J.P. Morgan Municipal Ladder 1-5 year Strategy

Separately Managed Account

FORMERLY J.P. Morgan Municipal STEPs (1-5 year) Strategy

TOPLINE (2Q 2019)

Strategy	Benchmark
▲ 1.06%	▲ 1.23%

Benchmark: Bloomberg Barclays US 1-5 Yr Blend (1-6) Muni Bond Index

Markets Risk assets and U.S. government securities rallied in the second quarter amid sub-trend global growth, ongoing trade tensions and a dovish shift from the Federal Reserve (Fed). The S&P 500 Index returned 4.3% over the quarter and a strong 18.5% for the first half. High yield, emerging market debt and investment-grade credit are still the best performers so far this year. Treasury yields plunged to levels not seen since 2017 across all but the 30-year portion of the Treasury curve; muni yields declined across the curve in sympathy, but not lock-step with Treasuries.

Helped The municipal market has benefited from strong supply/demand dynamics, and is further supported by solid credit fundamentals.

Hurt As is typical in strong Treasury rallies, municipals were unable to keep pace. Tax-exempts underperformed Treasuries in the short and intermediate part of the curve by about 20 basis points (bps).

Outlook U.S. gross domestic product grew 3.1% in the first quarter, but is anticipated to slow to 1.5% - 2% in the second. We anticipate three cuts this year and for the federal funds rate to end the year at 1.50%-1.75%. Ten-year Treasury yields should range between 1.75% and 2.25%.

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 interest income free from federal taxes and preserve capital in different market environments.

APPROACH

- Invests in a diversified, laddered portfolio of investment-grade municipal bonds with a focus on 1-5 year maturities.
- Initial target duration of 2.5-3 years.
- Employs a combination of top-down macro analysis and bottom-up individual security selection utilizing both quantitative analysis and fundamental credit research.

QUARTER IN REVIEW

- U.S.-China trade negotiations took an unexpected turn for the worse in early May when the Trump Administration abruptly raised tariffs on $200 billion of Chinese imports from 10% to 25%, and announced its intention to expand the 25% tariffs to the remaining $300 billion of imports from China.
- The Fed kept rates unchanged at 2.25%-2.50% at its June Federal Open Market Committee (FOMC) meeting - a widely anticipated move - but the decision in aggregate was dovish. The committee highlighted recent headwinds, including rising trade uncertainty combined with muted inflation and softer global growth as reasons to closely monitor data in the second half of the year, and indicated that the FOMC would act as necessary to sustain the expansion. Chairman Jerome Powell also suggested that the case for easing policy had strengthened. Market participants are now pricing in a 100% probability of a rate cut as soon as the July meeting.
- Municipal performance has been strong year to date. In the second quarter, municipal rates declined about 25 bps across the curve compared to a 40-bp drop in Treasuries. The municipal curve flattened this year; the curve began the year 72 bps steeper than the Treasury curve and ended the quarter 29 bps steeper, as strong demand and moderate supply helped push long yields down.
- In June, issuance was $33. 2 billion, bringing total supply for the year to $167 billion. Issuance for the month and year to date is about flat versus 2018.
- There have been 25 weeks of continuous inflows into mutual bond funds – one of, if not *the* strongest starts to any reported year, with $43.8 billion of net flows. This reflects the strong demand for municipals spurred by tax reform as well as the desire for investors to diversify portfolios, given where we are in the economic cycle and the strong move up in equities and other risk assets.

LOOKING AHEAD

- Municipals should continue to build on a solid 2018 providing strong risk- and tax-adjusted returns due to their attractiveness to taxpayers. For 2019, we expect issuance to range from $325-$350 billion. Tax reform was a driving force of the market in 2018, we believe it will continue to shape the market in 2019. We expect continued solid retail demand with strong flows into separately managed accounts as the migration from individual bonds into managed solutions continues.
- Credit fundamentals are expected to remain stable as broad-based economic growth is believed to continue, supporting credit quality across municipal sectors. Defaults and bankruptcies remained below 1% with only four Chapter 9 bankruptcy filings in 2018 and one in 2019 (as of March 31). Negative headwinds from federal policies are still a risk; pensions and other post-employment benefits remain notable credit considerations.

PERFORMANCE

YIELD (%)

Yield to maturity (%)	1.33
Yield to worst (%)	1.33

RETURN (%)

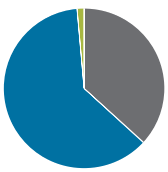
	1 MO	3 MOS	YTD	1 YR	3 YRS
Strategy (gross of fees)	0.41	1.06	2.35	3.38	1.50
Strategy (net of max. allowable fees - 150 bps)	0.29	0.68	1.58	1.84	-0.01
Benchmark	0.46	1.23	2.74	3.86	1.62

Benchmark: Bloomberg Barclays US 1-5 Yr Blend (1-6) Muni Bond Index.

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

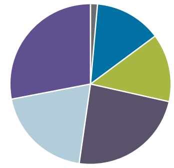
HOLDINGS

CREDIT QUALITY (%)



36.8	AAA
61.8	AA
1.4	Cash

MATURITY (%)



1.4	Cash/cash equivalent
13.4	Years 0-1
13.7	Years 1-2
23.7	Years 2-3
19.7	Years 3-4
28.0	Years 4-6

PORTFOLIO ANALYSIS

Average price	$109.69
Average maturity (years)	2.87
Effective (OA) duration (years)	2.65
Average credit quality	AA
Average coupon (%)	4.78
Average life (years)	2.87
% AMT	0.00
Turnover range	5-25%
Average number of holdings[2]	15-25

[2]Number of positions may vary by account size and parameters.

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.

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

Because this Strategy invests primarily in bonds, it is subject to interest rate risks. Bond prices generally fall when interest rates rise.

For some investors, income may be subject to the Alternative Minimum Tax. Capital gains, if any, are federally taxable. Income may be subject to state and local taxes.

Managed accounts are subject to market risks. Investment return and principal value will fluctuate so that when an account is liquidated, it may be worth more or less than the original value.

The securities highlighted have been selected based on their significance. They are not recommendation to buy or sell. Contact your financial professional for a complete list of firm recommendations in the Portfolio for the last year or to assist you in evaluating your investment objective, and to make specific recommendations regarding your account. Representative portfolios and/or individual accounts may, or may not, hold the stocks mentioned above. Actual accounts will differ based on individual client account restrictions, investment guidelines, and account inception dates.

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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

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.

The average annual turnover for the Municipal STEPs Strategies has ranged from 5% to 25%, dependent on the maturity structure. Shorter ladders will have higher turnover.

INDEXES

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

The Bloomberg Barclays U.S. 1-5 Year Blend (1-6) Municipal Bond Index is an unmanaged index of investment grade tax-exempt municipal bonds with maturities of 1-5.999 years.

Past performance is no guarantee of future results.

ENTITIES

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