

**MARKET
INSIGHTS**

1Q | 2013

As of December 31, 2012

Guide to the Markets[®]

J.P. Morgan

J.P.Morgan
Asset Management

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Past performance is no guarantee of comparable future results.

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Returns by Style

Charts reflect index levels (price change only). All returns and annotations reflect total return, including dividends.



4Q 2012

	Value	Blend	Growth
Large	1.5%	-0.4%	-1.3%
Mid	3.9%	2.9%	1.7%
Small	3.2%	1.9%	0.4%

2012

	Value	Blend	Growth
Large	17.5%	16.0%	15.3%
Mid	18.5%	17.3%	15.8%
Small	18.1%	16.3%	14.6%

Since Market Peak (October 2007)

	Value	Blend	Growth
Large	-5.5%	2.3%	12.7%
Mid	10.0%	11.4%	11.6%
Small	5.6%	8.2%	10.1%

Since Market Low (March 2009)

	Value	Blend	Growth
Large	135.7%	128.7%	129.9%
Mid	180.9%	168.9%	158.1%
Small	161.2%	160.9%	159.9%

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

All calculations are cumulative total return, including dividends reinvested for the stated period. Since Market Peak represents period 10/9/07 – 12/31/12, illustrating market returns since the most recent S&P 500 Index high on 10/9/07. Since Market Low represents period 3/9/09 – 12/31/12, illustrating market returns since the S&P 500 Index low on 3/9/09. Returns are cumulative returns, not annualized. For all time periods, total return is based on Russell-style indexes with the exception of the large blend category, which is reflected by the S&P 500 Index. Past performance is not indicative of future returns.

Data are as of 12/31/12.

Returns by Sector

Equities

	Financials	Technology	Health Care	Industrials	Energy	Cons. Discr.	Cons. Staples	Telecom	Utilities	Materials	S&P 500 Index	
S&P Weight	15.6%	19.0%	12.0%	10.1%	11.0%	11.5%	10.6%	3.1%	3.4%	3.6%	100.0%	Weight
Russell Growth Weight	4.6%	30.9%	12.0%	12.7%	4.0%	16.7%	12.5%	2.3%	0.2%	4.0%	100.0%	
Russell Value Weight	27.5%	6.4%	11.5%	9.2%	16.1%	8.3%	7.2%	3.4%	6.5%	3.9%	100.0%	
4Q 2012	5.9	-5.7	0.1	3.7	-2.7	2.1	-1.7	-6.0	-2.9	2.7	-0.4	Return
2012	28.8	14.8	17.9	15.3	4.6	23.9	10.8	18.3	1.3	15.0	16.0	
Since Market Peak (October 2007)	-48.6	15.8	23.3	-1.4	1.4	37.5	45.1	6.7	5.4	-0.6	2.3	
Since Market Low (March 2009)	180.8	142.6	98.9	171.1	85.6	218.3	103.5	103.8	84.5	136.8	128.7	
Beta to S&P 500	1.43	1.16	0.65	1.20	0.95	1.14	0.53	0.71	0.50	1.30	1.00	β
Forward P/E Ratio	10.9x	12.2x	12.6x	13.0x	11.0x	14.9x	15.1x	16.2x	14.3x	13.2x	12.5x	P/E
15-yr avg.	12.8x	23.8x	18.4x	16.9x	14.7x	18.7x	18.1x	17.5x	13.6x	16.2x	16.7x	
Trailing P/E Ratio	12.8x	14.6x	17.7x	14.6x	11.2x	15.4x	17.6x	40.9x	16.6x	18.5x	14.9x	
20-yr avg.	15.8x	26.7x	24.1x	20.3x	18.1x	19.4x	21.1x	19.7x	14.4x	19.5x	19.5x	Div
Dividend Yield	2.0%	1.7%	2.2%	2.5%	2.3%	1.6%	2.9%	4.7%	4.4%	2.8%	2.2%	
20-yr avg.	2.1%	0.6%	1.5%	1.8%	1.8%	1.0%	2.1%	3.8%	4.4%	2.1%	1.7%	

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

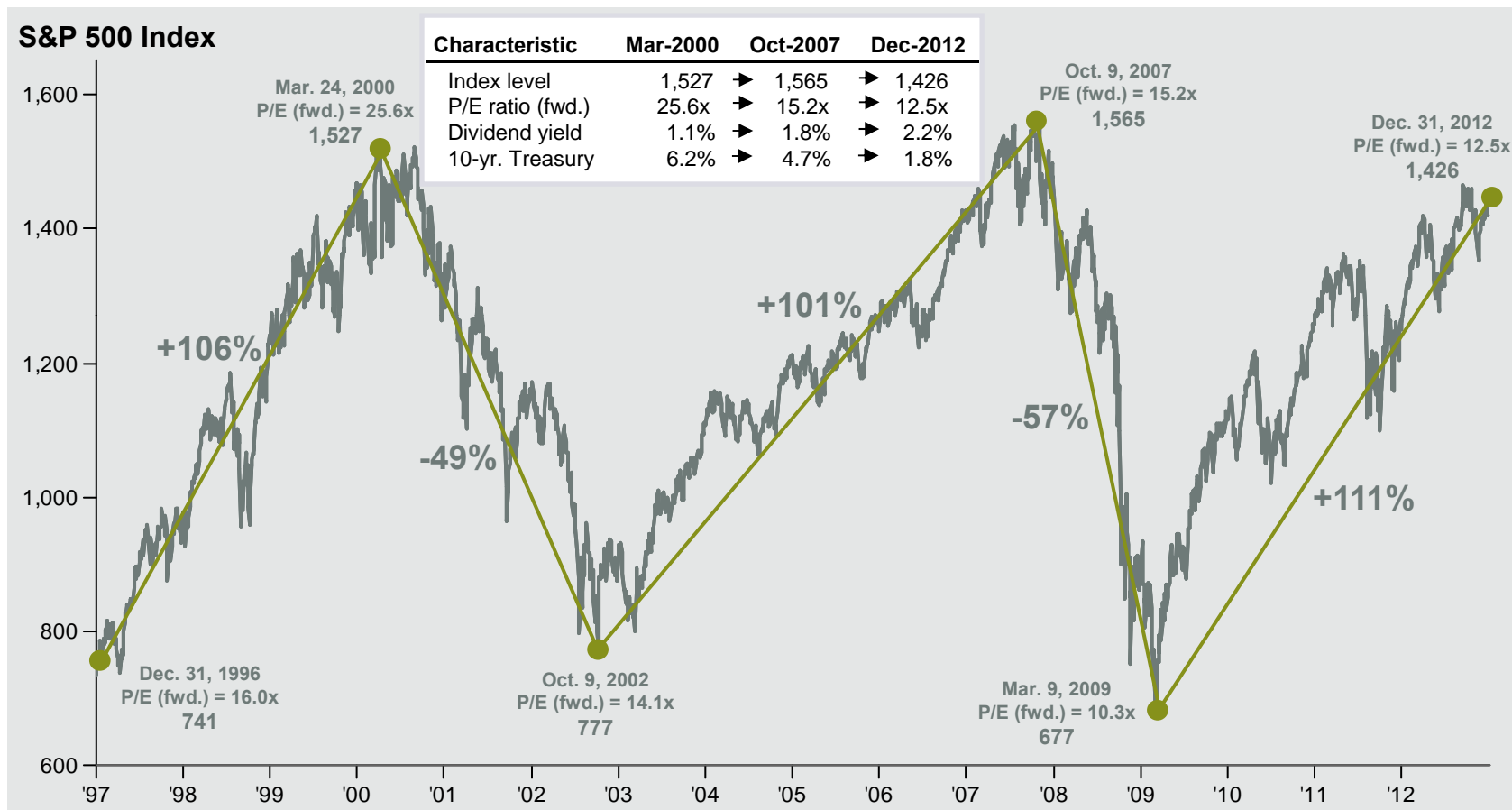
All calculations are cumulative total return, not annualized, including dividends for the stated period. Since Market Peak represents period 10/9/07 – 12/31/12. Since Market Low represents period 3/9/09 – 12/31/12.

Forward P/E 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. Trailing P/E ratios are bottom-up values defined as month-end price divided by the last 12 months of available reported earnings. Historical data can change as new information becomes available. Note that P/E ratios for the S&P 500 may differ from estimates elsewhere in this book due to the use of a bottom-up calculation of constituent earnings (as described) rather than a top-down calculation. This methodology is used to allow proper comparison of sector level data to broad index level data. Dividend yields are bottom-up values defined as the annualized value of the most recent cash dividend as a percent of month-end price. Beta calculations are based on 10 years of monthly price returns for the S&P 500 and its sub-indices.

Past performance is not indicative of future returns.

Data are as of 12/31/12.

S&P 500 Index at Inflection Points



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 results.

Data are as of 12/31/12.

Stock Valuation Measures: S&P 500 Index

S&P 500 Index: Valuation Measures

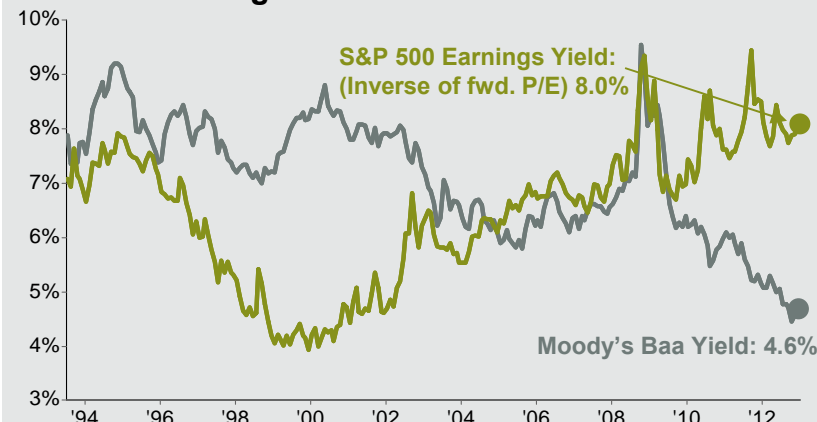
Valuation Measure	Description	Latest*	1-year ago	Historical Averages			
				3-year avg.	5-year avg.	10-year avg.	15-year avg.
P/E	Price to Earnings	12.5x	11.8x	12.6x	12.8x	14.2x	16.7x
P/B	Price to Book	2.3	2.1	2.1	2.2	2.5	3.0
P/CF	Price to Cash Flow	8.5	8.1	8.4	8.4	9.7	11.0
P/S	Price to Sales	1.2	1.1	1.2	1.1	1.3	1.5
PEG	Price/Earnings to Growth	1.3	1.2	0.9	1.7	1.5	1.5
Div. Yield	Dividend Yield	2.4%	2.3%	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 12/31/2012.

(Bottom right) Standard & Poor's, Moody's, FactSet, J.P. Morgan Asset Management.

Data are as of 12/31/12.

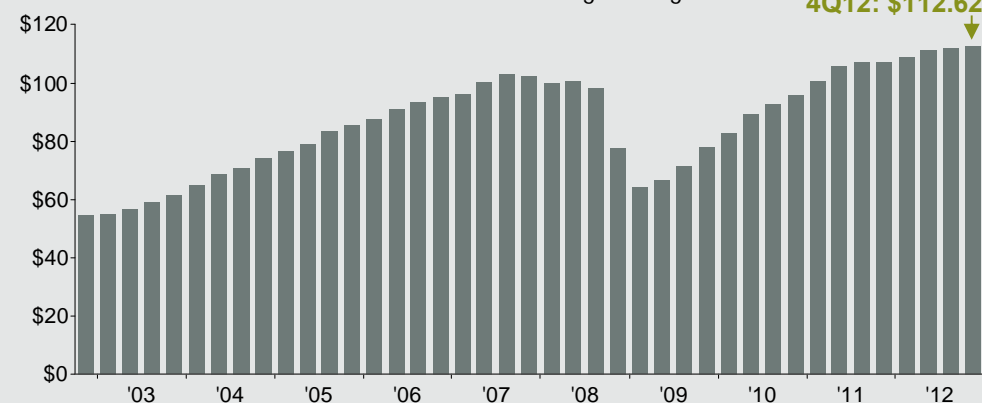
Earnings Estimates and Valuations by Style

S&P 500 Index: Forward P/E Ratio



S&P 500 Operating Earnings Estimates

Consensus estimates of the next twelve months' rolling earnings



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

	Value	Blend	Growth
Large	11.8 / 14.0	12.5 / 16.2	15.2 / 20.9
Mid	12.7 / 14.0	14.4 / 16.3	16.7 / 21.8
Small	13.2 / 14.2	14.6 / 17.1	16.3 / 21.3

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

E.g.: Large Cap Blend stocks are 23.1% cheaper than their historical average.

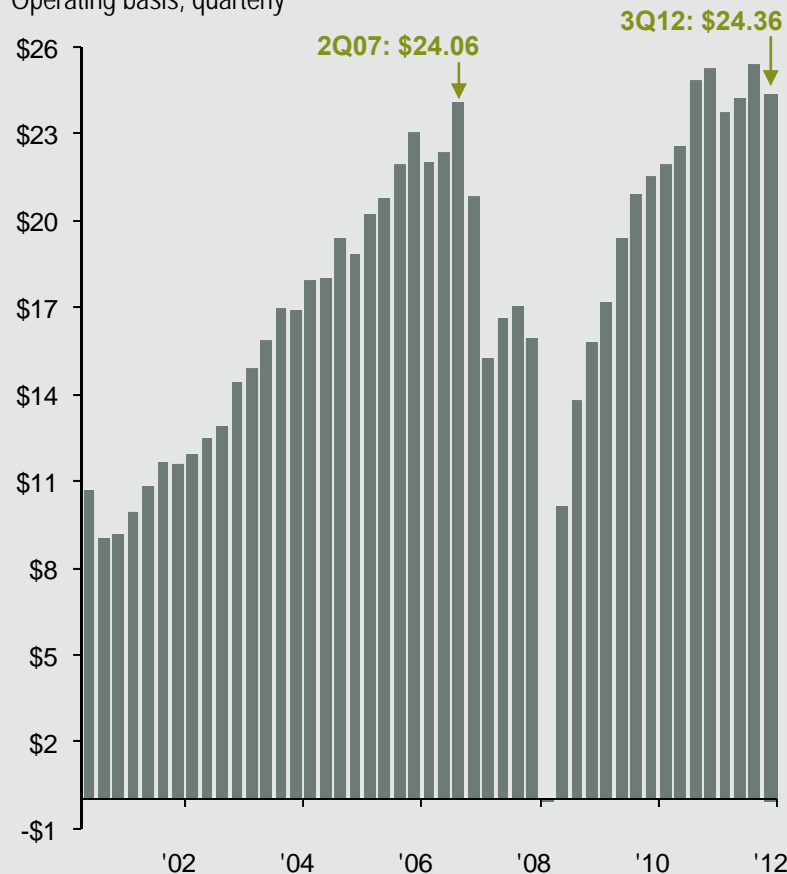
	Value	Blend	Growth
Large	84.8%	76.9%	72.7%
Mid	91.0%	88.3%	76.6%
Small	92.9%	85.7%	76.6%

Source: (Top and bottom left) Standard & Poor's, FactSet, J.P. Morgan Asset Management. (Right) Russell Investment Group, IBES, FactSet. Earnings estimates are for calendar years and taken at quarter end dates throughout the year. Forward Price to Earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months. 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 12/31/12.

Corporate Profits

S&P 500 Earnings Per Share

Operating basis, quarterly

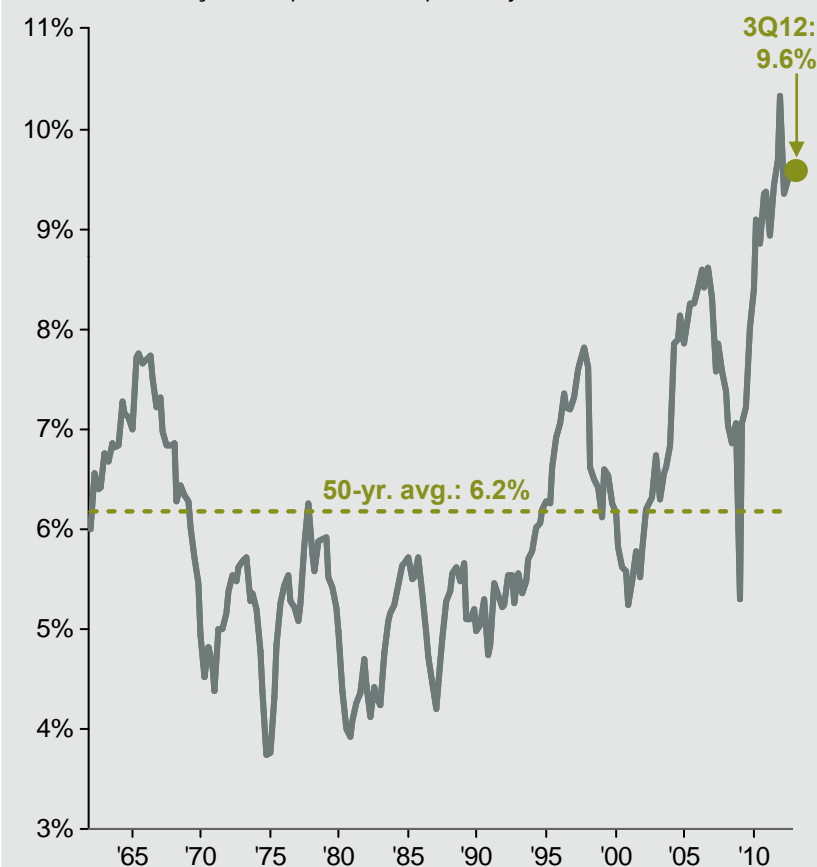


Source: Standard & Poor's, Compustat, BEA, J.P. Morgan Asset Management.
 EPS levels are based on operating earnings per share. Most recently available data is 3Q12.
 Past performance is not indicative of future returns.

Data are as of 12/31/12.

Adjusted After-Tax Corporate Profits (% of GDP)

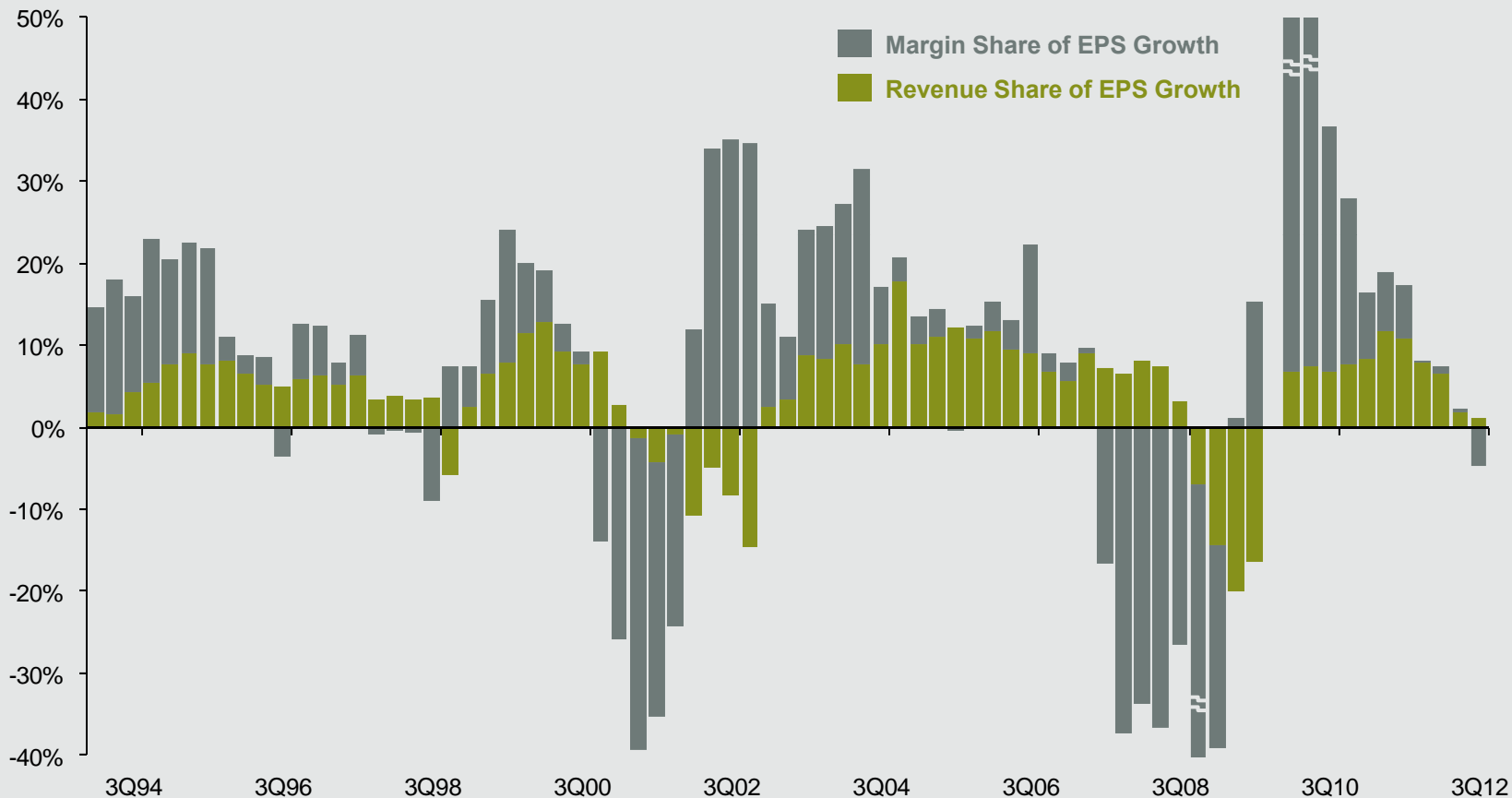
Includes inventory and capital consumption adjustments



Sources of Earnings per Share Growth

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 2Q12. *3Q12 data are Standard & Poor's estimates.

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.

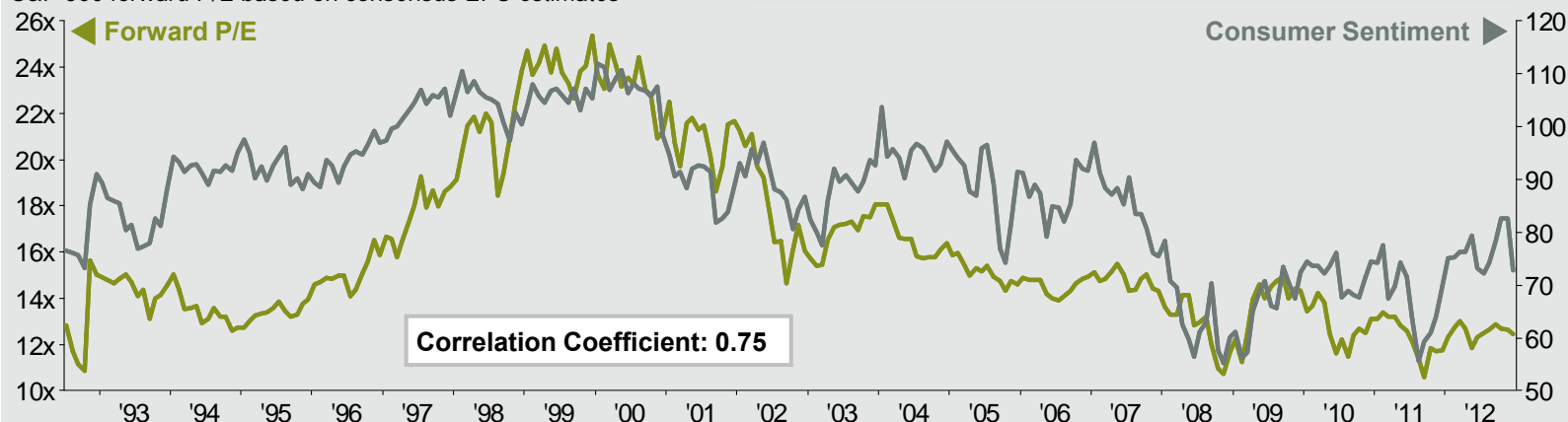
Data are as of 12/31/12.

Confidence and the Capital Markets

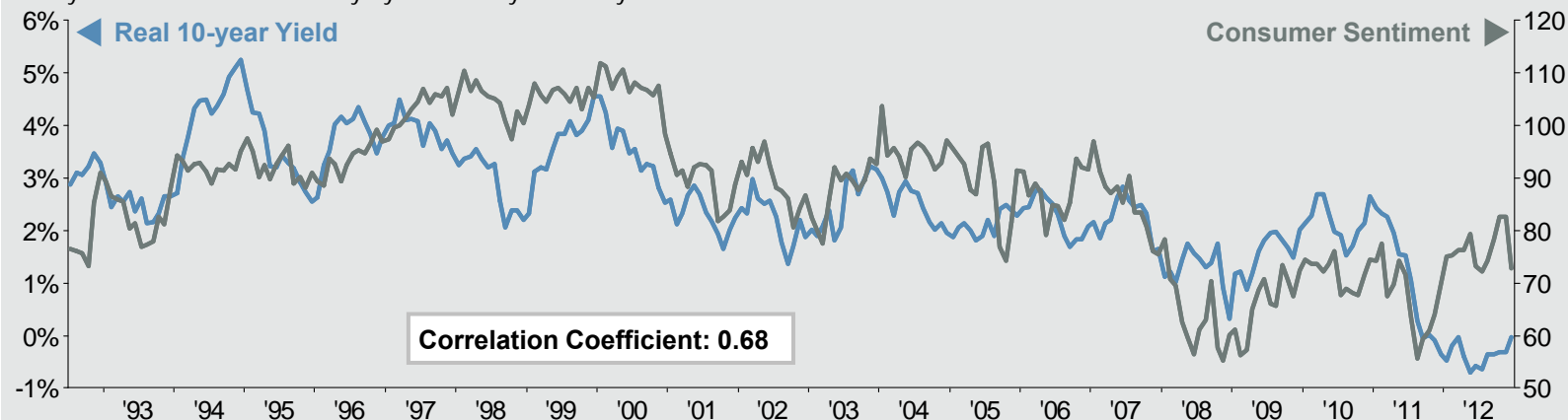
Equities

Multiple Expansion and Contraction

S&P 500 forward P/E based on consensus EPS estimates

Est. impact of a 10pt. rise in sentiment: +2.0 multiple points***Sentiment & Real Yields**

Real yield based on nominal 10-yr. yield minus year-over-year core CPI

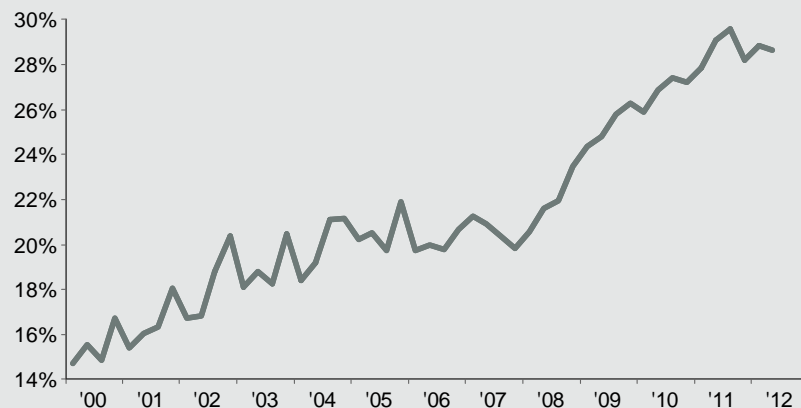
Est. impact of a 10pt. rise in sentiment: +54 basis points*

Source: (Top) Standard & Poor's, FactSet, J.P. Morgan Asset Management. (Bottom) U.S. Treasury, BLS, University of Michigan, J.P. Morgan Asset Management. Price to Earnings is price divided by consensus analyst estimates of earnings per share for the next twelve months. Real 10-year Treasury yields are calculated as the daily Treasury yield less year-over-year core inflation for that month. *Estimated impact based on coefficients from regression analysis. Data are as of 12/31/12.

Deploying Corporate Cash

Corporate Cash as a % of Current Assets

S&P 500 companies – cash and cash equivalents, quarterly



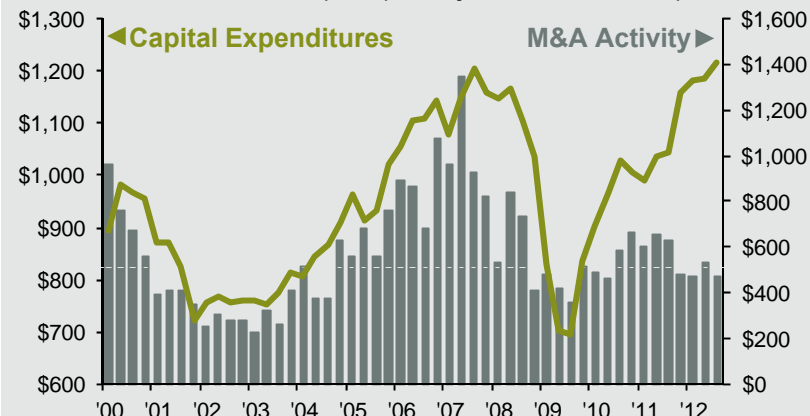
Dividend Payout Ratio

S&P 500 companies, LTM



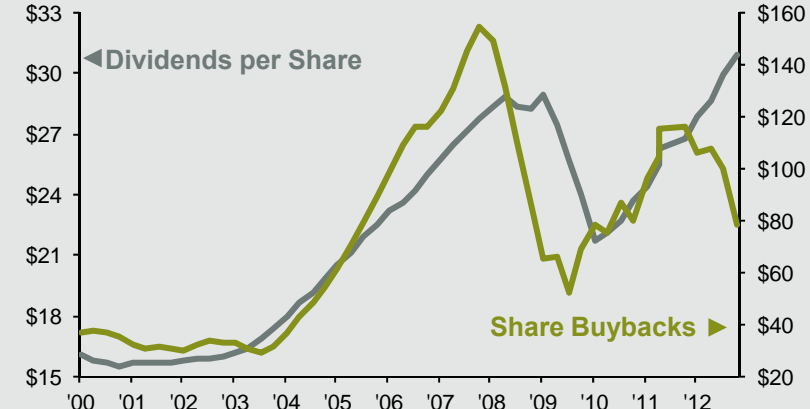
Corporate Growth

\$bn, nonfarm nonfinancial capex, quarterly value of deals completed



Cash Returned to Shareholders

S&P 500 companies, rolling 4-quarter averages, billions USD



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

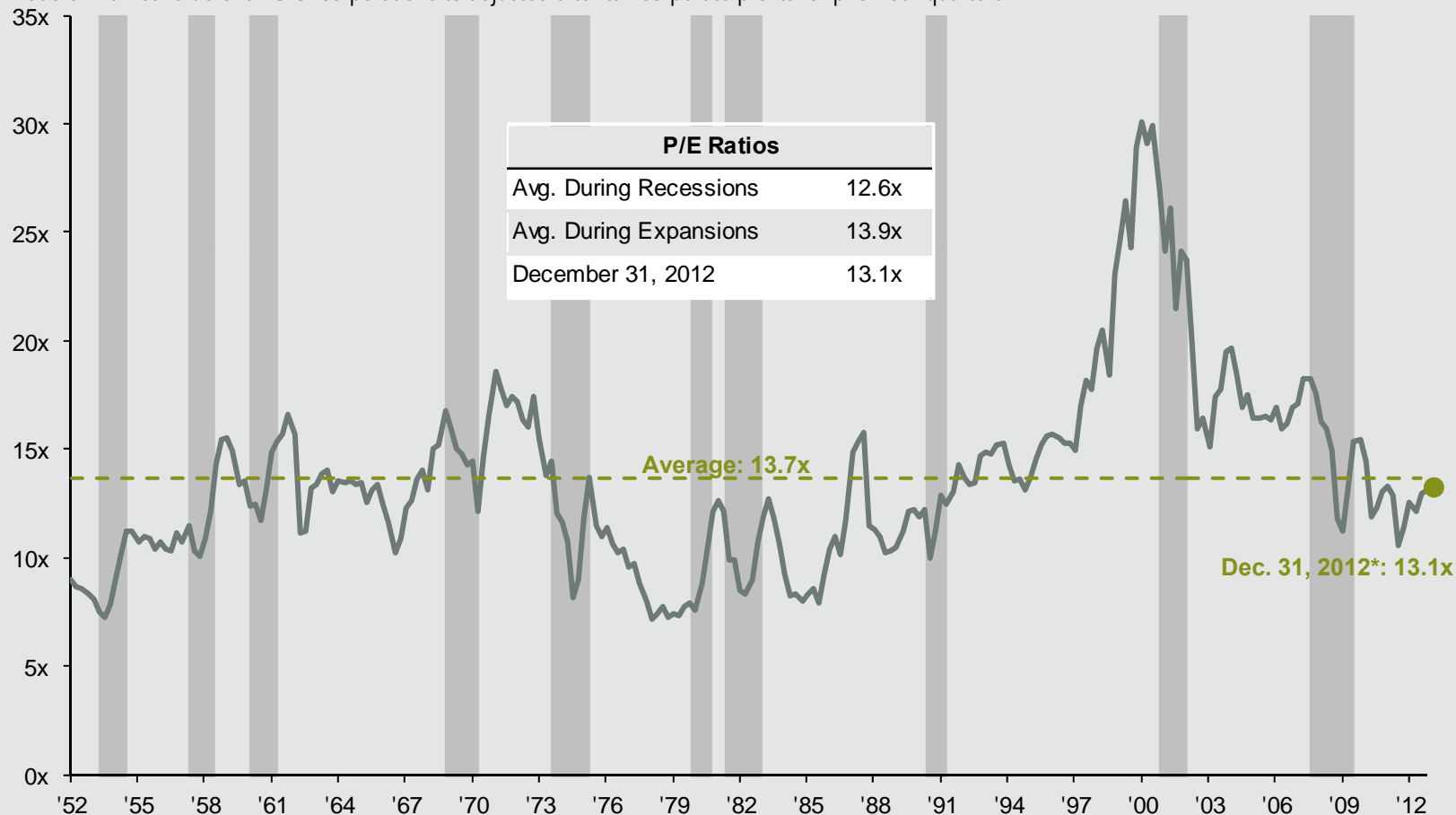
(Top left) Standard & Poor's, FactSet, J.P. Morgan Asset Management. (Top right) M&A activity is the quarterly value of deals completed and capital expenditures are for nonfarm nonfinancial corporate business. (Bottom left) Standard & Poor's, FactSet, J.P. Morgan Asset Management. (Bottom right) Standard & Poor's, Compustat, FactSet, J.P. Morgan Asset Management. Data are as of 12/31/12.

Broad Market Lagged Price to Earnings Ratio

Equities

Lagged P/E Ratio – All U.S. Corporations

Ratio of market value of all U.S. corporations to adjusted after-tax corporate profits for prior four quarters



Source: BEA, Federal Reserve Board, Wilshire Associates, J.P. Morgan Asset Management.

*The December 31, 2012 price is a J.P. Morgan Asset Management estimated based on the daily value of the Wilshire 5000 Total Market Index.

Data are as of 12/31/12.

P/E Ratios and Equity Returns

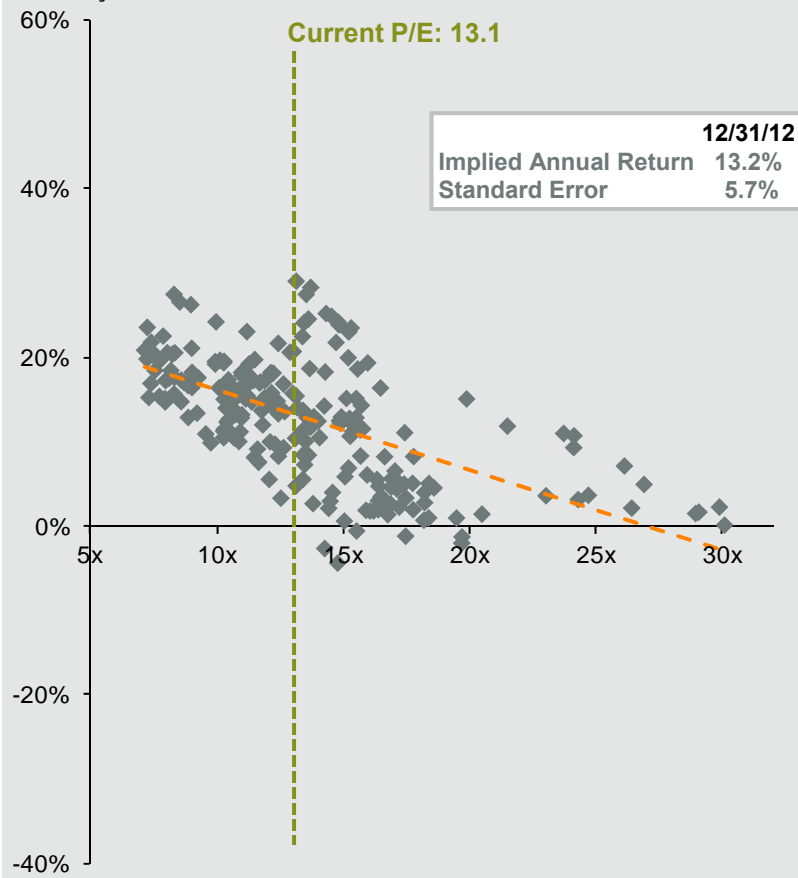
P/E and Total Return Over 1-yr. Periods

Quarterly, 1Q 1952 to 3Q 2011



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

Quarterly, 1Q 1952 to 3Q 2007



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 PE ratio.

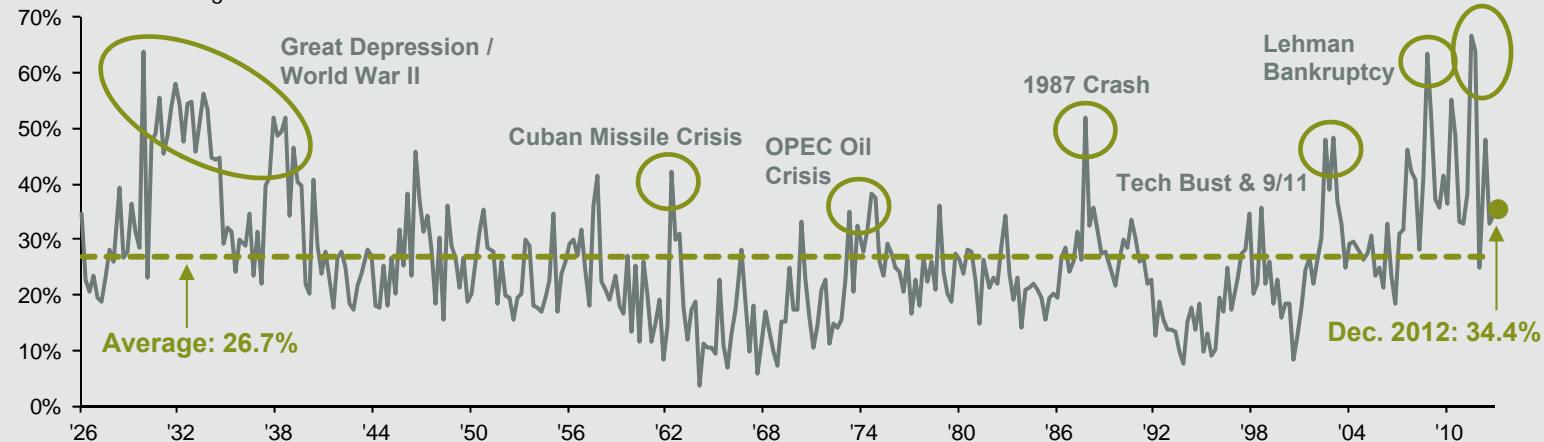
Note: Orange line denote results of linear regression with R-squared of 0.15 for 1-yr. returns (left) and 0.35 for 5-yr. returns (right).

Data are as of 12/31/12.

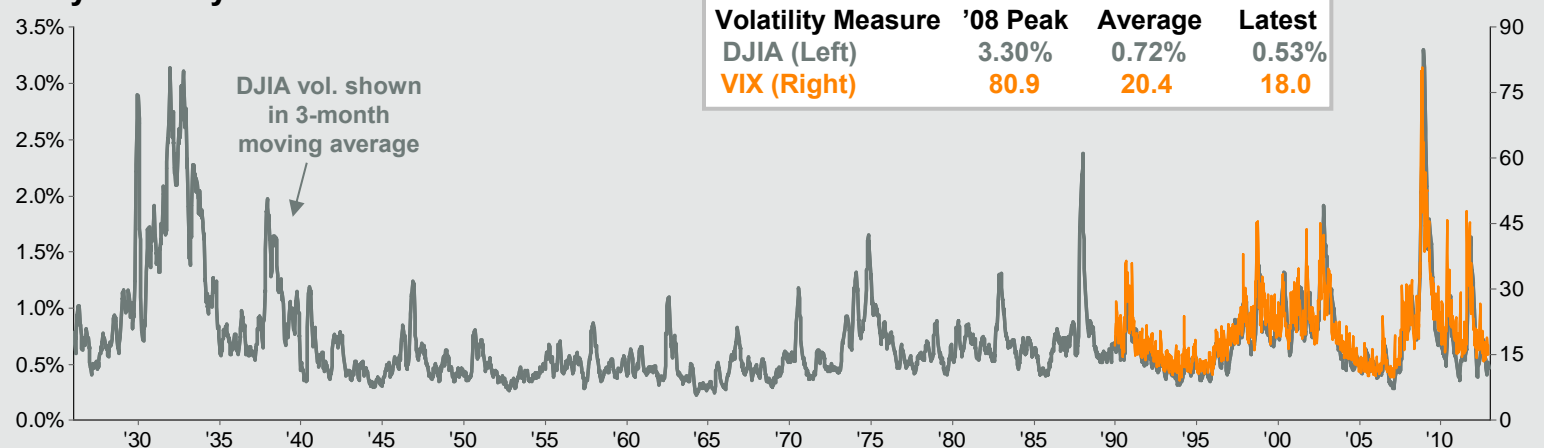
Equity Correlations and Volatility

Large Cap Stocks

Correlations Among Stocks



Daily Volatility of DJIA

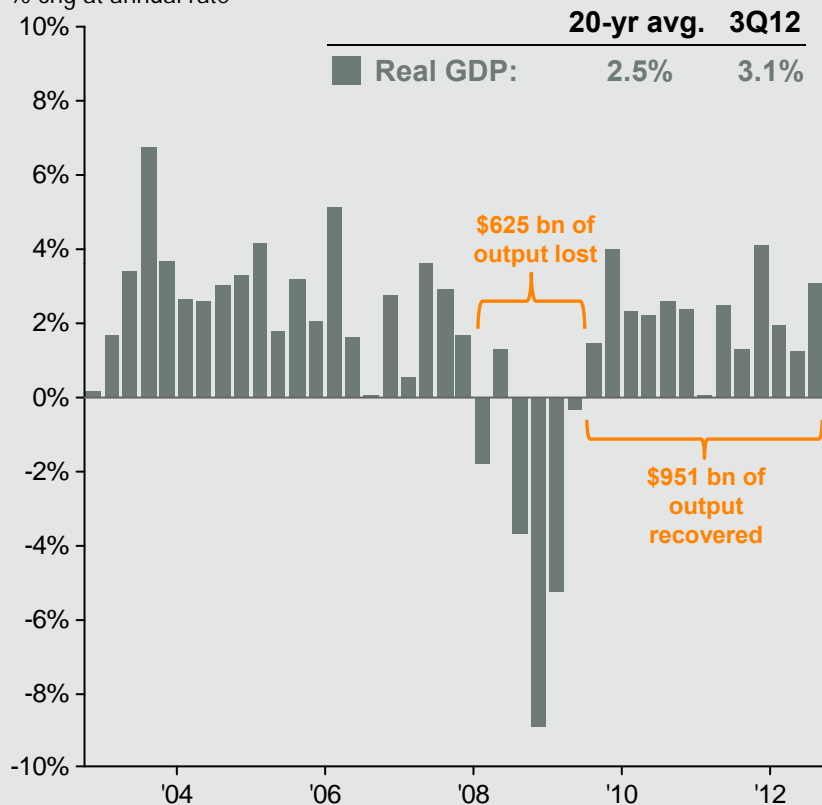


Source: (Top) Empirical Research Partners LLC, Standard & Poor's, J.P. Morgan Asset Management. Capitalization weighted correlation of top 750 stocks by market capitalization, daily returns, 1926 – Dec. 31, 2012. (Bottom) CBOE, Dow Jones, J.P. Morgan Asset Management. DJIA volatility are represented as three-month moving averages of the daily absolute percentage change in the Dow Jones Industrial Average. Charts shown for illustrative purposes only. Data are as of 12/31/12.

Economic Growth and the Composition of GDP

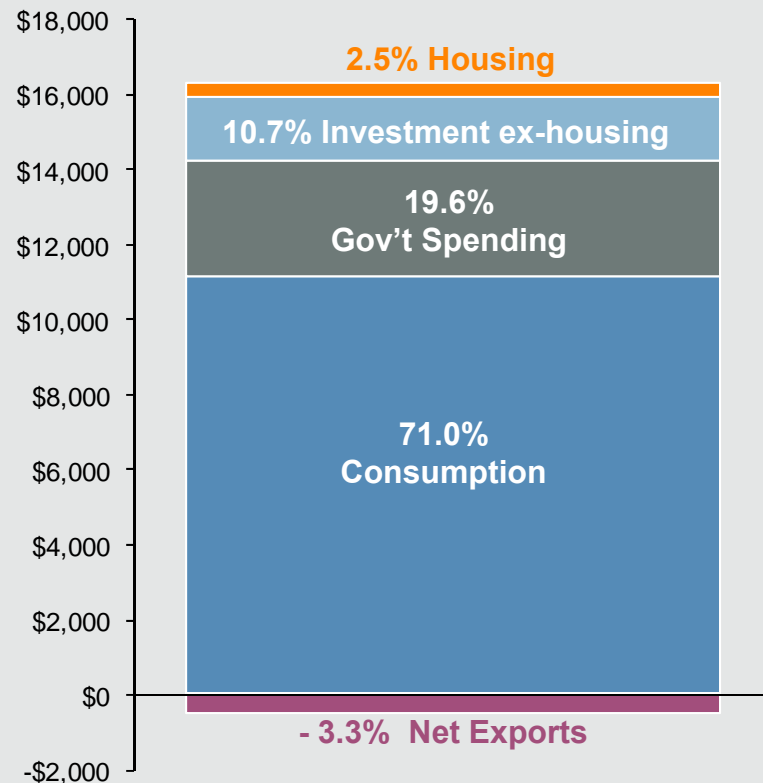
Real GDP

% chg at annual rate



Components of GDP

3Q12 nominal GDP, billions USD



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

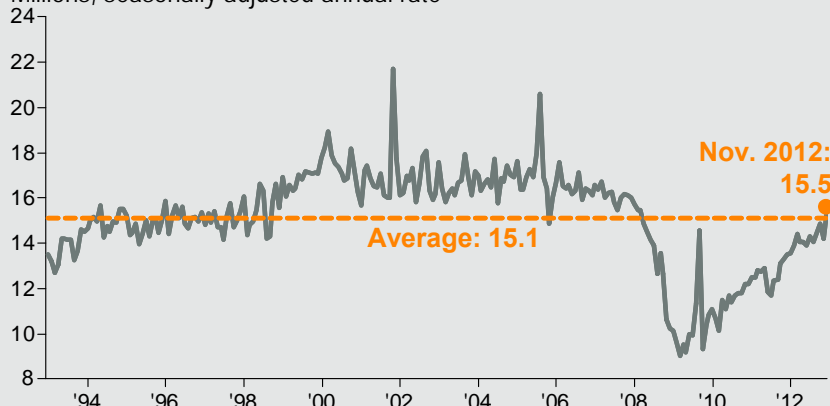
GDP values shown in legend are % change vs. prior quarter annualized and reflect 3Q12 GDP.

Data are as of 12/31/12.

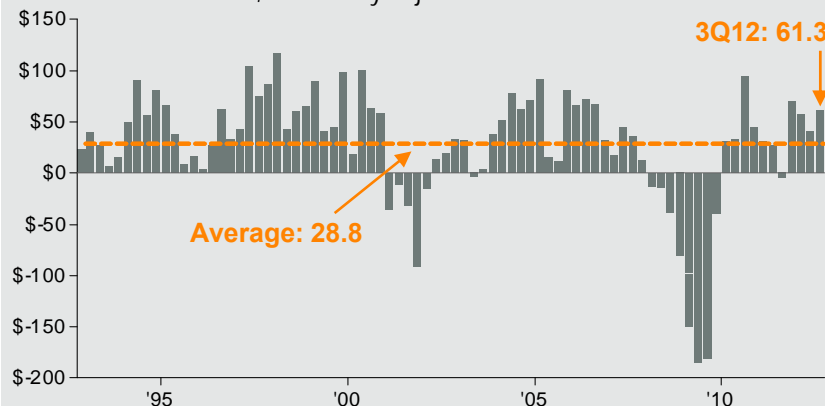
Cyclical Sectors

Light Vehicle Sales

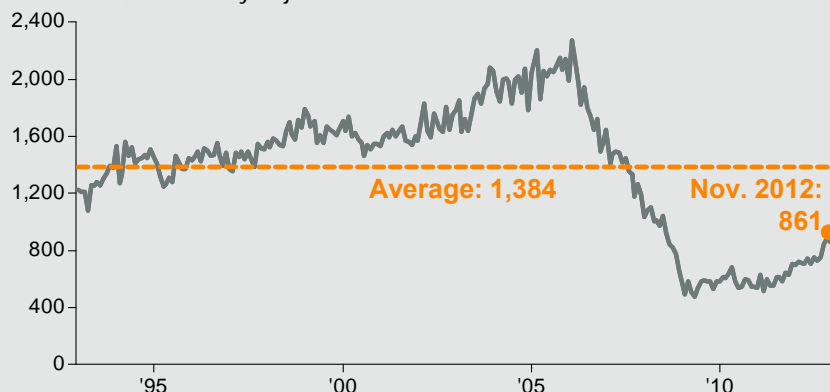
Millions, seasonally adjusted annual rate

**Change in Private Inventories**

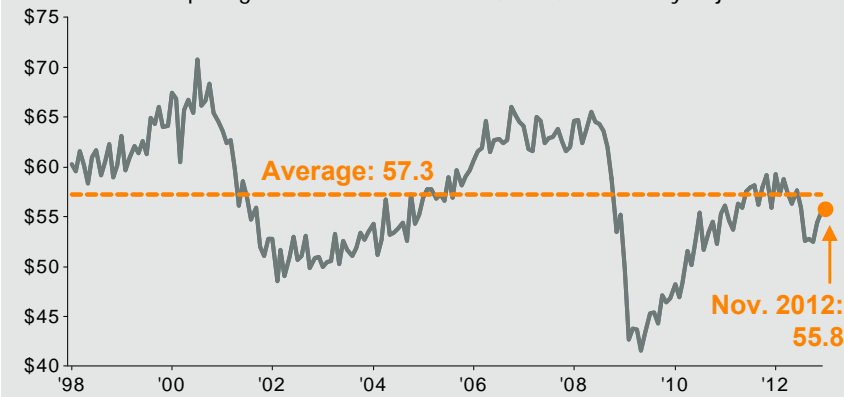
Billions of 2005 dollars, seasonally adjusted annual rate

**Housing Starts**

Thousands, seasonally adjusted annual rate

**Real Capital Goods Orders**

Non-defense capital goods orders ex. aircraft, \$ bn, seasonally adjusted

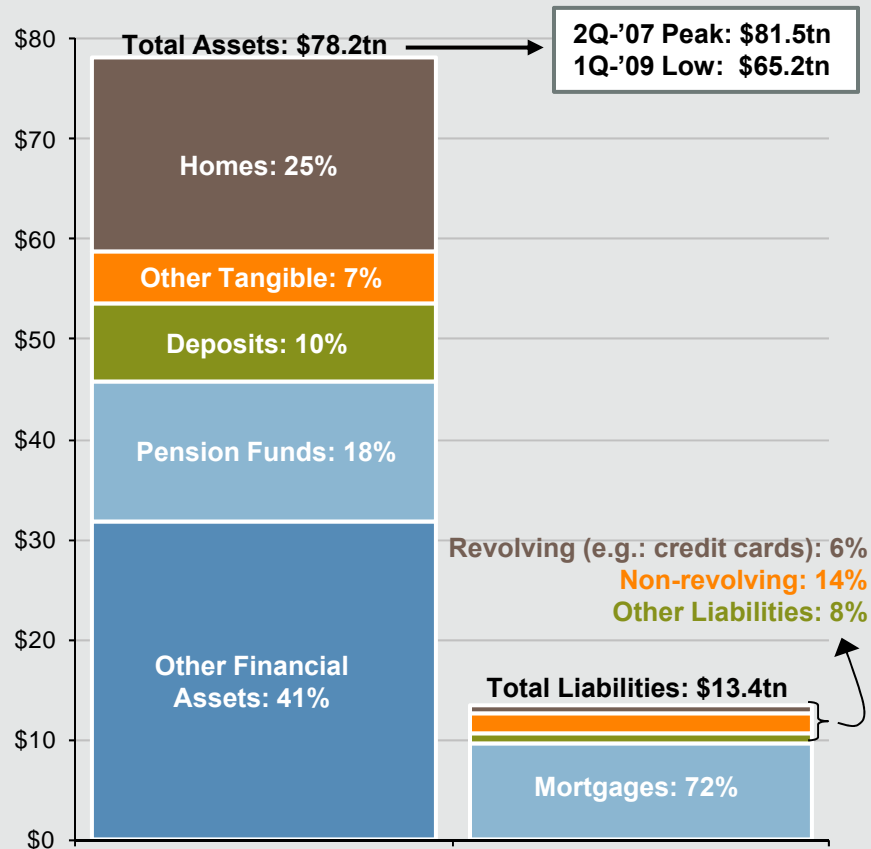


Source: (Top left) BEA, FactSet, J.P. Morgan Asset Management. (Top right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom left) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. Capital goods orders deflated using the producer price index for capital goods.

Data are as of 12/31/12.

Consumer Balance Sheet

Trillions of dollars outstanding, not seasonally adjusted

**Household Debt Service Ratio**

Debt payments as % of disposable personal income, seasonally adjusted

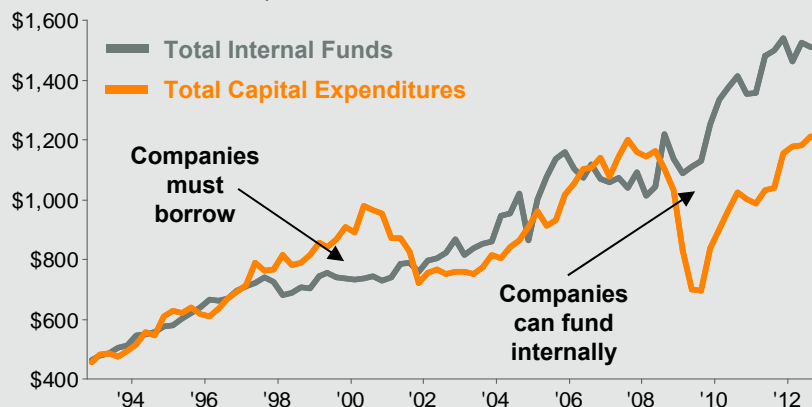


Source: (Left) FRB, J.P. Morgan Asset Management. Data includes households and nonprofit organizations. (Right) BEA, FRB, J.P. Morgan Asset Management. *4Q12 Household Debt Service Ratio is a J.P. Morgan Asset Management estimate.

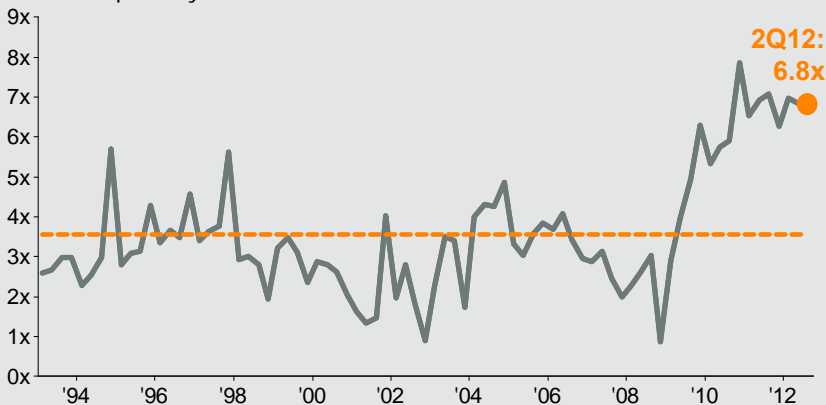
Data are as of 12/31/12.

Corporate Financing Gap

Nonfarm nonfinancial corporate business, billions USD

**Interest Coverage Ratio (EBIT / Net Interest)**

S&P 500, quarterly

**Total Leverage**

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



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

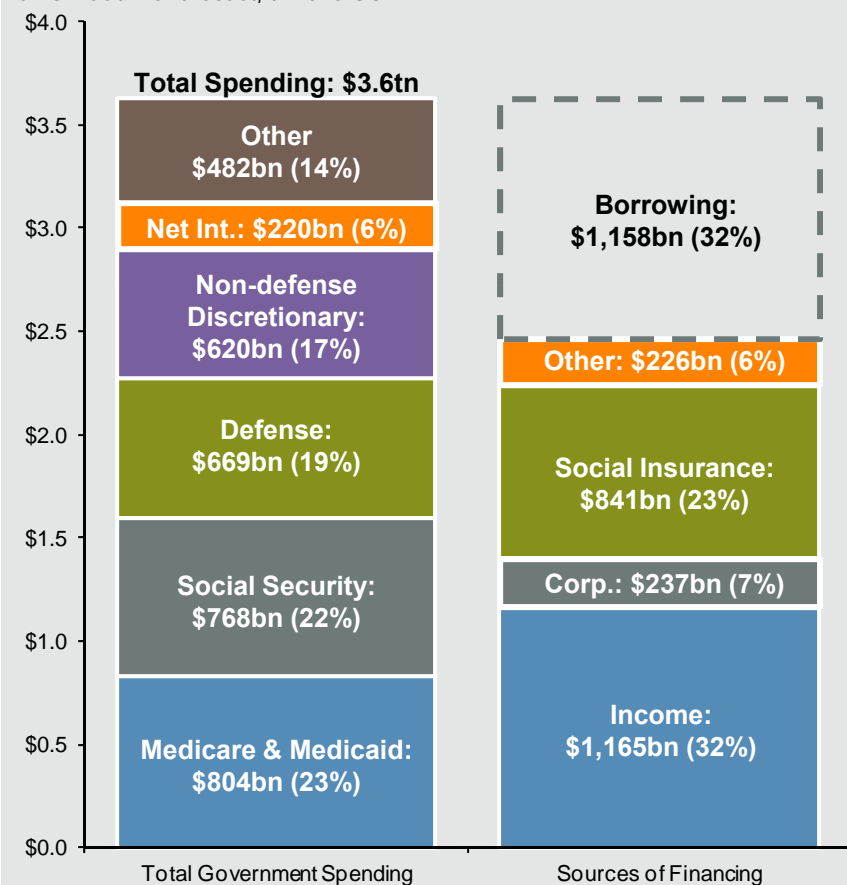
(Top Left): All data is from the Fed's Flow of Funds tables report Z.1, F.102 lines 9 and 11. Total internal funds equals retained earnings plus depreciation.

Data are as of 12/31/12.

Federal Finances: Outlays and Revenues

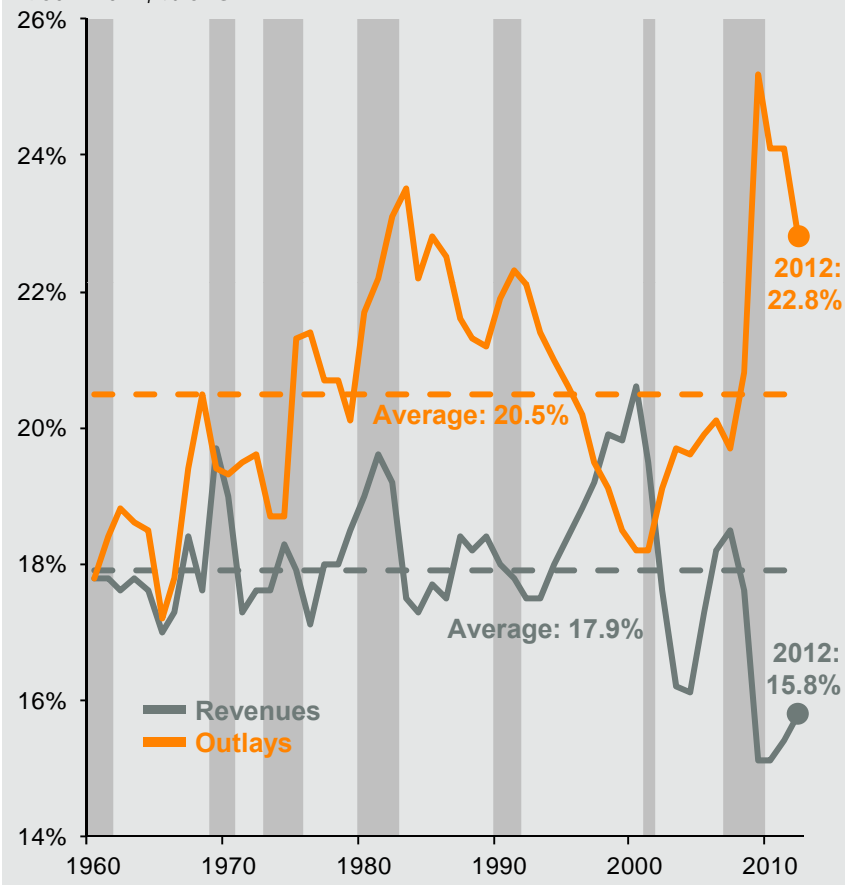
The 2012 Federal Budget

CBO Baseline forecast, trillions USD



Federal Outlays and Receipts

1960 – 2012, % of GDP



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

2012 Federal Budget is based on the CBO's August 2012 Baseline Scenario.

Note: Years shown are fiscal years (Oct. 1 through Sep. 30).

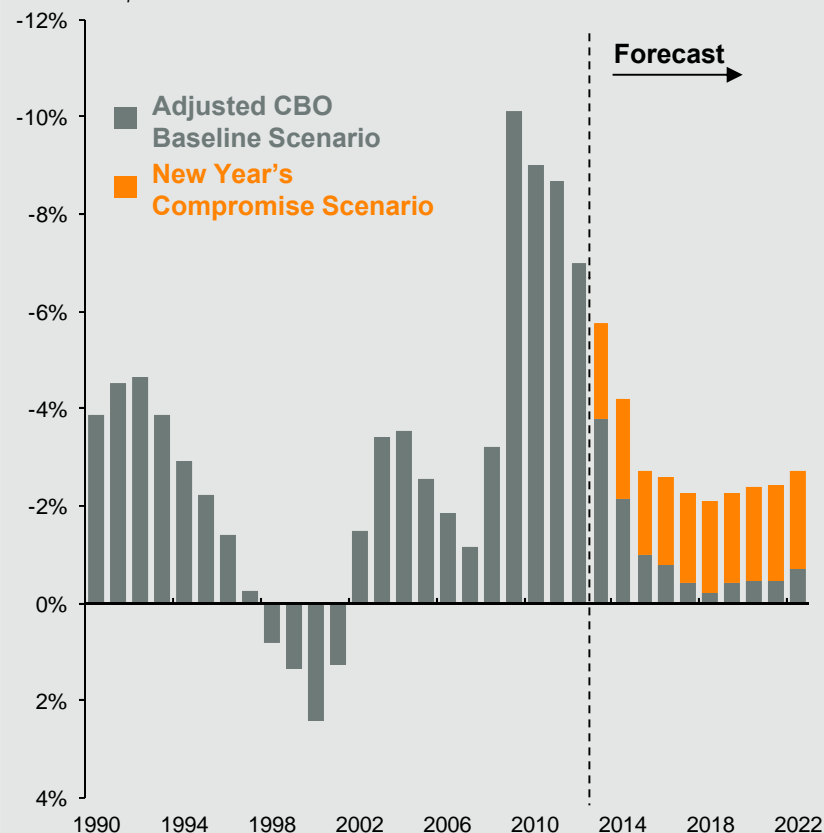
Revenue breakout is based on 2012 tax revenue estimates from the Office of Management and Budget.

Data are as of 12/31/12.

Federal Finances: Deficits and Debt

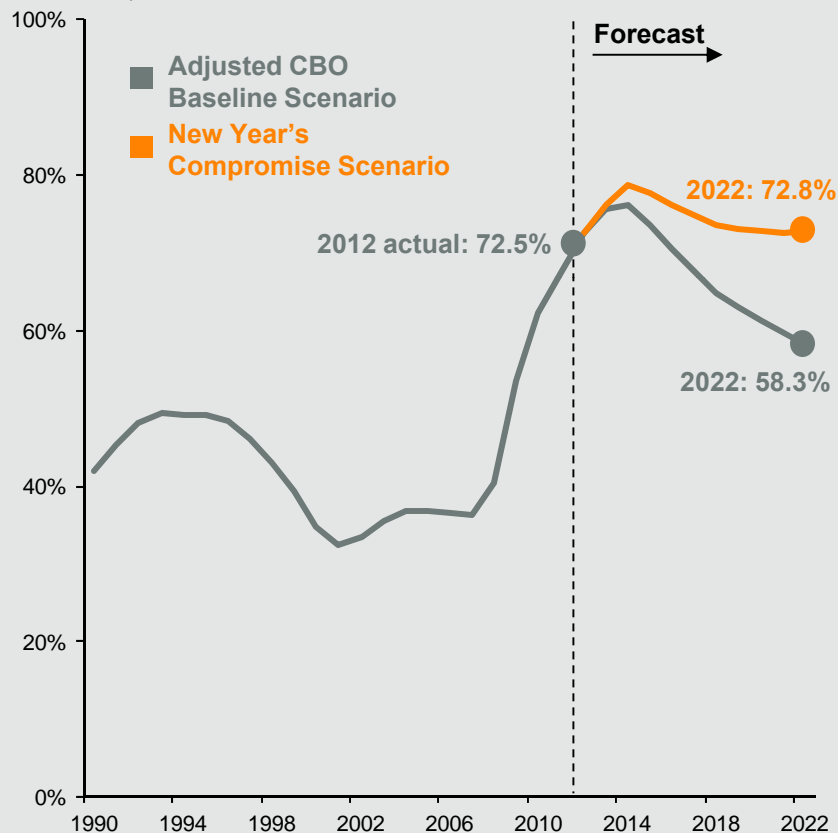
Federal Budget Surplus/Deficit

% of GDP, 1990 – 2022



Federal Net Debt (Accumulated Deficits)

% of GDP, 1990 – 2022



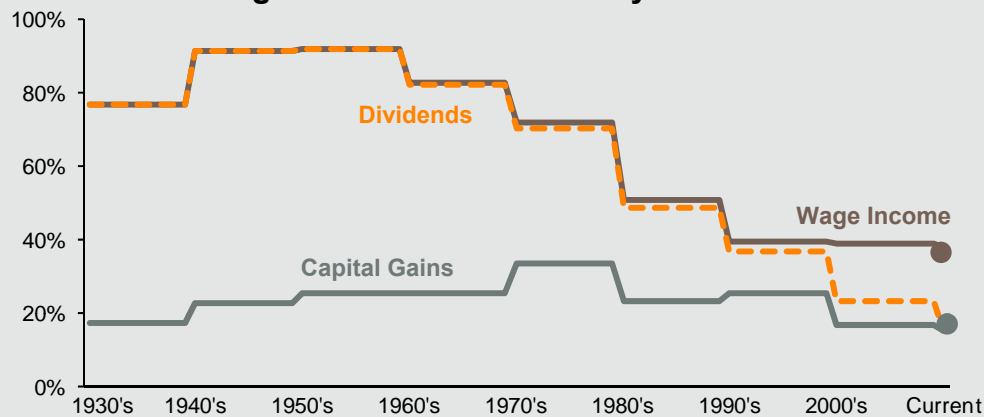
Source: U.S. Treasury, BEA, CBO, J.P. Morgan Asset Management.

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 the CBO cost estimate for the American Taxpayer Relief Act, as passed by the Senate on January 1, 2013.

Data are as of 12/31/12.

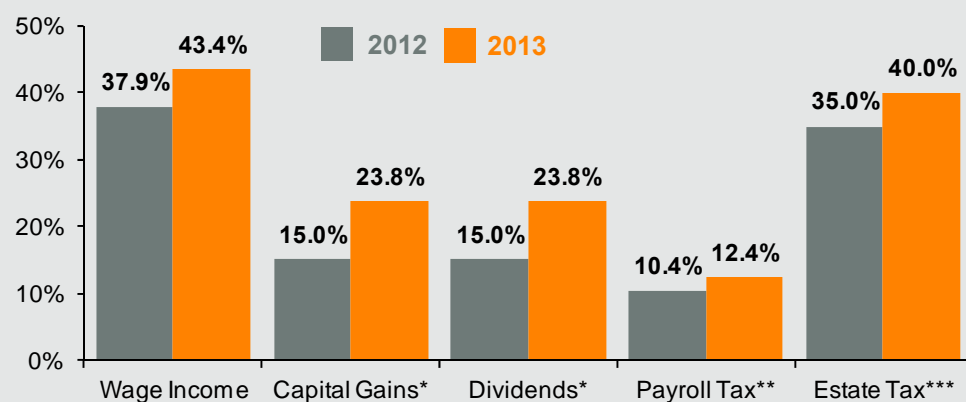
Tax Rates and the Distribution of Income & Taxes

Historical Average Maximum Tax Rates by Decade



Potential Tax Rate Changes

2012 and 2013 maximum federal tax rates under current law



Source: (Top left) IRS, J.P. Morgan Asset Management. Wage income tax rates include employer and employee contributions to the Medicare tax. (Bottom left) IRS, The Tax Foundation, J.P. Morgan Asset Management. Tax rates based on maximum U.S. individual income tax. Wage income tax rates include employer and employee contributions to the Medicare tax. *Includes recently enacted healthcare tax of 3.8%. **In 2011 and 2012, the payroll tax cut reduced the employee's share of Social Security taxes by 2% and was allowed to expire for 2013. Rates shown include both employer and employee contributions to the payroll tax.

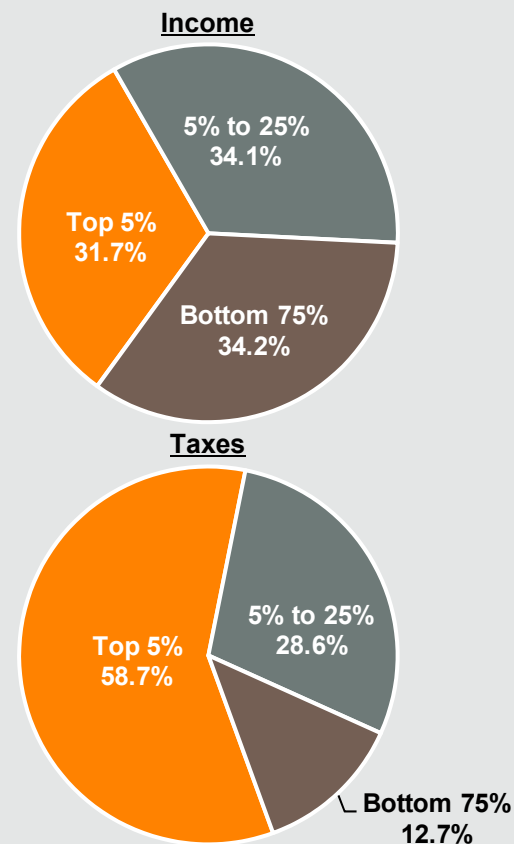
***For 2013, the estate tax exemption amount remained at \$5.12 million. (Right) IRS, J.P. Morgan Asset Management.

Taxes paid are based on federal individual income taxes, which are responsible for about 25% of the nation's taxes paid.

Data are as of 12/31/12.

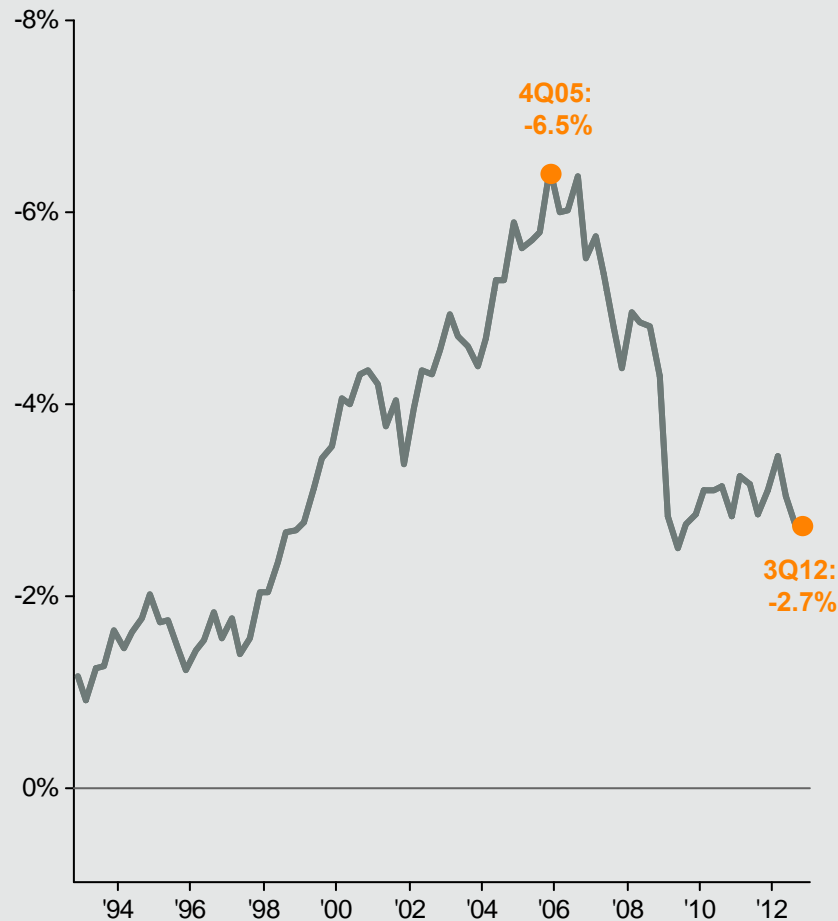
Share of Income and Taxes by Income Level

Based on adjusted gross income and federal taxes, 2009



Current Account Deficit and U.S. Dollar

Current Account Balance, % of GDP



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

Data are as of 12/31/12 and are reported quarterly.

U.S. Dollar Index

Nominal trade-weighted exchange index: major currencies



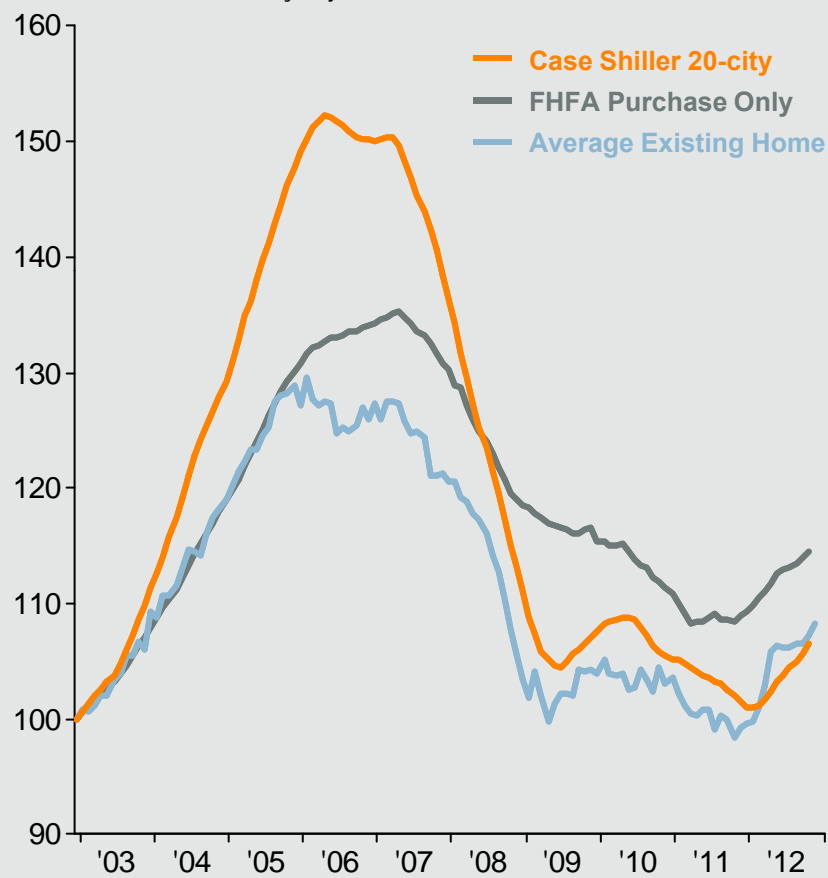
Source: Federal Reserve, FactSet, J.P. Morgan Asset Management.

Data are as of 12/31/12.

The Aftermath of the Housing Bubble

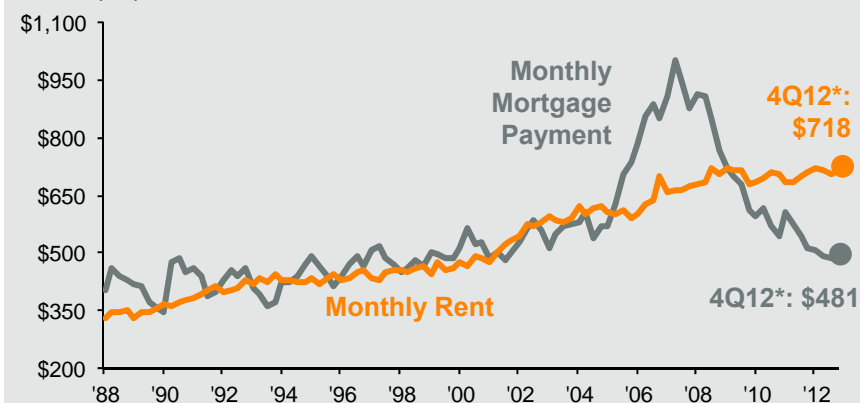
Home Prices

Indexed to 100, seasonally adjusted



Monthly Rent vs. Monthly Mortgage Payment

Vacant properties



Home Inventories

Millions, annual rate, seasonally adjusted

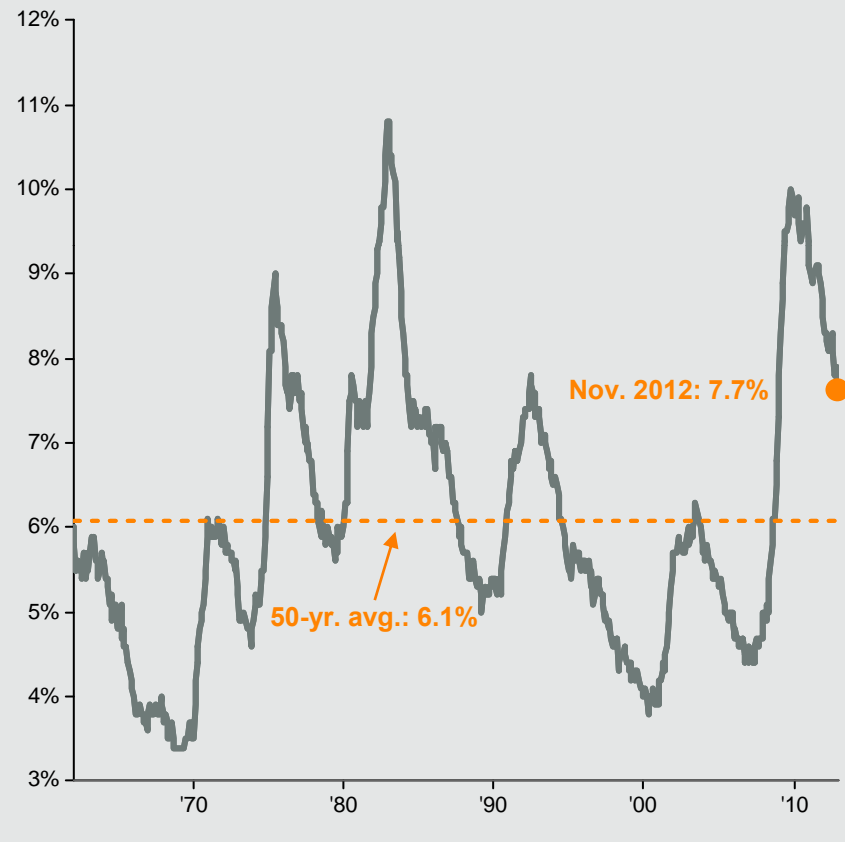


Sources: (Left) National Association of Realtors, Standard & Poor's, FHFA, FactSet, J.P. Morgan Asset Management. (Top right) Census Bureau, J.P. Morgan Asset Management. Monthly mortgage payment assumes a 20% down payment at prevailing 30-year fixed-rate mortgage rates; analysis based on median asking rent and median mortgage payment based on asking price. (Bottom right) Census Bureau, National Association of Realtors, J.P. Morgan Asset Management. *4Q12 rent and mortgage payment values are J.P. Morgan Asset Management estimates.

Data are as of 12/31/12.

Civilian Unemployment Rate

Seasonally adjusted

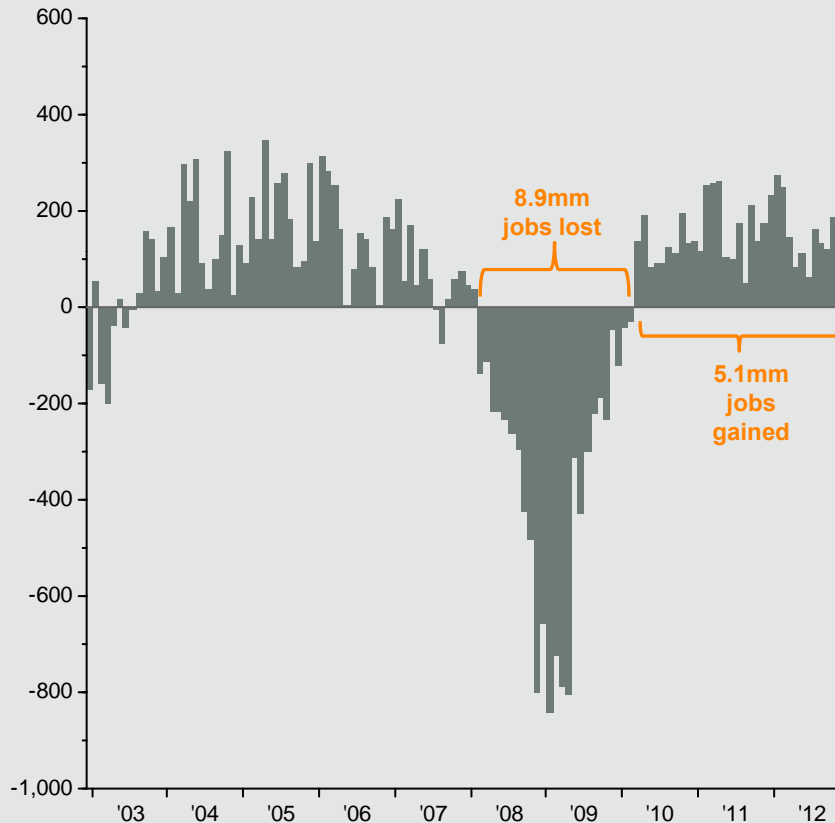


Source: BLS, FactSet, J.P. Morgan Asset Management.

Data are as of 12/31/12.

Employment – Total Private Payroll

Total job gain/loss (thousands)

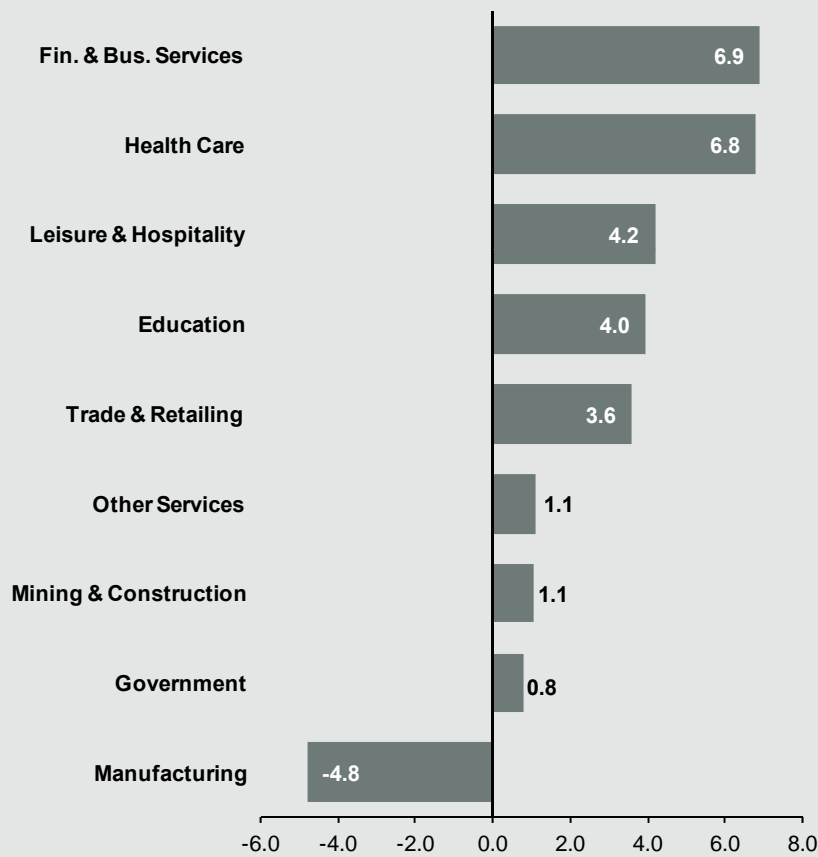


Source: BLS, FactSet, J.P. Morgan Asset Management.

Job Growth, Productivity and Labor Force

20 Years – Net Job Creation

Net change in millions of payroll jobs, seasonally adjusted

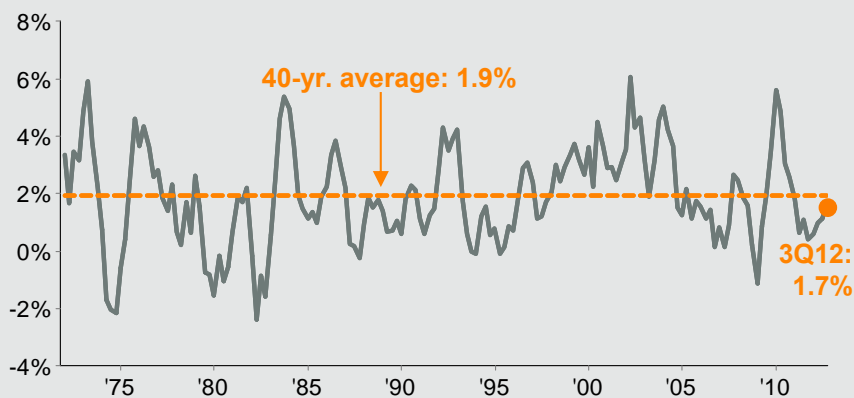


Source: BLS, FactSet, J.P. Morgan Asset Management.

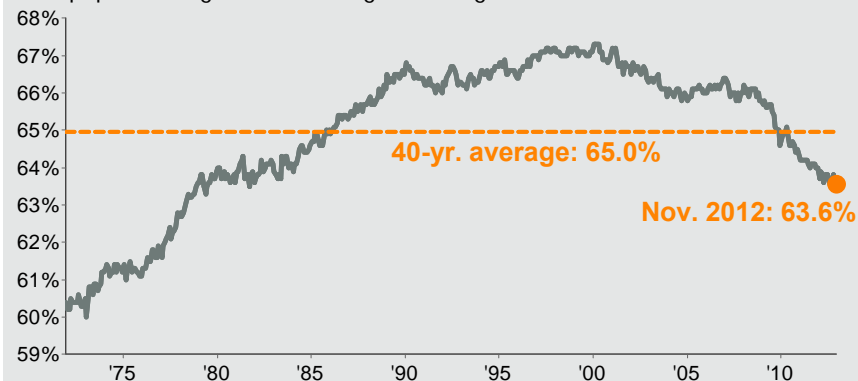
Data as of 12/31/12.

Labor Productivity: Output per Hour

Nonfarm business productivity, % change year-over-year

**Labor Force Participation Rate**

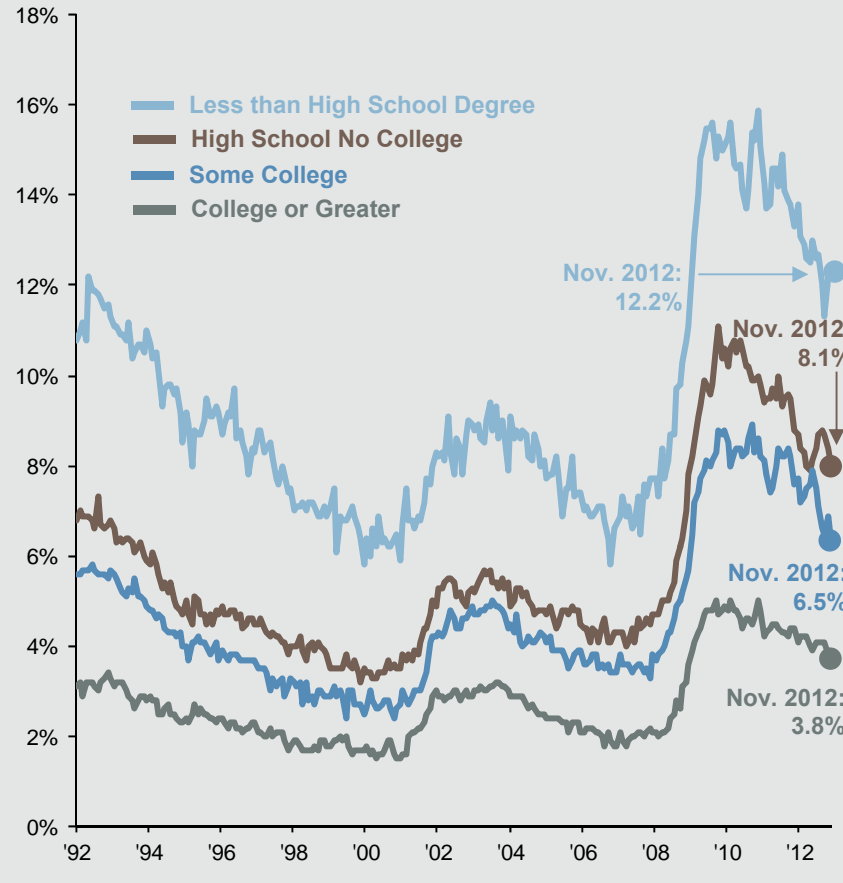
% of population aged 16+ working or looking for work



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

Employment and Income by Educational Attainment

Unemployment Rate by Education Level



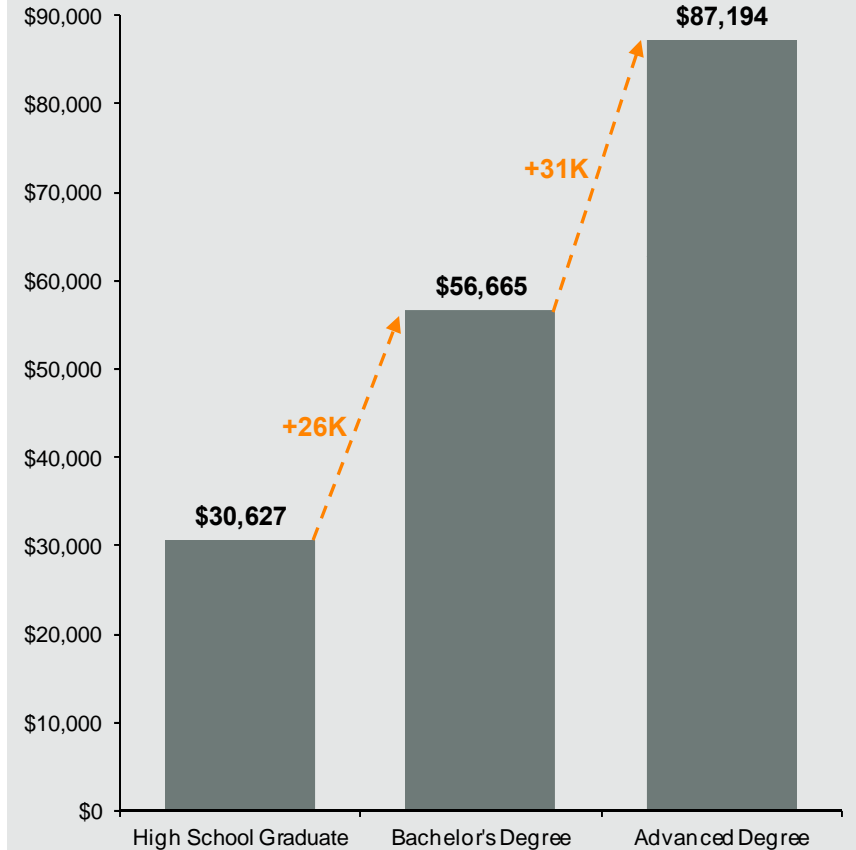
Source: BLS, FactSet, J.P. Morgan Asset Management.

Unemployment rates shown are for civilians aged 25 and older.

Data are as of 12/31/12.

Average Annual Earnings by Highest Degree Earned

Full-time workers aged 25 and older, 2009, USD

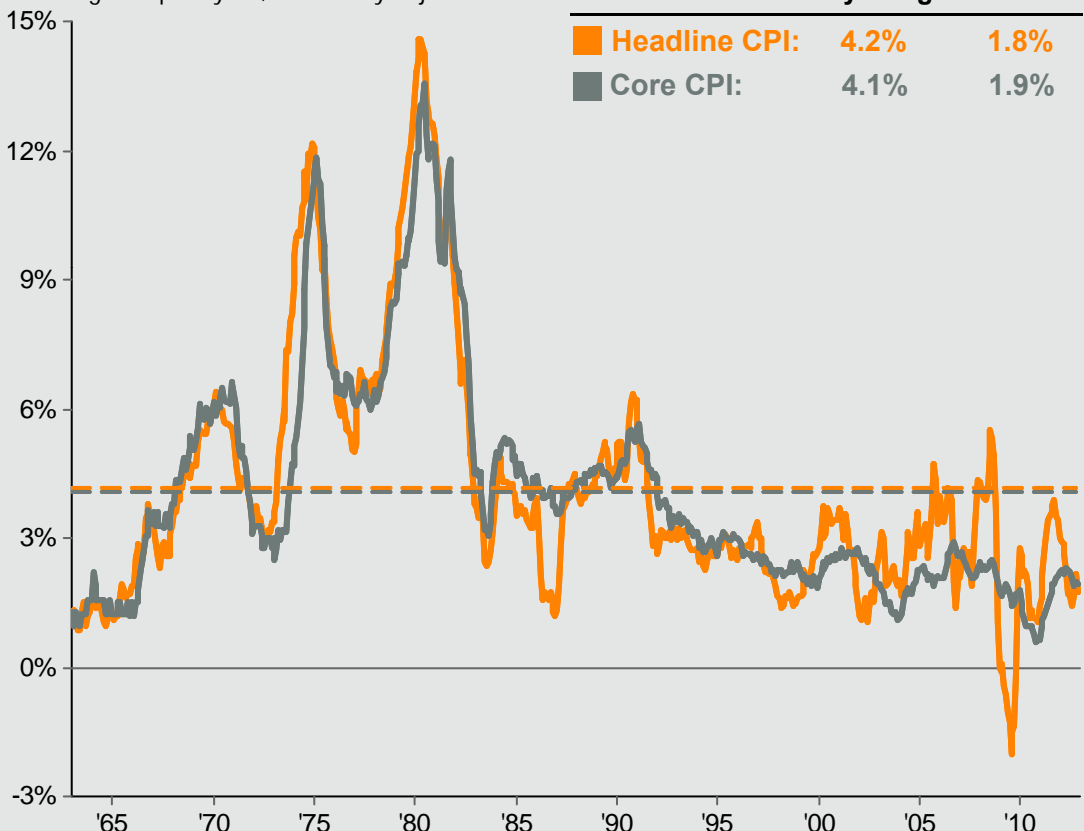


Source: Census Bureau, J.P. Morgan Asset Management.

Consumer Price Index

CPI and Core CPI

% change vs. prior year, seasonally adjusted



CPI Components	Weight in CPI	12-month Change
Food & Bev.	15.3%	1.8%
Housing	41.0%	1.7%
Apparel	3.6%	1.8%
Transportation	16.9%	1.6%
Medical Care	7.1%	3.4%
Recreation	6.0%	1.4%
Educ. & Comm.	6.8%	1.5%
Other	3.4%	1.5%
Headline CPI	100.0%	1.8%
Less:		
Energy	9.7%	0.3%
Food	13.7%	1.8%
Core CPI	76.6%	1.9%

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

CPI used is CPI-U and values shown are % change vs. 1 year ago and reflect November 2012 CPI data. CPI component weights are as of December 2011 and 12-month change reflects non-seasonally adjusted data through November 2012. Core CPI is defined as CPI excluding food and energy prices.

Data are as of 12/31/12.

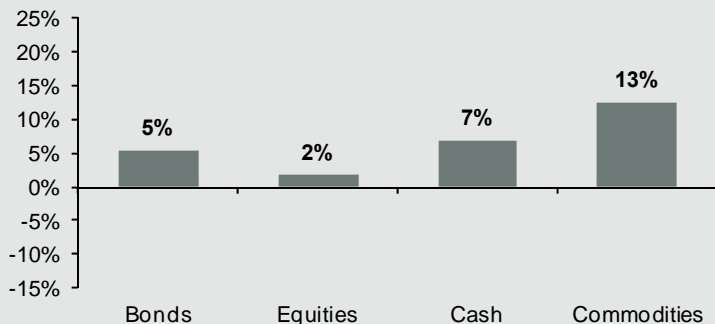
Returns in Different Inflation Environments - 40 years

Rising inflation scenarios

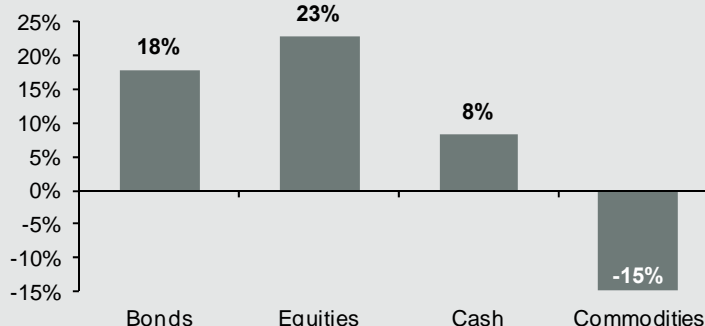
Falling inflation scenarios

High and Rising Inflation

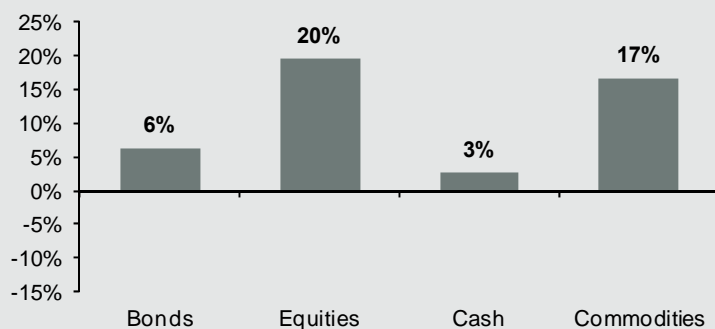
Occurred 14 times since 1972

**High and Falling Inflation**

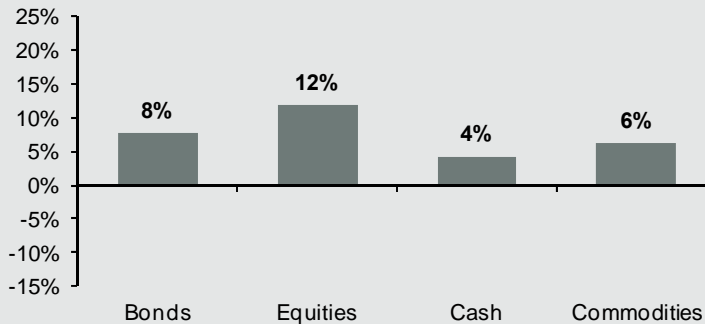
Occurred 6 times since 1972

**Low and Rising Inflation**

Occurred 7 times since 1972

**Low and Falling Inflation**

Occurred 13 times since 1972

Median
Inflation:
3.3%

Above median

Below median

Source: BLS, Barclays Capital, Robert Shiller, Federal Reserve, Strategas/Ibbotson, Standard & Poor's, FactSet, J.P. Morgan Asset Management.

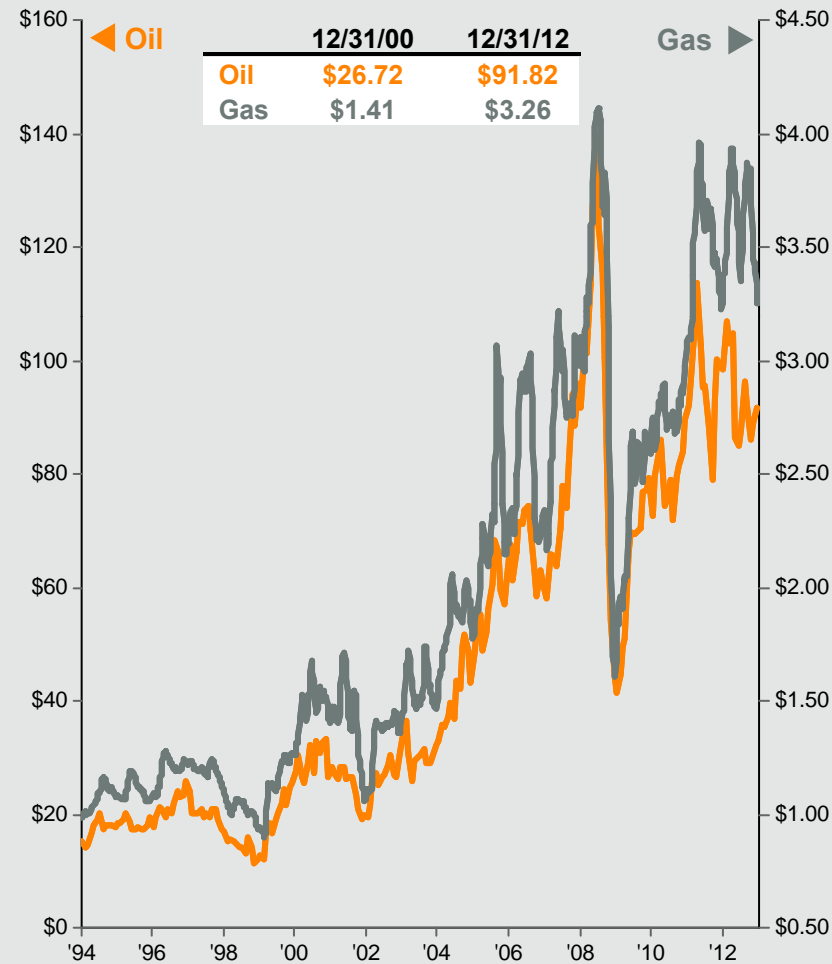
High or low inflation distinction is relative to median CPI-U inflation for the period 1971 to 2011. Rising or falling inflation distinction is relative to previous year CPI-U inflation rate. Bond returns are based on the Barclays U.S. Aggregate index since its inception in 1976 and a composite bond index prior to that. Equity returns based on S&P 500 price return and annual dividend yield (total return). Cash returns are based on the Barclays 1-3 Month T-Bill index since its inception in 1992 and 3-month T-Bill rates prior to that. Commodities returns based on S&P GSCI.

For illustrative purposes only. Past performance is not indicative of comparable future returns.

Data are as of 12/31/12.

Oil and the Economy

WTI Crude Oil & Retail Gasoline Prices



Source: U.S. Department of Energy, FactSet, J.P. Morgan Asset Management. Price of gas based on U.S. retail national average of all formulations and WTI for crude.

Data are as of 12/31/12.

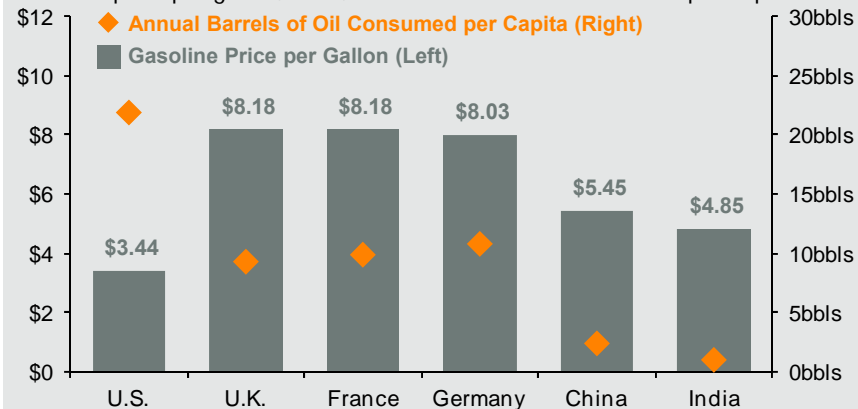
Economic Drag From Oil Prices

U.S. petroleum imports as a % of GDP



Oil Prices and Consumption per Country

Gasoline price per gallon, USD, annual barrels of oil consumed per capita



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

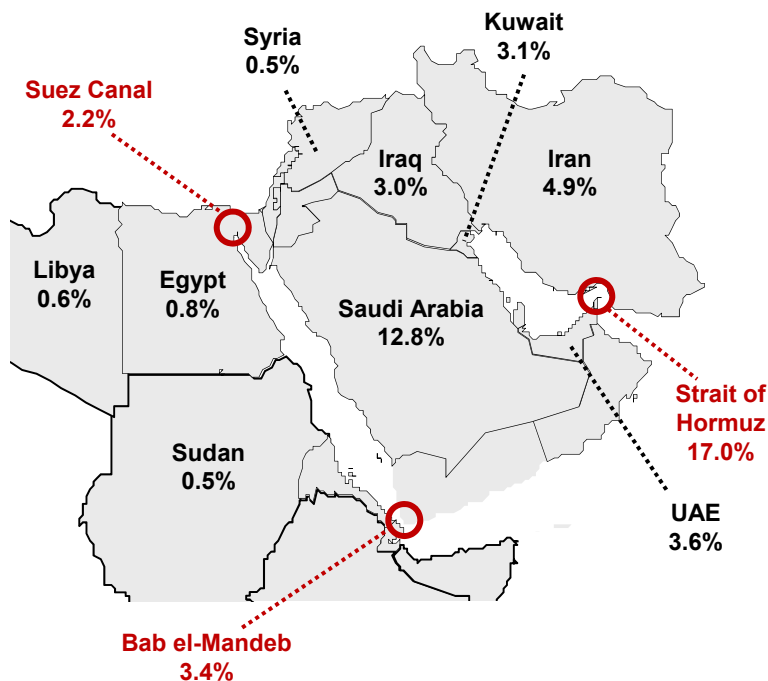
(Bottom) EIA, J.P. Morgan Asset Management.

*4Q12 drag on growth is a J.P. Morgan Asset Management estimate.

Global Oil Supply

Middle East Energy Production & Chokepoints

Percent of global liquid fuel production, 2011



Major Producers

Percent of global total, 2011

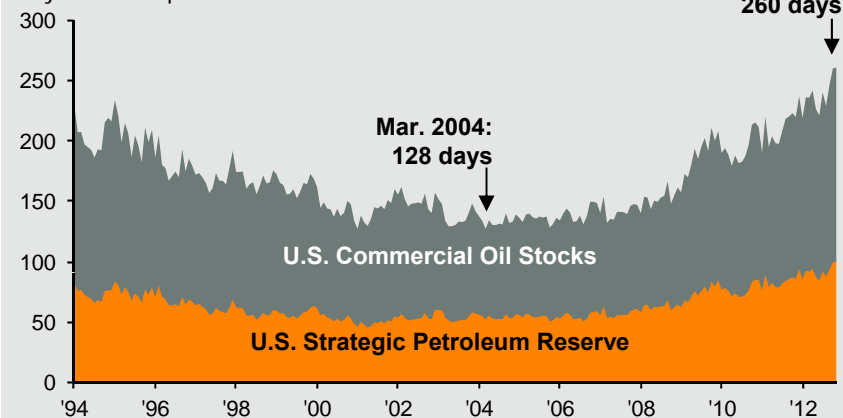
Saudi Arabia	13%	China	5%	United States	22%	India	4%
Russia	12%	Iran	5%	China	10%	Saudi Arabia	3%
United States	12%	Canada	4%	Japan	5%	Brazil	3%

Major Consumers

Percent of global total, 2011

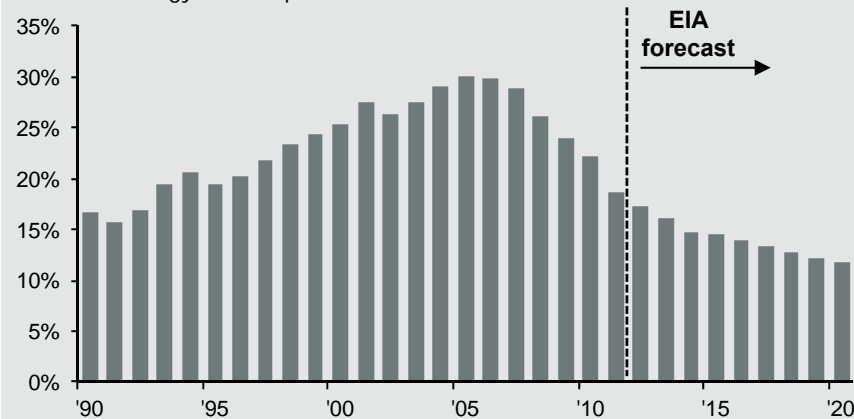
U.S. Commercial & Strategic Oil Stocks

Days of net imports



Total U.S. Energy Net Imports

% of total energy consumption



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

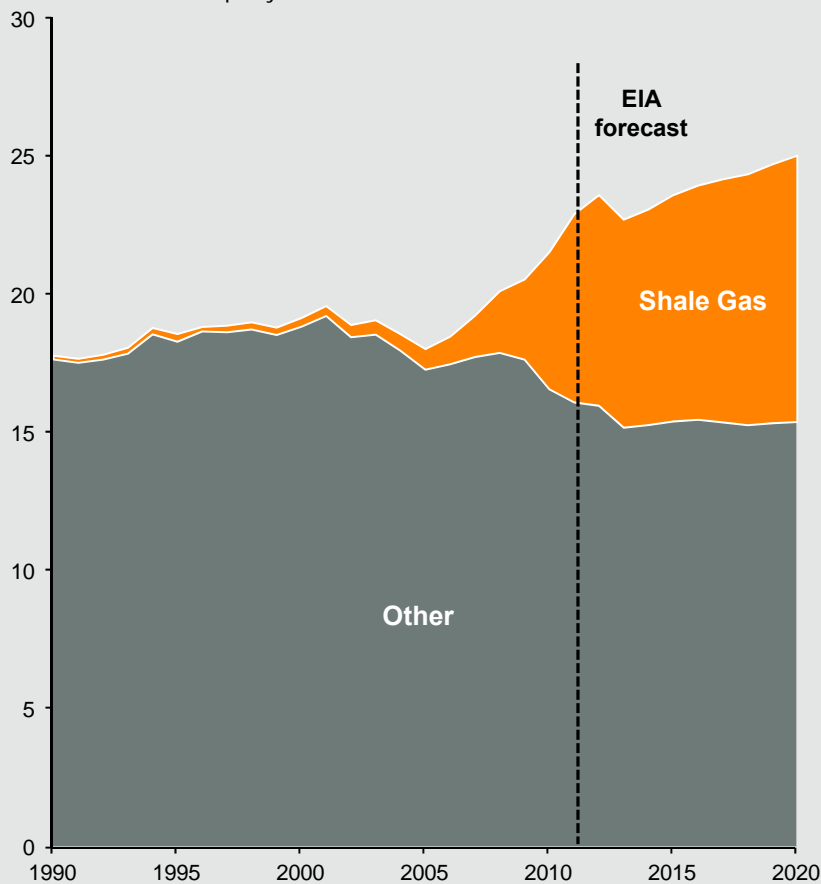
Forecasts are from the EIA Annual Energy Outlook 2013. Imports are mostly crude oil, petroleum and natural gas while consumption includes oil, gas, coal, nuclear, hydropower and bio-fuels.

Data are as of 12/31/12.

Domestic Natural Gas

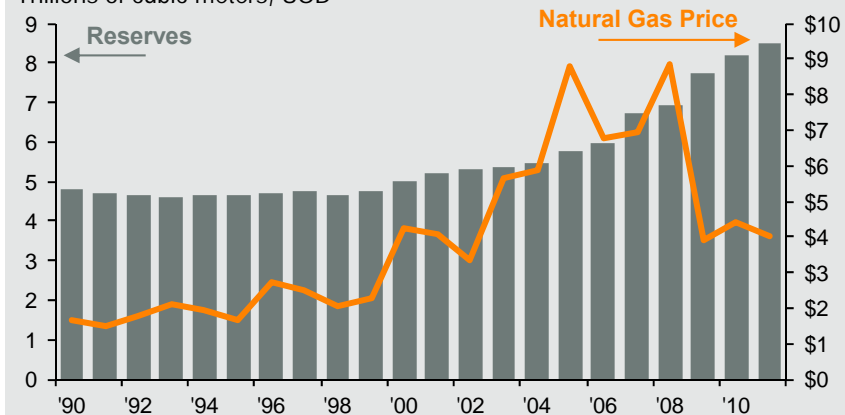
U.S. Natural Gas Production

Trillions of cubic feet per year



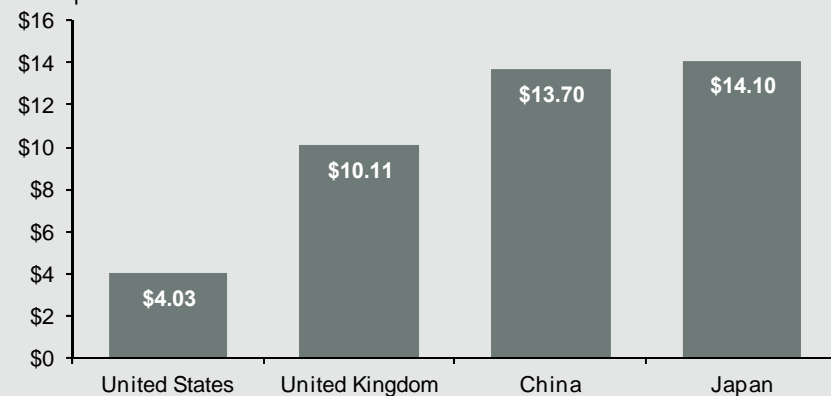
U.S. Natural Gas Reserves and Prices

Trillions of cubic meters, USD



Natural Gas Prices by Country

USD per mmbTU*

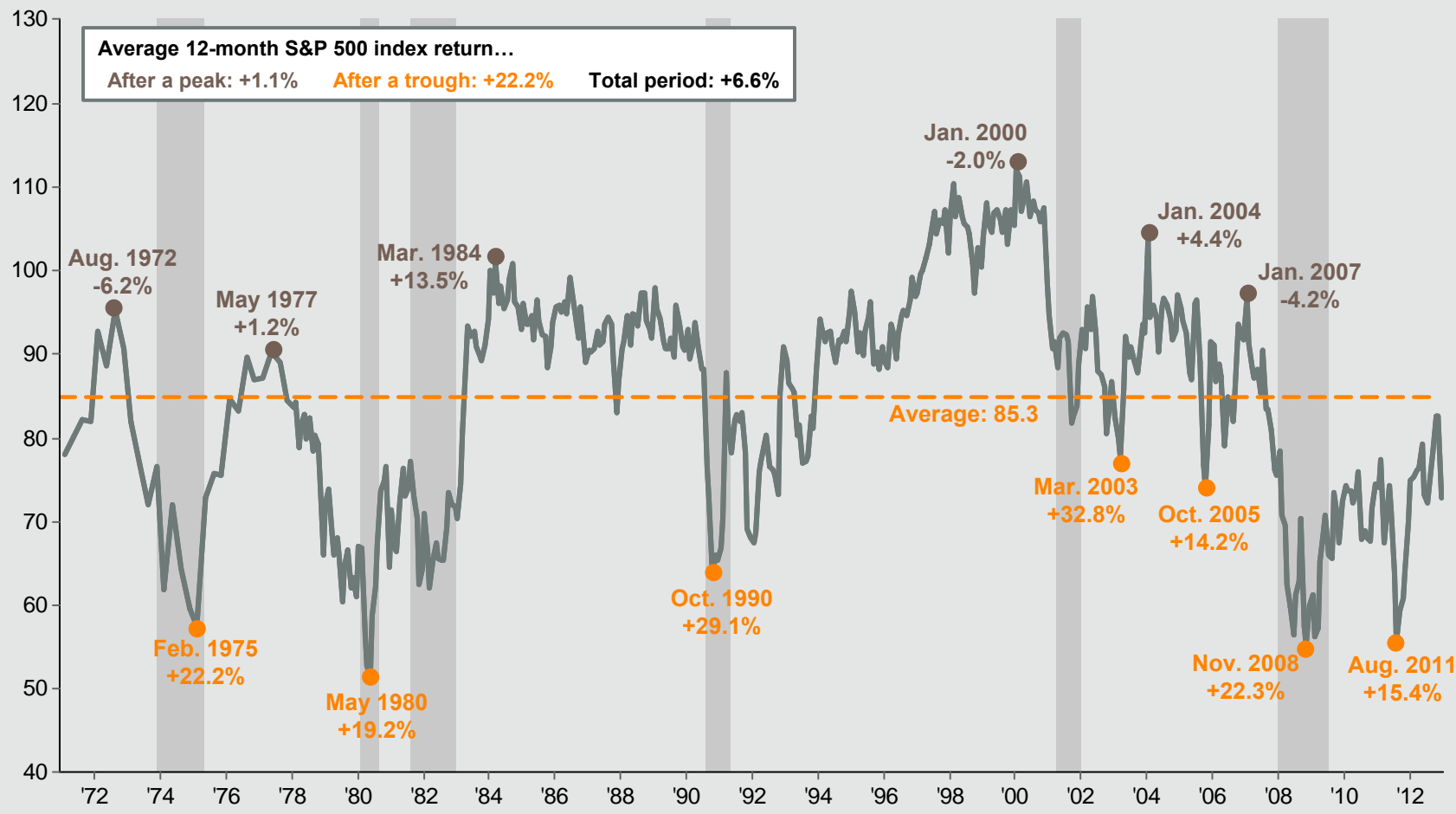


Source: EIA, BP, Federal Energy Regulatory Commission, J.P. Morgan Asset Management.
*mmbTU represents 10,000 million British thermal units.

Data are as of 12/31/12.

Consumer Confidence and the Stock Market

Consumer Sentiment Index – University of Michigan



Source: University of Michigan, FactSet, J.P. Morgan Asset Management.

Peak is defined as the highest index value before a series of lower lows, while a trough is defined as the lowest index value before a series of higher highs. Subsequent 12-month S&P 500 returns are price returns only, which excludes dividends.

Data are as of 12/31/12.

Fixed Income Sector Returns

											10-yrs '03 - '12	
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	4Q12	Cum.	Ann.
High Yield 29.0%	EMD 11.9%	EMD 12.3%	High Yield 11.8%	TIPS 11.6%	Treas. 13.7%	High Yield 58.2%	High Yield 15.1%	TIPS 13.6%	EMD 17.9%	EMD 3.3%	EMD 200.3%	EMD 11.6%
EMD 26.9%	High Yield 11.1%	Asset Alloc. 3.6%	EMD 10.0%	Treas. 9.0%	MBS 8.3%	EMD 34.2%	EMD 12.8%	Muni 10.7%	High Yield 15.8%	High Yield 3.3%	High Yield 174.3%	High Yield 10.6%
Asset Alloc. 9.7%	TIPS 8.5%	Muni 3.5%	MBS 5.2%	Barclays Agg 7.0%	Barclays Agg 5.2%	Corp. 18.7%	Corp. 9.0%	Treas. 9.8%	Corp. 9.8%	Corp. 1.1%	Asset Alloc. 94.3%	Asset Alloc. 6.9%
TIPS 8.4%	Asset Alloc. 6.3%	TIPS 2.8%	Asset Alloc. 5.1%	MBS 6.9%	Asset Alloc. -1.4%	Asset Alloc. 15.8%	Asset Alloc. 7.6%	Asset Alloc. 8.9%	Asset Alloc. 7.8%	Asset Alloc. 1.0%	TIPS 90.4%	TIPS 6.7%
Corp. 8.2%	Corp. 5.4%	Treas. 2.8%	Muni 4.8%	Asset Alloc. 6.2%	TIPS -2.4%	Muni 12.9%	Barclays Agg 6.5%	Corp. 8.1%	TIPS 7.0%	TIPS 0.7%	Corp. 84.7%	Corp. 6.3%
Muni 5.3%	MBS 4.7%	High Yield 2.7%	Barclays Agg 4.3%	EMD 5.2%	Muni -2.5%	TIPS 11.4%	TIPS 6.3%	Barclays Agg 7.8%	Muni 6.8%	Muni 0.7%	Barclays Agg 65.8%	Barclays Agg 5.2%
Barclays Agg 4.1%	Muni 4.5%	MBS 2.6%	Corp. 4.3%	Corp. 4.6%	Corp. -4.9%	Barclays Agg 5.9%	Treas. 5.9%	EMD 7.0%	Barclays Agg 4.2%	Barclays Agg 0.2%	Muni 64.5%	Muni 5.1%
MBS 3.1%	Barclays Agg 4.3%	Barclays Agg 2.4%	Treas. 3.1%	Muni 3.4%	EMD -14.7%	MBS 5.9%	MBS 5.4%	MBS 6.2%	MBS 2.6%	Treas. -0.1%	MBS 64.1%	MBS 5.1%
Treas. 2.2%	Treas. 3.5%	Corp. 1.7%	TIPS 0.4%	High Yield 1.9%	High Yield -26.2%	Treas. -3.6%	Muni 2.4%	High Yield 5.0%	Treas. 2.0%	MBS -0.2%	Treas. 59.0%	Treas. 4.7%

Source: Barclays Capital, FactSet, J.P. Morgan Asset Management.

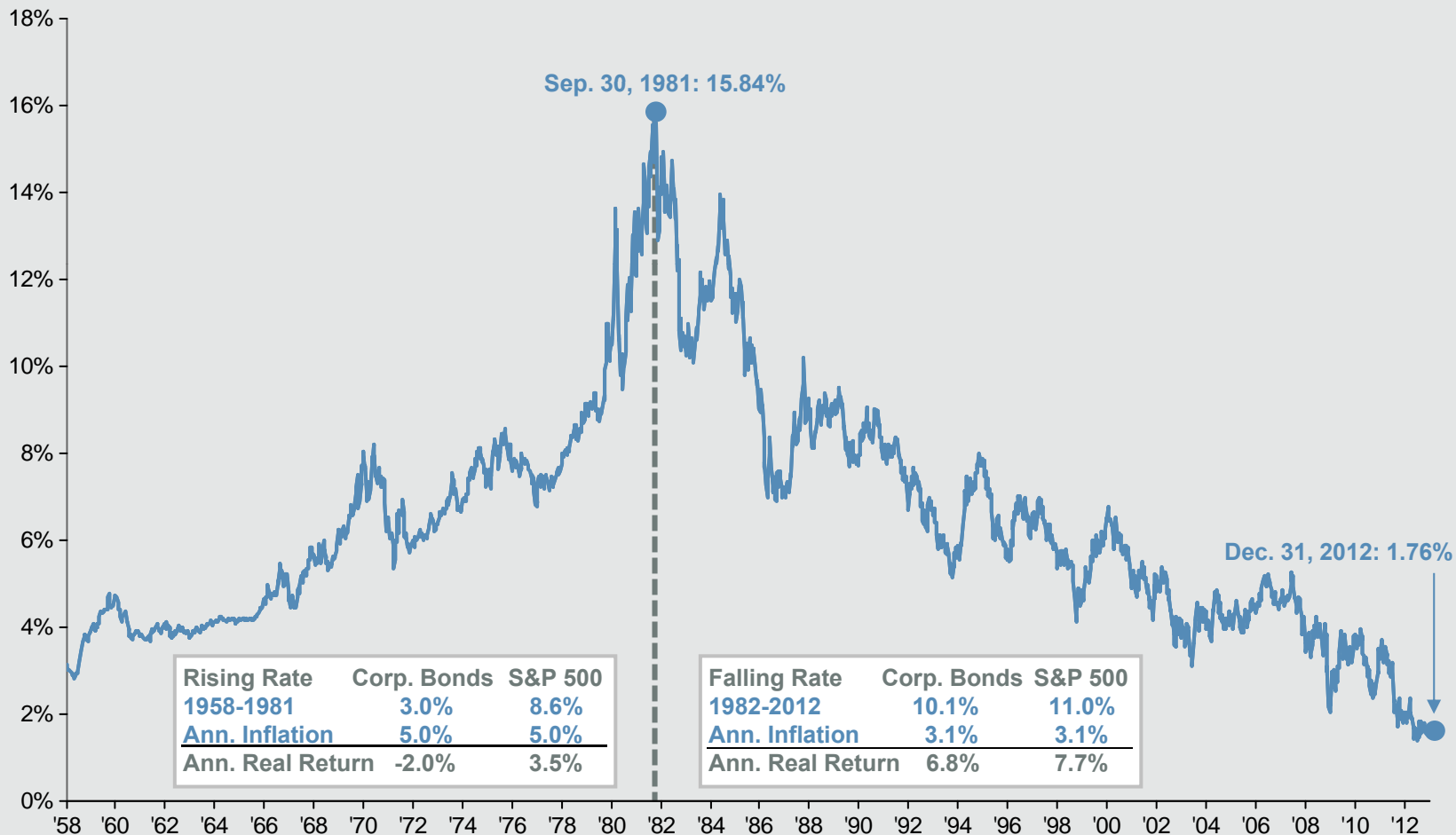
Past performance is not indicative of future returns. Fixed income sectors shown above are provided by Barclays Capital and are represented by: Barclays Capital U.S. Aggregate Index; MBS: Fixed Rate MBS Index; Corporate: U.S. Corporates; Municipals: Muni Bond Index; Emerging Debt: Emerging Markets Index; High Yield: Corporate High Yield Index; Treasuries: Barclays Capital U.S. Treasury; TIPS: Barclays Capital TIPS. The "Asset Allocation" portfolio assumes the following weights: 10% in MBS, 20% in Corporate, 15% in Municipals, 10% in Emerging Debt, 10% in High Yield, 25% in Treasuries, 10% in TIPS.

Asset allocation portfolio assumes annual rebalancing.

Data are as of 12/31/12.

Interest Rates and Market Performance

10-Year Treasury Yields and Real Capital Market Returns



Source: Federal Reserve, Standard & Poor's, BLS, Strategas, J.P. Morgan Asset Management.

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 12/31/12.

Fixed Income Yields and Returns

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: U.S. Barclays Capital Index; MBS: Fixed Rate MBS Index; Corporate: U.S. Corporates; Municipals: Muni Bond Index; Emerging Debt: Emerging Markets Index; High Yield: Corporate High Yield Index. TIPS: Treasury Inflation Protection Securities (TIPS). Treasury securities data for # of issues and market value based on U.S. Treasury benchmarks from Barclays Capital. Yield and return information based on Bellwethers for Treasury securities.

Change in bond price is calculated using both duration and convexity according to the following formula:

$$\text{New Price} = (\text{Price} + (\text{Price} \times \text{Duration} \times \text{Change in Interest Rates}) + (0.5 \times \text{Price} \times \text{Convexity} \times (\text{Change in Interest Rates})^2))$$

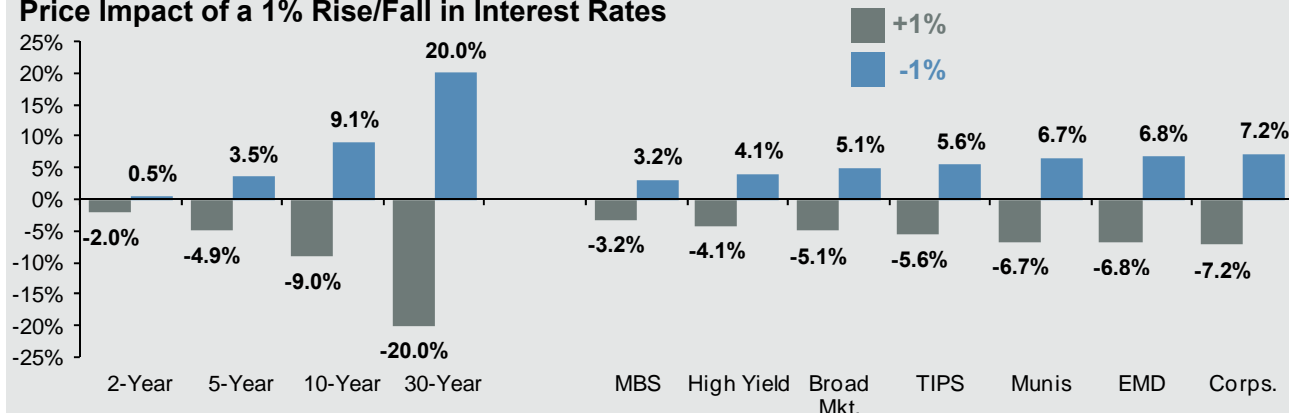
*Calculation assumes 2-year Treasury interest rate falls 0.25% to 0.00% and the 5-year Treasury falls 0.72% to 0.00%, as interest rates can only fall to 0.00%.

Chart is for illustrative purposes only. Past performance is not indicative of comparable future results.

Data are as of 12/31/12.

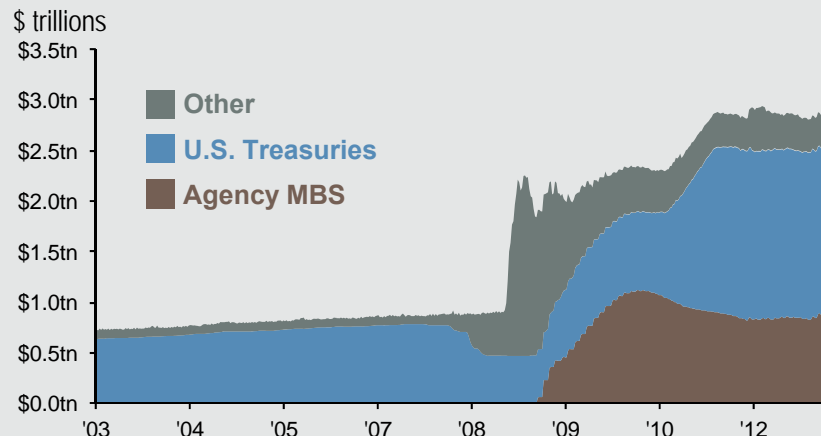
				Yield		Return	
U.S. Treasuries	# of issues	Mkt. Value	Avg. Maturity	12/31/2012	12/31/2011	2012	4Q12
2-Year	}		2 years	0.25%	0.25%	0.31%	0.05%
5-Year		# of issues: 169	5	0.72	0.83	2.29	-0.01
10-Year		Total value: \$5.209 tn	10	1.78	1.89	4.13	-0.23
30-Year			30	2.95	2.89	2.34	-1.28
Sector							
Broad Market	8,109	\$16,973 bn	7.0 years	1.74%	2.24%	4.22%	0.22%
MBS	805	5,027	4.8	2.22	2.68	2.59	-0.20
Corporates	4,435	3,651	10.6	2.71	3.74	9.82	1.06
Municipals	46,472	1,343	13.6	2.17	2.82	6.78	0.67
Emerging Debt	580	860	11.0	4.34	6.07	17.95	3.29
High Yield	2,013	1,145	6.7	6.13	8.36	15.81	3.29
TIPS	33	861	8.9	1.51	1.69	6.98	0.69

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



The Fed and the Money Supply

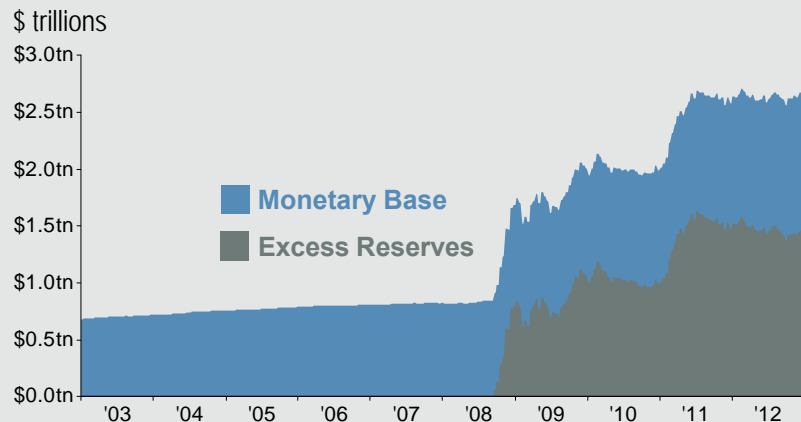
Fed's Balance Sheet: Assets



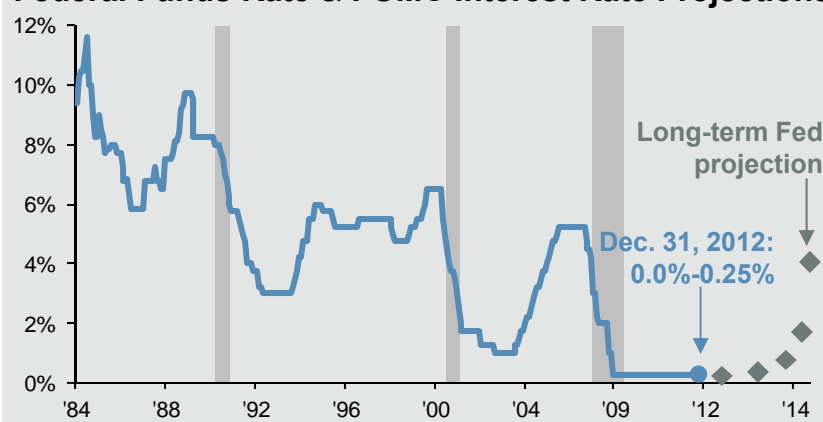
Money Multiplier



Fed's Balance Sheet: Liabilities



Federal Funds Rate & FOMC Interest Rate Projections



Source: Federal Reserve, FactSet, J.P. Morgan Asset Management.

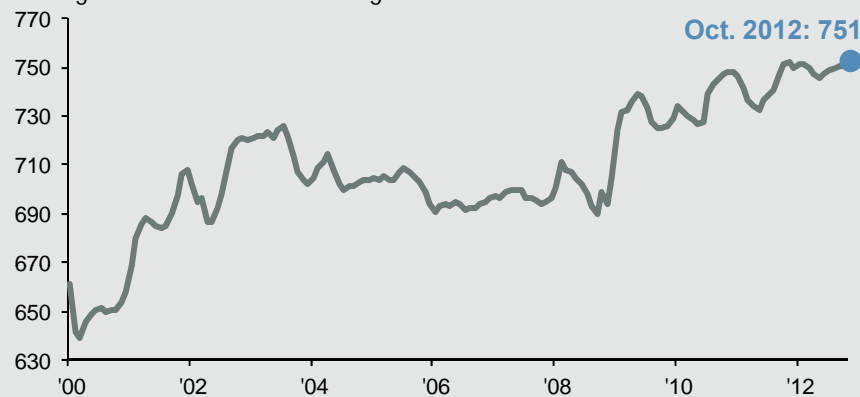
Monetary base is defined as the total amount of a currency that is either circulated in the hands of the public or in the commercial bank deposits held in the central bank's reserves. Money multiplier defined as M2 divided by the monetary base. Long-term Fed projection is based on average expectations of FOMC members.

Data are as of 12/31/12.

Credit Conditions

Lending Standards for Approved Mortgage Loans

Average FICO score based on origination date



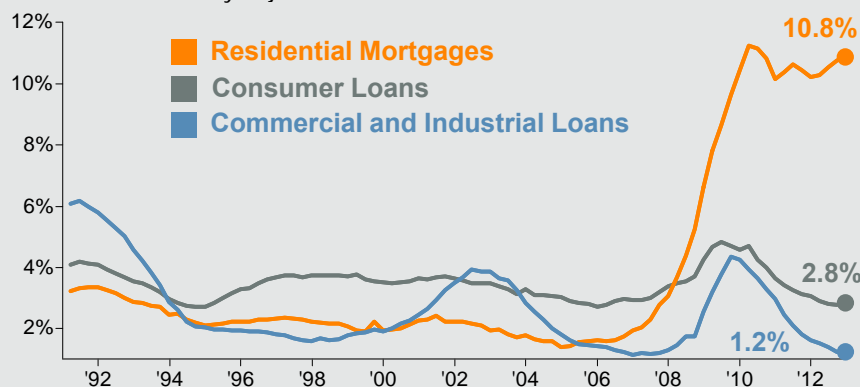
Commercial & Industrial Loan Demand

Net percent of banks reporting stronger demand



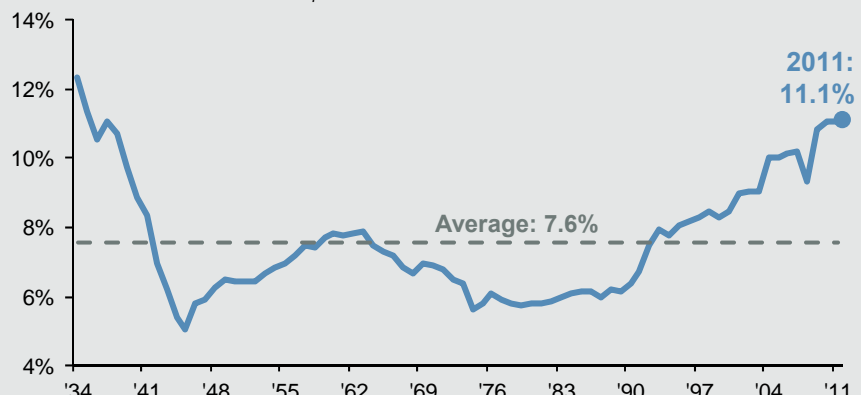
Delinquency Rates

All banks, seasonally adjusted



Common Equity as a % of Total Assets

All FDIC insured institutions, 1934 – 2011



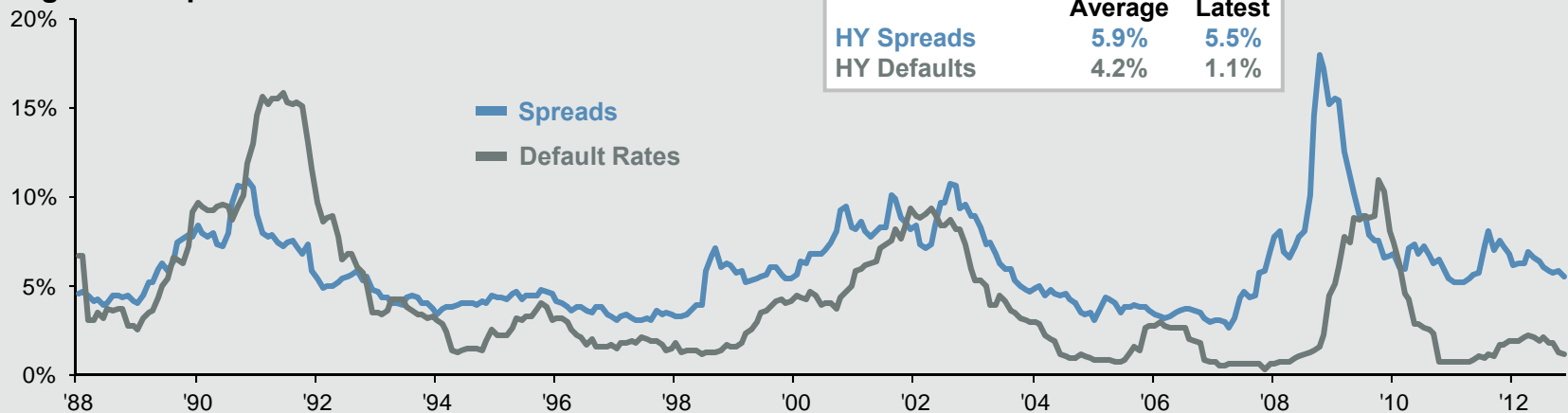
Source: (Top left) McDash, J.P. Morgan Securitized Product Research, J.P. Morgan Asset Management. (Top right) Federal Reserve, FactSet, J.P. Morgan Asset Management. (Bottom left): Federal Reserve, FactSet, J.P. Morgan Asset Management. (Bottom right) FDIC, J.P. Morgan Asset Management.

All data reflect most recently available releases.

Data are as of 12/31/12.

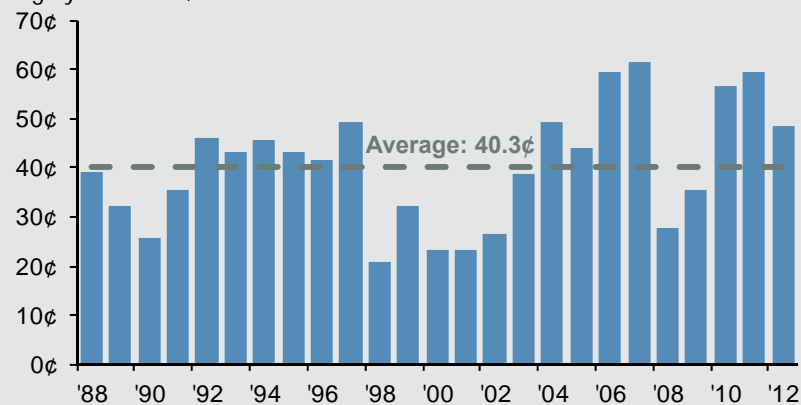
High Yield Bonds

High Yield Spreads and Defaults



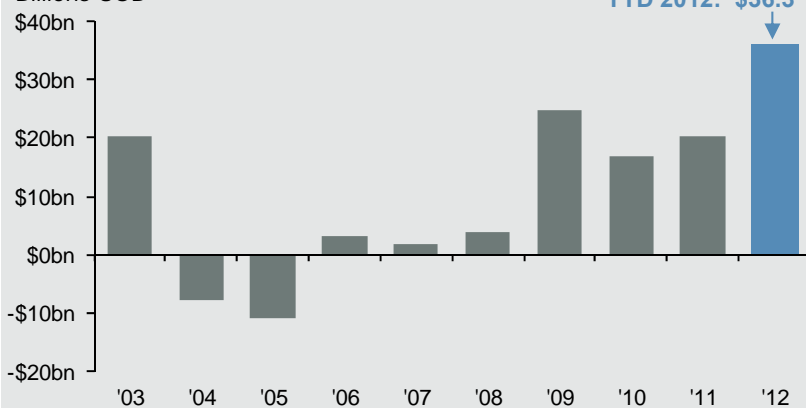
Historical High Yield Recovery Rates

High yield bonds, cents on the dollar



Annual Flows into High Yield Mutual Funds & ETFs

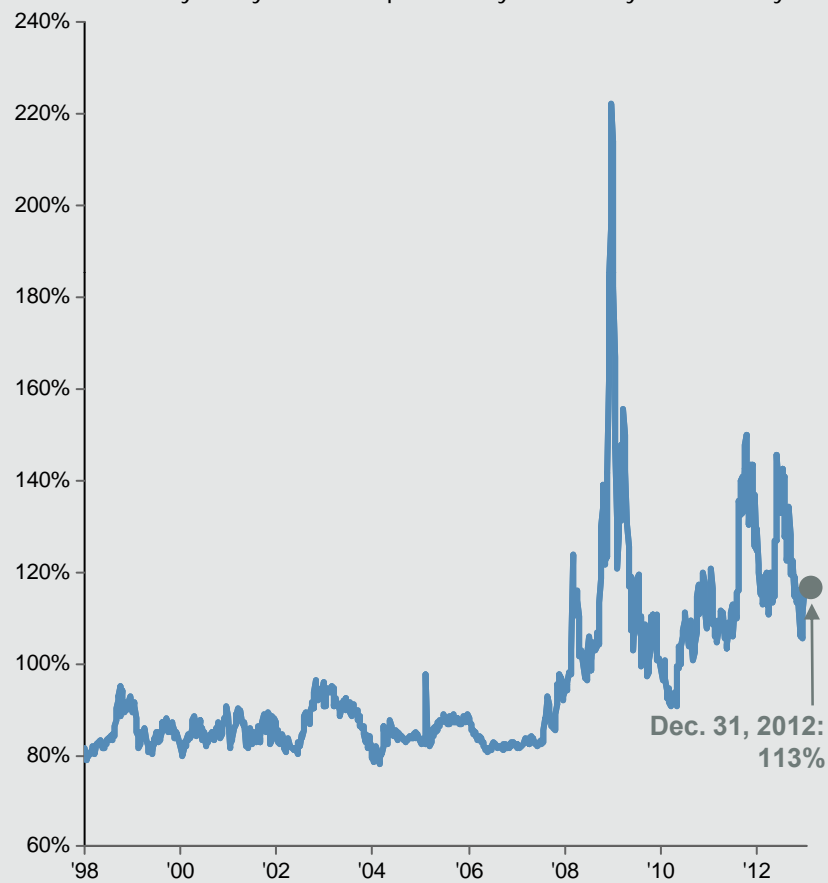
Billions USD



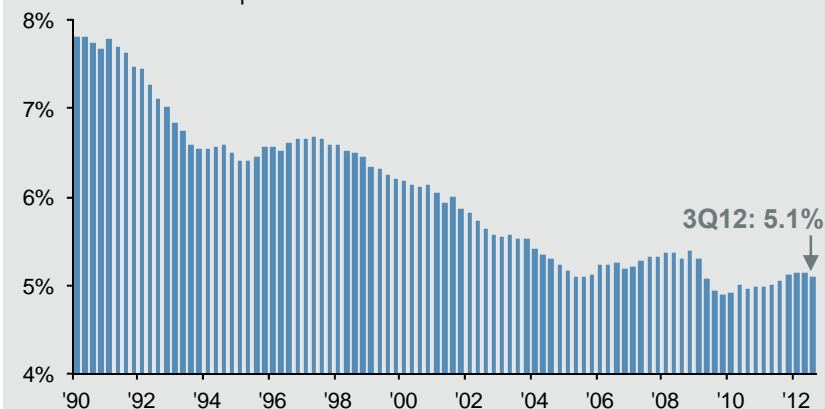
Source (Top chart): U.S. Treasury, J.P. Morgan, J.P. Morgan Asset Management. Default rates are defined as the par value percentage of the total market trading at or below 50% of par value and include any Chapter 11 filing, prepackaged filing or missed interest payments. (Bottom left): J.P. Morgan, Fitch, J.P. Morgan Asset Management. (Bottom right): Strategic Insight, J.P. Morgan Asset Management. Yield to worst is defined as the lowest potential yield that can be received on a bond without the issuer actually defaulting and reflects the possibility of the bond being called at an unfavorable time for the holder. Spreads indicated are benchmark yield to worst less comparable maturity Treasury yields. 2012 recovery rate is a year to date number as of November 30, 2012. Flows include ETFs and are as of November 30, 2012. Past performance is not indicative of comparable future results. Data are as of 12/31/12.

Muni/Treasury Ratio

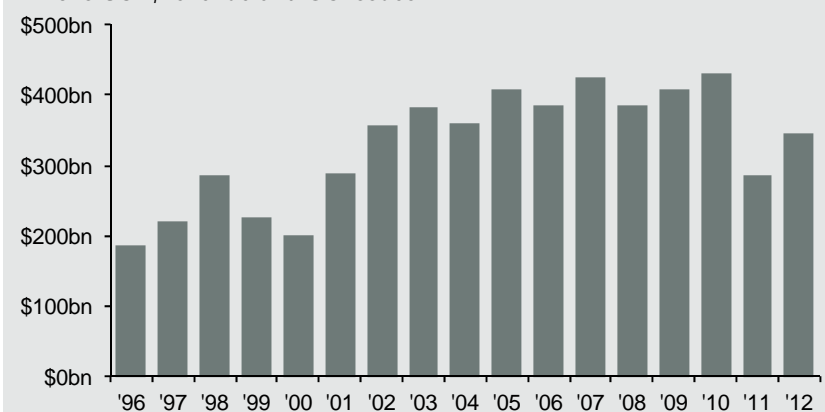
Ratio of Barclays 10-year Municipal Bond yield to 10-year Treasury

**State & Local Government Debt Service**

Percent of current expenditures

**Municipal Bond Issuance***

Billions USD, revenue and GO issues



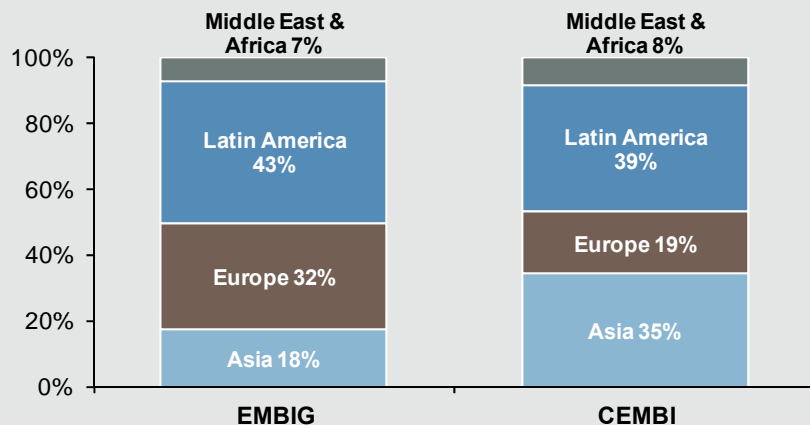
Source (Left chart): Barclays Capital, U.S. Treasury, FactSet, J.P. Morgan Asset Management. (Top right) BEA, J.P. Morgan Asset Management. (Bottom right) SIFMA, J.P. Morgan Asset Management.

*Excludes maturities of 13 months or less and private placements. 2012 issuance data is as of November 2012.

Data are as of 12/31/12.

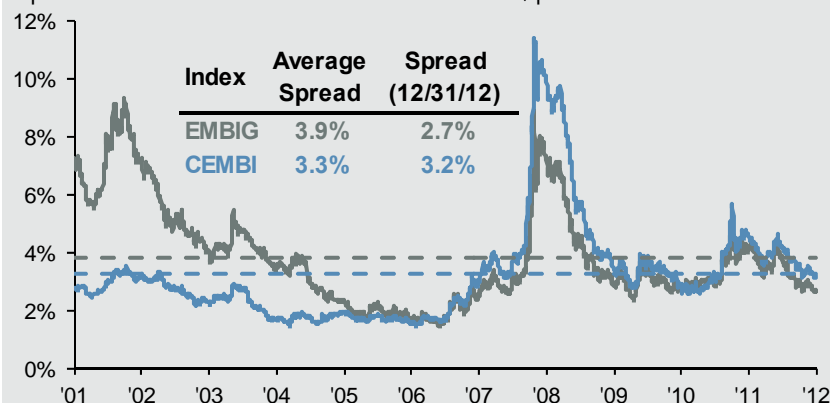
Emerging Market Debt

Index Breakdown – USD Denominated EMD



Emerging Markets Debt Spreads

Spread to Treasuries of USD-denominated debt, percent



Emerging Market Debt Credit Rating

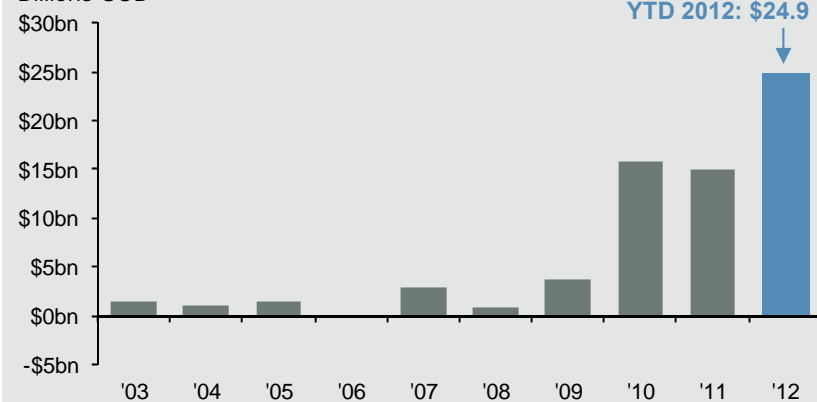
EMBIG average monthly credit rating, inverse scale

Dec. 2012: BBB-



Annual Flows into EMD Mutual Funds & ETFs

Billions USD



Source: J.P. Morgan, MorganMarkets, FactSet, Strategic Insight, J.P. Morgan Asset Management.

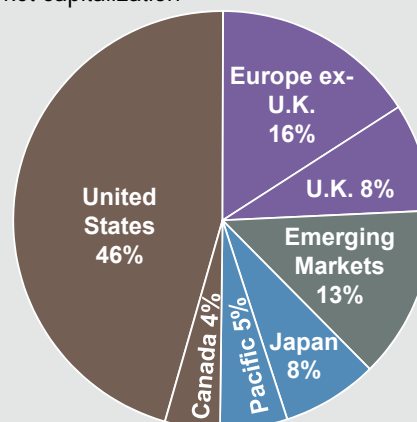
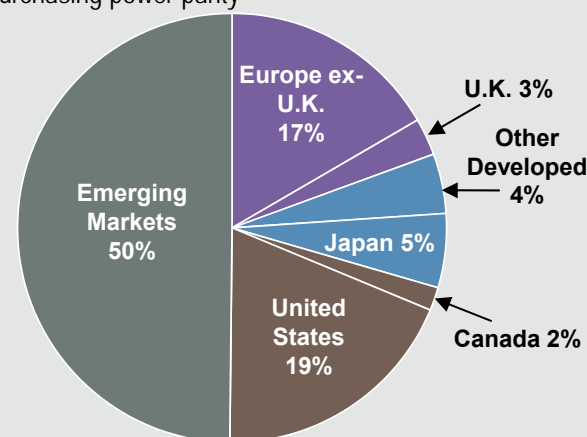
Spreads measure the credit risk premium over comparable maturity U.S. Treasury bonds. The J.P. Morgan EMBI Global (EMBIG) Index is a USD-denominated external debt index tracking bonds issued by sovereigns and quasi-sovereigns in developing nations. The J.P. Morgan Corporate Emerging Bond Index (CEMBI) is a USD-denominated external debt index tracking bonds issued by corporations in developing nations. Flow data is as of November 2012. Past performance is not indicative of comparable future results. Data are as of 12/31/12.

Global Equity Markets: Returns and Composition

Country / Region	4Q12		2012	
	Local	USD	Local	USD
Regions / Broad Indexes				
USA (S&P 500)	-	-0.4	-	16.0
EAFE	7.6	6.6	17.9	17.9
Europe ex-U.K.	6.1	8.6	20.0	22.5
Pacific ex-Japan	6.1	6.1	22.6	24.7
Emerging Markets	5.4	5.6	17.4	18.6

MSCI: Selected Countries

United Kingdom	3.5	4.2	10.2	15.3
France	8.3	10.9	20.9	22.8
Germany	5.9	8.5	30.1	32.1
Japan	17.6	5.8	21.8	8.4
China	12.8	12.9	22.9	23.1
India	4.4	0.5	30.0	26.0
Brazil	4.5	3.6	10.1	0.3
Russia	0.7	2.5	9.7	14.4

Weights in MSCI All Country World Index
% global market capitalization**Share of Global GDP**
Based on purchasing power parity

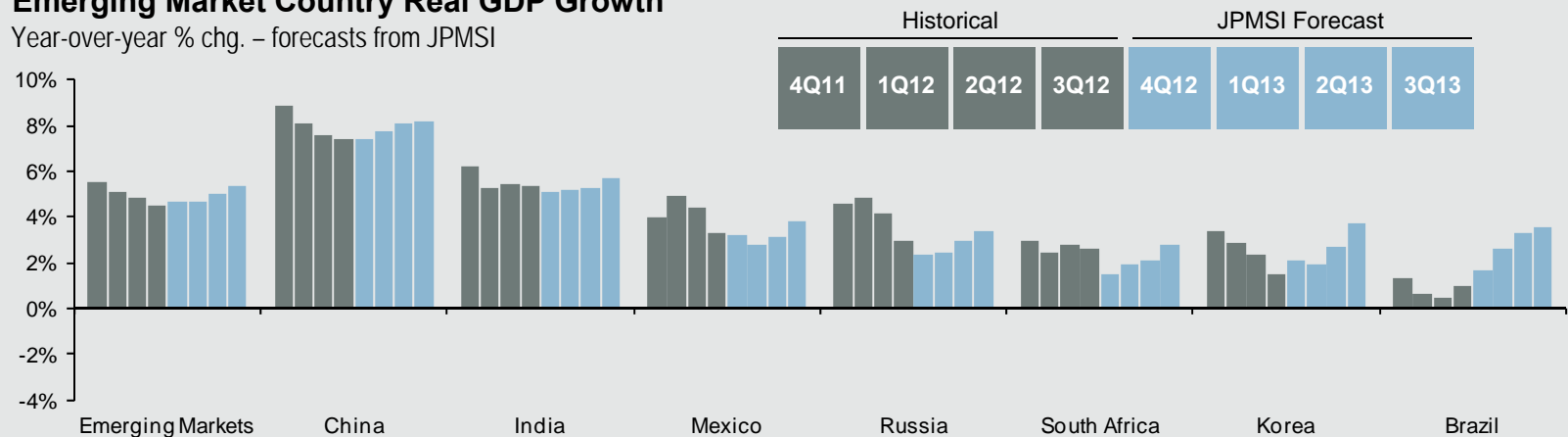
Source: Standard & Poor's, MSCI, IMF, FactSet, J.P. Morgan Asset Management.

All return values are MSCI Gross Index (official) data. Share of global GDP based on purchasing power parity (PPP) as calculated by the IMF for 2012. Definition of emerging markets is based on MSCI and IMF data sources, respectively. Percentages may not sum to 100% due to rounding. Data as of 12/31/12.

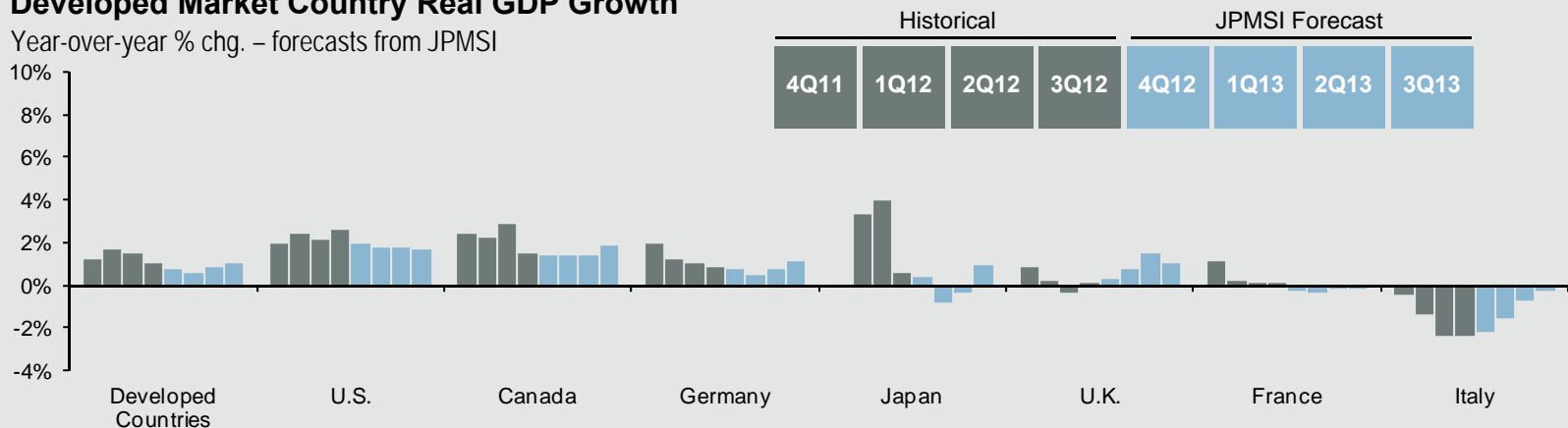
Global Economic Growth

Emerging Market Country Real GDP Growth

Year-over-year % chg. – forecasts from JPMSI

**Developed Market Country Real GDP Growth**

Year-over-year % chg. – forecasts from JPMSI



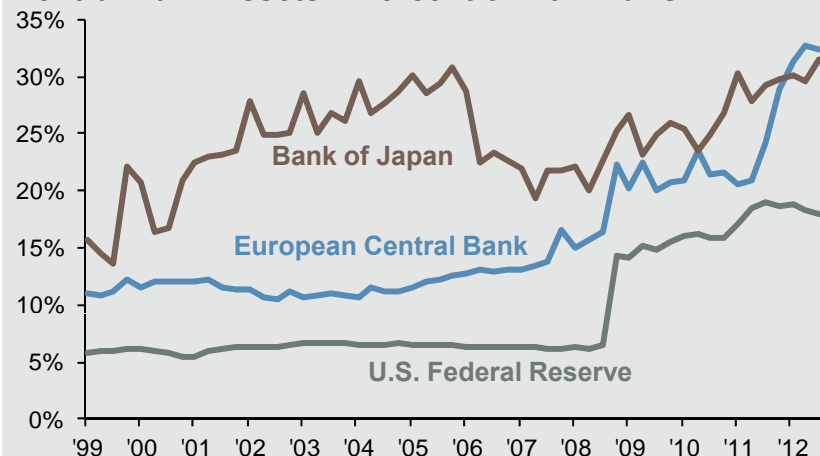
Source: J.P. Morgan Global Economic Research, J.P. Morgan Asset Management.

Forecast and aggregate data come from J.P. Morgan Global Economic Research.

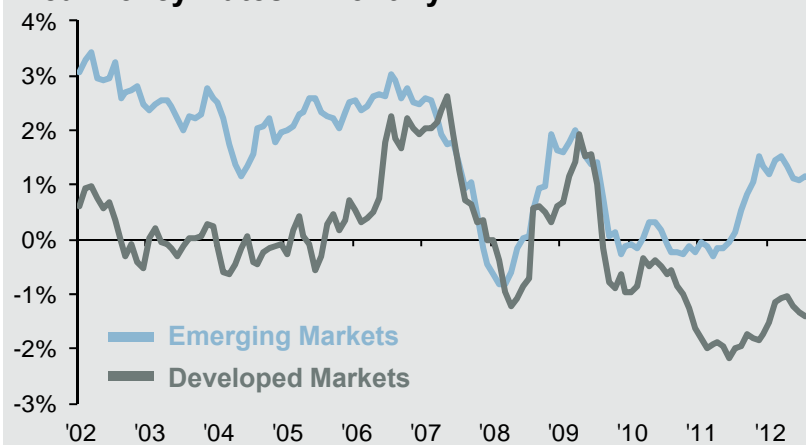
Data are as of 12/31/12.

Global Monetary Policy

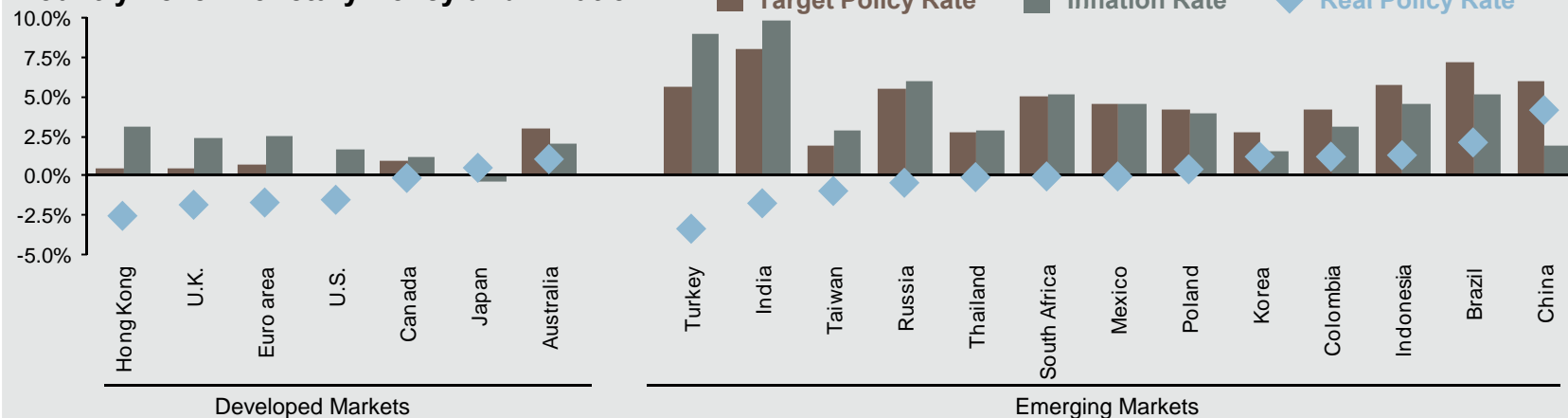
Central Bank Assets – Percent of Nominal GDP



Real Policy Rates – Monthly



Country Level Monetary Policy and Inflation



Source: J.P. Morgan Global Economics Research, J.P. Morgan Asset Management.

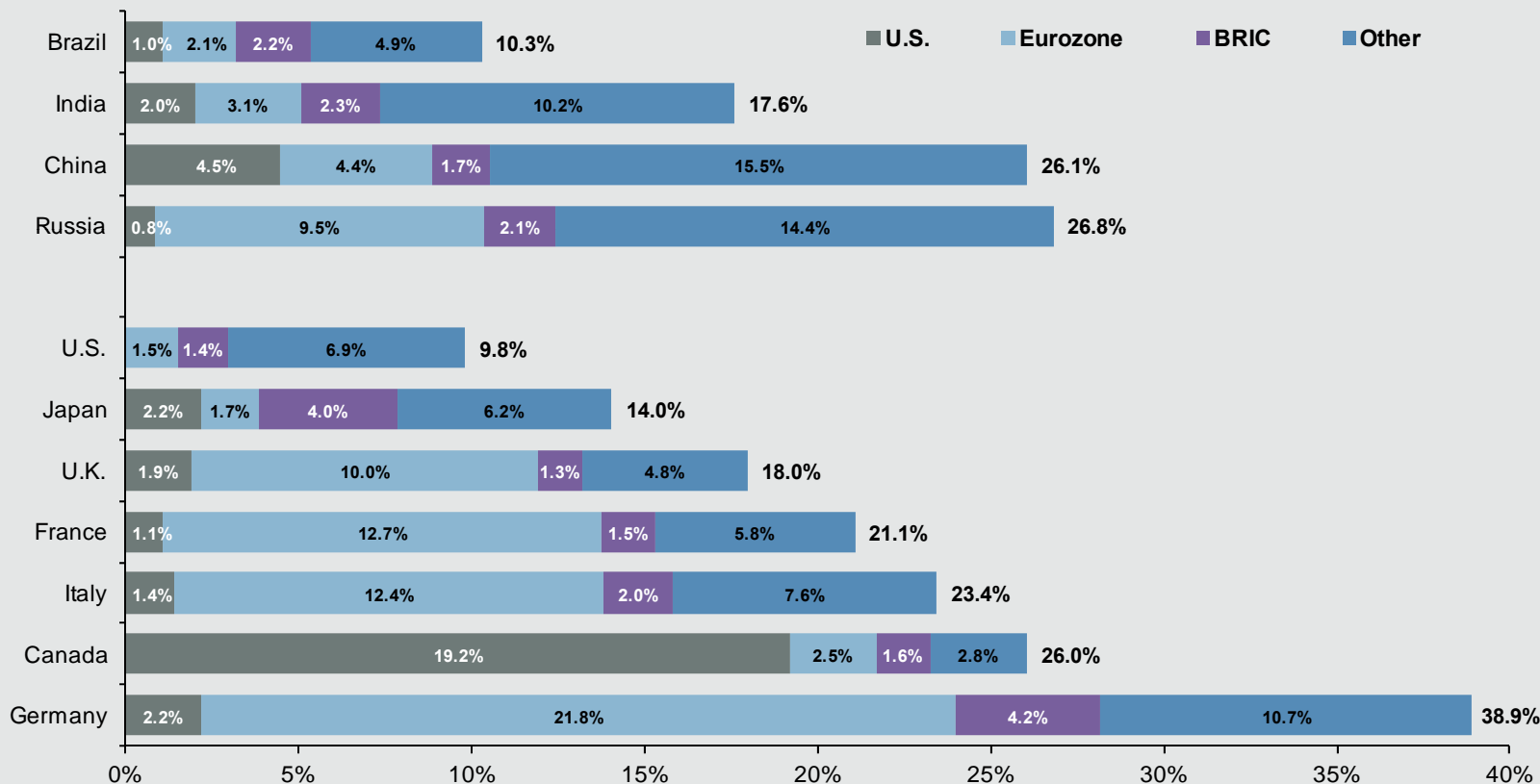
(Top charts) Emerging and Developed Economy GDP growth and real policy rates represent GDP weighted aggregates estimated by J.P. Morgan Global Economics Research. (Bottom chart) Target policy rates are the short-term target interest rates set by central banks. Inflation rates shown represent year-over-year quarterly rates for 3Q12. Real policy rates are short-term target interest rates set by central banks minus year-over-year inflation.

Data are as of 12/31/12.

The Importance of Exports

Exports as a % of GDP – 2011

Goods exports only

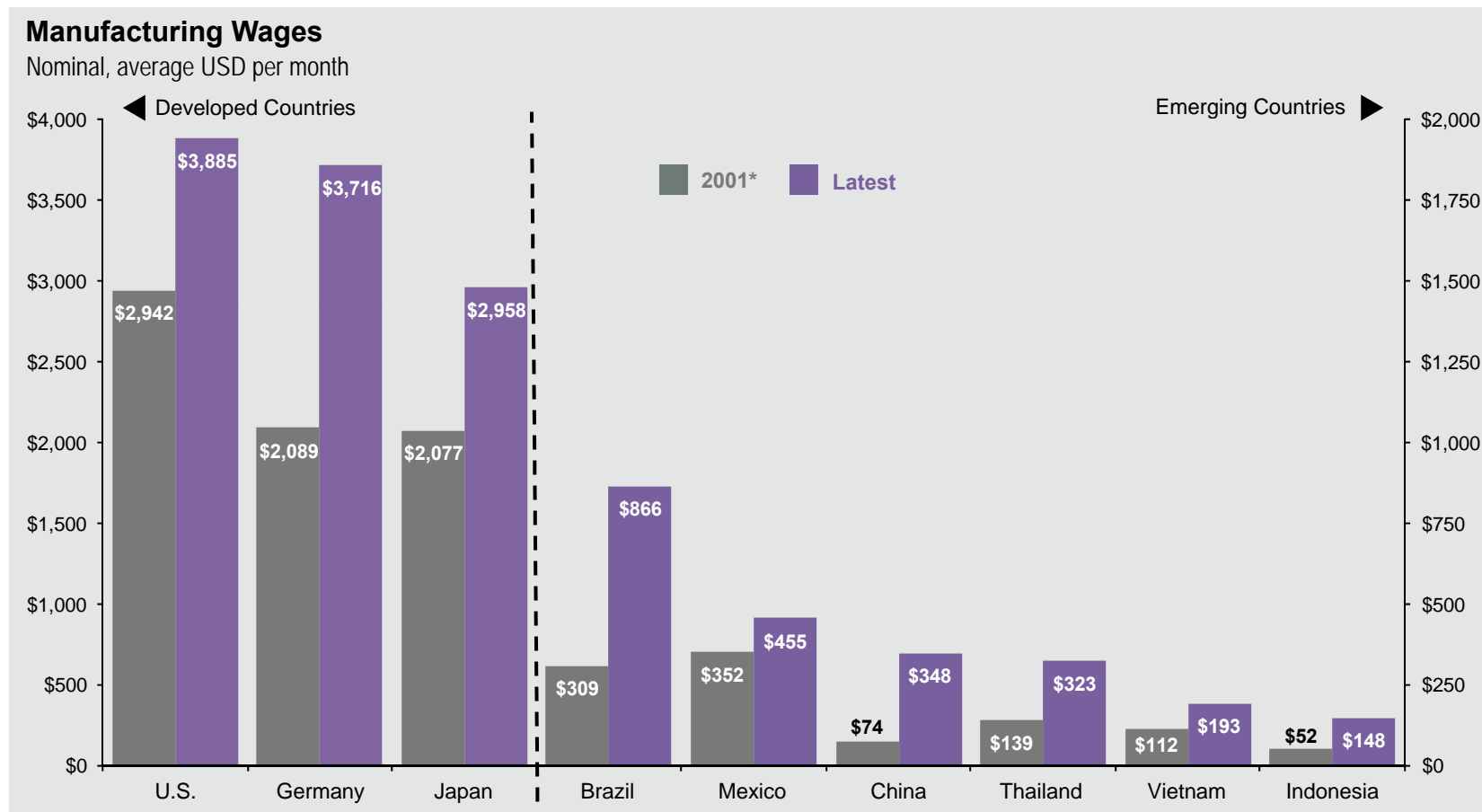


Source: IMF, J.P. Morgan Asset Management.

Numbers represent exports of goods only and would be higher if services were included.

Data are as of 12/31/12.

Global Manufacturing Wages



Source: ILO (International Labor Organization), U.S. Bureau of Labor Statistics, Ministry of Labor-Mexico, EM Advisors Group, Thailand National Statistical Office, General Statistics Office of Vietnam, Statistics Indonesia, IMF, FactSet, J.P. Morgan Asset Management.

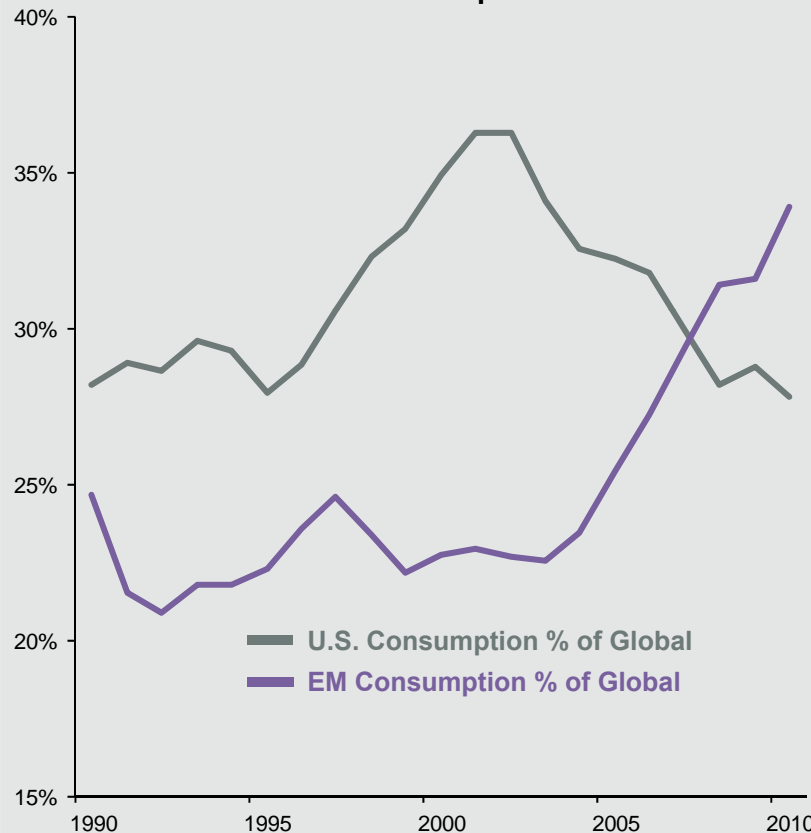
Chinese wages are those of rural migrant workers as a proxy. *Data begins in 2005 for Vietnam due to availability of data.

Data is from 2012 for Mexico, China, and Thailand; 2011 for United States, Vietnam (preliminary), and Indonesia (preliminary); and 2010 for Brazil, Germany, and Japan.

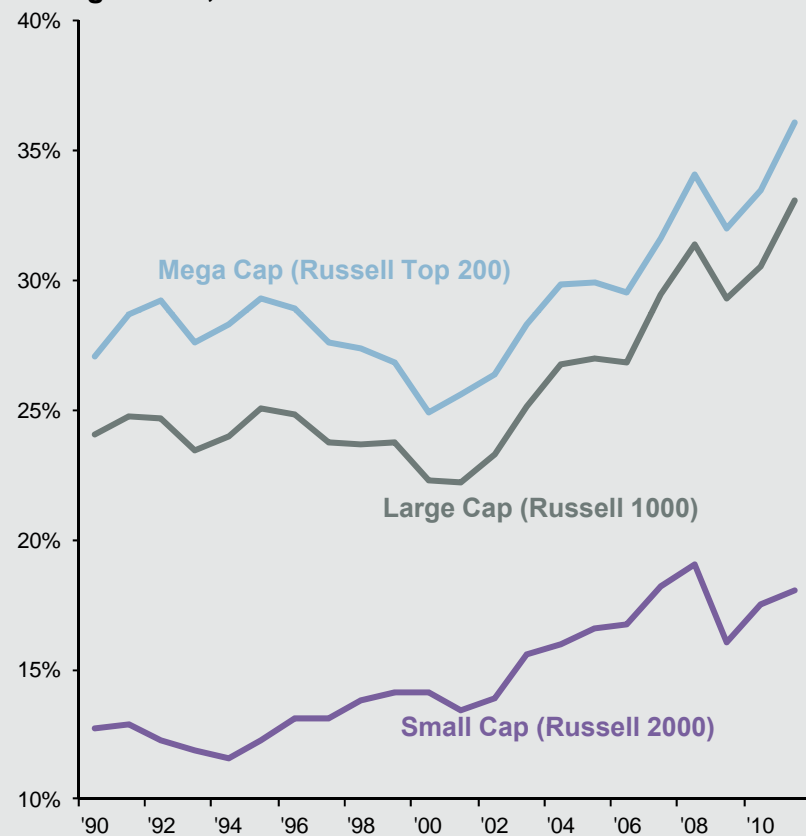
Data as of 12/31/12.

The Impact of Global Consumers

Share of Global Nominal Consumption



Foreign Sales, % of Total Sales



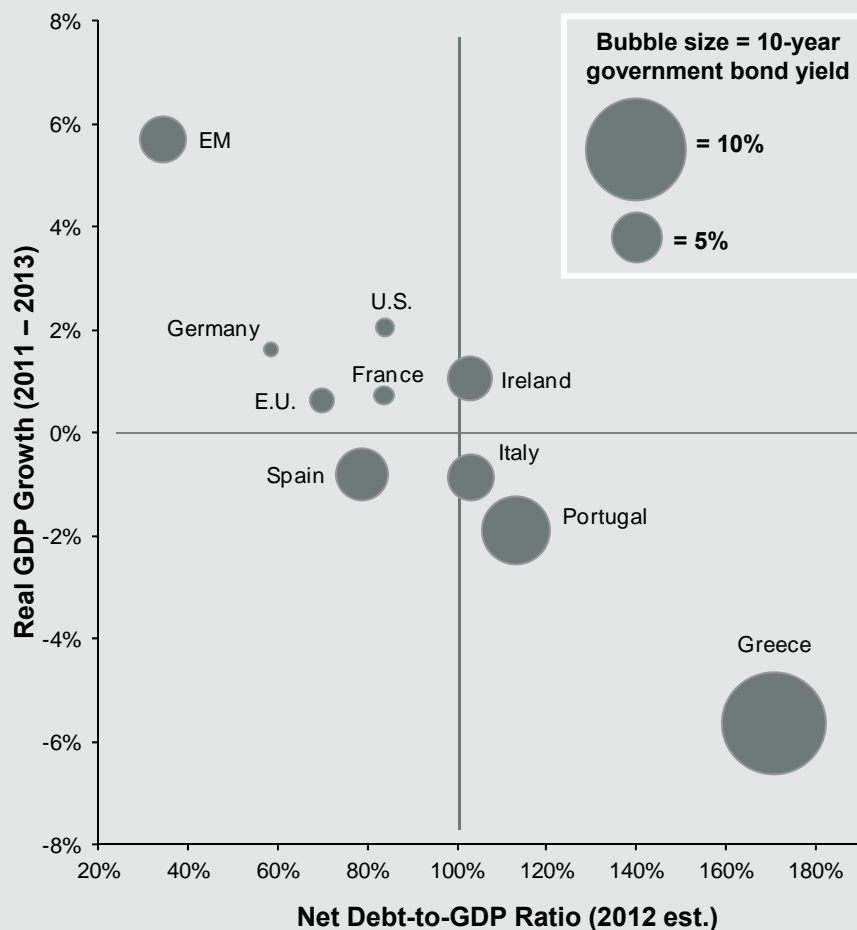
Source: FactSet, Compustat, Russell, J.P. Morgan Global Economics Research, J.P. Morgan Asset Management.

Foreign sales as a percentage of total sales is calculated as an unweighted average of individual index constituent companies' reported sales figures and does not capture all index members due to differences in reporting practices.

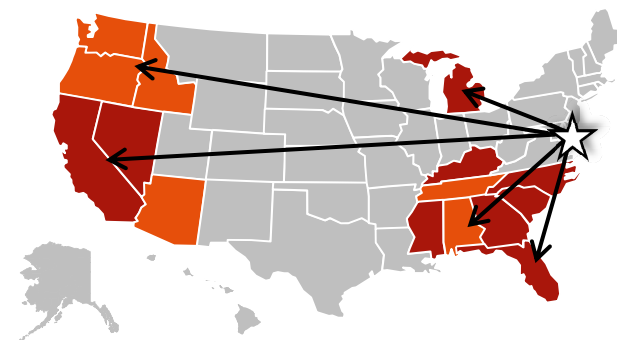
Data are as of 12/31/12.

European Crisis: Fiscal Challenges

GDP Growth, Debt to GDP and Borrowing Costs



Example of Fiscal Redistribution in the U.S.



The E.U. Lacks a Similar Fiscal Mechanism



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

Maps are for illustrative purposes only and are intended to show the current sources of stress in each region. The U.S. state colors are based on level of unemployment rate. European country colors are based on levels of sovereign stress, including but not exclusively, the measure shown in the above chart on the left. Growth and debt data based on the October 2012 World Economic Outlook. Bond yields as of 12/31/12.

Data are as of 12/31/12.

European Crisis: Sovereign Bond Yields

European Sovereign Funding Costs

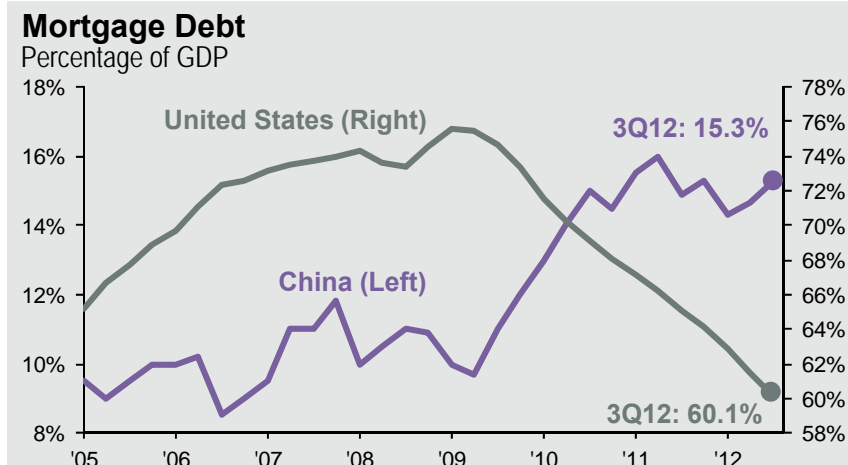
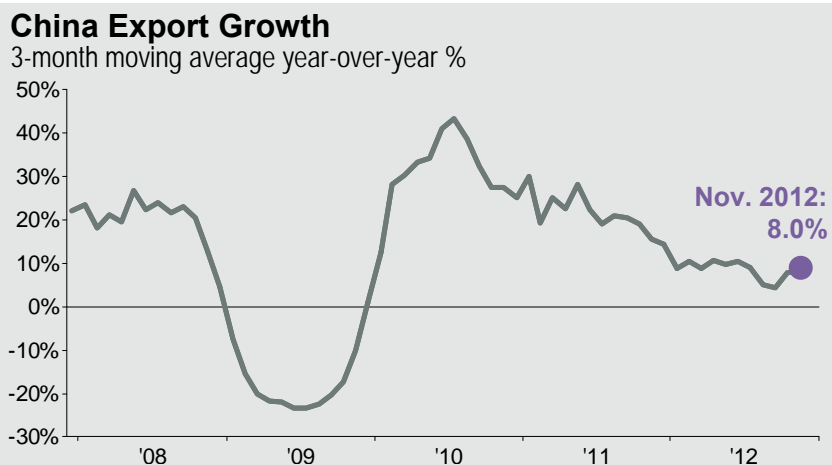
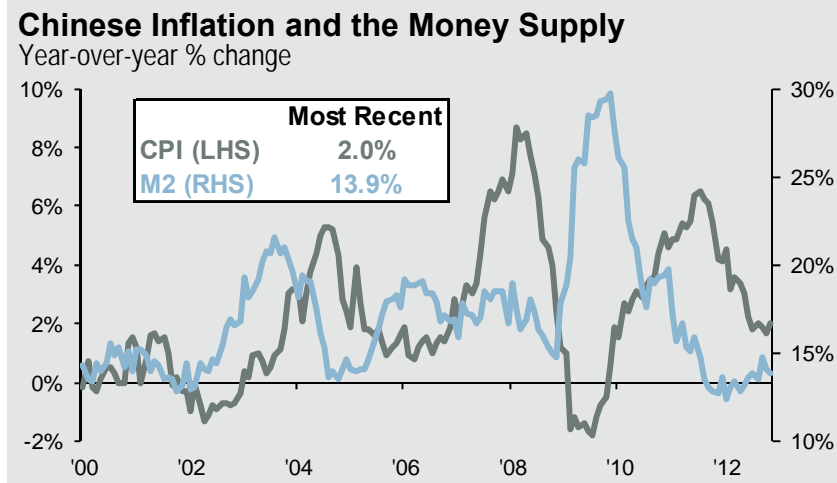
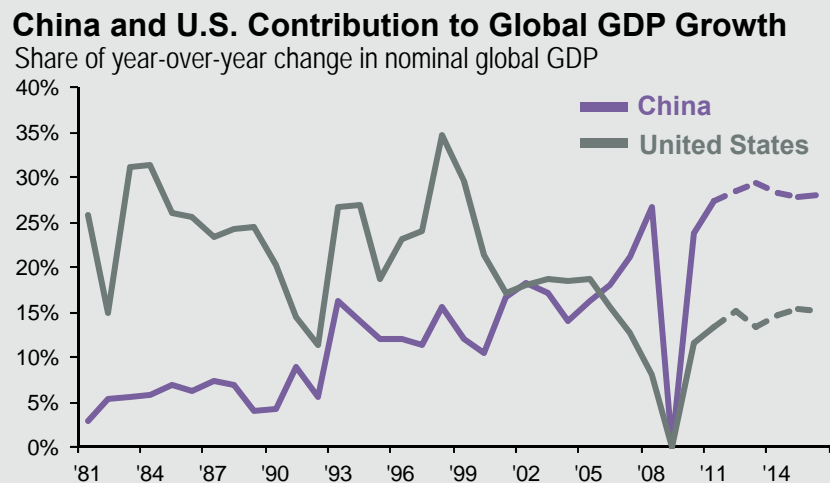
10-year benchmark bond yields, daily



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

Data are as of 12/31/12.

Chinese Growth and Economic Policy

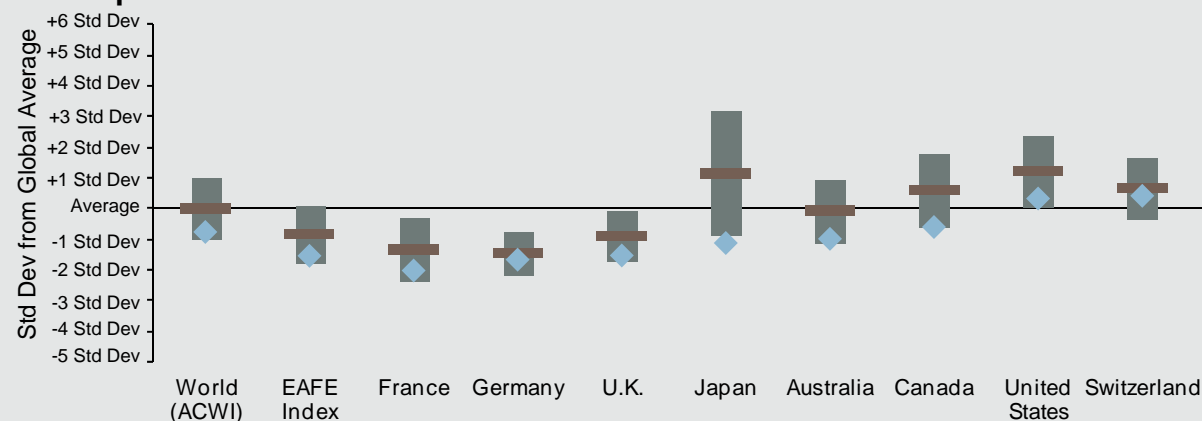


Source: (Top left) IMF, J.P. Morgan Asset Management. (Top right) National Bureau of Statistics, J.P. Morgan Economics, J.P. Morgan Asset Management. (Bottom left) IMF, J.P. Morgan Asset Management. (Bottom right) Barclays Capital, Federal Reserve, J.P. Morgan Asset Management.

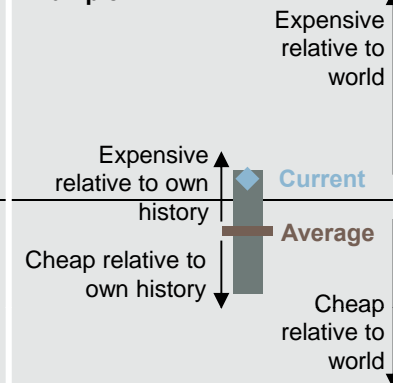
*In 2009, global growth was negligible, while Chinese growth was robust, which resulted in China contributing more than 1200% to global growth. Calculations based on PPP exchange rates and 2012 – 2016 growth forecasts are from the IMF.

Global Equity Valuations - Developed Markets

Developed Market Countries



Example



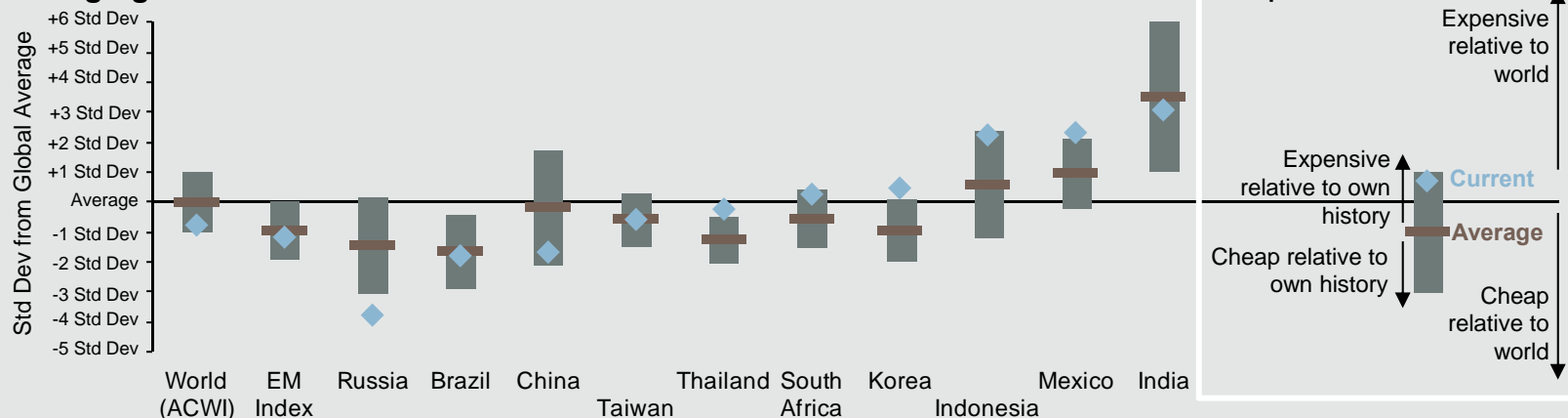
	Current Composite Index	Current				10-year avg.			
		Fwd. P/E	P/B	P/CF	Div. Yld.	Fwd. P/E	P/B	P/CF	Div. Yld.
World (ACWI)	-0.77	12.1	1.7	6.8	2.7%	13.3	2.1	7.0	2.5%
EAFE Index	-1.55	11.6	1.4	5.5	3.5%	12.8	1.7	6.1	3.4%
France	-2.03	10.8	1.2	5.5	3.8%	11.5	1.6	5.8	3.8%
Germany	-1.68	10.7	1.4	5.7	3.4%	11.8	1.5	4.7	3.3%
U.K.	-1.54	10.7	1.7	6.4	3.9%	11.4	2.0	7.0	3.9%
Japan	-1.14	12.4	1.1	4.1	2.3%	17.7	1.4	6.2	1.9%
Australia	-1.00	12.9	1.8	6.9	4.7%	13.4	2.2	8.2	4.5%
Canada	-0.61	12.6	1.8	5.7	2.9%	13.8	2.1	7.3	2.4%
United States	0.32	12.6	2.1	8.2	2.1%	14.3	2.4	8.3	2.1%
Switzerland	0.41	13.0	2.1	11.4	3.4%	13.6	2.4	9.8	2.9%

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

Note: Each valuation index shows an equally weighted composite of four metrics: price to forward earnings (Fwd. P/E), price to current book (P/B), price to last 12 months' cash flow (P/CF) and price to last 12 months' dividends. Results are then normalized using means and average variability over the last 10 years. The grey bars represent valuation index variability relative to that of the MSCI All Country World Index (ACWI). See disclosures page at the end for metric definitions. Data are as of 12/31/12.

Global Equity Valuations - Emerging Markets

Emerging Market Countries



	Current Composite Index	Current				10-year avg.			
		Fwd. P/E	P/B	P/CF	Div. Yld.	Fwd. P/E	P/B	P/CF	Div. Yld.
World(ACWI)	-0.77	12.1	1.7	6.8	2.7%	13.3	2.1	7.0	2.5%
EM Index	-1.17	10.8	1.6	6.2	2.7%	11.0	1.9	5.7	2.7%
Russia	-3.77	5.3	0.8	3.3	3.8%	7.9	1.3	4.8	2.2%
Brazil	-1.79	11.5	1.4	5.2	3.6%	9.7	1.9	5.6	3.4%
China	-1.68	9.9	1.6	5.0	2.9%	12.2	2.1	4.2	2.8%
Taiwan	-0.59	14.5	1.8	6.3	3.0%	14.5	1.9	6.5	3.6%
Thailand	-0.24	12.2	2.4	7.7	3.1%	10.5	2.0	6.5	3.6%
South Africa	0.26	12.3	2.4	10.4	3.2%	11.0	2.3	7.6	3.3%
Korea	0.46	8.5	1.2	5.8	1.1%	9.4	1.5	4.9	1.8%
Indonesia	2.24	13.8	3.5	13.1	2.5%	11.5	3.3	9.0	3.1%
Mexico	2.31	17.2	3.0	7.4	1.5%	13.5	2.7	5.7	2.0%
India	3.07	14.5	2.6	13.6	1.5%	15.1	3.3	12.2	1.5%

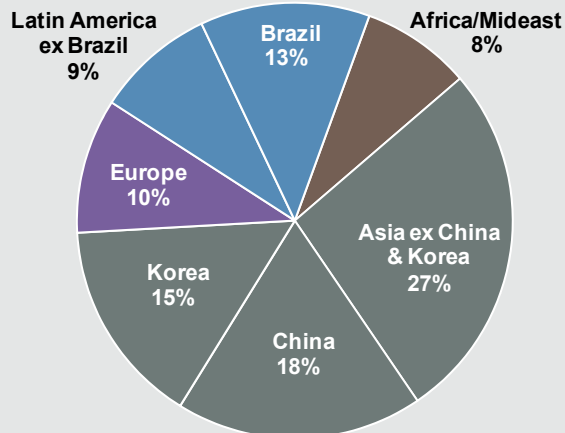
Source: MSCI, FactSet, J.P. Morgan Asset Management.

Note: Each valuation index shows an equally weighted composite of four metrics: price to forward earnings (Fwd. P/E), price to current book (P/B), price to last 12 months' cash flow (P/CF) and price to last 12 months' dividends. Results are then normalized using means and average variability over the last 10 years. The grey bars represent valuation index variability relative to that of the MSCI All Country World Index (ACWI). See disclosures page at the end for metric definitions.

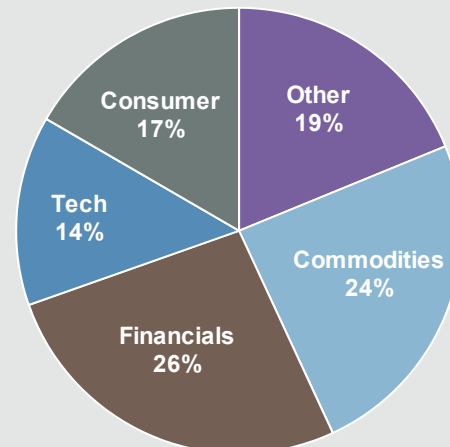
Data are as of 12/31/12.

Emerging Market Equity Composition

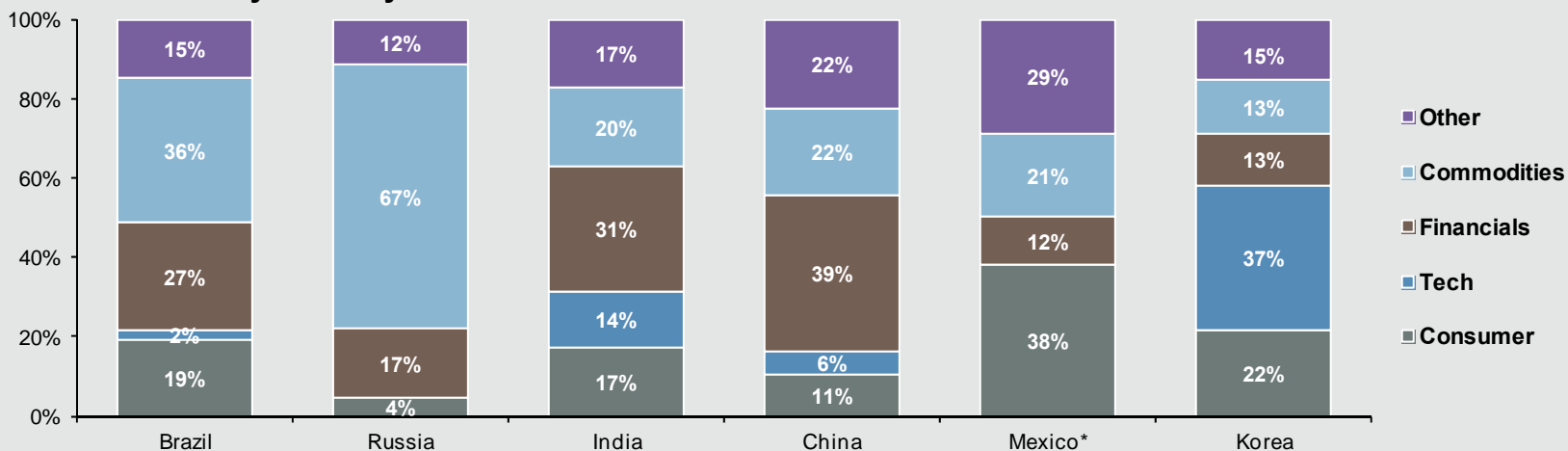
MSCI EM Index by Region



MSCI EM Index by Sector



MSCI EM Country Index by Sector



Source: MSCI, FactSet, J.P. Morgan Asset Management. "Other" is comprised of Healthcare, Industrials, Telecom, and Utilities sectors.

*Mexican Telecom sector accounts for 22% of the country's market capitalization. Values may not sum to 100% due to rounding.

Data are as of 12/31/12.

International Economic and Demographic Data

Economics							Demographics			
	GDP USD (Bns)	GDP Per Capita	GDP Growth	Unempl. Rate	Inflation (CPI)	C.A. (%GDP)	Population	Population Growth	Median Age	Migration per 1000
Developed										
U.S.	\$15,076	\$48,328	1.5%	7.7%	1.8%	-2.7%	314 mm	0.9%	37.1 yrs	+3.6
Canada	1,739	50,496	1.5	7.2	1.1	-4.2	34	0.8	41.2	+5.7
U.K.	2,431	38,811	0.0	7.8	2.6	-3.7	63	0.6	40.2	+2.6
Germany	3,607	44,111	-1.0	6.9	1.9	6.7	81	-0.2	45.3	+ .7
France	2,778	44,007	-1.5	10.3	1.4	-2.0	66	0.5	40.4	+1.1
Japan	5,867	45,870	-0.5	4.1	-0.4	1.0	127	-0.1	45.4	-
Italy	2,199	36,267	-2.0	10.6	2.5	-0.5	61	0.4	43.8	+4.7
Emerging										
Russia	1,850	12,993	3.0	5.4	6.4	5.4	143	0.0	38.8	+0.3
Mexico	1,154	10,146	2.3	5.1	4.2	-0.8	115	1.1	27.4	-3.1
Brazil	2,493	12,789	3.1	4.9	5.5	-2.1	199	0.9	29.6	-0.1
China	7,298	5,417	8.2	4.1	2.0	2.8	1,343	0.5	35.9	-0.3
India	1,827	1,514	5.1	9.8	7.5	-3.2	1,205	1.3	26.5	-0.1

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

GDP levels represent 2011 data and are from the October 2012 World Economic Outlook published by the IMF, except for the U.S. levels, which come directly from the BEA. All GDP Growth data are from J.P. Morgan Economics and expressed as % change versus prior quarter annualized. All GDP growth data are for 4Q12. India unemployment is from CIA estimates and is as of 2011. CPI Inflation is shown as % change versus a year ago and all data are for November 2012, except for Japan and the Canada, which are as of October 2012. Unemployment rate for developed countries comes from FactSet Economics, Eurostat and Statistics Canada and represent the most recently available data. Demographic data provided by CIA World Factbook at CIA.gov.

Current Account (C.A.) represents each country's current account balance as of 9/30/12. Russia, China and Brazil's current accounts are as of 12/31/11.

Data are as of 12/31/12.

Asset Class Returns

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	4Q12	10-ys '03 - '12 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%	MSCI EAFE 6.6%	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%	MSCI EME 5.6%	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%	REITs 3.1%	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%	Russell 2000 1.9%	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. 1.3%	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. 11.2%	Barclays Agg 0.2%	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%	Cash 0.0%	Barclays Agg 65.8%	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%	Cash 0.1%	Market Neutral 0.0%	Market Neutral 60.2%	Market Neutral 4.8%
Barclays 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%	Market Neutral 0.0%	S&P 500 -0.4%	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 -6.3%	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 12/31/12, except for the CS/Tremont Equity Market Neutral Index, which reflects data through 11/30/12. "10-ys" 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 12/31/12.

Correlations: 10-Years

	Large Cap	Small Cap	EAFE	EME	Core Bonds	Corp. HY	EMD	Cmdty.	REITs	Hedge Funds	Eq. Market Neutral*
Large Cap	1.00	0.95	0.92	0.84	-0.21	0.77	0.67	0.52	0.80	0.82	0.60
Small Cap		1.00	0.87	0.79	-0.26	0.73	0.61	0.45	0.84	0.76	0.55
EAFE			1.00	0.93	-0.15	0.75	0.68	0.58	0.72	0.87	0.72
EME				1.00	-0.10	0.79	0.76	0.63	0.64	0.90	0.61
Core Bonds					1.00	-0.04	0.28	-0.26	0.00	-0.21	-0.08
Corp. HY						1.00	0.88	0.54	0.71	0.78	0.43
EMD							1.00	0.44	0.66	0.69	0.42
Commodities								1.00	0.39	0.73	0.52
REITs									1.00	0.58	0.50
Hedge Funds										1.00	0.60
Eq. Market Neutral*											1.00

Source: Standard & Poor's, Russell, Barclays Capital Inc., MSCI Inc., Credit Suisse/Tremont, NCREIF, DJ UBS, J.P. Morgan Asset Management.

Indexes used – Large Cap: S&P 500 Index; Small Cap: Russell 2000; EAFE: MSCI EAFE; EME: MSCI Emerging Markets; Bonds: Barclays Capital Aggregate; Corp HY: Barclays Capital Corporate High Yield; EMD: Barclays Capital Emerging Market; Cmdty.: DJ UBS Commodity Index; Real Estate: NAREIT Equity REIT Index; Hedge Funds: CS/Tremont Multi-Strategy Index; Equity Market Neutral: CS/Tremont Equity Market Neutral Index. *Market Neutral returns include estimates found in disclosures.

All correlation coefficients calculated based on quarterly total return data for period 12/31/02 to 12/31/12.

This chart is for illustrative purposes only.

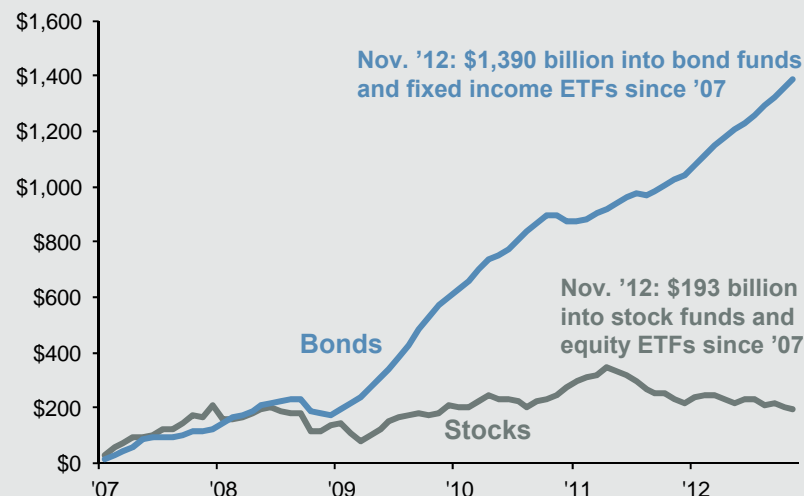
Data as of 12/31/12

Mutual Fund Flows

Billions, USD	AUM	Fund Flows														
		YTD 2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Domestic Equity	4,290	(130)	(132)	(81)	(28)	(148)	(65)	(0)	18	101	120	(26)	55	261	176	149
World Equity	1,562	7	4	58	28	(80)	139	149	106	71	24	(3)	(22)	53	11	8
Taxable Bond	2,832	244	136	230	311	22	97	45	26	5	40	125	76	(36)	8	59
Tax-exempt Bond	590	53	(12)	11	69	8	11	15	5	(15)	(7)	17	11	(14)	(12)	15
Hybrid	980	46	30	24	10	(26)	42	18	37	49	38	9	9	(36)	(14)	10
Money Market	2,617	(77)	(124)	(525)	(539)	637	654	245	62	(157)	(263)	(46)	375	159	194	235

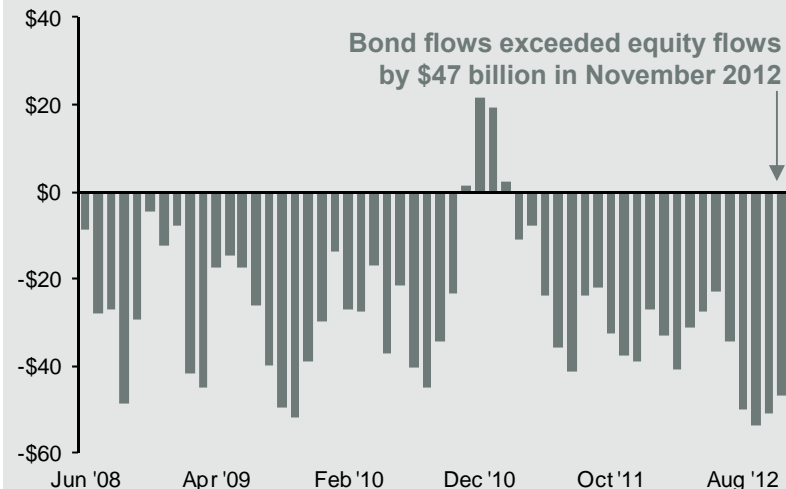
Cumulative Flows into Stock & Bond Funds

Includes both mutual funds and ETFs, \$ billions



Difference Between Flows Into Stock and Bond Funds

Billions, USD, U.S. and international funds, monthly



Source: Investment Company Institute, J.P. Morgan Asset Management.

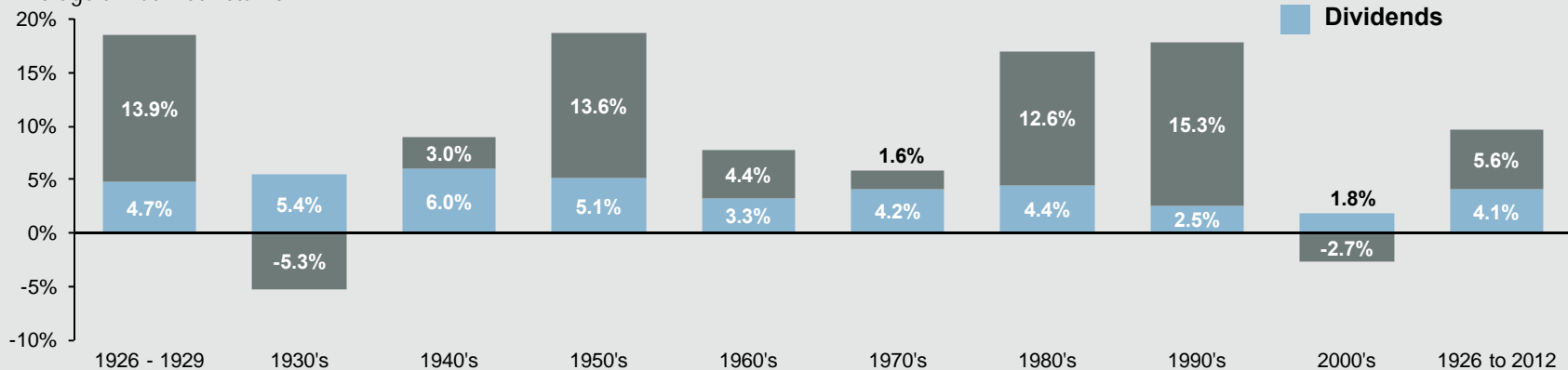
Data include flows through November 2012 and exclude ETFs. ICI data are subject to periodic revisions. World equity flows are inclusive of emerging market, global equity and regional equity flows. Hybrid flows include asset allocation, balanced fund, flexible portfolio and mixed income flows.

Data are as of 12/31/12.

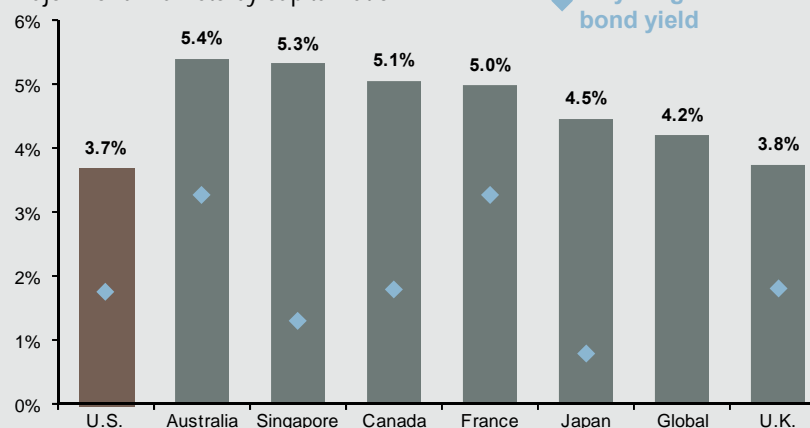
Dividend Income: Domestic and Global

S&P 500 Total Return: Dividends vs. Capital Appreciation

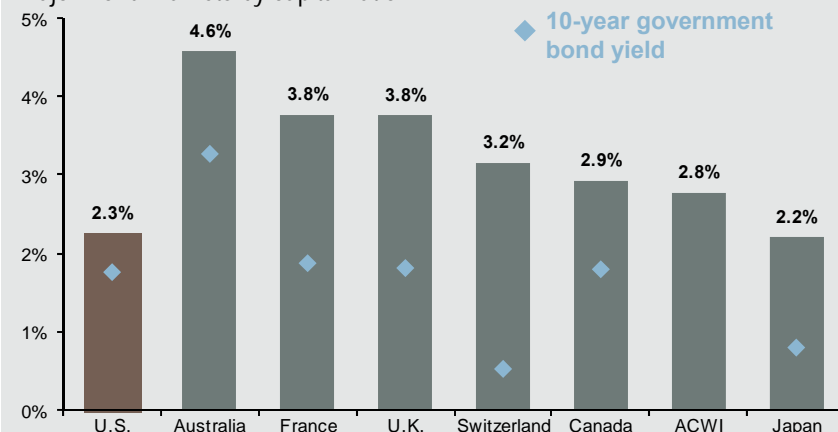
Average annualized returns

**REIT Dividend Yields**

Major world markets by capitalization

**Equity Dividend Yields**

Major world markets by capitalization



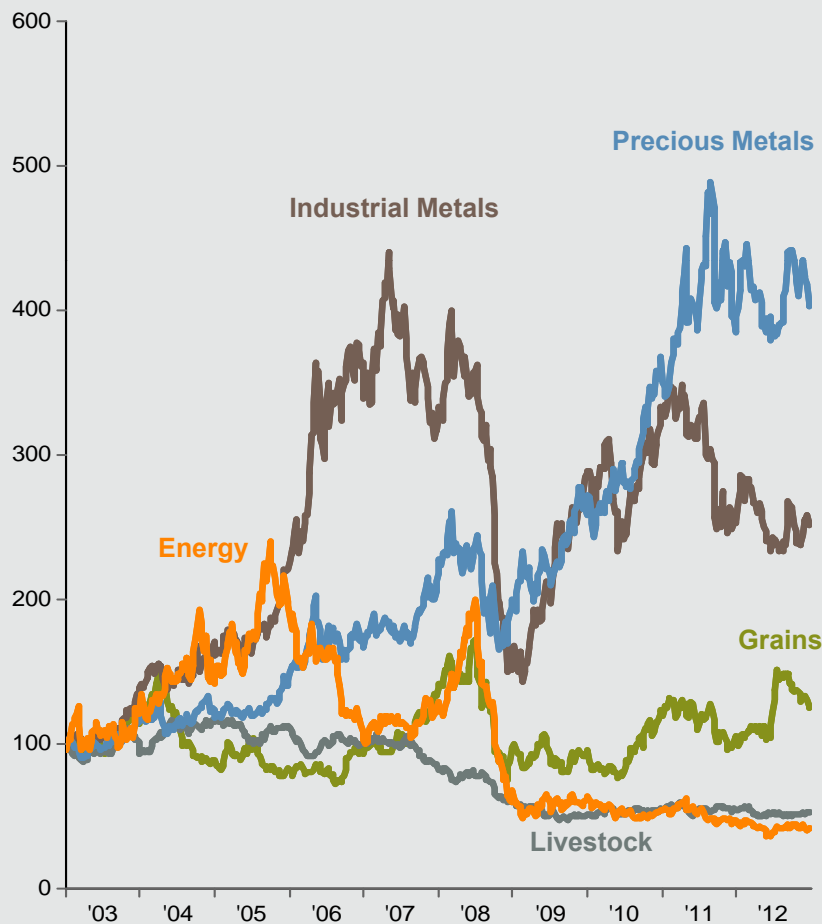
Source: (Top chart) Standard & Poor's, Ibbotson, J.P. Morgan Asset Management. (Bottom left) FactSet, NAREIT, J.P. Morgan Asset Management. Dividend vs. capital appreciation returns are through 12/31/12. Yields shown are that of the appropriate FTSE NAREIT REIT index, which excludes property development companies. (Bottom right) FactSet, MSCI, J.P. Morgan Asset Management. Yields shown are that of the appropriate MSCI index.

Data are as of 12/31/12.

Global Commodities

Commodity Prices

Weekly index prices rebased to 100



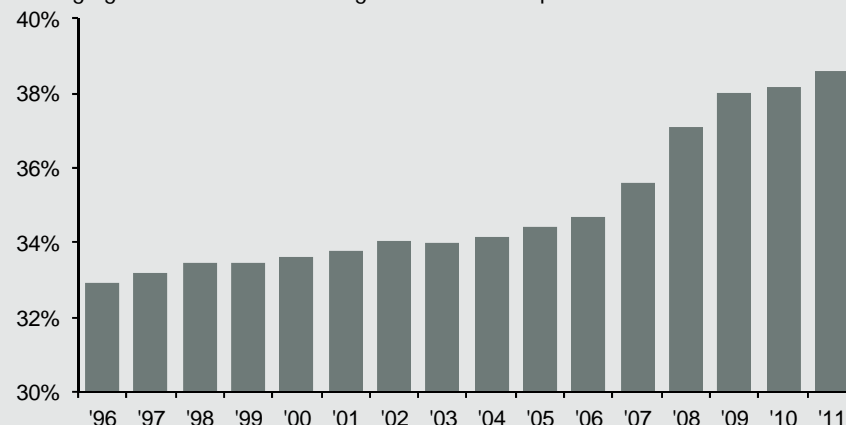
Source: Dow Jones/UBS, FactSet, J.P. Morgan Asset Management.

Commodity prices represented by the appropriate DJ/UBS Commodity sub-index.

Data are as of 12/31/12.

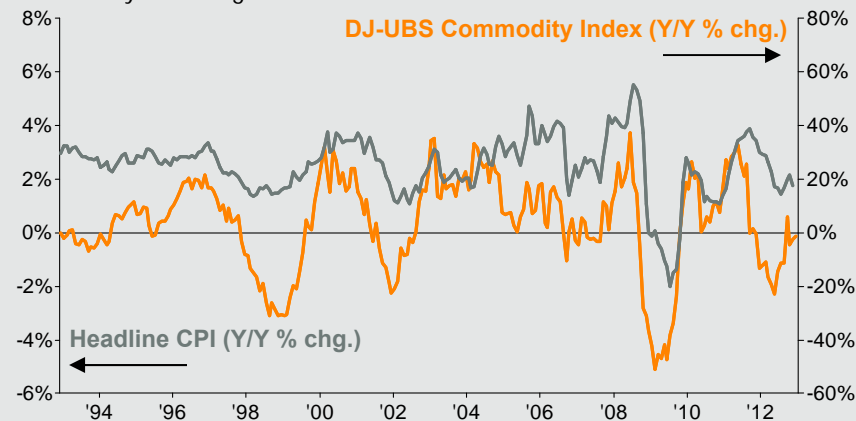
Oil Demand: Emerging Markets Share

Emerging markets as % of total global oil consumption



Commodity Prices and Inflation

Year-over-year % chg.



Source: (Top) BP Statistical Review of World Energy, J.P. Morgan Asset Management. (Bottom) BLS, DJ/UBS, FactSet, J.P. Morgan Asset Management.

Data are as of 12/31/12.

Gold Prices

\$ / OZ



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	75.6 mm	\$53 bn
2008	73.3 mm	\$64 bn
2009	79.1 mm	\$77 bn
2010	82.3 mm	\$101 bn
2011	86.8 mm	\$136 bn

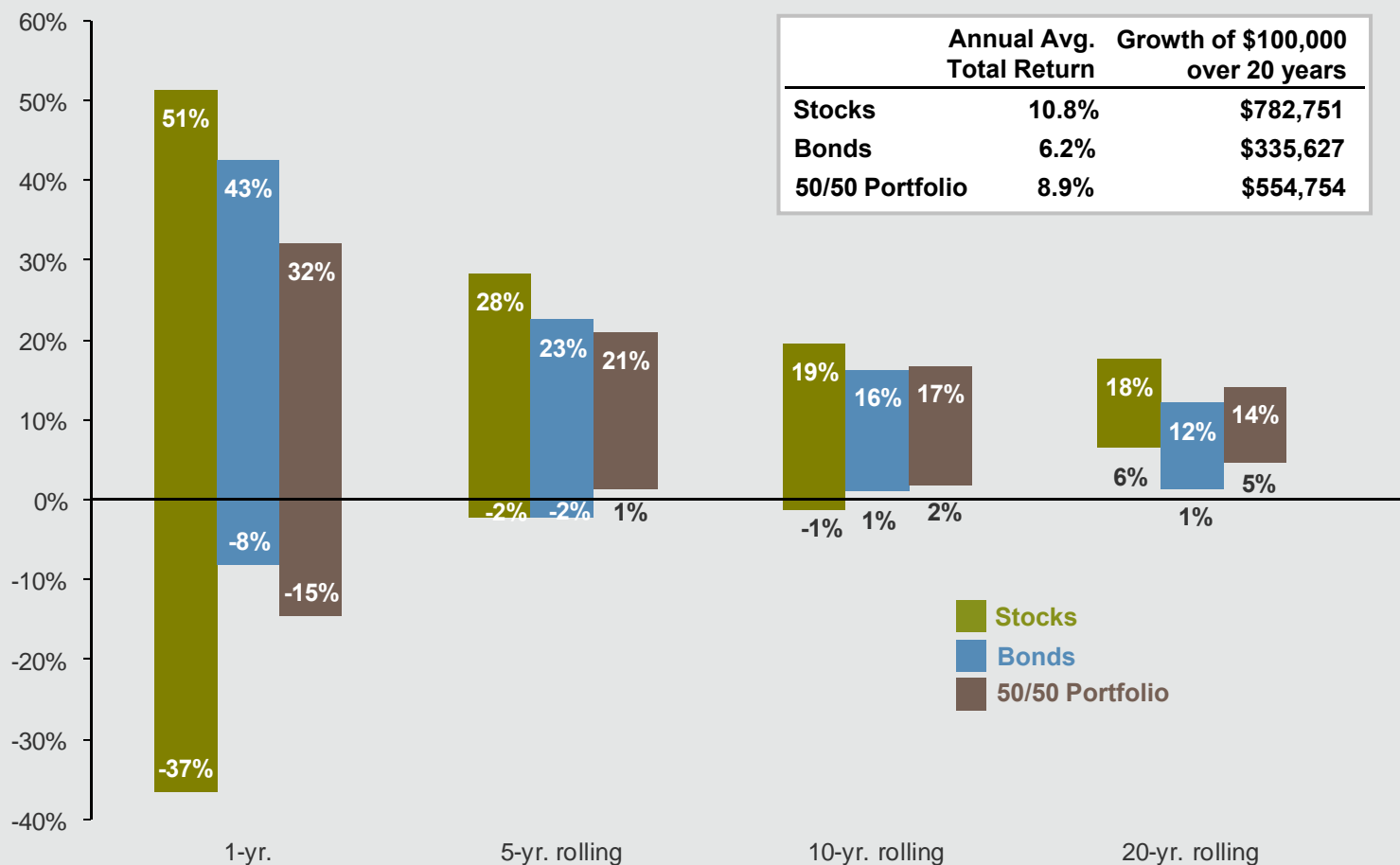
Source: (Left chart) EcoWin, BLS, U.S. Department of Energy, FactSet, J.P. Morgan Asset Management. (Right table) U.S. Geological Survey, World Gold Council, J.P. Morgan Asset Management. CPI adjusted gold values are calculated using month averages of gold spot prices divided by the CPI value for that month. CPI is rebased to 100 at the end of the chart. 2011 world production is a U.S. Geological Survey estimate.

Data are as of 12/31/12.

Historical Returns by Holding Period

Range of Stock, Bond and Blended Total Returns

Annual total returns, 1950 – 2012



Sources: Barclays Capital, FactSet, Robert Shiller, Strategas/Ibbotson, Federal Reserve, J.P. Morgan Asset Management.

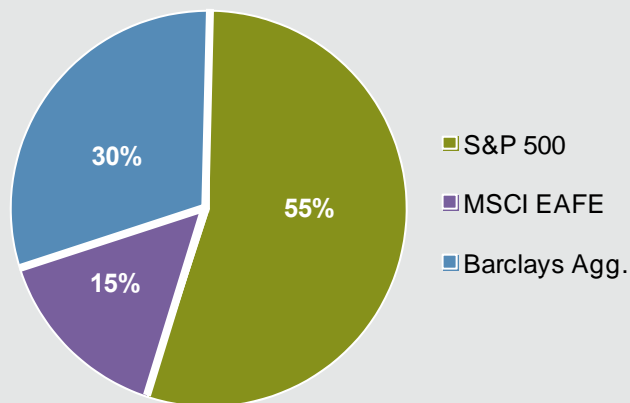
Returns shown are based on calendar year returns from 1950 to 2012. Growth of \$100,000 is based on annual average total returns from 1950-2012.

Data are as of 12/31/12.

Diversification and the Average Investor

Maximizing the Power of Diversification (1994 – 2011)

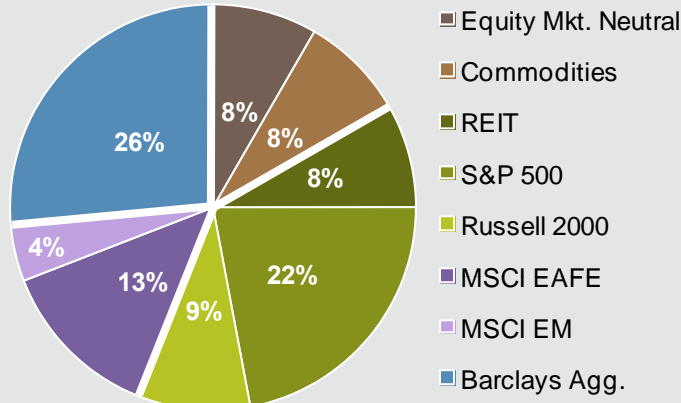
Traditional Portfolio



Return: 6.75%

Standard Deviation: 10.94%

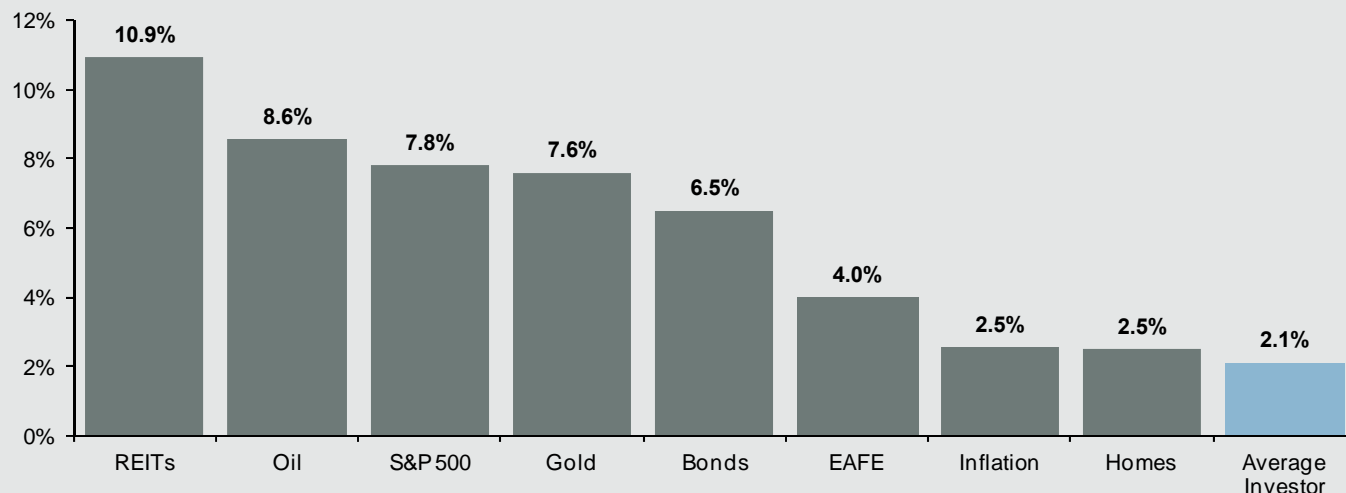
More Diversified Portfolio



Return: 7.09%

Standard Deviation: 9.97%

20-year Annualized Returns by Asset Class (1992 – 2011)



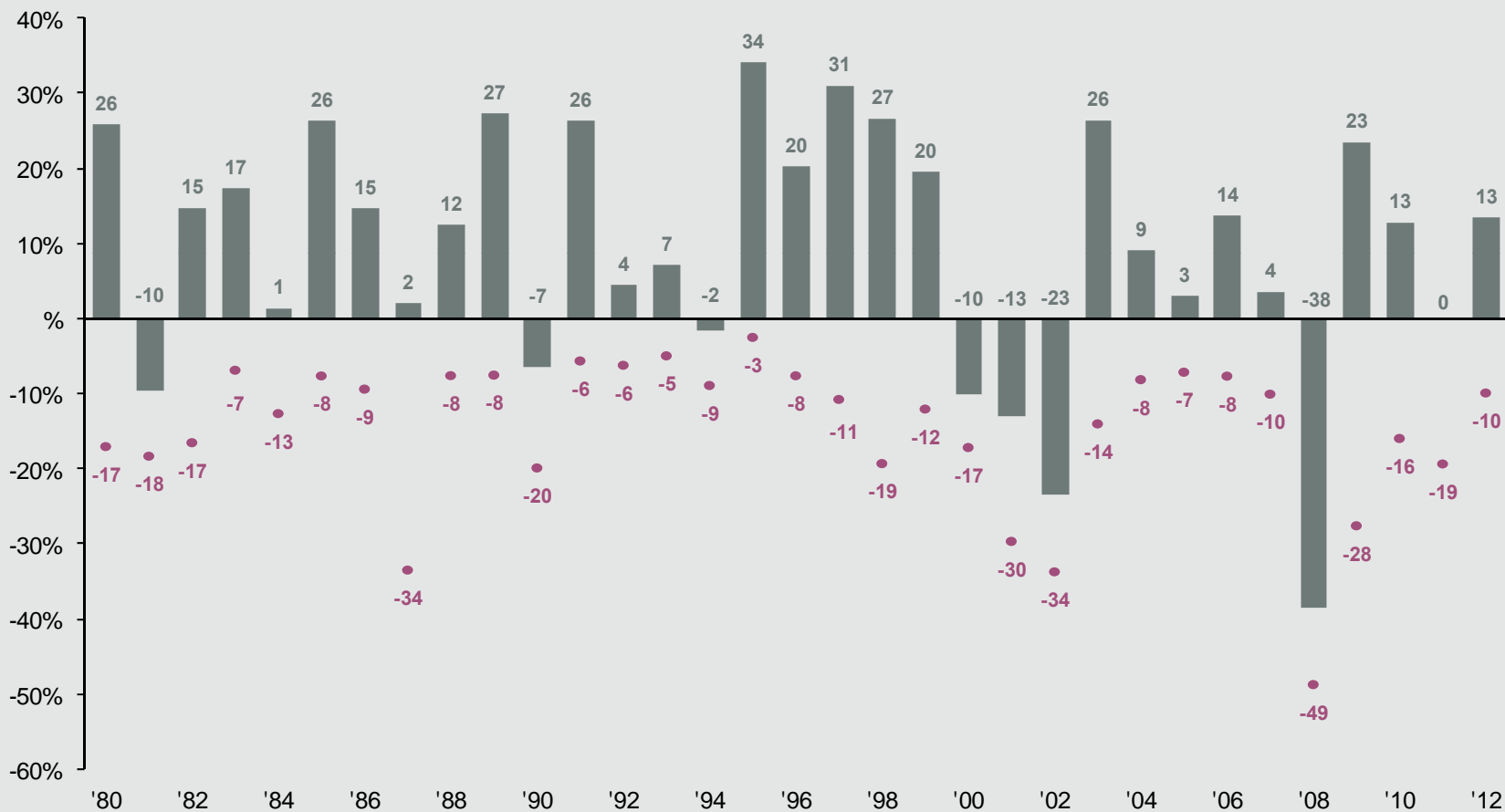
(Top) Indexes and weights of the traditional portfolio are as follows: U.S. stocks: 55% S&P 500, U.S. bonds: 30% Barclays Capital Aggregate. International stocks: 15% MSCI EAFE. Portfolio with 25% in alternatives is as follows: U.S. stocks: 22.2% S&P 500, 8.8% Russell 2000; International Stocks: 4.4% 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 returns are no guarantee of future results. Diversification does not guarantee investment returns and does not eliminate risk of loss. Data are as of 12/31/12.

(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 12/31/11 to match Dalbar's most recent analysis.

Annual Returns and Intra-year Declines

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



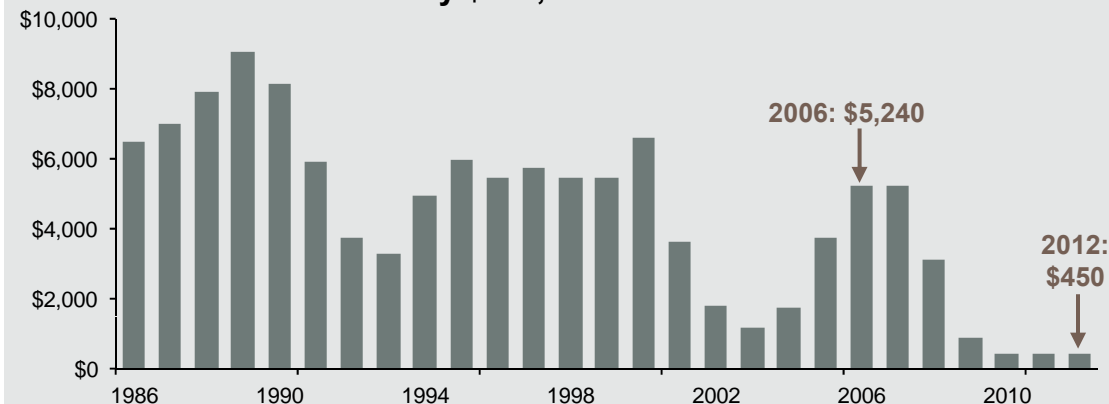
Source: Standard & Poor's, FactSet, J.P. Morgan Asset Management.

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.

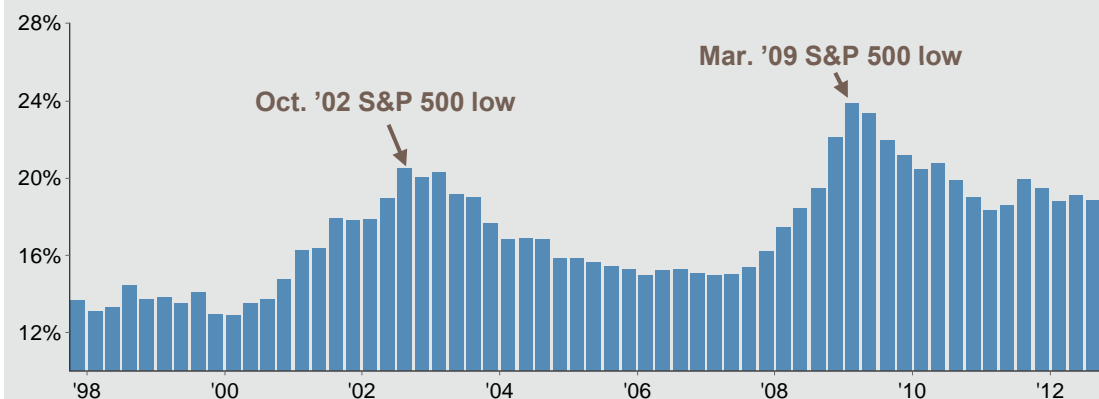
Data are as of 12/31/12.

Cash Accounts

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	7,873	76.9%
Retail MMMFs	632	6.2%
Savings deposits	6,596	64.4%
Small time deposits	645	6.3%
Institutional MMMFs	1,733	16.9%
Cash in IRA & Keogh accounts	638	6.2%
Total	10,245	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.

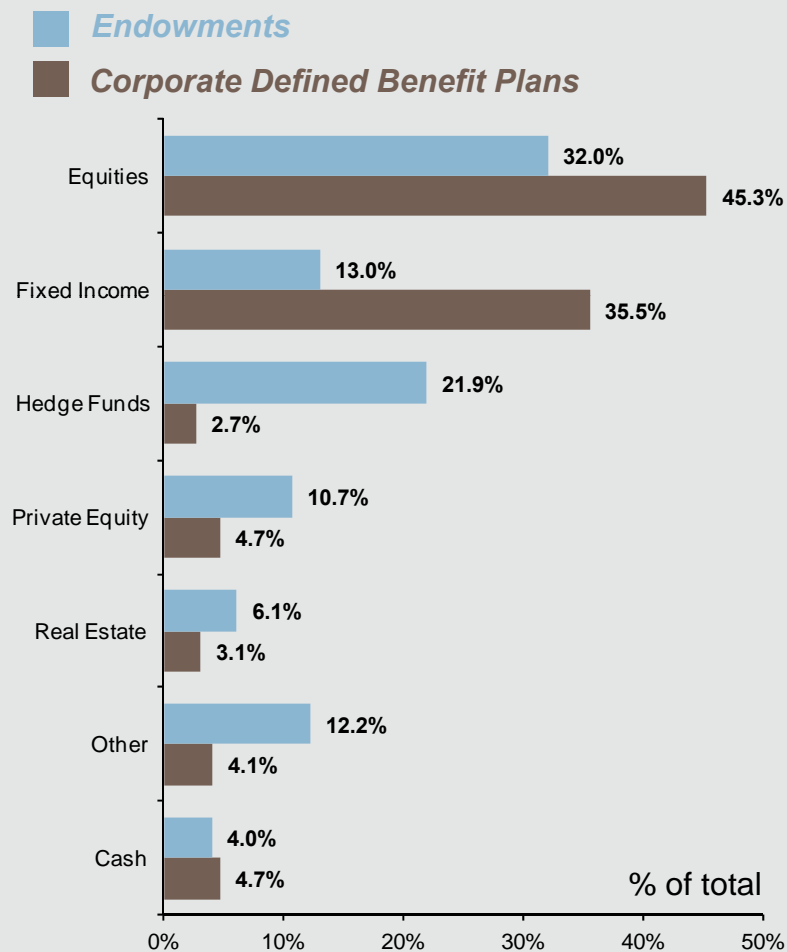
Small-denomination time deposits are those issued in amounts of less than \$100,000. All IRA and Keogh account balances at commercial banks and thrift institutions are subtracted from small time deposits. Annual income is for illustrative purposes and is calculated based on the 6-month CD yield on average during each year and \$100,000 invested. 2012 average income is through November 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.

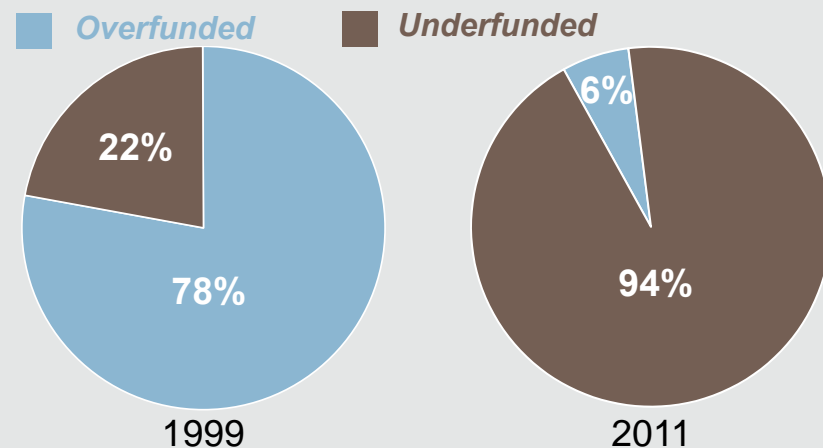
Data are as of 12/31/12.

Corporate DB Plans and Endowments

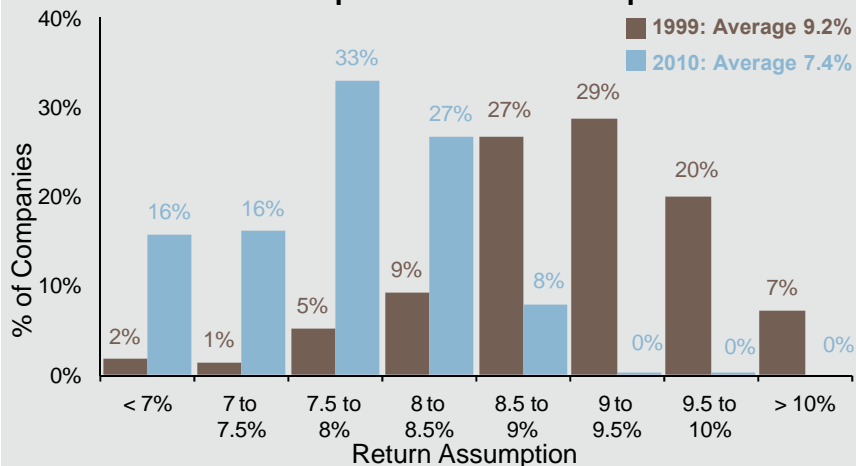
Asset Allocation: Corporate DB Plans vs. Endowments



Defined Benefit Plans – Funded Status: S&P 500 Companies



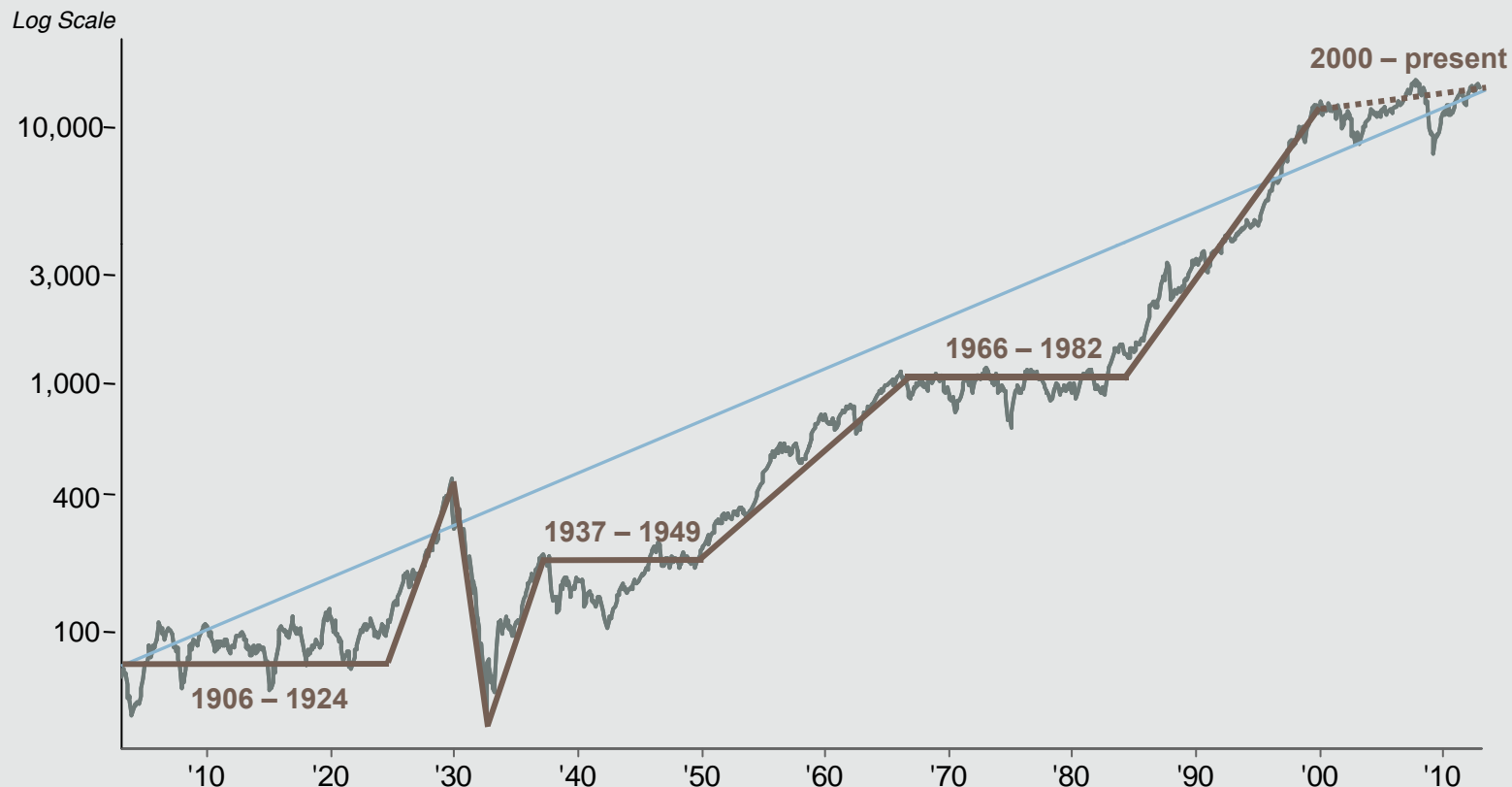
Pension Return Assumptions: S&P 500 companies



Source: NACUBO (National Association of College and University Business Officers), Towers Watson, Compustat/FactSet, J.P. Morgan Asset Management. Asset allocation as of 2010. Funded status as of 2011. Endowments represents dollar-weighted average data of 842 colleges and universities. Pension Return Assumptions based on all available and reported data from S&P 500 Index companies. Funded Status based on 347 companies reporting pension funding status. Return assumption bands are inclusive of upper range. All information is shown for illustrative purposes only. Data are as of 12/31/12.

The Dow Jones Industrial Average Since 1900

Dow Jones Industrial Index, Price Return (Since 1900)



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

Data shown in log scale to best illustrate long-term index patterns.

Past performance is not indicative of future returns. Chart is for illustrative purposes only.

Data are as of 12/31/12.

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**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.

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 **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: 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.

*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 - Definitions, Risks & Disclosures

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.

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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Unless otherwise stated, all data are as of December 31, 2012 or most recently available.

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