J.P. Morgan Municipal Ladder Yield Curve Enhanced Strategy

Separately Managed Account

TOPLINE (2Q 2020)

Strategy	Benchmark
▲ 2.57%	▲ 2.38%

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

Markets: Markets reacted quickly in the second quarter as investors began to price in a recovery for an economy that had been on solid footing before the pandemic. By June 30, the S&P 500 Index was up 20.5% for the quarter, interest rates were at or near all-time lows and credit spreads had recovered substantially. Thanks in part to government stimulus programs, economic activity revived more quickly than market participants had anticipated.

Helped: The short end of the municipal market received significant support from the Money Market Liquidity Facility – a large factor in the sharp drop in rates to at or below pre-COVID levels.

Hurt: In the second quarter, lower-rated credits performed especially well, with below-investment-grade paper outperforming.

Outlook: Given economic momentum and credit strength prior to outbreak, muni credit was positioned to be resilient. There will continue to be pressure across the muni market amid the uncertainty created by COVID-19 as states open up.

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 current focus on 1-8 year maturities (maximum 15-year maturity).
- Initial target duration of 2-5 years.
- Flexibility to adjust the maturity range to target the most attractive part of the yield curve.
- 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

- **Supply picked up in the second quarter** after the big drop-off in March. The real pickup came in June, when $45 billion priced. This was the busiest June in four years as issuers tapped a market with strong demand and attractive financing rates.
- **Demand has been strong** for municipals across the curve. With other markets rallying ahead of the muni market, investors took advantage of the cheapness in the market.
- **With short rates low, munis had a hard time keeping pace** with Treasuries amid an uptick in supply in June. Over the quarter, however, munis outperformed significantly as the market rallied from extremely cheap relative levels. Year-to-date yields in two, five, 10 and 30-years are down 77 basis points (bps), 68 bps, 54 bps and 46 bps. Munis are still cheap compared to Treasuries.
- **In the second quarter, lower-rated credits performed especially well**, with below-investment-grade paper outperforming. In the quarter, the BB Municipal Index returned 2.73% while the BB High Yield Index returned 4.55%. Year-to-date, however, high yield is still lagging, given the significant outflows and resulting sharp selloff in March. The BB Muni and BB High Yield Indices returned 2.08% and -2.64% respectively year to date.

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**. There will, however, continue to be pressure across the muni market amid the uncertainty created by COVID-19 as states open up. We have been upgrading portfolios, looking for opportunities to swap out of issues not yet reflecting the probability of downgrade.
- **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 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.
- **Government aid packages have been targeted, necessary and flexible.** In addition, the Federal Reserve programs that focused on alleviating the liquidity crisis and congressional action providing cost reimbursement for unplanned COVID-19 related expenses, others like the MMLF give municipalities another funding option, but at a price that most likely makes it more cost-effective for lower-rated credits. We anticipate more packages and support for essential services provided by the muni asset class.

J.P.Morgan Asset Management

PERFORMANCE

YIELD (%)

Yield to maturity (%)	0.55
Yield to worst (%)	0.55

RETURN (%)

	3 MOS	YTD	1 YR	3 YRS	5 YRS	INCEPTION[1]
Strategy (gross of fees)	2.57	2.68	4.12	2.91	2.29	2.08
Strategy (net of max. allowable fees - 150 bps)	2.19	1.92	2.57	1.38	0.76	0.56
Benchmark	2.38	1.86	3.14	2.50	2.12	1.94

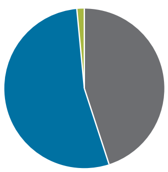
Benchmark: Bloomberg Barclays US 1-5 Yr Blend (1-6) Muni Bond Index.

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

[1]Inception date: 11/30/2013

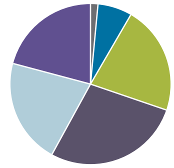
HOLDINGS

CREDIT QUALITY (%)



45.0	AAA
53.5	AA
1.5	Cash

MATURITY (%)



1.5	Cash/cash equivalent
6.9	Years 0-1
21.9	Years 1-3
27.8	Years 3-5
21.2	Years 5-7
20.9	Years 7+

PORTFOLIO ANALYSIS

Average price	$117.97
Average maturity (years)	4.45
Effective (OA) duration (years)	4.00
Average credit quality	AA
Average coupon (%)	4.80
Average life (years)	4.45
% 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 6/30/2020 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. 1-5 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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