1Q 2026

Quarterly DC Review

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Legislative and Regulatory Review

Retirement Insights

Tina Anstett, J.D.
ERISA Strategist
1Q 2026

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119th Congress – activity update

- To end the longest federal government shutdown in history, a continuing resolution (CR) was passed by the Senate on November 10 and the House on November 12, to reopen the government.
- The CR provided a temporary extension funding at fiscal year 2024 levels through **January 30, 2026**, for most federal agencies.
- If all remaining bills are not finalized by January 30, 2026, another CR will be needed to avoid a partial government shutdown.
- Active negotiations in the House and Senate continue.

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119th Congress – proposed legislation

- **ERISA Litigation Reform Act** (H.R. 6084) introduced on November 18, 2025
- **Automatic IRA Act of 2025** (H.R. 6722) reintroduced on December 15, 2025
- **INVEST Act** capital formation package passed in the House, includes the Retirement Fairness for Charities and Educational Institutions Act (permitting CITs in 403(b) plans) passed by the House (302-123) on December 11, 2025
- **Auto Reenroll Act** (H.R. 6729) introduced on December 15, 2025
- **Protecting Prudent Investment of Retirement Savings Act** (H.R. 2988) (amended) passed by House (213-205) on January 15, 2026

- **Hearings:**
    - "Pension Predators: Stopping Class Action Abuse Against Workers' Retirement", on December 3, 2025, House Education and Workforce Subcommittee on Health, Employment, Labor, and Pensions
    - "The Future of Retirement" on December 10, 2025, Senate Health, Education, Labor and Pensions Committee
    - "Modernizing Retirement Policy for Today's Workforce" on January 7, 2026, House Education and Workforce Subcommittee on Health, Employment, Labor, and Pensions

Executive Orders

- **EO 14330**
  - **January 13, 2026** – DOL's proposed rule entitled "Fiduciary Duties in Selecting Designated Investment Alternatives" sent to Office of Management and Budget for final review prior to its release for public comment.
- **EO 14336**
  - **December 11, 2025** – "Protecting American Investors from Foreign-Owned and Politically-Motivated Proxy Advisors".[1]
- ***Coming soon?***
  - Housing reform proposals may include permitting participants to take penalty-free withdrawals for down payment on a home.[2] Stay tuned for details.

[1] https://www.whitehouse.gov/presidential-actions/2025/12/protecting-american-investors-from-foreign-owned-and-politically-motivated-proxy-advisors/
[2] https://www.napa-net.org/news/2026/1/trump-will-seek-to-let-homebuyers-tap-401ks-for-down-payments/

DOL activity and litigation update

Restoring ERISA to the process-based law that congress intended, providing certainty for plan fiduciaries…..

- **Amicus program**
  - Hutchins v. HP – use of forfeitures
  - Parker Hannifin – meaningful benchmark
  - Home Depot – burden of proof of loss causation
  - Wright v. JPMorgan Chase – use of forfeitures
  - Lockheed Martin – pension risk transfer

- **SCOTUS agrees to take on Anderson v. Intel appeal – meaningful benchmark**

- **Enforcement priorities related to retirement plans**[1]
  - Cybersecurity
  - Retirement asset management
    - Investment selection and monitoring
    - 404(c) plans
    - 3(21) and 3(38) fiduciaries
  - Contributory plans criminal project

[1]https://www.dol.gov/agencies/ebsa/about-ebsa/our-activities/enforcement.

IRS regulatory activity

IRS Notice 2026-13

- Updated safe harbor explanations – eligible rollover distributions
- “402(f) Notice” or “Special Tax Notice Regarding Plan Payments”
- Separate notices for non-Roth and Roth sources
- Updates for tax law changes since August 6, 2020
- Implements recommendations from U.S. Government Accountability Office (GAO)
- Customizable by plan sponsor
- Subject to future updates as additional SECURE 2.0 provisions take effect after December 31, 2026

IRS regulatory activity – SECURE 2.0 Section 603

Mandatory Roth Catch-up contributions effective January 1, 2026

Key actions for plan sponsors

- Ensure participants are aware of their options
- Monitor compliance, correct errors early
  - Collaborate with payroll providers, recordkeepers and TPAs TO ID IMPACTED PARTICIPANTS
  - Determine whether “deemed elections” or “affirmative elections” by impacted individuals will be required
  - Ensure proper tracking of FICA wages and contribution limits
  - Provide clear participant communications regarding this new requirement

Plan governance check-in

Maintaining a robust plan governance structure is essential to satisfying ERISA's strict fiduciary duties. While it is difficult to fully insulate against litigation, favorable outcomes for plan sponsors commonly focus on fiduciary process and decision making. A formal committee with regular meetings that include review of the following four areas, with clear documentation can demonstrate fiduciary prudence.

Service Provider Selection and Monitoring	Plan Investments	Plan Administration and Compliance	Participant Communication and Education

Committee meeting agenda suggestions:

- Assess compliance with SECURE 2.0 Mandatory Roth Catch-up requirement (participant communications, service providers)
- Service provider 2025 census requests to prepare for nondiscrimination and compliance testing
- Review test results and ensure corrections are completed in a timely manner
- Q4, 2025 investment review
- Review business plan for 2026
- Review fidelity bond and fiduciary liability insurance coverage

- ***Mind your minutes!***

Key takeaways

- DOL comes out strong as a “friend of the court” and SCOTUS agrees to take on meaningful benchmark requirements.

- DOL proposed regulations entitled “Fiduciary Duties in Selecting Designated Investment Alternatives” are expected soon.

- Mandatory Roth catch-up contribution requirements became effective January 1, 2026. Verify compliance.

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AI Lift and Economic Drift

Market Insights

Stephanie Aliaga
Global Market Strategist
1Q 2026

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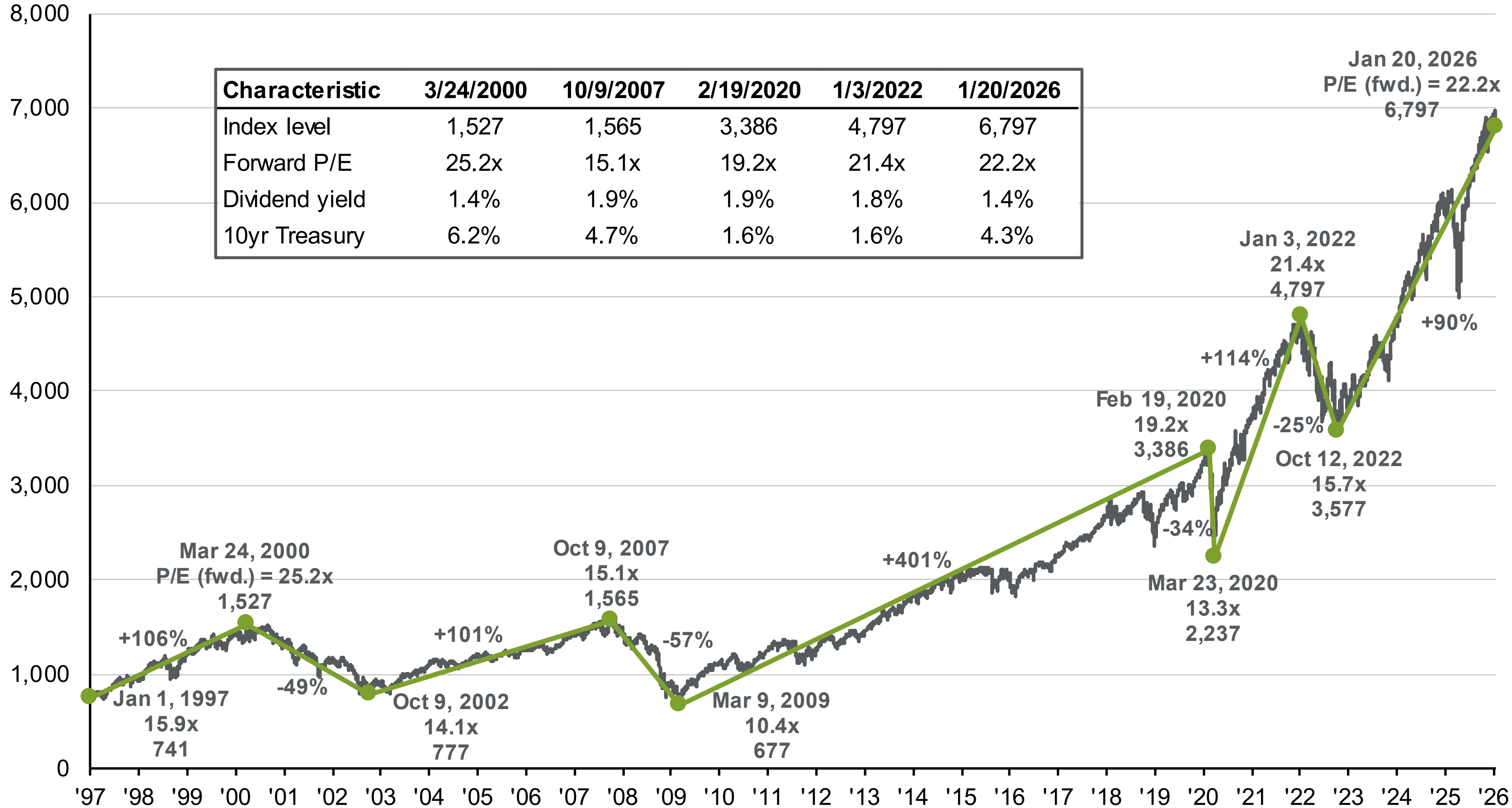
The stock market is at record highs, after three years of banner performance.

Equities

S&P 500 Price Index



Characteristic	3/24/2000	10/9/2007	2/19/2020	1/3/2022	1/20/2026
Index level	1,527	1,565	3,386	4,797	6,797
Forward P/E	25.2x	15.1x	19.2x	21.4x	22.2x
Dividend yield	1.4%	1.9%	1.9%	1.8%	1.4%
10yr Treasury	6.2%	4.7%	1.6%	1.6%	4.3%

Source: FactSet, Federal Reserve, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management.
Dividend yield is calculated as consensus analyst estimates of dividends in the next 12 months, provided by FactSet, divided by the most recent S&P 500 index price. Forward P/E ratio is the most recent S&P 500 index price divided by consensus estimates for earnings in the next 12 months, provided by IBES since January 1997 and FactSet since January 2022. Returns are cumulative and do not include the reinvestment of dividends.
Past performance is no guarantee of future results.
Guide to the Markets – U.S. Data are as of January 20, 2026.

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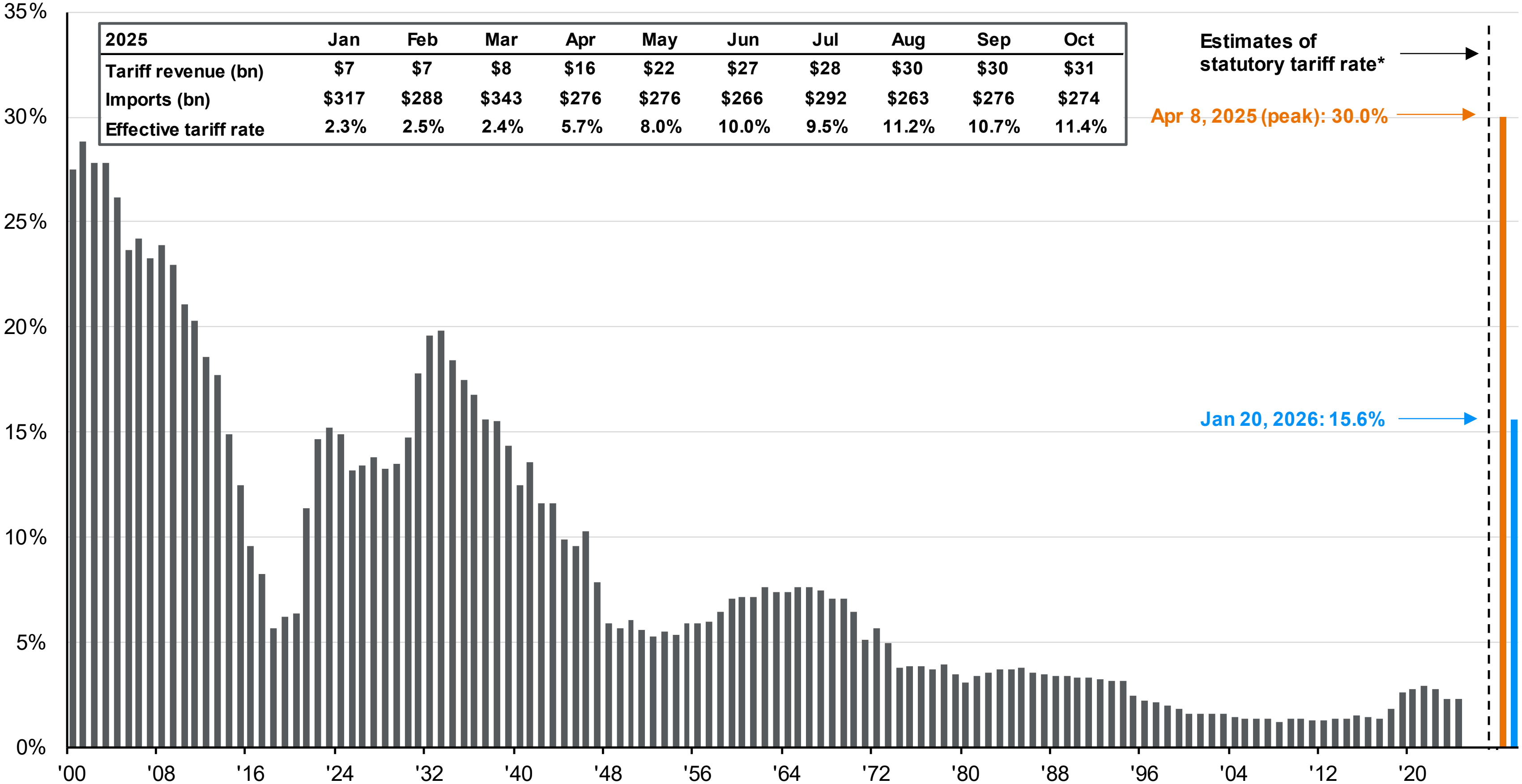
Tariffs impacts should fade but still hinder growth and raise inflation in early 2026.

Average tariff rate on U.S. goods imports for consumption

Duties collected / value of total goods imports for consumption, 1900 - 2024

2025	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Tariff revenue (bn)	$7	$7	$8	$16	$22	$27	$28	$30	$30	$31
Imports (bn)	$317	$288	$343	$276	$276	$266	$292	$263	$276	$274
Effective tariff rate	2.3%	2.5%	2.4%	5.7%	8.0%	10.0%	9.5%	11.2%	10.7%	11.4%



Source: U.S. Census Bureau, U.S. Department of Treasury, U.S. International Trade Commission, J.P. Morgan Asset Management.
For illustrative purposes only. The estimated weighted average statutory U.S. tariff rate includes all tariffs that are currently in effect, not announced. Imports for consumption: goods brought into a country for direct use or sale in the domestic market. *Figures are based on 2024 import levels and assume no change in demand due to tariff increases. Tariff revenue shown are figures from the Monthly Treasury Statement. Import figures included in the table are from the U.S. Census Bureau. Estimates, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.
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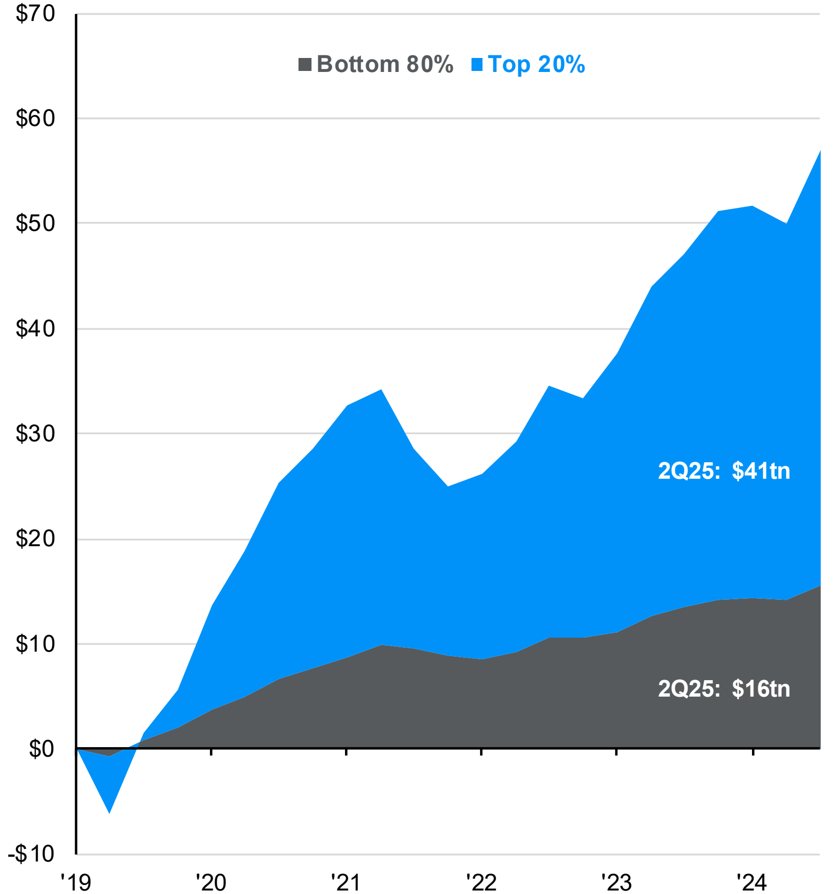
Economy

Consumer spending will be supported by strong stock market gains and larger tax refunds.

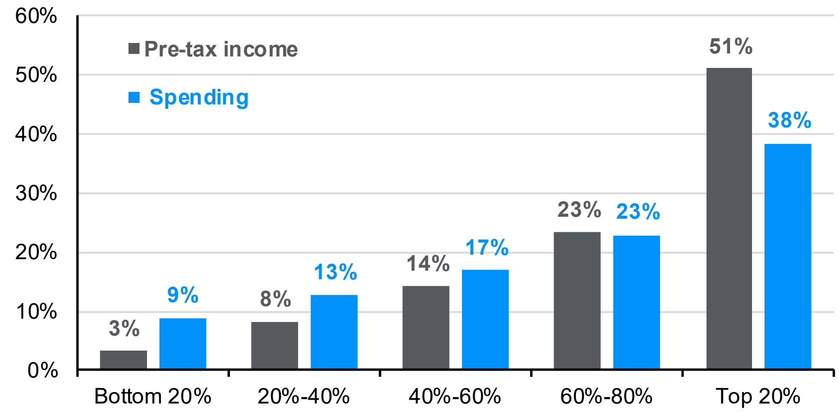
Net worth growth by income cohort

Cumulative growth from 4Q19, by pre-tax income cohort, USD trillions



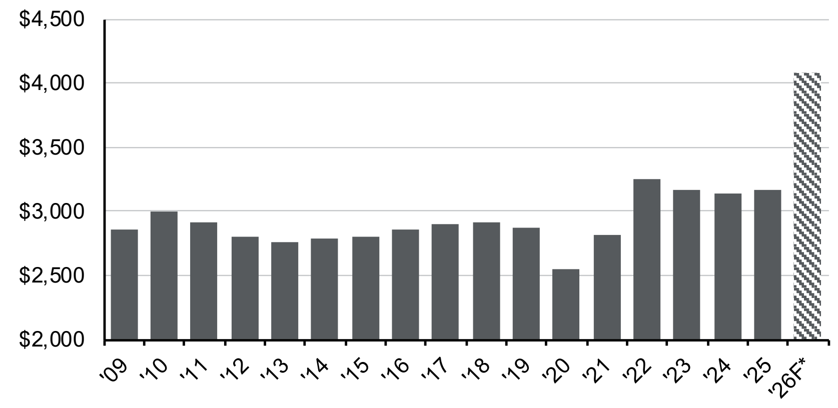
Consumer share of total pre-tax income and spending

By pre-tax income cohort, 2024



Average income tax refund by filing year

2009 - 2026F*



Source: J.P. Morgan Asset Management; (Left) Federal Reserve; (Top right) BLS; (Bottom right) IRS.
(Left) Data sourced from the 2024 Consumer Expenditure Survey. (Top right) Data sourced from the Federal Reserve's Distributional Financial Accounts report. (Bottom right) *2026 figure is a J.P. Morgan Asset Management forecast.
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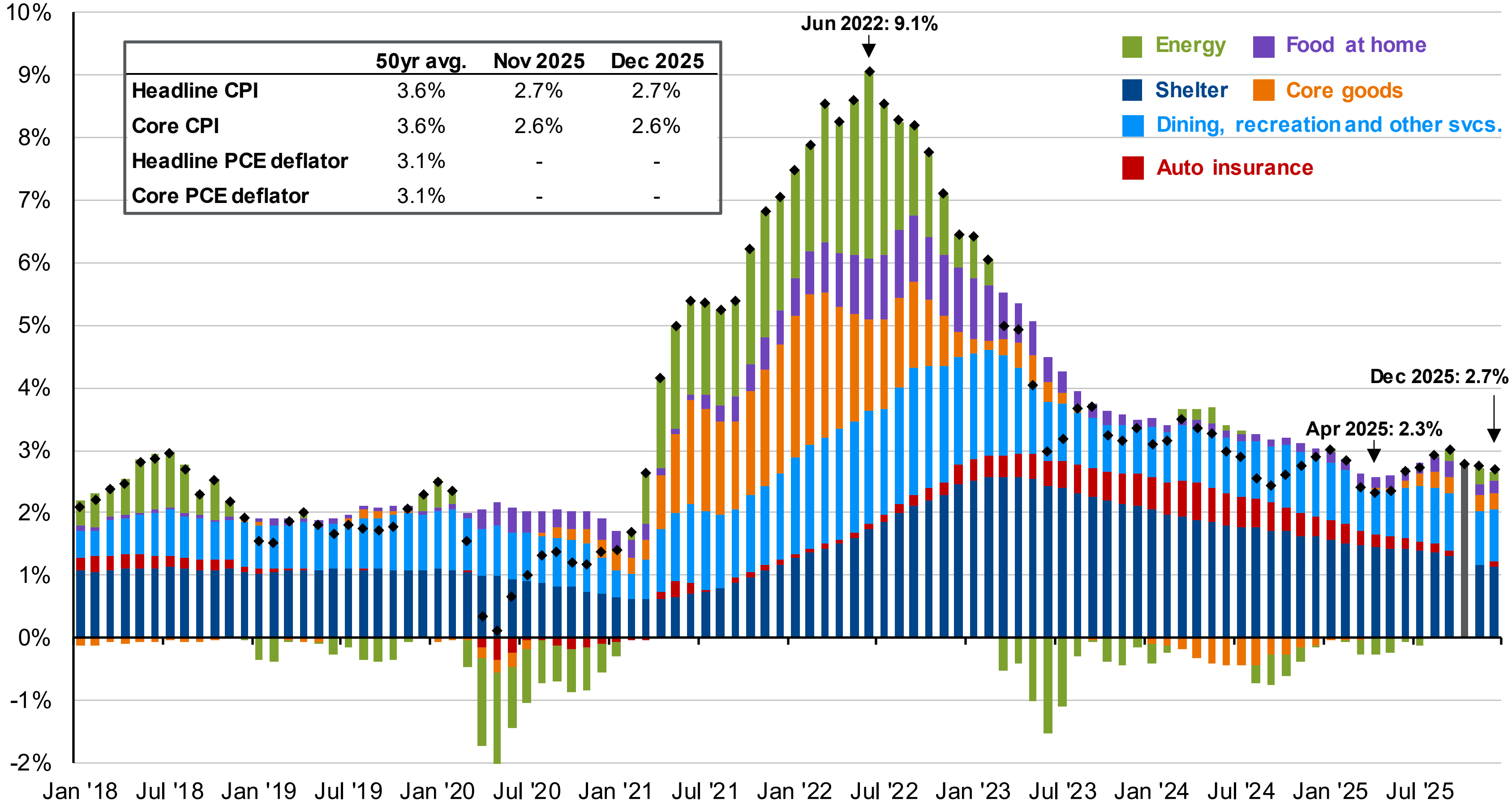
Inflation should heat up in the first half of 2026 and cool down in the second.

Contributors to headline CPI inflation

Contribution to year-over-year % change in CPI, non-seasonally adjusted



	50yr avg.	Nov 2025	Dec 2025
Headline CPI	3.6%	2.7%	2.7%
Core CPI	3.6%	2.6%	2.6%
Headline PCE deflator	3.1%	-	-
Core PCE deflator	3.1%	-	-

Source: BLS, FactSet, J.P. Morgan Asset Management.
Contributions mirror the BLS methodology on Table 7 of the CPI report. Values may not sum to headline CPI figures due to rounding and underlying calculations. “Shelter” includes owners’ equivalent rent, rent of primary residence and home insurance. “Food at home” includes alcoholic beverages. Headline and core PCE deflator inflation shown are based on seasonally adjusted data due to data availability. *Official October 2025 data unavailable due to government shutdown and data shown are J.P. Morgan Asset Management estimates.
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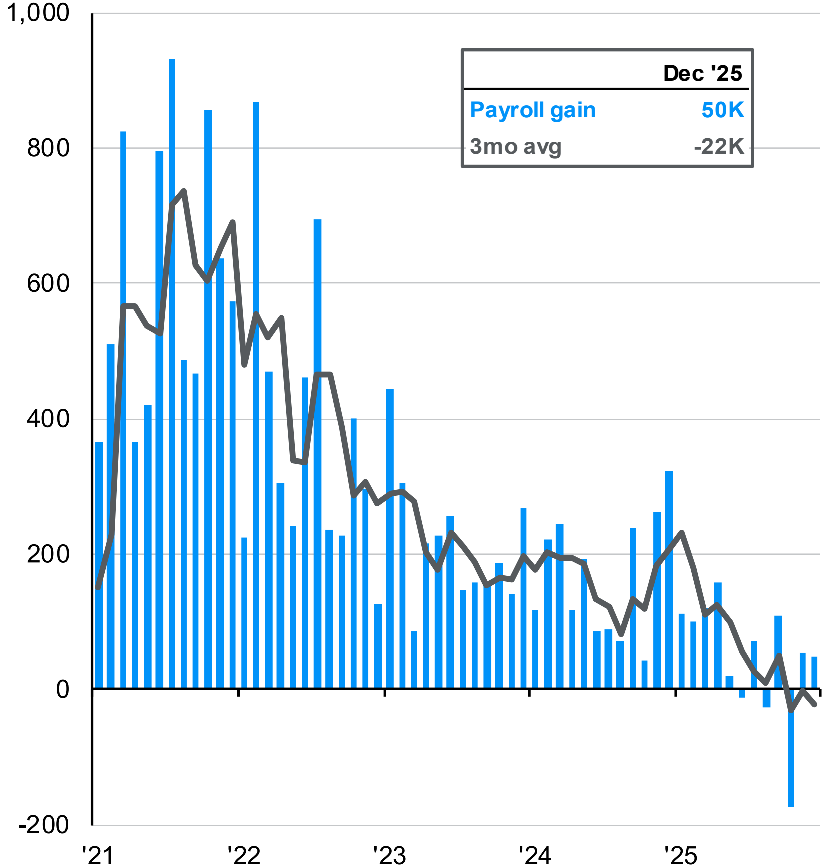
Job creation has come to a standstill, putting modest upward pressure on unemployment

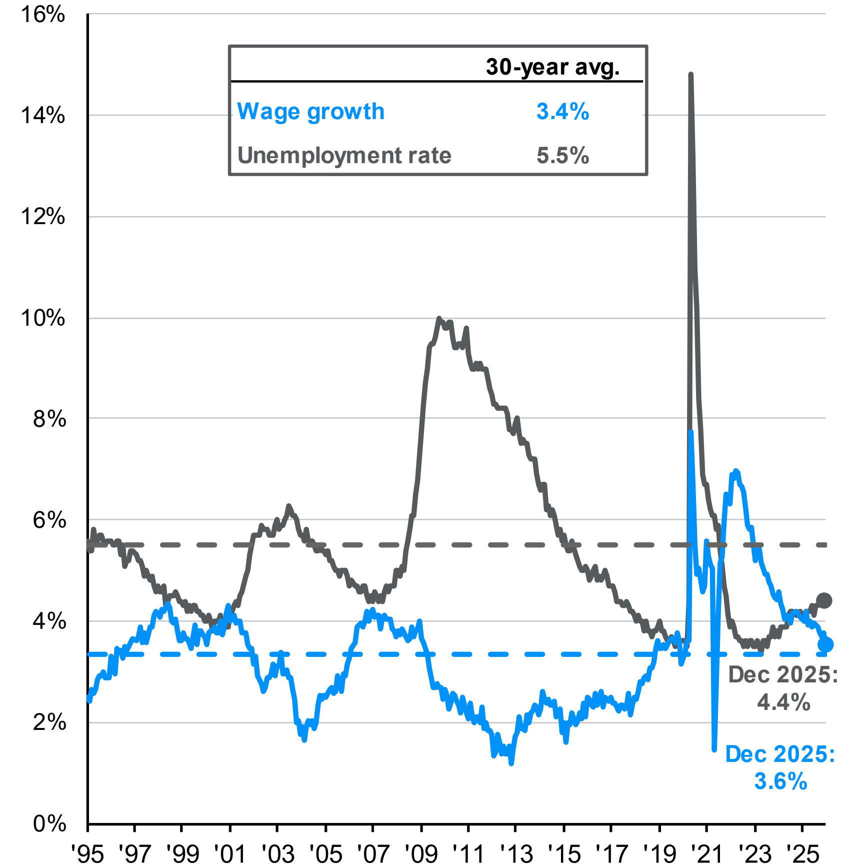
Nonfarm payroll gains

Month-over-month change and 3-month moving average, thousands, SA



Civilian unemployment rate and annual wage growth

Private production and non-supervisory workers, seasonally adjusted, %



Source: BLS, FactSet, J.P. Morgan Asset Management.
Private production and non-supervisory jobs represent just over 80% of total private nonfarm jobs.
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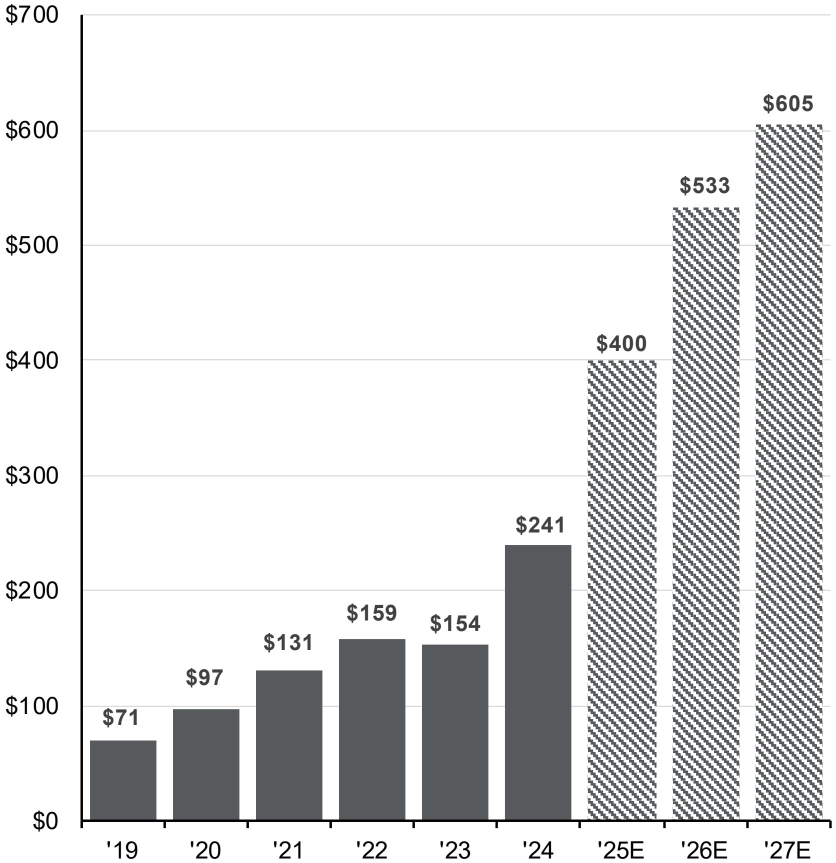
Investment will be supported by AI capital spending.

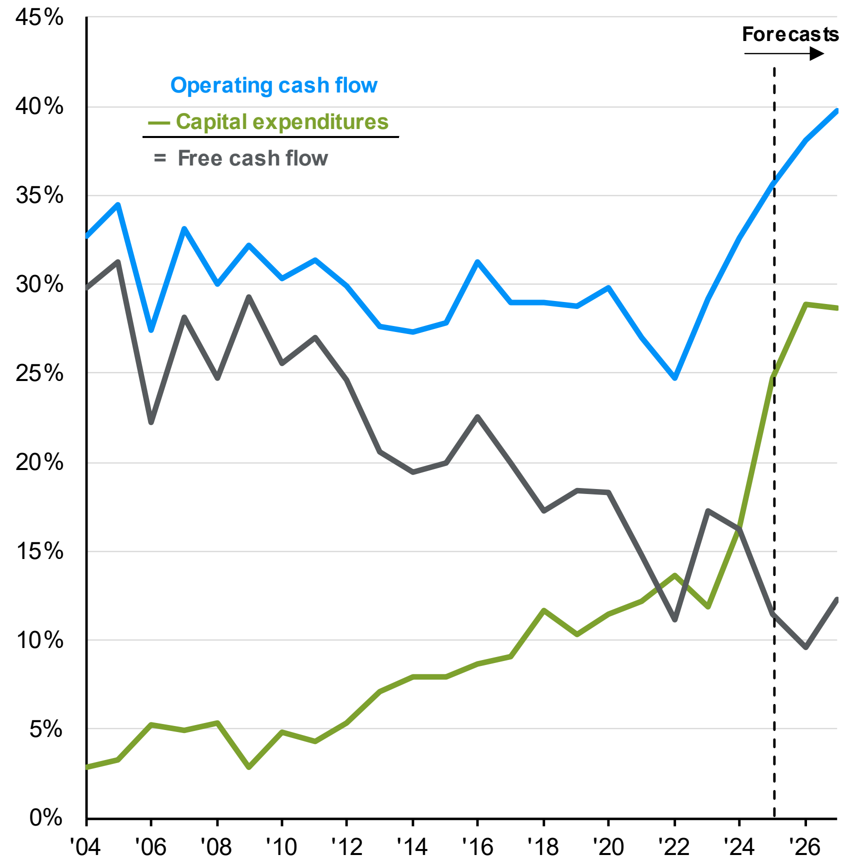
Capex from the major AI hyperscalers*

USD billions; Alphabet, Amazon, Meta, Microsoft, Oracle



Hyperscalers' cash flow and capex

% of sales



Source: Bloomberg, J.P. Morgan Asset Management.
Data for 2025, 2026 and 2027 reflect consensus estimates. Capex shown is company total. *Hyperscalers are the large cloud computing companies that own and operate data centers with horizontally linked servers that, along with cooling and data storage capabilities, enable them to house and operate AI workloads.
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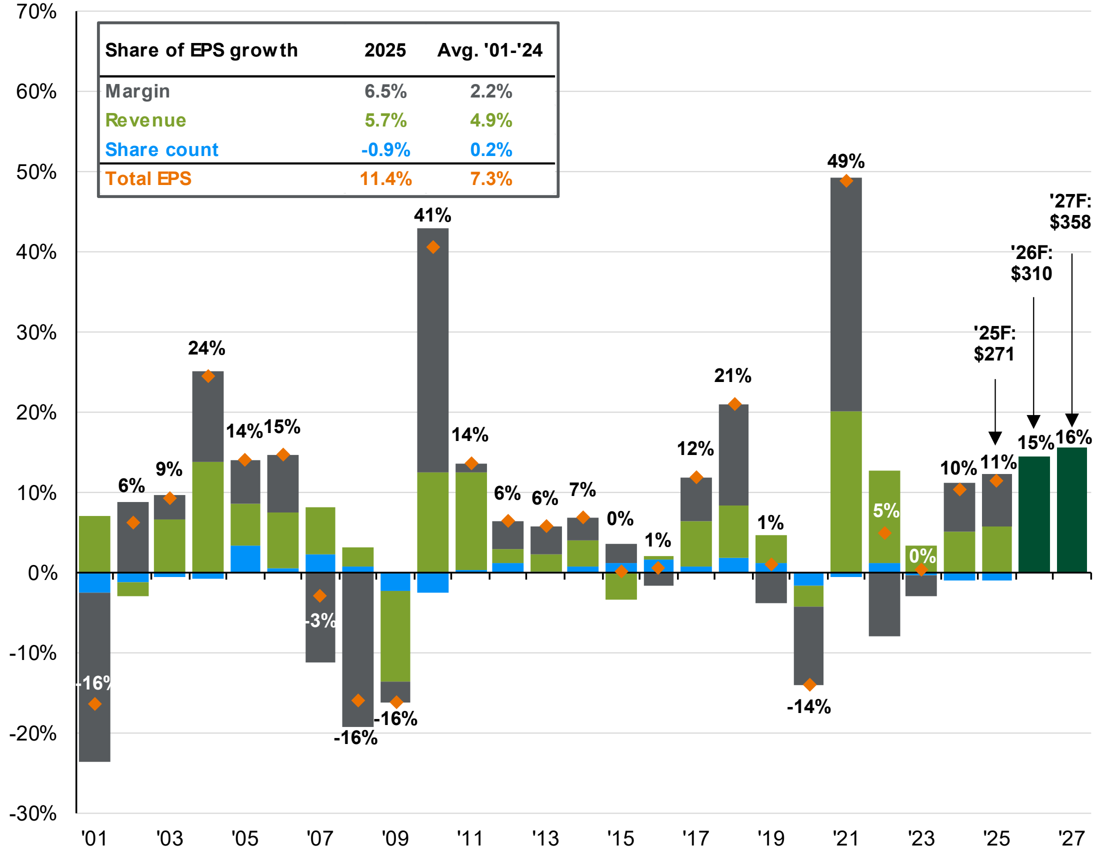
Equities

Earnings can still rise in a slow-growing economy.

S&P 500 EPS growth

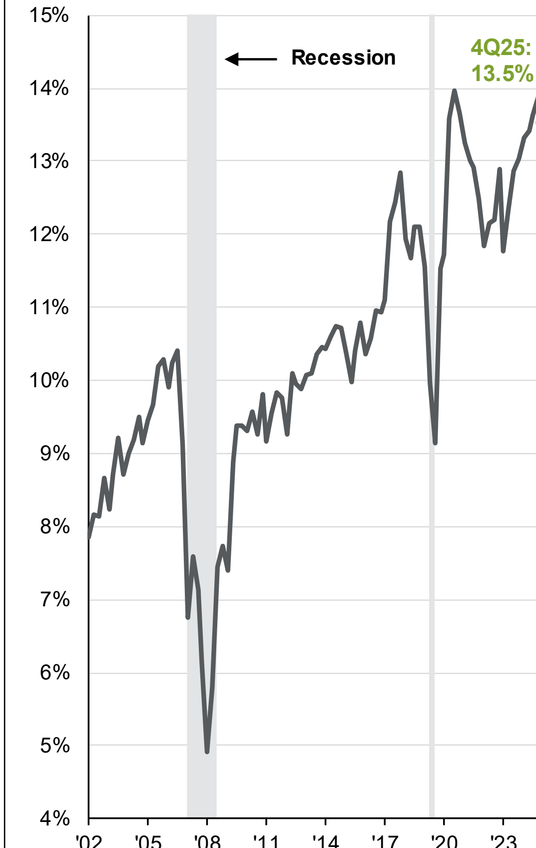
Year-over-year growth broken into changes in revenue, profit margin and share count



Share of EPS growth	2025	Avg. '01-'24
Margin	6.5%	2.2%
Revenue	5.7%	4.9%
Share count	-0.9%	0.2%
Total EPS	11.4%	7.3%

S&P 500 profit margins

Quarterly earnings/sales



Source: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Historical EPS values are based on annual earnings per share. Forecasts for 2025, 2026 and 2027 reflect consensus analyst expectations, provided by FactSet. Past performance is no guarantee of future results.
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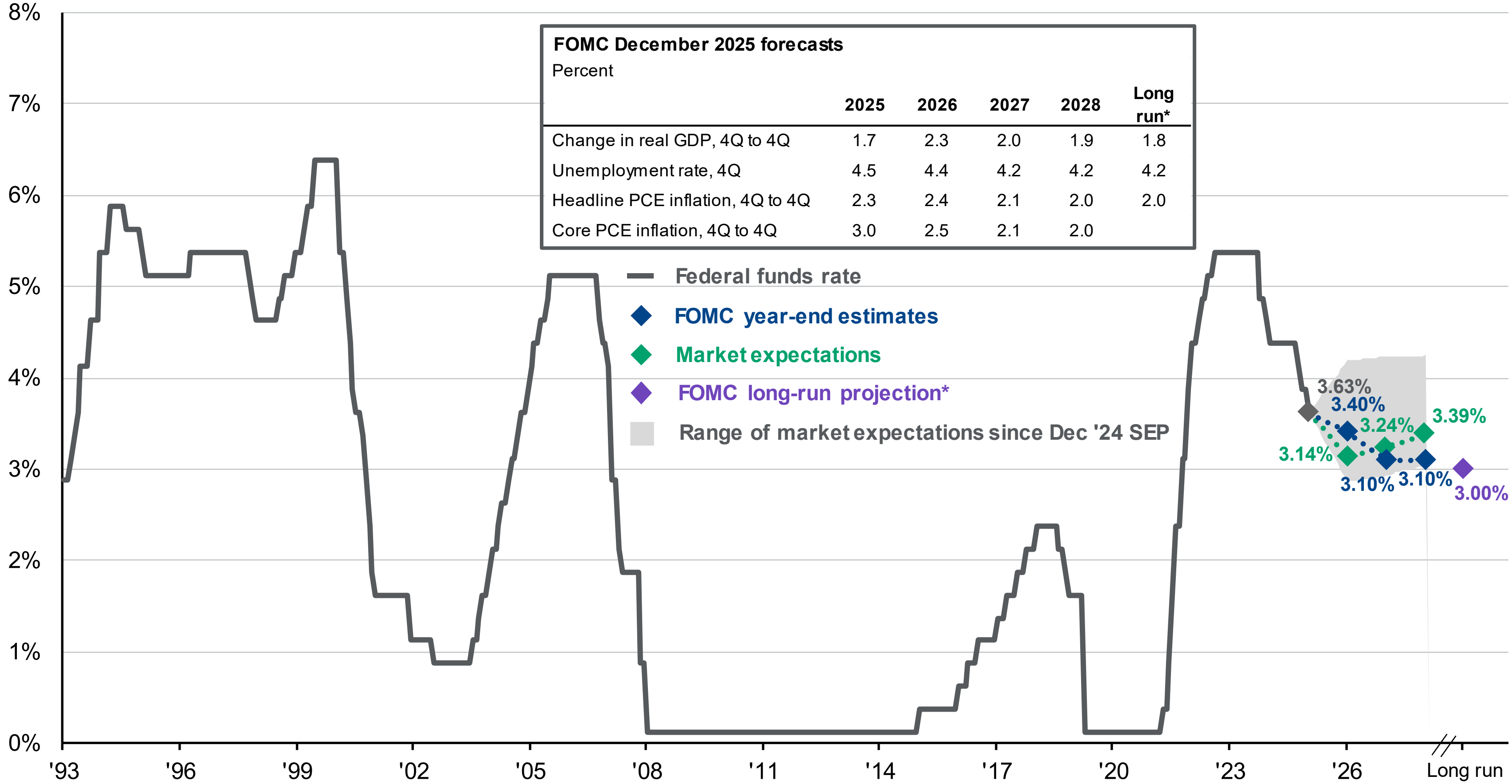
With growth and inflation only fading slowly, we expect the Fed to cut only twice in 2026 and once more in 2027.

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



FOMC December 2025 forecasts

Percent

	2025	2026	2027	2028	Long run*
Change in real GDP, 4Q to 4Q	1.7	2.3	2.0	1.9	1.8
Unemployment rate, 4Q	4.5	4.4	4.2	4.2	4.2
Headline PCE inflation, 4Q to 4Q	2.3	2.4	2.1	2.0	2.0
Core PCE inflation, 4Q to 4Q	3.0	2.5	2.1	2.0	

Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.
Market expectations are based off of USD Overnight Index Swaps. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.
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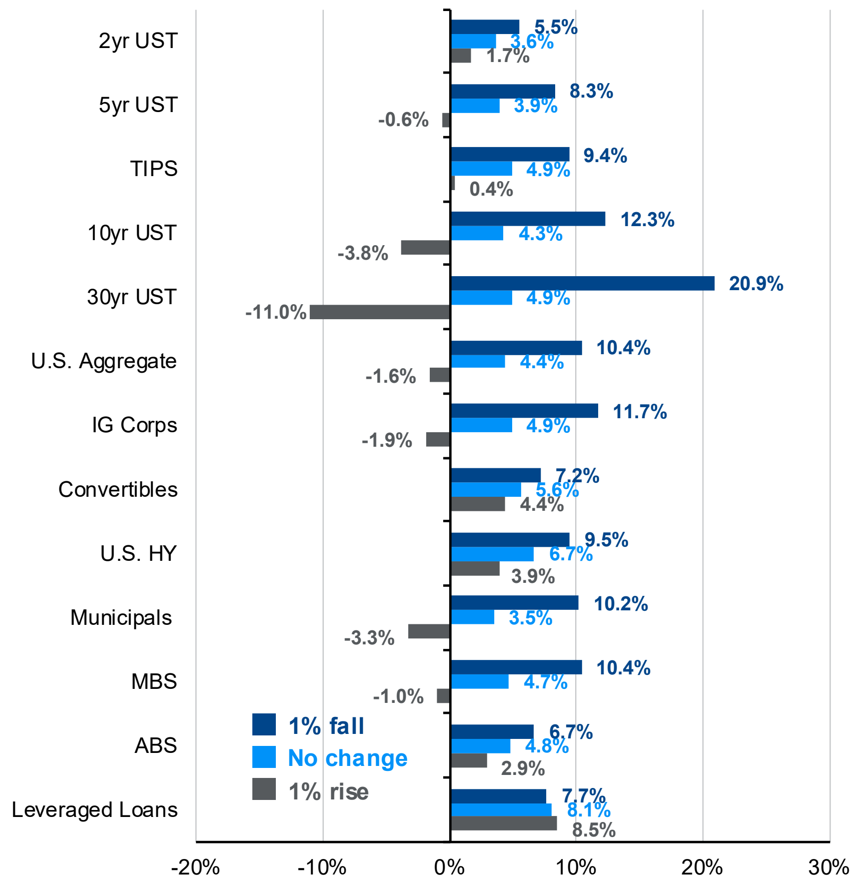
Fixed income can offer ballast, income and diversification in portfolios...

U.S. Treasuries	Yield 1/20/2026	Yield 12/31/2025	Return 2026	Avg. Maturity	Correlation to 10-year	Correlation to S&P 500
2-Year	3.60%	3.47%	-0.04%	2 years	0.74	0.02
5-Year	3.86%	3.73%	-0.45%	5	0.94	0.02
TIPS	1.72%	1.69%	-0.33%	7.2	0.75	0.37
10-Year	4.30%	4.18%	-0.88%	10	1.00	-0.01
30-Year	4.91%	4.84%	-1.10%	30	0.93	-0.05
Sector						
U.S. Aggregate	4.42%	4.32%	-0.30%	8.2	0.91	0.29
IG Corps	4.91%	4.81%	-0.30%	10.4	0.70	0.51
Convertibles	5.60%	6.13%	5.60%	-	0.01	0.86
U.S. HY	6.71%	6.53%	0.37%	4.8	0.12	0.79
Municipals	3.49%	3.60%	0.62%	13.5	0.73	0.32
MBS	4.70%	4.63%	-0.04%	7.3	0.83	0.30
ABS	4.79%	4.69%	0.10%	2.2	0.39	0.29
Leveraged Loans	8.07%	8.13%	0.29%	4.7	-0.20	0.61

Fixed income returns in different interest rate scenarios

Total return, assumes a parallel shift in the yield curve



Source: Bloomberg, FactSet, Federal Reserve Bank of Cleveland, Standard & Poor's, U.S. Treasury, J.P. Morgan Asset Management.
Sectors shown above are provided by Bloomberg unless otherwise noted and are represented by – U.S. Aggregate; MBS: U.S. Aggregate Securitized - MBS; ABS: J.P. Morgan ABS Index; IG Corporates: U.S. Corporates; Municipals: Muni Bond; High Yield: Corporate High Yield; Leveraged Loans: J.P. Morgan Leveraged Loan Index; TIPS: Treasury Inflation-Protected Securities; Convertibles: U.S. Convertibles Composite. Convertibles yield is as of most recent month-end and is based on U.S. portion of Bloomberg Global Convertibles Index. Yield and return information based on bellwethers for Treasury securities. Yields shown for TIPS are real yields. TIPS returns consider the impact that inflation could have on returns by assuming the Cleveland Fed's 1-year inflation expectation forecasts are realized. Sector yields reflect yield to worst. Leveraged loan yields reflect the yield to 3-year takeout. Correlations are based on 15 years of monthly returns for all sectors. ABS returns prior to June 2012 are sourced from Bloomberg. Past performance is no guarantee of future results.
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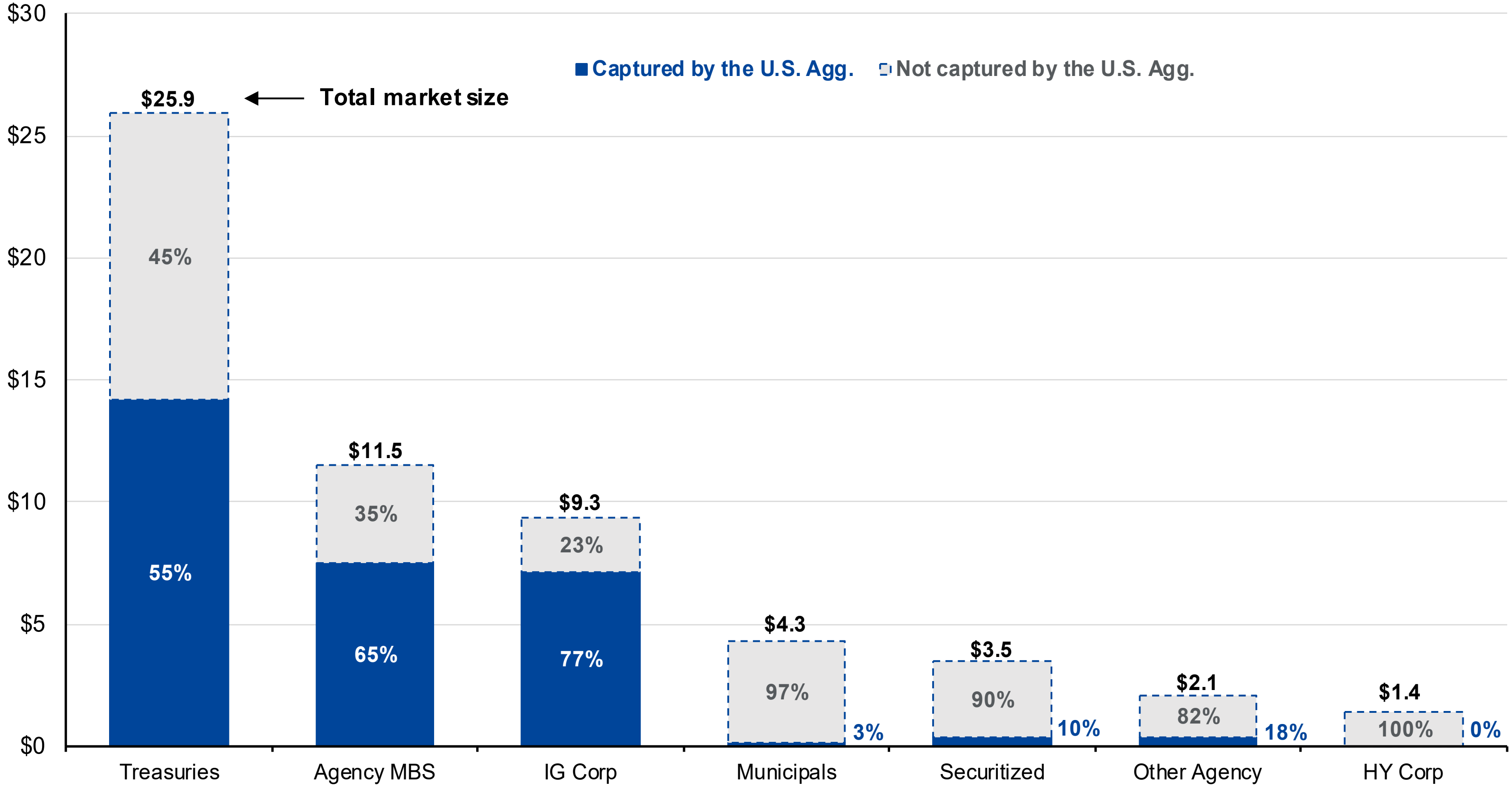
Fixed Income

...especially when leaning into active management.

Fixed income investable market vs. the Bloomberg U.S. Aggregate Index

USD trillions, 2Q25



Source: Bank of America, Bloomberg, SIFMA, J.P. Morgan Asset Management.
The investable universe for Treasuries, municipals and other agency securities are sourced from SIFMA and reflect par value outstanding. The investable universe for agency MBS, CMBS, CMOs, CLOs, CDOs, ABS, investment grade corporates and high yield corporates are sourced from Bank of America and reflect market value outstanding. Treasuries include outstanding bills, bonds and notes. Agency MBS includes MBS, CMBS and CMOs. Securitized includes ABS, CLOs, CDOs, non-agency CMBS and non-agency RMBS. Sector classifications for constituents in the Bloomberg U.S. Aggregate are based on classifications provided by Bloomberg.
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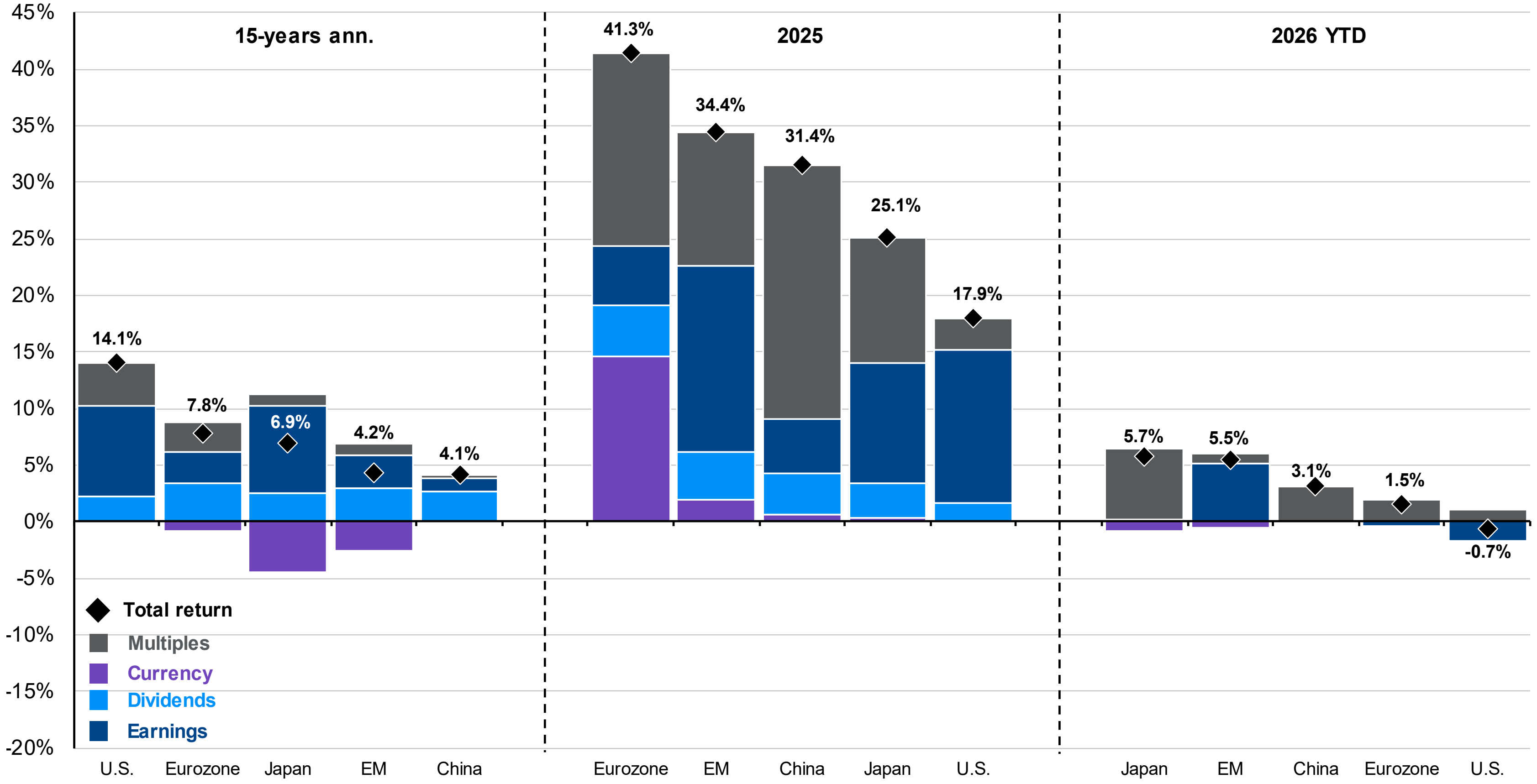
International equity opportunities remain strong this year…

Sources of global equity returns*

Total return, USD



Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management.
15-years ann. is a rolling 15-year period ending with the previous month-end. All return values are MSCI Gross Index data, except the U.S., which is the S&P 500. *Multiple expansion is based on the forward P/E ratio, and EPS growth outlook is based on NTMA earnings estimates. Chart is for illustrative purposes only. Past performance is not indicative of future results.
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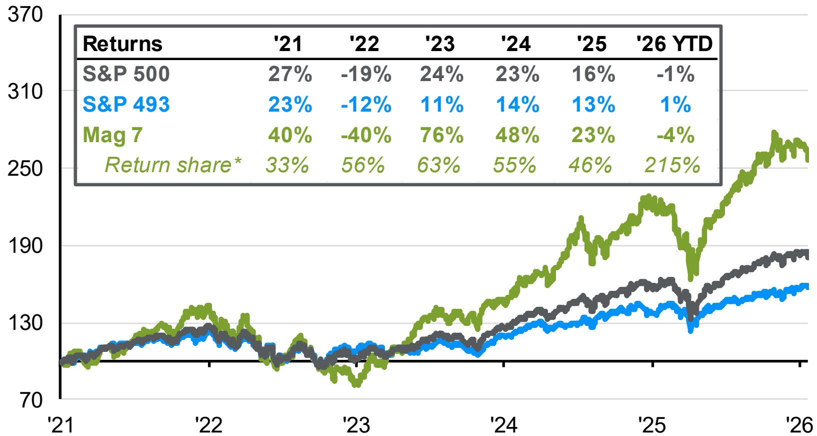
...particularly as the shine of the Mag 7 dims.

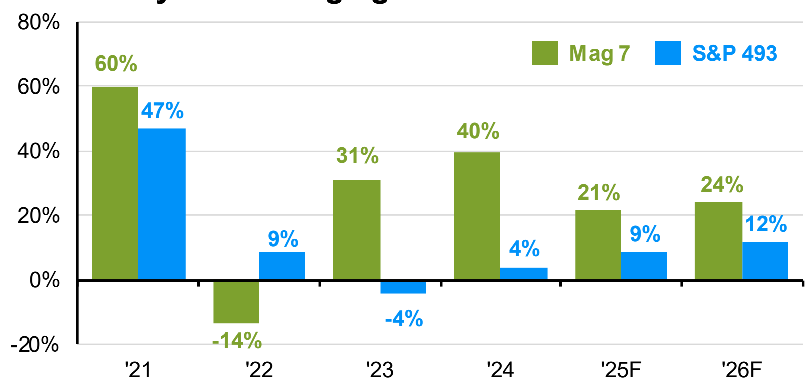
Magnificent 7 performance in the S&P 500

Indexed to 100 on 1/1/2021, price return



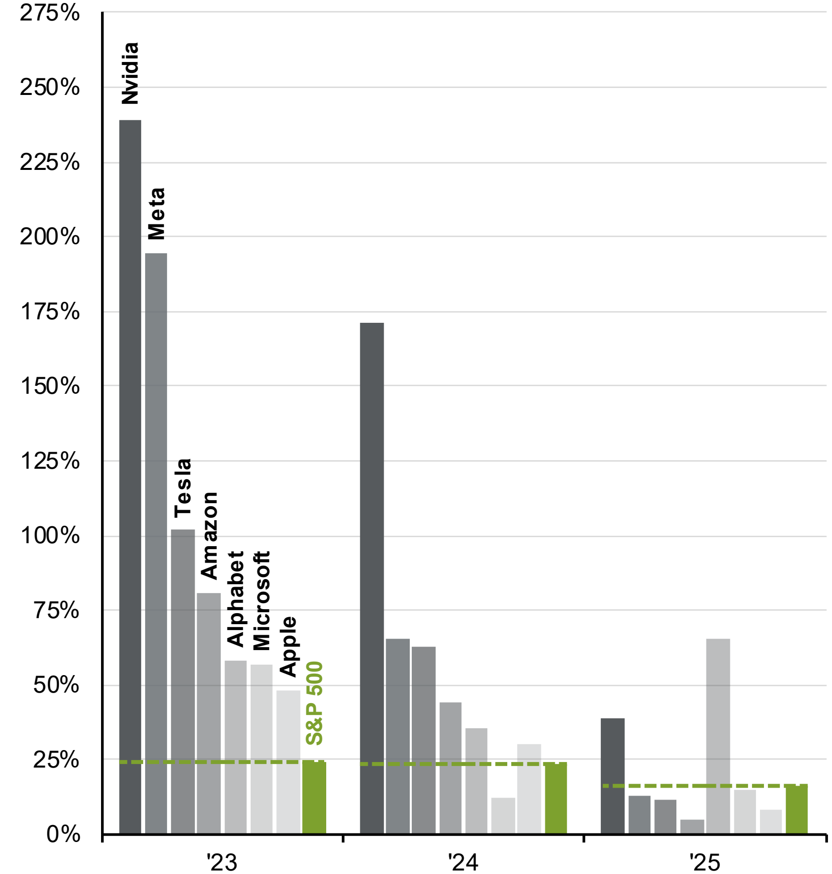
Returns	'21	'22	'23	'24	'25	'26 YTD
S&P 500	27%	-19%	24%	23%	16%	-1%
S&P 493	23%	-12%	11%	14%	13%	1%
Mag 7	40%	-40%	76%	48%	23%	-4%
*Return share**	*33%*	*56%*	*63%*	*55%*	*46%*	*215%*

Year-over-year earnings growth



Magnificent 7 performance dispersion

Price return



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Magnificent 7 (Mag 7) includes AAPL, AMZN, GOOGL/GOOG, META, MSFT, NVDA and TSLA. The S&P 500 ex-Mag 7 (S&P 493) is calculated by backing out a weighted average Mag 7 price return from the S&P 500 price return. *Share of returns represents the Mag 7's contribution to the index return. Past performance is no guarantee of future results.
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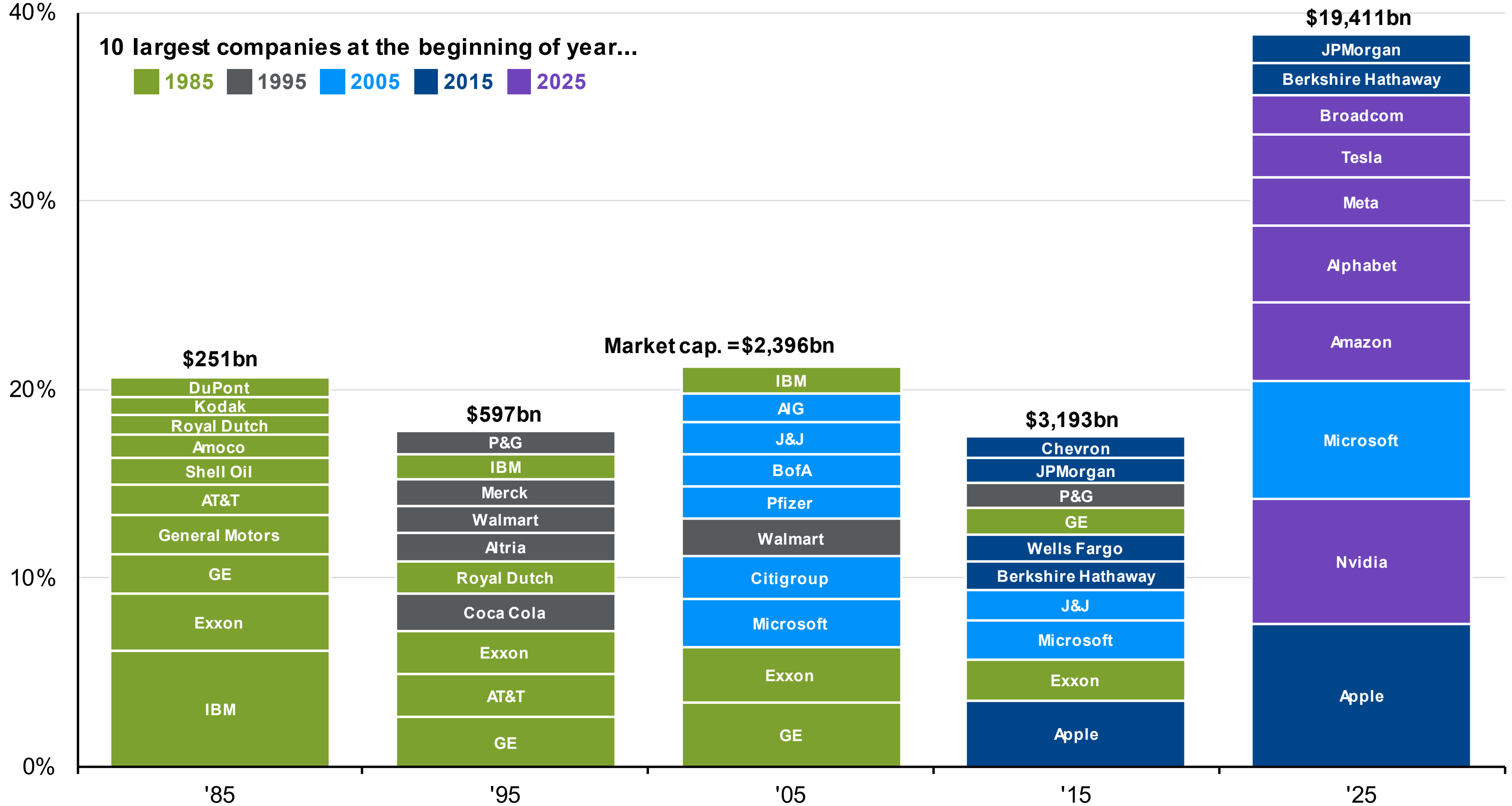
Investors shouldn't anchor portfolios to yesterday's leaders, as market leadership always evolves.

Top 10 S&P 500 companies by market capitalization

Percent of S&P 500 market capitalization as of the first day of the indicated year



Source: Bloomberg, Standard & Poor's, J.P. Morgan Asset Management.
Companies are organized from highest weight at the bottom to lowest weight at the top. Past performance is no guarantee of future results.
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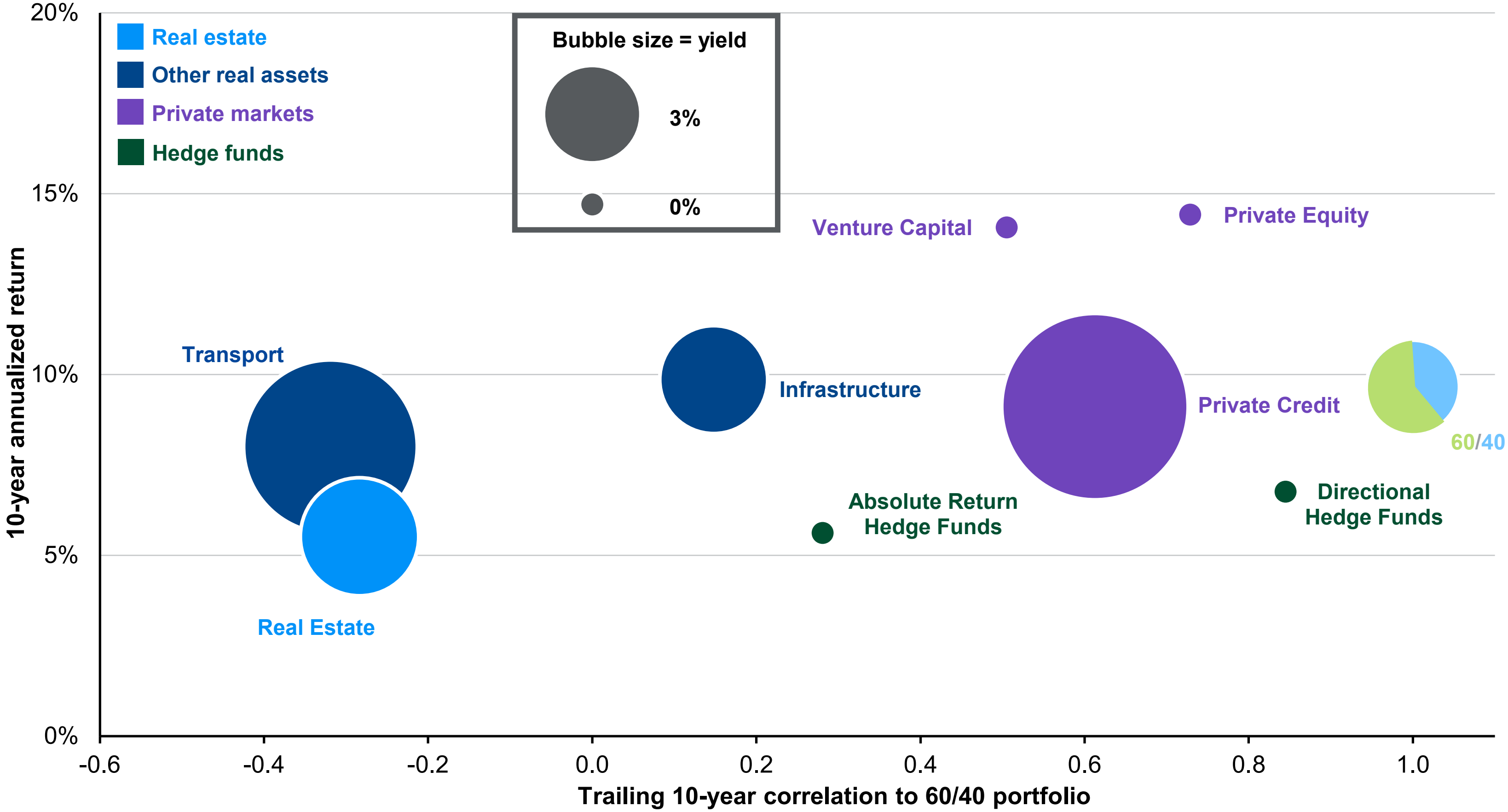
Alternative investment can help diversify concentrated public equity portfolios.

Correlations, returns and yields

10-year correlations and 10-year annualized total returns, 3Q15 - 2Q25



Source: Burgiss, Cliffwater, FactSet, MSCI, PivotalPath, J.P. Morgan Asset Management.
All categories are global, except for private credit, which is U.S. Correlations are based on quarterly returns over the time period indicated. A 60/40 portfolio is comprised of 60% stocks and 40% bonds. Stocks are represented by the S&P 500 Total Return Index. Bonds are represented by the Bloomberg U.S. Aggregate Total Return Index. 10-year annualized returns are calculated based on the time period indicated. "Absolute Return Hedge Funds" represent asset-weighted returns from the PivotalPath Global Macro and Relative Value indices. "Directional Hedge Funds" represent asset-weighted returns from the PivotalPath Credit, Equity Diversified and Event Driven indices. Private credit represents direct lending returns and yields from the Cliffwater Direct Lending Index. All other indices and data used for alternative asset class returns and yields are as described on pages 12 and 16 of the *Guide to Alternatives* based on latest data available. Transportation returns are shown on an unlevered basis and returns can be enhanced by adding leverage. Past performance is no guarantee of future results.
This slide comes from our *Guide to Alternatives*.
Guide to the Markets – U.S. Data are as of January 20, 2026.

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Additional Resources

Q1 Legislative and Regulatory Bulletin:
DOL delivered in 2025 and, plan sponsors, you've got a friend

Retirement Insights:
Legislative and Regulatory

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Thank you

J.P. Morgan Asset Management – Index definitions

All indexes are unmanaged and an individual cannot invest directly in an index. Index returns do not include fees or expenses.

Equities:

The **Dow Jones Industrial Average** is a price-weighted average of 30 actively traded blue-chip U.S. stocks.

The **MSCI ACWI (All Country World Index)** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.

The **MSCI EAFE Index(Europe, Australasia, Far East)**is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

The **MSCI Europe Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe.

The **MSCI Pacific Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the Pacific region.

The **Russell 1000 Index**® measures the performance of the 1,000 largest companies in the Russell 3000.

The **Russell 1000 Growth Index**® measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index**® measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Index**® measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The **Russell 2000 Growth Index**® measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 2000 Value Index**® measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 3000 Index**® measures the performance of the 3,000 largest U.S. companies based on total market capitalization.

The **Russell Midcap Index**® measures the performance of the 800 smallest companies in the Russell 1000 Index.

The **Russell Midcap Growth Index** ® measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth index.

The **Russell Midcap Value Index** ® measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index.

The **S&P 500 Index** is widely regarded as the best single gauge of the U.S. equities market. The index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. The **S&P 500 Index** focuses on the large-cap segment of the market; however, since it includes a significant portion of the total value of the market, it also represents the market.

Fixed income:

The **Bloomberg 1-3 Month U.S. Treasury Bill Index** includes all publicly issued zero-coupon US Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have $250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non convertible.

The **Bloomberg Global High Yield Index** is a multi-currency flagship measure of the global high yield debt market. The index represents the union of the US High Yield, the Pan-European High Yield, and Emerging Markets (EM) Hard Currency High Yield Indices. The high yield and emerging markets sub-components are mutually exclusive. Until January 1, 2011, the index also included CMBS high yield securities.

The **Bloomberg Municipal Index**: consists of a broad selection of investment-grade general obligation and revenue bonds of maturities ranging from one year to 30 years. It is an unmanaged index representative of the tax-exempt bond market.

The **Bloomberg US Dollar Floating Rate Note (FRN) Index** provides a measure of the U.S. dollar denominated floating rate note market.

The **Bloomberg US Corporate Investment Grade Index** is an unmanaged index consisting of publicly issued US Corporate and specified foreign debentures and secured notes that are rated investment grade (Baa3/BBB or higher) by at least two ratings agencies, have at least one year to final maturity and have at least $250 million par amount outstanding. To qualify, bonds must be SEC-registered.

The **Bloomberg US High Yield Index** covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included.

The **Bloomberg US Mortgage Backed Securities Index** is an unmanaged index that measures the performance of investment grade fixed-rate mortgage backed pass-through securities of GNMA, FNMA and FHLMC.

The **Bloomberg US TIPS Index** consists of Inflation-Protection securities issued by the U.S. Treasury.

The **J.P. Morgan Emerging Market Bond Global Index(EMBI)**includes U.S. dollar denominated Brady bonds, Eurobonds, traded loans and local market debt instruments issued by sovereign and quasi-sovereign entities.

The **J.P. Morgan Domestic High Yield Index** is designed to mirror the investable universe of the U.S. dollar domestic high yield corporate debt market.

The **J.P. Morgan Corporate Emerging Markets Bond Index Broad Diversified (CEMBI Broad Diversified)**is an expansion of the **J.P. Morgan Corporate Emerging Markets Bond Index (CEMBI)**. The CEMBI is a market capitalization weighted index consisting of U.S. dollar denominated emerging market corporate bonds.

The **J.P. Morgan Emerging Markets Bond Index Global Diversified (EMBI Global Diversified)** tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds. The index limits the exposure of some of the larger countries.

The **J.P. Morgan GBI EM Global Diversified** tracks the performance of local currency debt issued by emerging market governments, whose debt is accessible by most of the international investor base.

The **U.S. Treasury Index** is a component of the U.S. Government index.

J.P. Morgan Asset Management – Definitions

Other asset classes:

The **Alerian MLP Index** is a composite of the 50 most prominent energy Master Limited Partnerships (MLPs) that provides investors with an unbiased, comprehensive benchmark for the asset class.

The **Bloomberg Commodity Index** and related sub-indices are composed of futures contracts on physical commodities and represents twenty two separate commodities traded on U.S. exchanges, with the exception of aluminum, nickel, and zinc

The **Cambridge Associates U.S. Global Buyout and Growth Index®** is based on data compiled from 1,768 global (U.S. & ex –U.S.) buyout and growth equity funds, including fully liquidated partnerships, formed between 1986 and 2013.

The **CS/Tremont Hedge Fund Index** is compiled by Credit Suisse Tremont Index, LLC. It is an asset-weighted hedge fund index and includes only funds, as opposed to separate accounts. The Index uses the Credit Suisse/Tremont database, which tracks over 4500 funds, and consists only of funds with a minimum of US$50 million under management, a 12-month track record, and audited financial statements. It is calculated and rebalanced on a monthly basis, and shown net of all performance fees and expenses. It is the exclusive property of Credit Suisse Tremont Index, LLC.

The **HFRI Monthly Indices (HFRI)** are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. The HFRI are broken down into 4 main strategies, each with multiple sub strategies. All single-manager HFRI Index constituents are included in the HFRI Fund Weighted Composite, which accounts for over 2200 funds listed on the internal HFR Database.

The **NAREIT EQUITY REIT Index** is designed to provide the most comprehensive assessment of overall industry performance, and includes all tax-qualified real estate investment trusts (REITs) that are listed on the NYSE, the American Stock Exchange or the NASDAQ National Market List.

The **NFI-ODCE**, short for NCREIF Fund Index -Open End Diversified Core Equity, is an index of investment returns reporting on both a historical and current basis the results of 33 open-end commingled funds pursuing a core investment strategy, some of which have performance histories dating back to the 1970s. The NFI-ODCE Index is capitalization-weighted and is reported gross of fees. Measurement is time-weighted.

Definitions:

Investing in **alternative assets** involves higher risks than traditional investments and is suitable only for sophisticated investors. Alternative investments involve greater risks than traditional investments and should not be deemed a complete investment program. They are not tax efficient and an investor should consult with his/her tax advisor prior to investing. Alternative investments have higher fees than traditional investments and they may also be highly leveraged and engage in speculative investment techniques, which can magnify the potential for investment loss or gain. The value of the investment may fall as well as rise and investors may get back less than they invested.

Bonds are subject to interest rate risks. Bond prices generally fall when interest rates rise.

Investments in **commodities** may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Use of leveraged commodity-linked derivatives creates an opportunity for increased return but, at the same time, creates the possibility for greater loss.

Derivatives may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions than other types of investments and could result in losses that significantly exceed the original investment. The use of derivatives may not be successful, resulting in investment losses, and the cost of such strategies may reduce investment returns.

Distressed Restructuring Strategies employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings.

Investments in **emerging markets** can be more volatile. The normal risks of investing in foreign countries are heightened when investing in emerging markets. In addition, the small size of securities markets and the low trading volume may lead to a lack of liquidity, which leads to increased volatility. Also, emerging markets may not provide adequate legal protection for private or foreign investment or private property.

The price of **equity** securities may rise, or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. These price movements may result from factors affecting individual companies, sectors or industries, or the securities market as a whole, such as changes in economic or political conditions. Equity securities are subject to "stock market risk" meaning that stock prices in general may decline over short or extended periods of time.

Equity market neutral strategies employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities, select securities for purchase and sale. Equity Market Neutral Strategies typically maintain characteristic net equity market exposure no greater than 10% long or short.

Global macro strategies trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets.

International investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Some overseas markets may not be as politically and economically stable as the United States and other nations.

There is no guarantee that the use of **long and short positions** will succeed in limiting an investor's exposure to domestic stock market movements, capitalization, sector swings or other risk factors. Using long and short selling strategies may have higher portfolio turnover rates. Short selling involves certain risks, including additional costs associated with covering short positions and a possibility of unlimited loss on certain short sale positions.

Merger arbitrage strategies which employ an investment process primarily focused on opportunities in equity and equity related instruments of companies which are currently engaged in a corporate transaction.

Mid-capitalization investing typically carries more risk than investing in well-established "blue-chip" companies. Historically, mid-cap companies' stock has experienced a greater degree of market volatility than the average stock.

Price to forward earnings is a measure of the price-to-earnings ratio (P/E) using forecasted earnings. **Price to book value** compares a stock's market value to its book value. **Price to cash flow** is a measure of the market's expectations of a firm's future financial health. **Price to dividends** is the ratio of the price of a share on a stock exchange to the dividends per share paid in the previous year, used as a measure of a company's potential as an investment.

Real estate investments may be subject to a higher degree of market risk because of concentration in a specific industry, sector or geographical sector. Real estate investments may be subject to risks including, but not limited to, declines in the value of real estate, risks related to general and economic conditions, changes in the value of the underlying property owned by the trust and defaults by borrower.

Relative Value Strategies maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities.

Small-capitalization investing typically carries more risk than investing in well-established "blue-chip" companies since smaller companies generally have a higher risk of failure. Historically, smaller companies' stock has experienced a greater degree of market volatility than the average stock.

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ASSET MANAGEMENT

J.P. Morgan Asset Management – Risks & disclosures

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