

J.P. Morgan Focused European Multinationals Onshore Strategy

Separately Managed Account

TOPLINE (2Q 2019)

Strategy ▲ 3.24%	Benchmark ▲ 4.48%
Benchmark: MSCI Europe (\$) Net TR Index	
<p>Markets In the second quarter of 2019, European markets hit new highs for the year. The picture of economic growth was very mixed. Manufacturing remains under pressure, with manufacturing purchasing managers indexes (PMIs) in Europe remaining below 50, and PMIs elsewhere continuing to correct lower - even in the U.S. Services, on the other hand, held up rather better, buoyed by continued job creation around the world and by moderate inflation, which means rising real incomes.</p>	
<p>Helped Stock selection in the financials and energy sectors aided returns.</p>	
<p>Hurt Stock selection in the consumer staples and industrials sectors detracted from performance.</p>	
<p>Outlook Economic growth and inflation remain positive but below trend and, combined with high geopolitical risk and the very nature of being later in the economic cycle, earnings expectations have lowered going forward.</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 long-term capital appreciation primarily from a portfolio of European equity securities.

APPROACH

- Invests in a concentrated - but diversified - equity portfolio focusing on 20-30 predominantly high-quality European multinational companies whose shares are listed in the US
- Seeks to deliver total returns greater than the MSCI Daily TR Net Europe USD Index
- Employs a fundamental stock selection process focusing on high-quality companies with visible growth potential, a sound balance sheet, a high level of free cash flow generation and strong management

QUARTER IN REVIEW

- **The J.P. Morgan Focused European Multinational Strategy** underperformed the benchmark, the MSCI Europe (\$) Net TR Index, for the quarter ended June 30, 2019.
- At the stock level, not holding **British American Tobacco** (United Kingdom, consumer staples), the U.K.-listed multinational tobacco company, contributed to performance in the quarter as the stock underperformed in an increasingly competitive environment. A key rival, Philip Morris, received a much-anticipated green light from the Food and Drug Administration for its vaping device after years of consideration. Structural industry trends further hampered the share price with a faster-than-expected decline in smoking rates. Our analyst continues to recommend favoring an underweight position due to the ongoing industry and competitive challenges British American Tobacco faces.
- On the negative side, our holding in **Ryanair** (Europe, industrials), the low-cost airline operating in Europe, detracted from performance during the quarter. The company reported a profit downgrade due to decline in airfares, high labor costs and excess capital expenditure. The airline's labor agitation continues to cause flight cancellations, which hamper bookings. In addition, the company is concerned about the Brexit-related impact. These headwinds have compelled Ryanair to issue a bleak outlook for 2020. In the long term, we believe the company has a structural advantage versus its peers, generates a lot of cash and returns this to the shareholder. Therefore, this does not derail the investment case.

LOOKING AHEAD

- For all the gloomy headlines over trade and the erosion of manufacturing confidence, the news on 2019 earnings in Europe remains encouraging, with modest growth still expected this year and next. Inflation is clearly not a threat, and the speech given by European Central Bank (ECB) President Mario Draghi at the ECB's gathering in Portugal aimed to demonstrate that the central bank still has tools at its disposal to provide further stimulus to the economy, although such support is likely to rely more on asset purchases than further cuts to interest rates. Valuation is undemanding and dividend yield looks especially attractive in a world of zero interest rates.
- The unanswered question is how much damage has been done to confidence by tensions over trade, and here the opacity of the negotiating process is not a help. After the strong first half of the year, it would not be a surprise to see markets trading sideways to absorb the recent move, but as long as earnings are forecast to rise and monetary policy to remain accommodative, equities are likely to attract asset allocators.

PERFORMANCE

RETURN (%)

	3 MOS	YTD	1 YR	3 YRS	5 YRS	INCEPTION ¹
Strategy (gross of fees)	3.24	14.89	-0.11	N/A	N/A	7.88
Strategy (net of max. allowable fees - 300 bps)	2.48	13.21	-3.07	N/A	N/A	4.70
Benchmark	4.48	15.80	1.88	N/A	N/A	8.29

Benchmark: MSCI Europe (\$) Net TR Index.

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

¹Inception date: 1/31/2017

PORTFOLIO ANALYSIS

	Portfolio	Benchmark
Market capitalization	\$73.6bn	\$66.4bn
P/B ratio	4.7x	4.0x
Dividend yield	2.9%	3.8%
Earnings growth (5 Year)	8.8%	8.3%
Return on assets	12.5%	6.3%
Return on equity	30.0%	17.5%
Number of holdings	27	431

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.

EQUITY SECTORS (%)

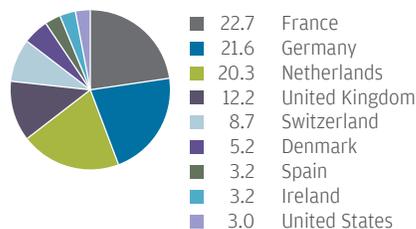
Sector	Weighting	Compared to benchmark
Consumer Discretionary	15.3	5.8
Information Technology	10.4	4.5
Materials	10.9	3.3
Industrials	16.7	3.2
Consumer Staples	15.2	0.7
[Cash]	0.0	0.0
Financials	17.1	-0.8
Utilities	3.2	-0.9
Real Estate	0.0	-1.3
Health Care	11.1	-1.9
Communication Services	0.0	-4.6
Energy	0.0	-7.9

HOLDINGS

TOP 10 (%)

LVMH Moët Hennessy Louis Vuitton SE	5.1
Novo Nordisk A/S	5.1
ING Groep NV	4.6
Prudential plc	4.6
VINCI SA	4.5
Rio Tinto plc	4.2
Unilever NV	4.2
ASML Holding NV	4.1
Munchener Ruckversicherungs-Gesellschaft Aktiengesellschaft	4.0
Royal Ahold Delhaize N.V.	3.8

COUNTRY BREAKDOWN



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.

International investing has a greater degree of risk and increased volatility due to political and economic instability of some overseas markets. Changes in currency exchange rates and different accounting and taxation policies outside the U.S. can affect returns.

PORTFOLIO ANALYSIS DEFINITIONS

P/B ratio is the relationship between a stock's price and the book value of that stock.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE 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.

Earnings growth is a measure of growth in a company's net income over a specific period.

Return on equity (ROE) is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

Return on assets is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings.

INDEXES

The MSCI Europe Index (net of foreign withholding taxes) is a free float-adjusted market capitalization weighted index measuring the equity market performance of the developed markets in Europe. It consists of these 15 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

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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