

J.P. Morgan Short Duration High Yield Strategy

Separately Managed Account

TOPLINE (2Q 2019)

Strategy ▲ 1.74%	Benchmark ▲ 1.92%
<p>Benchmark: Bloomberg Barclays US High Yield 1-5 Year BB/B Registered Only 2% Capped Index</p>	
<p>Markets Leveraged credit provided positive returns in the second quarter, though in an uneven fashion, with a weak May bookended by a strong April and very strong June. Both high yield and loans have recovered from their poor showings in the liquidity-driven selloff in the fourth quarter of 2018 and provided strong returns year to date. Loans, however, have been weaker relative to high-yield bonds given their lack of intermediate-term rate sensitivity and weaker investor demand. Through the first quarter, high-yield issuers' revenue and cash flow growth slowed year on year; the market had seen a run of nine straight quarters of revenue and EBITDA (earnings before interest, taxes, depreciation and amortization) growth prior to the first quarter. However, credit metrics appear stable across most issuers while both investors and issuers continue to avoid the types of excessive risk that typically coincide with market tops. From current spread levels of 377 basis points (bps), we remain positive on high yield and leveraged loans for the medium term.</p>	
<p>Helped Avoiding pharmaceuticals added to performance as concerns over litigation mounted through June.</p>	
<p>Hurt Conservative positioning in the volatile energy sector detracted from performance in the quarter.</p>	
<p>Outlook Reasonable valuations in high yield coupled with a lack of clear catalysts for a near-term recession translate to good value in high yield for the remainder of 2019.</p>	

Past performance is not indicative of future returns. Performance is shown gross of fees. If fees were included, returns would be lower. Please see following page for additional performance.

STRATEGY OVERVIEW



Designed to provide a high level of income with lower volatility than the broad high yield market

APPROACH

- Invests in a diversified portfolio of high yield (below investment grade) corporate debt securities
- Focuses on higher quality, more liquid issues rated B/BB or better
- Seeks to maintain a duration of 1.5 to 3 years under most market conditions
- Combines bottom-up analysis with top-down insights, actively managing credit profile against market risk

QUARTER IN REVIEW

- The **JPMorgan High Yield Short Duration Strategy** underperformed its benchmark, the Bloomberg Barclays U.S. High Yield Ba/B 1-5 Year Registered Only - 2% Issuer Capped Index, for the quarter ended June 30, 2019.
- June performance set the trend for overall performance during the second quarter. The short-duration strategy realized positive contribution from the technology and aerospace and defense sectors. Security selection with the **Dell/EMC** capital structure generated 3 bps of excess return as the strategy is overweight in the name (2.88% versus 1.09%) and predominantly owns the 2023 EMC notes versus shorter-duration issues in the benchmark. Additional positive contribution came from security selection in the aerospace and defense sector.
- The short-duration strategy does not have an allocation to the pharmaceuticals sector (0.00% versus 2.28%) and this was a positive as it was one of the worst-performing sectors during the month. Names such as **Mallinckrodt Pharmaceutical** and **Horizon Pharma** performed poorly as additional negative headlines on opioid litigation pressured bond prices.
- All sub-sectors of the energy industry detracted from returns during the quarter. The Strategy is market-weight in the energy sector, but holds concentrated positions in higher-quality, natural gas exploration and production companies. Companies, such as **Antero Resources** (0.99% versus 0.67%), **Chesapeake Energy** (0.68% versus 0.27%), **Gulfport Energy** (0.66% versus 0.27%) and **Range Resources** (0.88% versus 0.49%) all underperformed as the price of the underlying commodity fell during the quarter.
- In general, lower-rated credit outperformed relatively call-constrained BB-rated issues during the quarter. The index's higher-quality bias (approximately 28% single-B rated versus 47% for the index) detracted from returns across most sectors and incrementally impacted returns more so than sector or security selection.

LOOKING AHEAD

Despite a range of sources of volatility over the past three months--investor risk appetite, changing rate expectations, trade war fears and slowing growth--we believe that generally good fundamentals across the leveraged credit market will be the ultimate driver of value for investors over the medium term. High yield issuers have experienced a three-year period of improving revenues and cash flow that has pushed leverage lower and improved coverage metrics across most of the market. While the bull market is long in the tooth and we believe that we are in the final stages of the credit cycle, we don't see the type of macroeconomic risks or extreme risk-taking from high-yield issuers that typically immediately precede a major pullback. Certain secularly challenged sectors (retail, wireline telecommunications, and energy) merit a cautious approach grounded in the fundamentals of the sectors' individual issuers, but we see value in high yield and leveraged loans over the medium term stemming from current spread levels and good balance sheets across most sectors and issuers.

PERFORMANCE

YIELD (%)

Yield to maturity (%)	4.52
Yield to worst (%)	4.11

RETURN (%)

	3 MOS	YTD	1 YR	3 YRS	5 YRS	INCEPTION ¹
Strategy (gross of fees)	1.74	6.80	7.02	5.77	3.93	4.73
Strategy (net of max. allowable fees - 150 bps) ²	1.36	6.01	5.44	4.20	2.39	3.17
Benchmark	1.92	7.40	7.11	7.53	4.43	5.83

Benchmark: Bloomberg Barclays US High Yield 1-5 Year BB/B Registered Only 2% Capped Index.

Past performance is not indicative of future returns. Performance includes the reinvestment of any income.

¹Inception date: 4/30/2012

²Please note, actual fees associated with this strategy may be lower.

PORTFOLIO ANALYSIS

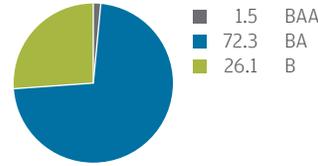
Average price	\$102.50
Average maturity (years)	3.51
OAS	227.62
Average credit quality	BB-
Average coupon (%)	5.28
Average life (years)	2.44

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

The above characteristics are from a representative portfolio. Actual account characteristics of individual accounts may be different. Portfolio characteristics are as of 6/30/2019 and are based on individual securities in the Portfolio on that date. Securities in the Portfolio are subject to change. Statistics shown are not indicative of future statistics and are not representative of future Portfolio performance.

HOLDINGS

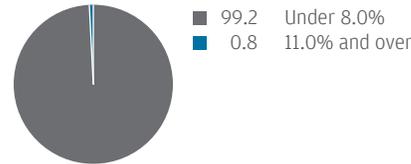
CREDIT QUALITY (%)



EQUITY SECTORS (%)

Sector	Weighting	Compared to benchmark
BASIC INDUSTRY	7.4	1.5
CAPITAL GOODS	8.8	1.4
CONSUMER NON-CYCLICAL	11.3	1.3
INDUSTRIAL OTHER	1.6	0.8
UTILITY	2.7	0.5
TRANSPORTATION	1.3	-0.1
TECHNOLOGY	6.2	-0.2
CONSUMER CYCLICAL	15.5	-0.6
ENERGY	13.3	-1.2
COMMUNICATIONS	18.8	-1.6
FINANCE	13.1	-1.9

YIELD TO MATURITY



GENERAL DISCLOSURES

This document is a general communication being provided for informational purposes only. It is educational in nature and not designed to be a recommendation for any specific investment product, strategy, plan feature or other purpose. Any examples used are generic, hypothetical and for illustration purposes only. Prior to making any investment or financial decisions, an investor should seek individualized advice from a personal financial, legal, tax and other professional advisors that take into account all of the particular facts and circumstances of an investor's own situation.

RISK SUMMARY

The following risks could cause the Strategy's portfolio to lose money or perform more poorly than other investments.

Securities rated below investment grade are considered "high-yield," "non-investment grade," "below investment-grade," or "junk bonds." They generally are rated in the fifth or lower rating categories of Standard & Poor's and Moody's Investors Service. Although they can provide higher yields than higher rated securities, they can carry greater risk.

Investments in derivatives may be riskier than other types of investments. They may be more sensitive to changes in economic or market conditions than other types of investments. Many derivatives create leverage, which could lead to greater volatility and losses that significantly exceed the original investment.

Investments in bonds and other debt securities will change in value based on changes in interest rates. If rates rise, the value of these investments generally drops.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE

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.

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 view and strategies described may not be suitable for all investors.

CREDIT QUALITY

J.P. Morgan Investment Management (JPMIM) receives credit quality ratings on underlying securities of the portfolio from the three major ratings agencies - S&P, Moody's and Fitch. When calculating credit quality breakdown, JPMIM selects the middle rating of the agencies when all three rate a security, the lower of two ratings if only two rate a security, and one rating if that is all that is provided. Securities that are not rated by all three agencies are reflected as such.

PORTFOLIO ANALYSIS DEFINITIONS

Option-adjusted spread (OAS) is the spread relative to a risk-free interest rate, usually measured in basis points, that equates the theoretical present value of a series of

uncertain cash flows of an instrument to its current market price. OAS can be viewed as the compensation an investor receives for assuming a variety of risks (e.g. liquidity premium, default risk, model risk), net of the cost of any embedded options.

Average Life: The length of time the principal of a debt issue is expected to be outstanding.

Duration: Measures price sensitivity of fixed income securities to interest rate changes.

INDEXES

Managed Accounts have fees that reduce their performance; indexes do not. You cannot invest directly in an index.

The High Yield Short Duration Blended Benchmark includes BofA ML 1-5 Yr US Cash Pay HY Constrained Index from 04/30/12 - 07/31/17 and Bloomberg Barclays US HY 2% CCCs 1-5 yrs SEC from 08/01/17 to present.

Past performance is no guarantee of future results.

ENTITIES

J.P. Morgan Asset Management is the brand name for the asset management business of JPMorgan Chase & Co and its affiliates worldwide.

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