

MARKET
INSIGHTS

4Q | 2011

As of September 30, 2011

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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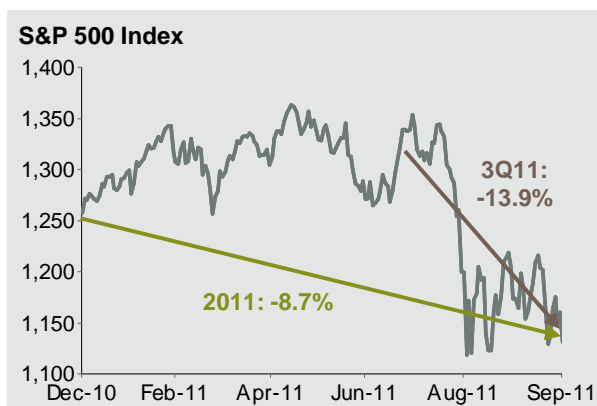
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Returns by Style

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



3Q 2011

	Value	Blend	Growth
Large	-16.2%	-13.9%	-13.1%
Mid	-18.5%	-18.9%	-19.3%
Small	-21.5%	-21.9%	-22.2%

2011 YTD

	Value	Blend	Growth
Large	-11.2%	-8.7%	-7.2%
Mid	-13.0%	-12.3%	-11.6%
Small	-18.5%	-17.0%	-15.6%



Since Market Peak (October 2007)

	Value	Blend	Growth
Large	-28.9%	-21.1%	-11.6%
Mid	-18.1%	-15.4%	-13.3%
Small	-22.8%	-19.5%	-16.4%

Since Market Low (March 2009)

	Value	Blend	Growth
Large	77.3%	76.3%	80.3%
Mid	109.1%	104.2%	100.3%
Small	90.8%	94.2%	97.2%

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 – 9/30/11, illustrating market returns since the most recent S&P 500 Index high on 10/9/07. Since Market Low represents period 3/9/09 – 9/30/11, 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 9/30/11.

Returns by Sector

Equities

	Financials	Technology	Health Care	Industrials	Energy	Cons. Discr.	Cons. Staples	Telecom	Utilities	Materials	S&P 500 Index	
S&P Weight	13.6%	19.4%	12.1%	10.3%	11.6%	10.6%	11.7%	3.3%	4.0%	3.4%	100.0%	Weight
Russell Growth Weight	3.8%	28.8%	11.0%	12.1%	10.3%	14.4%	13.0%	1.2%	0.1%	5.1%	100.0%	
Russell Value Weight	24.7%	8.9%	13.2%	8.8%	11.8%	8.7%	8.2%	5.1%	8.1%	2.6%	100.0%	
3Q 2011	-22.8	-7.7	-10.0	-21.0	-20.4	-13.0	-4.2	-8.0	1.5	-24.5	-13.9	Return
2011 YTD	-25.2	-5.8	2.5	-14.7	-11.4	-5.7	3.4	-1.5	10.8	-21.8	-8.7	
Since Market Peak (October 2007)	-64.0	-7.3	-4.9	-26.6	-18.0	-1.4	18.8	-16.4	-3.9	-25.1	-21.1	
Since Market Low (March 2009)	96.7	94.3	53.4	101.7	50.2	128.1	66.6	59.6	68.3	78.5	76.3	
Beta to S&P500	1.31	1.34	0.63	1.16	0.86	1.14	0.52	0.89	0.61	1.24	1.00	
Forward P/E Ratio	8.4x	11.2x	10.5x	10.7x	8.4x	12.3x	13.4x	14.6x	13.5x	9.2x	10.6x	P/E
15-yr avg.	13.0x	24.2x	19.2x	17.2x	15.1x	18.7x	19.0x	17.4x	13.5x	16.3x	17.0x	
Trailing P/E Ratio	9.9x	13.0x	14.5x	12.8x	10.4x	14.8x	14.6x	11.6x	14.3x	11.1x	12.5x	
20-yr avg.	16.0x	27.2x	24.4x	20.5x	18.4x	19.9x	21.3x	18.3x	14.2x	19.7x	19.8x	
Dividend Yield	1.4%	1.1%	2.3%	2.5%	2.1%	1.6%	3.0%	5.5%	4.3%	2.2%	2.3%	Div
20-yr avg.	2.2%	0.6%	1.4%	1.8%	2.0%	1.0%	2.0%	3.7%	4.5%	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 – 9/30/11. Since Market Low represents period 3/9/09 – 9/30/11.

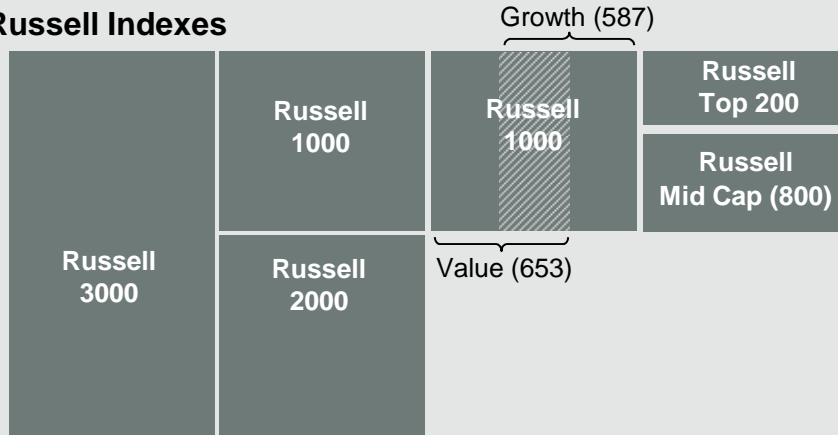
Forward P/E Ratio is a bottom-up calculation based on the most recent S&P 500 Index price, divided by consensus estimates for earnings in the next twelve months (NTM), and is provided by FactSet Market Aggregates. Trailing P/E ratios are bottom-up values defined as month-end price divided by the last twelve 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.

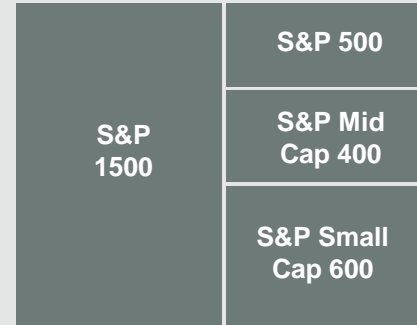
Data are as of 9/30/11.

U.S. Equity Indexes

Russell Indexes



S&P Indexes



Dow Jones

Industrials (30)

	Index	Market Cap		Weight		Size (Lipper*)			Valuation	
		Wtd Avg	Total	Top 10	Bottom 100	Large	Mid	Small	Div Yld	Fwd P/E
Large	S&P 500	86.9 bn	10,303 bn	20.6%	2.9%	86.9%	12.1%	1.1%	2.4%	10.6x
	Russell 1000	77.2	11,672	18.1	0.9	77.7	16.2	6.1	2.1	11.0
	Dow Jones	128.1	3,320	58.1	41.9	100.0	0.0	0.0	2.7	10.6
	Russell 1000 Value	66.0	5,793	24.5	0.8	77.9	14.6	7.5	2.6	9.8
	Russell 1000 Growth	88.2	5,879	28.5	0.9	77.6	17.8	4.7	1.6	12.5
Mid	S&P Mid Cap 400	3.4	953	8.0	9.8	1.3	39.8	58.9	1.6	12.5
	Russell Mid Cap	7.0	3,408	4.6	2.9	24.6	54.7	20.8	1.7	12.1
Sm	Russell 2000	1.1	965	2.6	0.5	0.0	0.3	99.7	1.4	14.9
All	Russell 3000	71.3	12,638	16.7	0.0	71.8	15.0	13.2	2.0	11.2

Market Cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's pricing database as provided by Standard & Poor's and Russell Investment Group, respectively. Dividend Yield is calculated based on the trailing 12 months of dividends and is provided by FactSet's pricing database for S&P and Dow Indexes and Russell for the Russell Indexes. Forward P/E is a bottom-up calculation based on the most recent S&P 500 price, divided by consensus estimates for earnings in the next twelve months (NTM), and is provided by FactSet Market Aggregates. Top 10 represents summed benchmark weight of ten largest stocks in respective index. Bottom 100 represents summed benchmark weight of 100 smallest stocks in respective index. *Lipper mutual fund size parameters are used for illustrative purposes only and are hypothetical distributions based on Lipper mutual fund categories. As of August 2011, Lipper defines large as market cap over \$11.6 billion, small as less than \$3.8 billion and mid as all values in between. The number of holdings as of 9/30/11 are – Russell 1000: 979; Russell Mid Cap: 782; Russell 2000: 1,959; Russell 3000: 2,938. Data are as of 9/30/11.

S&P 500 Index at Inflection Points



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

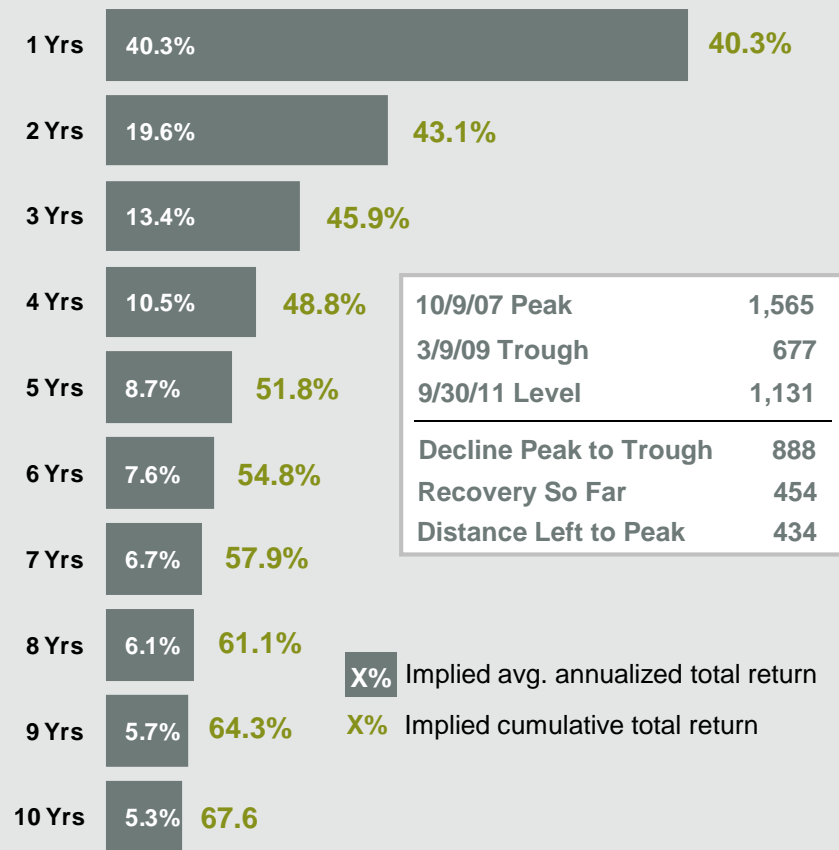
Dividend yield is calculated as the annualized dividend rate divided by price, as provided by Compustat. Forward Price to Earnings Ratio is a bottom-up calculation based on the most recent S&P 500 Index price, divided by consensus estimates for earnings in the next twelve months (NTM), and is provided 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 9/30/11.

Equity Scenarios: Bull, Bear and In-between

S&P 500 Index: Return Needed to Reach 2007 Peak

Analysis as of Sep. 30, 2011. Index has risen 67.1% since low of 677.



Bear Market Cycles vs. Subsequent Bull Runs

Market Peak	Market Low	Bear Market Return	Length of Decline	Bull Run	Length of Run	Yrs to Reach Old Peak
5/29/46	5/19/47	-28.6%	12	257.6%	122	3.1 yrs
7/15/57	10/22/57	-20.7%	3	86.4%	50	0.9 yrs
12/12/61	6/26/62	-28.0%	6	79.8%	44	1.2 yrs
2/9/66	10/7/66	-22.2%	8	48.0%	26	0.6 yrs
11/29/68	5/26/70	-36.1%	18	74.2%	31	1.8 yrs
1/5/73	10/3/74	-48.4%	21	125.6%	74	5.8 yrs
11/28/80	8/12/82	-27.1%	20	228.8%	60	0.2 yrs
8/25/87	12/4/87	-33.5%	3	582.1%	148	1.6 yrs
3/24/00	10/9/02	-49.1%	31	101.5%	60	4.6 yrs
10/9/07	3/9/09	-56.8%	17	67.1%	31*	
Average:		-35.0%	14 mo's	176.0%	68 mo's	2.2 yrs

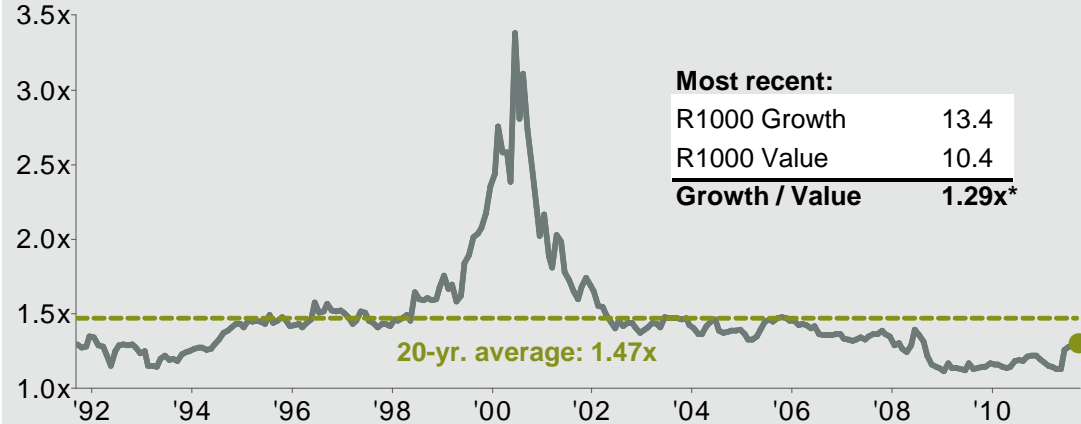
Source: Standard & Poor's, FactSet, J.P. Morgan Asset Management.

(Left) Data assume 2.0% annualized dividend yield. Implied values reflect the average geometric total returns required for the S&P 500 to reach its 10/9/07 peak of 1,565 over each stated time period. Chart is for illustrative purposes only. Past performance does not guarantee future results.

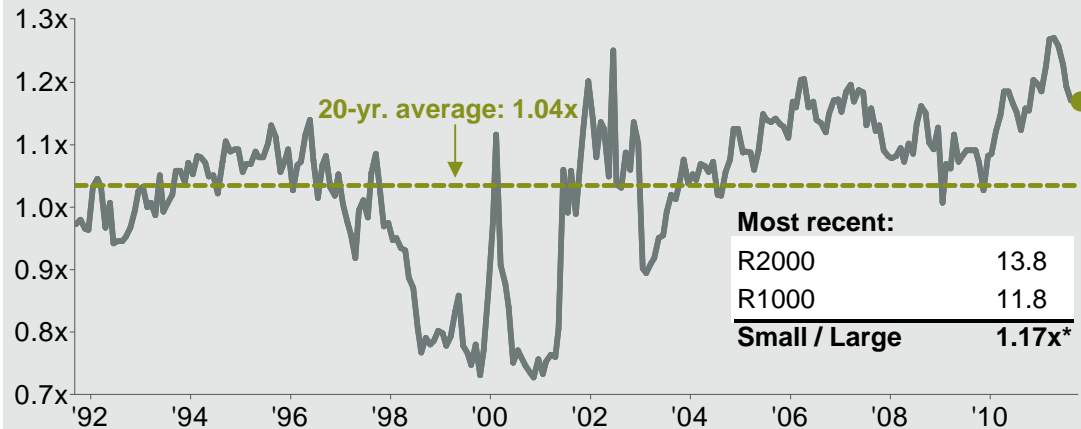
(Right) A bear market is defined as a peak-to-trough decline in the S&P 500 Index (price only) of 20% or more. The bull run data reflect the market expansion from the bear market low to the subsequent market peak. All returns are S&P 500 Index returns and do not include dividends. *Current bull run from 3/9/09 through 9/30/11. Data are as of 9/30/11.

Investment Style Valuations

Russell 1000 Growth P/E divided by Russell 1000 Value P/E



Russell 2000 P/E divided by Russell 1000 P/E



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

	Value	Blend	Growth
Large	10.4 / 14.1	11.8 / 16.8	13.4 / 21.1
	11.7 / 14.0	13.2 / 16.3	15.0 / 22.0
Mid	12.3 / 14.2	13.8 / 17.1	15.4 / 21.4
Small			

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

E.g.: Large Cap Blend stocks are 30.0% cheaper than their historical average.

	Value	Blend	Growth
Large	73.9%	70.0%	63.5%
	83.4%	80.7%	68.1%
Mid	86.8%	80.6%	71.9%
Small			

Source: Russell Investment Group, IBES, FactSet, J.P. Morgan Asset Management.

P/E ratios are calculated and provided by Russell based on IBES consensus estimates of earnings over the next twelve months. *Represents the Russell 1000 Growth Index P/E ratio divided by the Russell 1000 Value Index P/E ratio (top) and Russell 2000 Index P/E ratio divided by the Russell 1000 Index P/E ratio (bottom). Data reflect P/Es as provided by Russell based on IBES estimates of next twelve months' earnings.

Data are as of 9/30/11.

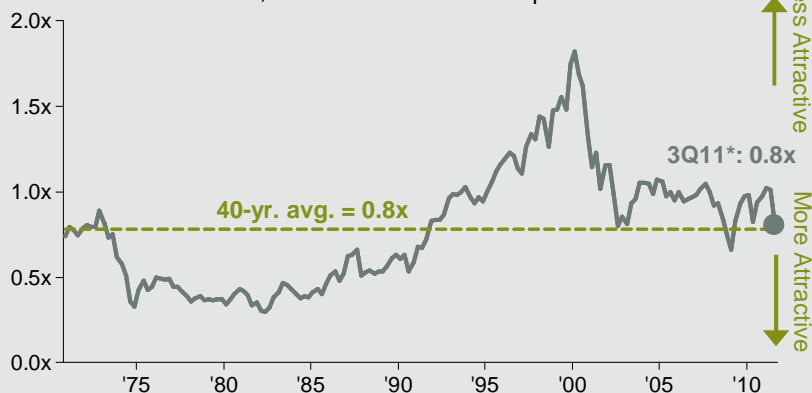
Stock Valuation Measures: S&P 500 Index

S&P 500 Index: Valuation Measures

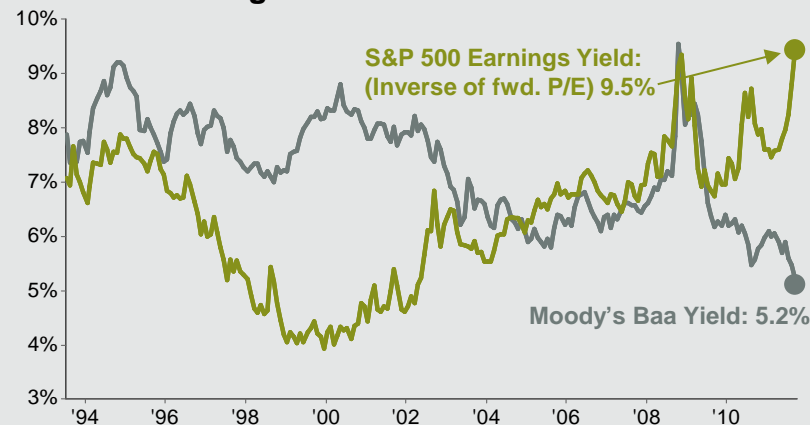
Valuation Measure	Description	Historical Averages					
		Latest	1-year ago	3-year avg.	5-year avg.	10-year avg.	15-year avg.
P/E	Price to Earnings	10.6x	12.4x	12.9x	13.4x	15.0x	17.0x
P/B	Price to Book	1.9	2.0	2.1	2.3	2.6	3.1
P/CF	Price to Cash Flow	7.3	8.2	8.1	8.9	10.2	11.1
P/S	Price to Sales	1.0	1.1	1.1	1.2	1.3	1.5
PEG	Price/Earnings to Growth	0.8	0.6	1.1	1.2	1.2	1.2
Div. Yield	Dividend Yield	2.5%	2.1%	2.3%	2.2%	2.0%	1.9%

Q-Ratio: Stock Price Relative to Company Assets

Price to net asset value, all U.S. non-financial corporations



S&P 500 Earnings Yield vs. Baa Bond Yield



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

Price to Earnings is price divided by consensus analyst estimates of earnings per share for the next twelve 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 twelve months. Price to Sales is calculated as price divided by consensus analyst estimates of sales per share for the next twelve 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 twelve months divided by price. All consensus analyst estimates are provided by FactSet. (Bottom left) Q-Ratio based on data from the Federal Reserve, table B.102. *3Q11 is an estimate provided by J.P. Morgan Asset Management as of 9/30/11. (Bottom right) Standard & Poor's, Moody's, FactSet, J.P. Morgan Asset Management.

Data are as of 9/30/11.

Earnings Estimates and Valuation Drivers

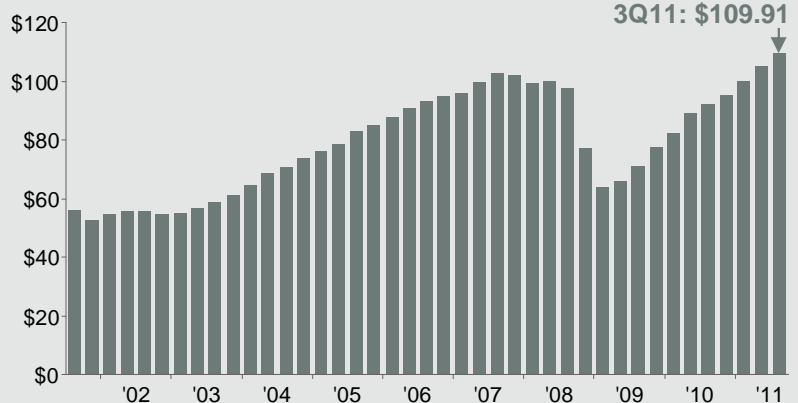
Equities

S&P 500 Index: Forward P/E Ratio



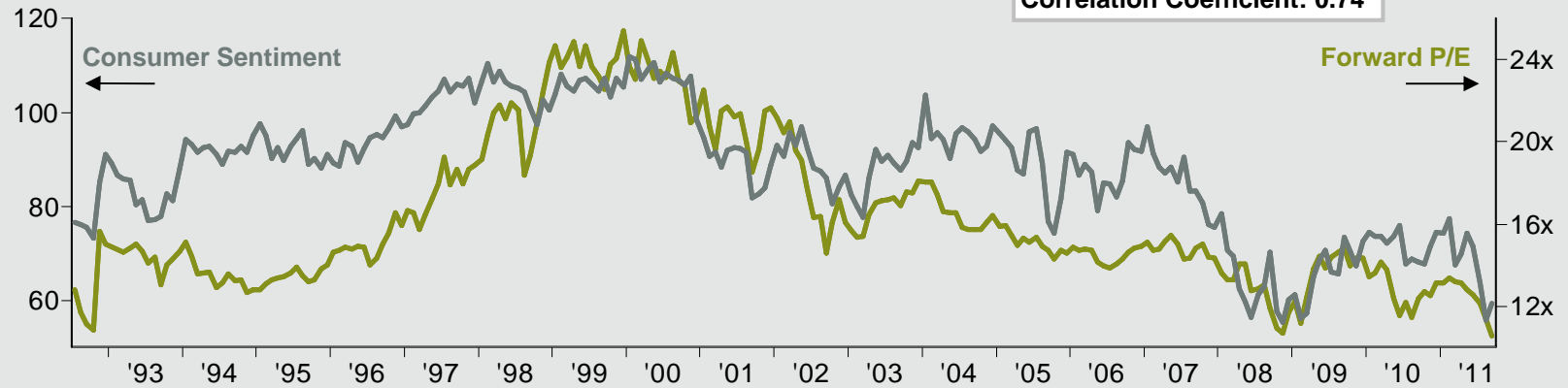
S&P 500 Operating Earnings Estimates

Consensus estimates of the next twelve months' rolling earnings



Multiple Expansion and Contraction

Forward P/E based on consensus EPS estimates



Source: (Top left) Standard & Poor's, Compustat, FactSet, J.P. Morgan Asset Management. (Top right) Standard & Poor's, Compustat, FactSet, J.P. Morgan Asset Management. Earnings estimates are for calendar years and taken at quarter end dates throughout the year. Actual reported are annual operating earnings reported by Standard and Poor's. (Bottom) Standard & Poor's, FactSet, University of Michigan, J.P. Morgan Asset Management. Forward Price to Earnings is price divided by consensus analyst estimates of earnings per share for the next twelve months.

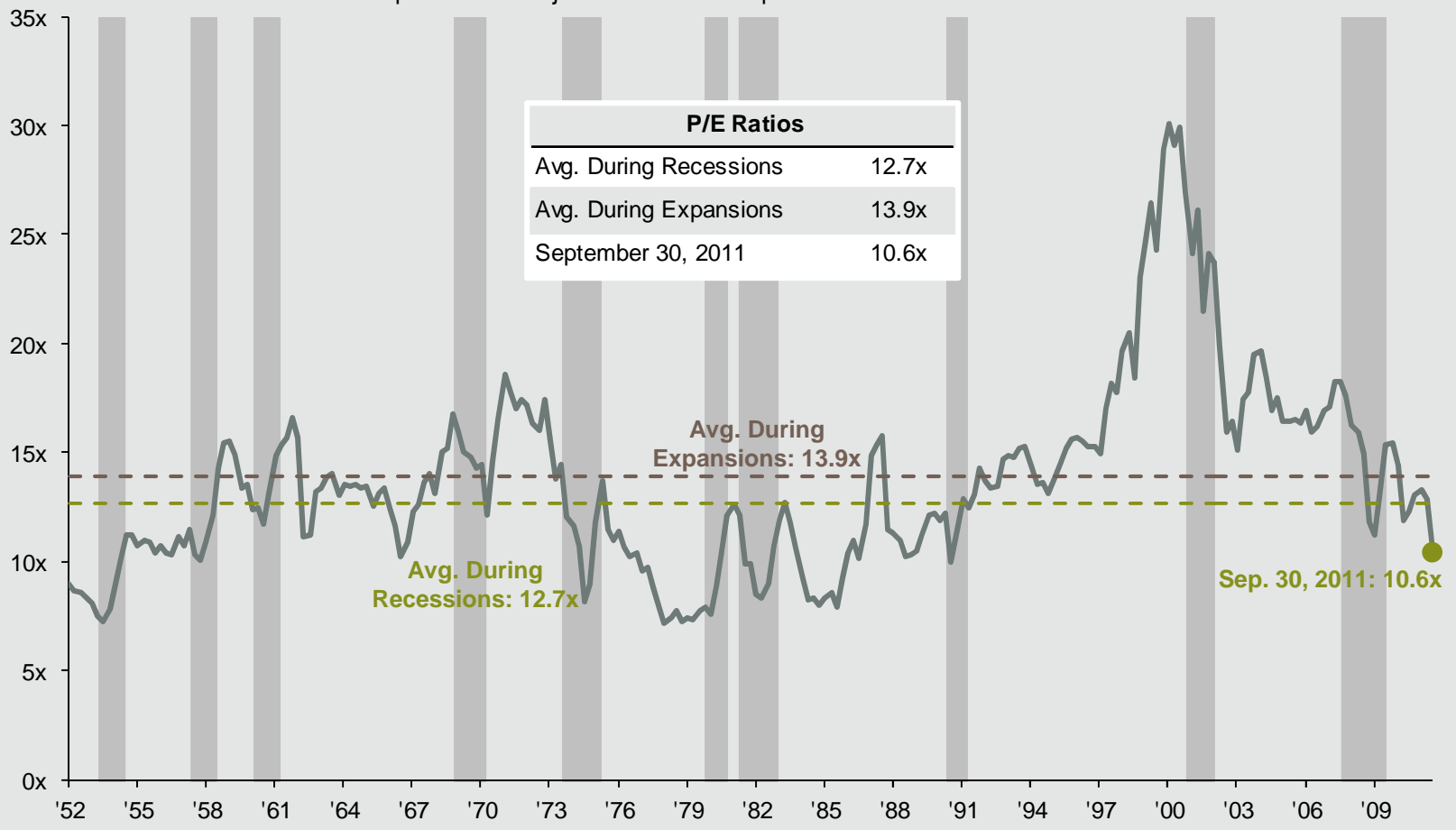
Data are as of 9/30/11.

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



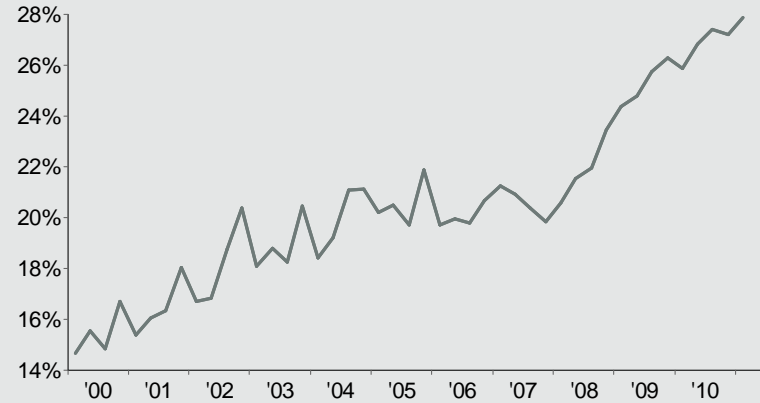
Source: BEA, Federal Reserve Board, Wilshire Associates, J.P. Morgan Asset Management.

Data are as of 9/30/11.

Deploying Corporate Cash

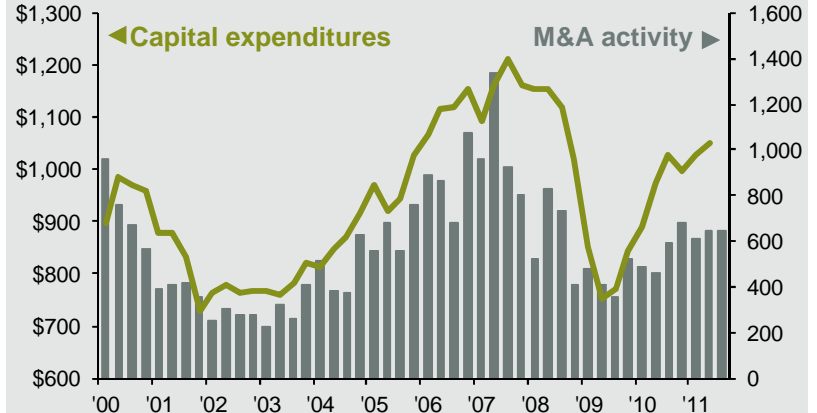
Corporate Cash as a % of Current Assets

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



Corporate Growth

Quarterly deal volume and nonfarm nonfinancial capex, billions USD



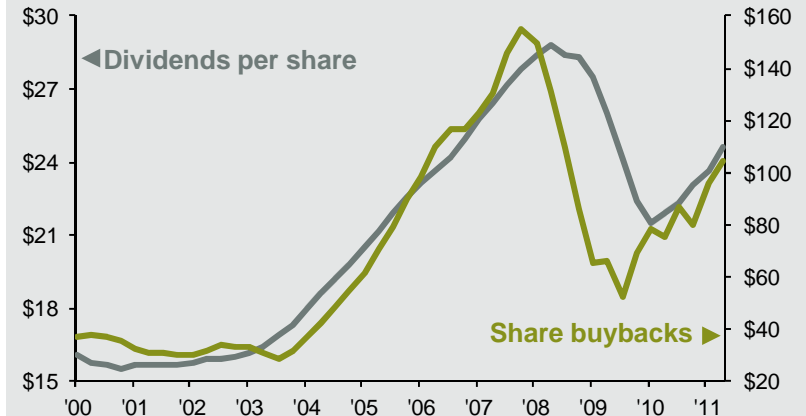
Dividend Payout Ratio

S&P 500 companies, LTM



Cash Returned to Shareholders

Rolling 4-quarter averages, S&P 500, billions USD



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

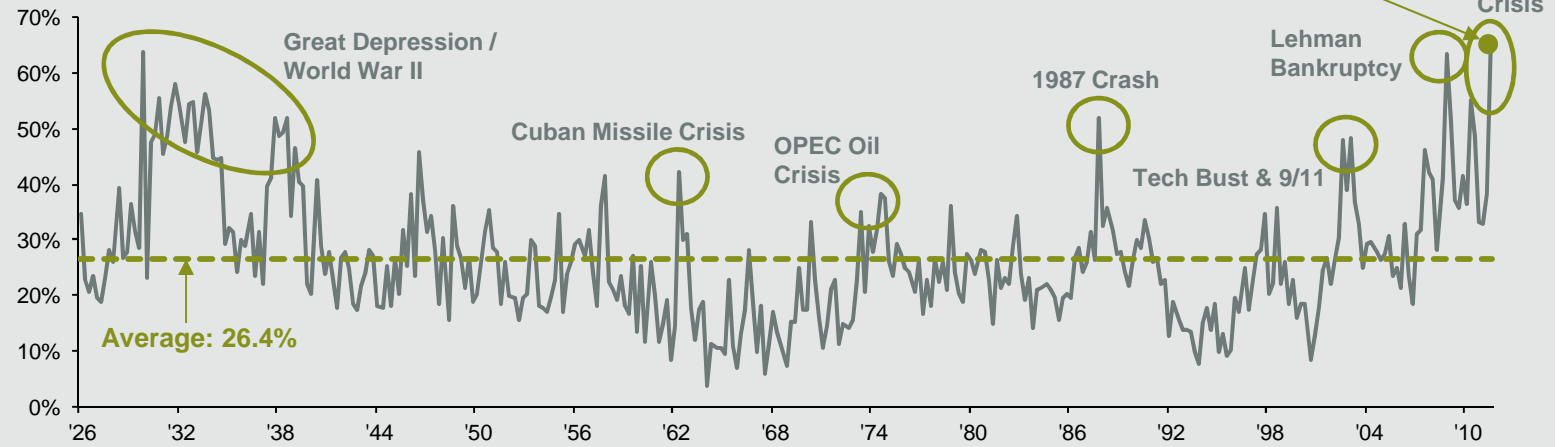
(Top left) Standard & Poor's, FactSet, J.P. Morgan Asset Management. (Top right) M&A activity is quarterly number of deals of any value and capital expenditures are for nonfarm nonfinancial corporate business. (Bottom left) Standard & Poor's, FactSet, J.P. Morgan Asset Management. (Bottom right) Standard & Poor's, Compustat, FactSet, J.P. Morgan Asset Management. Data are most recent as of 9/30/11.

Equity Correlations and Volatility

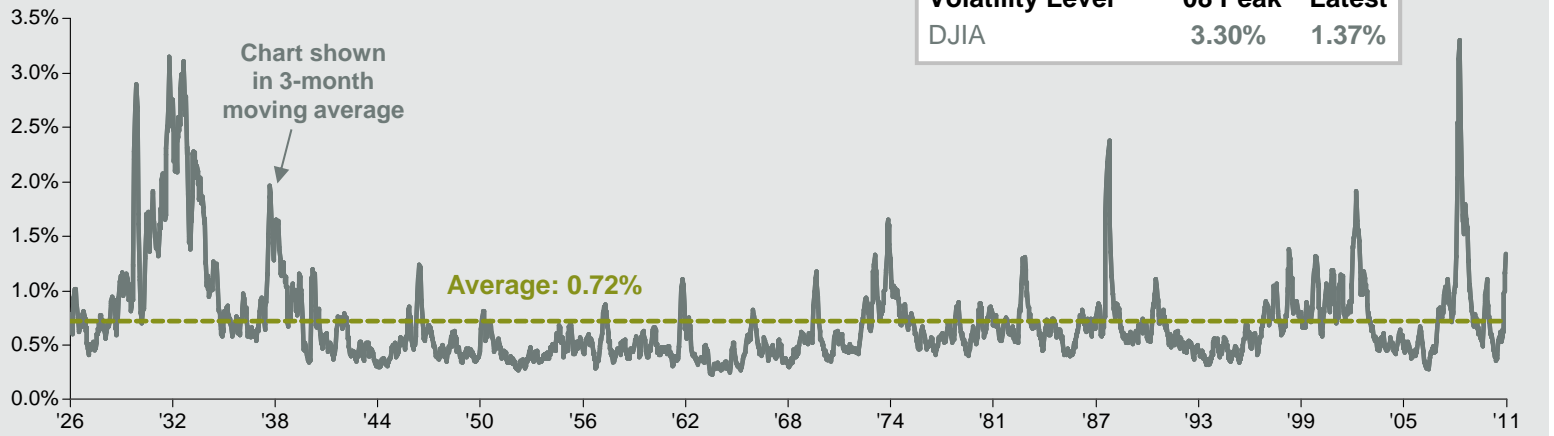
Equities

Large Cap Stocks

Correlations Among Stocks



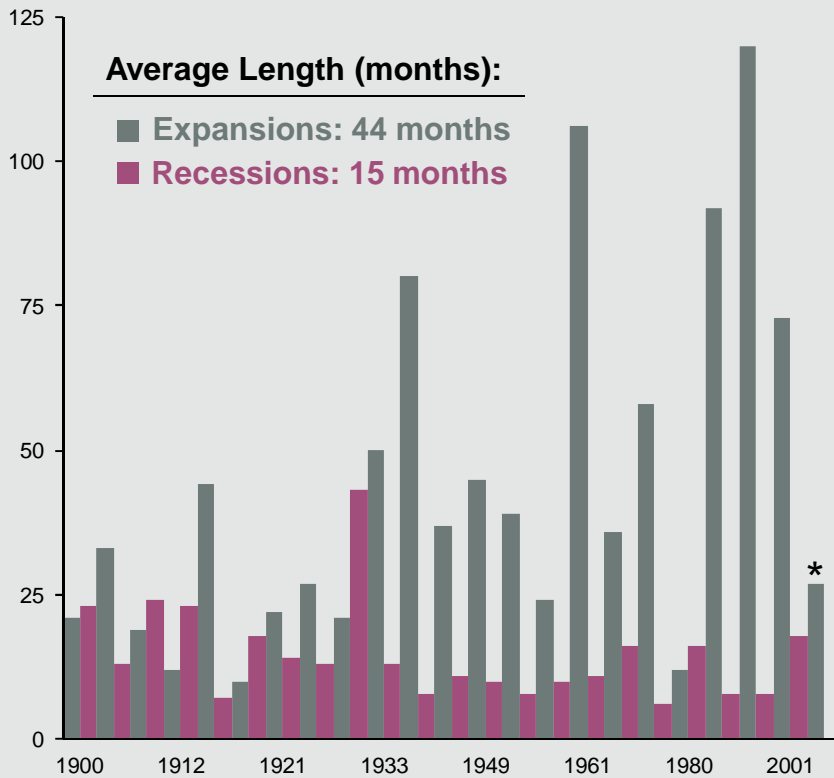
Daily Volatility of DJIA



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 – Sep. 29, 2011. (Bottom) Dow Jones, J.P. Morgan Asset Management. Data 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 9/30/11.

Length of Economic Expansions and Recessions



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

*Chart assumes current expansion started in July 2009 and continued through September 2011.

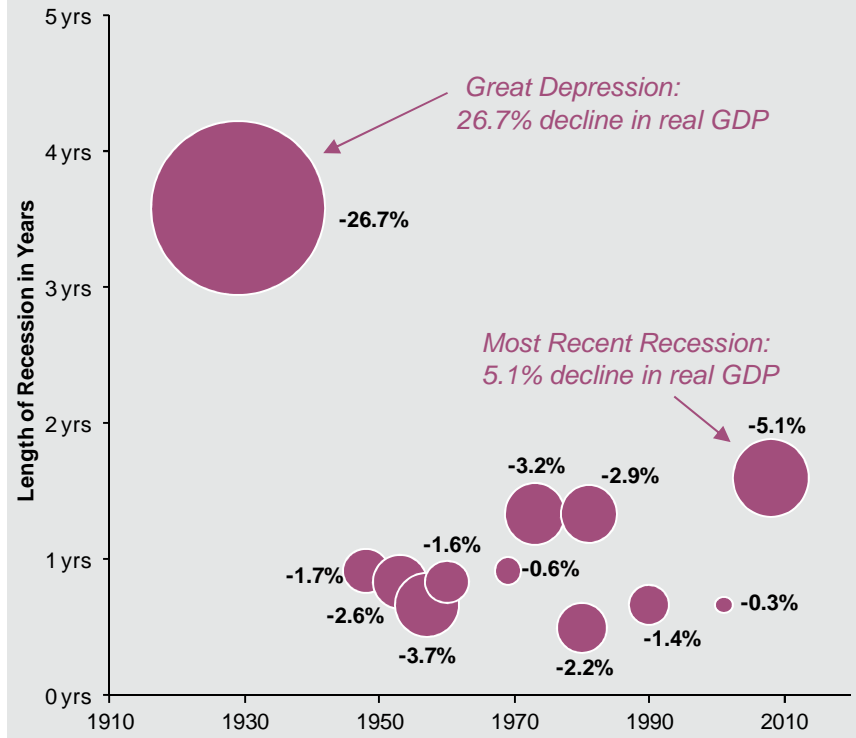
Data for length of economic expansions and recessions obtained from the National Bureau of Economic Research (NBER). These data can be found at www.nber.org/cycles/ and reflects information through September 2011.

For illustrative purposes only.

Data reflect most recently available as of 9/30/11.

The Great Depression and Post-War Recessions

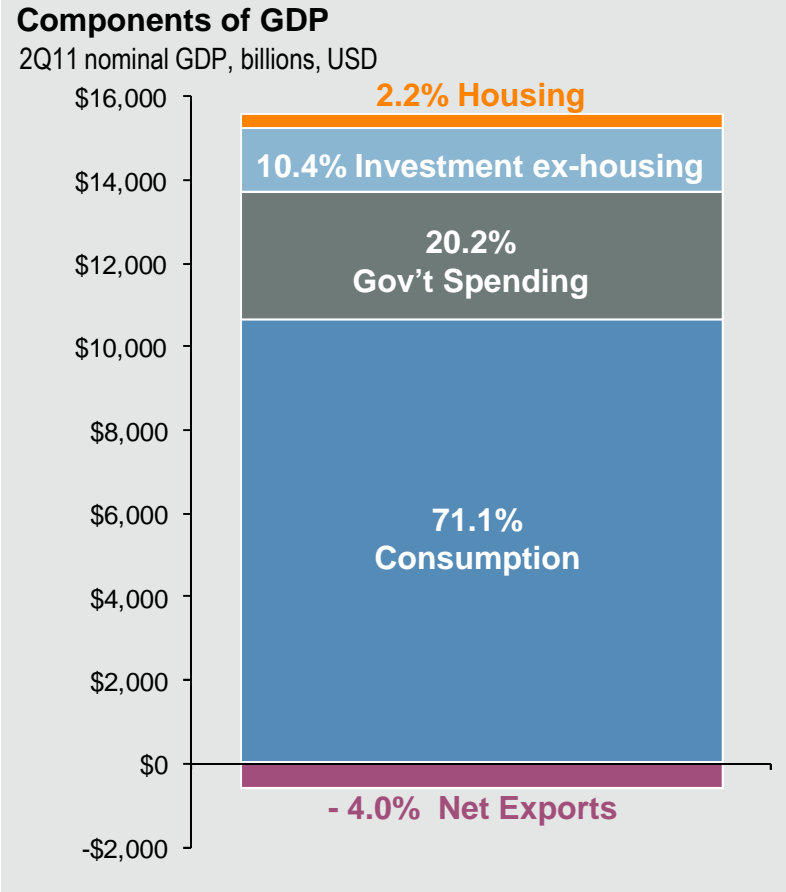
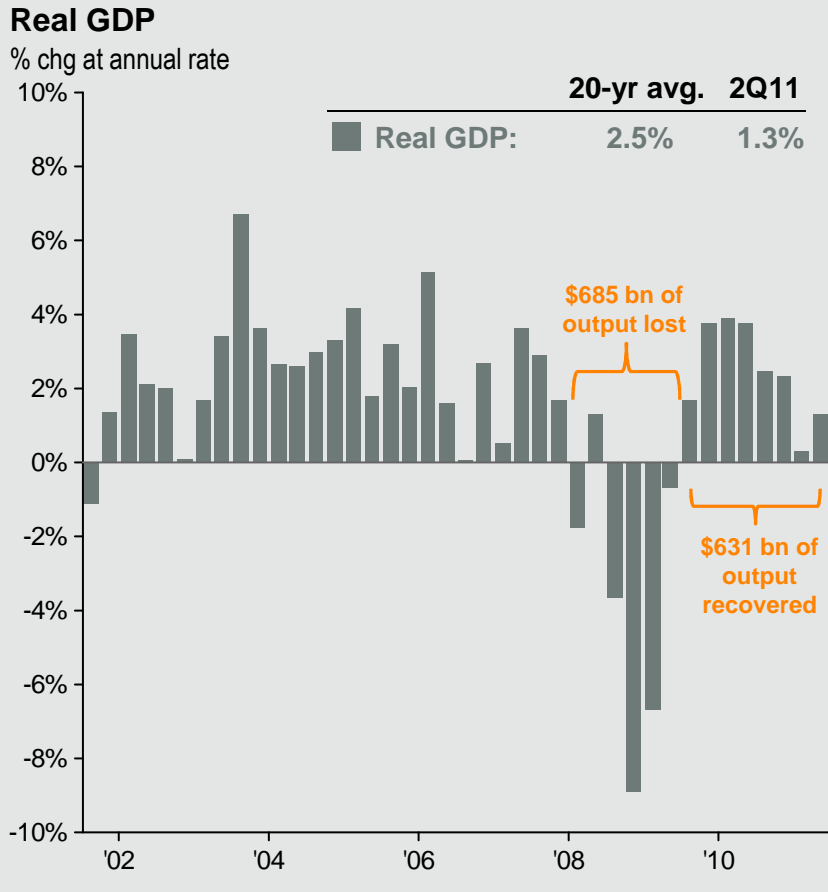
Length and severity of recession



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

Bubble size reflects the severity of the recession, which is calculated as the decline in real GDP from the peak quarter to the trough quarter except in the case of the Great Depression, where it is calculated from the peak year (1929) to the trough year (1933), due to a lack of available quarterly data.

Economic Growth and the Composition of GDP



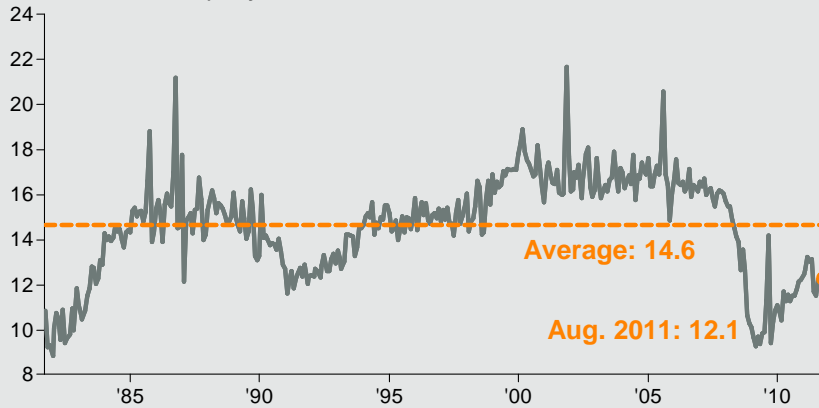
Source: BEA, FactSet, J.P. Morgan Asset Management.

GDP values shown in legend are % change vs. prior quarter annualized and reflect revised 2Q11 GDP.

Data reflect most recently available as of 9/30/11.

Light Vehicle Sales

Millions, seasonally adjusted annual rate



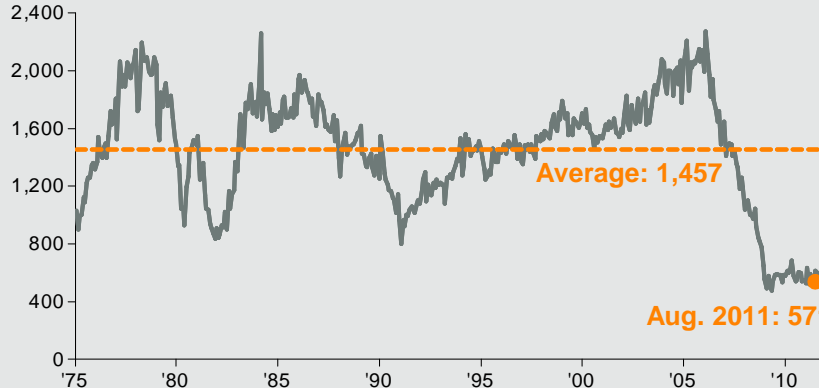
Manufacturing and Trade Inventories

Days of sales, seasonally adjusted



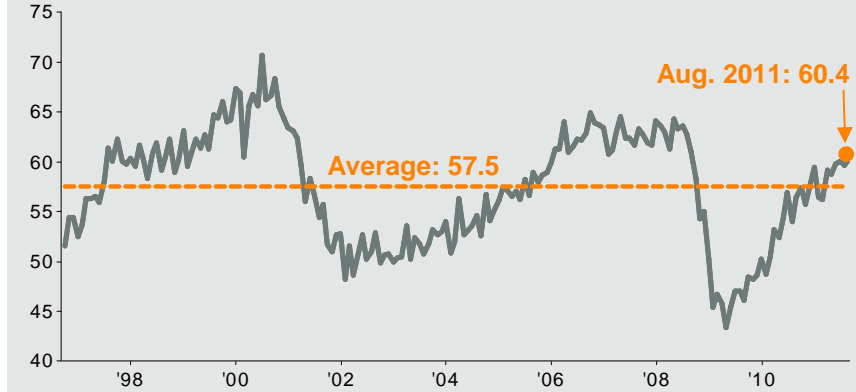
Housing Starts

Thousands, seasonally adjusted annual rate



Real Capital Goods Orders

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

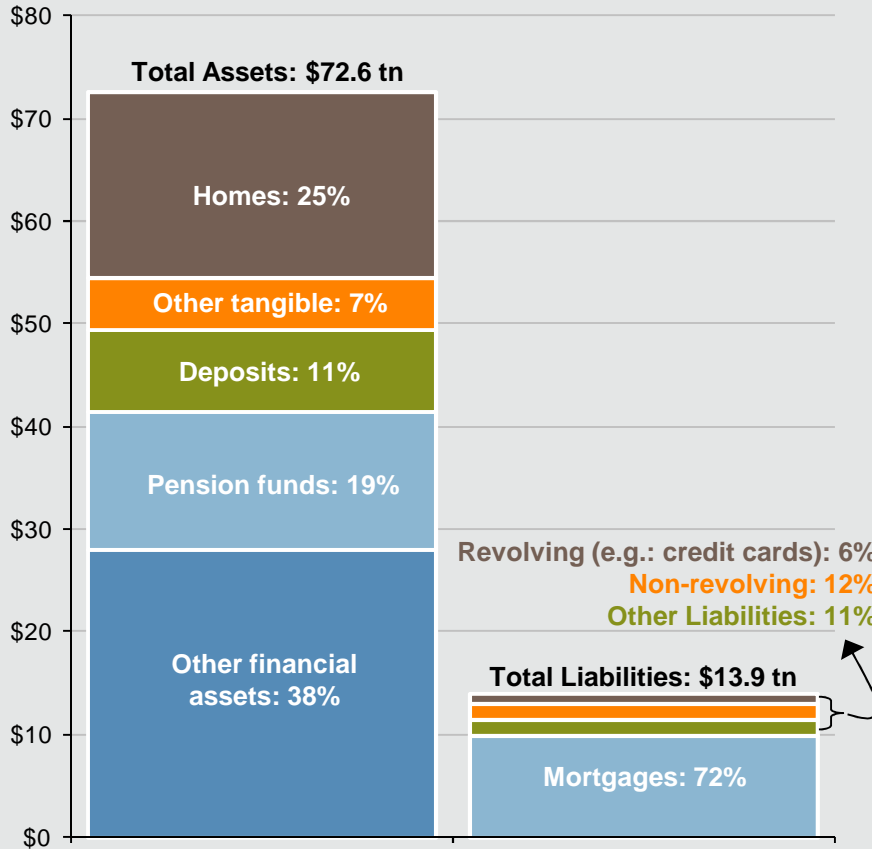


Source: (Top left) BEA, FactSet, J.P. Morgan Asset Management. (Top right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom left) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management.

Data reflect most recently available as of 9/30/11.

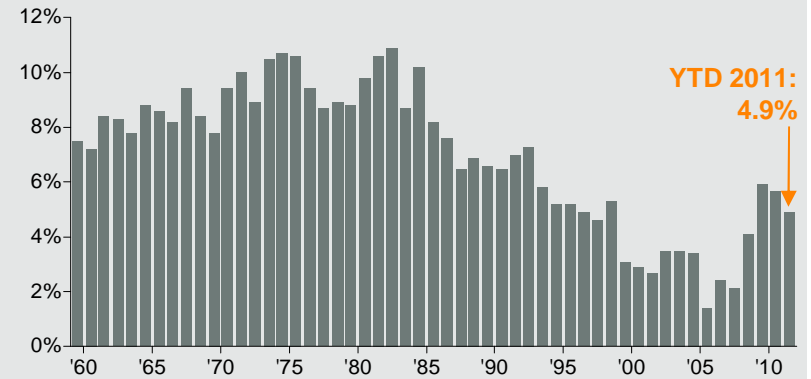
Consumer Balance Sheet

Trillions of dollars outstanding, not seasonally adjusted



Personal Savings Rate

Annual, % of disposable income



Household Debt Service Ratio

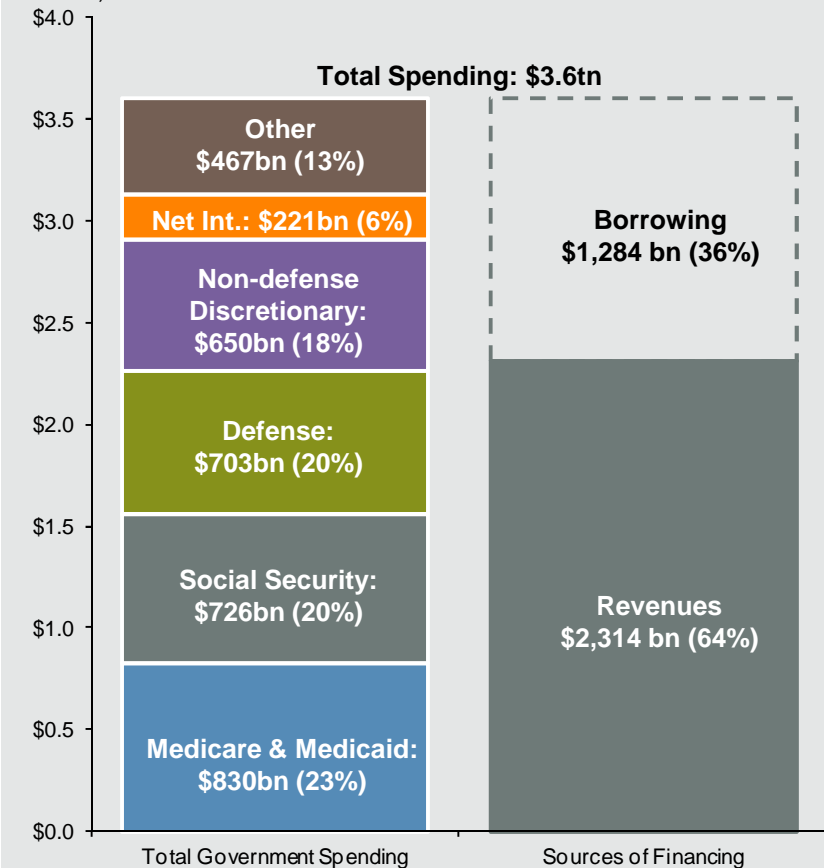
Debt payments as % of disposable personal income, seasonally adjusted



Source: (Left) FRB, J.P. Morgan Asset Management. Data includes households and nonprofit organizations. (Right) BEA, FRB, J.P. Morgan Asset Management. Personal savings rate is calculated as personal savings (after-tax income – personal outlays) divided by after-tax income. Employer and employee contributions to retirement funds are included in after-tax income but not in personal outlays, and thus are implicitly included in personal savings. Savings rate data as of August 2011. *3Q11 Household Debt Service Ratio is J.P. Morgan Asset Management estimate. All other data are as of 2Q11.

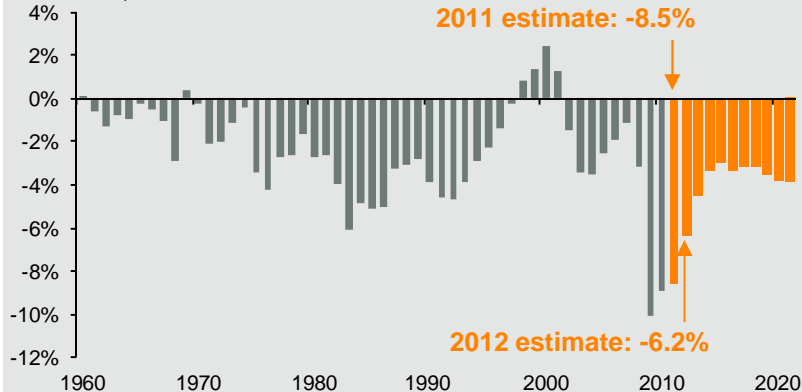
The 2011 Federal Budget

Trillions, USD



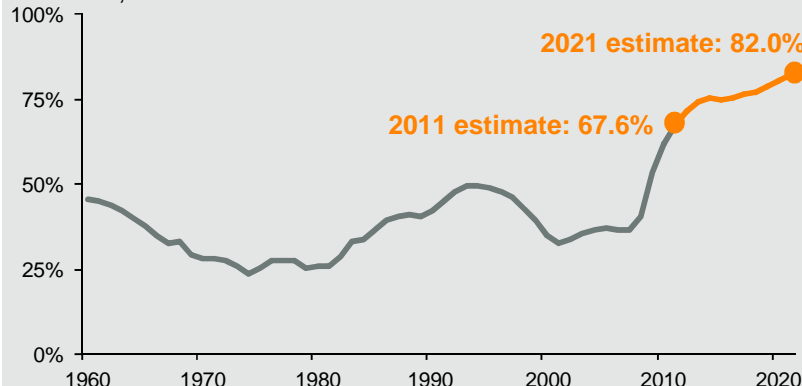
Federal Budget Surplus/Deficit

% of GDP, 1960 – 2021*



Federal Debt (Accumulated Deficits)

% of GDP, 1960 – 2021*



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

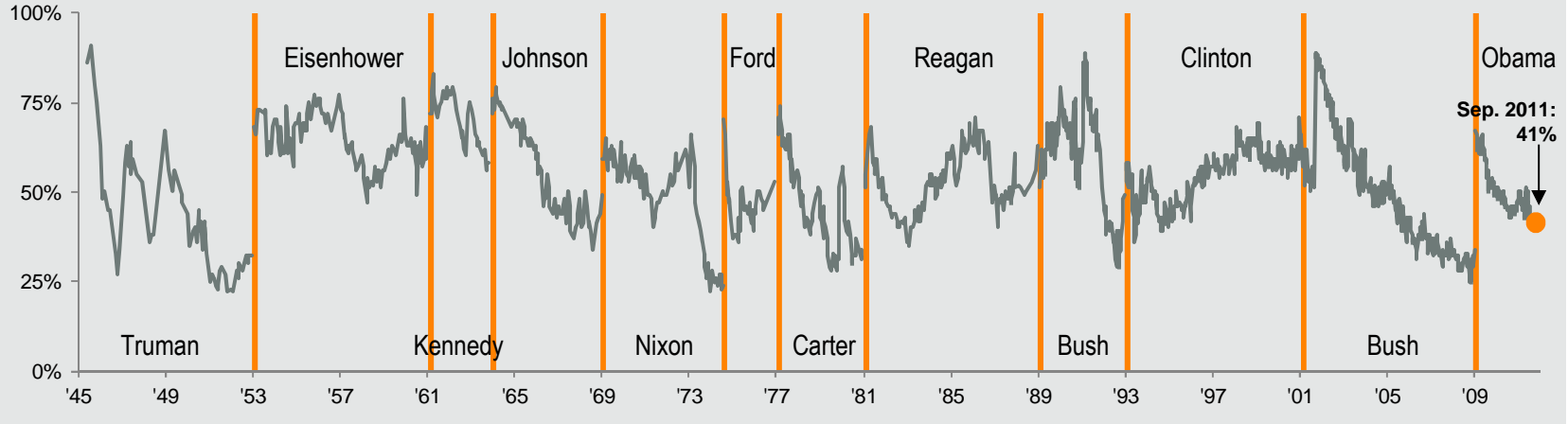
2011 numbers are based on CBO August Baseline Scenario. *Estimates for 2011 – 2021 are based on August alternative scenario budget projections from the CBO's "Budget and Economic Outlook: An Update" which was released on August 24, 2011. The alternative scenario assumes an extension of all Bush tax cuts, annual adjustments to AMT and Medicare payment schedules and spending on operations in Afghanistan and Iraq rising from 2011 levels in line with inflation throughout the forecast period.

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

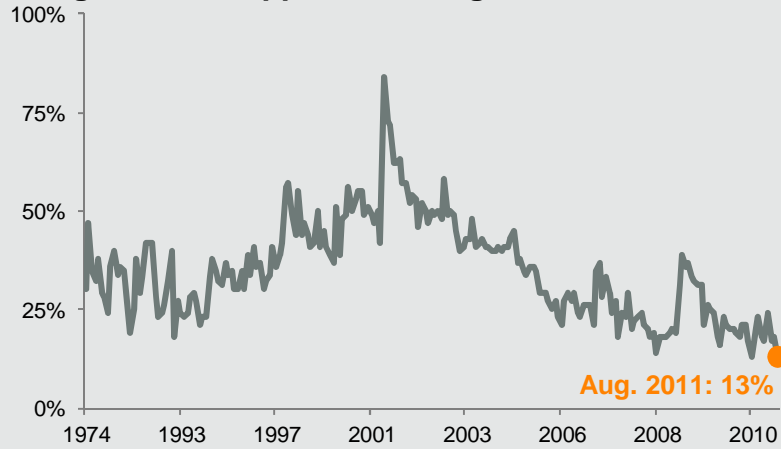
Data reflect most recently available as of 9/30/11.

Political Polarization

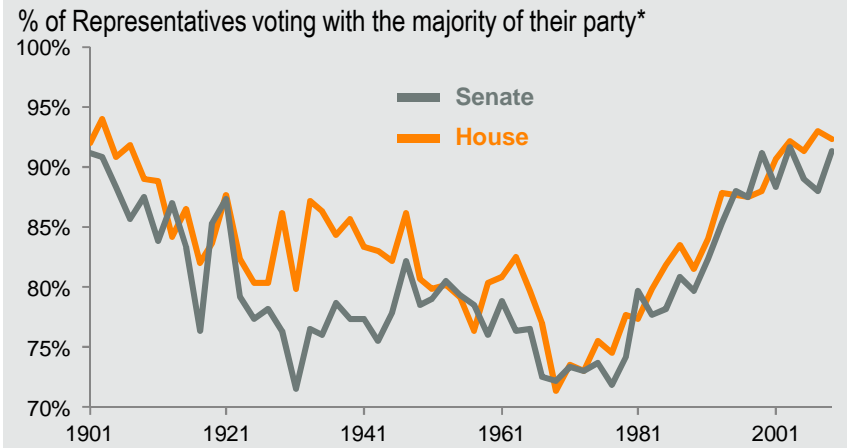
Presidential Approval Rating Over Term Cycles



Congressional Approval Ratings



Political Polarization



Source: (Top) Gallup Inc., J.P. Morgan Asset Management. (Bottom left) Gallup Inc., J.P. Morgan Asset Management. (Bottom right) Keith T. Poole, J.P. Morgan Asset Management.

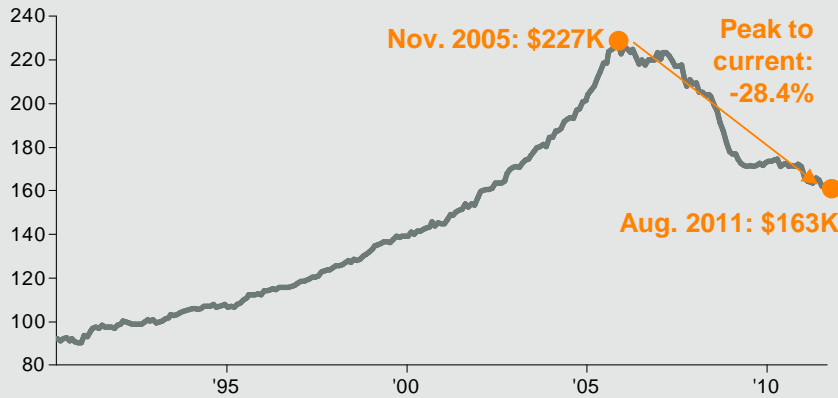
*In roll call votes where the majority in one party voted the opposite way to the majority in the other. Data compiled by Professors Keith T. Poole and Howard Rosenthal available at www.voteview.com.

Data are most recent as of 9/30/11.

The Aftermath of the Housing Bubble

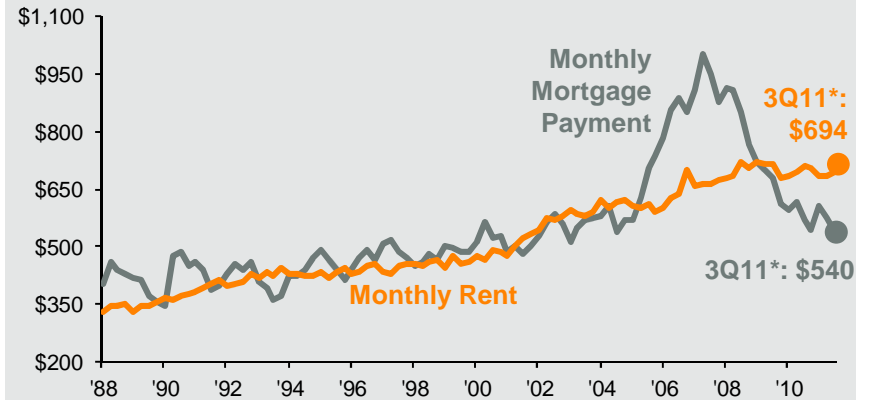
Median Existing Home Prices

\$ thousands, seasonally adjusted



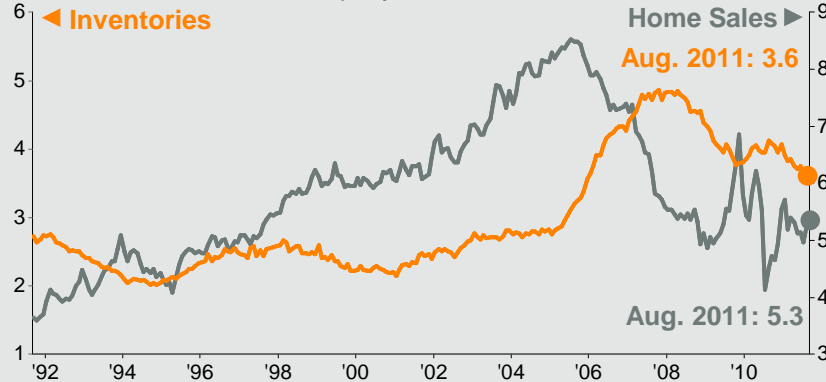
Monthly Rent vs. Monthly Mortgage Payment

Vacant properties



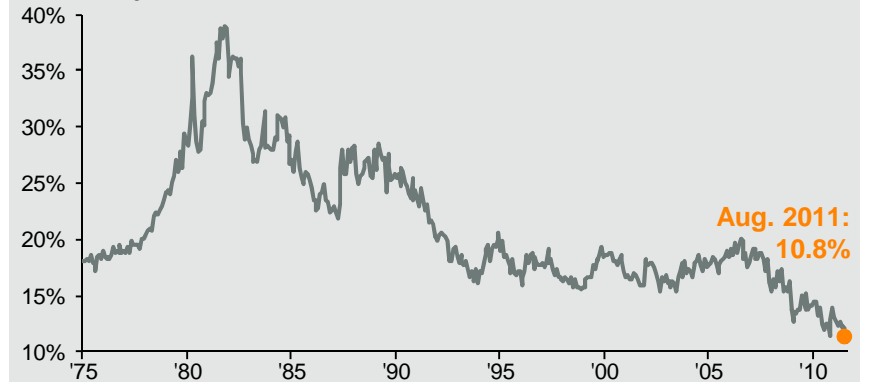
Home Sales and Inventories

Millions, annual rate, seasonally adjusted



Affordability: Mortgage Payment on Average New Home

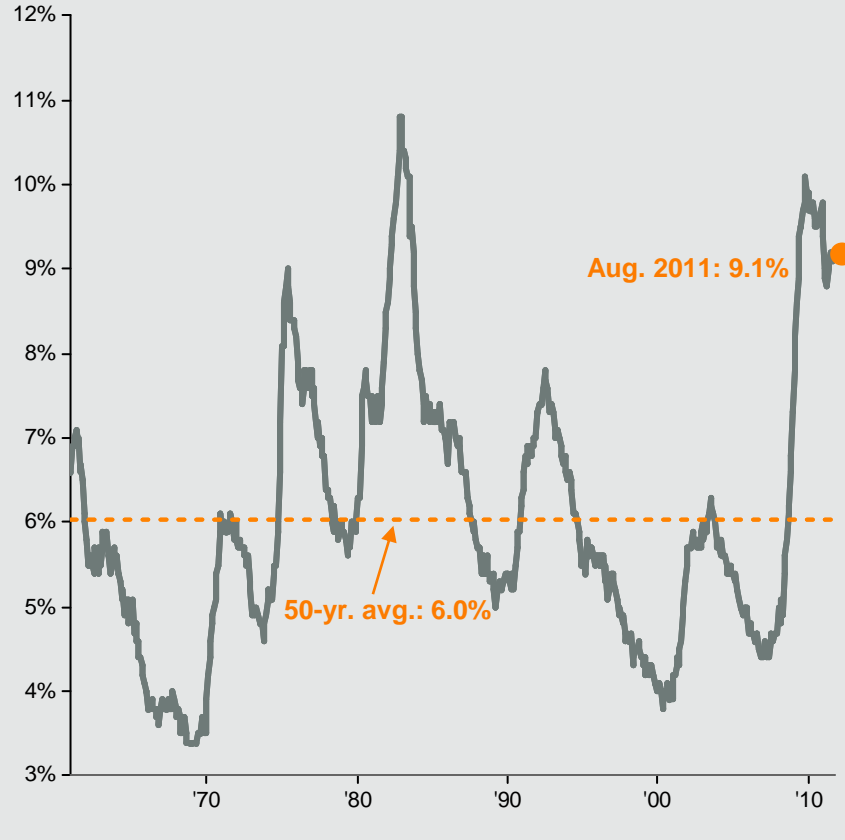
% of average household personal income



Sources: (Top left) National Association of Realtors, FactSet, J.P. Morgan Asset Management. (Top right) 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. *3Q11 estimates provided by J.P. Morgan Asset Management. (Bottom left) Census Bureau, National Association of Realtors, J.P. Morgan Asset Management. Home sales include both new and existing home sales. Existing home sales include single-family, townhouses, condominiums, and co-ops. Bottom right) Census Bureau, FRB, BEA, J.P. Morgan Asset Management. Calculation assumes a 20% down payment, a 30-year fixed-rate mortgage, excludes property tax and homeowners' insurance and is expressed as a % of pre-tax income. Data reflect most recently available as of 9/30/11.

Civilian Unemployment Rate

Seasonally adjusted

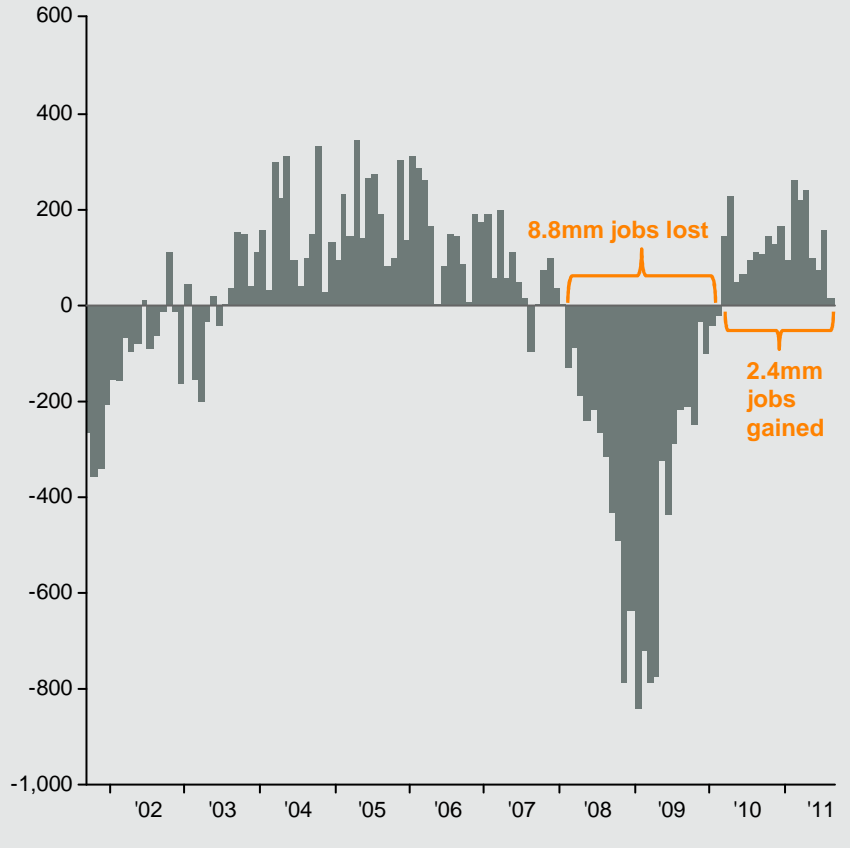


Source: BLS, FactSet, J.P. Morgan Asset Management.

Data reflect most recently available as of 9/30/11.

Employment – Total Private Payroll

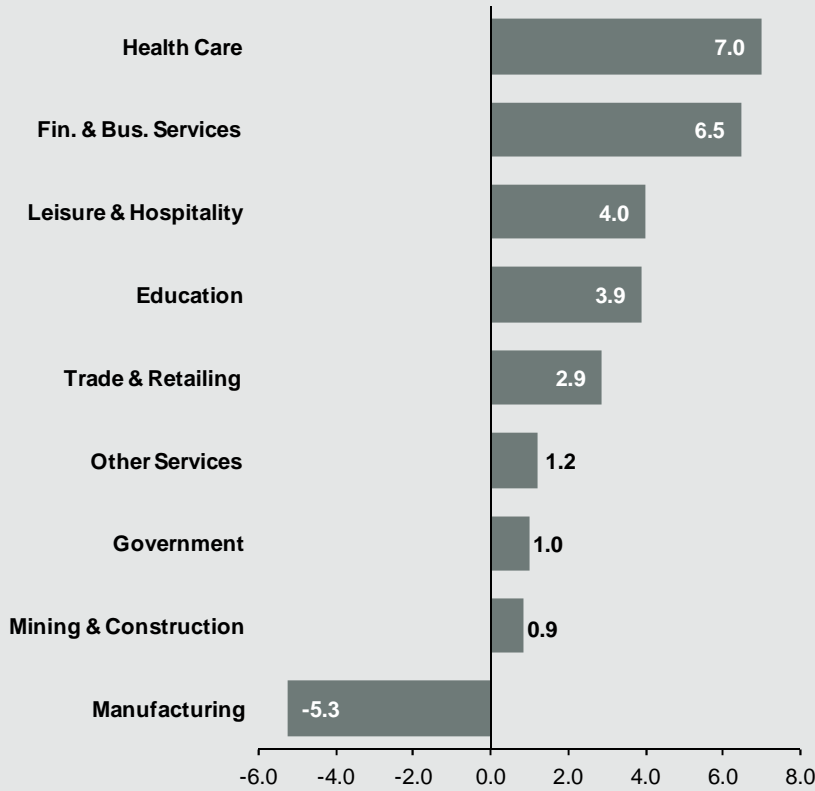
Total job gain/loss (thousands)



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

20 Years – Net Job Creation

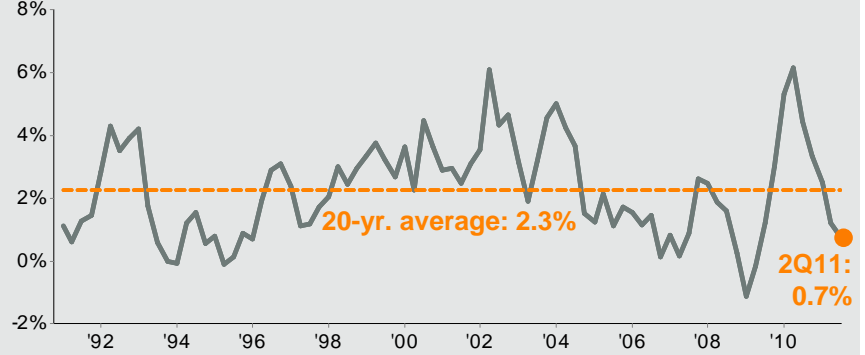
Net change in millions of payroll jobs, sa



Source: BLS, FactSet, J.P. Morgan Asset Management.
Data reflect most recently available as of 9/30/11.

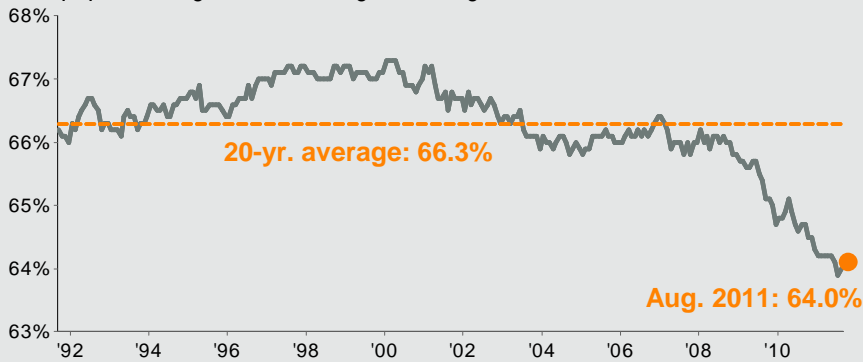
Labor Productivity: Output per Hour

Non-farm business productivity, % change year-over-year



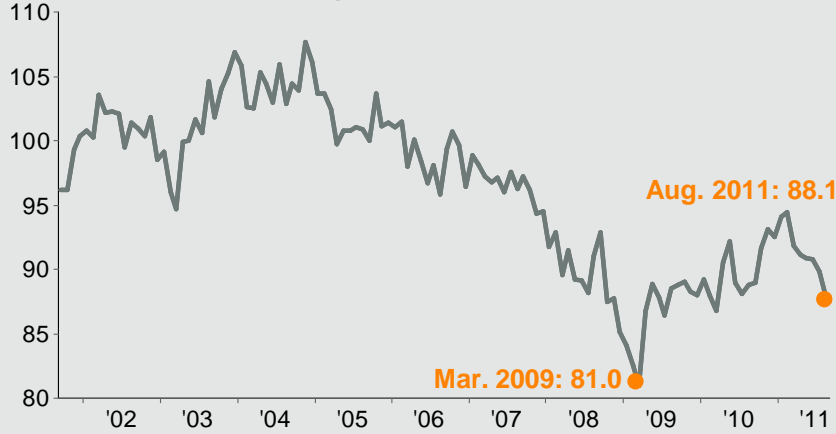
Labor Force Participation Rate

% of population aged 16+ working or looking for work

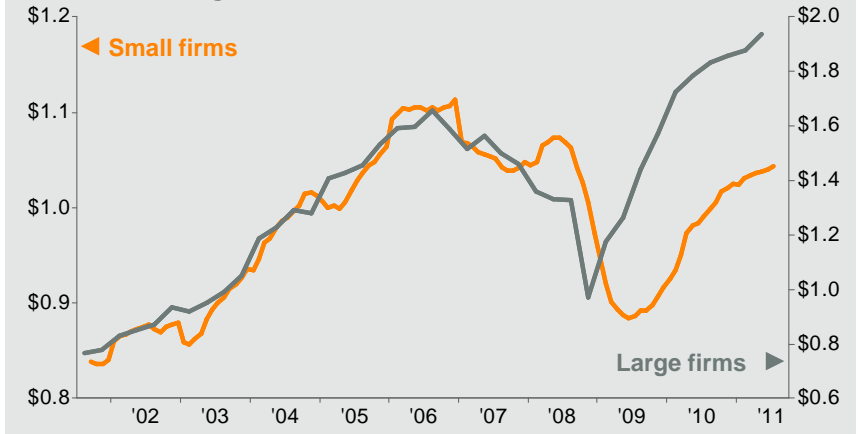


Source: BLS, FactSet, J.P. Morgan Asset Management.

NFIB Small Business Optimism Index

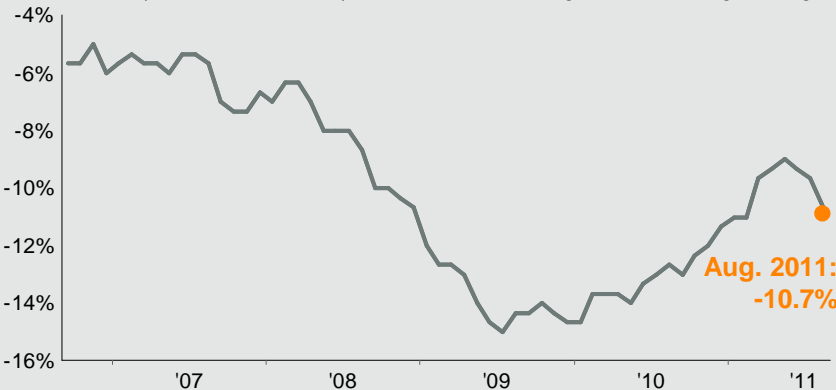


Small and Large Firm Profits - Billions \$



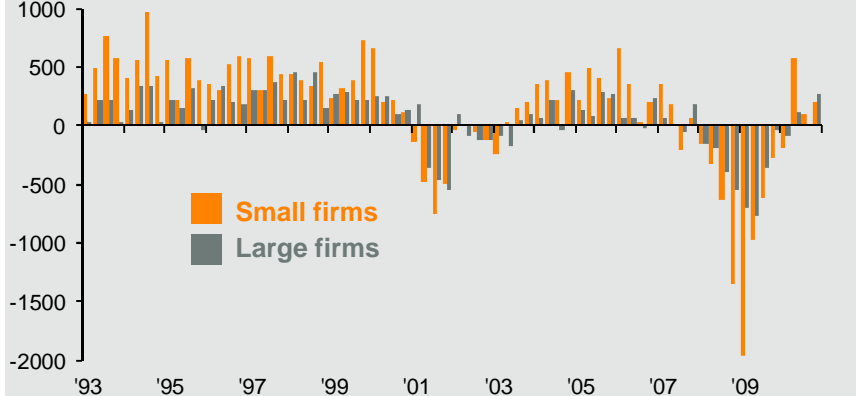
Small Business: Availability of Credit

Net percent ("easier" – "harder") compared to 3mo ago, 3mo moving average



Net Change in Employment – Thousands

Small firm defined as having less than 1000 employees



Source: (Top left) NFIB, FactSet, J.P. Morgan Asset Management. (Top right) BEA, FactSet, J.P. Morgan Asset Management. (Bottom left) NFIB, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management.

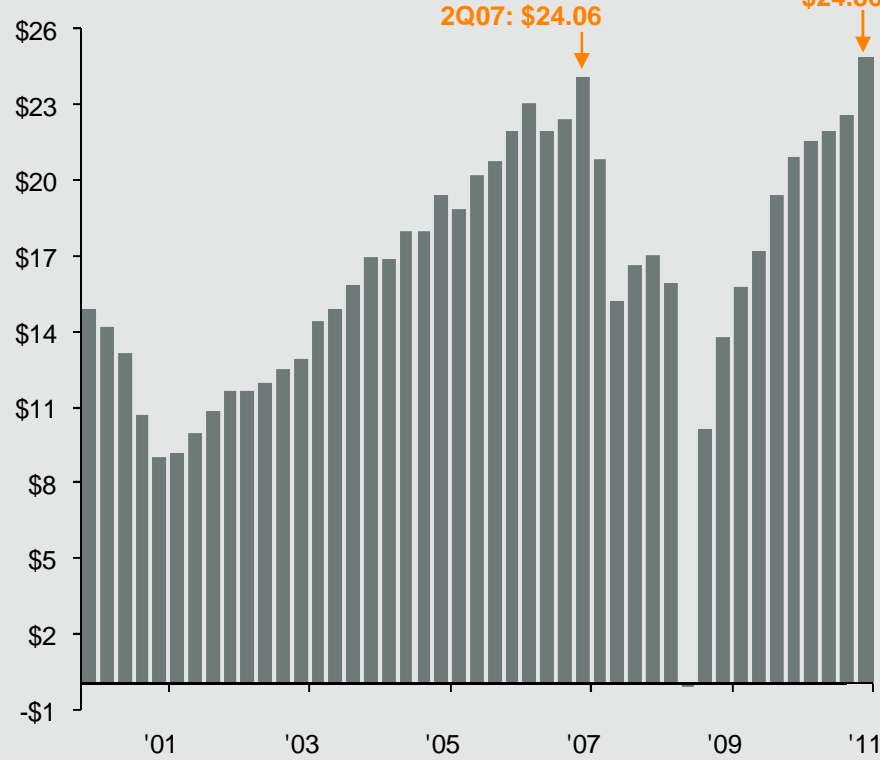
(Top right) Large firm profits defined as adjusted pre-tax corporate profits. Small firm profits defined as adjusted proprietors' income.

Employment data are from the BLS Business Employment Dynamics Survey, which is released quarterly, and as of March 2011.

Data reflect most recently available as of 9/30/11.

S&P 500 Earnings Per Share

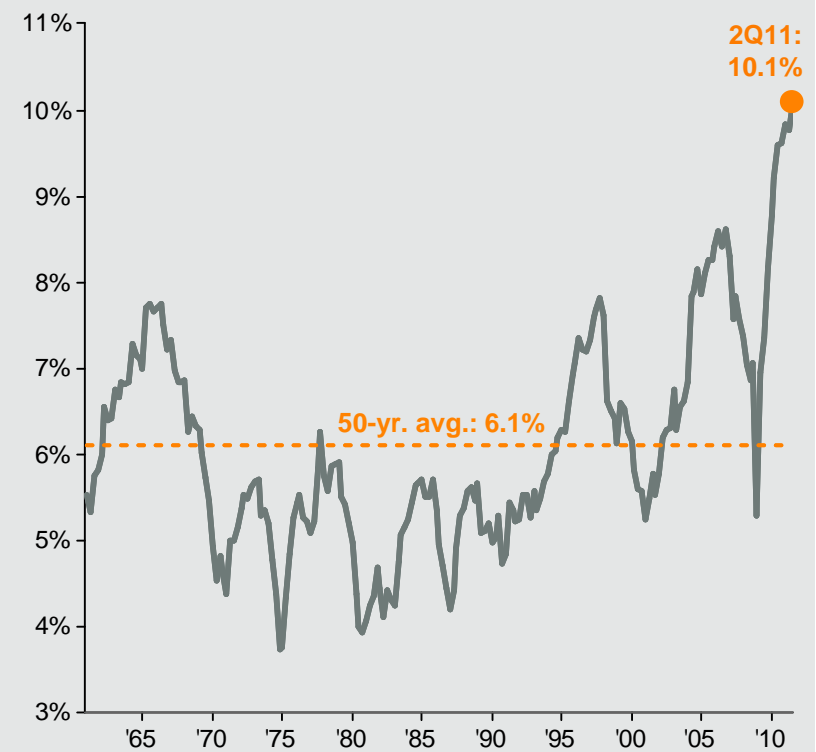
Operating basis, quarterly



Source: Standard & Poor's, J.P. Morgan Asset Management.
 EPS levels are based on operating earnings per share.
 Most recently available is a 2Q11 99% complete estimate.
 Data reflect most recently available as of 9/30/11.

Adjusted After-Tax Corporate Profits (% of GDP)

Includes inventory and capital consumption adjustments



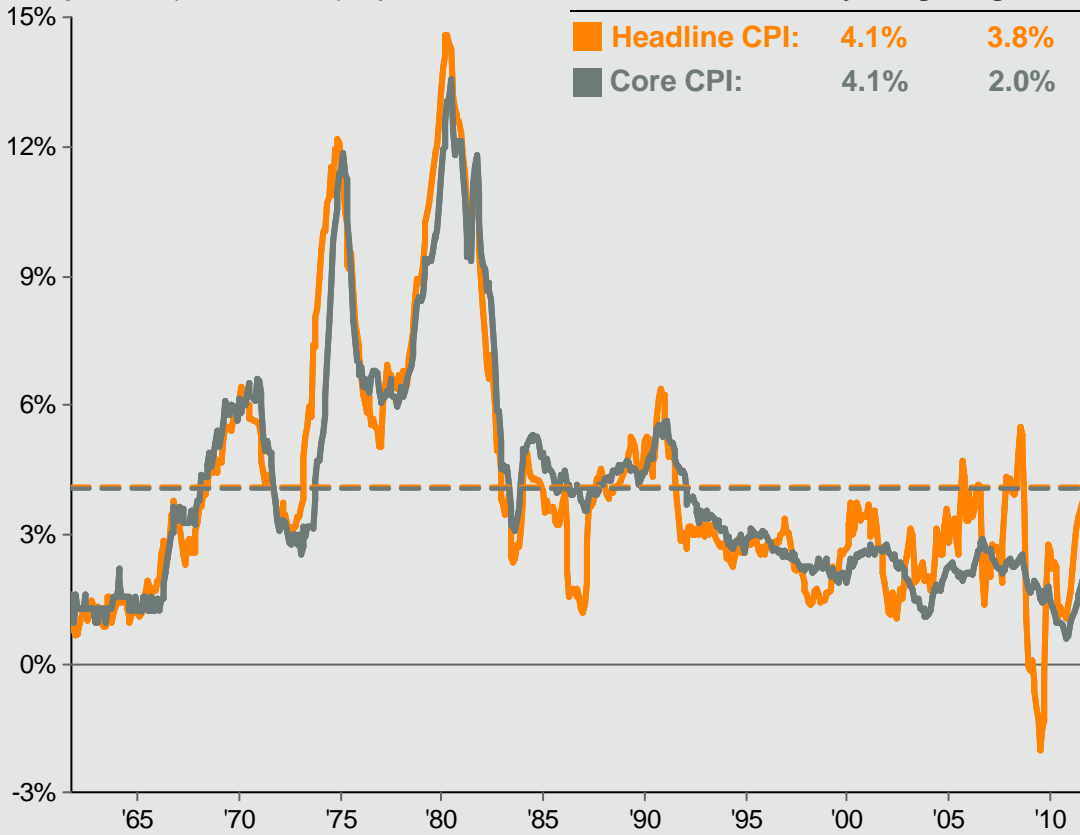
Source: BEA, FactSet, J.P. Morgan Asset Management.

Consumer Price Index

Economy

CPI and Core CPI

% chg vs. prior year, seasonally adjusted



CPI Components	Weight in CPI	12-month Change
Food & Bev.	14.8%	4.4%
Housing	41.5%	1.6%
Apparel	3.6%	4.2%
Transportation	17.3%	11.6%
Medical Care	6.6%	3.2%
Recreation	6.3%	0.1%
Educ. & Comm.	6.4%	1.1%
Other	3.5%	0.9%
Headline CPI	100.0%	3.8%
Less:		
Energy	9.1%	18.5%
Food	13.7%	4.6%
Core CPI	77.2%	2.0%

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

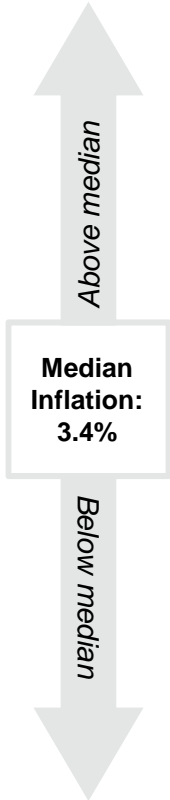
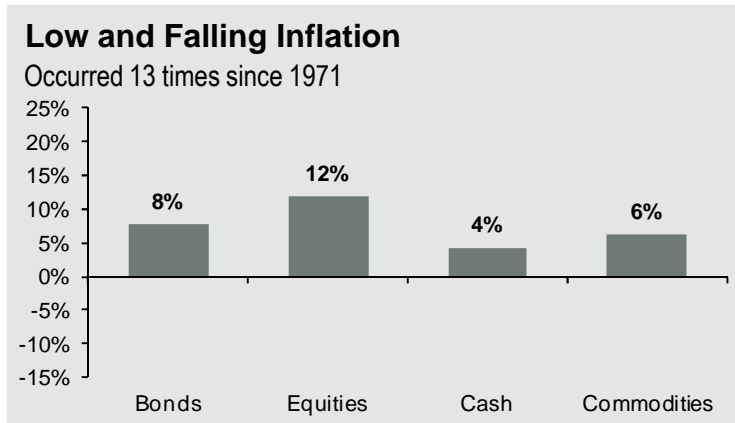
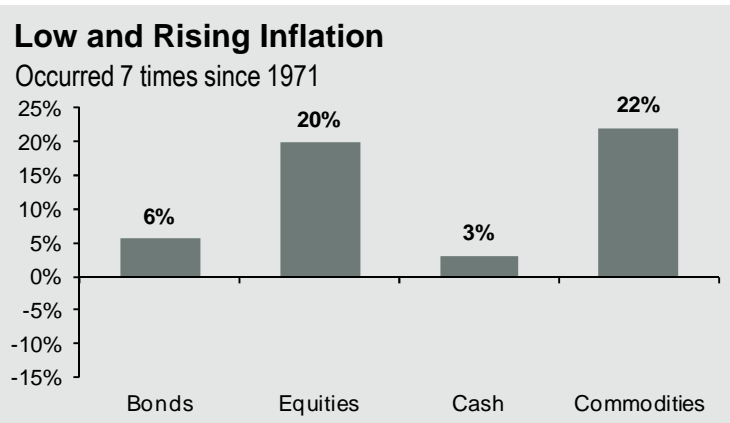
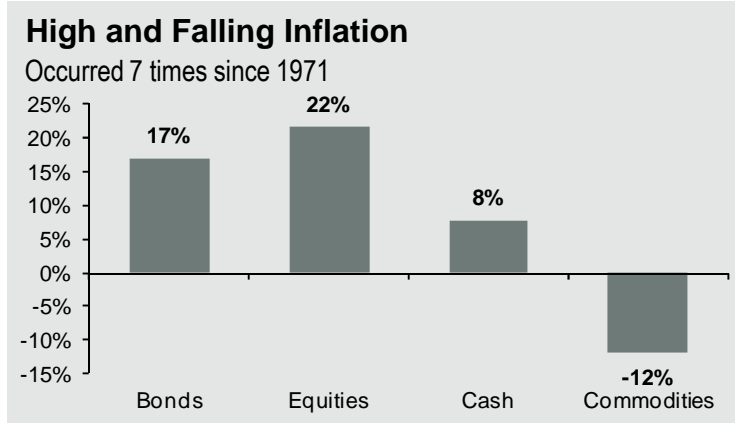
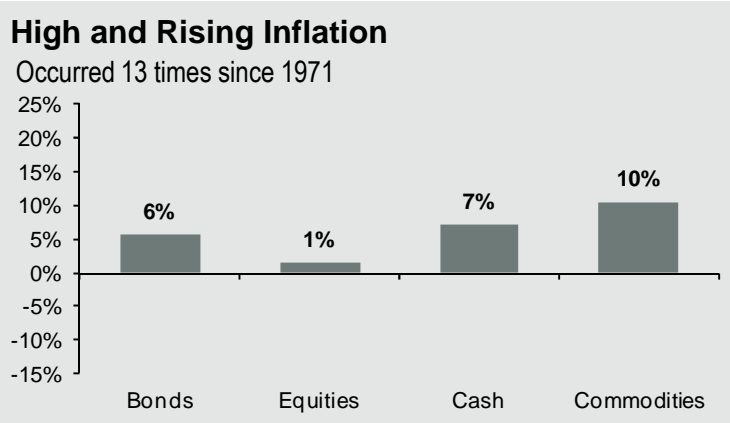
CPI values shown are % change vs. 1 year ago and reflect August 2011 CPI data. CPI component weights are as of December 2011 and 12-month change reflects data through August 2011. Core CPI is defined as CPI excluding food and energy prices.

Data reflect most recently available as of 9/30/11.

Returns in Different Inflation Environments - 40 years

← Rising inflation scenarios

Falling inflation scenarios →

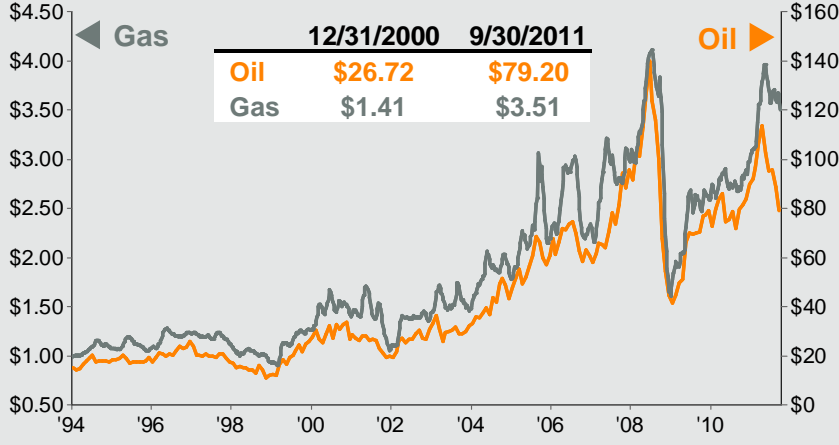


Source: BLS, Barclays Capital, Robert Shiller, Federal Reserve, Strategas/Ibbotson, Standard and Poor's, FactSet, J.P. Morgan Asset Management. High or low inflation distinction is relative to median CPI-U inflation for the period 1971 to 2010. Rising or falling inflation distinction is relative to previous 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. 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 GSCI.

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

Data reflect most recently available as of 9/30/11.

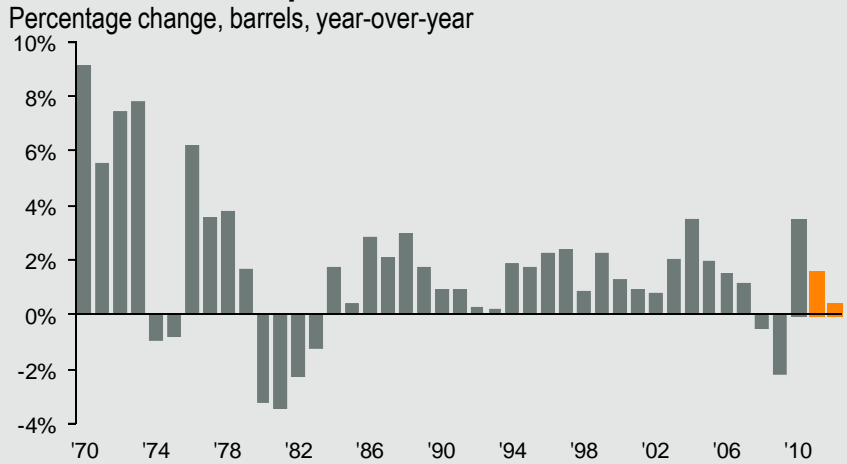
WTI Crude Oil & Retail Gasoline Prices



Economic Drag From Oil Prices



World Oil Consumption

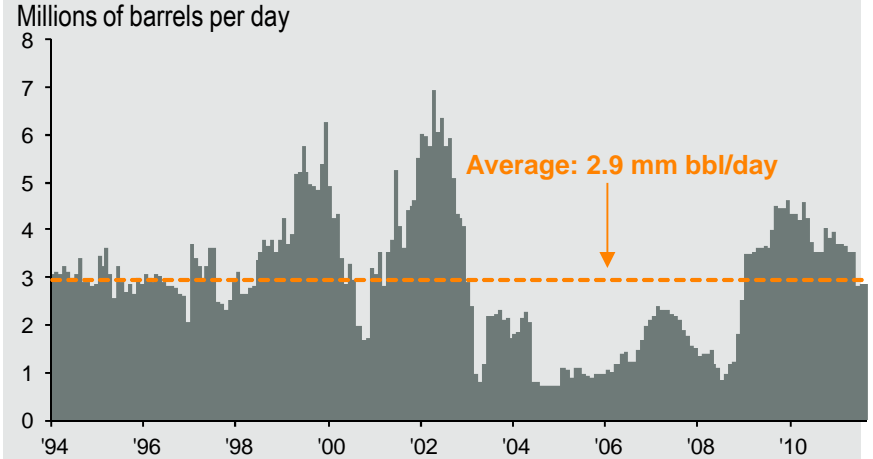


Source: U.S. Department of Energy, FactSet, J.P. Morgan Asset Management.

2011 and 2012 world oil consumption based on estimates from U.S. Department of Energy.

Data reflect most recently available as of 9/30/11.

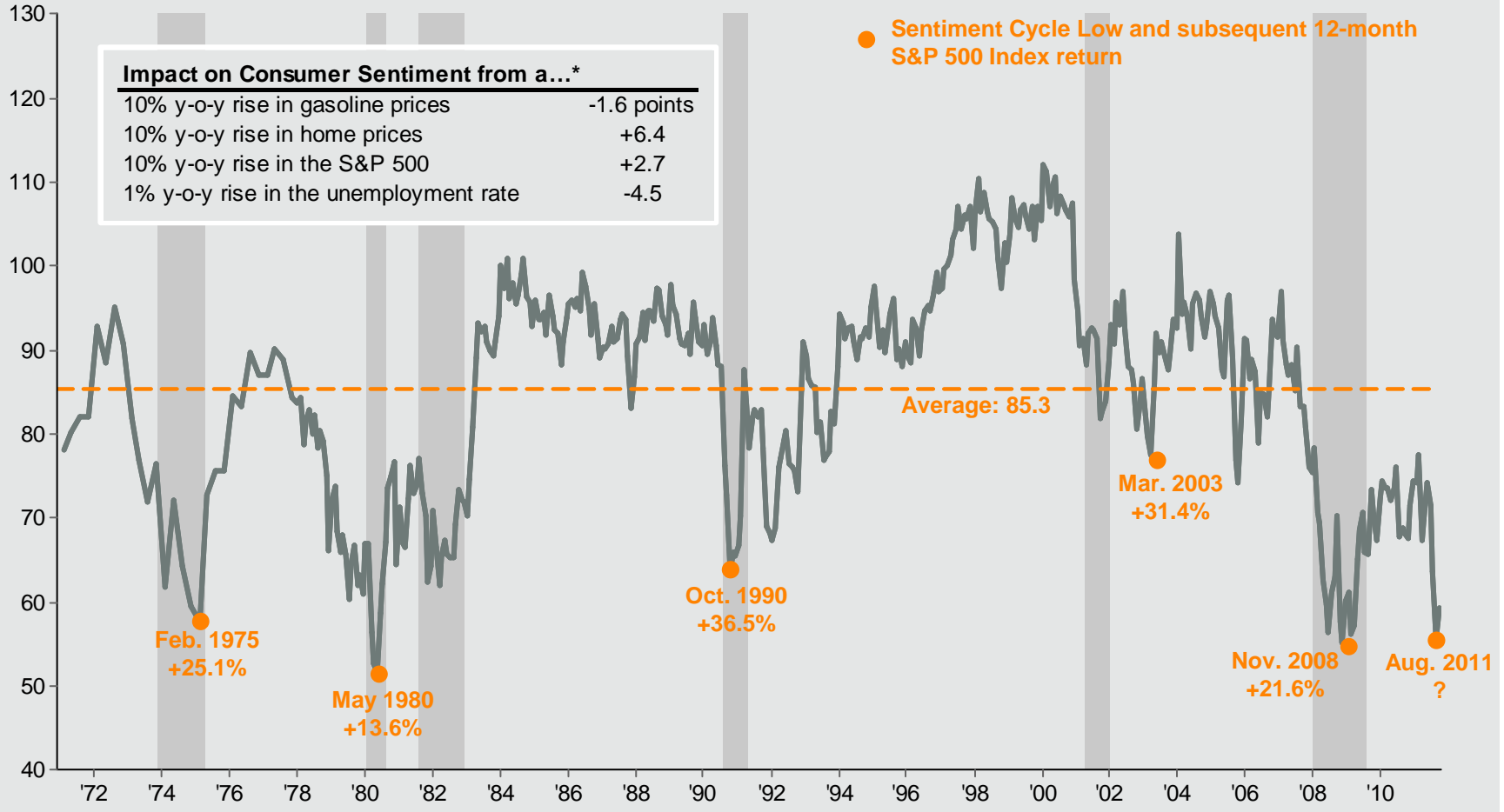
OPEC Spare Capacity – Crude Oil



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

*3Q drag from oil prices is a J.P. Morgan Asset Management estimate.

Consumer Sentiment Index – University of Michigan



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

*Based on regression analysis of monthly data from Jan. 1998 to Feb. 2011.

Data reflect most recently available as of 9/30/11.

Fixed Income Sector Returns

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 YTD	3Q11	10-yrs '01 - '10
Corp.	10.3%	TIPS 16.7%	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 10.6%	Treas. 6.5%	EMD 171.1%
Barclays Agg	8.4%	EMD 12.2%	EMD 26.9%	High Yield 11.1%	Asset Alloc. 5.6%	EMD 10.0%	Treas. 9.0%	MBS 8.3%	EMD 34.2%	EMD 12.8%	Treas. 8.8%	TIPS 4.5%	High Yield 134.2%
MBS	8.2%	Treas. 11.8%	TIPS 10.6%	TIPS 6.3%	Muni 3.5%	MBS 5.2%	Barclays Agg 7.0%	Barclays Agg 5.2%	Corp. 18.7%	Corp. 9.0%	Muni 8.4%	Barclays Agg 3.8%	TIPS 97.2%
TIPS	7.9%	Barclays Agg 10.3%	Asset Alloc. 10.0%	Asset Alloc. 6.0%	TIPS 2.8%	Asset Alloc. 5.1%	MBS 6.9%	Asset Alloc. -1.4%	Asset Alloc. 15.8%	Asset Alloc. 7.6%	Barclays Agg 6.7%	Muni 3.8%	Asset Alloc. 92.2%
Asset Alloc.	6.8%	Corp. 10.1%	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%	Asset Alloc. 6.3%	Corp. 2.9%	Corp. 89.0%
Treas.	6.7%	Asset Alloc. 10.0%	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%	Corp. 6.1%	Asset Alloc. 2.6%	MBS 77.2%
High Yield	5.3%	Muni 9.6%	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%	MBS 5.3%	MBS 2.4%	Barclays Agg 76.3%
Muni	5.1%	MBS 8.7%	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%	EMD 1.9%	EMD -2.9%	Treas. 69.4%
EMD	1.5%	High Yield -1.4%	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 -1.4%	High Yield -6.1%	Muni 60.3%

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

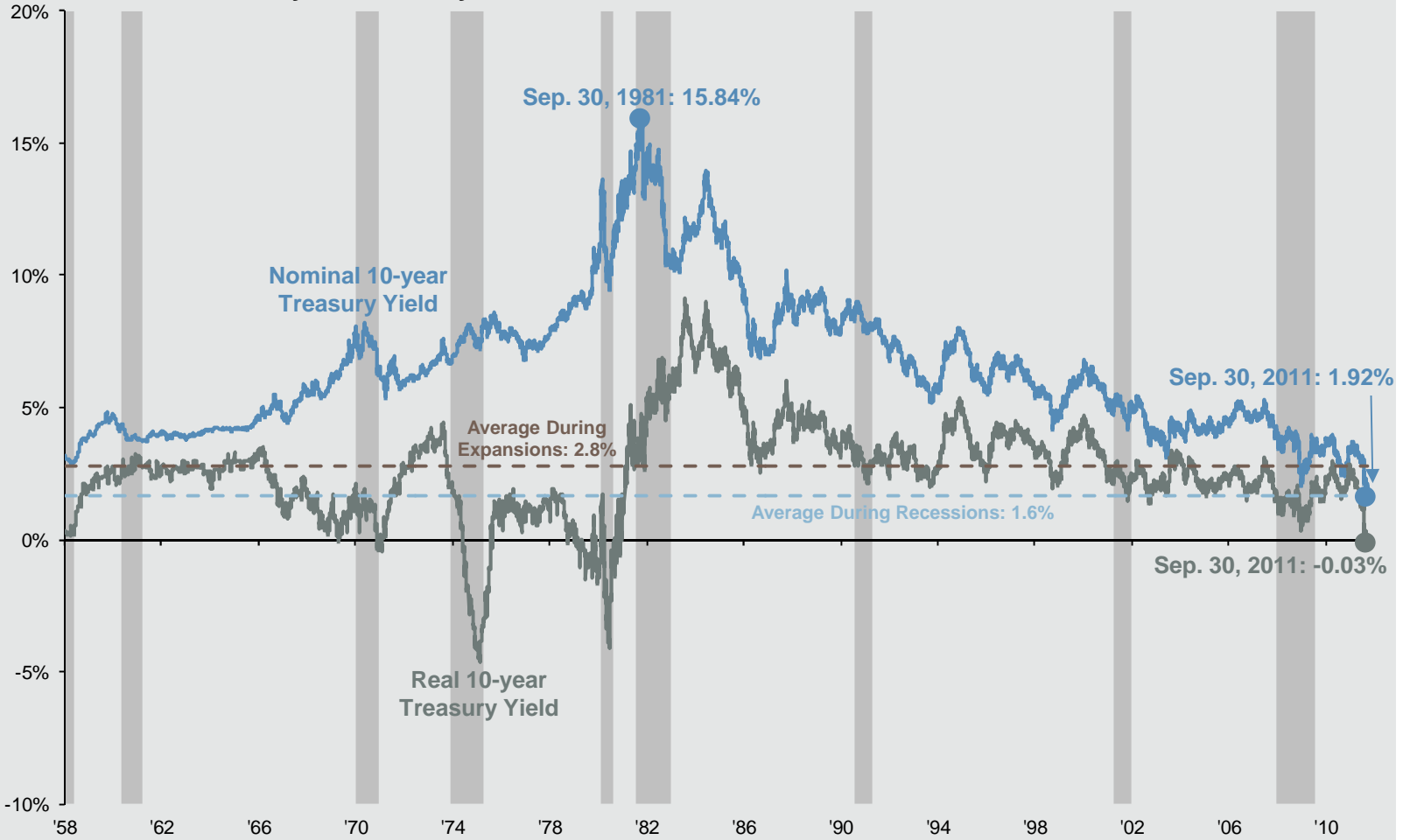
Past performance is not indicative of future returns. Fixed income sectors shown above are provided by Barclays Capital and are represented by: Barclays Capital U.S. Aggregate Index; MBS: Fixed Rate MBS Index; Corporate: U.S. Corporates; Municipals: Muni Bond Index; Emerging Debt: Emerging Markets Index; 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 9/30/11.

Nominal and Real 10-year Treasury Yields



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

Real 10-year Treasury yields are calculated as the daily Treasury yield less year-over-year core inflation for that month except for September 2011 where real yields are calculated by subtracting out August 2011 year-over-year core inflation.

Data are as of 9/30/11.

Fixed Income Yields and Returns

U.S. Treasuries	# of issues	Mkt. Value	Avg. Maturity	Yield		Return	
				12/31/2010	9/30/2011	YTD 2011	3Q11
2-Year	} # of issues: 149 Total value: \$4.343 tn		2 years	0.61%	0.25%	1.44%	0.51%
5-Year			5	2.01	0.96	8.01	4.57
10-Year			10	3.30	1.92	15.76	12.16
30-Year			30	4.34	2.90	33.01	31.07
Sector							
Broad Market	7,833	\$15,798 bn	7.2 years	2.97%	2.35%	6.65%	3.82%
MBS	1,043	5,120	5.1	3.67	2.82	5.30	2.36
Corporates	3,936	3,117	10.4	4.02	3.83	6.10	2.85
Municipals	45,625	1,258	13.5	3.80	3.02	8.40	3.81
Emerging Debt	453	601	11.1	5.76	6.59	1.94	-2.91
High Yield	1,868	888	6.8	7.51	9.51	-1.39	-6.06
TIPS	31	669	9.4	2.78	1.86	10.59	4.51

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: US 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.

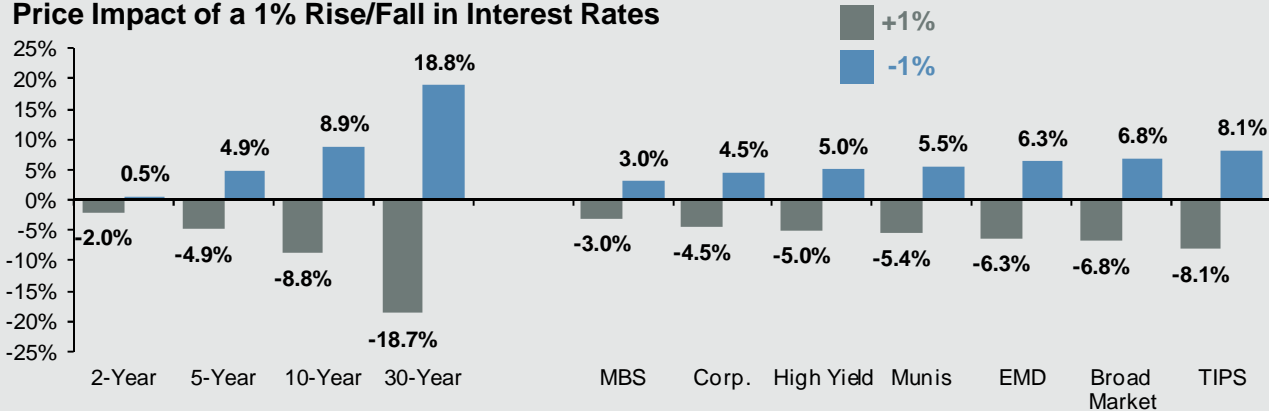
Change in bond price is calculated using both duration and convexity according to the following formula:

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

*Calculation assumes 2-Year Treasury interest rate falls 0.25% 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 9/30/11.

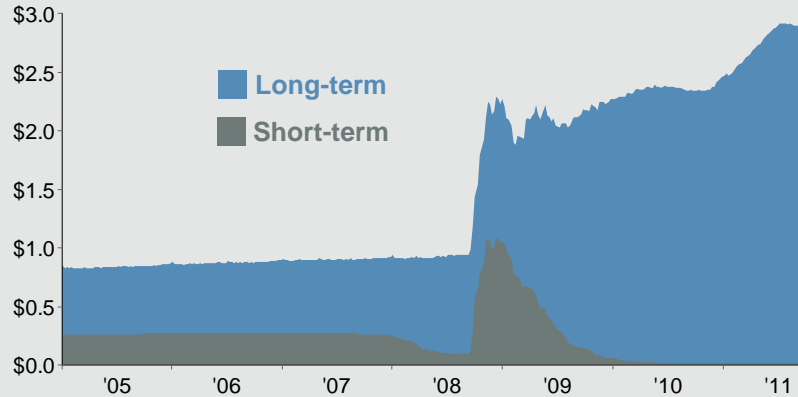
Price Impact of a 1% Rise/Fall in Interest Rates



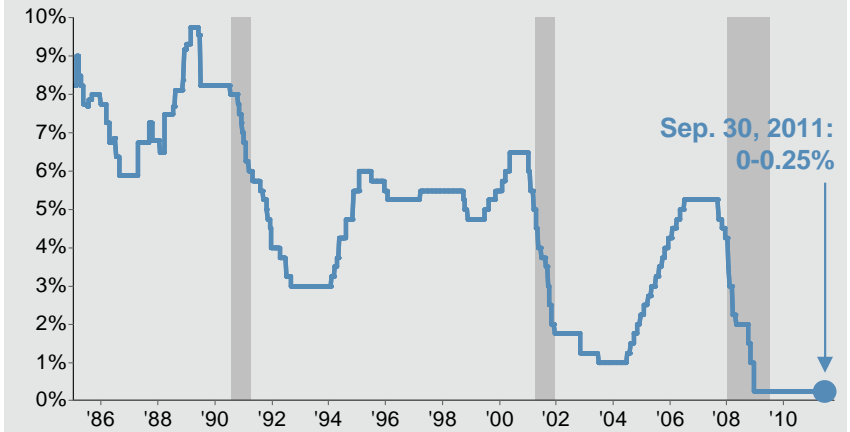
The Fed and the Money Supply

Federal Reserve Balance Sheet

U.S. Federal Reserve, total reserve bank credit, \$ trillions

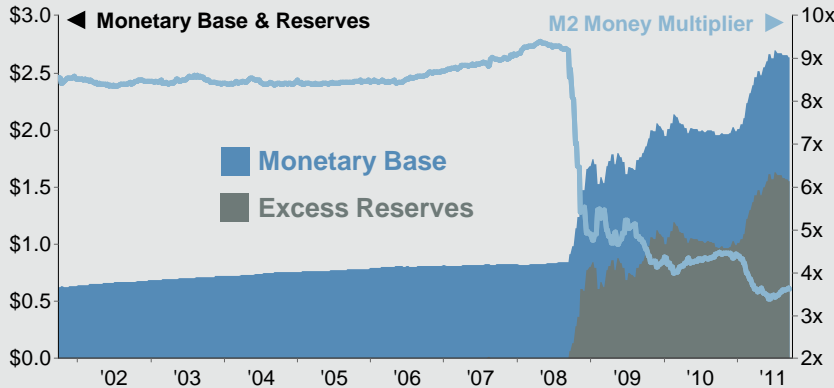


Federal Funds Rate



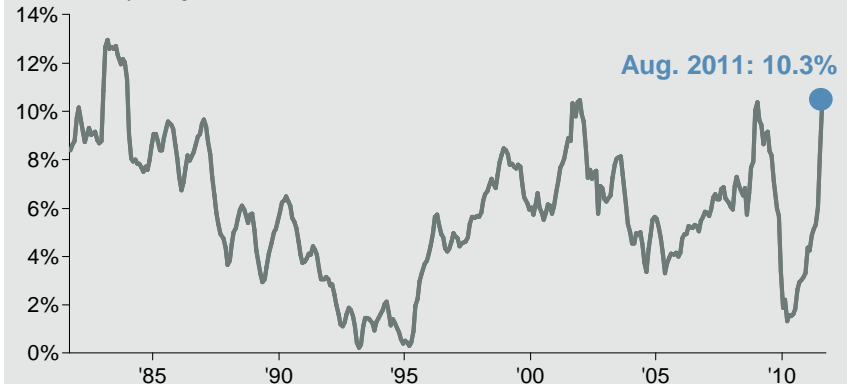
Excess Reserves, Monetary Base and Multiplier

\$ trillions



Money Supply Growth

Year-over-year growth in M2



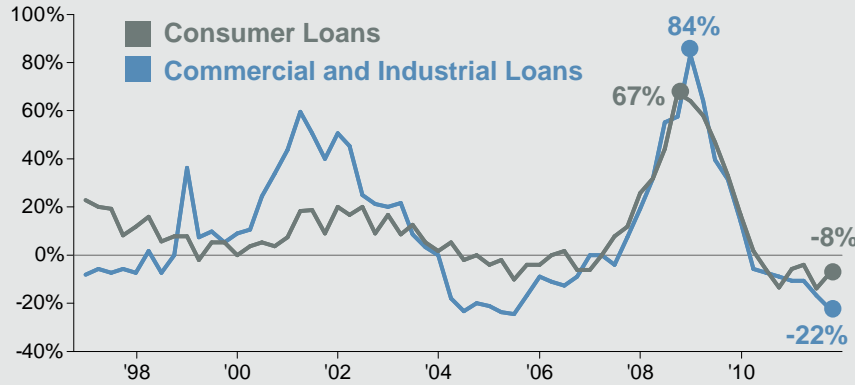
Source: Federal Reserve, FactSet, J.P. Morgan Asset Management.

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.

Data are as of 9/30/11.

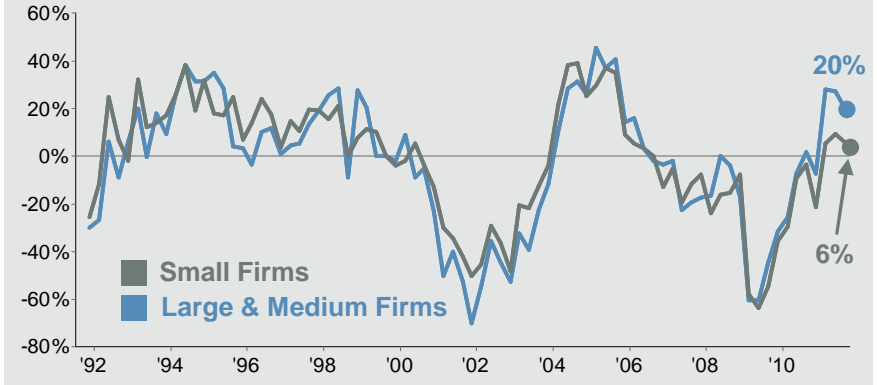
Lending Standards: Consumer Loans

Net percent of banks reporting tighter lending standards



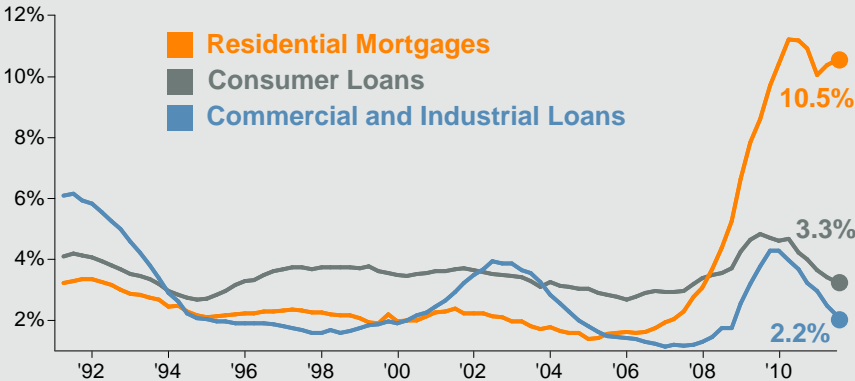
Consumer & Industrial Loan Demand

Net percent of banks reporting stronger demand



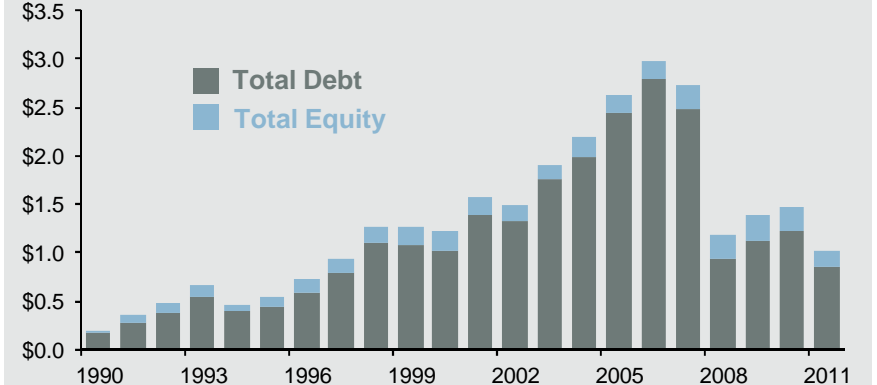
Delinquency Rates

All banks, seasonally adjusted



U.S. Corporate Issuance

\$ trillions



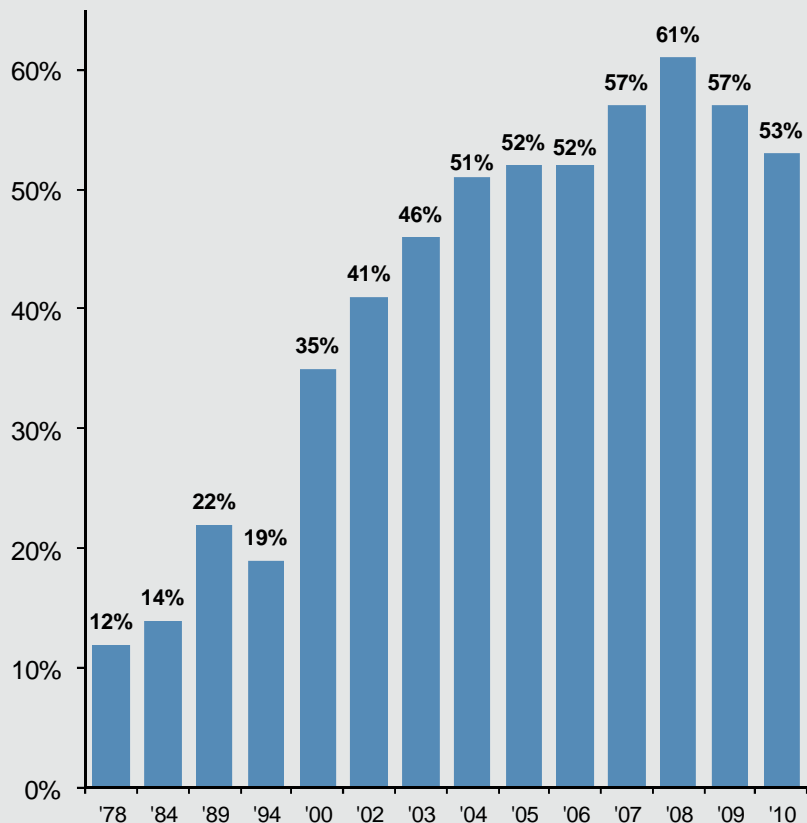
Source: (Top left) Federal Reserve, FactSet, J.P. Morgan Asset Management. (Top right) Federal Reserve, FactSet, J.P. Morgan Asset Management. (Bottom left): Federal Reserve, FactSet, J.P. Morgan Asset Management. (Bottom right) SIFMA, J.P. Morgan Asset Management.

All data reflect most recently available releases. 2Q11 and 3Q11 estimates of lending standards on consumer loans are J.P. Morgan Asset Management estimates. 2011 corporate issuance is through August 2011.

Data are as of 9/30/11.

Foreign Ownership of U.S. Treasuries

Percentage of U.S. Treasuries Owned by Foreigners

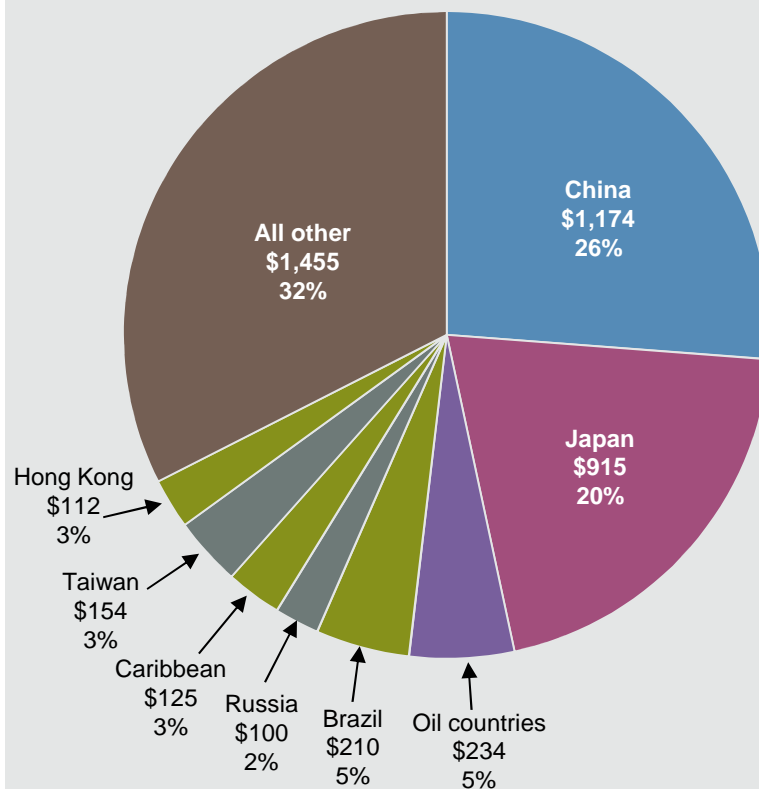


Source: J.P. Morgan Asset Management, U.S. Treasury Department TIC.

Data reflects most recently available information as of 9/30/11, published by the U.S. Treasury in April 2011 for the period ending 6/30/10. Based on long-term marketable securities less bills outstanding.

Foreign Holders of U.S. Treasuries

Billions USD



Source: J.P. Morgan Asset Management, U.S. Treasury Department TIC.

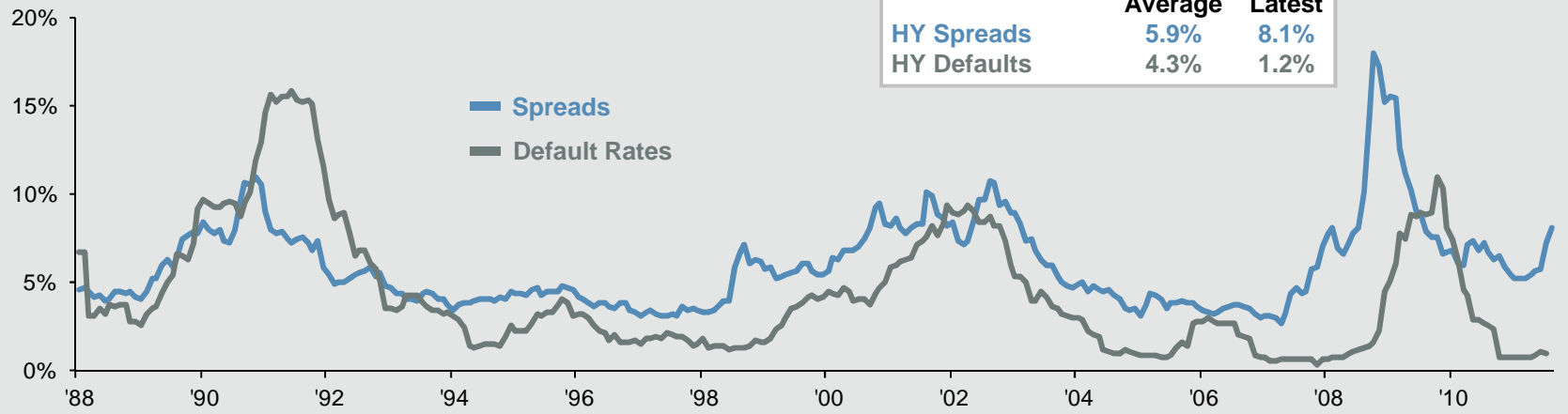
Caribbean Banking Centers include Bahamas, Bermuda, Cayman Islands, Netherlands Antilles and Panama. Oil countries include Ecuador, Venezuela, Indonesia, Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, the United Arab Emirates, Algeria, Gabon, Libya and Nigeria.

Data on this page are updated annually each June to reflect revisions by Treasury.

Data are as of July 2011.

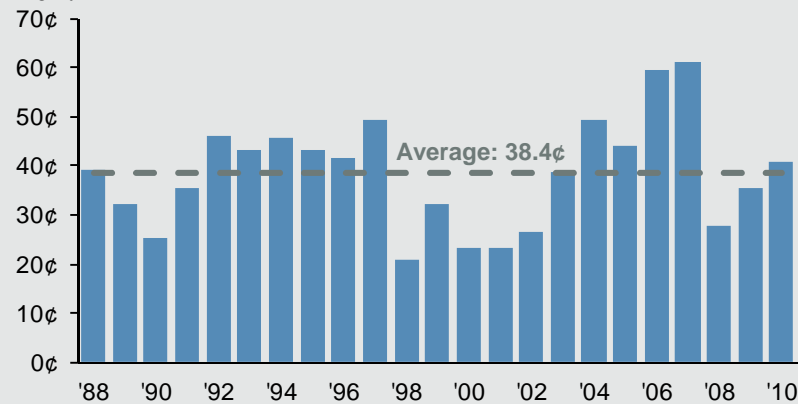
High Yield Bonds

High Yield Spreads and Defaults



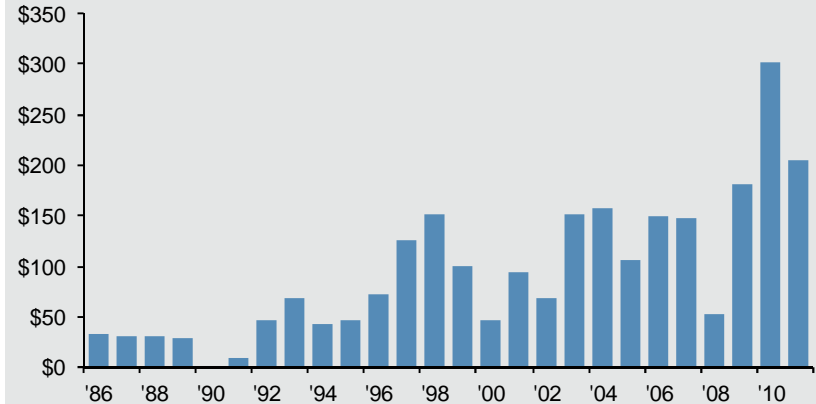
Historical High Yield Recovery Rates

High yield bonds, cents on the dollar



Annual High Yield Bond Issuance

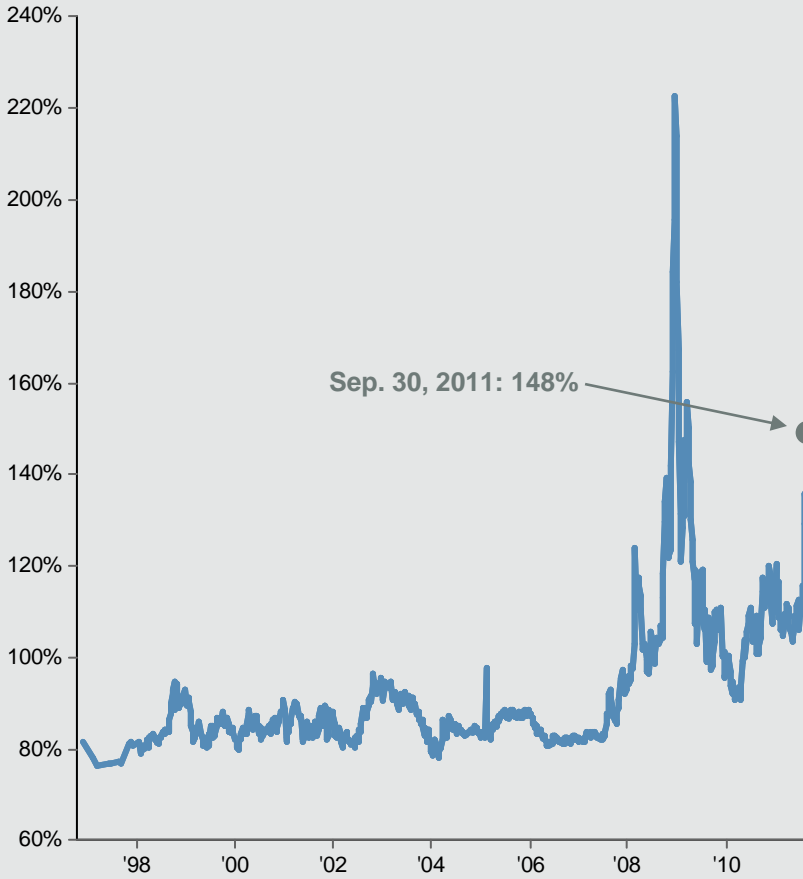
Billions USD



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, Moody's, J.P. Morgan Asset Management. (Bottom right): 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 yields less comparable maturity Treasury yields. Past performance is not indicative of comparable future results. 2011 issuance is as of August 2011. Data are as of 9/30/11.

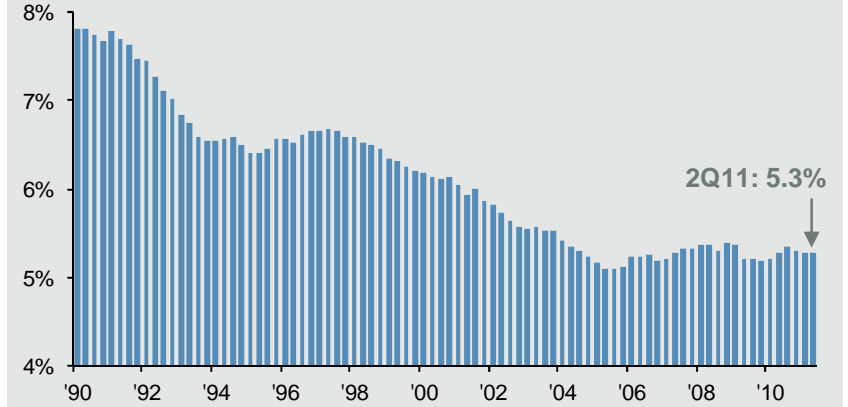
Muni/Treasury Ratio

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



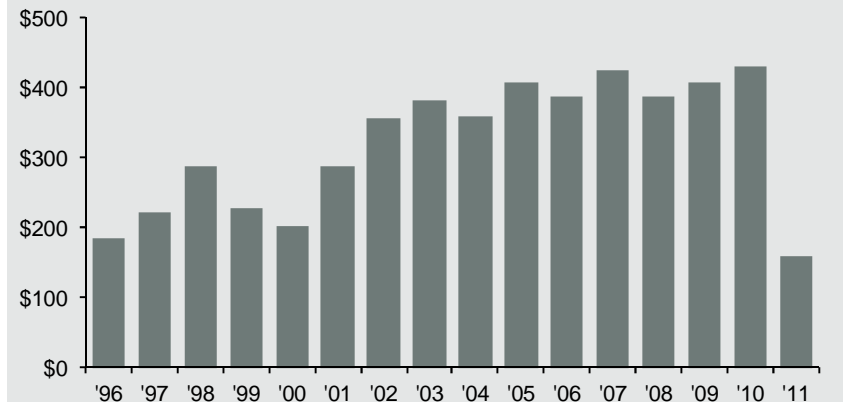
State & Local Government Debt Service

Percent of current expenditures



Municipal Bond Issuance*

Billions USD, revenue and GO issues



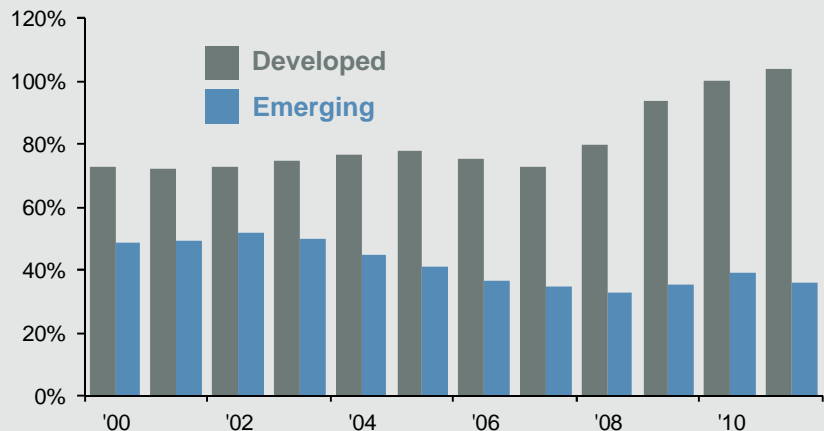
Source (Left chart): Barclays Capital, U.S. Treasury, FactSet, J.P. Morgan Asset Management. (Top right) BEA, J.P. Morgan Asset Management. (Bottom Right) SIFMA, J.P. Morgan Asset Management.

*Excludes maturities of 13 months or less and private placements. 2011 issuance data is as of August 2011.

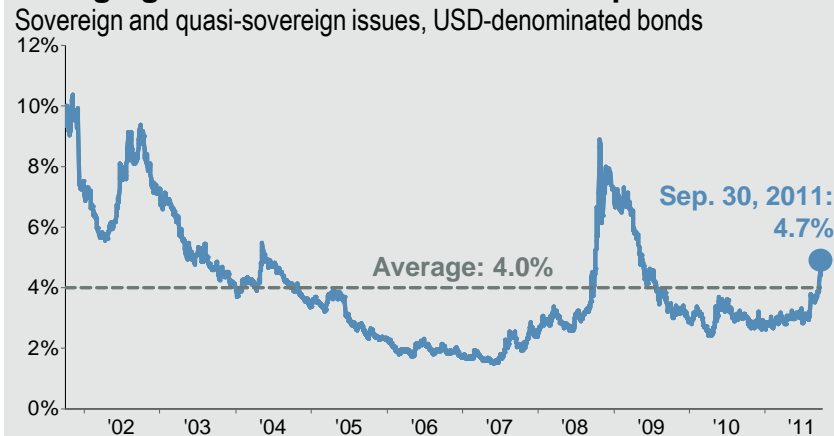
Data are as of 9/30/11.

Emerging Market Debt

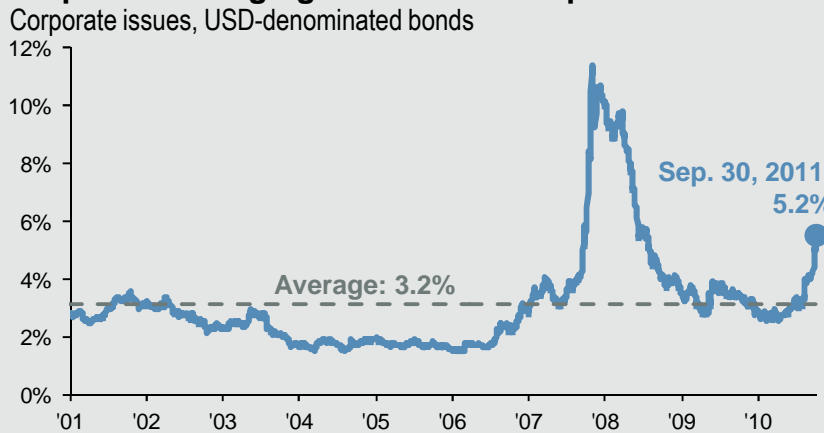
EM & DM Gross Debt to GDP



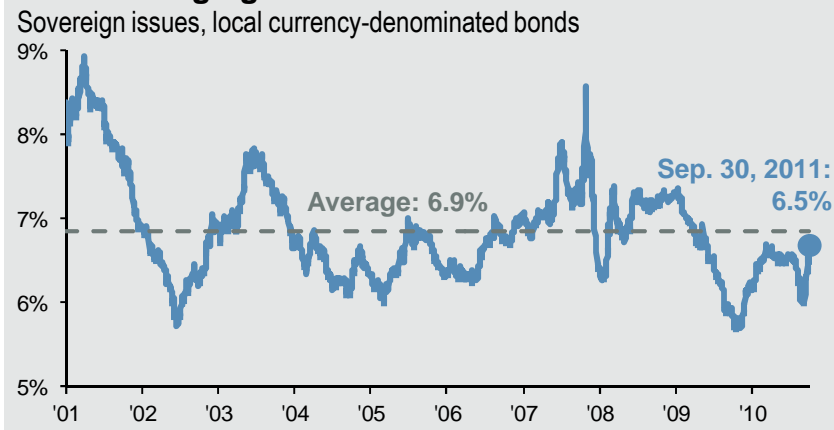
Emerging Markets Bond Index Global Spreads



Corporate Emerging Markets Bond Spreads



Local Emerging Market Bond Yields



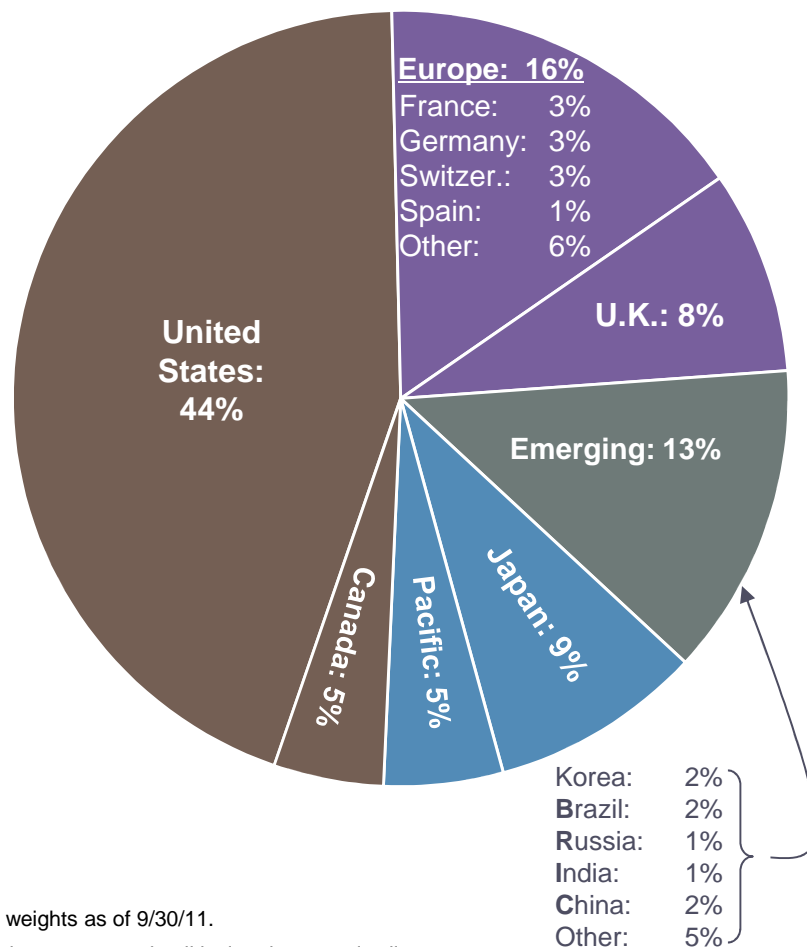
Source: J.P. Morgan, IMF, MorganMarkets, FactSet, J.P. Morgan Asset Management.

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. The J.P. Morgan GBI-EM index is a local currency-denominated index tracking bonds issued by emerging market governments. Debt to GDP ratios use IMF definition and data for developed and emerging countries. Past performance is not indicative of comparable future results. Data are as of 9/30/11.

International Returns: Local Currency vs. U.S. Dollars

Country / Region	3Q11		YTD	
	Local	USD	Local	USD
Regions / Broad Indexes				
USA (S&P 500)	-	-13.9	-	-8.7
EAFE	-15.7	-19.0	-15.2	-14.6
Europe ex-U.K.	-19.8	-26.0	-17.5	-17.4
Pacific ex-Japan	-13.9	-19.7	-14.7	-17.6
Emerging Markets	-14.9	-22.5	-16.5	-21.7
MSCI: Selected Countries				
United Kingdom	-12.8	-15.4	-10.2	-10.7
France	-24.1	-29.8	-18.3	-18.3
Germany	-25.4	-31.0	-20.6	-20.6
Japan	-10.6	-6.4	-15.2	-10.8
China	-25.2	-25.2	-24.3	-24.4
India	-12.3	-19.9	-19.7	-26.7
Brazil	-13.2	-26.9	-19.5	-28.0
Russia	-21.9	-31.0	-20.2	-24.0

Weights in MSCI All Country World Index



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

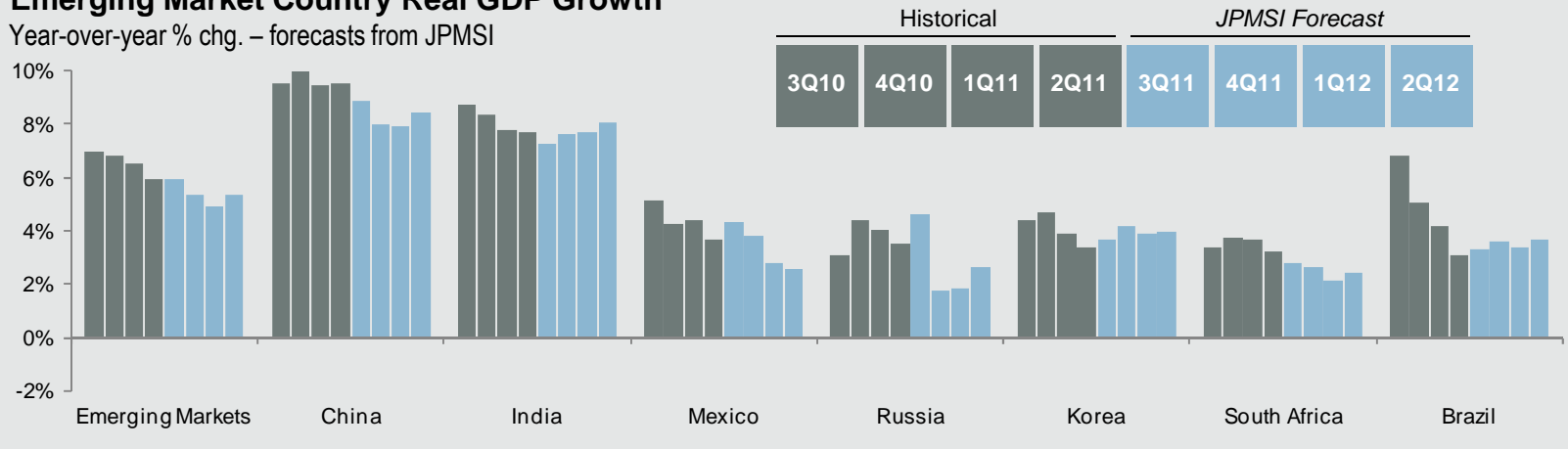
All return values are MSCI Gross Index (official) data. Returns are as of 9/30/11. MSCI ACWI weights as of 9/30/11.

International investing involves a greater degree of risk and volatility. Changes in currency exchange rate and political and economic climate can raise or lower returns. Past performance is not indicative of future results. Europe and Pacific regions exclude Emerging Markets, which are shown separately. Europe excludes the U.K. and Pacific excludes Japan.

Data are as of 9/30/11.

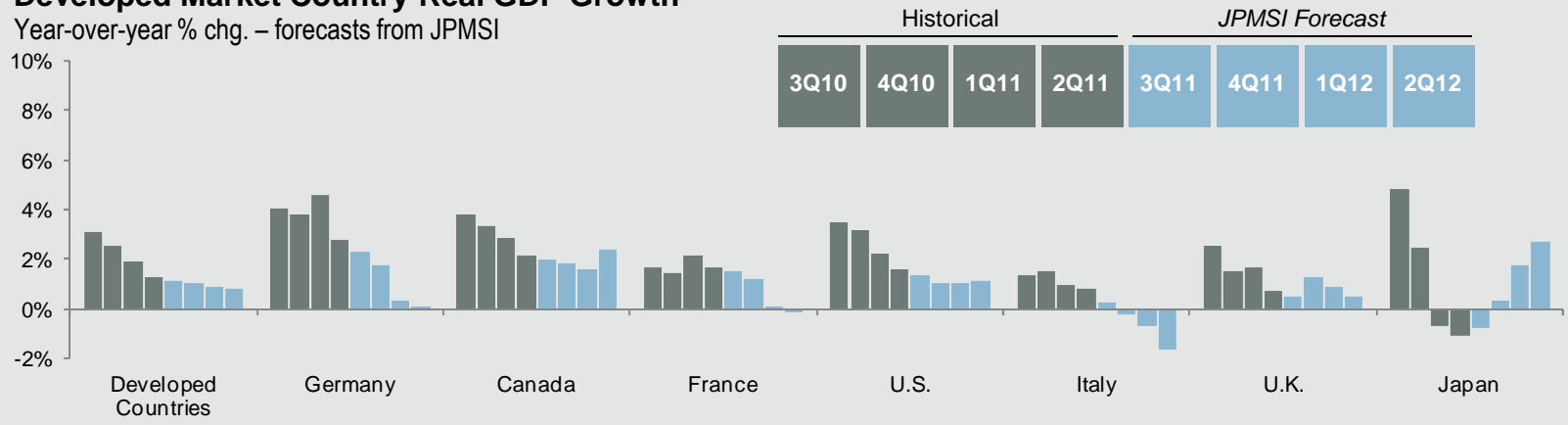
Emerging Market Country Real GDP Growth

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



Developed Market Country Real GDP Growth

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

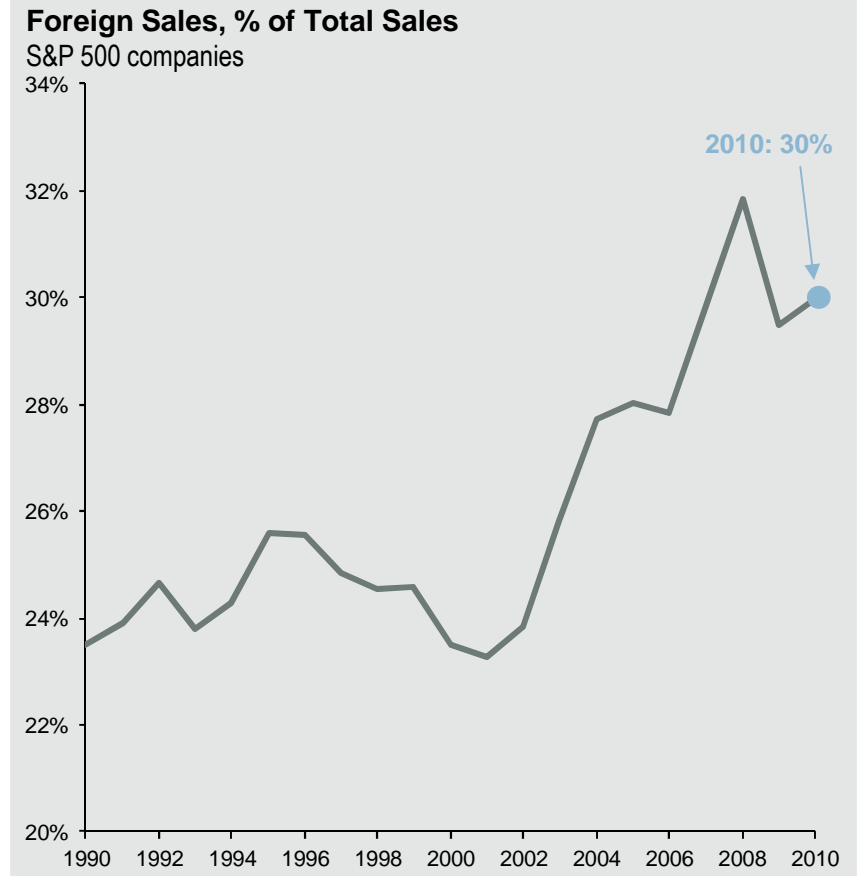
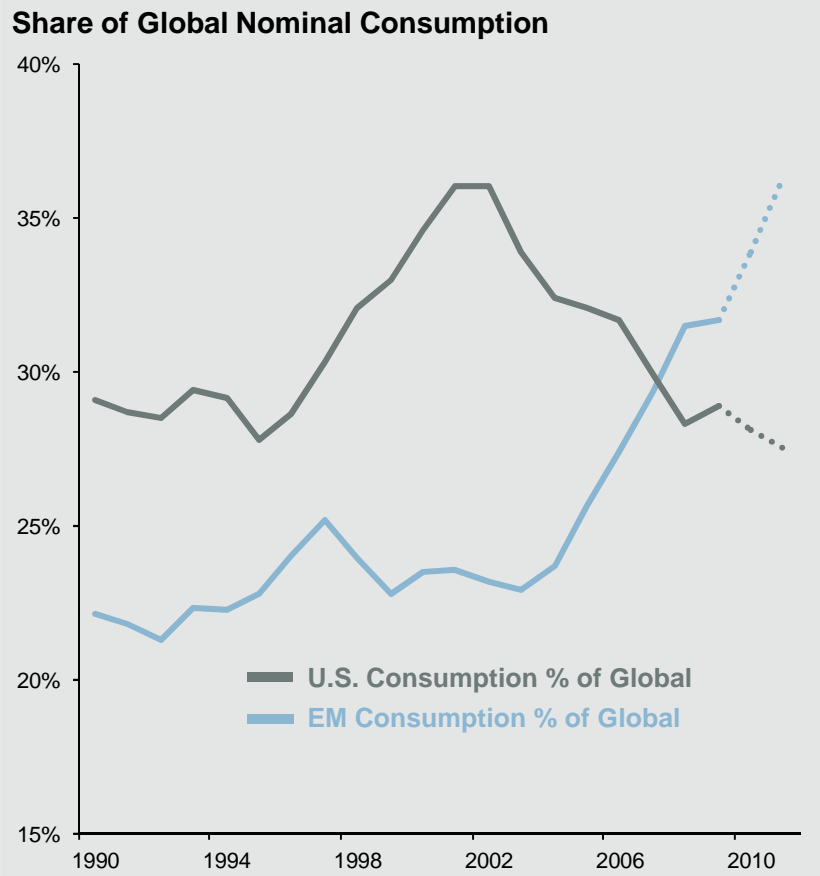


Source: J.P. Morgan Global Economic Research, J.P. Morgan Asset Management.

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

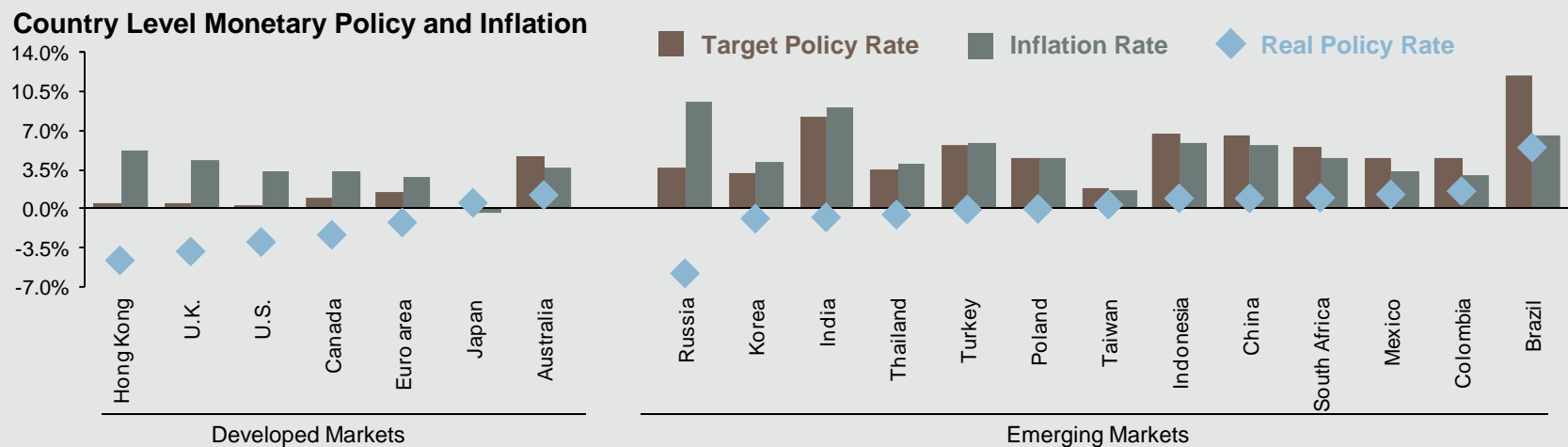
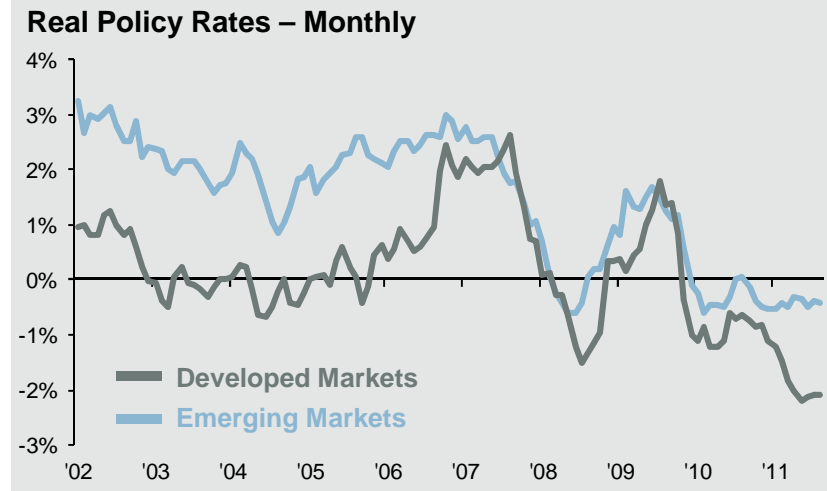
Data reflect most recently available as of 9/30/11.

The Impact of Global Consumers



Source: FactSet, Compustat, J.P. Morgan Global Economics Research, J.P. Morgan Asset Management.
 Estimates of global consumption for 2010 and 2011 provided by J.P. Morgan Global Economics Research.
 Foreign sales as a percentage of total sales is calculated as an unweighted average of individual S&P 500 companies' reported sales figures and does not capture all index members due to differences in reporting practices.
 Data are as of 9/30/11.

Global Monetary Policy



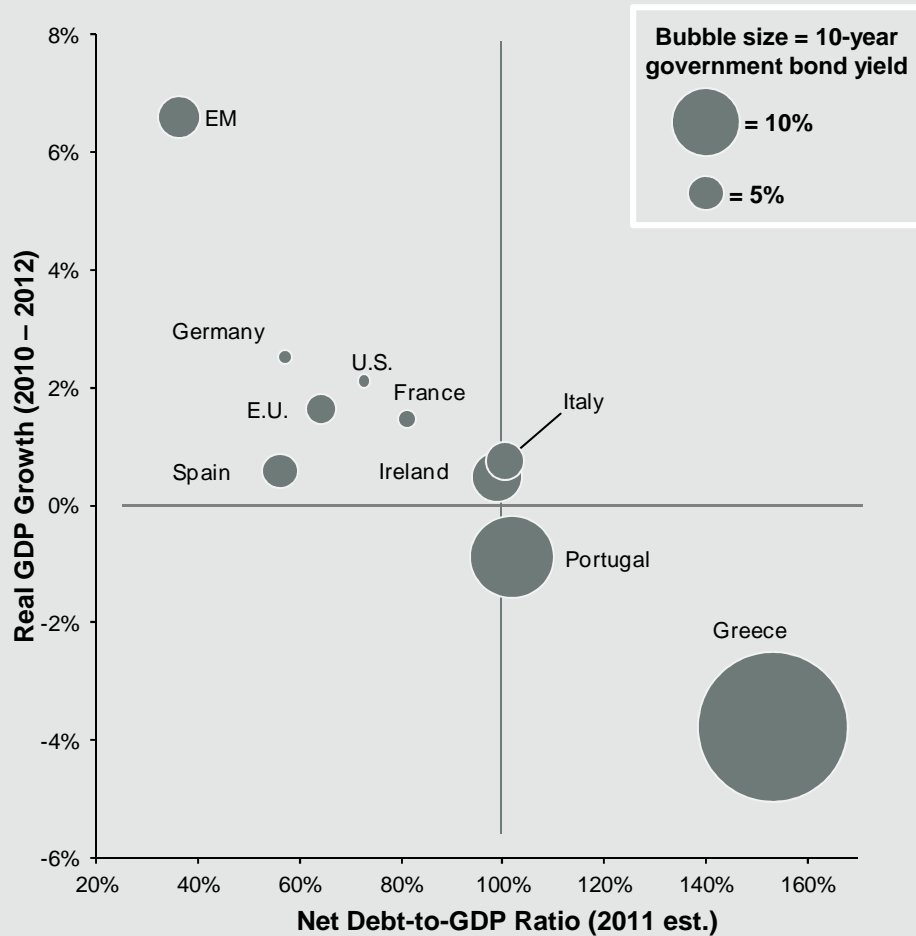
Source: J.P. Morgan Global Economics Research, J.P. Morgan Asset Management.

(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) Key policy rates are the short-term target interest rates set by central banks. Inflation rates shown represent year-over-year quarterly rates for 2Q11. Real policy rates are short-term target interest rates set by central banks minus year-over-year inflation.

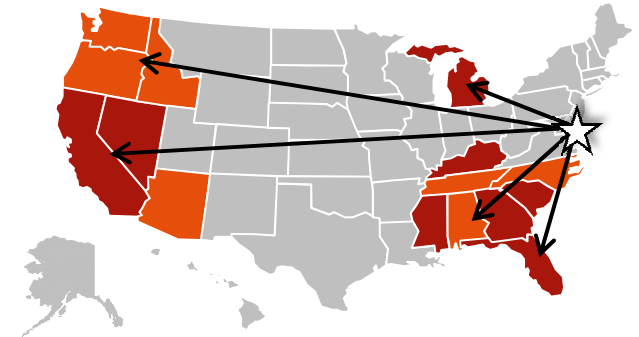
Data are as of 9/30/11.

European Crisis: Fiscal Challenges

GDP Growth, Debt to GDP and Borrowing Costs



Example of Fiscal Redistribution in U.S.



The E.U. Lacks a Similar Fiscal Mechanism



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

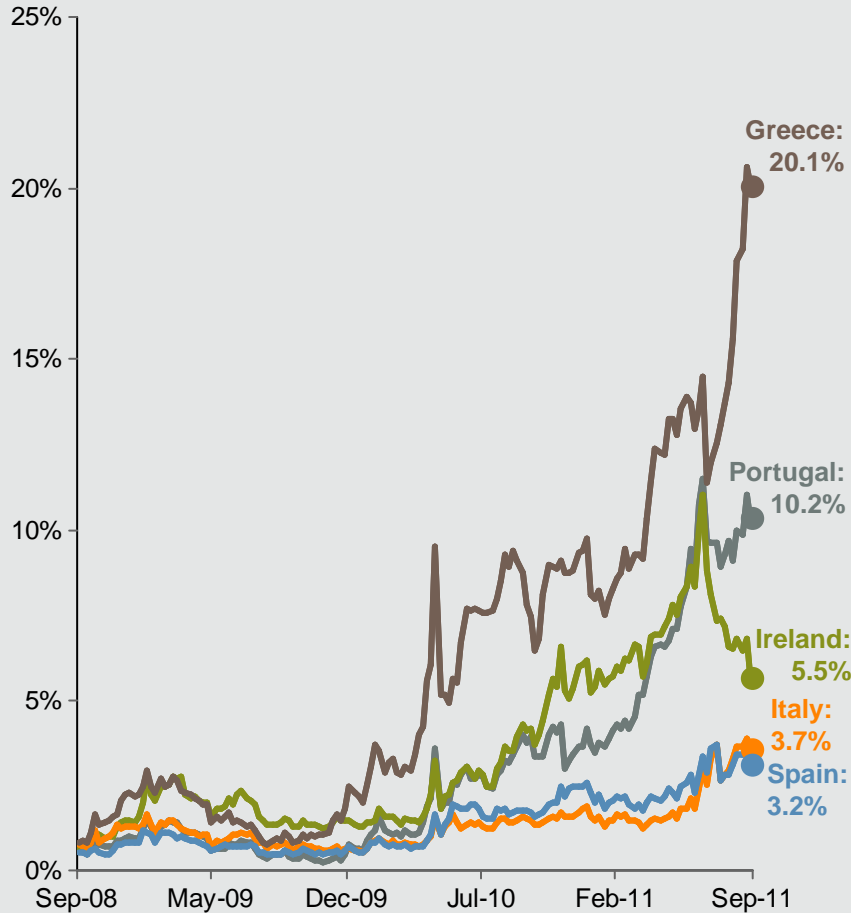
Maps are for illustrative purposes only and are intended to show the current sources of stress in each region. The U.S. state colors are based on level of unemployment rate. European country colors are based on levels of sovereign stress, including but not exclusively the measure shown in the above chart on the left.

Data are as of 9/30/11.

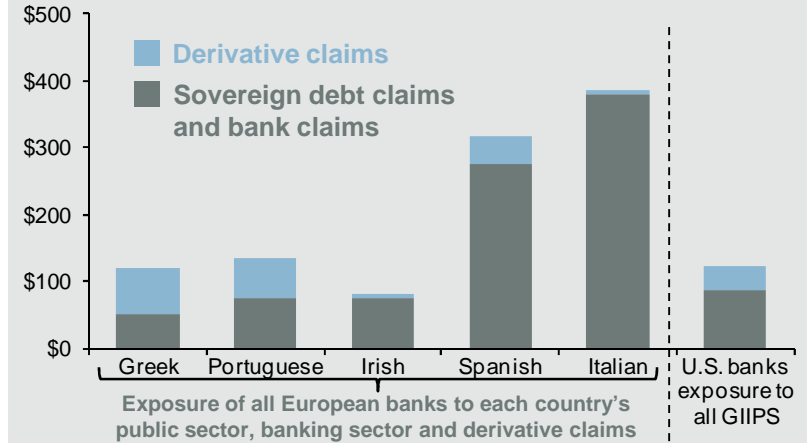
European Crisis: Financial System Risks

Peripheral Spreads to German Bunds

10-year benchmark bonds, % spread

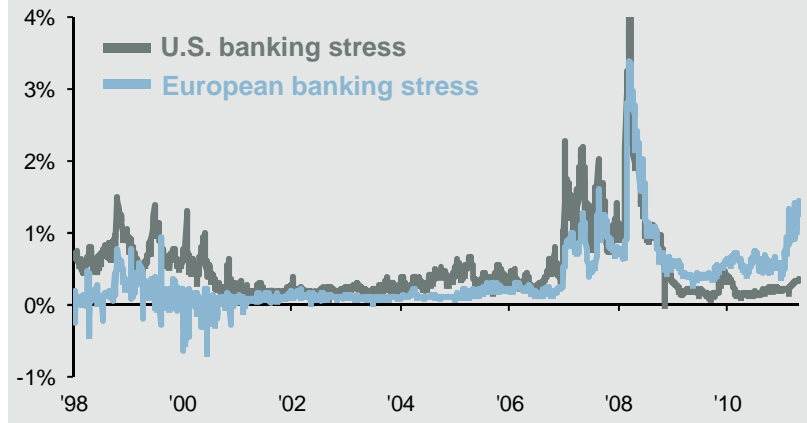


European Bank Exposure – \$ Billions



Interbank Short-term Lending Rates

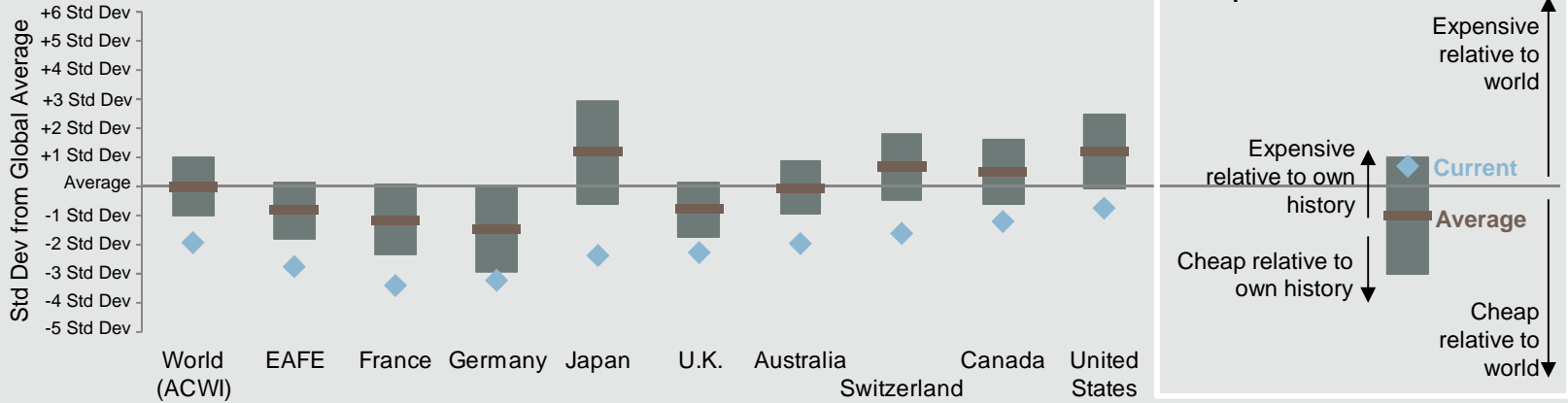
3mo LIBOR – 3mo UST, 3mo EURIBOR – 3mo German Bund



Source: IMF, FactSet, Bloomberg, BIS, J.P. Morgan Asset Management.
Data are as of 9/30/11.

Global Equity Valuations - Developed Markets

Developed Market Countries



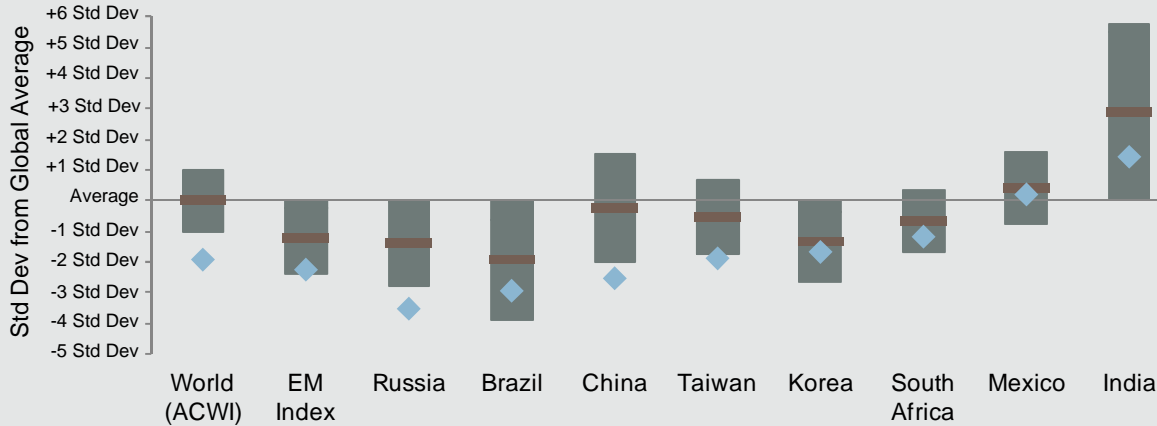
	Current Composite Index	Current				10-year avg.			
		Fwd. P/E	P/B	P/CF	Div. Yld.	Fwd. P/E	P/B	P/CF	Div. Yld.
World (ACWI)	-1.93	9.9	1.5	5.6	3.1%	14.1	2.2	7.8	2.4%
EAFE Index	-2.75	9.4	1.2	4.5	4.1%	13.6	1.8	6.8	3.0%
France	-3.40	8.2	1.0	3.9	5.2%	12.3	1.8	6.4	3.1%
Germany	-3.22	7.9	1.1	3.8	4.3%	12.6	1.5	5.3	2.9%
Japan	-2.37	11.7	0.9	3.2	2.5%	18.8	1.5	5.5	1.5%
U.K.	-2.27	8.4	1.5	6.4	4.2%	12.1	2.1	8.6	3.6%
Australia	-1.96	10.0	1.6	7.2	5.2%	13.9	2.2	10.9	4.1%
Switzerland	-1.61	11.0	1.9	6.2	3.9%	13.9	2.5	9.8	2.4%
Canada	-1.20	11.1	1.7	6.8	2.8%	14.2	2.1	8.2	2.2%
United States	-0.74	10.6	1.8	7.2	2.2%	15.1	2.6	9.2	1.9%

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

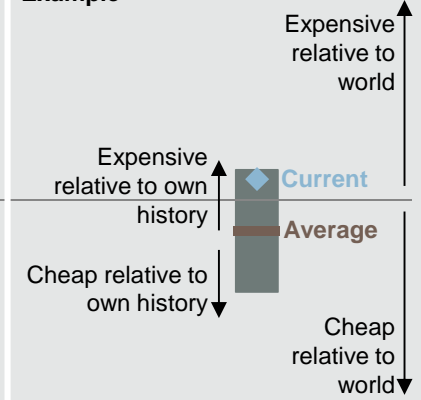
Note: Each valuation index shows an equally weighted composite of four metrics: price to forward earnings (Fwd. P/E), price to current book (P/B), price to last 12 months' cash flow (P/CF) and price to last 12 months' dividends normalized using means and average variability over the last 10 years. The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

Global Equity Valuations - Emerging Markets

Emerging 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)	-1.93	9.9	1.5	5.6	3.1%	14.1	2.2	7.8	2.4%
EM Index	-2.25	8.8	1.5	5.0	3.2%	11.0	1.9	6.2	2.7%
Russia	-3.53	4.7	0.8	3.2	2.8%	8.2	1.4	5.4	2.1%
Brazil	-2.94	7.9	1.3	4.3	4.1%	9.4	1.9	5.5	3.7%
China	-2.54	7.6	1.4	5.3	3.8%	12.5	2.1	8.3	2.6%
Taiwan	-1.88	12.3	1.7	5.7	4.6%	15.2	1.9	7.0	3.3%
Korea	-1.68	8.1	1.2	3.5	1.6%	9.1	1.4	4.1	1.9%
South Africa	-1.18	10.1	2.1	7.5	3.6%	11.1	2.4	7.7	3.2%
Mexico	0.20	13.5	2.4	6.2	1.8%	12.9	2.5	7.3	2.1%
India	1.43	13.0	2.4	9.8	1.5%	14.7	3.2	12.6	1.6%

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 normalized using means and average variability over the last 10 years. The grey bars represent valuation index variability relative to that of the All Country World Index (ACWI). See disclosures page at the end for metric definitions.

Data are as of 9/30/11.

International Economic and Demographic Data

Economics						Demographics				
	GDP USD (B\$s)	GDP Per Capita	GDP Growth	Unempl. Rate	Inflation (CPI)	Population	Population Growth	Percent Age >65	Median Age	Migration per 1000
Developed										
U.S.	\$15,065	\$48,147	1.3%	9.1%	3.3%	313 mm	1.0%	13.1%	36.9 yrs	+4.2
Canada	1,391	40,458	-0.4	7.3	3.0	34	0.8	15.9	41.0	+5.7
U.K.	2,254	35,974	0.7	7.9	4.5	63	0.6	16.5	40.0	+2.6
Germany	3,089	37,936	0.5	6.9	2.6	81	-0.2	20.6	44.9	+0.5
France	2,217	35,049	0.0	9.6	2.2	65	0.5	16.8	39.9	+1.5
Japan	4,396	34,362	-2.1	4.3	0.2	126	-0.3	22.9	44.8	-
Italy	1,829	30,166	1.2	8.0	2.3	61	0.4	20.3	43.5	+4.9
Emerging										
Russia	2,376	16,687	0.4	6.1	8.2	139	-0.5	13.0	38.7	+0.3
Mexico	1,659	15,121	4.5	5.8	3.4	114	1.1	6.6	27.1	-3.2
Brazil	2,309	11,846	3.1	6.0	7.2	203	1.1	6.7	29.3	-0.1
China	11,316	8,394	7.0	4.1	6.2	1,337	0.5	8.9	35.5	-0.3
India	4,470	3,703	7.6	10.8	9.8	1,189	1.3	5.5	26.2	-0.1

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

All GDP Growth data are from J.P. Morgan Economics and expressed as % change versus prior quarter annualized with the exception of India, which is from the India Ministry of Statistics & Programme Implementation and represents % change versus a year ago. All GDP Growth data are for 2Q11. GDP values are from the IMF and are based on purchasing power parity. India unemployment is from CIA estimates and is as of 2010, and Italy unemployment is as of 6/30/11. CPI Inflation is shown as % change versus a year ago and all data are for 1Q11. Unemployment rate for developed countries refers to August 2011 and comes from FactSet Economics, Eurostat and Statistics Canada. Demographic data provided by CIA World Factbook at CIA.gov.

Data are as of 9/30/11.

Current Account Deficit and U.S. Dollar

Current Account Balance, % of GDP



Source: BEA, FactSet, J.P. Morgan Asset Management.
Data are as of 9/30/11 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 9/30/11.

Asset Class Returns

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 YTD	3Q11	10-ys '01 - '10
REITs	13.9%	DJ UBS Cmdty 23.9%	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 28.0%	Barclays Agg 6.7%	Barclays Agg 3.8%	MSCI EME 350.0%
Market Neutral	9.3%	Barclays Agg 10.3%	Russell 2000 47.3%	MSCI EME 26.0%	DJ UBS Cmdty 17.6%	MSCI EME 32.6%	MSCI EAFE 11.6%	Market Neutral 1.1%*	MSCI EAFE 32.5%	Russell 2000 26.9%	Market Neutral 4.4%	Market Neutral -1.1%	REITs 178.0%
Barclays Agg	8.4%	Market Neutral 7.4%	MSCI EAFE 39.2%	MSCI EAFE 20.7%	MSCI EAFE 14.0%	MSCI EAFE 26.9%	DJ UBS Cmdty 11.1%	Asset Alloc. -23.8%	REITs 28.0%	MSCI EME 19.2%	Asset Alloc. -5.9%	Asset Alloc. -9.9%	Russell 2000 84.8%
Russell 2000	2.5%	REITs 3.8%	REITs 37.1%	Russell 2000 18.3%	REITs 12.2%	Russell 2000 18.4%	Market Neutral 9.3%	Russell 2000 -33.8%	Russell 2000 27.2%	DJ UBS Cmdty 16.7%	REITs -6.1%	DJ UBS Cmdty -11.3%	Asset Alloc. 80.2%
MSCI EME	-2.4%	Asset Alloc. -5.4%	S&P 500 28.7%	Asset Alloc. 12.5%	Asset Alloc. 8.0%	S&P 500 15.8%	Asset Alloc. 7.3%	DJ UBS Cmdty -36.6%	S&P 500 26.5%	S&P 500 15.1%	S&P 500 -8.7%	S&P 500 -13.9%	Market Neutral 76.9%
Asset Alloc.	-3.4%	MSCI EME -6.0%	Asset Alloc. 25.2%	S&P 500 10.9%	Market Neutral 6.1%	Asset Alloc. 14.9%	Barclays Agg 7.0%	S&P 500 -37.0%	Asset Alloc. 22.5%	Asset Alloc. 12.7%	DJ UBS Cmdty -13.7%	REITs -15.1%	Barclays Agg 76.3%
S&P 500	-11.9%	MSCI EAFE -15.7%	DJ UBS Cmdty 22.7%	DJ UBS Cmdty 7.6%	S&P 500 4.9%	Market Neutral 11.2%	S&P 500 5.5%	REITs -37.7%	DJ UBS Cmdty 18.7%	MSCI EAFE 8.2%	MSCI EAFE -14.6%	MSCI EAFE -19.0%	MSCI EAFE 47.1%
MSCI EAFE	-21.2%	Russell 2000 -20.5%	Market Neutral 7.1%	Market Neutral 6.5%	Russell 2000 4.6%	Barclays Agg 4.3%	Russell 2000 -1.6%	MSCI EAFE -43.1%	Barclays Agg 5.9%	Barclays Agg 6.5%	Russell 2000 -17.0%	Russell 2000 -21.9%	DJ UBS Cmdty 41.7%
DJ UBS Cmdty	-22.3%	S&P 500 -22.1%	Barclays Agg 4.1%	Barclays Agg 4.3%	Barclays Agg 2.4%	DJ UBS Cmdty -2.7%	REITs -15.7%	MSCI EME -53.2%	Market Neutral 4.1%	Market Neutral -2.5%	MSCI EME -21.7%	MSCI EME -22.5%	S&P 500 15.1%

Source: Russell, MSCI, Dow Jones, Standard and 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, 30% in the Barclays Capital Aggregate, 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 except commodities represent total return for stated period. Past performance is not indicative of future returns. Data are as of 6/30/11, except for the CS/Tremont Equity Market Neutral Index, which reflects data through 8/31/11. "10-ys" returns represent cumulative total return and are not annualized. These returns reflect the period from 1/1/01 - 12/31/10.

Please see disclosure page at end for index definitions. *Market Neutral returns include estimates found in disclosures.

Data are as of 9/30/11.

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	0.94	0.92	0.87	-0.34	0.78	0.66	0.41	0.72	0.76	0.43
Small Cap		1.00	0.88	0.83	-0.38	0.72	0.57	0.34	0.76	0.70	0.37
EAFE			1.00	0.90	-0.22	0.74	0.64	0.49	0.71	0.83	0.60
EME				1.00	-0.22	0.79	0.71	0.52	0.60	0.82	0.45
Core Bonds					1.00	-0.11	0.13	-0.22	-0.01	-0.19	0.06
Corp. HY						1.00	0.85	0.50	0.67	0.77	0.35
EMD							1.00	0.41	0.57	0.62	0.30
Commodities								1.00	0.37	0.67	0.45
REITs									1.00	0.58	0.46
Hedge Funds										1.00	0.53
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 6/30/01 to 6/30/11.

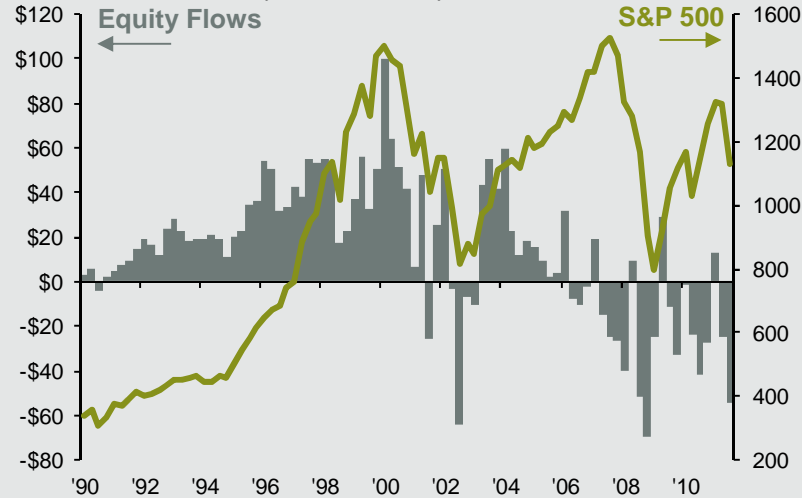
This chart is for illustrative purposes only.

Mutual Fund Flows

Billions, USD	AUM	Fund Flows												
		YTD 2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Domestic Equity	3,862	(66)	(95)	(39)	(152)	(48)	11	32	112	130	(23)	54	256	176
World Equity	1,468	17	58	31	(83)	138	148	104	66	22	(4)	(22)	53	11
Taxable Bond	2,347	96	230	307	19	98	46	26	3	39	124	76	(36)	8
Tax-exempt Bond	473	(23)	11	69	8	11	15	5	(14)	(7)	16	12	(14)	(12)
Hybrid	830	26	23	23	(18)	24	7	25	42	32	7	9	(31)	(14)
Money Market	2,641	(172)	(525)	(539)	637	654	245	62	(157)	(263)	(46)	375	159	194

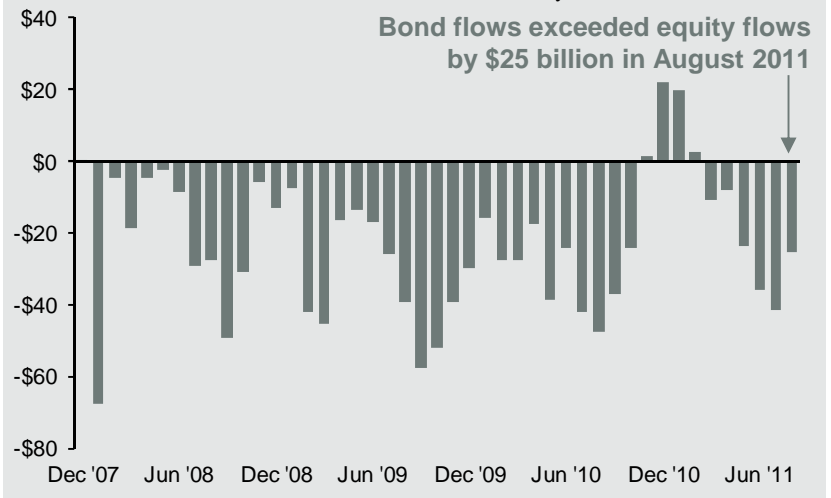
U.S. Equity Fund Flows and Market Performance

Billions USD, U.S. equity funds, quarterly



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.

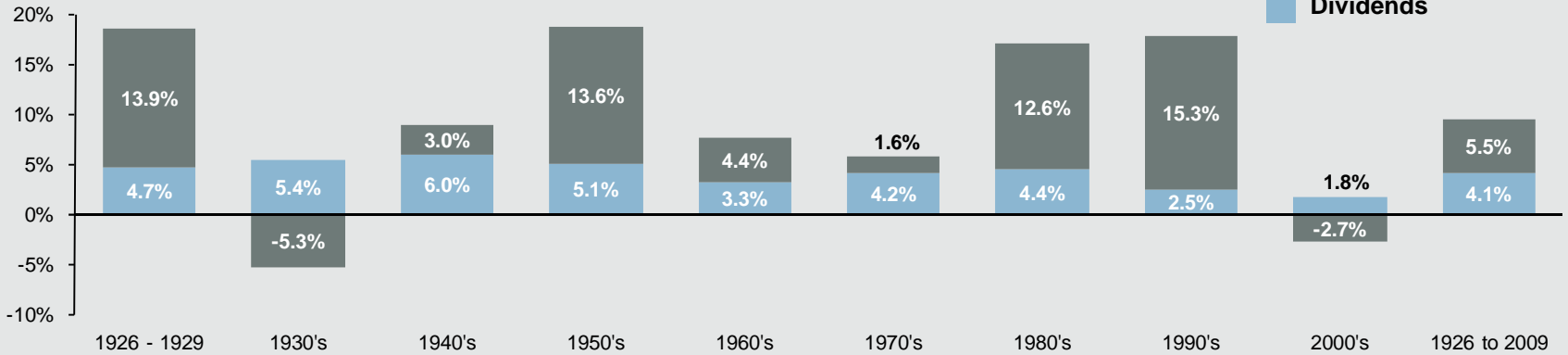
Data include flows through August 2011 and exclude ETFs. ICI data are subject to periodic revisions. World equity flows are inclusive of emerging market, global equity and regional equity flows. Hybrid flows include asset allocation, balanced fund, flexible portfolio and mixed income flows.

Data are as of 9/30/11.

Dividend Income: Domestic and Global

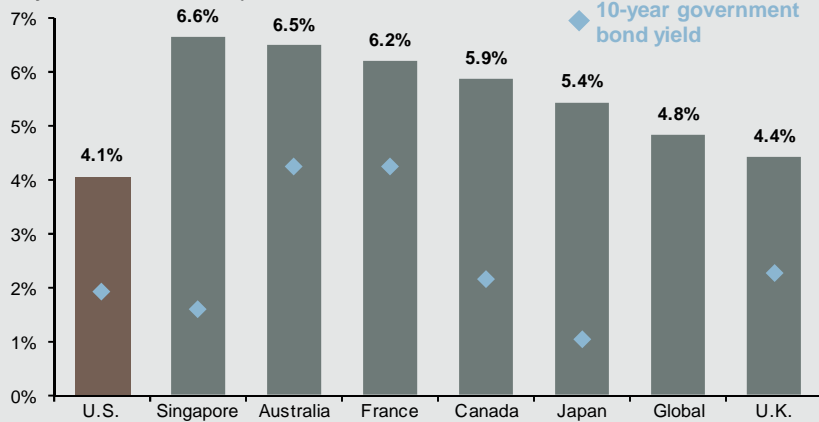
S&P 500 Total Return: Dividends vs. Capital Appreciation

Average annualized returns



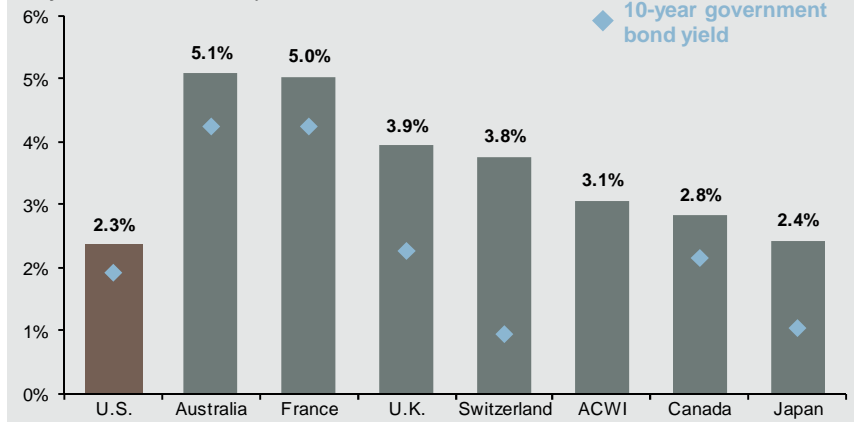
REIT Dividend Yields

Major world markets by capitalization



Equity Dividend Yields

Major world markets by capitalization

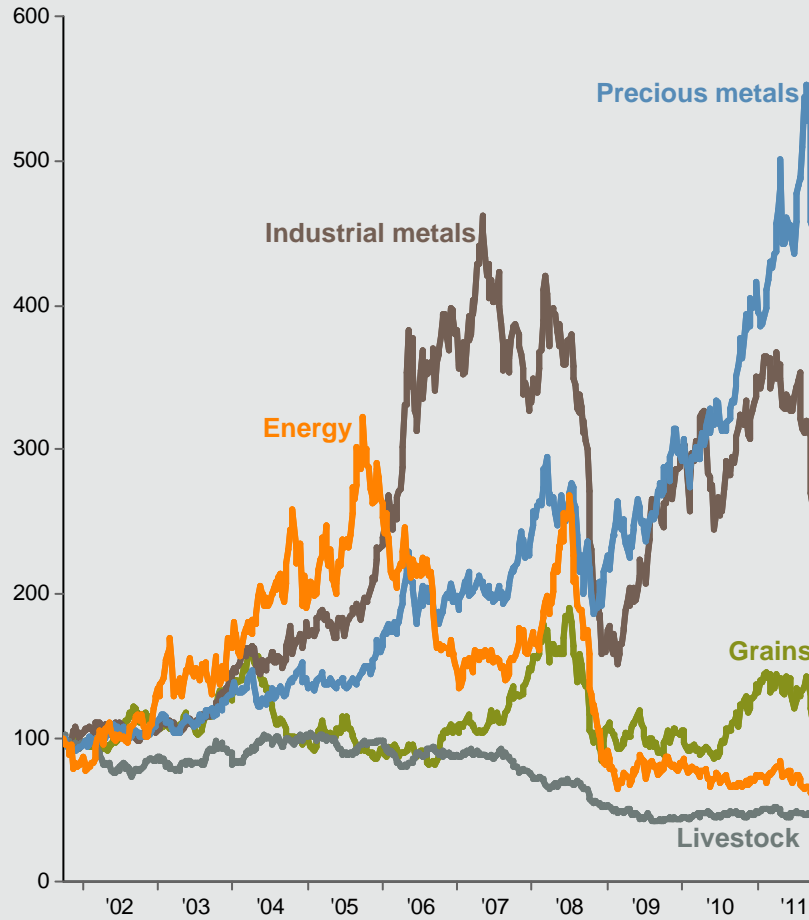


Source: (Top chart) Standard & Poor's, Ibbotson, J.P. Morgan Asset Management. (Bottom left) FactSet, NAREIT, J.P. Morgan Asset Management. Yields shown are that of the appropriate FTSE NAREIT REIT index, which excludes property development companies. (Bottom right) FactSet, MSCI, J.P. Morgan Asset Management.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

Data are as of 9/30/11.

Commodity Prices

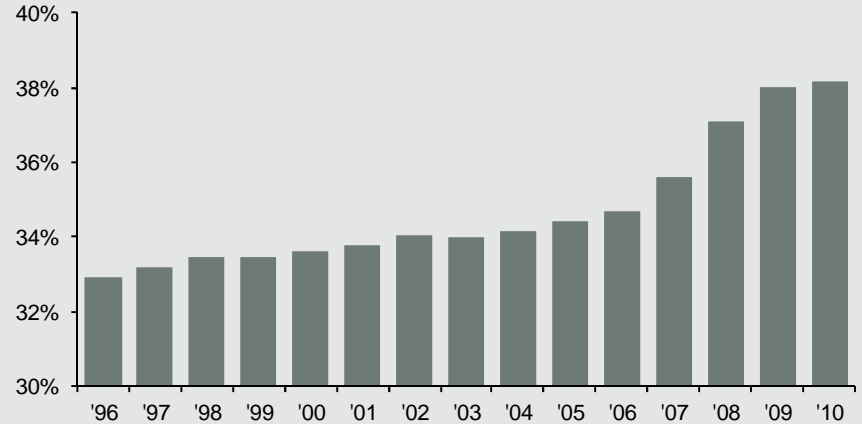
Weekly index prices rebased to 100



Source: Dow Jones/UBS, FactSet, J.P. Morgan Asset Management.
Commodity prices represented by the appropriate DJ/UBS Commodity sub-index.
Data reflect most recently available as of 9/30/11.

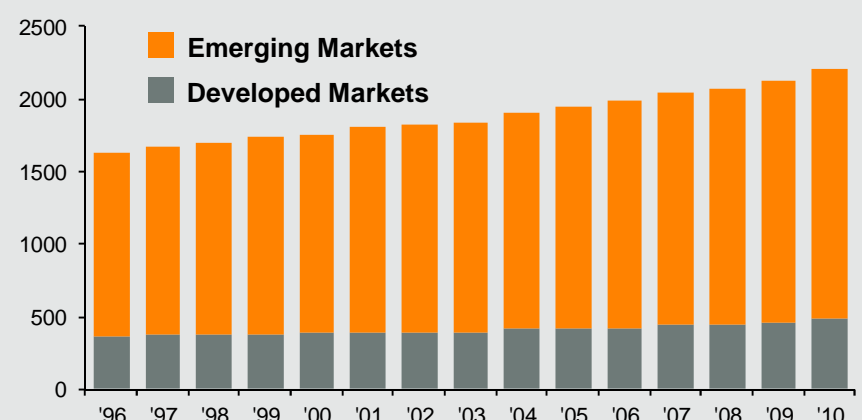
Oil Demand: Emerging Markets Share

Emerging markets as % of total global oil consumption



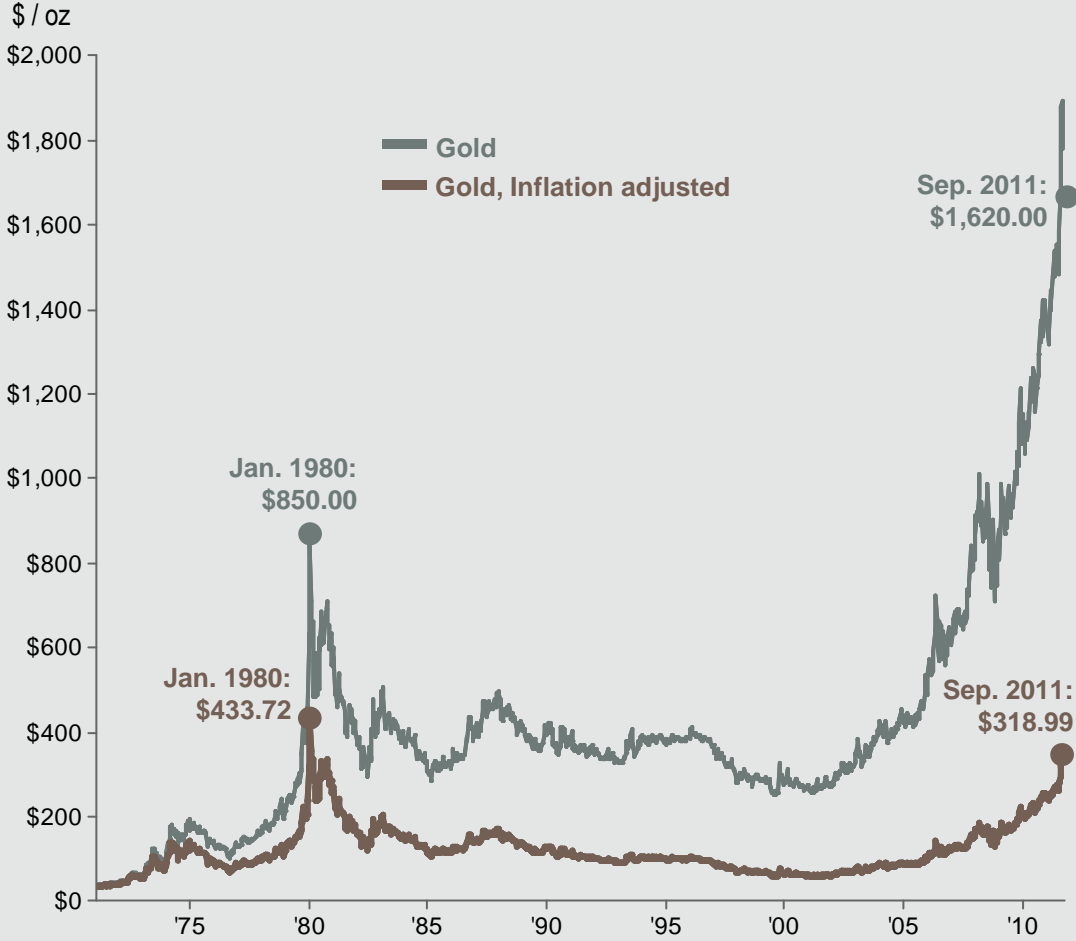
Grain Demand: Emerging vs. Developed Markets

Millions of metric tons



Source: USDA, BP Statistical Review of World Energy, J.P. Morgan Asset Management.
Data are as of 9/30/11.

Gold Prices



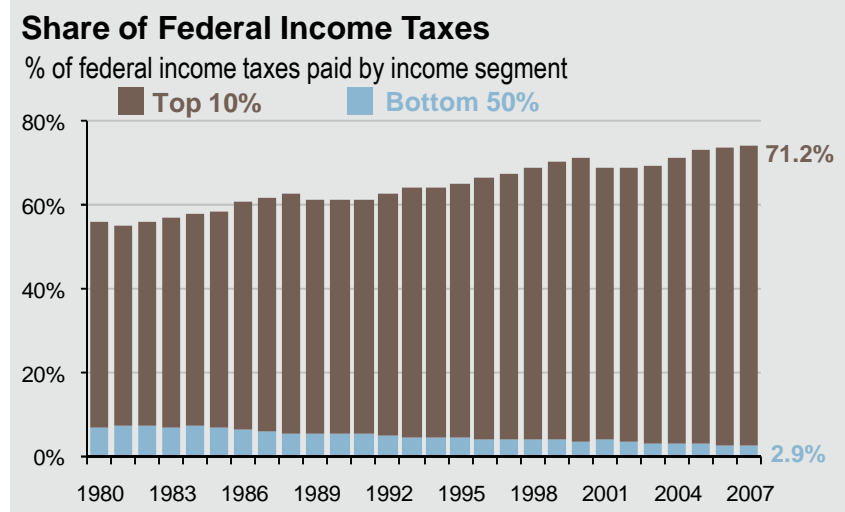
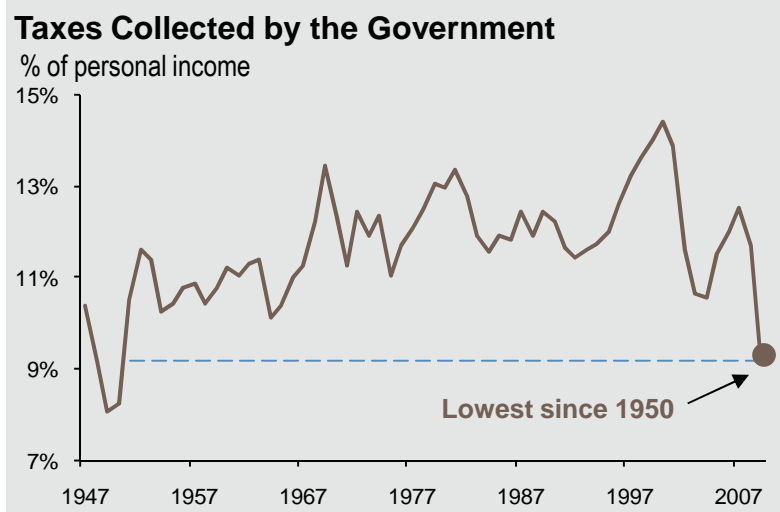
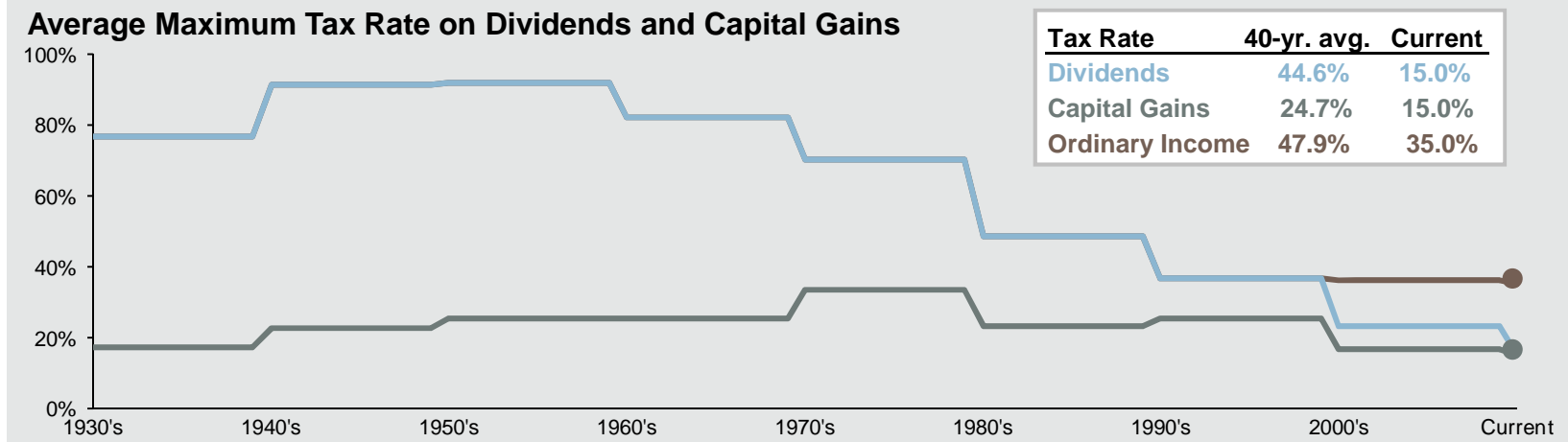
World Gold Production

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

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

Data reflect most recently available as of 9/30/11.

Marginal and Average Tax Rates

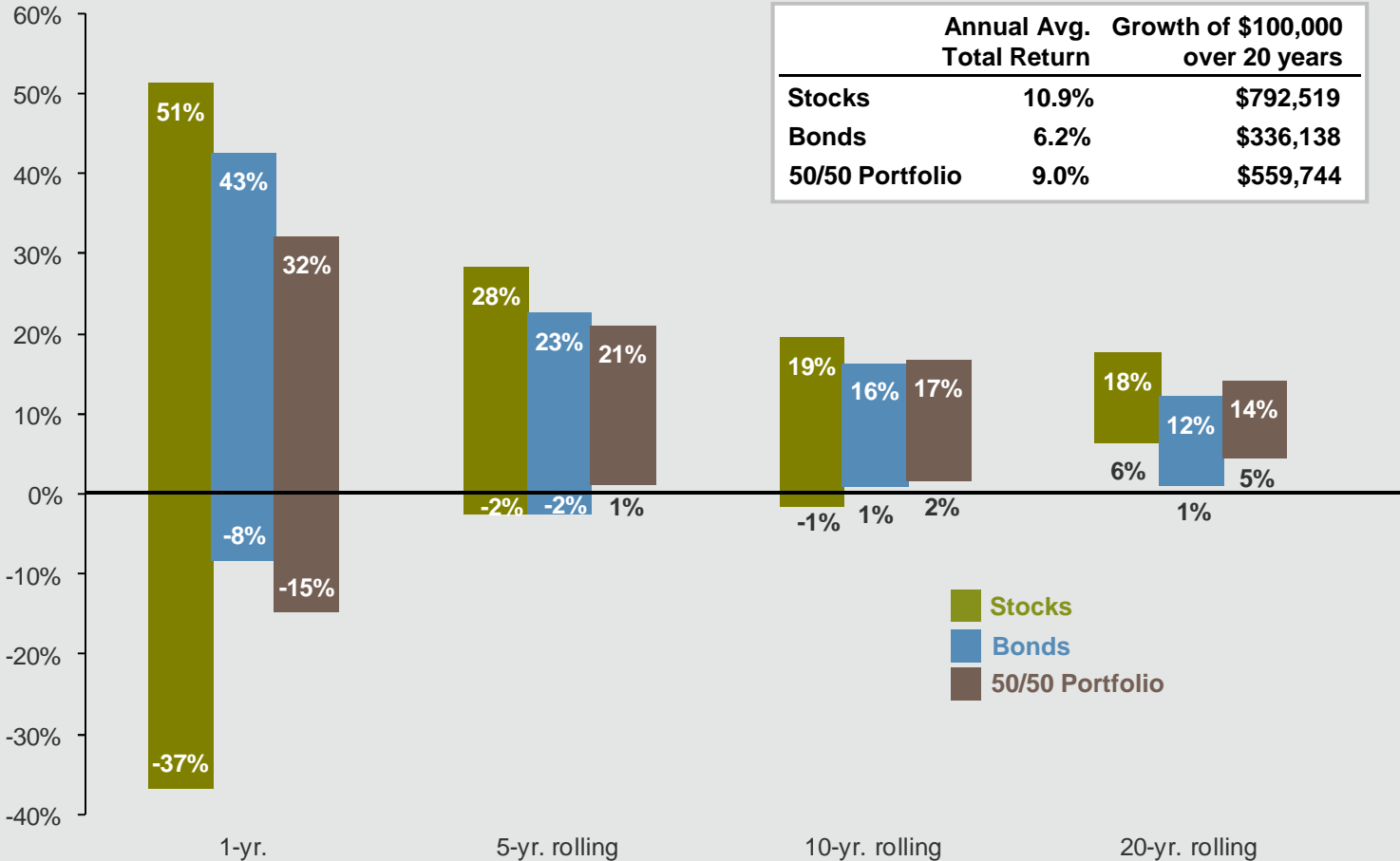


Source: (Top) The Tax Foundation, J.P. Morgan Asset Management. Tax rates based on maximum U.S. individual income tax. (Bottom left) BEA, J.P. Morgan Asset Management. (Bottom right) The Tax Foundation, IRS, J.P. Morgan Asset Management. Personal taxes include taxes on income, personal property and payments for personal licenses (see NIPA tables 3.4 and 3.4u). Data through 2007 is latest available from IRS. Includes all returns with positive AGI. 2007 dollar cut-off/minimum AGI for tax return to fall into top 10%: \$113,018; bottom 50%: \$32,870. The only tax analyzed here is the federal individual income tax, which is responsible for about 25% of the nation's taxes paid. Data are as of 9/30/11.

Historical Returns by Holding Period

Range of Stock, Bond and Blended Total Returns

Annual total returns, 1950 – 2010



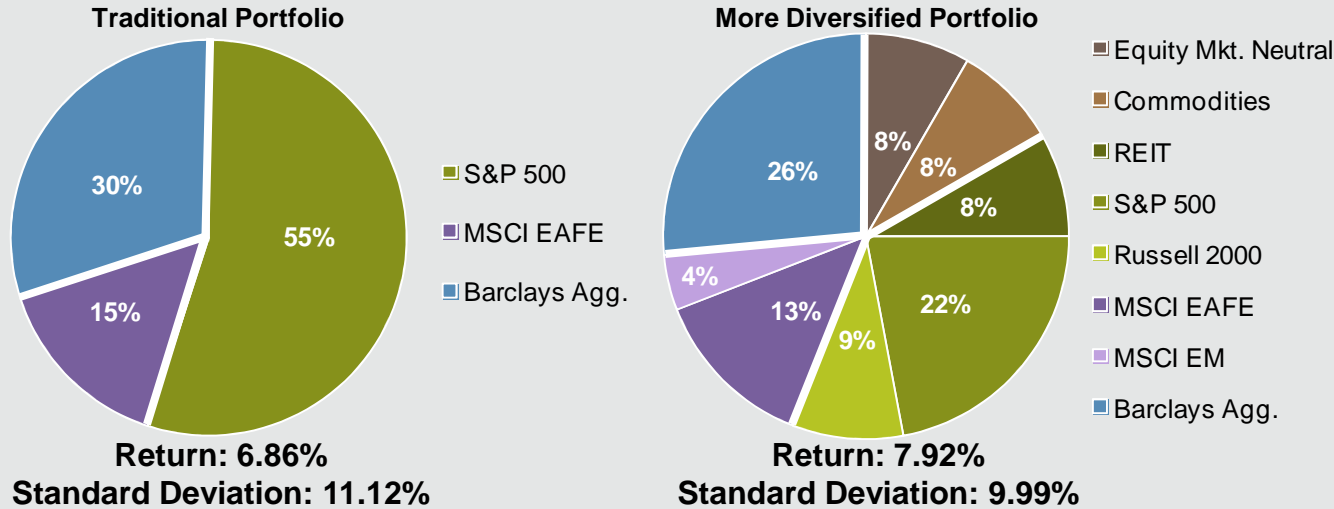
	Annual Avg. Total Return	Growth of \$100,000 over 20 years
Stocks	10.9%	\$792,519
Bonds	6.2%	\$336,138
50/50 Portfolio	9.0%	\$559,744

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

Data are as of 9/30/11.

Diversification and the Average Investor

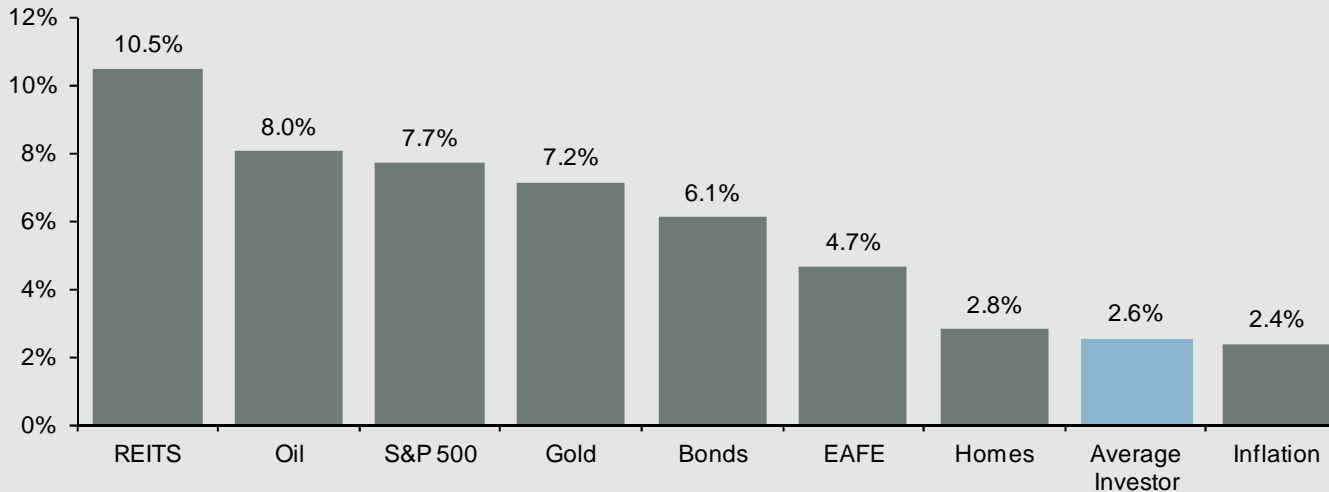
Maximizing the Power of Diversification (1994 – 2010)



(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: 22.1% 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 Zephyr.

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 9/30/11.

20-year Annualized Returns by Asset Class (1991 – 2010)

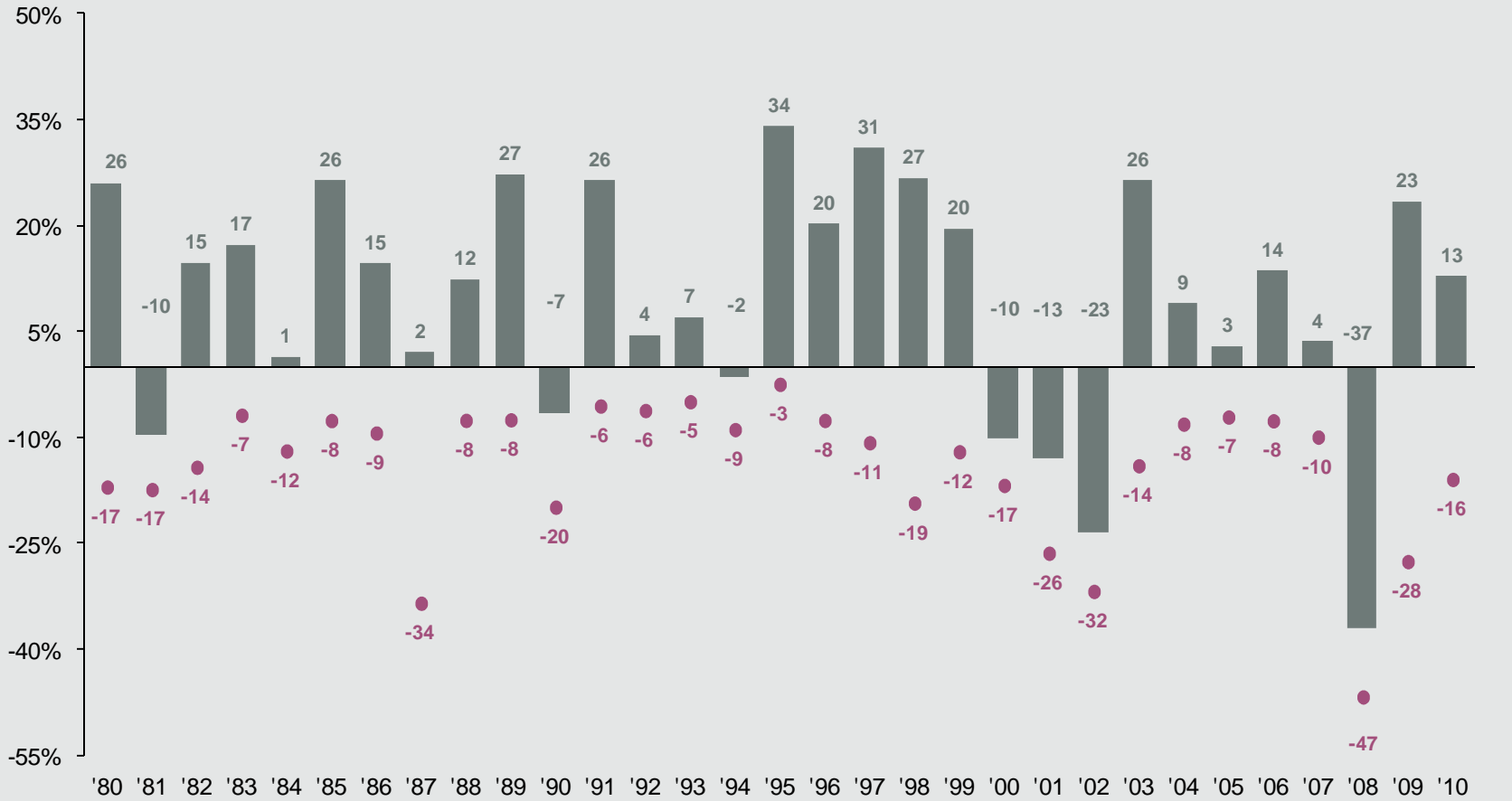


(Bottom) Indexes used are as follows: REITS: NAREIT Equity REIT Index, EAFE: MSCI EAFE, Oil: WTI Index, Bonds: Barclays Capital U.S. Aggregate Index, Homes: median sale price of existing single-family homes, Gold: USD/troy oz, Inflation: CPI. Average asset allocation investor return is based on an analysis 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 12/31/10 to match Dalbar's most recent analysis.

Annual Returns and Intra-year Declines

Intra-year Declines vs. Calendar Year Returns

Despite average intra-year drops of 14.3%, annual returns positive in 24 of 31 years



Source: Standard and 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 over periods of 6 months or less. For illustrative purposes only.

Data are as of 9/30/11.

Alternative Investment Returns

Hedge Funds (as of 6/30/11)	1 year	3 year	5 year	10 year
CSFB/Tremont HF Index	12.1%	2.5%	5.5%	7.1%
Multi-Strategy	13.5%	3.5%	5.0%	7.0%
Distressed	10.4%	3.5%	5.0%	8.9%
Convertible Arbitrage	12.1%	7.1%	5.3%	5.6%
Equity Market Neutral*	9.9%	2.1%	4.7%	6.1%
Risk Arbitrage**	6.3%	3.6%	5.5%	4.5%
Fixed Income Arbitrage**	10.4%	3.3%	2.4%	4.2%
Global Macro	10.4%	3.9%	8.5%	10.8%
Real Estate (as of 6/30/11)	1 year	3 year	5 year	10 year
NCREIF Property Index	16.7%	-2.6%	3.4%	7.6%
Apartment	21.4%	-1.4%	2.9%	7.7%
Industrial	14.7%	-3.7%	2.5%	7.0%
Office	15.5%	-4.1%	3.7%	6.7%
Retail	15.1%	0.0%	4.3%	10.2%
Private Equity (as of 3/31/11)	1 year	3 year	5 year	10 year
U.S. Venture Capital Index	18.5%	2.0%	5.9%	-0.9%
U.S. Private Equity Index	21.5%	5.2%	9.8%	10.8%

Source: Cambridge Associates LLC, NCREIF, CS/Tremont, J.P. Morgan Asset Management. Cambridge PE and VC data provided at no charge. Other indexes shown are unmanaged and are for illustrative purposes only. Past performance is no guarantee of future results. Returns for all periods are as of 6/01/11 with the exception of Private Equity and Venture Capital returns, which are as of 3/31/11. All returns are annualized for periods greater than 1 year. Investing in alternative assets involves higher risks than traditional investments and is suitable only for the long term. They may not be tax efficient and have higher fees than traditional investments. They may also be highly leveraged and engage in speculative investment techniques, which can magnify the potential for investment loss or gain.

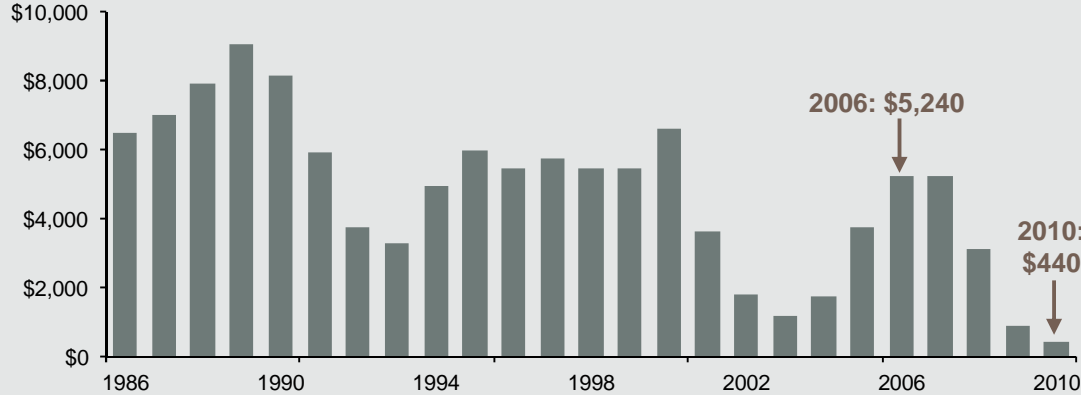
*Market Neutral returns include estimates found in disclosures.

**Arbitrage is the simultaneous purchase and sale of an asset in order to profit from a difference in the price.

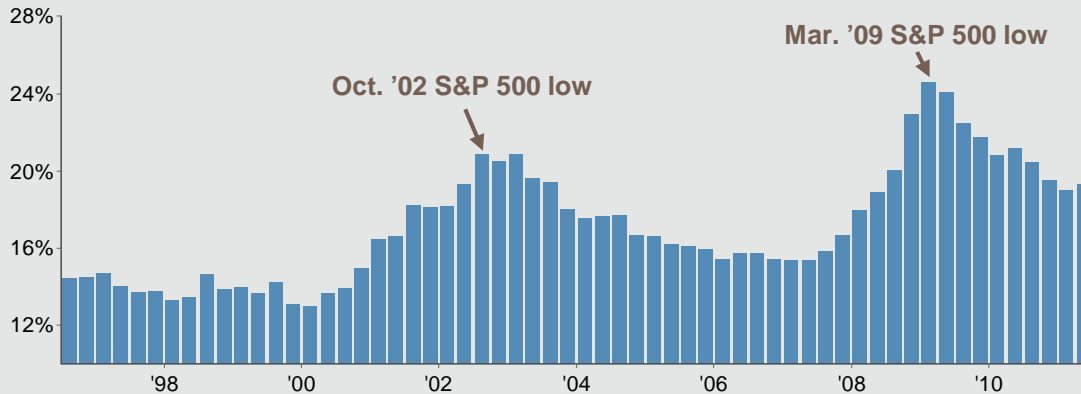
Data are as of 9/30/11.

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	7,436	76.3%
Retail MMMFs	716	7.3%
Savings deposits	5,910	60.7%
Small time deposits	810	8.3%
Institutional MMMFs	1,709	17.5%
Cash in IRA & Keogh accounts	597	6.1%
Total	9,743	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.

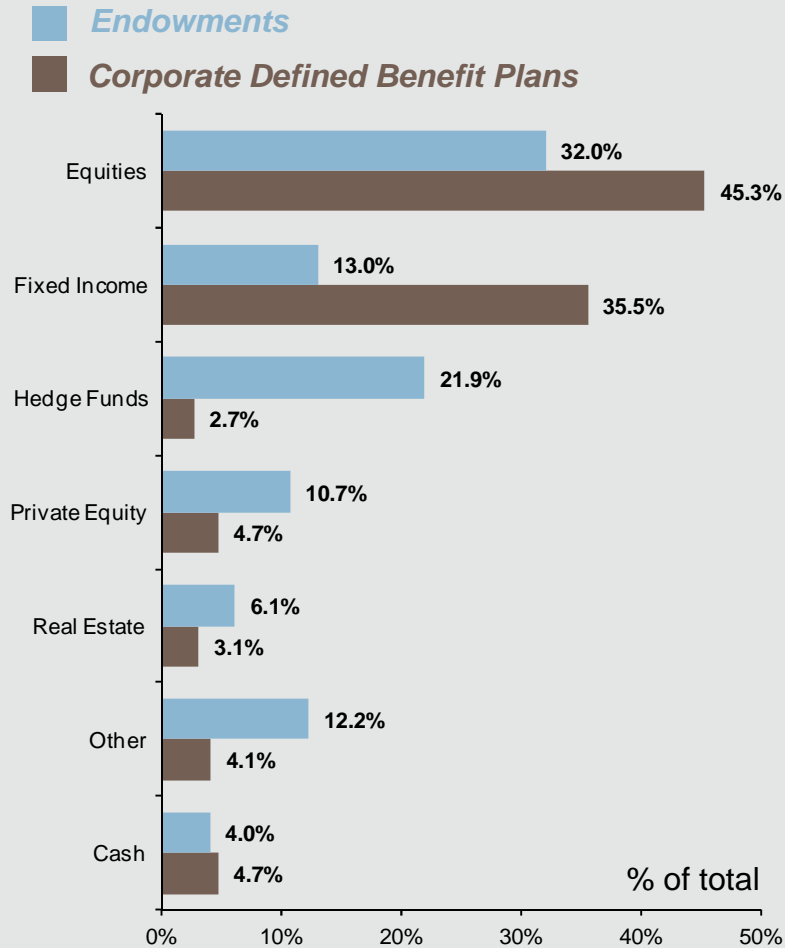
IRA and Keogh account balances at money market mutual funds are subtracted from retail money funds.

Past performance is not indicative of comparable future results.

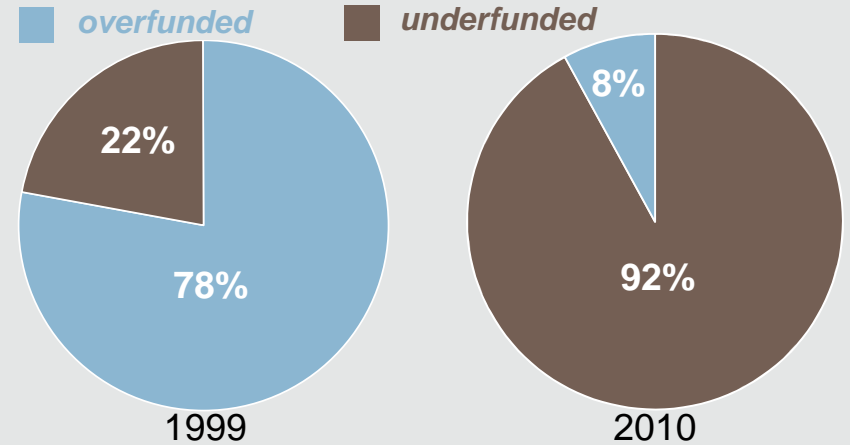
Data are as of 9/30/11.

Corporate DB Plans and Endowments

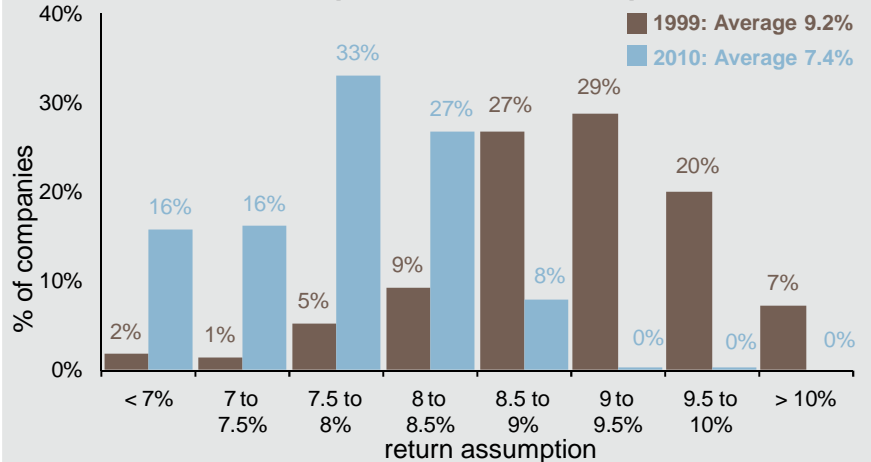
Asset Allocation: Corporate DB Plans vs. Endowments



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



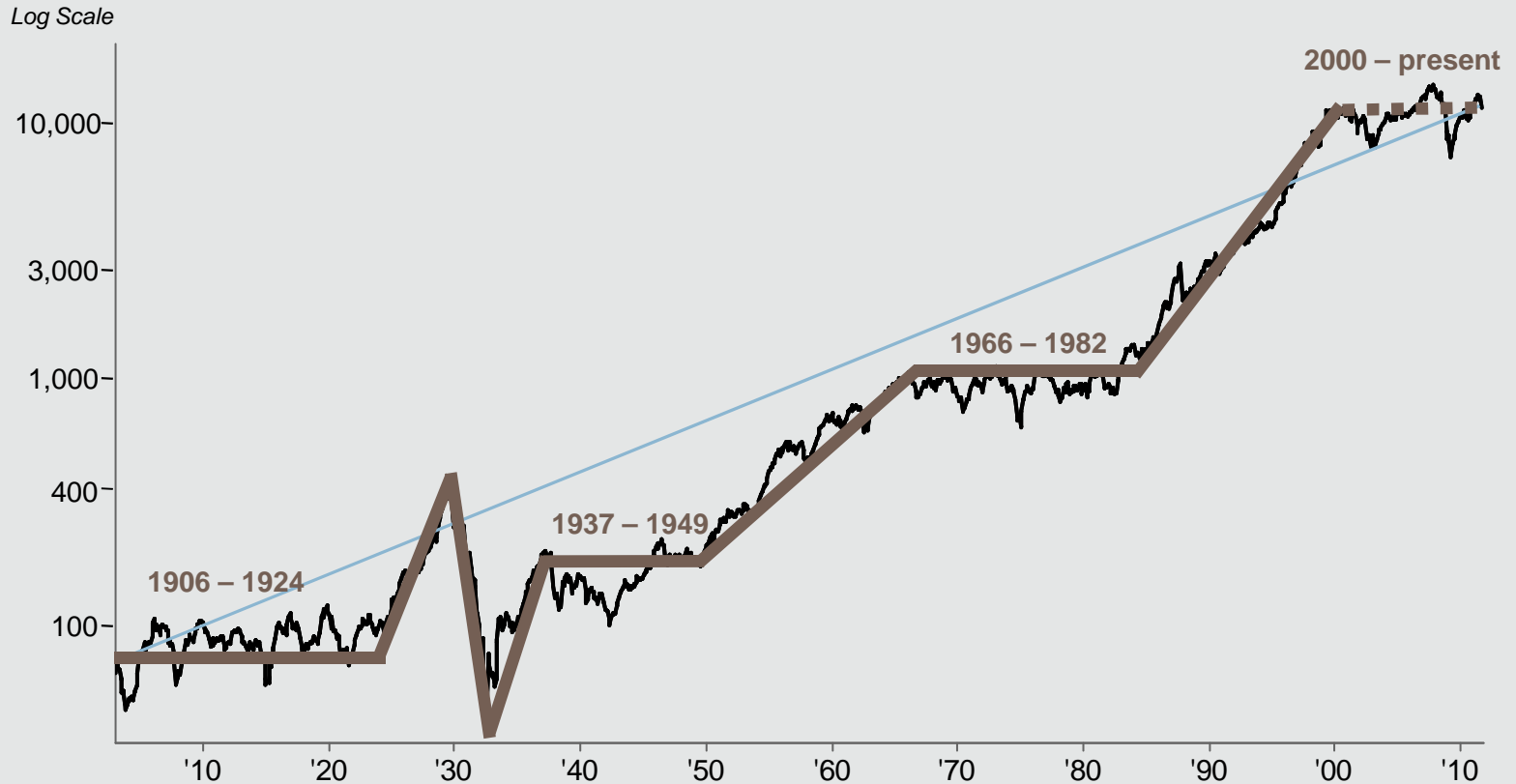
Pension Return Assumptions: S&P 500 companies



Source: NACUBO (National Association of College and University Business Officers), Towers Watson, Compustat/FactSet, J.P. Morgan Asset Management. 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 351 companies reporting pension funding status as of 3/31/11. Return assumption bands are inclusive of upper range. All information is shown for illustrative purposes only. Data are as of 12/31/10.

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 9/30/11.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Past performance is no guarantee of comparable future results.

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

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

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

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

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

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

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

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

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

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

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Unless otherwise stated, all data are as of September 30, 2011 or most recently available.

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