J.P. Morgan Municipal Ladder 1-17 year Strategy

Separately Managed Account

TOPLINE (3Q 2020)

Strategy	Benchmark
▲ 0.76%	▲ 1.15%

Benchmark: Bloomberg Barclays U.S. 1-15 Yr Blend (1-17) Muni Bond Index

Markets: Improving macroeconomic data, a better-than-expected earnings season and a decline in the virus buoyed equity and credit markets for much of third quarter. However, at the end of the quarter, concerns about a lack of a fiscal aid package before the November elections, worries about another wave of COVID-19 cases and uncertainty about the US election weighed on markets and caused credit spreads to widen in September.

Helped: Despite significant supply, investors looking to diversify into the muni market took advantage of more varied issuance across sectors, keeping rates range-bound.

Hurt: In the third quarter, lower-rated munis outperformed so our underweight detracted. Flows into high yield were positive in June, July and August.

Outlook: Given economic momentum and credit strength prior to outbreak, muni credit was positioned to be resilient; however, COVID-19 has pressured budgets and additional stimulus will determine the extent of cost-cutting, furloughs and tax increases.

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 1-17 year maturities.
- Initial target duration of 5-6 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

- **Despite strong demand and manageable supply the market moved sideways** across most of the intermediate and long end in sympathy with Treasuries. The municipal curve steepened, with short-end yields moving down about 15 basis points and closer to parity with Treasuries.
- **Supply has picked up in anticipation of election uncertainty**; however, much of this year's increase is in taxables, where we should see one-third of all issuance as taxable – a significant increase from the 8% we have seen pre-tax reform.
- **Demand has been and will continue strong for municipals.** Year-to-date flows total over $20 billion, more than offsetting the $45 billion of outflows in March and April. Over the quarter, technicals were especially strong over the summer with $75 billion of principal and interest payments in July and August. Low short rates are starting to push demand further out on the curve. Higher taxes, which we expect regardless of who wins in November, will be a tailwind for the municipal market.
- **Credit spreads across the investment-grade space have moved toward pre-COVID-19 levels except for the higher-beta areas of the market**. Continued improvement in lower-quality spreads will be correlated to flows into high-yield muni funds. In the quarter, lower-rated paper outperformed, with BBB and BB paper the best-performing rating buckets. Year to date, however, higher-quality paper is still outperforming all but the tiny CCC area of the market. CCCs account for 5.5% of the muni market.

LOOKING AHEAD

- **We continue to manage the Strategy conservatively using our investment process built on consistency of style**, only adding credit when we feel we are adequately compensated in spread terms. Security selection will remain the driver of performance over macroeconomic bets.
- **Given economic momentum and credit strength prior to outbreak, muni credit was positioned to be resilient;** however, the coronavirus has pressured budgets and additional stimulus will determine the extent of cost-cutting, furloughs and tax increases.
- **Though we expect downgrades as state and local governments grapple with the unprecedented economic shutdown and slow-paced reopening, we do not see the default rate moving up substantially.** We will continue to see defaults concentrated in credits with narrower revenue streams or poorly positioned prior to the downturn. Many of these are smaller credits that either came into the crisis with lower ratings or are in sectors like housing, student housing, real estate, industrial development, and health and retirement care.
- **As we move into the final stretch of the year, there has been a backup in rates and spreads. We see this as a buying opportunity.** We favor higher-quality municipalities, well-managed states with diverse economies and revenues, strong local governments supported by residential real estate taxes and essential service utilities. We are also looking closely at well-structured bonds backed by personal income and sales taxes, strong airports with ample liquidity, universities with strong market position and high demand, and larger regional and multi-state health-care systems.

PERFORMANCE

RETURN (%)

	3 MOS	YTD	1 YR	3 YRS	5 YRS	INCEPTION[1]
Strategy (gross of fees)	0.76	3.93	4.48	3.82	3.18	3.20
Strategy (net of max. allowable fees - 150 bps)	0.38	2.77	2.93	2.28	1.65	1.67
Benchmark	1.15	3.35	4.19	3.82	3.35	3.49

Benchmark: Bloomberg Barclays U.S. 1-15 Yr Blend (1-17) Muni Bond Index.

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

[1]Inception date: 1/31/2014

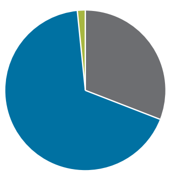
YIELD (%)

Yield to maturity (%)	1.15
Yield to worst (%)	0.63
Tax equivalent yield to maturity (%)[2]	1.94
Tax equivalent yield to worst (%)[2]	1.06

[2]The tax rate used to calculate the tax-equivalent yield is the 37% federal tax and the 3.8% ACA tax. Tax equivalent yield is calculated as tax-exempt yield divided by one minus the tax rate. Source: Perform /JPMAM.

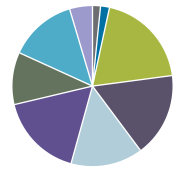
HOLDINGS

CREDIT QUALITY (%)



30.9	AAA
67.5	AA
1.6	Cash

MATURITY (%)



1.6	Cash/cash equivalent
1.8	Years 0-1
19.5	Years 1-3
16.9	Years 3-5
14.5	Years 5-7
17.0	Years 7-10
10.5	Years 10-12
13.6	Years 12-15
4.6	Years 15+

PORTFOLIO ANALYSIS

Average price	$121.43
Average maturity (years)	7.27
Effective (OA) duration (years)	4.89
Average credit quality	AA
Average coupon (%)	4.88
Average life (years)	5.40
% AMT	0.00
Turnover range	5-25%
Average number of holdings[3]	15-25

[3]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 9/30/2020 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.

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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. 1-15 Year Blend (1-17) Municipal Bond Index represents the performance of municipal bonds with maturities from 1 to 17 years.

The Barclays 1-17 Year Municipal Bond Index is a market value-weighted index which covers the short and intermediate components of the Barclays Capital Municipal Bond Index—an unmanaged, market value-weighted index which covers the U.S. investment-grade tax-exempt bond market. The 1-17 Year Municipal Blend index tracks tax-exempt municipal General Obligation, Revenue, Insured, and Prerefunded bonds with a minimum $5 million par amount outstanding, issued as part of a transaction of at least $50 million, and with a remaining maturity from 1 up to (but not including) 12 years. The index includes reinvestment of income.

Past performance is no guarantee of future results.

ENTITIES

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