

1Q 2013 As of December 31, 2012

Guide to the Markets®





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Past performance is no guarantee of comparable future results.



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Returns by Style

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



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

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



Data are as of 12/31/12.

MARKET

INSIGHTS

Equities

Returns by Sector

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	Financials	Technolog.	HealthCat	Industrials	Energy	cons. Disc	cons. stat	Telecom	Utilities	Materials	58P500 II	
S&P Weight Russell Growth Weight Russell Value Weight	15.6% 4.6% 27.5%	19.0% 30.9% 6.4%	12.0% 12.0% 11.5%	10.1% 12.7% 9.2%	11.0% 4.0% 16.1%	11.5% 16.7% 8.3%	10.6% 12.5% 7.2%	3.1% 2.3% 3.4%	3.4% 0.2% 6.5%	3.6% 4.0% 3.9%	100.0% 100.0% 100.0%	Weight
4Q 2012	5.9	-5.7	0.1	3.7	-2.7	2.1	-1.7	-6.0	-2.9	2.7	-0.4	
2012	28.8	14.8	17.9	15.3	4.6	23.9	10.8	18.3	1.3	15.0	16.0	Ę
Since Market Peak (October 2007)	-48.6	15.8	23.3	-1.4	1.4	37.5	45.1	6.7	5.4	-0.6	2.3	Retur
Since Market Low (March 2009)	180.8	142.6	98.9	171.1	85.6	218.3	103.5	103.8	84.5	136.8	128.7	
Beta to S&P 500	1.43	1.16	0.65	1.20	0.95	1.14	0.53	0.71	0.50	1.30	1.00	ମ
Forward P/E Ratio 15-yr avg .	10.9x 12.8x	12.2x 23.8x	12.6x 18.4x	13.0x 16.9x	11.0x 14.7x	14.9x 18.7x	15.1x 18.1x	16.2x 17.5x	14.3x 13.6x	13.2x 16.2x	12.5x 16.7x	ш
Trailing P/E Ratio	12.8x	14.6x	17.7x	14.6x	11.2x	15.4x	17.6x	40.9x	16.6x	18.5x	14.9x	P
20-yr avg.	15.8x	26.7x	24.1x	20.3x	18.1x	19.4x	21.1x	19.7x	14.4x	19.5x	19.5x	
Dividend Yield	2.0%	1.7%	2.2%	2.5%	2.3%	1.6%	2.9%	4.7%	4.4%	2.8%	2.2%	>i
20-yr avg.	2.1%	0.6%	1.5%	1.8%	1.8%	1.0%	2.1%	3.8%	4.4%	2.1%	1.7%	

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

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

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

Past performance is not indicative of future returns.



S&P 500 Index at Inflection Points



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

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



Stock Valuation Measures: S&P 500 Index

S&P 500 Inc	dex: Valuation Measures	Historical Averages								
Valuation		l atost*	1-year	3-year	5-year	10-year	15-year			
Measure	Description	Latest	ago	avg.	avg.	avg.	avg.			
P/E	Price to Earnings	12.5x	11.8x	12.6x	12.8x	14.2x	16.7x			
P/B	Price to Book	2.3	2.1	2.1	2.2	2.5	3.0			
P/CF	Price to Cash Flow	8.5	8.1	8.4	8.4	9.7	11.0			
P/S	Price to Sales	1.2	1.1	1.2	1.1	1.3	1.5			
PEG	Price/Earnings to Growth	1.3	1.2	0.9	1.7	1.5	1.5			
Div. Yield	Dividend Yield	2.4%	2.3%	2.2%	2.3%	2.1%	1.9%			



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

Price to Earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months. Price to Book is price divided by book value per share. Data post-1992 include intangibles and are provided by Standard & Poor's. Price to Cash Flow is price divided by consensus analyst estimates of cash flow per share for the next 12 months. Price to Sales is calculated as price divided by consensus analyst estimates of sales per share for the next 12 months. PEG Ratio is calculated as NTM P/E divided by NTM earnings growth. Dividend Yield is calculated as consensus analyst estimates of dividends for the next 12 months divided by price. All consensus analyst estimates are provided by FactSet. (Bottom left) Cyclically adjusted P/E uses as reported earnings throughout. *Latest reflects data as of 12/31/2012. (Bottom right) Standard & Poor's, Moody's, FactSet, J.P. Morgan Asset Management.



Earnings Estimates and Valuations by Style



Source: (Top and bottom left) Standard & Poor's, FactSet, J.P. Morgan Asset Management. (Right) Russell Investment Group, IBES, FactSet. Earnings estimates are for calendar years and taken at quarter end dates throughout the year. Forward Price to Earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months. P/E ratios are calculated and provided by Russell based on IBES consensus estimates of earnings over the next 12 months except for large blend, which is the S&P 500. Data are as of 12/31/12.



Equities

Equities

Corporate Profits



J.P.Morgan

Asset Management

Data are as of 12/31/12.

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

Sources of Earnings per Share Growth



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

EPS levels are based on operating earnings per share. Most recently available data is 2Q12. *3Q12 data are Standard & Poor's estimates. Past performance is not indicative of future returns. 4Q2008, 1Q2010 and 2Q2010 reflect -101%, 92% and 51% growth in operating earnings, and are adjusted on the chart.



MARKET Confidence and the Capital Markets



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

J.P.Morgan Asset Management

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Deploying Corporate Cash

Equities



Dividend Payout Ratio



Corporate Growth

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



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

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



Broad Market Lagged Price to Earnings Ratio



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



P/E Ratios and Equity Returns



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

Note: Orange line denote results of linear regression with R-squared of 0.15 for 1-yr. returns (left) and 0.35 for 5-yr. returns (right). Data are as of 12/31/12.



Equities

Equity Correlations and Volatility



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



MARKET

INSIGHTS

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Economy

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 3Q12 GDP.



Cyclical Sectors



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. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asse



Economy



Consumer Finances



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



Corporate Finances



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

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



Economy

Federal Finances: Outlays and Revenues



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

2012 Federal Budget is based on the CBO's August 2012 Baseline Scenario. Note: Years shown are fiscal years (Oct. 1 through Sep. 30).

Revenue breakout is based on 2012 tax revenue estimates from the Office of Management and Budget. Data are as of 12/31/12.



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Federal Finances: Deficits and Debt



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

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



Data are as of 12/31/12.

Economy

Tax Rates and the Distribution of Income & Taxes



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

***For 2013, the estate tax exemption amount remained at \$5.12 million. (Right) IRS, J.P. Morgan Asset Management. Taxes paid are based on federal individual income taxes, which are responsible for about 25% of the nation's taxes paid. Data are as of 12/31/12.



Economy

Economy

Current Account Deficit and U.S. Dollar



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



The Aftermath of the Housing Bubble



Monthly Rent vs. Monthly Mortgage Payment Vacant properties \$1,100



Home Inventories Millions, annual rate, seasonally adjusted



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



Employment



Source: BLS, FactSet, J.P. Morgan Asset Management. Data are as of 12/31/12.

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



Economy

Job Growth, Productivity and Labor Force

20 Years - Net Job Creation

Net change in millions of payroll jobs, seasonally adjusted



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

Labor Productivity: Output per Hour

Nonfarm business productivity, % change year-over-year



'10

'10

Economy

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

Economy

Employment and Income by Educational Attainment



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



Source: BLS, FactSet, J.P. Morgan Asset Management. Unemployment rates shown are for civilians aged 25 and older. Data are as of 12/31/12.

Consumer Price Index



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

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





25%

20%

15%

10%

5%

0%

-5%

-10%

-15%

25%

20%

15%

10%

5%

0%

-5%

-10%

-15%

5%

Bonds

6%

Bonds

Returns in Different Inflation Environments – 40 years

Rising inflation scenarios





Source: BLS, Barclays Capital, Robert Shiller, Federal Reserve, Strategas/Ibbotson, Standard & Poor's, FactSet, J.P. Morgan Asset Management. High or low inflation distinction is relative to median CPI-U inflation for the period 1971 to 2011. Rising or falling inflation distinction is relative to previous year CPI-U inflation rate. Bond returns are based on the Barclays U.S. Aggregate index since its inception in 1976 and a composite bond index prior to that. Equity returns based on S&P 500 price return and annual dividend yield (total return). Cash returns are based on the Barclays 1-3 Month T-Bill index since its inception in 1992 and 3-month T-Bill rates prior to that. Commodities returns based on S&P GSCI.

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

Data are as of 12/31/12.

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Inflation: 3.3% Below median

Above median

Median

Asset Management

Oil and the Economy



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

Data are as of 12/31/12.

(Bottom) EIA, J.P. Morgan Asset Management. *4Q12 drag on growth is a J.P. Morgan Asset Management estimate.



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Economy

Global Oil Supply

Middle East Energy Production & Chokepoints

Percent of global liquid fuel production, 2011 Kuwait Syria 3.1% 0.5% Suez Canal 2.2% Iraq Iran 3.0% 4.9% Libya Egypt 0.6% 1 Saudi Arabia 0.8% 12.8% Strait of Hormuz 17.0% Sudan 0.5% UAE 3.6% Bab el-Mandeb 3.4% **Major Producers Major Consumers** Percent of global total, 2011 Percent of global total, 2011 China United States 22% Saudi Arabia 13% 5% India 4% Russia 12% Iran 5% China 10% Saudi Arabia 3% United States 12% Canada 4% Japan 5% Brazil 3%



Total U.S. Energy Net Imports



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

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



Domestic Natural Gas



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



Consumer Confidence and the Stock Market



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

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



Economy

Fixed Income Sector Returns

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

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

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

10% in MBS, 20% in Corporate, 15% in Municipals, 10% in Emerging Debt, 10% in High Yield, 25% in Treasuries, 10% in TIPS. Asset allocation portfolio assumes annual rebalancing.

J.P.Morgan

Fixed Income

MARKET Interest Rates and Market Performance



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

All returns above reflect annualized total returns, which include reinvestment of dividends. Corporate bond returns are based on a composite index of investment grade bond performance.



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Fixed Income Yields and Returns

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



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

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

Change in bond price is calculated using both duration and convexity according to the following formula: New Price = (Price + (Price * -Duration * Change in Interest Rates))+(0.5 * Price * Convexity * (Change in Interest Rates)^2)

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

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



The Fed and the Money Supply



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

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



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Credit Conditions



Source: (Top left) McDash, J.P. Morgan Securitized Product Research, J.P. Morgan Asset Management. (Top right) Federal Reserve, FactSet, J.P. Morgan Asset Management. (Bottom right) FDIC, J.P. Morgan Asset Management. All data reflect most recently available releases. Data are as of 12/31/12.



High Yield Bonds



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

Municipal Finance

Muni/Treasury Ratio

Ratio of Barclays 10-year Municipal Bond yield to 10-year Treasury 240%



State & Local Government Debt Service Percent of current expenditures 8%

'02

'04

'06

'08

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

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





3Q12: 5.1%

'10

'12

Emerging Market Debt



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

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



Fixed Income

Global Equity Markets: Returns and Composition

	4Q1	2	201	2						
Country / Region	Local	USD	Local	USD						
Regions / Broad Indexes										
USA (S&P 500)	-	-0.4	-	16.0						
EAFE	7.6	6.6	17.9	17.9						
Europe ex-U.K.	6.1	8.6	20.0	22.5						
Pacific ex-Japan	6.1	6.1	22.6	24.7						
Emerging Markets	5.4	5.6	17.4	18.6						
MSCI: Selected Count	ries									
United Kingdom	3.5	4.2	10.2	15.3						
France	8.3	10.9	20.9	22.8						
Germany	5.9	8.5	30.1	32.1						
Japan	17.6	5.8	21.8	8.4						
China	12.8	12.9	22.9	23.1						
India	4.4	0.5	30.0	26.0						
Brazil	4.5	3.6	10.1	0.3						
Russia	0.7	2.5	9.7	14.4						



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

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



Global Economic Growth



Developed Market Country Real GDP Growth



Source: J.P. Morgan Global Economic Research, J.P. Morgan Asset Management. Forecast and aggregate data come from J.P. Morgan Global Economic Research. Data are as of 12/31/12.



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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) Target policy rates are the short-term target interest rates set by central banks. Inflation rates shown represent year-over-year quarterly rates for 3Q12. Real policy rates are short-term target interest rates set by central banks minus year-over-year inflation. Data are as of 12/31/12.



International

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The Importance of Exports

Exports as a % of GDP – 2011

Goods exports only

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

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



Global Manufacturing Wages



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

Chinese wages are those of rural migrant workers as a proxy. *Data begins in 2005 for Vietnam due to availability of data. Data is from 2012 for Mexico, China, and Thailand; 2011 for United States, Vietnam (preliminary), and Indonesia (preliminary); and 2010 for Brazil, Germany, and Japan.



Data as of 12/31/12.

The Impact of Global Consumers



Source: FactSet, Compustat, Russell, J.P. Morgan Global Economics Research, J.P. Morgan Asset Management. Foreign sales as a percentage of total sales is calculated as an unweighted average of individual index constituent companies' reported sales figures and does not capture all index members due to differences in reporting practices.



Data are as of 12/31/12.

European Crisis: Fiscal Challenges

GDP Growth, Debt to GDP and Borrowing Costs 8% Bubble size = 10-year government bond yield 6% ΕM = 10% 4% = 5% -**Real GDP Growth (2011 – 2013)** 0 0 U.S. Germany France Ireland E.U. Italy Spain Portugal Greece -6% -8% 100% 120% 140% 160% 20% 40% 60% 80% 180% Net Debt-to-GDP Ratio (2012 est.)

Example of Fiscal Redistribution in the U.S.



The E.U. Lacks a Similar Fiscal Mechanism



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

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



48 Data are as of 12/31/12.

European Crisis: Sovereign Bond Yields



Source: FactSet, ECB, J.P. Morgan Asset Management. Data are as of 12/31/12.



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Chinese Growth and Economic Policy



Source: (Top left) IMF, J.P. Morgan Asset Management. (Top right) National Bureau of Statistics, J.P. Morgan Economics, J.P. Morgan Asset Management. (Bottom left) IMF, J.P. Morgan Asset Management. (Bottom right) Barclays Capital, Federal Reserve, J.P. Morgan Asset Management. *In 2009, global growth was negligible, while Chinese growth was robust, which resulted in China contributing more than 1200% to global growth. Calculations based on PPP exchange rates and 2012 – 2016 growth forecasts are from the IMF.



International

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Global Equity Valuations – Developed Markets



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

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

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



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MARKET INSIGHTS Global Equity Valuations - Emerging Markets



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

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

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



Emerging Market Equity Composition





MSCI EM Country Index by Sector



Source: MSCI, FactSet, J.P. Morgan Asset Management. "Other" is comprised of Healthcare, Industrials, Telecom, and Utilities sectors. *Mexican Telecom sector accounts for 22% of the country's market capitalization. Values may not sum to 100% due to rounding.

J.P.Morgan Asset Management

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International Economic and Demographic Data

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

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

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

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

Data are as of 12/31/12.



Asset Class Returns

											10-yrs	'03 - '12
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	4Q12	Cum.	Ann.
MSCI EME	REITs	MSCI Eme	REITs	MSCI EME	Barclays Agg	MSCI Eme	REITs	REITs	REITs	MSCI EAFE	MSCI Eme	MSCI EME
56.3%	31.6%	34.5%	35.1%	39.8%	5.2%	79.0%	27.9%	8.3%	19.7%	6.6%	376.0%	16.9%
Russell 2000	MSCI EME	DJUBS Cmdty	MSCI EME	DJ UBS Cmdty	Cash	MSCI EAFE	Russell 2000	Barclays Agg	MSCI EME	MSCI EME	REITS	REITs
47.3%	26.0%	21.4%	32.6%	16.2%	1.8%	32.5%	26.9%	7.8%	18.6%	5.6%	204.6%	11.8%
MSCI EAFE	MSCI EAFE	MSCI EAFE	MSCI EAFE	MSCI EAFE	Market Neutral	REITs	MSCI EME	Market Neutral	MSCI EAFE	REITs	Russell 2000	Russell 2000
39.2%	20.7%	14.0%	26.9%	11.6%	1.1%	28.0%	19.2%	4.5%	17.9%	3.1%	152.8%	9.7%
REITS	Russell 2000	REITs	Russell 2000	Market Neutral	Asset Alloc.	Russell 2000	DJUBS Cmdty	S&P 500	Russell 2000	Russell 2000	MSCI EAFE	MSCI EAFE
37.1%	18.3%	12.2%	18.4%	9.3%	-24.0%	27.2%	16.8%	2.1%	16.3%	1.9%	130.3%	8.7%
S&P 500 28.7%	Asset Alloc.	Asset Alloc. 8 3%	S&P 500 15.8%	Asset Alloc. 7.4%	Russell 2000	S&P 500 26.5%	S&P 500 15.1%	Cash	S&P 500 16.0%	Asset Alloc. 1.3%	Asset Alloc. 117.7%	Asset Alloc. 8.1%
Asent	S&P	Market	Asset	Barclays	DJUBS	Asset	Asset	Asset	Asset	Barclays	S&P	S&P
Alloc.	500	Neutral	Alloc.	Agg	Cmdty	Alloc.	Alloc.	Anoc.	Alloc.	Agg	500	500
25.1%	10.9%	6.1%	15.2%	7.0%	-35.6%	22.2%	12.5%	-0.6%	11.2%	0.2%	98.6%	7.1%
DJ UBS Cmdty	DJ UBS Cmdty	S&P 500	Market Neutral	S&P 500	S&P 500	DJ UBS Cmdty	MSCI EAFE	Russell 2000	Barclays Agg	Cash	Barclays Agg	Barclays Agg
23.9%	9.1%	4.9%	11.2%	5.5%	-37.0%	18.9%	8.2%	-4.2%	4.2%	0.0%	65.8%	5.2%
Market Neutral	Market Neutral	Russell 2000	Cash	Cash	REITs	Barclays Agg	Barclays Agg	MSCI EAFE	Cash	Market Neutral	Market Neutral	Market Neutral
7.1%	6.5%	4.6%	4.8%	4.8%	-37.7%	5.9%	6.5%	- 11.7%	0.1%	0.0%	60.2%	4.8%
Barclays Agg	Barclays Agg	Cash	Barclays Agg	Russell 2000	MSCI EAFE	Market Neutral	Cash	DJ UBS Cmdty	Market Neutral	S&P 500	DJ UBS Cmdty	DJ UBS Cmdty
4.1%	4.3%	3.0%	4.3%	- 1.6%	-43.1%	4.1%	0.1%	- 13.3%	0.0%	-0.4%	49.3%	4.1%
Cash	Cash	Barclays Agg	DJUBS Cmdty	REITs	MSCI EME	Cash	Market Neutral	MSCI EME	DJ UBS Cmdty	DJ UBS Cmdty	Cash	Cash
1.0%	1.2%	2.4%	2.1%	- 15.7%	- 53.2%	0.1%	-0.8%	- 18.2%	- 1.1%	- 6.3%	18.2%	1.7%

Source: Russell, MSCI, Dow Jones, Standard & Poor's, Credit Suisse, Barclays Capital, NAREIT, FactSet, J.P. Morgan Asset Management. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EMI, 25% in the Barclays Capital Aggregate, 5% in the Barclays 1-3m Treasury, 5% in the CS/Tremont Equity Market Neutral Index, 5% in the DJ UBS Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. All data represents total return for stated period. Past performance is not indicative of future returns. Data are as of 12/31/12, except for the CS/Tremont Equity Market Neutral Index, which reflects data through 11/30/12. "10-yrs" returns represent period of 1/1/03 – 12/31/12 showing both cumulative (Cum.) and annualized (Ann.) over the period. Please see disclosure page at end for index definitions. *Market Neutral returns include estimates found in disclosures. Data are as of 12/31/12.



Correlations: 10-Years

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

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

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

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



This chart is for illustrative purposes only.

Data as of 12/31/12

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Mutual Fund Flows

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

Cumulative Flows into Stock & Bond Funds

Difference Between Flows Into Stock and Bond Funds



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

Data include flows through November 2012 and exclude ETFs. ICI data are subject to periodic revisions. World equity flows are inclusive of emerging market, global equity and regional equity flows. Hybrid flows include asset allocation, balanced fund, flexible portfolio and mixed income flows. Data are as of 12/31/12.



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Dividend Income: Domestic and Global



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

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Global Commodities



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

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

Data are as of 12/31/12.

Oil Demand: Emerging Markets Share





Commodity Prices and Inflation



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





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



Asset Class

MARKET INSIGHTS Historical Returns by Holding Period

Range of Stock, Bond and Blended Total Returns

Annual total returns, 1950 – 2012



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

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



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Diversification and the Average Investor





(Top) Indexes and weights of the traditional portfolio are as follows: U.S. stocks: 55% S&P 500, U.S. bonds: 30% Barclays Capital Aggregate. International stocks: 15% MSCI EAFE. Portfolio with 25% in alternatives is as follows: U.S. stocks: 22.2% S&P 500, 8.8% Russell 2000; International Stocks: 4.4% MSCI EM, 13.2% MSCI EAFE; U.S. Bonds: 26.5% Barclays Capital Aggregate: Alternatives: 8.3% CS/Tremont Equity Market Neutral, 8.3% DJ/UBS Commodities, 8.3% NAREIT Equity REIT Index. Return and standard deviation calculated using Morningstar Direct. Charts are shown for illustrative purposes only. Past returns are no guarantee of future results. Diversification does not guarantee investment returns and does not eliminate risk of loss. Data are as of 12/31/12

(Bottom) Indexes used are as follows: REITS: NAREIT Equity REIT Index, EAFE: MSCI EAFE, Oil: WTI Index, Bonds: Barclays Capital U.S. Aggregate Index, Homes: median sale price of existing single-family homes, Gold: USD/troy oz, Inflation: CPI. Average asset allocation investor return is based on an analysis by Dalbar Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Returns are annualized (and total return where applicable) and represent the 20-year period ending 12/31/11 to match Dalbar's most recent analysis.



MARKET

INSIGHTS

MARKET Annual Returns and Intra-year Declines

S&P 500 Intra-year Declines vs. Calendar Year Returns Despite average intra-year drops of 14.7%, annual returns positive in 25 of 33 years 40% 34 31 30% 27 26 26 27 26 26 23 20 20 20% 17 15 15 14 13 13 12 10% -10 -10 -13 -23 -38 % -10% . . -9 -10 -10 -11 -13 -14 -20% -17 -17 -17 -18 -19 -19 -20 • -30% -28 -30 -34 -34 -40% -50% -49 -60% '80 '82 '86 '92 '98 '06 '08 '10 '12 '84 '88 '90 '94 '96 '00' '02 '04

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

Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2012. Data are as of 12/31/12.



Cash Accounts



Source: Federal Reserve, St. Louis Fed, Bankrate.com, J.P. Morgan Asset Management.

All cash measures obtained from the Federal Reserve are seasonally adjusted monthly numbers. All numbers are in billions of U.S. dollars.

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

Past performance is not indicative of comparable future results.

Data are as of 12/31/12.

J.P.Morgan Asset Management

MARKET Corporate DB Plans and Endowments





9%

8 to

8.5%

Return Assumption

8.5 to

9%

9 to

9.5%

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



7%

> 10%

20%

9.5 to

10%

MARKET
INSIGHTSThe Dow Jones Industrial Average Since 1900



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

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

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

Data are as of 12/31/12.



J.P. Morgan Asset Management - Index Definitions

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

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

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

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

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

The **Russell 1000 Growth Index** (a) 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 priceto-book ratios and lower forecasted growth values.

The $Russell \, Midcap \, Index \, \ensuremath{\mathbb{R}}$ measures the performance of the 800 smallest companies in the Russell 1000 Index.

The **Russell Midcap Growth Index** (a) 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** (a) 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 priceto-book ratios and lower forecasted growth values.

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

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

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

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

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



J.P. Morgan Asset Management - Index Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

Past performance is no guarantee of comparable future results.

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

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

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

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

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

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

Investments in commodities may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Use of leveraged commodity-linked derivatives creates an opportunity for increased return but, at the same time, creates the possibility for greater loss. Derivatives may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions than other types of investments and could result in losses that significantly exceed the original investment. The use of derivatives may not be successful, resulting in investment losses, and the cost of such strategies may reduce investment returns.

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

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

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

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

The views expressed are those of J.P. Morgan Asset Management. They are subject to change at any time. These views do not necessarily reflect the opinions of any other firm.

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J.P.Morgan Asset Management

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JP-LITTLEBOOK