J.P. Morgan Global Bank Opportunities Strategy

Separately Managed Account

TOPLINE (2Q 2019)

Strategy	Benchmark
▲ 5.52%	▲ 5.47%

Benchmark: KBW Bank Index

Markets Bank stocks were volatile during the quarter after the Federal Reserve (Fed) indicated potential future rate cuts.

Helped An overweight to **KeyCorp** benefited results as the stock outperformed given an improved outlook for its capital markets business following a weak first quarter, relatively neutral rate positioning and commitment to expense management.

Hurt An overweight to **Comerica** detracted as the stock underperformed due to lowering 2019 net interest income (NII) guidance at its first-quarter earnings release, coupled with the announcement of a CEO change, raising concerns about whether the company may be involved in consolidation.

Outlook While the outlook for rates is more uncertain, we continue to expect dividend payout ratios to increase, greater merger-and-acquisition activity and further deregulation.

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 deliver capital appreciation and income growth by investing in equity securities of banks principally with rising dividend payout ratios and high exposure to rising short-term rates.

APPROACH

- Invests in developed market, predominantly large cap, U.S.-listed bank equity securities, including American Depository Receipts (ADRs)
- Expects to invest in 15-30 stocks
- Employs proprietary analysis and disciplined reviews on hundreds of companies to identify new investments and evaluate existing investments

QUARTER IN REVIEW

- **The Global Bank Opportunities** Strategy outperformed the benchmark, the KBW Bank Index, for the quarter ended June 28, 2019.
- **Contributor 1:** An overweight to **KeyCorp** (15.6% portfolio weighting) benefited the Strategy as the stock outperformed given an improved outlook for its capital markets business following a weak first-quarter, relatively neutral rate positioning and commitment to expense management.
- **Contributor 2:** An underweight to **BNY Mellon** (0.0% portfolio weighting) also helped results as the stock underperformed due to lowering its net interest revenue outlook at its first-quarter earnings release coupled with continued fee pressure.
- **Detractor 1:** An overweight to **Comerica** (15.3% portfolio weighting) detracted from results as the stock underperformed due to lowering 2019 NII guidance at its first-quarter earnings release coupled with the announcement of a CEO change, raising concerns about whether the company may be involved in consolidation.
- **Detractor 2:** An underweight to **Citigroup** (6.3% portfolio weighting) also weighed on results as the stock outperformed due to positive macroeconomic developments.

LOOKING AHEAD

- Our main bullish thesis on banks has not changed. All four catalysts – higher rates at present, higher dividend payouts, more mergers and acquisitions and de-regulation – are playing out as expected.
- With tax reform now passed and the deregulatory cycle set in motion, we expect increased bifurcation between the winners and losers, providing ample investment opportunities. Our strategy is to probability-weight potential economic and regulatory changes, incorporate them into 2019 and 2020 estimates and compare that to current market levels.
- In early December 2017, Basel IV was announced, which "completes the global reform of the regulatory framework," according to European Central Bank President Mario Draghi. With a muted impact and a long time horizon for implementation, we now expect international banks to focus more on return of capital and mergers and acquisitions. With U.S. rates significantly higher than many other major developed market economies, we think central banks globally are getting closer to re-thinking the need for negative rates, which could be a significant tailwind for valuations.
- In terms of key risks, we are closely monitoring for higher deposit betas as rates continue to move higher, any signs of credit deterioration as well as the impact of cyber issues from a security an expense standpoint.

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Asset Management

HOLDINGS

TOP 10 (%)

KeyCorp	15.6
Goldman Sachs Group Inc/The	15.4
Comerica Inc	15.3
Morgan Stanley	7.8
Citigroup Inc	6.3
BB&T Corp	6.0
Synovus Financial Corp	5.8
Citizens Financial Group Inc	5.3
Bank of America Corp	3.8
First Interstate BancSystem Inc	2.9

EQUITY SECTORS (%)

Sector	Weighting	Compared to benchmark
Regional Banks	60.7	4.8
Cash	3.7	3.7
Money Centers/IBs	34.4	1.8
European Banks	1.3	1.3
Asian Banks	0.0	0.0
Canadian Banks	0.0	0.0
Trust Banks	0.0	-11.6

RETURN (%)

	3 MOS	YTD	1 YR	3 YRS	5 YRS	INCEPTION[1]
Strategy (gross of fees)	5.52	14.28	-10.12	N/A	N/A	-11.56
Strategy (net of max. allowable fees - 300 bps)	4.74	12.61	-12.81	N/A	N/A	-14.21
Benchmark	5.47	15.89	-3.02	N/A	N/A	-4.68

Benchmark: KBW Bank Index.

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

[1]Inception date: 4/30/2018

PORTFOLIO ANALYSIS

Number of holdings	21
Median market capitalization	$11.2bn
Dividend yield	2.8%
P/TBV ratio	1.41

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

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

The prices of equity securities are sensitive to a wide range of factors, from economic to company-specific news, and can fluctuate rapidly and unpredictably, causing an investment to decrease in value.

Management risk is the risk that an investment may not achieve its objective if the adviser's expectations regarding particular securities or markets are not met.

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

Because the portfolio is concentrated in the financial services industry, it is subject to risks in addition to those that apply to the general equity market. Economic, legislative or regulatory developments may occur which significantly affect the entire sector. This may cause the portfolio's net asset value to fluctuate more than that of a portfolio that does not concentrate in a particular industry

Investments in small cap and mid cap companies may be riskier than investments in larger, more established companies. The securities of these companies may trade less frequently and in smaller volumes than securities of larger companies. In addition, small cap and mid cap companies may be more vulnerable to economic, market and industry changes. As a result, share price changes may be more sudden or erratic than the prices of other equity securities, especially over the short term. Because smaller companies may have limited product lines, markets or financial resources or may depend on a few key employees, they may be more susceptible to particular economic events or competitive factors than large capitalization companies.

PORTFOLIO ANALYSIS DEFINITIONS

P/TBV ratio is a valuation ratio expressing the price of a security compared to its hard, or tangible, book value.

Dividend yield is a ratio that shows how much a company pays out in dividends each year relative to its share prices. In the absence of any capital gains, the dividend yield is the return on investment for a stock.

INDEXES

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

The KBW Bank Index is designed to track the performance of the leading banks and thrifts that are publicly-traded in the U.S. The Index includes 24 banking stocks representing the large U.S. national money centers, regional banks and thrift institutions.

Past performance is no guarantee of future results.

TOP HOLDINGS

The top 10 holdings listed reflect only the Strategy's long-term investments. Short-term investments are excluded. Holdings are subject to change. The holdings listed should not be considered recommendations to purchase or sell a particular security. Each individual security is calculated as a percentage of the aggregate market value of the securities held in the Strategy and does not include the use of derivative positions, where applicable.

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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