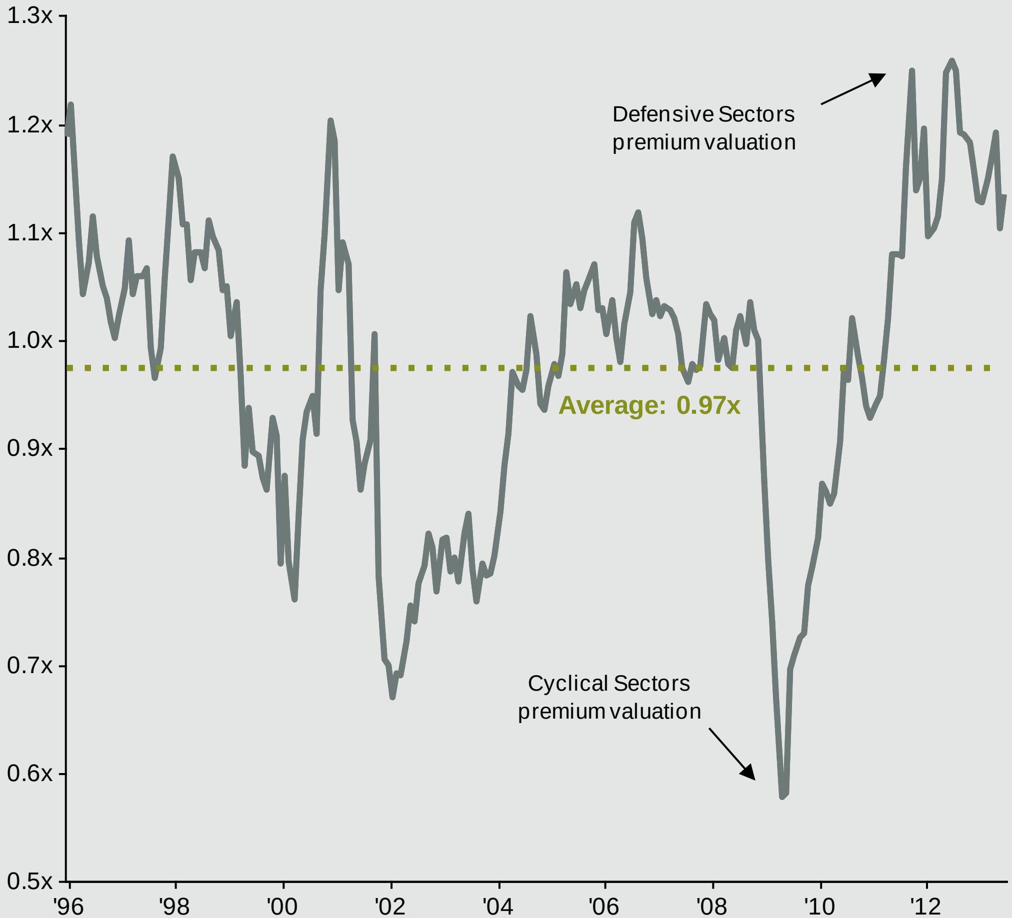
MARKET INSIGHTS

There are plenty of opportunities within equity sectors and styles

Markets

Defensive vs. Cyclical Sector Valuations

Next 12-month P/E ratio for defensives / next 12-month P/E ratio for cyclicals



Current P/E vs. 20-year avg. P/E

	Value	Blend	Growth
Large	13.4 / 13.9	13.9 / 16.2	16.6 / 20.9
Mid	14.7 / 14.0	16.3 / 16.3	18.6 / 21.8
Small	15.3 / 14.2	17.0 / 17.1	19.1 / 21.3

Current P/E as % of 20-year avg. P/E

E.g.: Large Cap Blend stocks are 13.8% cheaper than their historical average.

	Value	Blend	Growth
Large	96.4%	86.2%	79.4%
Mid	104.7%	100.0%	85.5%
Small	107.2%	99.5%	89.6%

Source: Standard & Poor's, Russell Investment Group, IBES, FactSet, J.P. Morgan Asset Management.

Defensive vs. Cyclical sector analysis based on GICS sectors and excludes Financials. Defensives sectors are comprised of Health Care, Consumer Staples, Utilities and Telecommunications Services. Cyclical sectors are comprised of Information Technology, Industrials, Energy, Consumer Discretionary and Materials. P/E ratios are calculated and provided by Russell based on IBES consensus estimates of earnings over the next 12 months except for large blend, which is the S&P 500.

Data are as of 6/30/13.

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Despite the rally, stocks' valuations still look more attractive than bonds

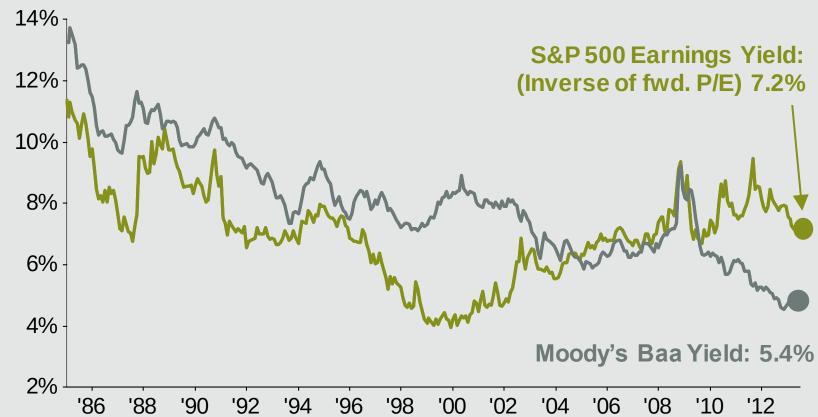
S&P 500 Index: Valuation Measures / **Historical Averages**

Valuation Measure	Description	Latest*	1-year ago	3-year avg.	5-year avg.	10-year avg.	15-year avg.
P/E	Price to Earnings	13.9x	12.0x	12.6x	12.9x	14.1x	16.4x
P/B	Price to Book	2.4	2.1	2.2	2.1	2.5	2.9
P/CF	Price to Cash Flow	9.4	8.3	8.6	8.4	9.6	10.9
P/S	Price to Sales	1.4	1.2	1.2	1.1	1.3	1.5
PEG	Price/Earnings to Growth	1.4	1.1	1.1	2.0	1.7	1.6
Div. Yield	Dividend Yield	2.2%	2.4%	2.2%	2.3%	2.1%	1.9%

S&P 500 Shiller Cyclically Adjusted P/E

Adjusted using trailing 10-yr. avg. inflation adjusted earnings

S&P 500 Earnings Yield vs. Baa Bond Yield

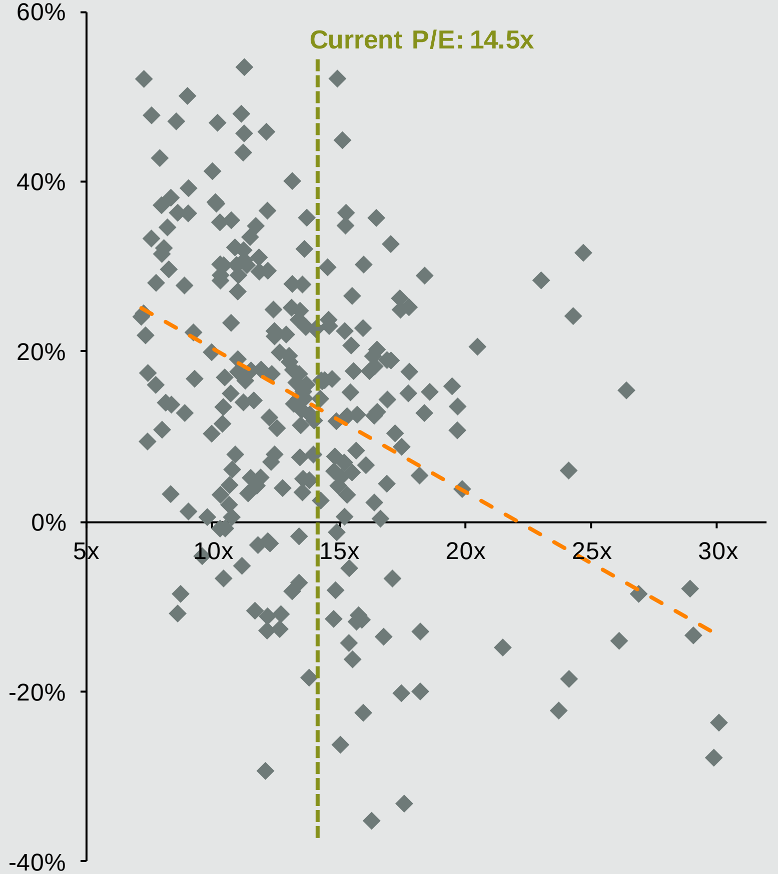


Source: (Top) Standard & Poor's, FactSet, Robert Shiller Data, J.P. Morgan Asset Management.
Price to Earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months. Price to Book is price divided by book value per share. Data post-1992 include intangibles and are provided by Standard & Poor's. Price to Cash Flow is price divided by consensus analyst estimates of cash flow per share for the next 12 months. Price to Sales is calculated as price divided by consensus analyst estimates of sales per share for the next 12 months. PEG Ratio is calculated as NTM P/E divided by NTM earnings growth. Dividend Yield is calculated as consensus analyst estimates of dividends for the next 12 months divided by price. All consensus analyst estimates are provided by FactSet. (Bottom left) Cyclically adjusted P/E uses as reported earnings throughout. *Latest reflects data as of 6/30/2013.
(Bottom right) Standard & Poor's, IBES, Moody's, FactSet, J.P. Morgan Asset Management.
Data are as of 6/30/13.

…and valuation matters in the long run

P/E and Total Return Over 1-yr. Periods

Quarterly, 1Q 1952 to 1Q 2012



P/E and Total Return Over 5-yr. Annualized Periods

Quarterly, 1Q 1952 to 1Q 2008

Source: BEA, FRB, J.P. Morgan Asset Management. Prices are based on the market value of all U.S. corporations and include quarterly dividends. Valuation based on long-term P/E ratio.

Note: Orange line denote results of linear regression with R-squared of 0.15 for 1-yr. returns (left) and 0.36 for 5-yr. returns (right).

Data are as of 6/30/13.

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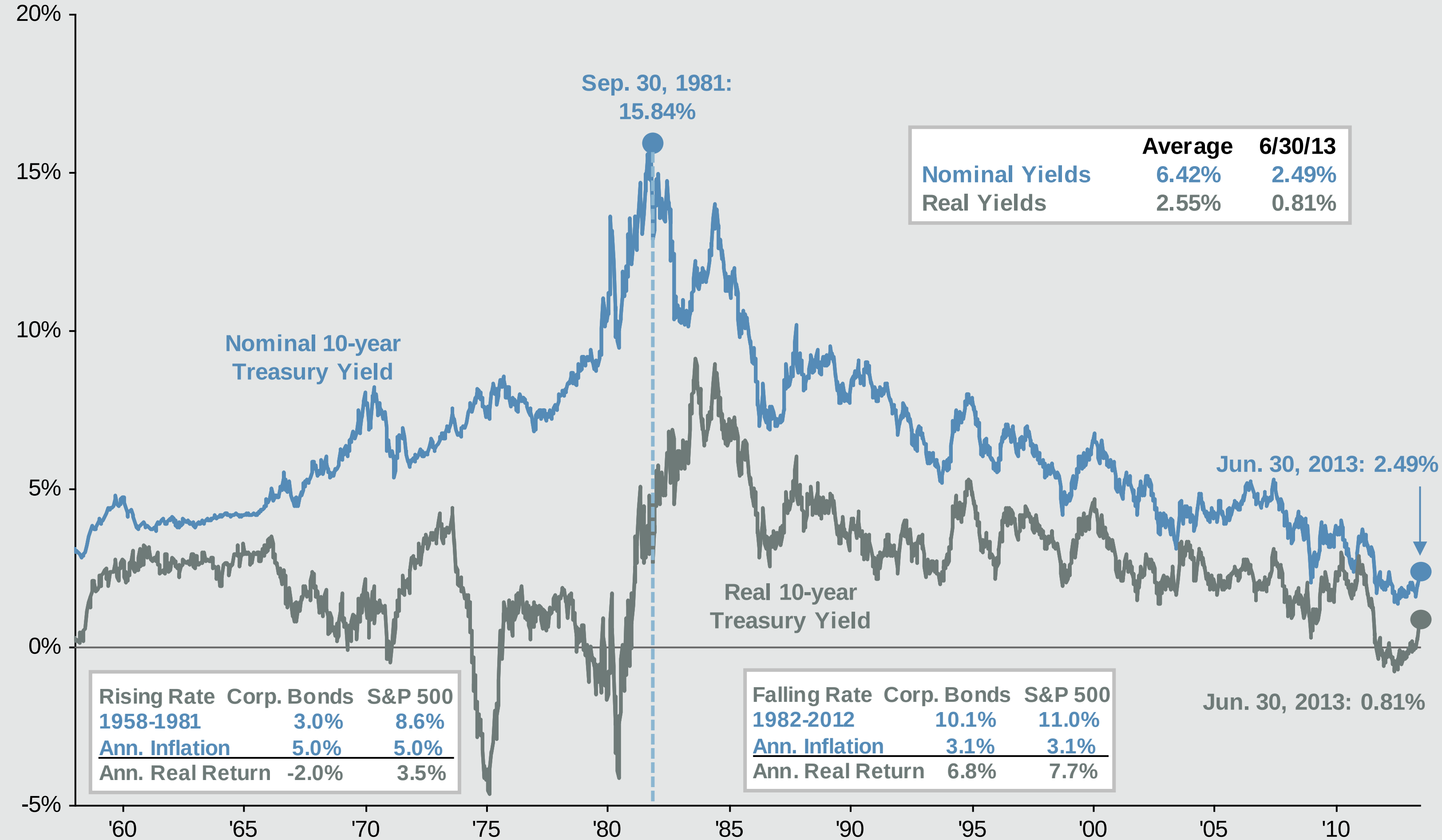
MARKET INSIGHTS

Rates are still at historically low levels…

Markets

Nominal and Real 10-year Treasury Yields



	Average	6/30/13
Nominal Yields	6.42%	2.49%
Real Yields	2.55%	0.81%

Rising Rate	Corp. Bonds	S&P 500
1958-1981	3.0%	8.6%
Ann. Inflation	5.0%	5.0%
Ann. Real Return	-2.0%	3.5%

Falling Rate	Corp. Bonds	S&P 500
1982-2012	10.1%	11.0%
Ann. Inflation	3.1%	3.1%
Ann. Real Return	6.8%	7.7%

Source: Federal Reserve, BLS, J.P. Morgan Asset Management.
Real 10-year Treasury yields are calculated as the daily Treasury yield less year-over-year core inflation for that month except for June 2013, where real yields are calculated by subtracting out May 2013 year-over-year core inflation. All returns above reflect annualized total returns, which include reinvestment of dividends. Corporate bond returns are based on a composite index of investment grade bond performance.
Data are as of 6/30/13.

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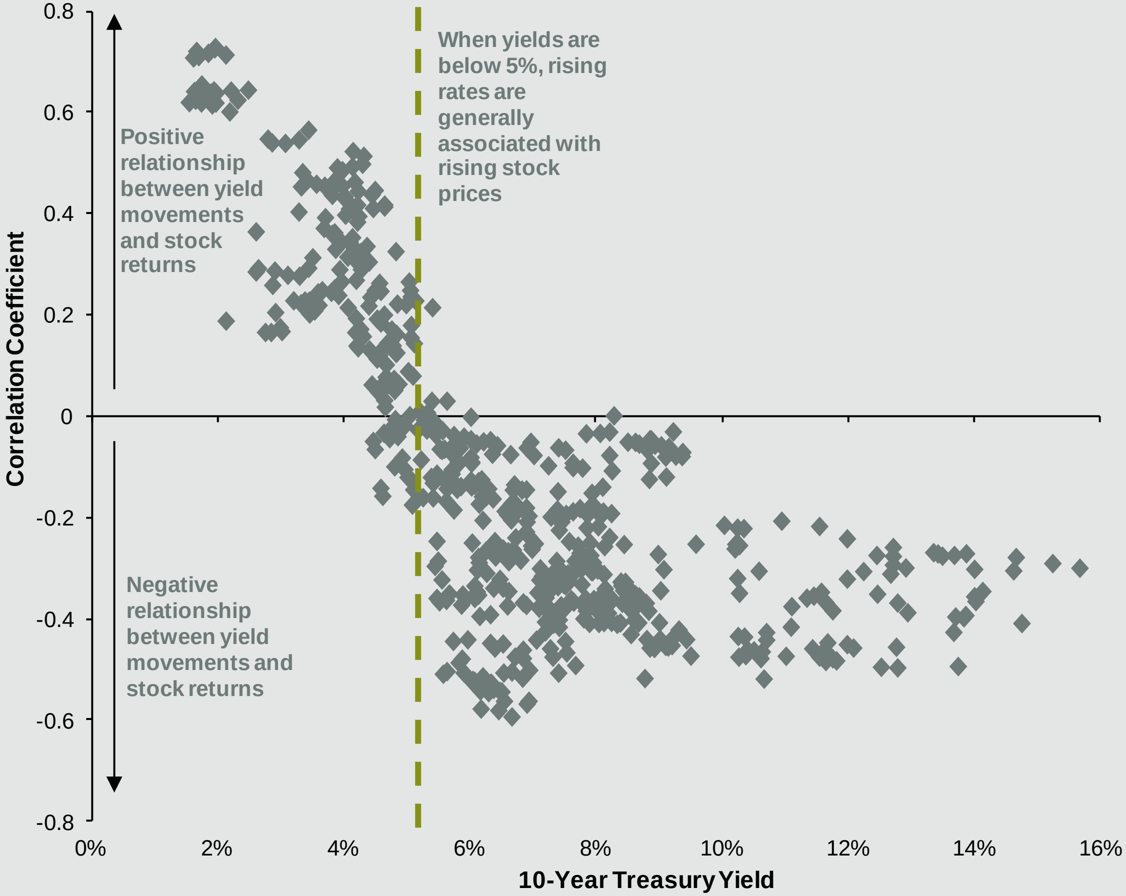
When rates go up, stocks go…

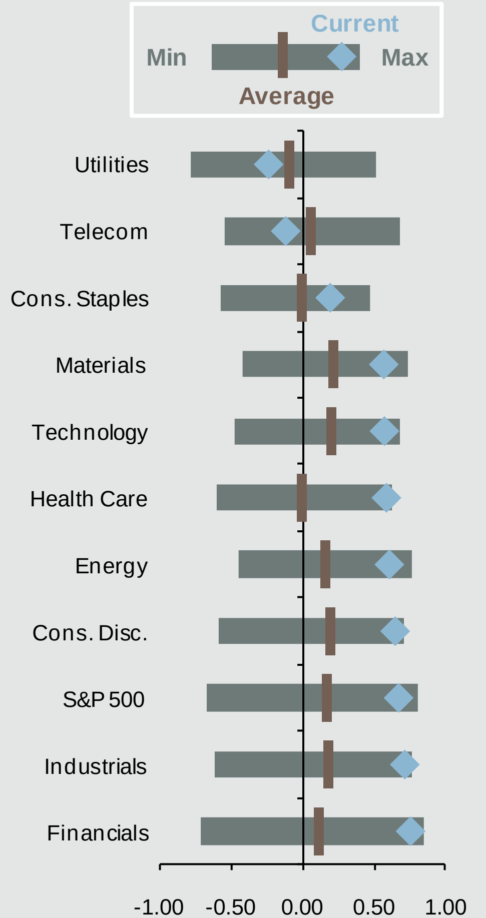
Correlations Between Weekly Stock Returns and Interest Rate Movements

Weekly S&P 500 returns, 10-year Treasury yield, rolling 2-year correlation, 1963-2013



Sector Correlations to Rates

2-year rolling, 1994-2013



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

Returns are based on price index only and do not include dividends. Grey bars in the right chart represent the historic range in correlations for each sector.

Data are as of 6/30/13.

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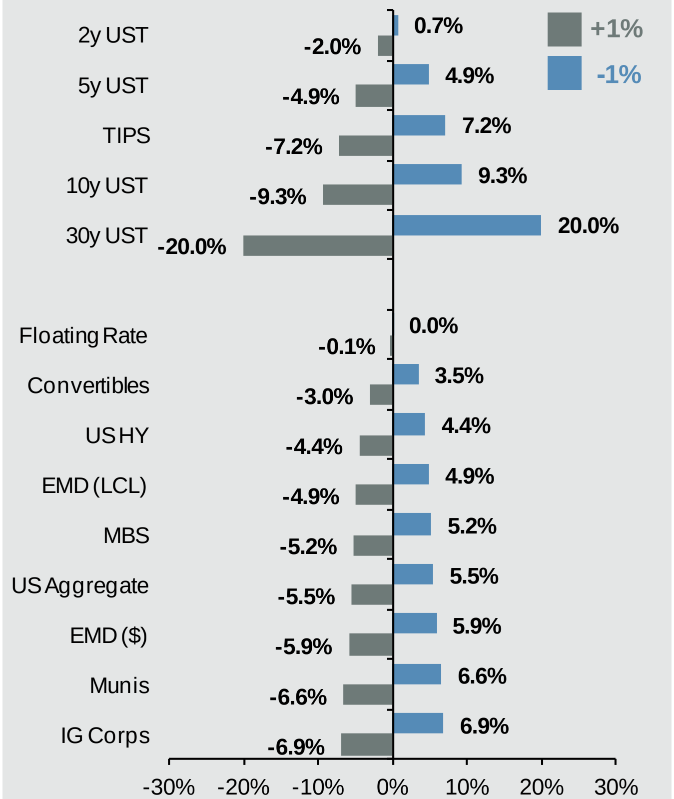
…leaving many fixed income investors vulnerable to rising rates

US Treasuries	# of issues	Correlation to 10-year	Avg. Maturity	Yield 6/30/2013	Yield 6/30/2012	Return 2Q13	Return YTD 2013
2-Year	77	0.69	2 years	0.36%	0.33%	-0.09%	0.00%
5-Year	60	0.92	5	1.41%	0.72%	-2.43%	-2.26%
10-Year	20	1.00	10	2.52%	1.67%	-4.57%	-4.87%
30-Year	18	0.92	30	3.52%	2.76%	-6.13%	-9.01%
TIPS	34	0.63	10	0.53%	-0.46%	-7.05%	-7.39%
Sector							
Broad Market	8,413	0.88	7.5 years	2.35%	1.98%	-2.32%	-2.44%
MBS	766	0.83	7.1	3.12%	2.44%	-1.96%	-2.01%
Municipals	9,054	0.54	9.9	2.79%	2.26%	-3.11%	-2.77%
Corporates	4,632	0.53	10.2	3.35%	3.27%	-3.31%	-3.41%
High Yield	2,057	-0.19	6.7	6.66%	7.35%	-1.44%	1.42%
Floating Rate	31	-0.21	2.9	1.64%	3.16%	-0.15%	1.03%
Convertibles	490	-0.29	--	1.09%	0.90%	1.80%	9.24%
EMD ($)	1,125	0.25	9.3	5.40%	5.44%	-5.14%	-6.52%
EMD (LCL)	460	0.03	6.9	5.55%	5.57%	-6.48%	-6.16%

Price Impact of a 1% Rise/Fall in Interest Rates*



Source: U.S. Treasury, Barclays Capital, FactSet, J.P. Morgan Asset Management.
Fixed income sectors shown above are provided by Barclays Capital and are represented by – Broad Market: Barclays U.S. Aggregate; MBS: Fixed Rate MBS Index; Corporate: U.S. Corporates; Municipals: Muni Bond Index; EMD ($): Emerging Markets (USD); High Yield: Corporate High Yield Index; TIPS: Treasury Inflation Protection Securities (TIPS). EMD (LCL): Barclays Emerging Market Local Currency Government; Floating Rate: Barclays U.S. Floating Rate Notes (BBB); Convertibles: Barclays U.S. Convertibles Composite. Treasury securities data for # of issues based on U.S. Treasury benchmarks from Barclays Capital. Yield and return information based on Bellwethers for Treasury securities. Sector yields reflect yield to worst, while Treasury yields are yield to maturity. Correlations are based on 10-years of monthly returns for all sectors except Floating Rate and EMD (LCL), which are based on monthly returns from May 2004 and July 2008, respectively, due to data availability. Change in bond price is calculated using both duration and convexity according to the following formula: New Price = (Price + (Price * -Duration * Change in Interest Rates))+(0.5 * Price * Convexity * (Change in Interest Rates)^2).
*Calculation assumes 2-year Treasury interest rate falls 0.36% to 0.00%,as interest rates can only fall to 0.00%. Chart is for illustrative purposes only.
Past performance is not indicative of future results.
Data are as of 6/30/13.

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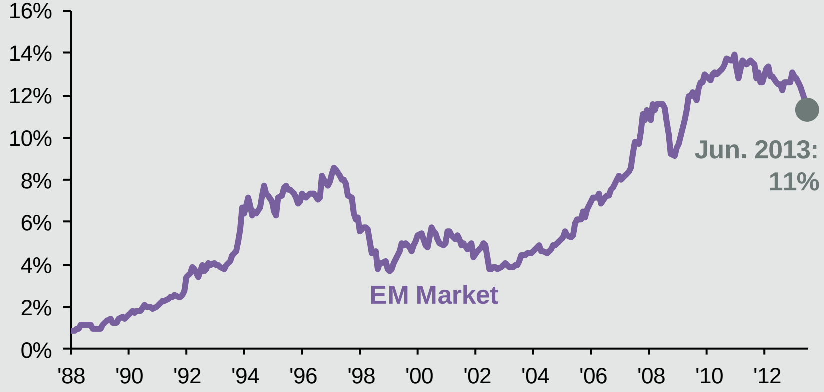
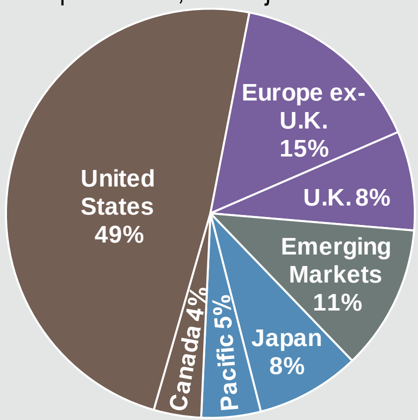
A weak dollar has boosted international returns

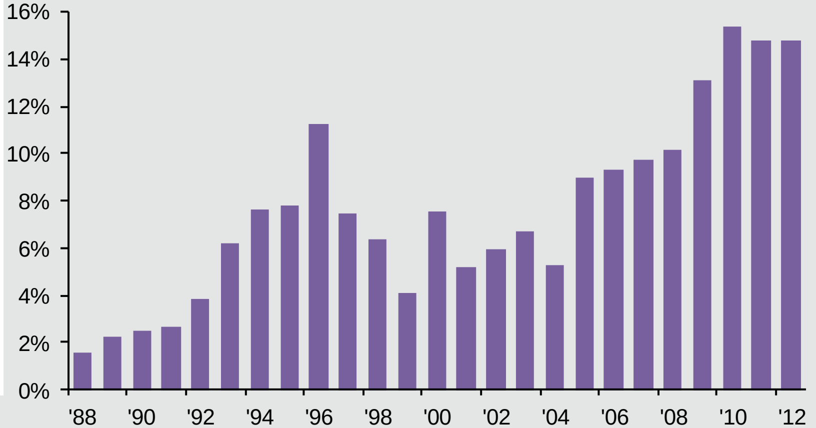
Share of Global Market Capitalization
% global market capitalization, float adjusted



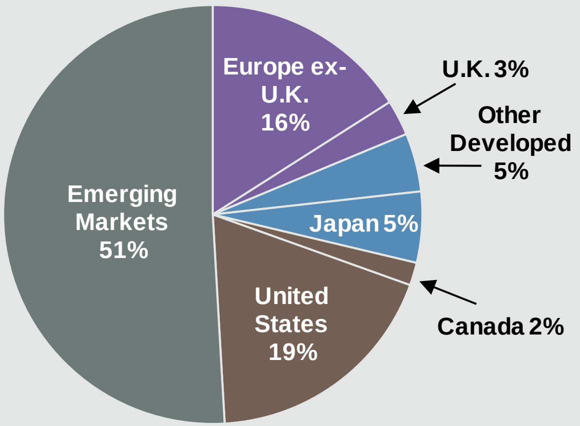
Weights in MSCI All Country World Index
% global market capitalization, float adjusted



Emerging Market Share of MSCI ACWI Earnings
% of global market earnings, float adjusted



Share of Global GDP
Based on purchasing power parity



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

Share of global market capitalization is based on float adjusted MSCI data. Share of global GDP based on purchasing power parity (PPP) as calculated by the IMF for 2013. Definition of emerging markets is based on MSCI and IMF data sources.
Percentages may not sum to 100% due to rounding.
Data as of 6/30/13.

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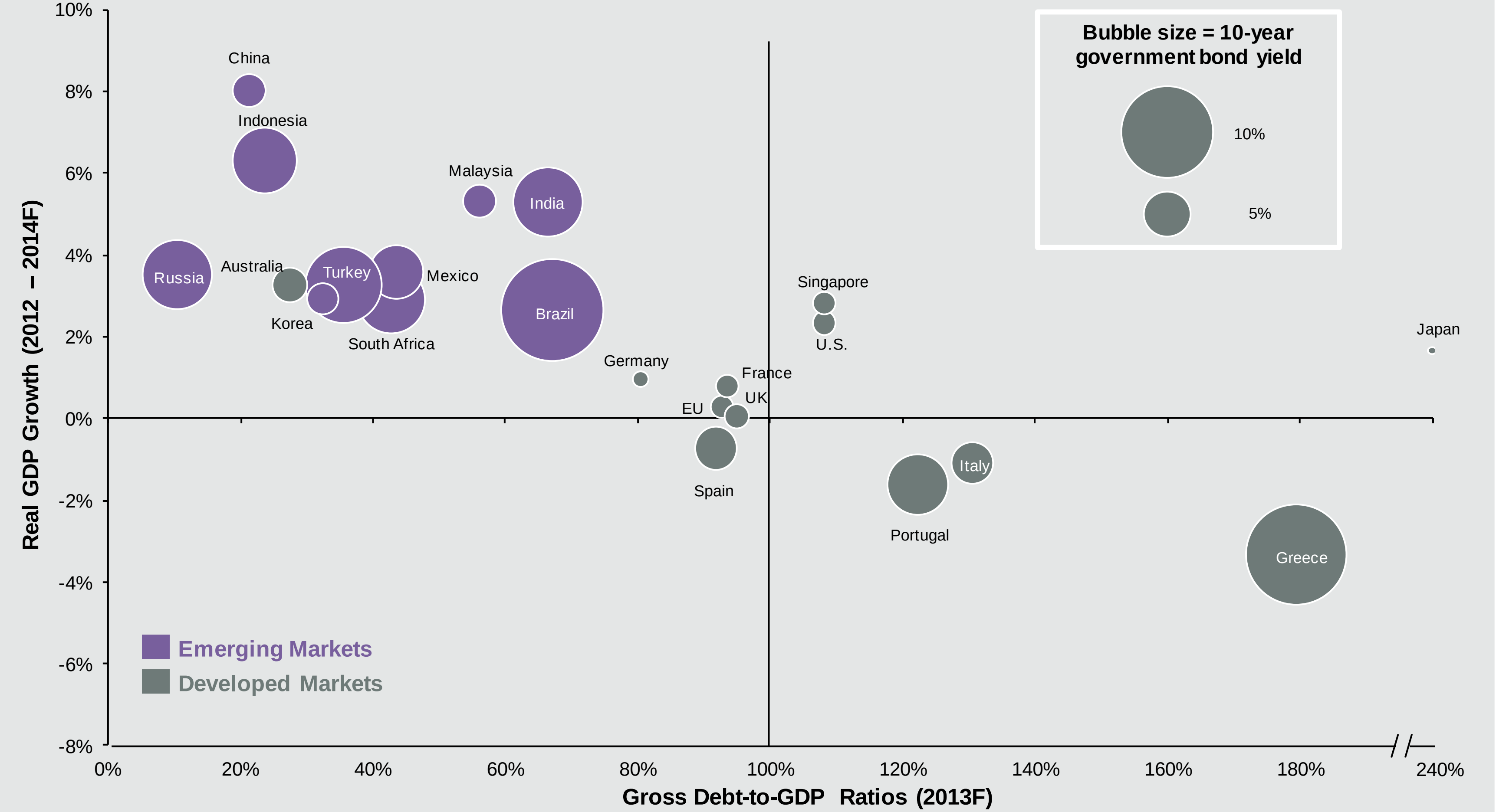
MARKET INSIGHTS

European Fiscal policy is still not working; Emerging economies appear much healthier

Markets

GDP Growth, Gross Debt to GDP and Borrowing Costs



Source: IMF, FactSet, Bloomberg, J.P. Morgan Economics, Barclays, J.P. Morgan Asset Management.

Growth and debt data are based on the April 2013 World Economic Outlook.
Borrowing costs based on local currency debt. EU overall borrowing cost based on Barclays Capital Euro-Aggregate 7-10 year treasury. South Africa's borrowing cost is based on 7-year government bond yield due to data availability.

Data as of 6/30/13.

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But austerity should lessen in the years ahead

General Government Deficit Reduction

% of GDP, fiscal drag measured as difference in government deficit between stated years

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

Government deficits calculated by the IMF as general government net lending/borrowing (revenue minus total expenditure). Data are based on the April 2013 World Economic Outlook.

Data are as of 6/30/13.

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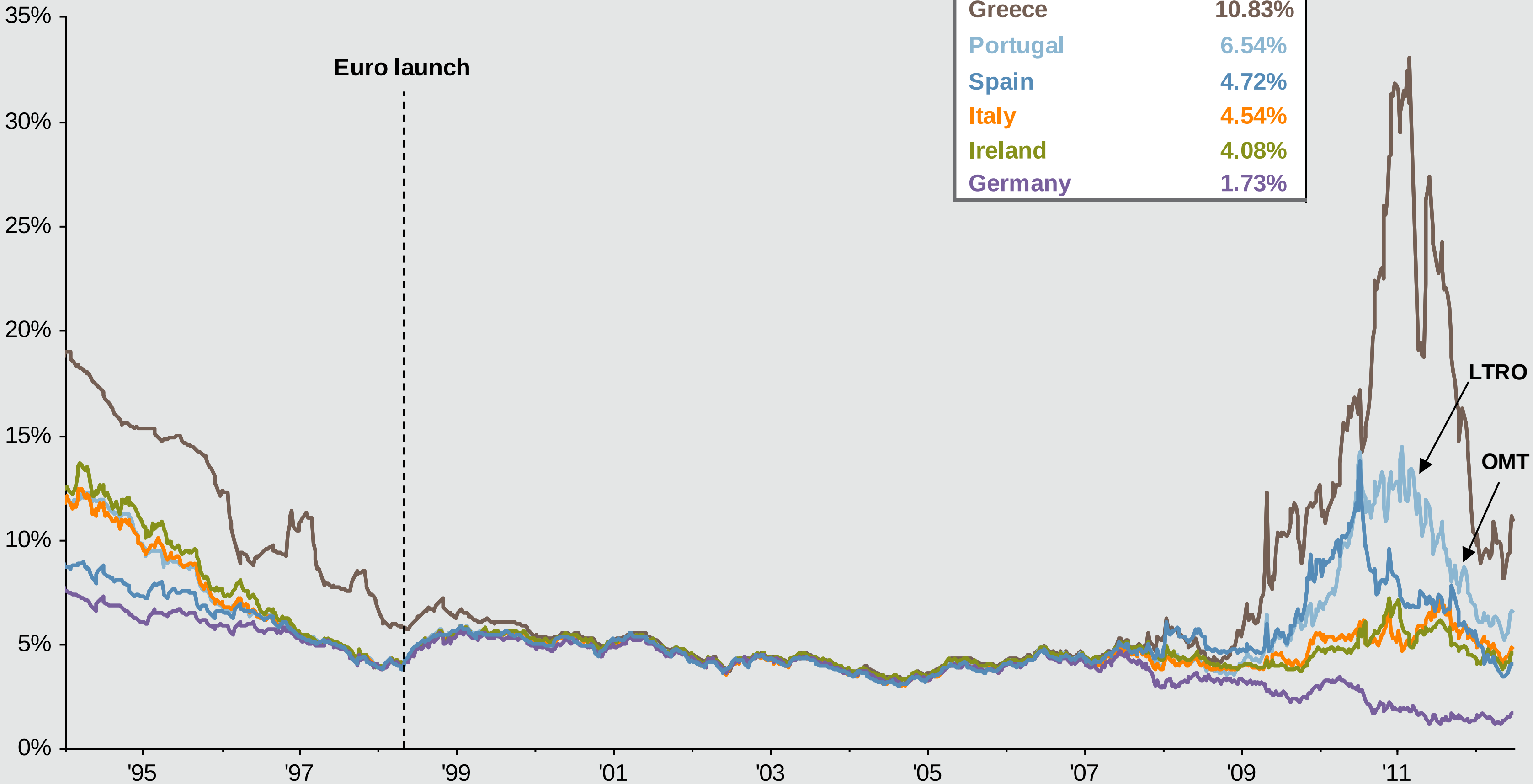
MARKET INSIGHTS

The ECB has bought time and alleviated stress on sovereigns

Markets

European Sovereign Funding Costs

10-year benchmark bond yield



	6/30/13
Greece	10.83%
Portugal	6.54%
Spain	4.72%
Italy	4.54%
Ireland	4.08%
Germany	1.73%

Source: Tullett Prebon, FactSet, J.P. Morgan Asset Management.

Note: The ECB announced the second round of Long Term Refinancing Operations (LTRO) in February 2012. The Outright Monetary Transaction (OMT) program was announced in September 2012.

Data are as of 6/30/13.

J.P.Morgan Asset Management

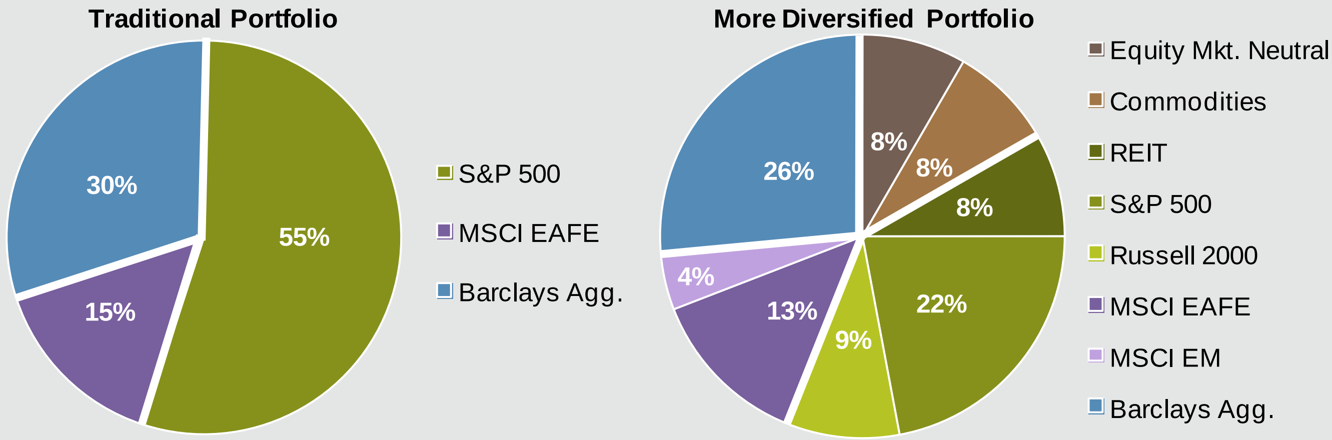
Investing

MARKET INSIGHTS

It's important that investors use diversification as a weapon…

Investing

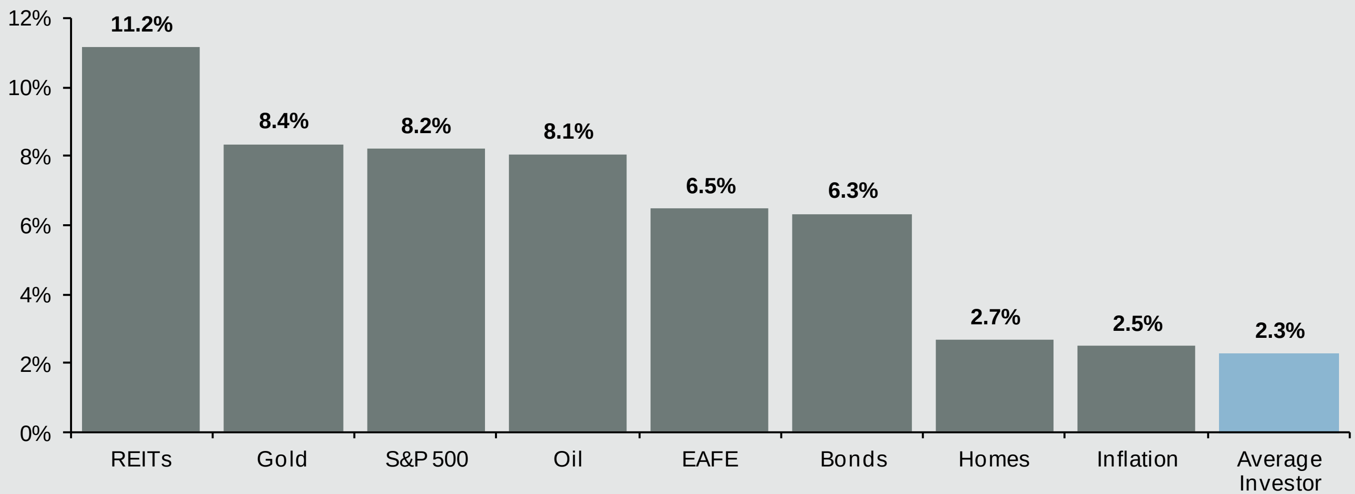
Maximizing the Power of Diversification (1994 – 2012)



Return: 7.43%
Standard Deviation: 10.80%

Return: 7.72%
Standard Deviation: 9.87%

20-year Annualized Returns by Asset Class (1993 – 2012)



(Top) Indexes and weights of the traditional portfolio are as follows: U.S. Stocks: 55% S&P 500; U.S. Bonds: 30% Barclays Capital Aggregate; International Stocks: 15% MSCI EAFE. Portfolio with 25% in alternatives is as follows: U.S. Stocks: 22.2% S&P 500, 8.8% Russell 2000; International Stocks: 4.4% MSCI EM, 13.2% MSCI EAFE; U.S. Bonds: 26.5% Barclays Capital Aggregate; Alternatives: 8.3% CS/Tremont Equity Market Neutral: 8.3%, DJ/UBS Commodities: 8.3% NAREIT Equity REIT Index. Return and standard deviation calculated using Morningstar Direct.

Charts are shown for illustrative purposes only. Past performance is not indicative of future returns. Diversification does not guarantee investment returns and does not eliminate risk of loss. Data are as of 6/30/13.

(Bottom) Indexes used are as follows: REITS: NAREIT Equity REIT Index, EAFE: MSCI EAFE, Oil: WTI Index, Bonds: Barclays Capital U.S. Aggregate Index, Homes: median sale price of existing single-family homes, Gold: USD/troy oz, Inflation: CPI. Average asset allocation investor return is based on an analysis by Dalbar Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Returns are annualized (and total return where applicable) and represent the 20-year period ending 12/31/12 to match Dalbar's most recent analysis.

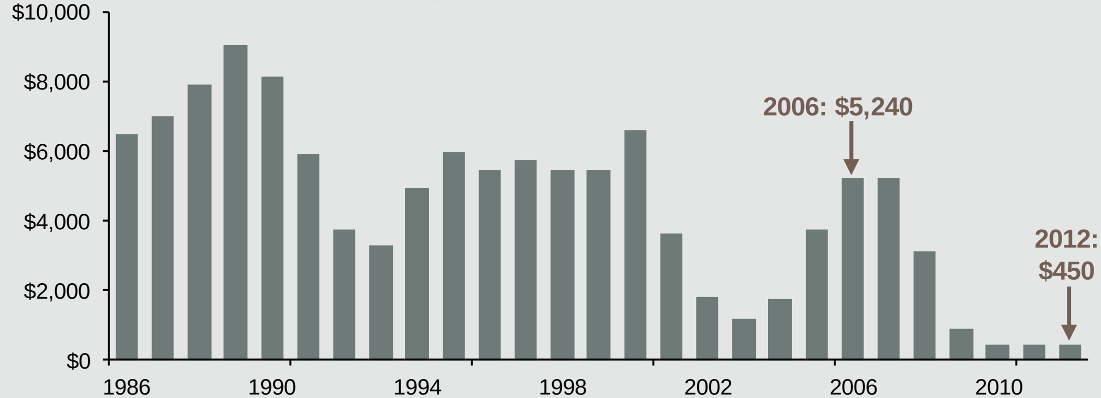
J.P.Morgan
Asset Management

MARKET INSIGHTS

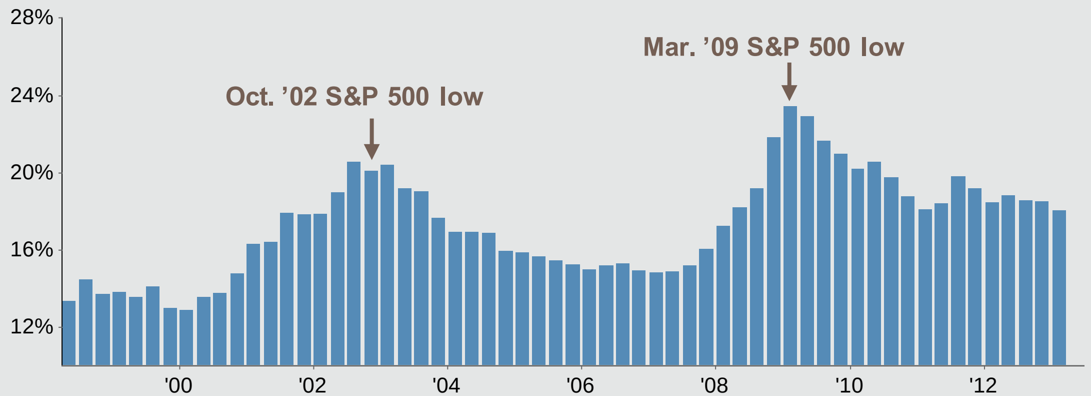
…particularly when cash is yielding next to nothing…

Investing

Annual Income Generated by $100,000 Investment in a 6-month CD



Cash as a % of Total Household Financial Assets



Money Supply Component	$ Billions	Weight in Money Supply
M2-M1	**8,018**	**76.9%**
Retail MMMFs	634	6.1%
Savings deposits	6,803	65.2%
Small time deposits	581	5.6%
Institutional MMMFs	**1,747**	**16.7%**
Cash in IRA & Keogh accounts	**665**	**6.4%**
Total	**10,429**	**100.0%**

Source: Federal Reserve, St. Louis Fed, Bankrate.com, J.P. Morgan Asset Management.
All cash measures obtained from the Federal Reserve are seasonally adjusted monthly numbers. All numbers are in billions of U.S. dollars.
Small-denomination time deposits are those issued in amounts of less than $100,000. All IRA and Keogh account balances at commercial banks and thrift institutions are subtracted from small time deposits. Annual income is for illustrative purposes and is calculated based on the 6-month CD yield on average during each year and $100,000 invested. 2012 average income is through December 2012. IRA and Keogh account balances at money market mutual funds are subtracted from retail money funds.
Past performance is not indicative of comparable future results.
Data are as of 6/30/13.

J.P.Morgan Asset Management

MARKET INSIGHTS

…as a diversified portfolio can smooth returns but still has the potential to appreciate over time

Investing

												10-yrs. '03 - '12	
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2Q'13	YTD '13	Cum.	Ann.
MSCI EME 56.3%	REITs 31.6%	MSCI EME 34.5%	REITs 35.1%	MSCI EME 39.8%	Barclays Agg 5.2%	MSCI EME 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Russell 2000 3.1%	Russell 2000 15.9%	MSCI EME 376.0%	MSCI EME 16.9%
Russell 2000 47.3%	MSCI EME 26.0%	DJ UBS Cmdty 21.4%	MSCI EME 32.6%	DJ UBS Cmdty 16.2%	Cash 1.8%	MSCI EAFE 32.5%	Russell 2000 26.9%	Barclays Agg 7.8%	MSCI EME 18.6%	S&P 500 2.9%	S&P 500 13.8%	REITs 204.6%	REITs 11.8%
MSCI EAFE 39.2%	MSCI EAFE 20.7%	MSCI EAFE 14.0%	MSCI EAFE 26.9%	MSCI EAFE 11.6%	Market Neutral 1.1%	REITs 28.0%	MSCI EME 19.2%	Market Neutral 4.5%	MSCI EAFE 17.9%	Market Neutral 1.4%	REITs 5.8%	Russell 2000 152.8%	Russell 2000 9.7%
REITs 37.1%	Russell 2000 18.3%	REITs 12.2%	Russell 2000 18.4%	Market Neutral 9.3%	Asset Alloc. -24.0%	Russell 2000 27.2%	DJ UBS Cmdty 16.8%	S&P 500 2.1%	Russell 2000 16.3%	Cash 0.0%	Asset Alloc. 4.5%	MSCI EAFE 130.3%	MSCI EAFE 8.7%
S&P 500 28.7%	Asset Alloc. 12.5%	Asset Alloc. 8.3%	S&P 500 15.8%	Asset Alloc. 7.4%	Russell 2000 -33.8%	S&P 500 26.5%	S&P 500 15.1%	Cash 0.1%	S&P 500 16.0%	Asset Alloc. -0.6%	MSCI EAFE 4.5%	Asset Alloc. 117.7%	Asset Alloc. 8.1%
Asset Alloc. 25.1%	S&P 500 10.9%	Market Neutral 6.1%	Asset Alloc. 15.2%	Barclays Agg 7.0%	DJ UBS Cmdty -35.6%	Asset Alloc. 22.2%	Asset Alloc. 12.5%	Asset Alloc. -0.6%	Asset Alloc. 11.3%	MSCI EAFE -0.7%	Market Neutral 2.2%	S&P 500 98.6%	S&P 500 7.1%
DJ UBS Cmdty 23.9%	DJ UBS Cmdty 9.1%	S&P 500 4.9%	Market Neutral 11.2%	S&P 500 5.5%	S&P 500 -37.0%	DJ UBS Cmdty 18.9%	MSCI EAFE 8.2%	Russell 2000 -4.2%	Barclays Agg 4.2%	REITs -2.1%	Cash 0.0%	Barclays Agg 65.7%	Barclays Agg 5.2%
Market Neutral 7.1%	Market Neutral 6.5%	Russell 2000 4.6%	Cash 4.8%	Cash 4.8%	REITs -37.7%	Barclays Agg 5.9%	Barclays Agg 6.5%	MSCI EAFE -11.7%	Market Neutral 0.9%	Barclays Agg -2.3%	Barclays Agg -2.4%	Market Neutral 61.5%	Market Neutral 4.9%
Barclay s Agg 4.1%	Barclays Agg 4.3%	Cash 3.0%	Barclays Agg 4.3%	Russell 2000 -1.6%	MSCI EAFE -43.1%	Market Neutral 4.1%	Cash 0.1%	DJ UBS Cmdty -13.3%	Cash 0.1%	MSCI EME -8.0%	MSCI EME -9.4%	DJ UBS Cmdty 49.3%	DJ UBS Cmdty 4.1%
Cash 1.0%	Cash 1.2%	Barclays Agg 2.4%	DJ UBS Cmdty 2.1%	REITs -15.7%	MSCI EME -53.2%	Cash 0.1%	Market Neutral -0.8%	MSCI EME -18.2%	DJ UBS Cmdty -1.1%	DJ UBS Cmdty -9.5%	DJ UBS Cmdty -10.5%	Cash 18.2%	Cash 1.7%

Source: Russell, MSCI, Dow Jones, Standard & Poor's, Credit Suisse, Barclays Capital, NAREIT, FactSet, J.P. Morgan Asset Management.
The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EMI, 25% in the Barclays Capital Aggregate, 5% in the Barclays 1-3m Treasury, 5% in the CS/Tremont Equity Market Neutral Index, 5% in the DJ UBS Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. All data represents total return for stated period. Past performance is not indicative of future returns. Data are as of 6/30/13, except for the CS/Tremont Equity Market Neutral Index, which reflects data through 2/28/13. "10-yrs" returns represent period of 1/1/03 – 12/31/12 showing both cumulative (Cum.) and annualized (Ann.) over the period. Please see disclosure page at end for index definitions. *Market Neutral returns include estimates found in disclosures.
Data are as of 6/30/13.

J.P.Morgan Asset Management

J.P. Morgan Asset Management – Index Definitions

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 Growth 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 **Russell Top 200 Index** ® measures the performance of the largest cap segment of the U.S. equity universe. It includes approximately 200 of the largest securities based on a combination of their market cap and current index membership and represents approximately 68% of the U.S. market.

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℠** 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.

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The **MSCI Small Cap Indices℠** 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℠** 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℠** 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℠** 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℠** 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.

The **Dow Jones Industrial Average** measures the stock performance of 30 leading blue-chip U.S. companies.

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

MARKET INSIGHTS

J.P. Morgan Asset Management – Index Definitions

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

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 converted 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.

The **Barclays U.S. Dollar Floating Rate Note (FRN) Index** provides a measure of the U.S. dollar denominated floating rate note market.

*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.

J.P.Morgan
Asset Management

MARKET INSIGHTS

J.P. Morgan Asset Management – Definitions, Risks & Disclosures

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 "bluechip" 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.

Investing in **alternative assets** involves higher risks than traditional investments and is suitable only for sophisticated investors. Alternative investments involve greater risks than traditional investments and should not be deemed a complete investment program. They are not tax efficient and an investor should consult with his/her tax advisor prior to investing. Alternative investments have higher fees than traditional investments and they may also be highly leveraged and engage in speculative investment techniques, which can magnify the potential for investment loss or gain. The value of the investment may fall as well as rise and investors may get back less than they invested.

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.

Past performance is no guarantee of comparable future results.

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

Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The views and strategies described may not be suitable for all investors. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for accounting, legal or tax advice. References to future returns are not promises or even estimates of actual returns a client portfolio may achieve. Any forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation.

All cases studies shown for illustrative purposes only and should not be relied upon as advice or interpreted as a recommendation. Results shown are not meant to be representative of actual investment results.

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Unless otherwise stated, all data are as of June 30, 2013 or most recently available.

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