The Managed Reserves Strategy

Inside Investments for Global Liquidity

June 30, 2019

What is Managed Reserves?

For liquidity investors looking to move beyond money market funds in search of higher yields/returns, and for those investors positioning to lower volatility in the later stages of economic expansion, the J.P. Morgan Managed Reserves Strategy provides a compelling cash management strategy. It seeks to provide incremental returns above those of money market funds, while retaining a focus on preservation of principal and liquidity.1 The Managed Reserves Strategy, which benefits from best practices of our J.P. Morgan money market mutual funds, is highly customizable and can be tailored to meet individual client risk tolerances and needs. All securities purchased must be on an approved for purchase list that the credit analyst team creates. This is a best practice from our money market funds business that has also been implemented in this strategy.

Product features

- **AUM:** USD 83.1 bn as of June 30, 2019
- **Typical maximum portfolio duration:** 1 year
- **Typical maximum maturity for individual securities:** 3 years
- **Typical benchmark:** BofA Merrill Lynch 3-month Treasury Bill Index

Product characteristics	Portfolio[2]	Benchmark[3]
Duration	0.51 years	0.24 years
Yield	2.42%	2.11%
Credit Quality	A+	A-1+

Typical investments

- Certificates of deposits
- Commercial paper/ABCP
- Treasuries
- Time deposits
- Agencies
- Corporates
- Supranationals/sovereigns
- Municipals
- Repurchase agreements
- Asset backed securities

[1] The manager seeks to achieve the stated objective. There can be no guarantee it can be met.

[2] The characteristics are from a representative portfolio. Actual portfolio may differ. Allocation percentages and/or underlying funds are subject to change without notice.

[3] BofA Merrill Lynch 3-month Treasury Bill Index.

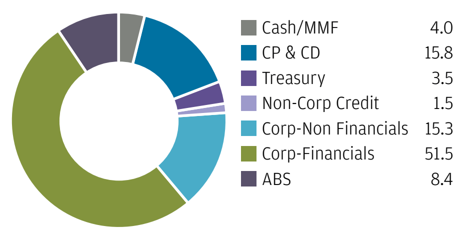
[4] Composite Performance results are gross of investment management fees. The deduction of an advisory fee reduces an investor's return. Actual account performance will vary depending on individual portfolio security selection and the applicable fee schedule. Past performance is not a guarantee of comparable future results. Total return includes the reinvestment of income. Fees are described in Part II of the Advisor's ADV, which is available upon request. All data as of June 30, 2019.

PORTFOLIO MANAGEMENT

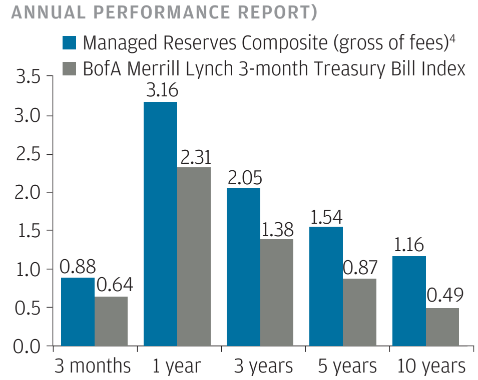
DAVID N. MARTUCCI
Managing Director

David is the lead portfolio manager of the J.P. Morgan Managed Reserves Strategy; however, all portfolios are managed on a team basis. David's team of portfolio managers has more than 20 years of industry experience with an average of 17 years at the firm.

PORTFOLIO COMPOSITION (MARKET VALUE %)[2]



PERFORMANCE RESULTS (%) (SUPPLEMENTAL TO ANNUAL PERFORMANCE REPORT)



Performance over one year is annualized.

J.P.Morgan Asset Management

Conservative management

The Managed Reserves Strategy is a conservatively managed, short-term, low volatility strategy. A slightly longer strategy than a typical money market fund, portfolios invested in the Managed Reserves Strategy generally have an average duration of one year or less, with individual securities maturing in three years or less. Because diversification reduces risk, a typical portfolio will include bonds from as many of the security types listed on the previous page as permitted in client guidelines. This helps to insulate the portfolio if markets become illiquid and allows us to be nimble and take advantage of opportunities in the market. Portfolios typically also have an allocation to floating rate notes (FRNs) in addition to fixed rate securities. That allocation will vary depending on market conditions and our outlook on interest rates.

Active management helps mitigate volatility in a late cycle environment

The U.S. is in its 10th year of expansion and economic/market signals suggest an increasing likelihood of recession. By definition, uncertainty can cause volatility, with interest rates moving in fits and starts. We employ a disciplined approach to active management that is driven by fundamental research and focuses on duration, sector allocation and security selection decisions. The management of duration and yield curve exposure reflects our expectations of future interest rate levels. We have full flexibility in our ability to adjust duration positioning. If we anticipate that rates will rise, we may shorten the duration of our portfolios and lengthen duration when we expect rates to fall. We may also increase or decrease our allocation to FRNs, which will benefit the portfolio depending on our expectation of where FRN coupons will reset.

Our objective is to consistently perform well over a market cycle as measured by total return. We seek to capture relative value on both a sector and a security level. We may sell securities to reduce risk, whether for duration reduction purposes or because fundamental credit analysis determined that a particular credit has deteriorated. However, because the Managed Reserves Strategy has a portion of the portfolio in maturities laddered out to one year, we don't necessarily have to realize losses in the portfolio. This is unlike longer-term portfolios, which typically have very few securities maturing within one year. Additionally, if a client needs to withdraw cash, shorter maturities can help to minimize the potential for realized losses if securities need to be sold.

As part of the investment process, the portfolio management team utilizes scenario analysis tools to evaluate security and portfolio performance in different environments. This helps determine optimal portfolio positioning on the yield curve and across sectors.

Performance during periods of falling rates

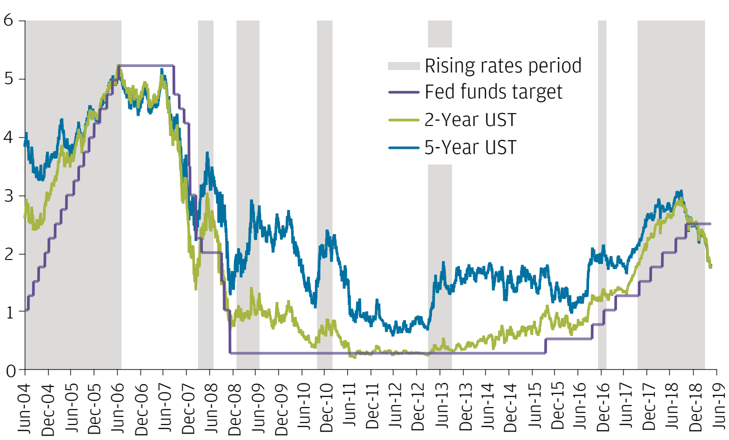
With a 15-year track record, the Managed Reserves Strategy has performed well through different market cycles. **EXHIBIT 1** shows you rising rates period (shaded) as well as non rising rates periods (unshaded) from the Managed Reserves Strategy's inception to present day.

With a maximum permissible duration position of one year and a rigid framework around credit risk management, the strategy has proven to provide returns in excess of those of a typical money market fund.

As seen in **EXHIBIT 2-A,** during periods in which interest rates were falling, longer-duration strategies outperformed more dramatically. The Managed Reserves Strategy, which has had an average duration ranging from 0.20 to 0.70 year, performed well in all falling rate periods. It delivered positive returns above those of the ICE BAML 3-month Treasury Bill Index, which is a lower-yielding, all-Treasury index that has a duration of about 0.25 year and is typically used as a proxy for a money market fund.

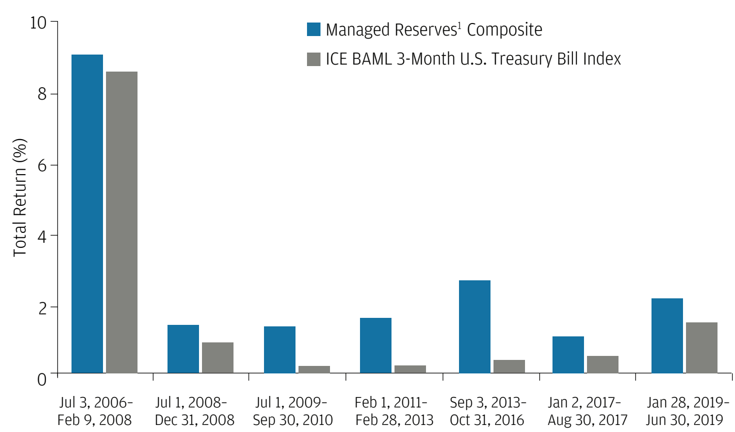
While the Managed Reserves Strategy's total returns were positive during all of the periods shown in Exhibit 2-A, the Strategy is not without risks. It has exhibited attractive historical returns with low volatility, but has also had negative monthly returns approximately 3.31% of the time since its inception in June 2004. However, because of the short-term nature and structure of

EXHIBIT 1: RISING RATE PERIODS SINCE THE MANAGED RESERVES STRATEGY'S INCEPTION



Source: Bloomberg, J.P. Morgan Asset Management; data as of June 30, 2019.
Past performance is no guarantee of comparable future results.
For illustrative purposes only.

EXHIBIT 2A: TOTAL CUMULATIVE RETURNS OF SELECTED INDICES AND THE MANAGED RESERVES STRATEGY DURING NON RISING RATE PERIODS



Source: Bloomberg, Barclays Capital, J.P. Morgan Asset Management; data as of June 30, 2019. **Past performance is no guarantee of comparable future results.** Returns include the reinvestment of income. [1]Performance results are gross of investment management fees.

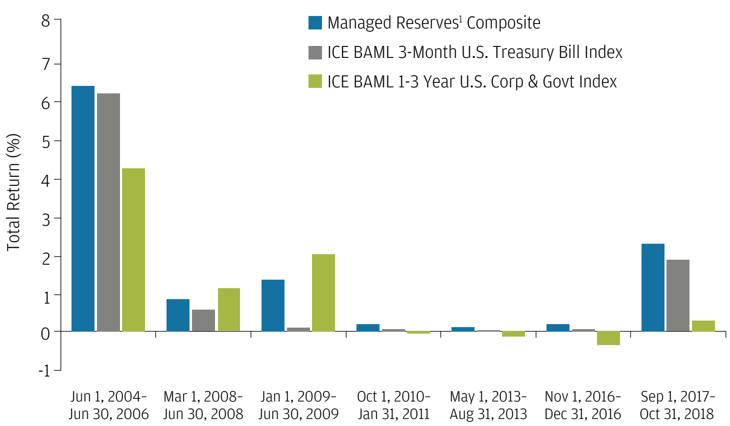
the strategy, the magnitude of those negative returns has been relatively small, as seen in **EXHIBIT 3.** Over time, longer-term strategies typically provide higher returns than shorter-term strategies, though the volatility of those returns is typically greater over shorter time periods.

Performance during periods of rising rates

Shorter duration strategies tend to outperform during periods of rising rates. Moreover, higher-yielding strategies outperform lower-yielding strategies with similar durations, as they provide an additional income cushion to compensate for the negative price movement.

As seen in **EXHIBIT 2-B**, during periods in which interest rates increased sharply and quickly, longer-duration strategies underperformed more dramatically. The Managed Reserves Strategy performed well in all five rising rate periods. It delivered positive returns during periods when negative returns were posted by short duration strategies, such as the ICE BAML 1-3 Year U.S. Corporate & Government Index, which has an average duration of approximately two years. The Managed Reserves Strategy also outperformed the ICE BAML 3-month U.S. Treasury Bill Index. Again, the strategy has had negative monthly returns approximately 3.31% of the time since its inception in June 2004. However, because of the short-term nature and structure of the strategy, the magnitude of those negative returns has been relatively small, as seen in **EXHIBIT 3.**

EXHIBIT 2B: TOTAL CUMULATIVE RETURNS OF SELECTED INDICES AND THE MANAGED RESERVES STRATEGY DURING PERIODS OF RISING RATES



Source: Bloomberg, Barclays Capital, J.P. Morgan Asset Management; data as of June 30, 2019. **Past performance is no guarantee of comparable future results.** Returns include the reinvestment of income. [1]Performance results are gross of investment management fees.

EXHIBIT 3: MANAGED RESERVES STRATEGY: HISTORICAL RISK/RETURN PROFILE FROM INCEPTION (JUNE 2004) THROUGH JUNE 30, 2019

EXHIBIT 3A: TOTAL ANNUALIZED RATE OF RETURN[1] (PERCENTAGE—GROSS OF FEES) SUPPLEMENTAL TO ANNUAL PERFORMANCE REPORT

1 year	3.16
3 years	2.05
5 years	1.54
10 years	1.16
Standard deviation	0.26

EXHIBIT 3B: FREQUENCY OF NEGATIVE RETURNS (ROLLING PERCENTAGE)

1 month	3.31
3 months	0.00
1 year	0.00
Avg 1m negative return	(0.03)
Avg 3m negative return	-
Avg 1y negative return	-

EXHIBIT 3C: COMPOSITE RETURNS (ROLLING PERCENTAGE)[2]

Period	Worst	Average	Best
3 months	0.04	0.50	1.51
6 months	0.20	1.00	2.92
1 year	0.51	2.00	5.64
2 years	0.58	1.95	5.39
3 years	0.61	1.86	4.74
5 years	0.66	1.65	3.80
10 years	1.10	1.63	2.27

Source: J.P. Morgan Asset Management; data as of June 30, 2019. Past performance is no guarantee of comparable future results. Returns include the reinvestment of income.

[1]Performance results are gross of investment management fees. The deduction of an advisory fee reduces an investor's return. Actual account performance will vary depending on individual portfolio security selection and the applicable fee schedule. Total rate of returns net of the maximum advisory fee of 20 bps on an investment of at least $50 million is the following: 2.96% for 1 year, 1.85% for 3 years, 1.34% for 5 years, and 0.96% for 10 years.[2] Annualized standard deviation of monthly returns for the past 10 years. Returns are annualized for periods of 1 year or more. The returns for 3 months and 6 months are cumulative.

Proven track record across market cycles

The Managed Reserves Strategy has delivered on all of its objectives through various market cycles. It has a proven 15-year track record of providing incremental returns above those of money market funds, with slightly greater risk, while keeping volatility of principal low and retaining a focus on liquidity and preservation of principal. In a rising rate environment, the Managed Reserves Strategy can be especially effective, offering a lower volatility of principal and more stable returns than those of a longer-term short duration strategy.

AVAILABLE VEHICLES FOR INVESTORS OUTSIDE OF THE U.S.

Vehicle	Fund name	AUM (USD)[1]	Inception date
Luxembourg Domiciled Fund	JPMorgan Managed Reserves Fund	4.65 bn	June 2010
Separately Managed Account[2]	Custom to client	57.54 bn	June 2004

[1] Data as of June 30, 2019.
[2] Minimum size: USD 25MM

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Asset Management