J.P. Morgan Upper Tier High Yield Strategy

Separately Managed Account

TOPLINE (2Q 2019)

Strategy	Benchmark
▲ 2.99%	▲ 2.95%

Benchmark: Bloomberg Barclays US High Yield BB Registered Only 2% Capped Index

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.

Helped Positive security selection in the secularly challenged retail sector added to returns.

Hurt A shorter duration bias was negative for performance in the falling-rate environment.

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.

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
- Combines bottom-up analysis with top-down insights, actively managing credit profile against market risk

QUARTER IN REVIEW

The **JPMorgan High Yield Upper Tier Strategy** outperformed the benchmark (gross of fees), the Bloomberg Barclays US High Yield Ba 2% Issuer Capped Registered Only Index, for the quarter ended June 30, 2019.

The Strategy realized positive contribution from the banking sectors during the second quarter. The banking sector underperformed the broader market and the Strategy is significantly underweight the sector. Within banking, the longer-duration preference in the **Ally Financial** capital structure also contributed to returns. We continue to believe the name will be upgraded to investment grade in the near term and expect the greatest amount of spread compression in the long end.

The retail sector underperformed the overall market as traditional brick-and-mortar apparel stores continue to struggle. Within the retail sector, our preference for auto retailers, including **Penske,** outperformed other traditional retail names held in the benchmark. The Strategy has been underweight in the sector for quite some time and we continue to view it as secularly challenged and will remain underweight.

At the sector level, independent exploration and production companies, lagged the market as global commodity prices (particularly oil and natural gas) fell. At the issuer level, the Strategy's underweight in **Telecom Italia** detracted from returns as its notes were up more than 10% during the quarter. Fundamentally, the company is facing headwinds and the rise in price was more technical in nature as all of the issues are longer in duration.

The index's shorter duration profile and allocation to single-B rated issues (14.5% at quarter end) detracted slightly from relative returns.

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 (%)	4.82
Yield to worst (%)	4.34

RETURN (%)

	3 MOS	YTD	1 YR	3 YRS	5 YRS	10 YRS
Strategy (gross of fees)	2.99	10.30	9.35	6.32	5.09	8.33
Strategy (net of max. allowable fees - 150 bps)	2.61	9.49	7.73	4.75	3.53	6.73
Benchmark	2.95	10.30	9.20	6.63	5.15	8.73

Benchmark: Bloomberg Barclays US High Yield BB Registered Only 2% Capped Index.

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

PORTFOLIO ANALYSIS

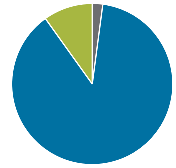
Average price	$103.32
Average maturity (years)	5.95
OAS	249.87
Average credit quality	BB
Average coupon (%)	5.48
Average life (years)	4.29

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 (%)

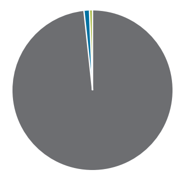


2.1	BAA
88.1	BA
9.9	B

EQUITY SECTORS (%)

Sector	Weighting	Compared to benchmark
Consumer Non-cyclical	8.0	2.5
Communications	15.8	2.1
Utility	5.3	2.0
Technology	10.1	1.2
Basic Industry	8.4	1.2
Industrial Other	2.2	1.1
Capital Goods	7.6	0.8
Transportation	1.0	0.4
Energy	13.6	-1.4
Consumer Cyclical	15.7	-2.3
Finance	12.3	-7.6

YIELD TO MATURITY



98.2	Under 8.0%
1.1	8.0%-8.9%
0.6	11.0% and over

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 Upper Tier Blended Benchmark includes Bloomberg Barclays US High Yield Ba 2 Issuer Cap B/M from 05/31/02 - 08/31/17 and Bloomberg Barclays US HY Ba 2% Sec from 09/01/17 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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