

Disclosure on Pre-Hedging and Hedging Activity for Australia

Pre-hedging is principal trading activity to partially or fully hedge a specific transaction with a client or counterparty prior to execution of the transaction. Where J.P. Morgan ("we", "our" or "us") receives, from a client or counterparty ("you"), an indicative interest in a potential transaction, request for a quote or order details (amongst other information), we may use such information to engage in prehedging with a view to facilitating your potential transaction or request. Any pre-hedging transactions may be executed before (including, but not limited to, immediately prior to) the pricing or consummation of any directly or indirectly related transactions between you and us, at a price that is different from, and more or less favourable than, the price at which we transact with you. We pre-hedge transactions across all asset classes (including, without limitation, fixed income, futures and equities) and product types (including, without limitation, cash and derivatives).

Whilst pre-hedging activity is not designed or intended to disadvantage you, such pre-hedging activity may negatively impact market price or liquidity, adversely affect your transaction with us or with others with whom you trade, and may result in profit, or loss, to us. We are under no obligation to pass on to you any profits derived from our pre-hedging activity.

Additionally, we may, in our reasonable discretion and subject to applicable law, engage in hedging after confirming a transaction with you, as we determine appropriate, to manage risks that we assume in connection with such transaction or to inform the final price of such transaction. Any such hedging will be entered into by us as principal, not as agent or broker for you. In this capacity, J.P. Morgan will be truthful in its statements about any facts, but its statements should not be construed as recommendations or investment, tax, accounting, legal or other advice. A counterparty in this circumstance is expected to evaluate the appropriateness of any transaction based on the counterparty's own facts and circumstances and its assessment of the transaction's merits and execute the transaction based upon its own independent determination of the transaction. Our hedging may affect market levels, the prices we offer to a counterparty or at which execution occurs, the availability of liquidity at levels necessary to execute a counterparty's orders, the level at which a benchmark or reference market rate is set, and whether prices change in a manner that accelerates, triggers, delays or prevents the triggering of, stop-loss orders, barriers, knock-outs, knock-ins or similar order conditions. Whilst not intended to cause any material detriment to you, our hedging activity may adversely affect your transaction with us. We are under no obligation to pass on to you the profits derived from those activities (if any). In conducting our hedging, we endeavour to employ means reasonably designed to avoid undue market impact.

This disclosure is not meant as a statement that we will engage or not engage in any pre-hedging or hedging activity or describe exactly how pre-hedging or hedging may impact any specific transaction or market. The impact of prehedging or hedging may vary from one transaction to the next or by type of transaction or transaction strategy.

For further information on any items set out in this Disclosure, please contact your J.P. Morgan Representative.