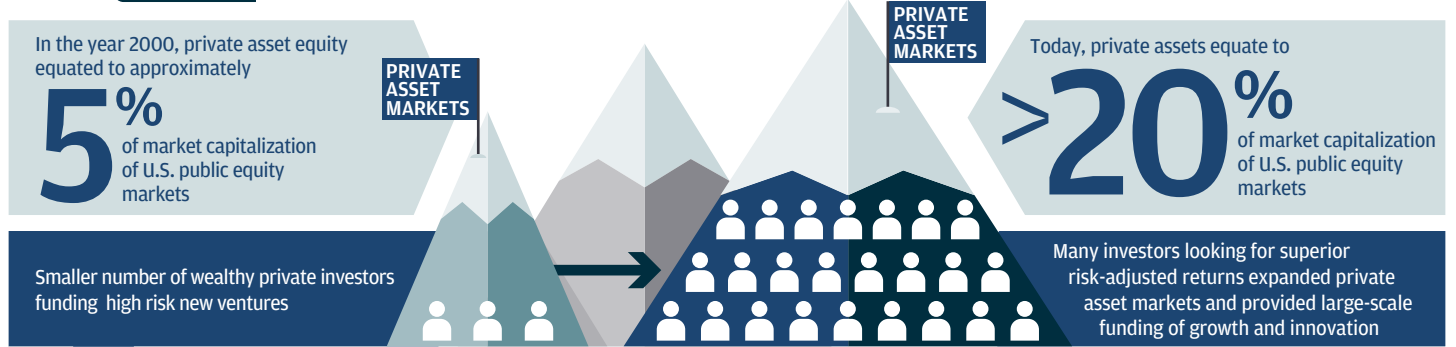
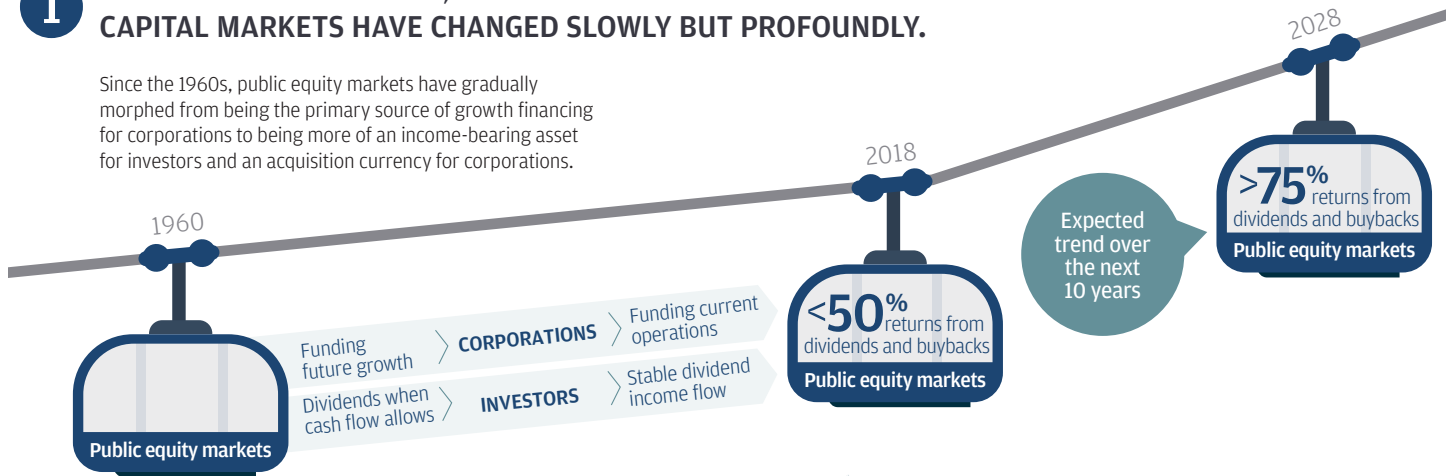


EVALUATING AND MANAGING ILLIQUIDITY RISKS TO HELP BUILD STRONGER PORTFOLIOS

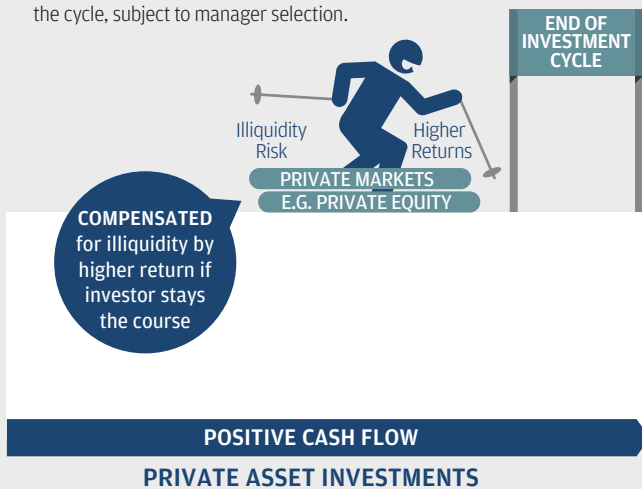
1 OVER THE PAST 50 YEARS, THE ROLES OF PUBLIC AND PRIVATE CAPITAL MARKETS HAVE CHANGED SLOWLY BUT PROFOUNDLY.

Since the 1960s, public equity markets have gradually morphed from being the primary source of growth financing for corporations to being more of an income-bearing asset for investors and an acquisition currency for corporations.

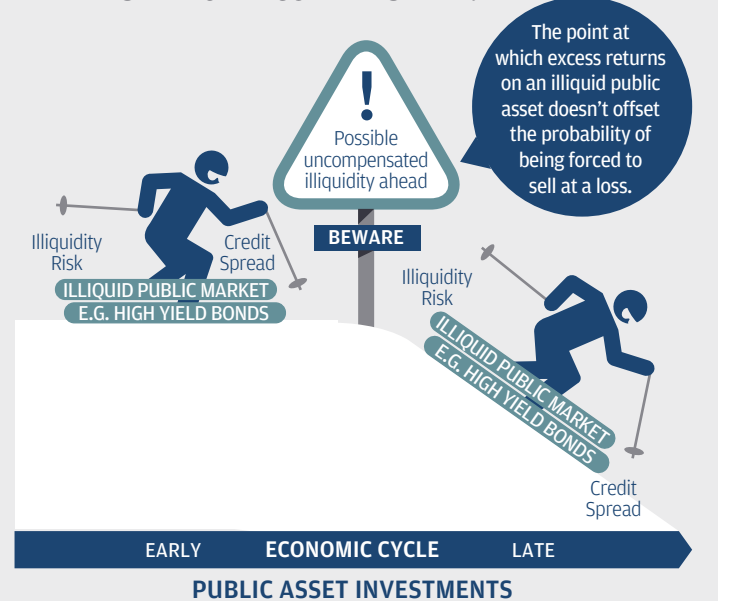


2 INVESTORS LOOKING TO PRIVATE ASSETS FOR EXPOSURE TO GROWTH EXPECT ILLIQUIDITY RISK, WHICH IS GENERALLY COMPENSATED BY HIGHER RETURNS.

The illiquidity risk premium on private assets is a natural feature of their investment model for which investors are generally compensated over the cycle, subject to manager selection.

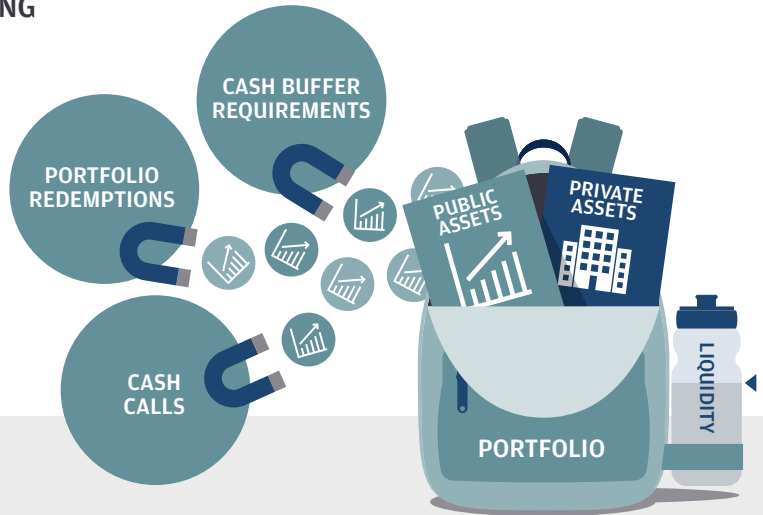


3 INVESTORS IN PUBLIC ASSETS MAY ALSO FACE ILLIQUIDITY RISK, BUT IT MAY BE MORE CYCLICAL AND IT MAY NOT ALWAYS BE FULLY COMPENSATED.

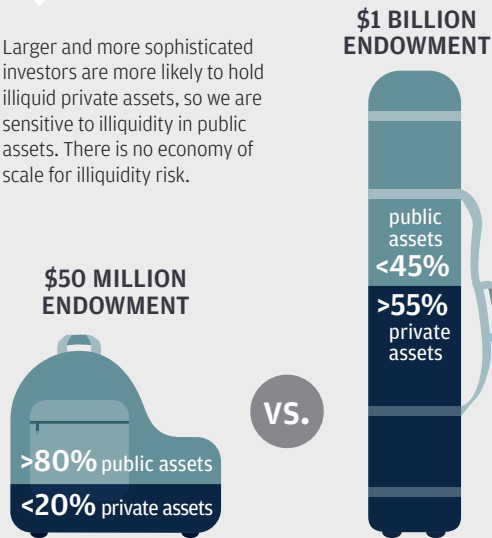


4 AS ECONOMIC CYCLES MATURE, AVOIDING UNCOMPENSATED PUBLIC MARKET ILLIQUIDITY BECOMES A PRESSING CONCERN FOR ANY INVESTOR IN PUBLIC AND PRIVATE ASSETS.

Investors with allocations to both private and public assets may face cash demands that are best covered from the public asset side of the portfolio.



Larger and more sophisticated investors are more likely to hold illiquid private assets, so we are sensitive to illiquidity in public assets. There is no economy of scale for illiquidity risk.



More able to access investment managers proven to deliver above-average performance

LARGE PORTFOLIO ADVANTAGES

LARGE PORTFOLIO DISADVANTAGES



Likelihood of a particular illiquid asset in portfolio. If forced to sell, trade size likely to be bigger

5 ACTIVELY PLANNING FOR ILLIQUIDITY RISK IN BOTH PUBLIC AND PRIVATE ASSETS WILL HELP MULTI-ASSET INVESTORS BUILD STRONGER PORTFOLIOS THROUGH THE CYCLE.

Recognizing and planning for cyclical illiquidity risk in public markets is prudent for any investor navigating a sophisticated multi-asset portfolio through the cycle.



An investor will always want to avoid being a forced seller in illiquid markets, private or public.



But in times of market weakness, it may be more desirable to preserve illiquid positions in private than in public markets.



NEXT STEPS

For more information, contact your J.P. Morgan representative.

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