

**Item 1  
Cover Page**

**FORM ADV, PART 2A APPENDIX 1  
WRAP FEE PROGRAM BROCHURE**

**J.P. MORGAN SECURITIES PORTFOLIO MANAGER PROGRAM**

J.P. MORGAN SECURITIES LLC  
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July 26, 2019

**J.P. Morgan Securities LLC sponsors other wrap fee programs in addition to the J.P. Morgan Securities Portfolio Manager Program. You can obtain brochures for the other programs by contacting us at (800) 999-2000.**

**This wrap fee program brochure provides information about the qualifications and business practices of J.P. Morgan Securities LLC. If you have any questions about the contents of this brochure, please contact us at (800) 999-2000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about J.P. Morgan Securities LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.**

## **Item 2**

### **Material Changes**

The following is a summary of the material changes made to this Wrap Fee Program brochure (the “Brochure”) since its last annual update dated March 29, 2019. Please note that the interim update of this Brochure dated July 26, 2019 includes certain non-material changes not summarized below.

- Item 6.vii has been updated to reflect a change in processes associated with proxy voting in the PM Program. Where a client has delegated proxy voting authority for the securities held in client’s Portfolio Manager Program account(s) to JPMS, who in turn delegates such authority to an independent proxy voting service, Institutional Shareholder Services Inc. (“ISS”), and ISS does not cover the issuer of a particular security or securities, or otherwise does not vote, no action will be taken with respect to the voting of such proxies, including by JPMS. That is, in the very limited circumstance that JPMS is notified by ISS that it will not vote on a proxy, even if such notification is within the voting deadline, JPMS will no longer attempt to refer any such proxy at issue to affected Program clients (or take any action with respect to the proxy on behalf of the affected Program clients).

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## Item 4 Services, Fees and Compensation

J.P. Morgan Securities LLC (“JPMS” or the “Firm”) is a wholly-owned subsidiary of JPMorgan Chase & Co. (“JPMC”), a publicly-held financial services holding company. JPMC and its affiliates (together, “J.P. Morgan”) are engaged in a large number of financial businesses worldwide, including banking, asset management, securities brokerage and investment advisory services. JPMS is registered as a broker-dealer and investment adviser with the U.S. Securities and Exchange Commission (the “SEC”) and is a member of the Financial Industry Regulatory Authority (“FINRA”). JPMS’ investment advisory services include sponsoring a variety of wrap-fee programs to address different investment needs of clients in three separate sales channels: J.P. Morgan Securities, Chase Investments, and Chase Private Client. Similar wrap fee programs that offer the same and similar investment strategies may be offered in the different sales channels and programs, and at different fee levels. The wrap fee clients pay will vary depending on the investment advisory program selected.

This Brochure provides information about JPMS and the J.P. Morgan Securities Portfolio Manager Program (the “Program”) that is offered by J.P. Morgan Securities, a brand name for a wealth management business of JPMS. Information about other wrap fee programs sponsored by JPMS are contained in separate Brochures, which can be obtained upon request from your J.P. Morgan Securities financial advisor (each, a “Financial Advisor”), or at the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Investing in securities involves risk of loss that clients should be prepared to bear. The investment performance and success of any particular investment cannot be predicted or guaranteed, and the value of a client’s investments will fluctuate due to market conditions and other factors. Investments are subject to various risks including, but not limited to, market, liquidity, currency, economic and political risks, and will not necessarily be profitable. Past performance of investments is not indicative of future performance.**

### i. Services

To participate in the Program, clients are required to complete and execute the J.P. Morgan Securities investment advisory client agreement (the “Client Agreement”) for any Program account(s). In the Client Agreement, clients grant JPMS authority to manage their accounts on a discretionary basis, subject only to any reasonable investment restrictions and/or any written investment guidelines or policies that the client has provided to JPMS and JPMS has accepted by notifying the client in writing of such acceptance. Each client’s grant of discretion to JPMS typically includes the client’s authorization of JPMS to invest in securities and other investments of any nature whatsoever, at the time and in the manner that JPMS determines, and to act on the client’s behalf in all other matters necessary or incidental to the handling of the account, without having to first obtain an “order” from the client or discussing these transactions or actions with the client in advance. One or more J.P. Morgan Securities Financial Advisors, who are employees and registered representatives of JPMS, will be directly responsible for making the investment decisions for the account and will be reasonably available to discuss the management of the account with the client. Each Financial Advisor typically manages his or her clients’ Program accounts in accordance with the Financial Advisor’s individual investment style(s) and strategy or strategies, taking into consideration each client’s financial situation and investment objective for the Program account.

In keeping with the “wrap fee” nature of the Program, JPMS typically provides Program clients not only with investment advice and discretionary portfolio management services but also with trade execution and clearing, settlement and custodial services. In other words, JPMS in its capacity as a broker-dealer generally executes the trades placed by each Financial Advisor for Program accounts and generally provides trade clearing and settlement services and maintains custody of client assets in the Program, which includes receiving and crediting to Program accounts all interest, dividends and other distributions that JPMS receives on assets in the accounts. When provided by JPMS, these trade execution, clearing, settlement and custodial services are included in the Program fee paid by the client. When they are provided by another executing broker-dealer or custodian – either because applicable law requires it or upon the client’s request and JPMS’s consent – they are not included in the Program fee, and the other broker-dealer and/or custodian are entirely responsible for the execution, clearing, and/or settlement of the transaction and/or custody of the client’s Program account assets. When JPMS executes transactions for Program clients, the division of JPMS that handles the execution may receive compensation (or compensation credits) from one or more other affiliates or divisions of JPMS, including from J.P. Morgan Securities, through which the Program is offered. Program clients are not charged for any such intracompany or inter-affiliate compensation.

In general, JPMS also provides clients with periodic written performance reviews of their accounts in the Program, which are included in the Program fee paid by the client, and which are further described in Item 9 of this Brochure. However, certain Program accounts may not receive such reviews; in its discretion, JPMS may not provide a client with written performance reviews for a Program account if, for example, the account’s assets are not custodied by JPMS or JPMS concludes that the nature of the investment strategy used or securities held in the account makes valuation, performance measurement or performance benchmarking too difficult, infeasible or insufficiently valid or useful to the client.

ii. **Fees and Compensation**

a. **Wrap Fee**

The Program is known as a “wrap fee” investment advisory program because, as noted above, clients in the Program pay JPMS a single, asset-based fee (the “Wrap Fee”) that covers JPMS’s portfolio management services, execution of transactions, clearing and settlement of trades and custody of clients’ assets and, typically, periodic written performance reviews.

Typically, for the services provided by JPMS, each account in the Program is charged the Wrap Fee quarterly, in advance, on the net market value of the assets in the Program account (including all cash and cash alternatives such as money market mutual funds); however, certain accounts may be charged in arrears and/or on other than a quarterly basis (e.g., monthly), and JPMS also may agree in certain instances to calculate the Wrap Fee on a basis other than a percentage of the net market value of the assets in the client’s Program account(s).

The standard Wrap Fee varies among Financial Advisors and investment strategies, however, the maximum annual Wrap Fee that may be charged to clients in the Program is 2.00%. The rate used for the Wrap Fee each quarter will be approximately one-fourth of the applicable annual rate based on the number of days in the quarter. The Wrap Fee charged generally will be based upon the agreed-upon Wrap Fee rate and will not be affected by the number of transactions executed in the account during a quarter; however, such factors may be taken into account in negotiating a new Wrap Fee rate.

The Client Agreement typically provides that (i) a prorated Wrap Fee will be charged on total same-day contributions to the account (net of total same-day withdrawals from the account) of \$25,000 or more to cover the period from the date of the same-day contributions until the end of the quarterly billing period and (ii) a prorated Wrap Fee credit will be made for total same-day withdrawals from the account (net of total same-day contributions from the account) of \$25,000 or more to cover the period from the date of the net same-day withdrawal until the end of the quarterly billing period. Upon termination of the account, JPMS will refund to the client any prepaid amount of the Wrap Fee prorated for the number of days remaining in the billing period.

b. **Negotiability of Fee**

In its discretion, JPMS may negotiate the amount and calculation of the Wrap Fee and any other fees charged by JPMS for services not covered by the Wrap Fee based on a number of factors, including the type and size of the account, anticipated level of trading activity, services provided to the account, historical factors, and the scope of the client’s relationship with JPMS. In addition, JPMS’s negotiation of the Wrap Fee is generally subject to certain internal guidelines based on the total value of assets invested, or expected to be invested, by the client across JPMS’s various investment advisory programs.

The Wrap Fee charged to a client may be higher or lower than the Wrap Fee JPMS charges other clients in this or in its other investment advisory programs, and/or the cost of similar services offered through other financial firms.

c. **Portion of Wrap Fee paid to Financial Advisors**

JPMS typically pays a portion of the Wrap Fee it receives from each client in the Program to the Financial Advisor(s) for that client. The exact portion of such fees paid by JPMS to Financial Advisors may vary and also may depend on a Financial Advisor’s overall annual revenue production, but typically ranges from 40% to 50%.

*Because the amount received by an Financial Advisor as a result of a client’s participation in the Program may be more than the Financial Advisor would receive if the client participated in another J.P. Morgan Securities investment advisory program or paid separately for investment advice, brokerage and other services covered by the Wrap Fee, the Financial Advisor may have a financial incentive to recommend the Program over other programs or services.*

d. **Comparative Cost of the Program**

*Participation in the Program may cost the client more or less than purchasing the services provided in the Program separately.* The factors that bear upon the relative cost of the Program include:

- the cost of the services if provided and charged for separately;
- the Wrap Fee rate charged to the client in the Program;
- the trading activity in the client’s account; and
- the quality and value of the services provided.

For example, Financial Advisors may utilize a “buy-and-hold” investment strategy that generally seeks investments intended to be held on a long-term basis. Program accounts invested in such a strategy may experience less trading activity and lower turnover than accounts invested in a shorter-term strategy. Therefore, because the client pays the full Wrap Fee regardless of the low number of transactions in the account, such an account increases the likelihood that the client would pay less for the Program’s services (including brokerage services) on a separate, “unbundled” basis than on the Program’s wrap fee basis, other things being equal.

**e. Fees in Addition to the Wrap Fee**

The Wrap Fee does not cover commissions, commission equivalents (“mark-ups” or “mark-downs”), or other charges resulting from transactions not effected by JPMS, or clearing, settlement and custody services provided by a custodian other than JPMS. The Wrap Fee also does not cover certain costs or charges that may be imposed by JPMS or third parties, including costs associated with using margin (including margin interest), exchanging foreign currencies, borrowing fees on short sales, odd-lot differentials, activity assessment fees, transfer taxes, exchange fees, wire transfer fees, postage fees, auction fees, foreign clearing, settlement and custodial fees, any fees and expenses associated with ADRs, GDRs, WEBS, ETNs, REITs, closed-end country funds, and with converting non-U.S. securities into ADRs or GDRs, if applicable, and other fees or taxes required by law.

In addition, the Wrap Fee does not cover mark-ups, mark-downs” or “dealer spreads” charged by dealers unaffiliated with JPMS when JPMS, acting as agent for the client in the Program, effects a transaction with an unaffiliated dealer acting as principal (i.e., for the dealer’s own account), typically in connection with certain fixed income and over-the-counter securities that are traded primarily in “dealer” markets. Such “mark-ups” on securities bought by the client, “mark-downs” on securities sold by the client and “dealer spreads” (the difference between the bid price and offer price) are generally incorporated into the net price that the client pays or receives in the transaction.

Similarly, the Wrap Fee does not cover “dealer spreads” that JPMS (or our affiliates) may charge when JPMS or an affiliate, to the extent permitted by applicable law, itself acts as principal in effecting a transaction in a Program account. However, JPMS and its affiliates will not charge, and the net price paid or received by the client will not incorporate, any “mark-up” or “mark-down” in connection with such principal transaction.

In addition, if applicable, clients will pay the public offering price on any securities purchased from an underwriter or dealer involved in a distribution, a portion of which may be paid to JPMS as an underwriting or other fee that is not included in the Wrap Fee.

JPMS may invest account assets in open-end mutual funds (including money market funds), closed-end funds, exchange-traded funds (“ETFs”), and other pooled investment vehicles that have various internal fees and expenses, which are paid by such funds but ultimately are borne by the client as fund shareholder. These internal fees and expenses are in addition to the Wrap Fee. Assets of Program clients may be invested in a share class of a mutual fund with internal fees and expenses that are higher than one or more other share classes of the fund. JPMS and its affiliates also may receive compensation in addition to the Wrap Fee in connection with the operation and/or sale of shares of affiliated or unaffiliated funds to Program clients; such compensation may include investment management fees certain funds may pay to affiliates of JPMS that act as the funds’ portfolio managers, distribution fees certain funds may pay to JPMS and its affiliates pursuant to Rule 12b-1 under the Investment Company Act of 1940 and non-Rule 12b-1 compensation (including revenue sharing, shareholder servicing fees, and licensing fees for the use by a fund of a JPMorgan index) from certain funds, to the extent permitted by applicable law. For additional information about such fees and expenses, clients can review the applicable prospectuses for funds in their Program accounts.

Certain classes of shares of mutual funds entail the payment by the client of a contingent deferred sales charge (also known as a “CDSC” or “back-end load”) upon the client’s sale or redemption of the fund shares. Such share classes are not eligible for purchase by clients in the Program. However, to the extent a client transfers such shares into a Program account, any CDSC or back-end load charged to a client selling such shares in the Program account is in addition to the Wrap Fee. To the extent that the mutual fund shares in the account are an institutional or other share class not eligible to be held by the client in a brokerage account or an account outside of the Program, JPMS may, upon the termination of the account or the removal of the client’s account from the Program, convert such shares to a retail or other share class. Certain mutual funds may charge a redemption fee in the event of such conversions and such conversions may have tax consequences for clients.

Except as otherwise agreed to in writing by JPMS, accounts are charged the Wrap Fee with respect to all assets in the account regardless of whether the client has previously paid or incurred commissions, sales charges or “loads,” mark-ups, mark-downs, dealer spreads, or other costs, charges, fees or expenses in connection with the client’s previous purchase of some or all of the assets in a brokerage account or otherwise outside of the Program.

f. **General Fee and Compensation Issues**

In keeping with the wrap fee nature of the Program, JPMS typically provides the following services for client accounts in the Program: execution of transactions; clearing and settlement services; custody and processing; and the maintenance of securities in good possession and control locations. By recommending the Program to clients, therefore, JPMS also is recommending itself as broker-dealer. Typically, in the Client Agreement the client directs that transactions in the client's account be executed by JPMS or its affiliates; as a result of the client's direction, JPMS is relieved of its duty to seek "best execution" with respect to such transactions under applicable law. Directing that JPMS or its affiliates execute transactions for the account may deprive the client of any savings on trade execution and other costs that otherwise might be negotiated with other broker-dealers and benefits that may result from using alternative trading systems, and may result in less favorable execution than would be obtained through the use of one or more other broker-dealers. Clients should consider the costs and disadvantages of directing that JPMS or its affiliates execute transactions for Program accounts.

In valuing assets in Program accounts, JPMS uses information provided by recognized independent quotation and valuation services or will rely on information it receives from other third parties, if applicable. JPMS believes this information to be reliable but does not verify the accuracy of the information provided by these sources. If any information provided by these sources is unavailable or is believed to be unreliable, JPMS will value assets in a manner JPMS determines in good faith to reflect fair market value. JPMS may use different valuation sources for different purposes. As a result, the determination of asset values may differ for different purposes. For example, the account asset values used in the Wrap Fee calculation may not match the asset values listed on the account's custodial statements. Detailed calculations of any account asset values are available upon request.

The client may designate certain securities as "Excluded Securities" in the Client Agreement, or an addendum to the Client Agreement, or by verbal notification to their Financial Advisor(s) which will be confirmed back to the client. Excluded Securities may be held in a Program account with the consent of JPMS, in its sole discretion, but they are not part of the Program accounts managed by JPMS. Accordingly, JPMS will not be obligated to exercise its discretionary trading authority or otherwise provide any investment advice whatsoever with respect to any Excluded Securities, including making any recommendation to the client with respect to the sale or holding of the Excluded Securities or providing JPMS's assessment of the suitability of the Excluded Securities and the risks presented by the Excluded Securities. Excluded Securities typically will not be included in the calculation of the Wrap Fee, although transactions in Excluded Securities will be subject to commissions and other transaction charges. Excluded Securities will be considered brokerage assets and not advisory assets and, as a consequence, a client's rights and JPMS's duties and obligations to the client with respect to Excluded Securities will differ from those rights, duties and obligations with respect to the client's other Program assets.

Because the Wrap Fee is typically charged on the value of all assets in the account, in a low interest rate environment, a client may earn less interest on assets held in the account as cash or cash alternatives such as money market funds than the amount of the Wrap Fee the client is paying JPMS with respect to such assets, and therefore the client's net yield with respect to such assets may be negative.

JPMS or its affiliates may retain, as compensation for the performance of services, an account's proportionate share of any interest earned on aggregate cash balances held by JPMS or its affiliates with respect to "assets awaiting investment or other processing." This amount, known as "float," is earned by JPMS or its affiliates through investment in a number of short-term investment products and strategies, including without limitation loans to customers and investment securities, with the amount of such earnings retained by JPMS or its affiliates, due to the short-term nature of the investments, being generally at the prevailing one-month LIBOR interest rate ("LIBOR," or London Interbank Offered Rate), less FDIC insurance and other associated costs, if any. "Assets awaiting investment or other processing" for these purposes includes, to the extent applicable, new deposits to the account, including interest and dividends, as well as any uninvested assets held in the account caused by an instruction to purchase and sell securities. JPMS or its affiliates will generally earn float until such time as such funds may be automatically swept into a "sweep" vehicle or otherwise reinvested. "Assets awaiting investment or other processing" may also arise when JPMS facilitates a distribution from the account. Thus, pursuant to standard processes for check disbursement, cash is generally debited from the account on the date on the face of the check (also called the payable date). Such cash is deposited in a non-interest bearing omnibus deposit account held by JPMS or its affiliates, where it remains until the earlier of the date the check is presented for payment or the date payment on the check is stopped at Client's instruction (in which case the underlying funds are returned to the account). JPMS or its affiliates derive earnings (float) from their use of funds that may be held in this manner, as described above.

Interest rates (such as LIBOR or EURIBOR) and a wide range of other index levels, rates and values are treated as "benchmarks" and are the subject of recent regulatory reform which can have an impact on your account. For example, Clients in the Program can invest in Strategies that are managed to, or in fixed income or other securities that utilize, certain interest rate benchmarks. There are certain risks associated with loans, derivatives, fixed income, floating rate securities and other instruments or investments that rely on a benchmark which changes or is affected by benchmark reforms. While benchmark reforms are intended to make benchmarks more robust, the reforms may cause benchmarks to perform differently than in the past, to disappear entirely or have other consequences which cannot be predicted. This could have a material impact on any investments linked to or referencing such a benchmark. Such impact may include: (i) reducing or increasing the volatility of the published rate or level of the benchmark, (ii) early redemption or termination of the investment, or (iii)



adjustments to the terms of the investment. Any of these impacts may be disadvantageous to investors. In particular, such reforms may increase costs and risks associated with investments that use an affected benchmark. The regulatory authority that oversees financial services firms and financial markets in the U.K. has announced that, from the end of 2021, it will no longer persuade or compel contributing financial institutions to make submissions for purposes of determining the LIBOR rate. The LIBOR rate is intended to represent the rate at which contributing banks may obtain short-term borrowings from each other in the London interbank market. As a result, it is possible that commencing in 2022, LIBOR may no longer be available or no longer deemed an appropriate reference rate upon which to determine the interest rate on or impacting certain loans, derivatives and other instruments or investments comprising some or all of an account's portfolio. In light of this eventuality, public and private sector industry initiatives are currently underway to identify new or alternative reference rates to be used in place of LIBOR. There is no assurance that the composition or characteristics of any such alternative reference rate will be similar to or produce the same value or economic equivalence as LIBOR or that it will have the same volume or liquidity as did LIBOR prior to its discontinuance or unavailability, which may affect the value or liquidity or return on certain investments in an account and result in costs incurred in connection with closing out positions and entering into new trades.

JPMS may effect trades on behalf of Program accounts through exchanges, electronic communications networks, alternative trading systems and similar execution systems and trading venues (collectively, "Trading Systems"), including Trading Systems in which JPMS or its affiliates may have a direct or indirect ownership interest. JPMS or its affiliates may receive indirect proportionate compensation based upon its ownership percentage in relation to the transaction fees charged by such Trading Systems in which it has an ownership interest. Currently, JPMS and/or its affiliates have an ownership interest in certain Trading Systems, including: (i) BATS Global Markets; (ii) BIDS Trading; (iii) Chicago Stock Exchange; (iv) Boston Options Exchange; and (v) Luminex Trading and Analytics LLC. Clients authorize JPMS to effect trades on behalf of Program accounts through all such Trading Systems, affiliated and unaffiliated, and all such other Trading Systems in which JPMS or its affiliates have a direct or indirect ownership interest and through which JPMS may determine to trade in the future. An up-to-date list of all Trading Systems in which JPMS or its affiliates have an ownership interest and through which JPMS might trade can be found at <https://www.jpmorganscurities.com/pages/am/securities/legal/ecn>. Such Trading Systems (and the extent of JPMS's or its affiliates' ownership interest in any Trading System) may change from time to time.

JPMS and its affiliates may pay from time to time for certain order flow in the form of discounts, rebates, reduction of fees or credits. Conversely, as a result of sending orders to certain trading centers, JPMS and its affiliates receive payment for order flow in the form of discounts, rebates, reductions of fees or credits. Under some circumstances, the amount of such remuneration may exceed the amount that JPMS and its affiliates are charged by such trading centers. This does not alter JPMS's policy to route customer orders to the trading center where it believes clients will receive the best execution, taking into account, among other factors, price, transaction cost, volatility, market depth, quality of service, speed, and efficiency.

JPMS may earn additional compensation through brokerage-related services it provides, such as extending margin loans to clients and holding free-credit balances. Certain Financial Advisors may receive production-based bonuses that take into account these amounts in addition to investment advisory fees (including the Wrap Fee paid by clients in the Program) and other revenue generated by the Financial Advisor. These bonuses may create a conflict of interest for those Financial Advisors in that they have a financial incentive to cause Program accounts to incur additional or higher fees for these services by, for example, incurring additional or larger margin loans. In addition, because the rate of fees charged for these brokerage-related services is negotiable, this compensation may give these Financial Advisors a financial incentive to charge clients higher rates for these services.

For purposes of the calculation of the Wrap Fee, the net market value of the client's assets on which the Wrap Fee is based generally will *not* be reduced by the amount of any margin debit balances held by the client in any account outside of the Program, even if some or all of the proceeds of the loan represented by the margin debit balances are held in the client's Program account or were used to purchase securities held in the client's Program account, and even if some or all of the assets in the Program account are used to collateralize or secure the loan represented by the margin balances. Similarly, any interest and fees paid by the client in connection with any margin debit balances held by the client in any account outside of the Program will not be taken into account in the calculation of the net equity or performance of the client's Program account, as reflected in account statements, performance reviews, or otherwise. The Financial Advisor will not receive compensation in respect of interest and fees paid by the client on margin debit balances held in the client's Program account; however, the Financial Advisor may receive compensation in respect of interest and fees paid by the client on margin debit balances held by the client in any account outside the Program, including where some or all of the proceeds of the loan represented by the margin debit balances are held in the client's Program account or were used to purchase securities in the client's Program account. As a result, JPMS and the Financial Advisor have a financial incentive for the client to incur margin debt in connection with the client's Program account because the client will be required to pay JPMS interest and fees on the debt, and they have a further financial incentive for the client's margin debit balance to be held in an account outside of the Program because in that case (1) the Wrap Fee paid by the client on the Program account will be higher than it would be if the margin debit balance was held in the Program account and (2) the Financial Advisor may receive compensation from JPMS in respect of the margin interest and fees paid by the client that he or she would not receive if the margin debit balance was held in the Program account.

## **Item 5**

### **Account Requirements and Types of Clients**

#### **i. Account Requirements**

JPMS requires that all clients who wish to open and maintain an account in the Program execute the Client Agreement. The specific terms of the Client Agreement will govern the handling of the client's account in the Program and the investment advisory relationship between the client and JPMS with respect to the account.

There is no across-the-board minimum account size for participating in the Program. However, each Financial Advisor managing accounts in the Program may apply his or her own minimum account size for Program accounts managed by him or her. In addition, a Financial Advisor may apply different minimum account sizes to the different investment strategies he or she manages in the Program. Each Financial Advisor may change or waive the minimum account size he or she applies at any time in his or her discretion. Therefore, the existence, amount and application of a minimum account size will vary by Financial Advisor and may change over time. In addition, JPMS may require a higher minimum account size if the client wishes to use a custodian other than JPMS and JPMS, in its discretion, is willing to maintain the account on such a basis.

The accounts of employee benefit plans (as defined in the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), and retirement plans (as defined in Section 4975(e)(1) of the Internal Revenue Code of 1986, as amended), which includes IRAs, may be subject to certain JPMS policies, restrictions and other terms and conditions that are different from those applicable to other accounts in the Program. Such policies, restrictions and other terms and conditions may affect, for example, the securities that may be available for investment in such accounts, the manner in which transactions may be effected in such accounts, the ability of such accounts to trade on margin, and the fees and expenses that may be charged to such accounts. As a result, application of the policies, restrictions and other terms and conditions may result in the performance of employee benefit plan and retirement plan accounts being worse than it would have been absent such policies, restrictions and terms and conditions.

JPMS may decline to accept any client or account in the Program at any time and for any reason, in its sole discretion.

#### **ii. Types of Clients**

The types of clients to whom JPMS provides investment advice in the Program generally include individuals, trusts, retirement plans (including IRAs and pension plans), estates, corporations and other business entities, foundations and endowments.

JPMS generally does not provide advice in the Program to investment companies, banks or thrift institutions.

## **Item 6**

### **Portfolio Manager Selection and Evaluation**

In the Client Agreement, Program clients authorize JPMS itself – not a specific J.P. Morgan Securities Financial Advisor – to manage the clients' Program accounts on a discretionary basis. In that sense, JPMS is the sole portfolio manager in the Program. In this Item, therefore, JPMS addresses its evaluation of the J.P. Morgan Securities Financial Advisors who seek to manage, and those who are approved and therefore do manage, Program accounts on a discretionary basis on behalf of JPMS, both initially and on an ongoing basis.

#### **i. Selection of Financial Advisors for the Program**

The J.P. Morgan Securities Portfolio Manager Review Committee (the "Review Committee") is responsible for the review of Financial Advisors who wish to manage client accounts in the Program. Typically, JPMS and the Review Committee do not affirmatively seek to identify Financial Advisors for selection as portfolio managers to manage accounts in the Program. In general, Financial Advisors are themselves responsible for expressing an interest in managing client accounts on discretion in the Program, either in connection with their transition to JPMS from other firms where they might have managed client accounts on discretion or arising out of their existing brokerage and advisory client relationships at JPMS. Some Financial Advisors are put forward as candidates for selection as portfolio managers in the Program by their supervisors after discussions between them. Others might express their interest directly to members of the Portfolio Manager Group (the "PM Group"), as it is generally responsible for the initial review of potential candidates and for presenting candidates to the Review Committee for its consideration.

The PM Group's review of a portfolio manager candidate for the Program typically includes one or more discussions with the candidate and a review of various factors, which may include, but are not limited to:

- the nature and length of experience in the securities industry;
- the types of brokerage and investment advisory services previously provided to clients by the candidate;
- the investment strategy or strategies the candidate proposes to implement in the Program;
- the candidate's knowledge and understanding of relevant portfolio management concepts and of the markets and securities in which the candidate proposes to invest client assets;
- the nature and size of the candidate's existing clientele and the anticipated number and size of the candidate's client accounts expected to participate in the Program; and
- the opinion of the candidate's supervisors concerning the candidate's qualifications for discretionary portfolio management and the growth of his or her book of business.

Upon the conclusion of its review of a candidate, the PM Group presents to the Review Committee a summary of its review of the candidate that typically includes a recommendation of approval or rejection of the candidate for the Program. Upon consideration and discussion of the presentation, the Review Committee decides to approve or reject the candidate.

Once approved as a portfolio manager in the Program, the Financial Advisor may offer his or her portfolio management and investment advisory services, where suitable, to existing and prospective clients with whom he or she has or develops relationships. Accordingly, JPMS ordinarily does not recommend or select Financial Advisors *for particular clients*.

If a Financial Advisor managing Program accounts leaves the firm or is otherwise unable to continue to handle his or her PM Program client accounts, JPMS will typically reassign any affected Program accounts to one or more other Financial Advisors in the Program, as JPMS deems suitable and appropriate. The selection of replacement of Financial Advisors is typically made by the supervisors of the replaced Financial Advisor in consultation with the PM Group. Typically, when possible, JPMS endeavors to reassign the accounts to one or more suitable Financial Advisors in the Program in the same branch office or geographical area. Other factors that may affect the selection of the replacement Financial Advisor(s) include:

- the similarity between the investment strategies implemented by the prior and replacement Financial Advisors;
- whether multiple replacement Financial Advisors will be needed to accommodate different subsets of accounts invested in different investment strategies by the prior Financial Advisor; and
- the qualifications and resources of other available Financial Advisors to assume responsibility for the management of the Program accounts of the prior Financial Advisor.

Alternatively, JPMS may terminate an account from the Program, in which event any such account is no longer an investment advisory account and will revert to a client-directed, non-discretionary brokerage account. In any event, there is no assurance at any time that any client's participation in the Program will continue. Either the client or JPMS may terminate the account and the client's participation in the Program at any time, for any reason.

## **ii. Review of Financial Advisors in the Program**

Primary responsibility for the day-to-day supervision of each Financial Advisor managing accounts in the Program lies with a J.P. Morgan Securities supervisory manager (each, a "Supervisory Manager"), who is usually (but not in every case) located in the same branch office as the Financial Advisor.

The PM Group performs periodic reviews of each Financial Advisor in the Program, which generally include an examination of each Financial Advisor's implementation of his or her investment strategy or strategies across a sample of the Program accounts he or she manages, the adherence of each Financial Advisor's Program accounts to certain internal JPMS investment parameters, and the performance of each Financial Advisor's Program accounts. Such reviews are typically conducted on an annual basis, but can occur more or less frequently depending on various factors. The PM Group communicates the substance of its periodic reviews of each Financial Advisor to the Review Committee. A Financial Advisor may be asked to withdraw from the Program as a result of one or more reviews by the PM Group or facts or circumstances brought to the attention of JPMS management, the Financial Advisor's Supervisory Manager, the PM Group, and/or the Review Committee.

The PM Group uses various industry and non-industry standards to measure the performance of each Financial Advisor's management of Program accounts for purposes of its and the Review Committee's internal periodic reviews. The investment returns of the accounts managed by each Financial Advisor are compared to the returns of indexes, or "benchmarks," over the same time period. The benchmarks used are indexes (or a blend of multiple indexes) commonly used in the securities industry as measures of market performance against which the performance of accounts invested according to specific investment strategies may be compared. The particular index (or blend of multiple indexes) against which the performance of a Financial Advisor's Program accounts will be compared may vary from strategy to strategy, and typically depends principally on the nature of the investment style (e.g., equity, income-oriented, balanced,

specialty), the specific strategy being implemented (e.g., a “balanced” strategy, a “domestic large cap equity core” strategy) and the types of securities purchased (e.g., individual stocks, equity ETFs, U.S. Government bonds, municipal bonds, corporate bonds, high yield bonds).

The performance information calculated and used by the PM Group in its internal reviews of Financial Advisors is based in part on subjective assessments and judgments (in some cases, for example, in the selection of the applicable benchmark). Furthermore, neither JPMS nor any third party reviews the performance information calculated and used by the PM Group in its internal reviews to determine or verify its accuracy or its compliance with performance presentation standards, and the information may not be calculated on a uniform and consistent basis.

**iii. Related Person Portfolio Managers**

Except for the Financial Advisors, none of JPMS’s related persons acts as a portfolio manager in the Program. Each Financial Advisor in the Program is an employee, registered representative and investment advisory representative of JPMS and is subject to substantially the same selection and review processes and criteria (as described above).

**iv. Advisory Business**

In addition to the Program, J.P. Morgan Securities offers other types of investment advisory services through its other wrap fee investment advisory programs, which are described in separate Brochures that can be obtained from a client’s Financial Advisor(s), or at the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). JPMS does not hold itself out as specializing in a particular type of investment advisory service.

JPMS typically does not provide investment advice in the Program or its other investment advisory programs with respect to futures and commodities. JPMS may provide advice with respect to, and may invest Program accounts in, other types of investments and securities, including U.S. and foreign equity and income-oriented securities, shares of open- and closed-end investment companies and ETFs (including those that invest in futures and commodities), interests in limited partnerships (including master limited partnerships) and other pooled investment vehicles, derivatives, options, REITs, and cash.

JPMS tailors its investment advisory services to the individual needs of clients in the Program. Each Financial Advisor typically manages his or her clients’ Program accounts in accordance with the Financial Advisor’s individual investment style(s) and strategy or strategies, taking into consideration each client’s financial situation and investment objective for the Program account. The degree of consistency or uniformity with which a Financial Advisor applies a particular investment strategy across all of the Program accounts he or she manages in the strategy varies from Financial Advisor to Financial Advisor and strategy to strategy; in all cases, however, the client’s individual situation and needs are considered by the Financial Advisor in his or her initial assessment of whether any of his or her strategies is suited to the client’s financial circumstances and achievement of the client’s objective.

A client may request reasonable investment restrictions on the management of his or her Program account, including restrictions on investing in specific securities, subject to JPMS’ acceptance in its sole discretion.

**v. Performance-Based Fees and Side-By-Side Management**

JPMS does not charge performance-based fees in connection with the Program. However, certain mutual funds or other types of funds available in the Program may be subject to performance-based fees or varying fund expense charges imposed by the fund manager or advisor (or another party) and that are based on the fund’s performance. Fees in the Program are calculated and charged as described in the *Fees and Compensation* section above and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the assets in Program accounts.

**vi. Methods of Analysis, Investment Strategies and Risk of Loss**

**a. Methods of Analysis and Investment Strategies**

In addition to the various methods of analysis used by Financial Advisors in the Program (as discussed below), the Manager Solutions due diligence group (“Manager Solutions”) in the J.P. Morgan Wealth Management division provides research on certain mutual funds, money market funds and ETFs (collectively, “Funds”). Manager Solutions also provides research on investment strategies (together with the Funds, “Researched Products”). Manager Solutions is comprised of employees of JPMorgan Chase Bank, N.A. and its affiliates. For certain investment advisory programs, Manager Solutions utilizes a qualitative analysis of the Researched Products by reviewing the organization, investment process, investment philosophy and performance of the Researched Products on an ongoing basis (the “Qualitative Research Process”).

Additionally, Manager Solutions uses an internally developed quantitative screening process to evaluate the Researched Products that do not go through the Qualitative Research Process by reviewing the organization, investment process, service and performance of the Researched Products on an ongoing basis (the “Systematic Research Process”). Researched Products may be removed from, or, as it relates to Funds, no longer be eligible for purchase in an investment advisory program if it is determined that they do not meet the criteria set forth in the Systematic Research Process. However, in the event a Researched Product does not pass the Systematic Research Process, Manager Solutions can review the Researched Product and apply the Qualitative Research Process to determine if the Researched Product is eligible. Additionally, there may be certain products or asset classes that have not been included in Manager Solutions’ due diligence process (“Non-Researched Products”). Non-Researched Products will generally be treated similarly to those Researched Products that do not meet the criteria of the Systematic Research Products. This Program utilizes the Systematic Research Process.

In formulating investment advice or managing assets in the Program, JPMS (through the Financial Advisors) uses various methods of analysis, including:

- fundamental analysis, typically an effort to measure the intrinsic value of a security through analysis of the issuer itself, its financial statements and condition, its management and competitive advantages, and its competitors and markets;
- technical analysis, typically involving the study of data generated by market activity, such as past security prices and volume, in an effort to identify patterns and trends that may suggest a security’s future price performance; and
- cyclical analysis, generally involving the examination of macroeconomic and market trends as a guide to forecasting security prices.

The method(s) of analysis used for purposes of the management of a client’s Program account varies from Financial Advisor to Financial Advisor and depends on the individual practice and investing philosophy of the Financial Advisor. There is no assurance that a particular Financial Advisor will use any of the methods of analysis identified above.

Similarly, each Financial Advisor uses his or her own investment style(s) and strategy or strategies in managing Program accounts, and there is no assurance that a particular Financial Advisor will use or offer to clients or prospective clients any particular investment style or strategy. The principal investment styles used by different Financial Advisors in the Program are:

- Equity;
- Income-oriented;
- Balanced, typically representing a mixed portfolio of equities and income-oriented securities with a target asset allocation of at least 20% of one and no more than 80% of the other;
- Specialty, typically representing a portfolio with a significant target allocation to a specialized asset class, such as master limited partnerships or global or international equities.

The following investment strategies are among those that may be used by different Financial Advisors in each of the foregoing styles:

- Equity strategies: All Cap Core, Value and Growth Equity, Large Cap Core, Value and Growth Equity, ETF and Mutual Fund Equity, Covered Call Writing, Long/Short Equity;
- Income-oriented strategies: US Taxable and US Tax-Exempt Fixed Income, ETF and Mutual Fund Fixed Income, US Taxable and US Tax Exempt Short-Term, Intermediate, Long Term and Aggregate Fixed Income;
- Balanced strategies: Balanced All Cap and Large Cap Core, Value, Growth and Income, ETF and Mutual Fund Balanced, Long/Short Balanced;
- Specialty strategies: International and Global Equity, ETF and Mutual Fund International and Global Equity, Master Limited Partnership (“MLP”).

The investment strategies used by different Financial Advisors also depend on the requirements of the client and the investment guidelines associated with the client’s account.

Descriptions of some of the particular types of investments that may be purchased and investment tactics that may be used by certain Financial Advisors in their implementation of certain investment styles and strategies, and some of the risks presented by such investments and tactics, are provided below. However, the information below is meant to summarize certain risks and is not inclusive of each and every potential risk associated with each investment strategy or applicable to a particular client account. Clients should not rely solely on the descriptions provided below. Clients are urged to speak with their Financial Advisors and ask questions regarding risk factors applicable to a particular investment strategy or product, read all product-specific risk disclosures and determine whether a particular investment strategy or type of security is suitable for their account in light of their specific circumstances, investment objectives and financial situation.

**Equity Securities.** Investments in equity securities (such as stocks) may be more volatile and carry more risks than some other forms of investment. 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 selected for a portfolio or the securities market as a whole, such as changes in economic or political conditions.

Securities that are included in growth strategies are generally those that the Financial Advisor believes are more likely to experience rapid earnings growth relative to value or other types of stocks. The value of these stocks generally is much more sensitive to current or expected earnings than stocks of other types of companies. Short-term events, such as a failure to meet industry earnings expectations, can cause dramatic decreases in the growth stock price companies to other types of stock. Growth stocks may trade at higher multiples of current earnings companies to value or other stocks, leading to inflated prices and thus potentially greater declines in value.

Securities that are included in value strategies are generally those that the Financial Advisor believes the market has undervalued. A Financial Advisor that engages in value investing selects stocks which are trading at prices that he/she believes are temporarily low relative to factors such as the company's earnings, cash flow or dividends. A value stock may decrease in price or may not increase in price as anticipated by the Financial Advisor if other investors fail to recognize the company's value or the factors that the Financial Advisor believes will cause the stock price to increase do not occur.

**Small Capitalization Stocks.** Certain Financial Advisors may invest a significant portion of an account's assets in stocks of companies with smaller market capitalizations. While these stocks may provide significant potential for appreciation, they can involve higher risks in some respects than investments in stocks of larger companies and may be more vulnerable to economic, market and industry changes. As a result, the changes in value of their securities may be more sudden or erratic than large capitalization companies, especially over the short term. Because smaller companies may have limited product lines, markets or financial resources, or may depend on a few key employees, they may be more susceptible to particular economic events or competitive factors than large capitalization companies. This may cause unexpected and frequent decreases in the value of an account's investments. In addition, due to thin trading in some small-capitalization stocks, these stocks may be relatively illiquid and tend to be less liquid than securities of larger companies. Finally, emerging companies in certain sectors may not be profitable and may not realize earning profits in the foreseeable future.

**Fixed Income.** Fixed income securities increase or decrease in value based on changes in interest rates. If interest rates increase, the value of fixed income investments generally decline. On the other hand, if interest rates fall, the value of fixed income instruments generally increases. Securities with greater interest rate sensitivity and longer maturities generally are subject to greater fluctuation in value. However, typically changes in value of fixed income securities will not affect cash income generated. Variable and floating rate securities are generally less sensitive to interest rate changes than fixed rate instruments, but the value of variable and floating rate securities may decline if their interest rates do not rise as quickly, or as much, as general interest rates. Many factors can cause interest rates to rise; some examples include central bank monetary policy, rising inflation rates and general economic conditions.

There is a risk that issuers and/or counterparties will not make payments on securities when due or default. Such default could result in losses. In addition, the credit quality of securities may be lowered if an issuer's or counterparty's financial condition changes. Lower credit quality may lead to greater volatility in the price of a security, affect liquidity and make it difficult to sell the security. Certain strategies may invest in securities that are rated in the lowest investment grade category. Such securities also are considered to have speculative characteristics similar to high yield securities, and issuers or counterparties of such securities are more vulnerable to changes in economic conditions than issuers or counterparties of higher grade securities. Prices of fixed income securities may be adversely affected and credit spreads may increase if any of the issuers or counterparties to such investments are subject to an actual or perceived deterioration in their credit quality. Credit spread risk is the risk that economic and market conditions or any actual or perceived credit deterioration may lead to an increase in the credit spreads (i.e., the difference in yield between two securities of similar maturity but different credit quality) and a decline in price of the issuer's securities.

Some strategies invest in securities issued or guaranteed by the U.S. government or its agencies and instrumentalities (such as the Government National Mortgage Association ("Ginnie Mae"), the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac")). U.S government securities are subject to market risk, interest rate risk and credit risk. Securities, such as those issued or guaranteed by Ginnie Mae or the U.S. Treasury, that are backed by the full faith and credit of the United States are guaranteed only as to the timely payment of interest and principal when held to maturity; however, circumstances could arise that would prevent the payment of principal and interest. Securities issued by U.S. government related organizations, such as Fannie Mae and Freddie Mac, are not backed by the full faith and credit of the U.S. government and no assurance can be given that the U.S. government will provide financial support.

Certain strategies invest in securities and instruments that are issued by companies that are highly leveraged, less creditworthy or financially distressed. These investments (commonly referred to as junk bonds) are considered speculative and are subject to greater risk of loss, greater sensitivity to interest rate and economic changes, valuation difficulties and potential illiquidity.

A non-equity investment, such as a convertible debt obligation, may convert to an equity security. Alternatively, equity securities may be acquired in connection with a restructuring event related to non-equity investments. An investor may be unable to liquidate the equity investment at an advantageous time from a pricing standpoint.

**Municipal Bonds.** The risk of a municipal obligation generally depends on the financial and credit status of the issuer. Changes in a municipality's financial health may make it difficult for the municipality to make interest and principal payments when due. A number of municipalities have had significant financial problems recently, and these and other municipalities could, potentially, continue to experience significant financial problems resulting from lower tax revenues and/or decreased aid from state and local governments in the event of an economic downturn. Under some circumstances, municipal obligations might not pay interest unless the state legislature or municipality authorizes money for that purpose. Some securities, including municipal lease obligations, carry additional risks. For example, they may be difficult to trade or interest payments may be tied only to a specific stream of revenue.

Municipal bonds may be more susceptible to downgrades or defaults during recessions or similar periods of economic stress. Factors contributing to the economic stress on municipalities may include lower property tax collections as a result of lower home values, lower sales tax revenue as a result of consumers cutting back spending, and lower income tax revenue as a result of a higher unemployment rate. In addition, since some municipal obligations may be secured or guaranteed by banks and other institutions, the risk to an investor could increase if the banking or financial sector suffers an economic downturn and/or if the credit ratings of the institutions issuing the guarantee are downgraded or at risk of being downgraded by a national rating organization. If such events were to occur, the value of the security could decrease or the value could be lost entirely, and it may be difficult or impossible for an investor to sell the security at the time and the price that normally prevails in the market. Interest on municipal obligations, while generally exempt from federal income tax, may not be exempt from federal alternative minimum tax.

**Foreign Investments.** Certain Financial Advisors may invest account assets in securities of non-U.S. companies and/or securities denominated in U.S. dollars and/or denominated in foreign currencies. These may include securities issued by companies in, and traded in, so-called "emerging markets." Some foreign countries are less stable than the U.S. economy, due to, among other things, volatile political environments, less stable monetary systems and/or external political risks. As such, non-U.S. investing, and investing in emerging markets in particular, will subject a client to certain risks not typically associated with investing in securities in the United States. These risks include political and economic risks, civil conflicts and war, greater volatility, currency fluctuations, higher transactions costs, delayed settlement, possible foreign controls on investment, expropriation and nationalization risks, liquidity risks, and less stringent investor protection and disclosure standards of some foreign markets. Events and evolving conditions in certain economies or markets may alter the risks associated with investments tied to countries or regions that historically were perceived as comparatively stable becoming riskier and more volatile. These risks are magnified in countries in "emerging markets," which may have relatively unstable governments, less-established market economies as well as greater social, economic, regulatory and political uncertainties. These risks make emerging market securities more volatile and less liquid than securities issued in more developed countries. The costs and expenses of investing in foreign markets are generally higher than in the United States. There generally is less publicly available information about foreign companies than about domestic companies, which will make it more difficult for the Financial Advisor to keep informed of corporate actions that may affect the price of a particular security. In addition, economies and financial markets throughout the world are becoming increasingly interconnected, which increases the likelihood that events or conditions in one country or region will adversely impact markets or issuers in other countries or regions. Securities in any one strategy may underperform in comparison to general financial markets, a particular financial market or other asset classes, due to a number of factors, including inflation, interest rates, global demand for particular products or resources, natural disasters or events, terrorism, regulatory events and government controls.

Certain Financial Advisors may invest in instruments derived from foreign securities, including: (i) ADRs, which are receipts issued by a U.S. bank or trust company that evidence ownership of non-U.S. securities and are traded on a U.S. exchange or in the over-the-counter market; (ii) GDRs, which are receipts issued generally by a non-U.S. bank or trust company that evidence ownership of non-U.S. securities; (iii) WEBS, which is a type of international fund traded on the American Stock Exchange which follows the Morgan Stanley Capital International ("MSCI") country indices; and (iv) closed-end investment companies that invest a substantial portion of their assets in the securities of specified foreign countries ("closed-end country funds"). ADRs and GDRs may not be: (i) subject to U.S. securities registration, disclosure or accounting requirements; (ii) listed or traded on any U.S. stock exchange or the NASDAQ/NMS market; or (iii) registered for sale with securities regulatory authorities in the United States.

**Derivatives.** Certain Financial Advisors may utilize a variety of derivative instruments in client accounts. Derivatives are financial instruments or arrangements in which the risk and return are related to changes in the value of other assets such as stocks, interest rates, or securities indices.

Derivatives, including forward currency contracts, futures, options and commodity-linked derivatives and swaps, can be highly speculative and may be riskier than other types of investments because they may be more sensitive to changes in economic and market conditions, and could result in losses that significantly exceed the investor's original investment in the derivative. They can provide a form of "leverage" in that they permit a client's portfolio to speculate on fluctuations in the prices of securities indices or other assets while

investing only a small percentage of the value of the underlying securities or other assets. Derivatives also expose a portfolio to counterparty risk (the risk that the derivative counterparty will not fulfill its contractual obligations), including the credit risk of the derivative counterparty. Certain derivatives are synthetic instruments that attempt to replicate the performance of certain reference assets. With regard to such derivatives, an investor does not have a claim on the reference assets and is subject to enhanced counterparty risk. Derivatives may not perform as expected, so an investor may not realize the intended benefits. When used for hedging, the change in value of a derivative may not correlate as expected with the security being hedged. In addition, given their complexity, derivatives expose an investor to risks of mispricing or improper valuation.

**Options.** Certain Financial Advisors may invest client assets in or trade options on specific securities and indices. Assets may be used to buy or sell (“write”) both call options and put options. When Financial Advisors cause clients to write options, they may do so on either a “covered” or “uncovered” basis. A covered option is an option position that is fully hedged by a long or short position in the underlying asset. Covered options transactions may be part of a hedging strategy (i.e., offsetting the risk involved in another securities position). Uncovered options are unhedged options positions. Uncovered options transactions are generally a speculative use of leverage whereby a client’s portfolio has the right to benefit from price movements in a large number of securities with a small commitment of capital. Trading uncovered options involves significant risks. Buying uncovered options may result in a total loss of the purchase price if the options expire “out-of-the-money.” The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position, and may incur large losses if the value of the underlying instrument increases above the exercise price. The risk of writing uncovered put options is substantial, and may far exceed the premiums received. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. The writer of uncovered options must post margin. If the value of the underlying instrument moves against an uncovered writer’s options position, additional margin payments may be required. If the client is unable to meet such margin calls, positions in the account may be liquidated at substantial losses with little or no prior notice and render the client unable to benefit from any rebound in the value of the investments that were liquidated.

**Exchange-Traded Funds and Index Mutual Funds.** Shares of ETFs and index mutual funds are marketable securities that are interests in registered funds. Passive ETFs and index mutual funds are designed to track the performance of an index. Unlike a mutual fund, ETFs trade like common stock on an exchange, experience price changes throughout the day as they are bought and sold, and typically have higher daily liquidity and lower fees than mutual fund shares.

Physical replication and synthetic replication are two of the most common structures used in the construction of passive ETFs and index mutual funds. Physically replicated passive ETFs and index mutual funds buy all or a representative portion of the underlying securities in the index that they track. In contrast, some passive ETFs and index mutual funds do not purchase the underlying assets but gain exposure to them by use of swaps or other derivative instruments.

In addition to the general risks of investing in funds, there are specific risks to consider with respect to an investment in passive ETFs and index mutual funds. Passive ETF and index mutual fund performance may differ from the performance of the applicable index for a variety of reasons. For example, passive ETFs and index mutual funds incur operating expenses and portfolio transaction costs not incurred by the benchmark index, may not be fully invested in the securities of their indices at all times, or may hold securities not included in their indices. In addition, corporate actions with respect to the equity securities underlying passive ETFs and mutual funds (such as mergers and spin-offs) may impact the variance between the performances of the funds and applicable indices. Passive investing differs from active investing in that managers are not seeking to outperform their benchmark. As a result, managers may hold securities that are components of their underlying index, regardless of the current or projected performance of the specific security or market sector. Passive managers do not attempt to take defensive positions based upon market conditions, including declining markets. This approach could cause a passive vehicle’s performance to be lower than if it employed an active strategy.

With respect to ETFs, shares are bought and sold in the secondary market at market prices. Although ETFs are required to calculate their net asset values (“NAV”) on a daily basis, at times the market price of an ETF’s shares may be more than the NAV (trading at a premium) or less than the NAV (trading at a discount). Given the differing nature of the relevant secondary markets for ETFs, certain ETFs may trade at a larger premium or discount to NAV than shares of other ETFs depending on the markets where such ETFs are traded. The risk of deviation from NAV for ETFs generally is heightened in times of market volatility or periods of steep market declines. For example, during periods of market volatility, securities underlying ETFs may be unavailable in the secondary market, market participants may be unable to calculate accurately the NAV per share of such ETFs and the liquidity of such ETFs may be adversely affected. This kind of market volatility may also disrupt the ability of market participants to create and redeem shares in ETFs. Further, market volatility may adversely affect, sometimes materially, the prices at which market participants are willing to buy and sell shares of ETFs. As a result, under these circumstances, the market value of shares of an ETF may vary substantially from the NAV per share of such ETF, and the Client may incur significant losses from the sale of ETF shares.

**Private Placements.** Although typically prohibited in the Program, investments in private placements may entail significant risks. The securities offered through private placements are not available for sale to the general public, and are therefore illiquid. The federal securities laws heavily restrict the resale of private placement securities and a public market may never develop for such securities.



Therefore, clients may have difficulty disposing of private placement securities. Because private placement issuers are typically not required to register with the SEC or to publicly report financial information and other important company information, the amount of information available about private placement issuers may be limited.

**Leveraged and Inverse ETFs and Mutual Funds.** Although JPMS does not generally permit the recommendation and/or purchase of leveraged and inverse ETFs and mutual funds for Program accounts, certain Program clients may have already been invested in or may wish to invest in leveraged ETFs and mutual funds, which seek to deliver multiples of the performance of the index or benchmark they track for a specified period (typically daily). Inverse ETFs and mutual funds are generally “short” funds, meaning that they seek to deliver the opposite of the performance of the index or benchmark they track. Like traditional ETFs and mutual funds, leveraged and inverse ETFs and mutual funds may track broad indices, track specific sectors, or be linked to commodities or currencies. Some ETFs and mutual funds are both short and leveraged, meaning that they seek to achieve a return that is a multiple of the inverse performance of the underlying index or benchmark. Most leveraged and inverse ETFs “reset” daily, meaning that they are designed to achieve their stated objective on a daily basis. Due to the effects of compounding and “decay,” their performance over longer periods of time can differ significantly from the performance (or inverse of the performance) of the underlying index or benchmark during the same period of time, especially in volatile markets.

**Master Limited Partnerships (“MLPs”).** Certain Financial Advisors may invest account assets in MLPs, which are limited partnerships that issue publicly traded investment units. The partnership structure of MLPs and other factors give rise to unique tax treatment and investment risks.

MLPs are not designed to be subject to corporate income taxes. Instead, unitholders of an MLP are personally responsible for paying taxes on their individual portions of the MLP’s income, gains, losses, and deductions. An investor receives K-1 tax statements (instead of Form 1099s) detailing his or her share of the partnership’s net income. In order to qualify as an MLP under certain tax laws, a firm must earn 90% of its income through activities relating to natural resources, commodities or real estate. Investors or unit holders of MLPs are paid quarterly required distributions (“QRDs”) instead of corporate dividends. MLPs may offer potential tax advantages to certain investors through partial tax-deferral of these distributions. However, clients may face state income tax liability in states where an MLP generates earnings and where a client may not otherwise be subject to taxation. In addition, MLP distributions for tax-exempt investors, including IRAs, pension and profit-sharing plans, endowments and charitable remainder trusts (“CRTs”), are generally taxable as “unrelated business taxable income” (“UBTI”). CRTs are subject to a 100% federal excise tax on UBTI. Due to tax treatment considerations, MLPs generally should not be held in retirement accounts (including IRAs and accounts subject to ERISA). JPMS does not provide tax advice, and clients should discuss any proposed investment in MLPs with their tax advisers.

In general, MLP units also can present investment risks that differ from those involved in an investment in a corporation’s common stock. The following are some of the risks that clients should consider before investing in MLPs:

- Smaller, thinly traded MLPs may be price sensitive in the event of a large position sale or purchase.
- Equity offerings by an issuer have tended to cause a drop in the price of the issuer’s MLP units.
- MLPs may experience negative correlation to rising interest rates.
- MLPs typically pay their partners from operating cash flows, and therefore rely on capital markets for access to equity and debt financing in order to fund projects and acquisitions.
- Tax deferral and tax liabilities vary by MLP.
- A more restrictive tax policy can change the attractiveness and value of MLPs.
- Holders of MLP units have limited voting rights on matters affecting the MLP.
- Holders of MLP units could be exposed to liability for the obligations of the MLP as a result of certain legal proceedings relating to the rights of unit holders or compliance with state partnership laws.

In addition, investments held by an MLP may be relatively illiquid, limiting the MLP’s ability to vary its portfolio promptly in response to changes in economic or other conditions. In addition, MLPs may have limited financial resources, their securities may trade infrequently and in limited volume and they may be subject to more abrupt or erratic price movements than securities of larger or more broadly-based companies. The risks of investing in an MLP are generally those inherent in investing in a partnership as opposed to a corporation. For example, state law governing partnerships is often less restrictive than state law governing corporations. Accordingly, there may be fewer protections afforded investors in an MLP than investors in a corporation. Additional risks involved with investing in an MLP are risks associated with the specific industry or industries in which the partnership invests, such as the risks of investing in real estate, or oil and gas industries.

**Concentration of Investments.** Certain Financial Advisors may at times concentrate Program account assets in a region, small group of countries, or in an industry or economic sector. In addition to the potential concentration of accounts in one or more sectors, certain accounts may hold concentrated positions in specific securities. Therefore, at times, an account may hold a relatively small number

of securities positions, each representing a relatively large portion of assets in the account. As a result, the value of the account may be subject to greater volatility than a more geographically or sector diversified portfolio. Investments in issuers within a country, state, geographic region, industry or economic sector that experiences adverse economic, business, political conditions or other concerns will impact the value of such a portfolio more than if the portfolio's investments were not so concentrated. A change in the value of a single investment within the portfolio may affect the overall value of the portfolio and may cause greater losses than it would in a portfolio that holds more diversified investments.

**Short Sales.** Certain Financial Advisors may sell securities short as a regular part of their investing activities. In a short sale, an individual sells securities it does not own. Financial Advisors may sell short in the hope that the market price will decline and that the client will be able to buy replacement securities later at a lower price. To accomplish this, the client borrows the securities from JPMS, and "closes" the position by "returning" the security (buying a replacement security on behalf of the lender) whenever the lender chooses. As collateral for this obligation to "close" its short position, the client is required to leave the proceeds of its short sale with JPMS, and deliver an additional amount of cash or other collateral required by margin regulations. Because of the repayment obligation, a short sale theoretically involves the risk of unlimited loss: the price at which the client must buy "replacement" securities could increase without limit. There can be no assurance that the client will not experience losses on short positions and, if such losses occur, that those losses will be offset by gains on any long positions to which they may relate. Short sales also may be effected by causing an account to deliver borrowed securities to settle a sale of securities already in the account (so-called selling "short against the box"). One purpose of selling short "against the box" is to lock in the value of securities owned when selling the securities owned is not permitted.

**Leverage.** Certain Financial Advisors may seek to leverage client investment positions by borrowing funds on the client's behalf (e.g., through the use of margin) from JPMS, other broker-dealers, banks or others. In the Client Agreement, the client typically authorizes JPMS to borrow funds on the client's behalf for the purpose of employing such leverage in the client's Program account. Use of leverage increases both the possibilities for profit and the risk of loss. Borrowings will usually be from JPMS and typically will be secured by the client's securities and other assets. Under certain circumstances, JPMS (as the lending broker-dealer) may demand an increase in the collateral that secures the client's obligations (commonly known as a "margin call") and, if the client is unable to provide additional collateral, JPMS may liquidate assets held in the client's account to satisfy the client's obligations. Liquidation in that manner could result in significant losses, and render the client unable to benefit from any rebound in the value of the investments that were liquidated. In addition, the amount of the client's borrowings (if any) and the interest rates on those borrowings, which may fluctuate, will have a significant effect on account performance.

**Short-Term Trading.** Certain Financial Advisors may engage in short-term (i.e., active and frequent) trading of securities for client accounts, leading to increased portfolio turnover, higher transaction costs, and the possibility of increased capital gains, including short-term capital gains that are generally taxable as ordinary income.

**Idle Assets.** While Financial Advisors generally endeavor to keep client assets invested, at any time and for a substantial length of time an Financial Advisor may hold a significant portion of a client's assets in cash, money market mutual funds and other short-term securities. Investments in such assets may cause a client to miss out on upswings in the markets. Unless JPMS expressly agrees otherwise in writing, Program account assets consisting of cash, money market mutual funds and other short-term securities are included in the net market value of the account's assets for purposes of calculation of the Wrap Fee.

An Financial Advisor's implementation of an investment strategy in the Program may be constrained by certain investment limitations on the positions in securities (including registered mutual funds and/or ETFs), or other financial instruments, that JPMS or its affiliates will take on behalf of its clients in the aggregate due to, among other things: (i) liquidity concerns; (ii) regulatory requirements applicable to JPMS or its affiliates; and (iii) internal policies related to such concerns or requirements, in light of the management of multiple portfolios and businesses by JPMS and its affiliates. Such policies preclude JPMS or its affiliates from purchasing certain securities for clients and may cause JPMS to sell certain securities held in client accounts.

JPMS and its affiliates, employees and Financial Advisors do not provide, and nothing contained herein should be construed as, tax, legal or accounting advice. Accordingly, we encourage each client to consult their own personal tax, legal and/or accounting advisers in order to understand the potential consequences associated with a particular investment strategy or tactic a Financial Advisor recommends for use in a client's Program account.

**Cyber Security.** As the use of technology has become more prevalent in the course of business, JPMS has become more susceptible to operational and financial risks associated with cyber security, including: theft, loss, misuse, improper release, corruption and destruction of, or unauthorized access to, confidential or highly restricted data relating to JPMS and its clients, and compromises or failures to systems, networks, devices and applications relating to the operations of JPMS and its service providers. Cyber security risks may result in financial losses to JPMS and its clients; the inability of JPMS to transact business with its clients; delays or mistakes in materials provided to clients; the inability to process transactions with clients or other parties; violations of privacy and other laws; regulatory fines, penalties and reputational damage; and compliance and remediation costs, legal fees and other expenses. JPMS's service providers (including any

sub-advisers, administrator, transfer agent, and custodian or their agents), financial intermediaries, companies in which client accounts and funds invest and parties with which JPMS engages in portfolio or other transactions also may be adversely impacted by cyber security risks in their own businesses, which could result in losses to JPMS or its clients. While measures have been developed which are designed to reduce the risks associated with cyber security, there is no guarantee that those measures will be effective, particularly since JPMS does not directly control the cyber security defenses or plans of its service providers, financial intermediaries and companies in which they invest or with which they do business.

**b. Risk of Loss**

The investment styles and strategies used by different Financial Advisors, and the particular investments in which different Program accounts are invested, entail varying degrees of risk. Each client is urged to consult with his or her own Financial Advisor to discuss the risks associated with the particular investment style, strategy and investments used in the client's Program account. There is no assurance that implementation of a Financial Advisor's particular investment style or strategy will be successful or that the client will not suffer losses. Results generated by each Financial Advisor in the Program will differ, and a Financial Advisor's results will differ from client to client. Investment performance is not guaranteed, and JPMS's or a Financial Advisor's past performance with respect to a client's account or other accounts does not predict future performance with respect to the client's account.

**vii. Voting Client Securities**

Clients have the option to elect to vote their own proxies for any securities and other property in their account(s). In the PM Program, clients may also delegate proxy voting authority to JPMS. As stated in the Client Agreement between JPMS and PM Program clients, the proxy voting authority that clients delegate to JPMS also authorizes JPMS to further delegate these proxy voting rights to, or otherwise use services provided by, a third-party proxy voting or advisory service, subject to JPMS' supervision and oversight.

When a Program client has delegated proxy voting authority to JPMS, a potential conflict of interest arises because JPMS's and the client's interests with respect to the subject matter of the proxy may conflict or otherwise differ. This conflict is addressed in part by Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), which requires JPMS to adopt and implement written procedures designed to ensure that it votes client securities in the best interests of clients and the general fiduciary responsibilities associated with acting in the capacity of investment adviser. Therefore, to minimize conflicts of interest, JPMS has engaged as its delegate Institutional Shareholder Services Inc. ("ISS"), an independent service provider, for purposes of voting proxies for any securities and other property in Program client accounts for which JPMS has been granted proxy voting authority, in accordance with ISS' proxy voting guidelines in effect from time to time, copies of which are available on request. All such activities of ISS are subject to the oversight and supervision of JPMS, and to *JPMS's proxy voting policies and procedures applicable to accounts in the Program, a copy of which of is available to Program clients upon request.* Information relating to ISS and their services is available on the ISS website at [www.issgovernance.com](http://www.issgovernance.com) and the ISS Form ADV Part 2A Brochure is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). JPMS relies upon ISS to maintain proxy voting records and has obtained an undertaking from ISS to provide copies of such records promptly upon JPMS's request. Therefore, a client who wishes to obtain the proxy voting records with respect to the securities held in their Program accounts should contact the client's Financial Advisor(s). JPMS can, in its discretion, change the proxy voting service provider at any time. JPMS will not be deemed to have or exercise proxy voting responsibility by virtue of any authority to hire or change the proxy voting service provider.

Pursuant to the terms of the Client Agreement, in delegating proxy voting authority to JPMS, who in turn delegates such authority to ISS, clients are also authorizing JPMS to provide to ISS, and ISS to receive and vote, all proxy and related materials received from issuers of securities in the client's Program account(s). Accordingly, clients who delegate proxy voting authority to JPMS will generally not receive proxy materials or annual reports relating to securities and other property that clients hold in their applicable Program accounts.

The delegation of proxy voting authority to JPMS and from JPMS to ISS applies only to proxies that ISS generally votes and does not apply to proxies which ISS declines to vote (which will not be voted). With respect to such proxies, in limited circumstances, such as when ISS does not cover the issuer of a particular security or securities or otherwise does not recommend a vote, no action will be taken with respect to the voting of any such proxies. In such circumstances, it is also important to note that JPMS will not vote or take any action with respect to the proxy on behalf of the affected Program clients.

If the client has delegated proxy voting authority to JPMS, either JPMS or the client may subsequently terminate the authorization at any time by written notice to the other party. Once a client revokes his or her delegation, the client will receive all proxy materials and annual reports related to securities and other property in the client's account(s) and will be responsible for voting proxies directly, or instructing any third-party custodian that holds such securities and other property, as applicable.

Where a client has retained the authority to vote proxies (i.e. JPMS is not authorized to vote the client's Program securities), JPMS will forward to the client, or any SEC-registered investment adviser designated by the client, all proxy-related materials, annual

reports and other issuer-related materials that JPMS receives pertaining to securities held in the client's Program account. In cases where a client has chosen to use a custodian other than JPMS, the client may receive proxies and other solicitations from that custodian. When JPMS does not vote the client's securities because client has retained such authority, JPMS will not vote proxies (or give advice about how to vote proxies) and is expressly precluded from taking any action or rendering any advice to any client in the Program with respect to the voting of proxies solicited by, or with respect to, the issuers of any securities and other property currently or formerly held in the client's Program account. JPMS and its affiliates will not be responsible or liable for: (1) failing to notify a client of proxies, or (2) failing to send to ISS (or any other designated proxy service provider) or a client, as applicable, proxy materials or annual reports where JPMS or its affiliates have not received proxies or related shareholder communications on a timely basis or at all.

Neither JPMS nor ISS is responsible for initiating any legal action or rendering any advice to or taking any action on behalf of clients in the Program with respect to any legal proceedings, including class actions or bankruptcies, related to securities or other investments held in Program accounts, or the issuers thereof. Clients retain the right and obligation to take such legal action relating to the securities held in their accounts.

## **Item 7**

### **Client Information Provided to Portfolio Managers**

Prior to the opening of an account in the Program, the client is asked to provide the Financial Advisor(s) with information about the client's financial circumstances (including net worth and annual income), the client's investment objective for the account, any reasonable restrictions the client wishes to impose on the management of the account, and any written investment policy or guidelines to which the client would like to subject the account. Investment policies and guidelines submitted by clients for Program accounts are subject to JPMS's acceptance in its sole discretion; if JPMS declines to accept an investment policy or guidelines for a Program account, the client may choose either to agree that the account will be managed in the Program without reference to the investment policy or guidelines or to decide not to maintain the account in the Program.

The investment objective identified by the client for an account in the Program will apply to the account as long as the account is in the Program (unless the client subsequently changes the investment objective by notifying client's Financial Advisor(s)), notwithstanding any different investment objective previously identified by the client for the account when it was a brokerage account or an account in one of the other investment advisory programs offered by J.P. Morgan Securities. If the account is terminated and becomes a brokerage account outside the Program, the investment objective previously identified by the client for the account as a brokerage account will again apply to the account.

Clients are responsible for notifying promptly their Financial Advisor(s) of any changes to the information the client previously provided to JPMS (including financial information and the investment objective for the account), and for providing JPMS with additional information as it may request from time to time to assist it in providing services under the Program. At least once annually, JPMS contacts each client in the Program to determine whether there have been any changes in the client's financial situation or investment objective for the account and whether the client wishes to impose any reasonable restrictions on the management of the account or reasonably modify any existing conditions. At least quarterly, JPMS notifies each client in writing to contact the Financial Advisor if there have been any changes in the client's financial situation or investment objective or if the client wishes to impose any reasonable restrictions on the management of the account or reasonably modify any existing restrictions. JPMS will have no liability for a client's failure to provide JPMS with accurate or complete information or to inform JPMS promptly of any change in information previously provided by the client.

Clients should be aware that any client-imposed investment restrictions, policy or guidelines may cause the Financial Advisor to deviate from the investment decisions he or she would otherwise make in managing the account in the Program, and as a result may negatively affect the performance of the account. The termination or removal of the account from the Program also terminates any prior acceptance by JPMS of any such restrictions, policy or guidelines in connection with the account, and such restrictions, policy and guidelines will not be applicable to the account as a brokerage account or other account outside of the Program.

## **Item 8**

### **Client Contact with Portfolio Managers**

The Financial Advisors responsible for managing client accounts in the Program may be freely contacted by clients, and are reasonably available for consultation with clients, regarding their Program accounts.

## **Item 9**

### **Additional Information**

**i. Disciplinary Information**

JPMS has been involved in the following material legal or disciplinary events during the last ten years. With respect to the periods before the merger of J.P. Morgan Securities Inc. into Bear, Stearns & Co. Inc. (and the naming of the surviving entity as J.P. Morgan Securities Inc., now J.P. Morgan Securities LLC) on October 1, 2008, and the merger of Chase Investment Services Corp. (“CISC”) into J.P. Morgan Securities LLC on October 1, 2012, the events include those involving any of the three entities.

1) Between June 2009 and October 2011, JPMorgan Chase & Co., on behalf of itself and its subsidiaries (including JPMS and CISC), entered into substantially similar settlements with the securities regulators of 47 states in connection with investigations concerning alleged misrepresentations and omissions in connection with the marketing, sales and distribution of auction rate securities (“ARS”). The principal allegations were that the relevant JPMorgan entities misrepresented to customers that ARS were safe, highly liquid investments comparable to money market instruments, and when the auctions that provided liquidity for ARS failed in February 2008, customers held illiquid ARS instead of the liquid, short-term investments the JPMorgan entities had represented them to be and were unable to sell the ARS. Without admitting or denying the allegations, JPMorgan Chase & Co. entered into consent decrees pursuant to which the relevant JPMorgan entities repurchased ARS from certain customers and paid fines, penalties, disgorgement and restitution in amounts that varied from state to state.

2) In November 2009, J.P. Morgan Securities Inc. submitted, and the SEC accepted, an Offer of Settlement in connection with allegations by the SEC that in 2002 and 2003 JPMS had made certain payments to firms whose principals or employees were friends of Jefferson County, Alabama public officials in connection with \$5 billion in County bond underwriting and interest rate swap agreement business awarded to JPMS, without disclosing the payments or conflicts of interest in the swap agreement confirmations or bond offering documents. The SEC also alleged that JPMS incorporated certain of the costs of the payments into higher swap interest rates it charged the County, thereby increasing the swap transaction costs to the County and its taxpayers. The SEC found that the alleged conduct violated Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933, Section 15B(c)(1) of the Securities Exchange Act of 1934, and Municipal Securities Rulemaking Board Rule G-17. Without admitting or denying any of the SEC’s substantive findings, JPMS consented to the SEC’s entry of an administrative order that included a censure of JPMS, an order to cease and desist from violations of the aforementioned statutes and rules, and an order requiring payment of disgorgement of \$1 and a civil money penalty of \$25 million. In addition, JPMS undertook to make a \$50 million payment to the County and to terminate any obligations of the County to make any payments to JPMS under certain swap agreements.

3) In December 2010, CISC submitted an AWC to FINRA pursuant to which the Firm was censured, fined and required to provide remediation to customers who purchased unit investment trusts (“UITs”) and did not receive applicable sales charge discounts. Additionally, CISC’s UIT purchase confirmations failed to disclose that a deferred sales charge may be imposed. Without admitting or denying the allegations, CISC consented to the findings and paid a monetary fine of \$100,000.

4) In June 2011, J.P. Morgan Securities LLC agreed with the SEC to resolve the SEC’s inquiry regarding certain collateralized debt obligations (“CDOs”). Specifically, JPMS agreed to a settlement of allegations that it was negligent in not providing additional disclosure in marketing materials for a CDO called Squared CDO 2007-1, Ltd (“Squared”). The SEC’s complaint alleged that JPMS represented in marketing materials that the collateral manager selected the investment portfolio for Squared but failed to disclose that the hedge fund that purchased the subordinated notes (or “equity”) issued by Squared, and which also took the short position on roughly half of the portfolio’s assets, played a significant role in the selection process. Without admitting or denying the allegations, JPMS consented to the entry of a final judgment against it by the United States District Court for the Southern District of New York. The Final Judgment permanently restrains and enjoins JPMS from violating Sections 17(a)(2) and (3) of the Securities Act of 1933 in the offer or sale of any security or security-based swap agreement, orders JPMS to pay disgorgement of \$18.6 million, together with prejudgment interest thereon in the amount of \$2 million, and a civil penalty in the amount of \$133 million, and orders JPMS to comply with certain undertakings related to the review and approval of offerings of certain mortgage securities.

5) In July 2011, J.P. Morgan Securities LLC resolved an SEC investigation regarding conduct alleged to have taken place on the firm’s municipal derivatives desk. The SEC alleged that prior to at least 2005, JPMS made misrepresentations and omissions in connection with bidding on certain municipal reinvestment instruments, which the SEC alleged affected the prices of certain reinvestment instruments, deprived certain municipalities of a presumption that the reinvestment instruments were purchased at fair market value, and/or jeopardized the tax-exempt status of certain securities. Without admitting or denying the allegations, JPMS consented to the entry of a final judgment against it by the United States District Court for the District of New Jersey. The Final Judgment permanently enjoins JPMS from violating Section 15(c)(1)(A) of the Securities Exchange Act of 1934 and orders it to pay \$51.2 million to certain municipalities and other tax-exempt issuers.

In coordination with the SEC settlement, JPMorgan Chase & Co. (“JPMC”) and certain of its affiliates, including JPMS, also entered into settlements with other agencies to resolve concurrent investigations regarding conduct alleged to have taken place on the firm’s municipal derivatives desk relating to certain municipal derivative transactions occurring in or prior to

2006. Those settlements are as follows: JPMorgan Chase Bank, N.A. entered into a Formal Agreement and a Consent Order for a Civil Money Penalty with the Office of the Comptroller of the Currency and agreed to pay \$35 million; JPMC, JPMS, and JPMorgan Chase Bank, N.A. entered into a Closing Agreement of Final Determination of Tax Liability and Specific Matters with the Internal Revenue Service and agreed to pay \$50 million; and JPMC entered into written agreements with the Antitrust Division of the U.S. Department of Justice, the Federal Reserve Bank of New York, and 25 State Attorneys General. JPMC agreed to pay \$75 million in connection with its agreement with the State Attorneys General. Of the total funds to be paid, \$129.7 million will be eligible for distribution to municipalities and other tax-exempt issuers. The Firm also consented to implement various remedial measures, including enhanced compliance policies and procedures.

6) In October 2011, CISC consented to the entry of an order of the Florida Office of Financial Regulation in connection with allegations that the Firm engaged in the investment advisory business within the State of Florida without three (3) individuals being registered as investment advisor representatives in the State of Florida. CISC paid an administrative fine in the amount of \$30,000.

7) In November 2011, CISC submitted an AWC to FINRA pursuant to which the Firm was fined, censured and required to provide remediation to customers who purchased certain unit investment trusts (“UITs”) and floating rate funds. FINRA alleged that the Firm failed to establish systems and procedures adequate to supervise the sales of such UITs and floating rate funds. Without admitting or denying the allegations, CISC consented to the entry of FINRA’s findings, paid a monetary fine of \$1,700,000 and agreed to compensate customers that suffered losses as a result of the alleged supervisory failures.

8) In November 2012, the SEC filed a complaint against J.P. Morgan Securities LLC and several of its affiliates in the District Court for the District of Columbia. The complaint related primarily to Bear Stearns’ alleged failure to disclose information regarding settlements entered into by a Bear Stearns affiliate with originators of loans that had been securitized into residential mortgage-backed securities (“RMBS”) trusts beginning in or about 2005. The complaint also alleged that JPMS, in connection with an RMBS offering by a J.P. Morgan affiliate in 2006, failed to include in the RMBS prospectus supplement’s delinquency disclosures approximately 620 loans that the SEC asserted were more than 30 days delinquent at the cut-off date for the offering. Based on the alleged misconduct described above, the complaint alleged that the defendants violated Sections 17(a)(2) and (3) of the Securities Act of 1933. In settlement of the action, the defendants submitted an executed Consent agreeing to the entry of judgment, without admitting or denying allegations made in the proceeding (other than those relating to the jurisdiction of the District Court over it and the subject matter). In January 2013, the District Court entered a judgment against the defendants that enjoined them from violating, directly or indirectly, Sections 17(a)(2) and (3) of the Securities Act. Additionally, the judgment required the defendants to pay disgorgement in the amount of \$177,700,000, prejudgment interest in the amount of \$38,865,536, and a civil monetary penalty of \$84,350,000.

9) On December 18, 2015, J.P. Morgan Securities LLC (“JPMS”) and JPMorgan Chase Bank, N.A. (“JPMCB”) (together “Respondents”) entered into a settlement with the SEC resulting in the SEC issuing an order (“Order”). The Respondents consented to the entry of the Order that finds that JPMS violated Sections 206(2), 206(4), and 207 of the Investment Advisers Act of 1940 and Rule 206(4)-7 and JPMCB violated Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933. The Order finds that JPMCB negligently failed to adequately disclose (a) from February 2011 to January 2014, a preference for affiliated mutual funds in certain discretionary investment portfolios (the “Discretionary Portfolios”) managed by JPMCB and offered through J.P. Morgan’s U.S. Private Bank (the “U.S. Private Bank”) and the Chase Private Client lines of business; (b) from 2008 to 2014, a preference for affiliated hedge funds in certain of those portfolios offered through the U.S. Private Bank; and (c) from 2008 to August 2015, a preference for retrocession-paying third-party hedge funds in certain of those portfolios offered through the U.S. Private Bank. With respect to JPMS, the Order finds that, from May 2008 to 2013, JPMS negligently failed to adequately disclose, including in documents filed with the SEC, conflicts of interest associated with its use of affiliated mutual funds in the Chase Strategic Portfolio (“CSP”) program, specifically, a preference for affiliated mutual funds, the relationship between the discounted pricing of certain services provided by an affiliate and the amount of CSP assets invested in affiliated products, and that certain affiliated mutual funds offered a lower-cost share class than the share class purchased for CSP. In addition, the Order finds that JPMS failed to implement written policies and procedures adequate to ensure disclosure of these conflicts of interest. Solely for the purpose of settling these proceedings, the Respondents consented to the Order, admitted to the certain facts set forth in the Order and acknowledged that certain conduct set forth in the Order violated the federal securities laws. The Order censures JPMS and directs the Respondents to cease-and-desist from committing or causing any violations and any future violations of the above-enumerated statutory provisions. Additionally, the Order requires the Respondents to pay a total of \$ 266,815,000 in disgorgement, interest and civil penalty.

Concurrently, on December 18, 2015, JPMCB reached a settlement agreement with the Commodity Futures Trading Commission (“CFTC”) to resolve its investigation of JPMCB’s disclosure of certain conflicts of interest to discretionary account clients of J.P. Morgan Private Bank’s U.S.-based wealth management business. In connection with the settlement, the CFTC issued an order (“CFTC Order”) finding that JPMCB violated Section 4o(1)(B) of the Commodity Exchange Act (“CEA”) and Regulation 4.41(a)(2) by failing to fully disclose to certain clients its preferences for investing certain discretionary portfolio assets in certain commodity pools

or exempt pools, namely (a) investment funds operated by JPMorgan Asset Management and (b) third-party managed hedge funds that shared management and/or performance fees with an affiliate of JPMCB. The CFTC Order directs JPMCB to cease-and-desist from violating Section 4o(1)(B) of the CEA and Regulation 4.41(a)(2). Additionally, JPMCB shall pay \$40 million as a civil penalty to the CFTC and disgorgement of \$60 million satisfied by disgorgement to be paid to the SEC by JPMCB and an affiliate in a related and concurrent settlement with the SEC.

10) On July 27, 2016, JPMS and JPMCB (together, “Respondents”) entered into a Consent Agreement (“Agreement”) with the Indiana Securities Division (“ISD”). The Respondents consented to the entry of the Agreement that alleged that certain conduct of the Respondents was outside the standards of honesty and ethics generally accepted in the securities trade and industry, in violation of 710 Ind. Admin. Code § 4-10-1(23) (2016). Specifically, the Agreement alleged that, between 2008 and 2013, JPMS failed to disclose to Indiana investors that certain proprietary mutual funds purchased for Chase Strategic Portfolio (“CSP”) clients offered institutional shares that were less expensive than the institutional shares JPMS chose for CSP clients. In addition, the Agreement alleged that, from February 2011 to January 2014, no account opening document or marketing materials disclosed to Indiana investment management account clients or Indiana J.P. Morgan Investment Portfolio clients that JPMCB preferred to invest client assets in proprietary mutual funds, and that between 2008 and January 2014, JPMCB did not disclose its preference for investing certain investment management account assets in certain proprietary hedge funds to Indiana clients. Lastly, the Agreement alleged that JPMCB did not disclose its preference for placement-agent-fee-paying third-party hedge fund managers in certain investment management accounts to Indiana clients until August 2015. Solely for the purpose of settling these proceedings, the Respondents consented to the Agreement, with no admissions as to liability. In the Agreement, the Respondents agreed to pay a total of \$950,000 to resolve the ISD’s investigation, which was paid on August 1, 2016.

11) In October 2018, JPMS submitted an AWC to FINRA pursuant to which JPMS was censured and required to certify in writing to FINRA that it had engaged in a risk-based review of Chase Wealth Management (“CWM”) client-facing third-party vendors, that it had corrected any issues detected, and that JPMS had established and implemented systems and policies and procedures (written or otherwise) reasonably designed to achieve compliance with applicable FINRA and NASD rules. JPMS had discovered and self-reported to FINRA that a vendor responsible for the automated realignment of portfolio assets (“rebalancing”) and the calculation of fees was not rebalancing certain accounts due to technology upgrades by the vendor. Similarly, the vendor had converted to a new billing platform that caused billing errors that went undetected. JPMS paid total restitution of \$4,620,140 to impacted customers and provided substantial assistance to FINRA by proactively undertaking an extensive lookback concerning its complex and systemic failures and reporting related findings on an ongoing basis. Without admitting or denying the findings, JPMS consented to the sanctions and to the entry of findings that it failed to establish and maintain a system and procedures reasonably designed to monitor and evaluate the performance of the vendor that handled certain functions on behalf of the Firm.

**ii. Other Financial Industry Activities and Affiliations**

**a. Broker-Dealer Registrations**

JPMS is registered with the SEC as a broker-dealer and investment adviser. Some of JPMS’s management personnel and all of the Financial Advisors in the Program and their supervisors are registered with FINRA as registered representatives of JPMS in its capacity as a broker-dealer.

**b. Futures/Commodities-Related Registrations**

In addition, JPMS is registered with the CFTC as a futures commission merchant and also acts as a commodity pool operator exempt from registration as such with the CFTC. Some of JPMS’s management personnel, and a small number of the Financial Advisors and/or their supervisors in the Program, are registered with the CFTC as associated persons of JPMS in its capacity as a futures commission merchant.

**c. Material Relationships with Related Persons**

JPMS has several relationships or arrangements with related persons that are material to its advisory business or to its advisory clients in the Program.

**1. Affiliated Sponsors, Distributors and Advisers of Mutual Funds and Other Pooled Investment Vehicles**

Program account assets may be invested in open-end mutual funds (including money market funds), closed-end funds, ETFs and other pooled investment vehicles that have various internal fees and expenses, which are paid by the funds but which are ultimately borne

by the Program client as investor. The sponsors and/or general partners of certain such funds are affiliated with JPMS, and JPMS and its affiliates may provide investment management, distribution and other services to, and receive compensation from or in connection with, such funds.

JPMS's investment of Program client assets in affiliated funds or a Program client's selection of such a fund as the vehicle for the temporary investment (i.e., "sweeping") of available cash balances benefits those funds and their J.P. Morgan-affiliated sponsors and/or general partners. JPMS and its affiliates (including JP Morgan Distribution Services, Inc.) may receive compensation from such funds in connection with the operation and/or sale of shares of the funds to Program clients, which may include distribution fees paid by the funds pursuant to Rule 12b-1 under the Investment Company Act of 1940 and non-Rule 12b-1 compensation (including revenue sharing, shareholder servicing fees, and licensing fees for the use by a fund of a JPMorgan index) from certain funds, to the extent permitted by applicable law. To the extent that this receipt of compensation presents a conflict of interest with Program clients, JPMS believes that the conflict is addressed in the following ways:

- JPMS policy is for JPMS to credit back to clients in the Program all Rule 12b-1 fees it receives from funds in connection with fund transactions in Program accounts.
- Although JPMS may receive non-Rule 12b-1 compensation from certain funds in connection with shares of those funds held in Program accounts that are not retirement plan accounts (e.g., IRAs and accounts subject to ERISA), which compensation is *not* credited back to Program clients, JPMS typically does not receive such non-Rule 12b-1 compensation in connection with shares of funds held in Program retirement plan accounts.
- To the extent they actually know which funds pay JPMS such non-Rule 12b-1 compensation (and how much) in connection with shares held in accounts in the Program, Financial Advisors do not receive any direct financial benefit from the investment of Program assets in such funds. Moreover, because Financial Advisors are compensated in the Program through the receipt of a portion of the Wrap Fee, which is typically tied to the value of Program accounts, Financial Advisors are to that extent incentivized to invest Program account assets in securities they believe will increase the value of the account, regardless of whether they are funds that pay JPMS such compensation.

In addition, several affiliates of JPMS manage J.P. Morgan-affiliated funds and receive an investment management fee for doing so. Although the management fee is paid by the fund itself, ultimately it is borne by investors in the fund. Therefore, to the extent JPMS invests a client's Program account assets in such funds or the client selects a J.P. Morgan-affiliated fund as the "sweep" vehicle for the account, the JPMS affiliate receives, and the Program client ultimately bears the cost of, an investment management fee with respect to those assets. The affiliates of JPMS that provide such investment management services to funds in which Program account assets may be invested include:

- J.P. Morgan Investment Management Inc. (a/k/a J.P. Morgan Asset Management);<sup>1</sup>
- J.P. Morgan Private Investments Inc.;
- J.P. Morgan Alternative Asset Management, Inc.;
- JF International Management, Inc.; and
- Security Capital Research & Management Incorporated.

The portion of the investment management fee received by JPMS's affiliate that is borne by each Program client is not covered by, and is in addition to, the Wrap Fee paid to JPMS by the client. As a result, because JPMS and its affiliates will in the aggregate receive more compensation when Program assets are invested in affiliated funds than they would receive were the client instead invested in unaffiliated funds, JPMS has a conflict of interest in (1) investing Program account assets in affiliated funds rather than unaffiliated funds and (2) making only (or primarily) affiliated funds available to Program clients for the "sweeping" of available cash balances. JPMS addresses this conflict in the following ways:

- Financial Advisors, who are responsible for the selection of the investments (other than those for the "sweeping" of cash balances) in Program accounts, do not receive any direct financial benefit (such as additional compensation) from either their discretionary investment in, or the "sweeping" of Program assets into, affiliated funds rather than unaffiliated funds. Moreover, because Financial Advisors are compensated in the Program through the receipt of a portion of the Wrap Fee which is typically tied to the value of Program accounts, Financial Advisors are to that extent

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<sup>1</sup> JPMS's affiliates J.P. Morgan Investment Management Inc. ("JPMIM") and J.P. Morgan Private Investments Inc. ("JPMPI"), in addition to numerous portfolio managers not affiliated with JPMS, also act as separate account portfolio managers in another wrap fee investment advisory program sponsored by JPMS: the J.P. Morgan Securities Strategic Investment Services ("STRATIS") Program. If a client in the STRATIS Program selects JPMIM or JPMPI to manage all or part of the portfolio, JPMS pays JPMIM or JPMPI (as applicable) a portion of the advisory fee JPMS receives from the client on the assets managed by JPMIM or JPMPI, respectively. The arrangements between JPMS and JPMIM and JPMPI in the STRATIS Program are not material to clients in the Portfolio Manager Program.



incentivized to exercise their discretion to select funds they believe will increase the value of the account, regardless of whether the funds are affiliated or unaffiliated with JPMS.

- JPMS policy prohibits Financial Advisors from purchasing affiliated funds for retirement plan accounts in the Program (including IRAs and accounts subject to ERISA). In addition, the only “sweep” vehicle other than the J.P. Morgan Chase Bank, N.A. Deposit Account (discussed below) that is available to retirement plan accounts in the Program is an unaffiliated money market mutual fund from which JPMS and its affiliates receive no additional compensation by virtue of retirement plan clients’ selection of the fund as the “sweep” vehicle for their accounts.

For additional information about such fees and expenses, clients can review the applicable prospectuses for funds in their Program accounts.

## **2. JPMorgan Chase & Co. and Other Affiliated Issuers of Securities**

In addition to the mutual funds and other pooled investment vehicles sponsored and managed by affiliates of JPMS, JPMS’s ultimate parent company, JPMorgan Chase & Co., is a publicly traded corporation the common stock of which is listed and trades on the NYSE. Other affiliates of JPMS also may issue securities through public or private distributions.

JPMS and its affiliates and other related persons could have an interest in JPMS’s investment advisory clients (including clients in the Program) buying (or not selling) securities that JPMorgan Chase & Co. and other affiliates of JPMS have issued. For example, JPMS and its affiliates and other related persons (including Financial Advisors in the Program who personally own or may own shares of JPMorgan Chase & Co. common stock, through the issuance of shares and/or stock options to them as part of their employment compensation or otherwise) could benefit in certain respects from an increase in the securities’ market price resulting from increased demand for the securities. These financial interests conflict with the interest of Program clients in buying and holding securities issued by affiliates of JPMS based solely on the furtherance of the clients’ investment objectives in the Program. JPMS addresses this conflict in the following ways:

- As a matter of policy, JPMS prohibits Financial Advisors from exercising their investment discretion to buy equity and fixed income securities issued by JPMS’s affiliates (including JPMorgan Chase & Co. common stock) in Program accounts.
- If, notwithstanding JPMS’s policy, an equity or fixed income security issued by an affiliate of JPMS has come to be held in a Program account (because, for example, a client transfers the security into a Program account from a non-Program account, the security was purchased in the account before it became a Program account, or the client purchased the security in the Program account on an unsolicited basis) for the first time on or after October 1, 2009, JPMS (if it consents to the security being held in the Program account) typically will treat the security as an Excluded Security as to which JPMS will not advise the client, will not sell the security on discretion, and will not charge the Wrap Fee. In such cases, JPMS’s treatment of the security is communicated to the Program client. Please refer to Item 4 above for a general discussion of Excluded Securities.

Program clients should understand that, as a result of JPMS’s policy described above, Financial Advisors will typically be unable to exercise their discretion to purchase equity and fixed income securities issued by an affiliate of JPMS in Program accounts even where the prospective purchase is unmotivated by any desire by the Financial Advisor to benefit JPMS, its affiliates or the Financial Advisor and even though the prospective purchase would be in furtherance of the client’s investment objective for the account. Accordingly, this policy could have a negative impact on the performance of Program accounts.

## **3. JPMorgan Chase Bank, N.A.**

In the Client Agreement, clients in the Program generally authorize JPMS, to the extent permitted by applicable law, to invest (i.e., “sweep”) available cash balances in the JPMorgan Chase Bank, N.A. (“JPMCB”) Deposit Account or one or more money market mutual funds that are typically affiliated with JPMS. JPMCB is affiliated with JPMS. The Deposit Account is the default “sweep” option for Program clients who reside in the U.S.; that is, if the client does not affirmatively indicate the selection of one of the available alternatives, the client is deemed to have selected the Deposit Account.

Cash balances “swept” into the Deposit Account are remitted for deposit by JPMS, acting as the client’s agent, into a Money Market Deposit Account maintained at JPMCB. Clients who authorize the “sweeping” of their cash balances into the Deposit Account receive the J.P. Morgan Deposit Account Disclosure, which provides further information about the Deposit Account, including the limits, terms and conditions of FDIC insurance coverage.

Although there is no charge, fee or commission to clients imposed with respect to the Deposit Account, JPMCB benefits from Program clients' selection of the Deposit Account as their "sweep" option because, through the Deposit Account, JPMCB receives a stable, cost-effective source of funding. JPMCB intends to use deposits made by customers who select the Deposit Account to fund current and new businesses, including lending activities and investments. The profitability on such lending activities and investments is generally measured by the difference, or "spread," between the interest rate paid on the deposits and other costs associated with the Deposit Account, and the interest rate and other income earned by JPMCB on the loans and investments made with the deposits. The income that JPMCB has the opportunity to earn through its lending and investing activities is usually greater than the fee earned by all JPMorgan Chase-affiliated entities from managing and distributing the money market mutual funds that may be available to Program clients as an alternative cash "sweep" for their Program accounts.

JPMS has a conflict of interest in making the Deposit Account the default "sweep" option for Program clients residing in the U.S. because JPMCB has a financial interest in Program clients' use of the Deposit Account. JPMS believes that the conflict is addressed through:

- the client's ability to affirmatively select another available "sweep" option in the Client Agreement and to change the "sweep" option selection to an available alternative at any time;
- the J.P. Morgan Deposit Account Disclosure provided to the client; and
- the client's ability to obtain the prospectus for each money market mutual fund that is an available alternative to the Deposit Account as a "sweep" vehicle.

All or substantially all registered representatives in J.P. Morgan Securities, including all Financial Advisors in the Program, also are employees of JPMCB. In their capacities as employees of JPMCB and outside of the Program, Financial Advisors may market and sell to clients products and services of JPMCB (including discretionary portfolio management services), and be compensated in connection with such sales.

#### **4. Revenue Sharing Arrangements with Affiliates**

In addition, JPMS is party to certain revenue sharing arrangements pursuant to which it may receive compensation from certain affiliates in connection with referrals or introductions of investors by registered representatives in J.P. Morgan Securities (including Financial Advisors in the Program) to the affiliates for the provision by the affiliates of products and services to the investors. The investors referred may be existing investment advisory clients of J.P. Morgan Securities, including clients in the Program. When J.P. Morgan Securities makes such a referral of one of its existing investment advisory clients to an affiliate, the revenue sharing arrangement creates a conflict of interest with the client because:

- JPMS has a financial incentive to make the referral because it will be entitled to compensation from the affiliate if the referred client becomes a client or customer of the affiliate;
- JPMS does not necessarily base such referrals on any review or due diligence of the affiliate or its personnel, products or services;
- JPMS does not necessarily conduct an assessment of the suitability of the affiliate's products or services for referred clients; and
- it may not be in the referred client's best interest to become a client or customer of the affiliate.

JPMS believes that this conflict is addressed in the following ways:

- Typically, the referred client is not charged more for the product or service provided by the affiliate by virtue of the fact that the affiliate will compensate JPMS for the referral.
- Clients referred to affiliates by JPMS have no obligation to become clients or customers of those affiliates, and their declining to do business with the affiliate to which they were referred will not affect their relationship with JPMS.

#### **d. Recommendation or Selection of Other Investment Advisers**

In the Program, JPMS does not recommend or select other investment advisers for clients. JPMS is the only investment adviser in the Program, and all investment advice in the Program is provided through the Financial Advisors.

JPMS also acts as a solicitor (sometimes also called a "finder" or "referrer") of prospective clients for certain other investment advisers. Under its solicitation agreements with those advisers, JPMS is entitled to a specified portion of the advisory fees received by the advisers from the investors that were referred to them by JPMS. The investors referred to other advisers by JPMS may be existing investment advisory clients of JPMS, including clients in the Program. When JPMS makes a referral of one of its existing investment advisory clients to another adviser under a solicitation arrangement, the arrangement creates a material conflict of interest with the client because:

- JPMS has a financial incentive to make the referral because it will be entitled to compensation from the other adviser if the referred client becomes a client of the other adviser;
- JPMS does not base such referrals on any review or due diligence of the other advisers or their personnel or investment strategies;
- JPMS does not conduct an assessment of the suitability of the other advisers' services for referred clients; and
- it may not be in the referred client's best interest to become a client of the other adviser.

JPMS addresses this conflict in the following ways:

- The other advisers' payments of solicitation fees to JPMS are typically subject to certain legal requirements and conditions, including the delivery by JPMS to the referred client, at the time of the referral, of a written document that discloses, among other things, the relationship between JPMS and the other adviser, the fact that JPMS will be compensated for the referral, the terms of the compensation arrangement, and the amount (if any) in addition to the advisory fee that the referred client will be charged by the other adviser for the cost of obtaining the client's business.
- Clients referred to other advisers by JPMS have no obligation to become clients of those advisers, and their declining to do business with the adviser to which they were referred will not affect their relationship with JPMS.

### iii. **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

#### a. **Code of Ethics**

Financial Advisors in the Program are bound by the J.P. Morgan Securities Investment Adviser Code of Ethics, adopted by JPMS in accordance with Rule 204A-1 under the Advisers Act. The Code of Ethics describes the general standards of business conduct applicable to JPMS's investment advisory representatives, including Financial Advisors in the Program, and the fiduciary obligations owed by JPMS and its investment advisory representatives to clients in its investment advisory programs. More specifically, the Code of Ethics addresses the following subjects:

- the maintenance of personal securities accounts by JPMS's investment advisory representatives;
- the reporting to JPMS Compliance personnel of certain personal securities holdings and transactions by certain of JPMS's investment advisory representatives, including all Financial Advisors in the Program;
- certain trading restrictions and holding periods applicable to personal securities transactions of certain of JPMS's investment advisory representatives, including all Financial Advisors in the Program;
- trading by investment advisory representatives while in possession of material non-public information;
- periodic certification by certain of JPMS's investment advisory representatives, including all Financial Advisors in the Program, of their review, understanding and compliance with the Code of Ethics;
- JPMS's administration and enforcement of the Code of Ethics; and
- the keeping of certain records relating to the Code of Ethics and its administration and enforcement by JPMS.

*JPMS will provide a copy of the J.P. Morgan Securities Investment Adviser Code of Ethics to any client or prospective client upon request.*

#### b. **Securities in Which JPMS or a Related Person Has a Material Financial Interest**

In some cases, JPMS or a related person recommends to investment advisory clients, or buys or sells for investment advisory client accounts (including accounts in the Program), securities in which JPMS or a related person has a material financial interest.

##### 1. **Principal and "Agency Cross" Transactions**

Certain securities, such as over-the-counter stocks and fixed income securities, are traded primarily in "dealer" markets. In such markets, securities are purchased directly from, or sold directly to, a financial institution acting as a dealer, or "principal." Dealers executing principal trades typically include a "mark-up" (an increase in the price paid to the dealer when the dealer is selling a security), "mark-down" (a decrease in the price paid by the dealer when the dealer is buying a security) and/or "dealer spread" (the difference between the bid price and offer price for a security) in the net price at which the transactions are executed.

When acting as principal in connection with transactions in Program accounts, JPMS and its affiliates may charge the Program client a "dealer spread," which will be incorporated into the net price paid (for purchases) or received (for sales) by the client in the

transaction. Dealer spreads paid by the client and received by JPMS and its affiliates are not covered by, and are in addition to, the Wrap Fee. Therefore, because by acting in a principal capacity JPMS and its affiliates may earn additional amounts at the expense of the client, JPMS and its affiliates have a financial interest in acting in such capacity in connection with transactions in Program accounts that conflicts with the client's interest in avoiding the payment of dealer spreads. JPMS addresses this conflict in several ways, including:

- For JPMS or any of its affiliates knowingly to act as principal in connection with a transaction for a client in the Program, the law generally requires that before the completion of each such transaction JPMS must disclose to the client in writing that it or its affiliate will be acting in a principal capacity and obtain the client's consent to the transaction.
- As a matter of policy, JPMS generally prohibits Financial Advisors from effecting transactions for Program clients where JPMS or any of its affiliates will act as principal. Exceptions may be permitted when the proposed transaction cannot readily be effected on an agency basis, the Financial Advisor has determined that the transaction is in the best interests of the client, and all legal disclosure and consent requirements are satisfied.
- Also as a matter of policy, JPMS typically prohibits Financial Advisors from effecting transactions for retirement plan accounts in the Program (including IRAs and accounts subject to ERISA) under any circumstances where JPMS or any of its affiliates will act as principal.
- While JPMS and its affiliates may receive a dealer spread in the net price when acting as principal in connection with a transaction for a client in the Program, they will not receive commissions, "mark-ups" or "mark-downs."

When acting as agent for both the client in the Program and the party on the other side of the transaction (known as an "agency cross transaction"), JPMS and its affiliates may receive compensation from both parties and therefore may have a conflicting division of loyalties and responsibilities. JPMS addresses this conflict in several ways, including:

- For JPMS or any of its affiliates knowingly to effect a transaction for a client in the Program where JPMS or its affiliate acts as agent for the other side of the transaction, the law generally requires that JPMS satisfy certain conditions, including the client's prospective written authorization of such agency cross transactions, the right of the client to revoke such authorization at any time in writing, and the provision of certain written disclosure to the client.
- JPMS generally prohibits Financial Advisors from intentionally effecting agency cross transactions for Program clients. Exceptions may be permitted under certain circumstances if all legal requirements are satisfied.
- JPMS also typically prohibits Financial Advisors from effecting agency cross transactions for retirement plan accounts in the Program (including IRAs and accounts subject to ERISA) under any circumstances.

The legal and policy restrictions on the ability of JPMS and its affiliates to effect principal and agency cross trades for Program accounts mean that JPMS will typically execute transactions in "dealer market" securities solely as agent for the client, with a dealer unaffiliated with JPMS on the other side of the transaction. Clients should understand that the restrictions may result in the accounts being precluded from investing in certain securities or in the accounts paying or receiving a less favorable price for certain securities. Generally, the likelihood that there will be such an effect will depend on the particular security in question and the nature of the market for that security. These legal and policy restrictions could have a negative effect on the performance of Program accounts.

## **2. J.P. Morgan-Affiliated Sponsors and Advisers of Mutual Funds and Other Pooled Investment Vehicles**

Program account assets may be invested in open-end mutual funds (including money market funds), closed-end funds, ETFs and other pooled investment vehicles that have various internal fees and expenses, which are paid by the funds but which are ultimately borne by the Program client as investor. The sponsors and/or general partners of certain such funds are affiliated with JPMS (including those in which JPMS or its affiliates have a minority and/or non-controlling interest), and JPMS and its affiliates may provide investment management and other services to, and receive compensation from or in connection with, such funds.

JPMS's investment of Program client assets in affiliated funds or a Program client's selection of such a fund as the vehicle for the "sweeping" of available cash balances benefits those funds and their J.P. Morgan-affiliated sponsors and/or general partners. In addition, several affiliates of JPMS manage J.P. Morgan-affiliated funds and receive an investment management fee for doing so. Although the management fee is paid by the fund itself, ultimately it is borne by investors in the fund. Therefore, to the extent JPMS invests a client's Program account assets in such funds or the client selects a J.P. Morgan-affiliated fund as the "sweep" vehicle for the account, the JPMS affiliate receives, and the Program client ultimately bears the cost of, an investment management fee with respect to those assets. For additional information on the investment of client assets in affiliated funds or investment vehicles, please refer to Item 9.ii.c.1 above.

### 3. Other Compensation from Affiliated and Unaffiliated Mutual Funds and Other Pooled Investment Vehicles

Certain affiliated and unaffiliated funds in which Financial Advisors invest Program account assets may execute transactions for their portfolios through JPMS or an affiliate as broker-dealer, and JPMS or an affiliate or other related person (including Financial Advisors acting in their capacity as registered representatives of JPMS as broker-dealer) may receive compensation from the funds in connection with these transactions. Such compensation presents a conflict of interest between JPMS and Program clients because JPMS and/or Financial Advisors may have a financial incentive to invest Program account assets in such funds: (1) in the hope or expectation that increasing the amount of assets invested with the funds will increase the number and/or size of transactions placed by the funds for execution by JPMS or an affiliate or other related person, and thereby result in increased compensation to JPMS and its affiliates and other related persons in the aggregate; and (2) to benefit the funds and thereby preserve and foster valuable brokerage relationships with the funds. Assuming that a Program client's Financial Advisor is aware of which funds execute through JPMS or an affiliate or other related person and which do not, JPMS believes that this conflict is addressed in the following ways:

- Unless the Financial Advisor is individually involved in the execution of portfolio transactions for a fund, he or she does not receive any direct financial benefit (such as additional compensation) from the investment of Program assets in funds that execute transactions through JPMS or an affiliate or other related person rather than funds that do not. Moreover, because Financial Advisors are compensated in the Program through the receipt of a portion of the Wrap Fee which is typically tied to the value of Program accounts, Financial Advisors are to that extent incentivized to invest Program account assets in funds they believe will increase the value of the account, regardless of whether or not the funds execute transactions through JPMS or an affiliate or other related person.
- Financial Advisors' management of Program accounts is subject to supervision designed to ensure that the accounts are managed in accordance with clients' investment objectives for the accounts and that Financial Advisors are acting in accordance with their fiduciary duty to place the interests of Program clients before their own and those of JPMS.

JPMS and its affiliates (including JP Morgan Distribution Services, Inc.) and other related persons also may receive other forms of compensation in connection with the operation and/or sale of shares of affiliated or unaffiliated funds to Program clients, which may include distribution fees paid by certain funds pursuant to Rule 12b-1 under the Investment Company Act of 1940 and non-Rule 12b-1 compensation (including revenue sharing, shareholder servicing fees, and licensing fees for the use by a fund of a JPMorgan index) from certain funds, to the extent permitted by applicable law. To the extent that this receipt of compensation presents a conflict of interest with Program clients, JPMS believes that the conflict is addressed in the following ways:

- JPMS policy is for JPMS to credit back to clients in the Program all Rule 12b-1 fees it receives from funds in connection with fund transactions in Program accounts.
- Although JPMS may receive non-Rule 12b-1 compensation from certain funds in connection with shares of those funds held in Program accounts that are not retirement plan accounts (e.g., IRAs and accounts subject to ERISA), which compensation is *not* credited back to Program clients, JPMS typically does not receive such non-Rule 12b-1 compensation in connection with shares of funds held in Program retirement plan accounts.
- To the extent they actually know which funds pay JPMS such non-Rule 12b-1 compensation (and how much) in connection with shares held in accounts in the Program, Financial Advisors, who are responsible for managing Program accounts, do not receive any direct financial benefit (such as additional compensation) from the investment of Program assets in such funds. Moreover, because Financial Advisors are compensated in the Program through the receipt of a portion of the Wrap Fee, which is typically tied to the value of Program accounts, Financial Advisors are to that extent incentivized to invest Program account assets in securities they believe will increase the value of the account, regardless of whether they are funds that pay JPMS such compensation.

JPMS typically does not receive compensation from ETFs in connection with purchases of such funds in Program accounts. Therefore, because JPMS receives and ultimately retains non-Rule 12b-1 compensation from certain mutual funds in connection with shares purchased in non-retirement plan accounts in the Program, JPMS has a potential conflict of interest as a result of its financial incentive to favor mutual funds that pay such non-Rule 12b-1 compensation over ETFs and those mutual funds that do not pay such compensation (or that pay less) in investing Program clients' assets, because JPMS may receive and ultimately retain more compensation when non-retirement plan Program assets are invested in a fund paying such non-Rule 12b-1 compensation. JPMS believes that this conflict is addressed by the fact that the Financial Advisors responsible for the discretionary investment of client assets – to the extent such Financial Advisors actually know which funds pay such non-Rule 12b-1 compensation and how much – do not receive any portion of the compensation received by JPMS from such funds in connection with shares purchased in Program accounts, and therefore have no direct financial incentive to favor such funds over funds that do not pay such compensation (or that pay less). Moreover, because Financial Advisors are compensated in the Program through the receipt of a portion of the Wrap Fee, which is typically tied to the value of Program

accounts, Financial Advisors are to that extent incentivized to invest Program account assets in securities they believe will increase the value of the account, regardless of whether they are funds that pay JPMS such compensation.

#### **4. Other Securities Issued by JPMS and Its Affiliates**

In addition to the mutual funds and other pooled investment vehicles sponsored and managed by affiliates of JPMS, JPMS's ultimate parent company, JPMorgan Chase & Co., is a publicly traded corporation the common stock of which is listed and trades on the NYSE. JPMS and its other affiliates also may issue securities through public or private distributions.

JPMS and its affiliates and other related persons could have an interest in Program accounts buying (or not selling) securities that JPMS or its affiliates (including entities in which JPMS or its affiliates have a minority and/or non-controlling interest) have issued. For example, JPMS and its affiliates and other related persons (including Financial Advisors in the Program who personally own or may own shares of JPMorgan Chase & Co. common stock, through the issuance of shares and/or stock options to them as part of their employment compensation or otherwise) could benefit in certain respects from an increase in the securities' market price resulting from increased demand for the securities. These financial interests conflict with the interest of Program clients in buying and holding securities based solely on the furtherance of the clients' investment objectives in the Program. JPMS addresses this conflict in the following ways:

- As a matter of policy, JPMS prohibits Financial Advisors from exercising their investment discretion to buy equity and fixed income securities issued by JPMS or its affiliates (including JPMorgan Chase & Co. common stock) in Program accounts.
- If, notwithstanding JPMS's policy, an equity or fixed income security issued by JPMS or its affiliates comes to be held in a Program account (because, for example, a client transfers the security into a Program account from a non-Program account, the security was purchased in the account before it became a Program account, or the client purchased the security in the Program account on an unsolicited basis) for the first time on or after October 1, 2009, JPMS (if it consents to the security being held in the Program account) will typically treat the security as an Excluded Security as to which JPMS will not advise the client, will not sell the security on discretion, and will not charge the Wrap Fee. In such cases, JPMS's treatment of the security is communicated to the Program client. Please refer to Item 4 above for a general discussion of Excluded Securities.

Program clients should understand that, as a result of the JPMS policy described above, Financial Advisors will typically be unable to exercise their discretion to purchase equity and fixed income securities issued by JPMS or its affiliates in Program accounts even where the prospective purchase is unmotivated by any desire by the Financial Advisor to benefit JPMS, its affiliates or the Financial Advisor and would be in furtherance of the client's investment objective for the account. Accordingly, this policy could have a negative impact on the performance of Program accounts.

#### **5. Securities Issued by Investment Banking and Other Customers of JPMS and Its Affiliates**

In its capacity as a broker-dealer, JPMS engages in investment banking activities, including the underwriting of offerings of securities. JPMS receives compensation for its investment banking services from issuers of the underwritten securities and other investment banking clients. JPMS's financial interest in engaging in and increasing its investment banking business conflicts with the interest of Program clients in buying and holding securities based solely on the furtherance of the clients' investment objectives in the Program.

In connection with its investment banking activities, JPMS and its related persons may receive underwriting fees and other compensation from issuers of securities bought, held or sold in clients' Program accounts. Financial Advisors who, in their capacity as registered representatives of JPMS as broker-dealer, have introduced or referred issuers to JPMS's investment banking unit may receive a portion of such fees and other compensation received by JPMS. Such issuers with which JPMS has an investment banking relationship could have an interest in Program accounts buying (or not selling) securities they have issued. For example, the issuers and their employees could benefit in certain respects from an increase in the securities' market price resulting from increased demand for the securities. Because JPMS has a financial incentive to preserve and foster valuable investment banking relationships with issuers, JPMS could have an incentive to increase demand for the issuers' securities, and thereby contribute to maintaining or increasing the market price, by buying (or not selling) such securities for the accounts of Program clients. This financial interest conflicts with the interest of Program clients in buying and holding securities based solely on the furtherance of the clients' investment objectives in the Program. JPMS believes that this conflict is addressed in the following ways:

- Information barrier procedures designed to control the flow of "inside" and proprietary information between investment banking operations and other business units of JPMS, including J.P. Morgan Securities, are maintained.
- Financial Advisors do not receive any direct financial benefit (such as additional compensation) from the investment of Program assets in securities issued by investment banking customers of JPMS. Moreover, because Financial

Advisors are compensated in the Program through the receipt of a portion of the Wrap Fee which is typically tied to the value of Program accounts, Financial Advisors are to that extent incentivized to invest Program account assets in securities they believe will increase the value of the account, regardless of whether or not the issuers are investment banking customers of JPMS.

- Financial Advisors' management of Program accounts is subject to supervision designed to ensure that the accounts are managed in accordance with clients' investment objectives for the accounts and that Financial Advisors are acting in accordance with their fiduciary duty to place the interests of Program clients before their own and those of JPMS.

JPMS and its affiliates and other related persons (including Financial Advisors in the Program) also may receive other fees or commissions from the issuers of certain securities purchased for the accounts of Program clients when such issuers are brokerage, investment advisory, commercial banking or other customers of JPMS or an affiliate. Such relationships and compensation to JPMS and Financial Advisors from such customers present a conflict of interest between JPMS and Program clients similar to that described above with respect to JPMS's receipt of investment banking fees from issuers. Assuming that the Financial Advisor is aware that the issuer is a brokerage or other customer of JPMS, JPMS believes that the conflict is addressed for reasons corresponding to those in the second and third bullet points above. (For a discussion of the conflict presented by the specific situation of JPMS or an affiliate acting as executing broker of portfolio transactions for a mutual fund or ETF, the shares of which Financial Advisors may purchase for Program accounts, please refer to Item 9.iii.b.3 above.)

In addition, when they assist in converting non-U.S. securities to ADRs or GDRs for Program accounts, JPMS and its affiliates receive some or all of the fees and expenses associated with such conversion, which are not included in the Program fee and ultimately are borne by the Program clients.

In the course of its investment banking and other activities, JPMS and its affiliates may acquire confidential or material non-public information about certain securities or issuers. Clients should understand that JPMS will not be free to divulge to clients, or to act upon, such information with respect to its management of Program accounts.

Shares in initial and subsequent ("follow-on") public offerings generally are not made available to accounts in the Program. In addition, clients should understand that there may be periods when JPMS is not able to effect for Program accounts certain types of transactions in securities of issuers for which JPMS or its affiliates are performing investment banking or other services – even when the shares the Financial Advisor would otherwise like to buy or sell for the Program account are not themselves part of a public offering. For example, during certain periods when JPMS is engaged in an underwriting of an offering or other distribution of securities of a company, it may be prohibited from effecting the purchase or sale of any securities of that company for any of its Program clients.

**c. When JPMS or a Related Person Invests in the Same Securities That It Recommends to or Buys/Sells for Clients**

JPMS and its related persons (including Financial Advisors) may recommend that clients buy or sell securities, or may buy or sell securities for clients (including clients in the Program), that JPMS or a related person buys or sells for itself. In such circumstances, the interests of JPMS and its related persons conflict with those of JPMS's clients, including Program clients, in several respects:

- JPMS or a related person may benefit from (1) clients buying securities that JPMS or the related person then sells or (2) clients selling securities that JPMS or the related person then buys, because client purchases may increase the market price of a security JPMS or the related person owns or borrows and then sells, and client sales may reduce the market price of a security JPMS or the related person then buys.
- JPMS or a related person may benefit from (1) buying securities that clients will later buy (because the subsequent client purchases may increase the market price of the security JPMS or the related person already bought and owns) or (2) selling securities that clients will later sell (because subsequent client sales may decrease the market price of the security JPMS or the related person already sold).
- JPMS or a related person may benefit from principal transactions in which it sells a security directly from its own account to a client account or buys a security into its own account directly from a client account. For example, when an Financial Advisor enters an order to buy a security for a Program client, JPMS may have a financial incentive to execute the order through a principal (instead of agency) transaction if it owns the security in its own account, the security is thinly traded or illiquid, and JPMS believes it will decline in value or wants to sell it for another reason.

JPMS addresses these conflicts in the following ways:

- the maintenance of policies (including in the Code of Ethics) prohibiting JPMS employees from engaging in conduct intended to manipulate the price of securities and procedures designed to prevent and/or detect such conduct;

- the general prohibition in the Code of Ethics on the personal trading by any JPMS Financial Advisor in the Program on the opposite side of the market in any security that was traded for any of the Financial Advisor's investment advisory client accounts five (5) trading days before and five (5) trading days after the trade in the client's advisory account;
- the maintenance of information barrier procedures designed to control the flow of information between JPMS's and its affiliates' proprietary trading operations and other business units, including J.P. Morgan Securities;
- supervision of Financial Advisors' management of Program accounts designed to ensure that the accounts are managed in accordance with clients' investment objectives for the accounts and that Financial Advisors are acting in accordance with their fiduciary duty to place the interests of Program clients before their own and those of JPMS;
- the imposition of trading restrictions with respect to certain time periods and/or lists of issuers that are designed to prevent investment personnel (including Financial Advisors) from unfairly benefiting from unreleased research reports and recommendations;
- the requirement in the Code of Ethics that Financial Advisors in the Program periodically report personal securities holdings and transactions to JPMS Compliance personnel; and
- the policy and legal restrictions on principal transactions with Program accounts described in Item 9.iii.b above.

Clients should understand that, except as detailed in Item 6.vi.a above, Financial Advisors typically are not required to follow or otherwise consider or adhere to research reports, analyses and opinions published or otherwise communicated by other employees of JPMS or its affiliates, including J.P. Morgan investment committees, due diligence personnel, research analysts, economists and market strategists, and Financial Advisors' management of Program accounts may differ from (and be diametrically opposed to) the content of such reports, analyses and opinions.

**d. When JPMS or a Related Person Buys/Sells Securities for Itself at or About the Same Time It Recommends or Buys/Sells the Same Securities to/for Clients**

JPMS and its related persons (including Financial Advisors) may recommend that clients buy or sell securities, or may buy or sell securities for clients (including clients in the Program), *at or about the same time* that JPMS or a related person buys or sells the same securities for its (or a related person's) own account.

In such circumstances, the interests of JPMS and its related persons conflict with those of JPMS's clients, including Program clients, in all of the respects described in the preceding section, each of which typically involves not only trading in the same securities that clients do, but also trading in them at or about the same time that clients do. Please refer to Item 9.iii.c above for a description of those conflicts and how JPMS addresses them.

JPMS may, but is not required to, aggregate orders for the sale or purchase of securities for the client's account with orders for the same security for other clients of JPMS and its affiliates, including orders for JPMS's and its affiliates' employees and their related persons. JPMS generally will not aggregate orders of client accounts in the Program managed by different Financial Advisors. Aggregated orders will generally be filled at an average price, with a pro rata share of transaction costs (if applicable). A client order that is not aggregated with one or more other client orders may be executed at a less favorable price and incur greater transaction costs than an aggregated order.

However, the aggregation of different clients' orders also may be to the detriment of a particular client. The execution of aggregated orders may be subject to delay for certain reasons, including but not limited to the time required for JPMS to review proposed orders for compliance with investment restrictions, guidelines or policies that clients may have provided to JPMS and which have been accepted by JPMS. Accordingly, the aggregation of the client's order with other client orders may cause the client's order to be executed later, and at a different price, than it would have been had the client's order not been aggregated with other client orders.

In addition, JPMS may have a conflict of interest in connection with the aggregation of orders by multiple Program clients for the purchase or sale of the same security. On occasion, an aggregated order will not be fully executed, or "filled." A partial "fill" of an aggregated order must be allocated among the affected clients' accounts. When the affected accounts include a proprietary or personal account for JPMS or any of its affiliates or other related persons (including Financial Advisors), or an account that JPMS or its affiliates may have some other reason to favor (because it typically pays JPMS more compensation, for example), JPMS may have an interest in allocating more shares or units from the partial "fill" to such an account, leaving fewer shares or units for the accounts of other affected clients. JPMS addresses this conflict by processes designed to ensure that the allocation of a partially filled order is fair and equitable in accordance with applicable law. Factors that may affect allocations include, for example, available cash in each account, the size of each account and order, client-imposed or other restrictions on investments in each account, and the desirability of avoiding odd lots. Providing a comparatively favorable allocation to a proprietary or personal account of JPMS or its affiliates or other related persons, however, would not constitute a fair and equitable allocation.



iv. **Review of Accounts**

a. **Nature and Frequency of Program Account Reviews**

JPMS reviews client accounts in the Program on an ongoing and periodic basis. Each Financial Advisor is responsible for reviewing the Program accounts managed by him or her on an ongoing basis. Primary responsibility for the ongoing supervision of activity in the Program accounts managed by each Financial Advisor lies with the J.P. Morgan Securities Supervisory Manager responsible for supervising activity in accounts handled by that Financial Advisor generally. The ongoing supervisory review of Program accounts by the Supervisory Managers includes review of the performance of the accounts and the transactions effected in them and the adherence of Program accounts to certain internal investment parameters.

The PM Group performs periodic reviews of Program accounts, typically on a Financial Advisor-by-Financial Advisor basis. The PM Group's reviews generally include an examination of the Financial Advisor's implementation of his or her investment strategy across a sample of the Program accounts he or she manages, the adherence of Program accounts to certain internal JPMS investment parameters, and the aggregate performance of each Financial Advisor's Program accounts. The PM Group generally reviews each Financial Advisor's management of Program accounts on an annual basis; however, the PM Group may review some Financial Advisors' Program accounts more or less frequently, depending on various factors that may include each Financial Advisor's background, experience and tenure in the Program, the aggregate number and size of each Financial Advisor's Program accounts, and risk-based assessments of each Financial Advisor's management of Program accounts. The PM Group communicates the substance of its periodic reviews of each Financial Advisor's management of Program accounts to the Review Committee.

Certain Program accounts may also be reviewed by appropriate personnel on other than an ongoing or periodic basis. Among the factors that might trigger such a review are changes in market conditions, securities positions and/or the client's investment objective or risk tolerance; a request by the client for a meeting or the occurrence of such meeting; client complaints; concerns expressed by Supervisory Managers or a member of J.P. Morgan Securities management, the PM Group, or Compliance; and/or the application of internal policies of JPMS.

b. **Reports to Program Clients**

Program clients receive written confirmations of all transactions executed through JPMS or its affiliates or may instead elect to receive a periodic statement of all transactions executed through JPMS for Program accounts in lieu of separate transaction confirmations. (Notwithstanding such an election by a client, JPMS may in its discretion choose to provide the client with separate written confirmations of some or all of the transactions in the Account.) Each client receives written account statements on at least a quarterly basis that show all transactions in the account, all contributions to and withdrawals from the account, and all fees and expenses charged to the account.

Additionally, each Program client typically receives a written periodic performance review summarizing the investment performance of the client's account(s) for the prior quarter. However, certain clients may not receive such performance reviews; in its discretion, JPMS may not provide a client with written performance reviews for a Program account if, for example, the account's assets are not custodied by JPMS or JPMS concludes that the nature of the investment strategy used or securities held in the account makes valuation, performance measurement or performance benchmarking too difficult, infeasible or insufficiently valid or useful to the client.

In preparing account statements, performance reviews and/or reports for Program clients, JPMS uses various industry and non-industry standards to measure account performance and JPMS may use multiple valuation sources that provide different values for a single asset. As a result, the determination of an account's asset values may differ for different purposes and different statements, reviews and reports. Detailed calculations of a client's account asset values are available upon request. Clients receiving periodic written performance reviews from JPMS should review carefully the disclosures, definitions and other information contained in the reviews.

Performance reviews are not a substitute for regular monthly or quarterly account statements or Form 1099, and should not be used to calculate the Wrap Fee or to complete income tax returns. If JPMS does not receive information about the original cost of a security from the client, the market value of the security on a date set by JPMS may be used in lieu of original cost in certain circumstances. JPMS and its affiliates are entitled to rely on the financial and other information that clients or any third party provides to JPMS. ***Neither JPMS nor any third party reviews the performance information to determine or verify its accuracy or compliance with presentation standards, and the information may not be calculated on a uniform and consistent basis.*** The client is solely responsible for any information that the client provides to JPMS, and JPMS shall not be liable in connection with its use of any information provided by the client or a third party in the periodic review. JPMS does not provide tax advice, and nothing in the performance review should be construed as advice concerning any tax matter.

v. **Client Referrals and Other Compensation**

a. **Compensation from Non-Clients to JPMS for JPMS's Provision of Advisory Services**

To the best of its knowledge, JPMS does not receive economic benefits from non-clients for providing investment advice or other advisory services to its clients. JPMS and its affiliates do receive economic benefits from certain mutual funds and other pooled investment vehicles when JPMS's clients' assets in investment advisory accounts are invested in them. Although these benefits are attributable to sales of the funds to JPMS's investment advisory clients and the investment of investment advisory assets in the funds, they are not benefits the funds provide to JPMS or its affiliates in exchange for JPMS's provision of investment advisory services to the clients. For a discussion of the benefits and the conflicts of interest they raise, please refer to Items 4, 9.ii and 9.iii above.

As discussed in Item 9.ii above, JPMCB also receives economic benefits when JPMS's investment advisory clients select the J.P. Morgan Chase Bank Deposit Account as the vehicle for the "sweeping" of available cash balances in their accounts. Again, while these benefits are attributable to the investment of the assets of JPMS's investment advisory clients in the Deposit Account, they are not benefits JPMCB receives in exchange for JPMS's provision of investment advisory services to the clients.

In addition, JPMS and its affiliates may from time to time enter into joint marketing activities with portfolio managers and/or sponsors of mutual funds offered in JPMS's investment advisory programs. These managers and/or sponsors may pay some or all of the cost of the marketing activities, which payment may take the form of reimbursement of JPMS or its affiliates. Because of the willingness of these managers and/or sponsors to provide financial support for such activities, JPMS has an incentive to allow these managers and/or sponsors (as opposed to other portfolio managers and/or sponsors who are unwilling to provide such financial support) to participate in such joint marketing activities. However, the payments by the fund managers and/or sponsors are not made in exchange for JPMS's provision of investment advisory services to its clients.

Please refer to Item 9.ii above for a discussion of (1) revenue sharing arrangements between JPMS and certain of its affiliates pursuant to which JPMS may receive compensation from the affiliates in connection with referrals or introductions of clients by JPMS to the affiliates for the provision by the affiliates of products and services to the clients and (2) solicitation arrangements in which JPMS acts as solicitor for certain other investment advisers and receives compensation from the other advisers for the referral of clients to them. In such cases the compensation is in exchange for JPMS's referral of clients to other (affiliated or unaffiliated) financial service providers – not for JPMS's own provision of investment advisory services to its clients.

b. **Compensation from JPMS to Unsupervised Persons for Client Referrals**

In addition to compensating certain *supervised* persons (including Financial Advisors) for their provision of investment advisory services to clients on behalf of JPMS and/or for their referral or introduction of investors who become clients of JPMS, JPMS compensates certain persons *not* supervised by it for their referral of clients to JPMS who become investment advisory clients of JPMS's investment advisory programs. JPMS has engaged certain unaffiliated parties to act as solicitors (sometimes also called "finders" or "referrers") of prospective investment advisory clients for JPMS. The solicitors engaged by JPMS are typically themselves registered investment advisers. JPMS does not supervise either the solicitors' activities generally or their solicitation activities. Under these solicitation arrangements, JPMS agrees to pay each solicitor a specified portion of the advisory fees received by JPMS from each client referred to it by the solicitor.

The clients referred to JPMS do not incur any additional fee or charge by JPMS as a result of JPMS's arrangements with the solicitors or its payment of the solicitation fees to the solicitors. Therefore, because JPMS's sharing of certain advisory fees with solicitors reduces the net advisory fee retained by JPMS, Program accounts for clients referred to JPMS by a solicitor may be less profitable for JPMS than other Program accounts, other things being equal. This creates a conflict of interest between JPMS and the referred clients because, as a result, JPMS and the Financial Advisors (whose own compensation is typically tied to the amount of advisory fees received by JPMS from clients) could have a financial incentive to disfavor Program clients referred by solicitors in the allocation or sequencing of trades among accounts and in the receipt of the Financial Advisor's time and attention. JPMS addresses this conflict through supervision of Financial Advisors' management of Program accounts designed to ensure that Financial Advisors are acting in accordance with their fiduciary duty to place the interests of Program clients before their own and those of JPMS. In addition, because the Wrap Fee paid by clients in the Program may, in JPMS's discretion, be negotiated and can vary among clients, and the absolute amount of such Fees is typically dependent on the size of the client's account, it is not necessarily the case that the account of a client referred to JPMS by a compensated solicitor will be less profitable for JPMS or the Financial Advisor than other Program accounts.

vi. **Financial Information**

There is no financial condition that is reasonably likely to impair JPMS's ability to meet contractual commitments to its clients.