

JPMorgan Equity Income R6 OIEJX

Best in breed.

Morningstar's Take OIEJX

Morningstar Rating ★★★★★

Morningstar Analyst Rating Gold

Morningstar Pillars

Process	High
Performance	—
People	High
Parent	Above Average
Price	—

Role In Portfolio

Core

Fund Performance

Year	Total Return (%)	+/- Category
YTD	-16.38	2.13
2019	26.60	1.56
2018	-4.24	4.30
2017	17.84	1.90
2016	15.17	0.36

Data through 4-30-20

5-19-20 | by Thomas Lancereau

JPMorgan Equity Income's long-tenured lead manager and lower-risk approach to income investing continue to warrant a Morningstar Analyst Rating of Gold across most of its share classes, except for the pricier C shares, which earn Silver.

Clare Hart has run the strategy since August 2004. In November 2019, she added Andrew Brandon and David Silberman to the management squad. Brandon has worked with Hart as an analyst since 2012, and his promotion is a recognition of his contributions over time. Silberman is a 30-year J.P. Morgan veteran who Hart has known for a long time. Previously head of the equity investment director and corporate governance teams globally, Hart thought Silberman's vast experience in corporate governance would fit well with the strategy's investment philosophy.

Management focuses on companies with attractive dividend yields (at least 2% at purchase), but it places equal attention to low payout ratios to eschew companies that would pay out too much income and might lack cash for future growth. The team sticks to high-quality companies, which it defines as those with durable franchises, a consistent earnings stream to support the payout, high returns on invested capital, conservative financials, and strong management. That preference is illustrated by the proportion of stocks in the portfolio with wide Morningstar Economic Moat Ratings, which at 56% bests the Russell 1000 Value Index's 45%.

Valuation plays a critical role in the approach's long-term success, but because of its bias toward quality, the portfolio typically exhibits higher valuation and stronger cash flow growth and profitability metrics than the index. For instance, Hart trimmed some financial-services and technology stocks on valuation grounds in mid-2018, which paid off during that year's final-quarter sell-off. More recently, long-held wide-moat stocks and strong performance compounders over time, such as CME Group CME and Microsoft MSFT, contributed to relatively good downside protection during 2020's first-quarter coronavirus sell-off.

Process Pillar High | Thomas Lancereau 05/19/2020

This proven, quality-oriented approach to equity income investing earns a High Process rating. It has been consistently executed for more than 15 years with a distinctive focus on high-quality companies that are able to sustain a stable dividend and are trading at reasonable valuations.

The strategy focuses on companies with attractive dividend yields (at least 2% at purchase), but management pays equal attention to low payout ratios as companies paying out too much income might offer great dividend yields today but lack

cash for future growth. As such, management sticks to high-quality companies, which it defines as those with durable franchises, consistent patterns of earnings (so that a company can support its payout even in difficult markets), high return on invested capital, conservative financials, and strong management. Valuation is critical to buy-and-sell decisions; the team considers a variety of metrics such as free cash flow yields and P/E, depending on a particular stock.

The strategy uses the Russell 1000 Value Index as a benchmark, but sectors can range within 10 percentage points of the index's weightings, and individual position size is not constrained versus the index. The portfolio is diversified across 80 to 110 large-cap holdings. The team eyes a long-term investment horizon, resulting in low portfolio turnover and transaction costs.

In keeping with the approach that seeks to secure the dividend rather than maximize it, the fund's dividend yield of 3.6% was lower than the Russell 1000 Value's 3.7% and the typical rival's 4.0% as of March 2020. The portfolio had higher valuations than the average peer and the index, but it also had stronger cash flow growth and a higher net margin and return on equity. The focus on quality was further evident by the proportion of holdings with wide or narrow moats, which, at 86.2% of assets, bested the category average of 79.9% and the benchmark's 75.6%.

That preference for higher-quality companies is visible across long-term top holdings with a wide moat, such as Microsoft and CME. Financials remains the biggest sector preference at 23.5% of assets, above the category average and the index. Exposure to this sector is diversified across diversified banks, stock exchanges, asset managers, regional banks, and specialized and diversified insurers. Healthcare also features highly in portfolio, at roughly 17%, and the team had

added to Bristol-Myers Squibb BMY since July 2019 on attractive relative valuations.

The coronavirus crisis hasn't triggered many changes in this quality portfolio. It was already light in energy names, and after selling Exxon XOM in March 2020, exposure focuses on Chevron CVX and ConocoPhillips COP. The team found a handful of valuation opportunities and bought IBM.

Performance Pillar | Thomas

Lancereau 05/19/2020

The strategy has built a strong risk/reward profile over the long term. Since Clare Hart came on in August 2004 through April 2020, the institutional share class returned an annualized 8.2% versus 6.7% for the Russell 1000 Value Index and 5.8% for the large-value Morningstar Category average.

Over time, the strategy's income has generally stayed above peers, but it has rarely ranked in the top decile. This is largely the result of Hart's investment style as she seeks a sustainable income stream from healthy companies rather than maximizing yield and compromising on quality. That is illustrated by the fund's Below Average Morningstar Risk rating over multiple periods, indicating it has had consistently less downside volatility than peers.

Hart manages to capture much of the market's upside while limiting drawdowns. During her tenure, the fund has an upside-capture ratio relative to its benchmark of 90% and a downside-capture ratio of 79%. Strong results have primarily come from stock selection: Successful long-term picks include Bank of America BAC and Microsoft. The focus on quality stocks has been key in limiting drawdowns. Tellingly, in the first quarter of 2020, stock selection in financials (CME, BlackRock BLK) more than offset the negative impact of being overweight that sector. This feature should logically hold the fund back in a deep-value, cyclical environment.

People Pillar High | Thomas

Lancereau 05/19/2020

The lead manager's long tenure and strong supporting resources earn the strategy a High People rating. Clare Hart has run this strategy since

August 2004, having joined J.P. Morgan in 1999. In November 2019, she added two members to the management squad: Andrew Brandon and David Silberman. Brandon has worked with Hart as an analyst since 2012, and he was promoted a comanager on JPMorgan Growth & Income VGIIIX in February 2019. That portfolio has significant overlap with this one but includes lower-quality names with improving fundamentals that don't make the cut into JPMorgan Equity Income. Silberman is a 30-year veteran at J.P. Morgan. He previously headed the equity investment director and corporate governance teams globally, having led the U.S. equity investment director group since 2008. Hart and Silberman have known each other for a long time, and his vast experience in corporate governance is a plus for the team.

Two dedicated analysts round out the team: Shilpee Raina, who has worked with Hart since 2008, and Tony Lee, who joined the team in 2018 in preparation for Brandon's transition to a comanager role. This group is a subset of the value team headed by Larry Playford. It also leverages the research of 25 career analysts in J.P. Morgan's core equity team, who average about 10 years at the firm.

Hart has more than \$1 million invested here alongside shareholders.

Parent Pillar Above Average | Thomas

Lancereau, Bridget B. Hughes 09/20/2018

J.P. Morgan Asset Management boasts long-tenured and strongly aligned portfolio managers who are supported by deep analytical resources. Competitive fees across the board also contribute to the firm's Positive Parent rating.

The firm's diverse lineup features many Morningstar Medalists across asset classes and regions. In February 2018, its U.S.-domiciled SmartRetirement target-date series was upgraded to a Morningstar Analyst Rating of Gold, befitting strong underlying resources and processes on both equity and fixed income. On U.S. equities, for instance, experienced managers draw on a core team of more than 20 career analysts, while on their cored fixed-income mandates, long-tenured managers are supported by more than 25 credit

and securitized analysts based across Columbus, London, and New York. Managers' compensation factors in 10-year performance where applicable, which exceeds industry standards. Retention rates and managers' coinvestments alongside fund shareholders are above average, and succession planning is generally well handled.

Fees are regularly reviewed downward; funds tend to be cheaper relative to peers in the U.S. than abroad. The firm has refrained from trendy offerings and expanded its passive business recently. It has continued to rationalize its broad lineup otherwise, leading to some mergers and liquidations in Europe in particular.

Price Pillar | Thomas Lancereau 05/19/2020

It's critical to evaluate expenses, as they come directly out of returns. The share class on this report levies a fee that ranks in its Morningstar category's cheapest quintile. Based on our assessment of the fund's People, Process and Parent pillars in the context of these fees, we think this share class will be able to deliver positive alpha relative to the category benchmark index, explaining its Morningstar Analyst Rating of Gold.

JPMORGAN EQUITY INCOME FUND
R6 SHARES – OIEJX

MORNINGSTAR RATING AS OF 4/30/20

Morningstar overall rating 4 stars, Class R6; Large Value Category; 1104 funds. Three-year rating 4 stars; 1104 funds. Five-year rating 4 stars; 953 funds. Ten-year period not yet rated. Ratings reflect risk-adjusted performance. Overall Morningstar Rating™ for a fund is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics.

ANNUAL OPERATING EXPENSES (%)

	Gross expenses	Net expenses
R6 shares	0.50	0.49

The Fund's adviser and/or its affiliates have contractually agreed to waive fees and/or reimburse expenses to the extent Total Annual Fund Operating Expenses (excluding acquired fund fees and expenses, dividend and interest expenses related to short sales, interest, taxes, expenses related to litigation and potential litigation and extraordinary expenses) exceed 0.50% of the average daily net assets. The Fund may invest in one or more money market funds advised by the adviser or its affiliates (affiliated money market funds). The Fund's adviser has contractually agreed to waive fees and/or reimburse expenses in an amount sufficient to offset the fees and expenses of the affiliated money market funds incurred by the Fund because of the Fund's investment in such money market funds. This waiver is in effect through 6/30/2020, at which time the adviser and/or its affiliates will determine whether to renew or revise it. The difference between net and gross fees includes all applicable fee waivers and expense reimbursements.

TOP 10 HOLDINGS AS OF 4/30/20 (%)

Johnson & Johnson	2.7
Bank of America Corp.	2.6
Bristol-Myers Squibb Co.	2.6
CME Group, Inc.	2.5
Microsoft Corp.	2.4
BlackRock, Inc.	2.2
Comcast Corp., Class A	2.2
Chevron Corp.	2.1
Texas Instruments, Inc.	2.0
Verizon Communications, Inc.	2.0
Total of top 10	23.3

The top 10 holdings listed exclude cash and money markets. 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 Fund and does not include the use of derivative positions, where applicable.

PERFORMANCE

(%) as of 3/31/20	1 year	3 years	5 years	10 years
R6 shares at NAV	-13.27	1.58	4.13	9.80
Russell 1000 Value Index	-17.17	-2.18	1.90	7.67
Lipper Equity Income Funds Index	-12.85	0.52	3.23	7.79

Performance quoted is past performance and is no guarantee of future results. Investment returns and principal value will fluctuate, so shares, when sold, may be worth more or less than original cost. Current performance may be higher or lower than returns shown. Call 1-800-480-4111 for most recent month-end performance.

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Diversification does not guarantee investment returns and does not eliminate the risk of loss. Diversification among investment options and asset classes may help to reduce overall volatility.

RISK SUMMARY

JPMorgan Equity Income Fund: The price of equity securities may fluctuate rapidly or unpredictably due to factors affecting individual companies, as well as changes in economic or political conditions. These price movements may result in loss of your investment. There is no guarantee that companies will declare, continue to pay or increase dividends.

JPMorgan Growth and Income Fund: The price of equity securities may fluctuate rapidly or unpredictably due to factors affecting individual companies, as well as changes in economic or political conditions. These price movements may result in loss of your investment.

Target Date Funds: The JPMorgan SmartRetirement Funds are target date funds with the target date being the approximate date when investors plan to retire. Generally, the asset allocation of each Fund will change on an annual basis with the asset allocation becoming more conservative as the Fund nears the target retirement date. The principal value of the Fund(s) is not guaranteed at any time, including at the target date.

Indexes: The **Russell 1000 Value Index** is an unmanaged index measuring the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. The performance of the **Lipper Equity Income Funds Index** includes expenses associated with a mutual fund, such as investment management fees. These expenses are not identical to the expenses charged by the Fund.

Total return figures (for the fund and any index quoted) assume payment of fees and reinvestment of dividends (after the highest applicable foreign withholding tax) and distributions. Without fee waivers, fund returns would have been lower. Due to rounding, some values may not total 100%.

There can be no assurance that the professionals currently employed by J.P. Morgan Asset Management will continue to be employed by J.P. Morgan Asset Management or that the past performance or success of any such professional serves as an indicator of such professional's future performance or success.

MORNINGSTAR DISCLOSURE:

The Morningstar Rating for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10- year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Rankings do not take sales loads into account.

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