

MARKET  
INSIGHTS

4Q | 2014

As of September 30, 2014

# Guide to the Markets<sup>®</sup>

*J.P. Morgan*

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# S&P 500 Index at Inflection Points

## S&P 500 Index

Characteristic	Mar-2000	Oct-2007	Sep-2014
Index level	1,527	1,565	1,972
P/E ratio (fwd.)	25.6x	15.2x	15.2x
Dividend yield	1.1%	1.8%	1.9%
10-yr. Treasury	6.2%	4.7%	2.5%



Source: Standard & Poor's, First Call, Compustat, FactSet, J.P. Morgan Asset Management.

Dividend yield is calculated as the annualized dividend rate divided by price, as provided by Compustat. Forward Price to Earnings Ratio is a bottom-up calculation based on the most recent S&P 500 Index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by FactSet Market Aggregates. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns.

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Data are as of 9/30/14.

# Returns and Valuations by Style

3Q 2014				Year to Date			
	Value	Blend	Growth	Value	Blend	Growth	
Large	-0.2%	1.1%	1.5%	8.1%	8.3%	7.9%	
Mid	-2.6%	-1.7%	-0.7%	8.2%	6.9%	5.7%	
Small	-8.6%	-7.4%	-6.1%	-4.7%	-4.4%	-4.0%	

Since Market Peak (October 2007)				Since Market Low (March 2009)			
	Value	Blend	Growth	Value	Blend	Growth	
Large	35.4%	46.8%	62.3%	237.6%	228.0%	231.0%	
Mid	58.8%	60.5%	60.2%	305.6%	287.3%	270.4%	
Small	35.4%	43.6%	51.4%	234.8%	246.3%	257.4%	

**Current P/E vs. 20-year avg. P/E**

	Value	Blend	Growth
Large	14.8 / 14.0	15.2 / 17.1	18.1 / 21.0
Mid	16.5 / 14.2	18.1 / 16.5	20.0 / 21.9
Small	16.1 / 14.4	17.8 / 17.3	19.6 / 21.5

**Current P/E as % of 20-year avg. P/E**  
*E.g.: Large Cap Blend stocks are 10.8% cheaper than their historical average.*

	Value	Blend	Growth
Large	106.0%	89.2%	86.1%
Mid	116.2%	110.1%	91.6%
Small	111.9%	103.0%	91.5%

Source: Russell Investment Group, Standard & Poor's, FactSet, J.P. Morgan Asset Management.

All calculations are cumulative total return, including dividends reinvested for the stated period. Since Market Peak represents period 10/9/07 – 9/30/14, illustrating market returns since the S&P 500 Index high on 10/9/07. Since Market Low represents period 3/9/09 – 9/30/14, illustrating market returns since the S&P 500 Index low on 3/9/09. Returns are cumulative returns, not annualized. For all time periods, total return is based on Russell-style indexes with the exception of the large blend category, which is reflected by the S&P 500 Index. Past performance is not indicative of future returns. P/E ratios reflect latest available data and are as of August.

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Data are as of 9/30/14.

## Returns and Valuations by Sector

Equities

	Financials	Technology	Health Care	Industrials	Energy	Cons. Discr.	Cons. Staples	Telecom	Utilities	Materials	S&P 500 Index	
<b>S&amp;P Weight</b>	16.3%	19.7%	13.9%	10.3%	9.7%	11.7%	9.5%	2.4%	3.0%	3.5%	100.0%	Weight
Russell Growth Weight	5.1%	28.4%	13.6%	11.9%	5.7%	18.2%	10.3%	2.4%	0.1%	4.2%	100.0%	
Russell Value Weight	29.2%	9.4%	13.5%	10.2%	12.9%	6.2%	7.1%	2.3%	6.0%	3.3%	100.0%	
<b>YTD</b>	7.4	14.1	16.6	2.9	3.2	0.9	7.2	7.5	13.9	8.9	8.3	Return (%)
<b>3Q14</b>	2.3	4.8	5.5	-1.1	-8.6	0.3	2.0	3.1	-4.0	0.2	1.1	
<b>Since Market Peak</b> (October 2007)	-25.1	69.7	103.5	42.8	30.9	98.4	96.3	27.8	36.0	35.9	46.8	
<b>Since Market Low</b> (March 2009)	309.1	255.6	228.1	292.3	139.7	359.3	175.2	144.1	138.0	223.7	228.0	
<b>Beta to S&amp;P 500</b>	1.44	1.11	0.69	1.20	1.01	1.13	0.57	0.63	0.50	1.28	1.00	β
<b>Correl to Treas. Yields</b>	0.33	0.09	-0.08	0.29	0.23	0.18	-0.15	-0.35	-0.43	0.16	0.11	ρ
Forward P/E Ratio	13.0x	15.4x	16.5x	15.5x	13.2x	17.3x	17.7x	13.5x	15.7x	16.3x	15.6x	P/E
<b>15-yr avg.</b>	12.7x	21.0x	17.5x	17.1x	13.7x	18.7x	18.5x	17.2x	14.0x	16.0x	16.3x	
Trailing P/E Ratio	16.5x	19.3x	24.3x	17.2x	14.6x	20.7x	20.2x	10.7x	18.9x	20.2x	18.4x	
<b>20-yr avg.</b>	16.4x	26.1x	24.0x	20.3x	17.2x	19.2x	21.2x	19.9x	14.9x	19.5x	19.5x	
Dividend Yield	1.7%	1.5%	1.6%	2.1%	2.3%	1.5%	2.7%	4.8%	3.7%	2.0%	2.0%	Div
<b>20-yr avg.</b>	2.1%	0.7%	1.4%	1.7%	1.7%	0.9%	2.1%	4.2%	4.3%	2.1%	1.7%	

Source: Standard & Poor's, Russell Investment Group, FactSet, J.P. Morgan Asset Management.

All calculations are cumulative total return, not annualized, including dividends for the stated period. Since Market Peak represents period 10/9/07 – 9/30/14. Since Market Low represents period 3/9/09 – 9/30/14. Correlation to Treasury Yields are trailing 2-year monthly correlations between S&P 500 sector price returns and 10-year Treasury yield movements. Forward P/E Ratio is a bottom-up calculation based on the most recent S&P 500 Index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by FactSet Market Aggregates. Trailing P/E ratios are bottom-up values defined as month-end price divided by the last 12 months of available reported earnings. Historical data can change as new information becomes available. Note that P/E ratios for the S&P 500 may differ from estimates elsewhere in this book due to the use of a bottom-up calculation of constituent earnings (as described) rather than a top-down calculation. This methodology is used to allow proper comparison of sector level data to broad index level data. Dividend yields are bottom-up values defined as the annualized value of the most recent cash dividend as a percent of month-end price. Beta calculations are based on 10 years of monthly price returns for the S&P 500 and its sub-indices. Beta's are calculated on a monthly frequency over the past 10-years. Past performance is not indicative of future returns.

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Data are as of 9/30/14.

# Stock Valuation Measures: S&P 500 Index

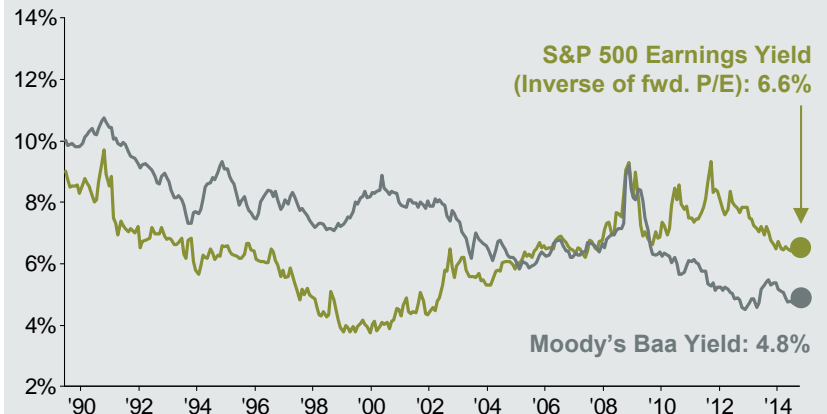
## U.S. Equity: Valuation Measures

U.S. Equity: Valuation Measures			Historical Averages			
Valuation Measure	Description	Latest	1-year ago	5-year avg.	10-year avg.	25-year avg.*
P/E	Price to Earnings	15.2x	14.2x	13.4x	13.8x	15.6x
CAPE	Shiller's P/E	26.3	25.0	22.1	22.9	25.2
Div. Yield	Dividend Yield	1.9%	2.0%	2.0%	2.0%	2.1%
REY	Real Earnings Yield	3.8%	3.7%	4.2%	3.2%	2.2%
P/B	Price to Book	2.8	2.6	2.3	2.4	2.9
P/CF	Price to Cash Flow	10.8	10.6	9.2	9.7	11.3
EY Spread	EY Minus Baa Yield	1.8%	1.5%	2.1%	1.2%	-0.7%

### S&P 500 Index: Forward P/E Ratio



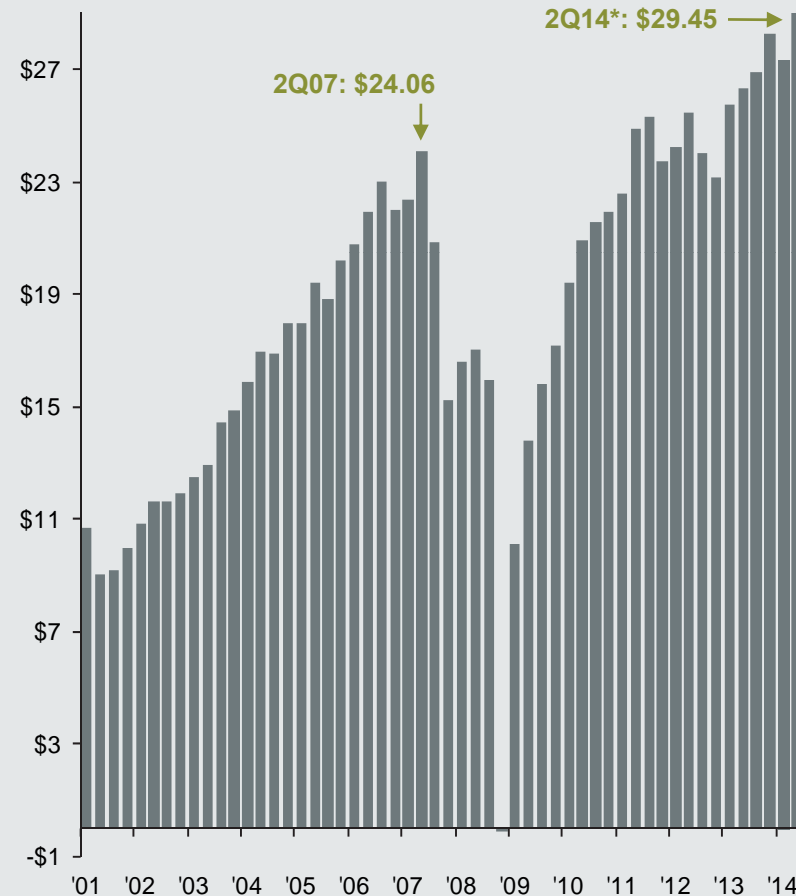
### S&P 500 Earnings Yield vs. Baa Bond Yield



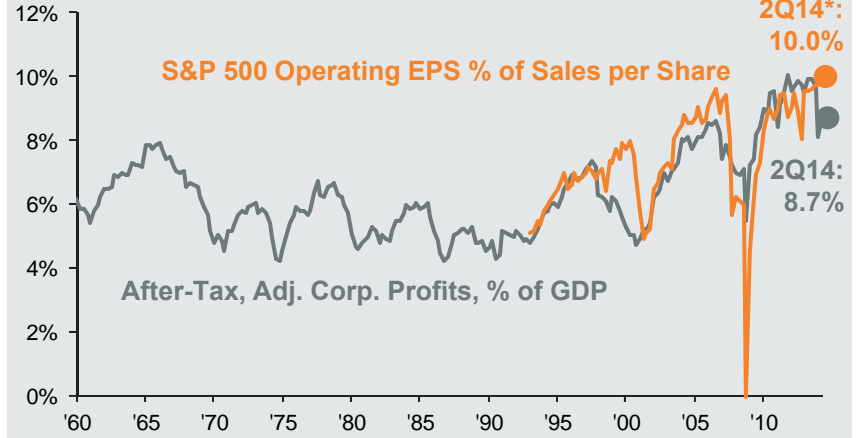
Source: Standard & Poor's, FactSet, Robert Shiller Data, FRB, J.P. Morgan Asset Management. Price to Earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months. Shiller's P/E uses trailing 10-years of inflation adjusted earnings as reported by companies. Dividend Yield is calculated as the trailing 12-month average dividend divided by price. Price/Earnings to Growth Ratio is calculated as NTM P/E divided by NTM earnings growth. Price to Book Ratio is the price divided by book value per share. Price to Cash Flow is price divided by NTM cash flow. EY Minus Baa Yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. \*P/CF is a 20-year avg. due to cash flow data availability.

# Corporate Profits and Leverage

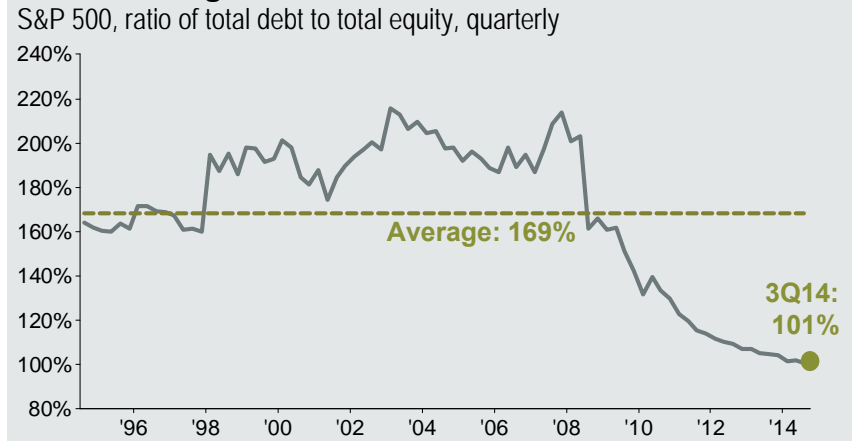
**S&P 500 Earnings Per Share**  
Operating basis, quarterly



**Profit Margins**



**Total Leverage**



Source: BEA, Standard & Poor's, Compustat, J.P. Morgan Asset Management.  
EPS levels are based on operating earnings per share. \*Most recently available data is 1Q14 as 2Q14 are Standard & Poor's preliminary estimates.  
Past performance is not indicative of future returns.

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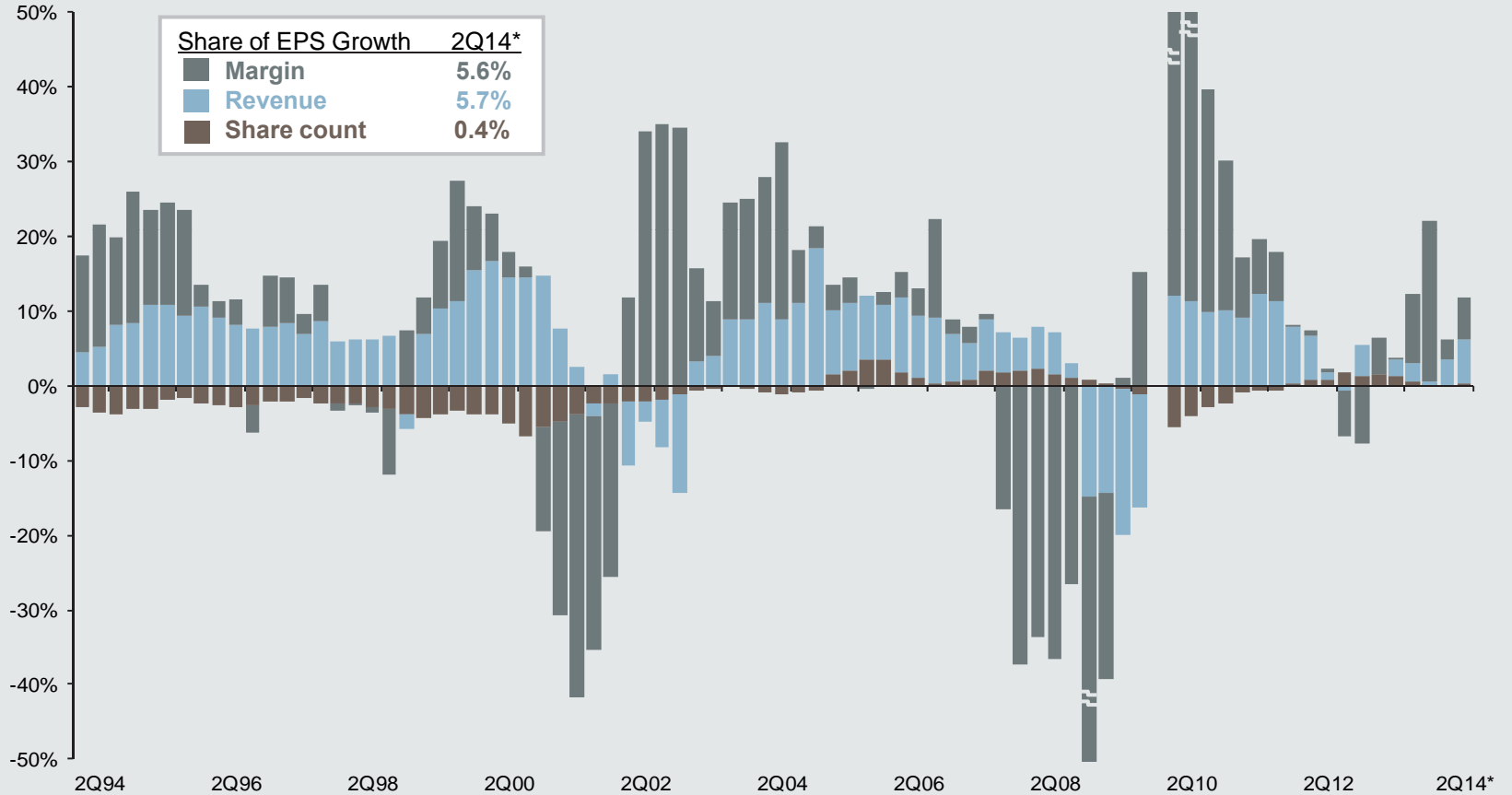
Data are as of 9/30/14.



# Sources of Earnings per Share Growth

## S&P 500 Year-Over-Year EPS Growth

Growth broken into revenue, changes in profit margin & changes in share count



Source: Standard & Poor's, Compustat, J.P. Morgan Asset Management.

EPS levels are based on operating earnings per share. \*Most recently available data is 1Q14 as 2Q14 are Standard & Poor's preliminary estimates. Past performance is not indicative of future returns. 4Q2008, 1Q2010 and 2Q2010 reflect -101%, 92% and 51% growth in operating earnings, and are adjusted on the chart.

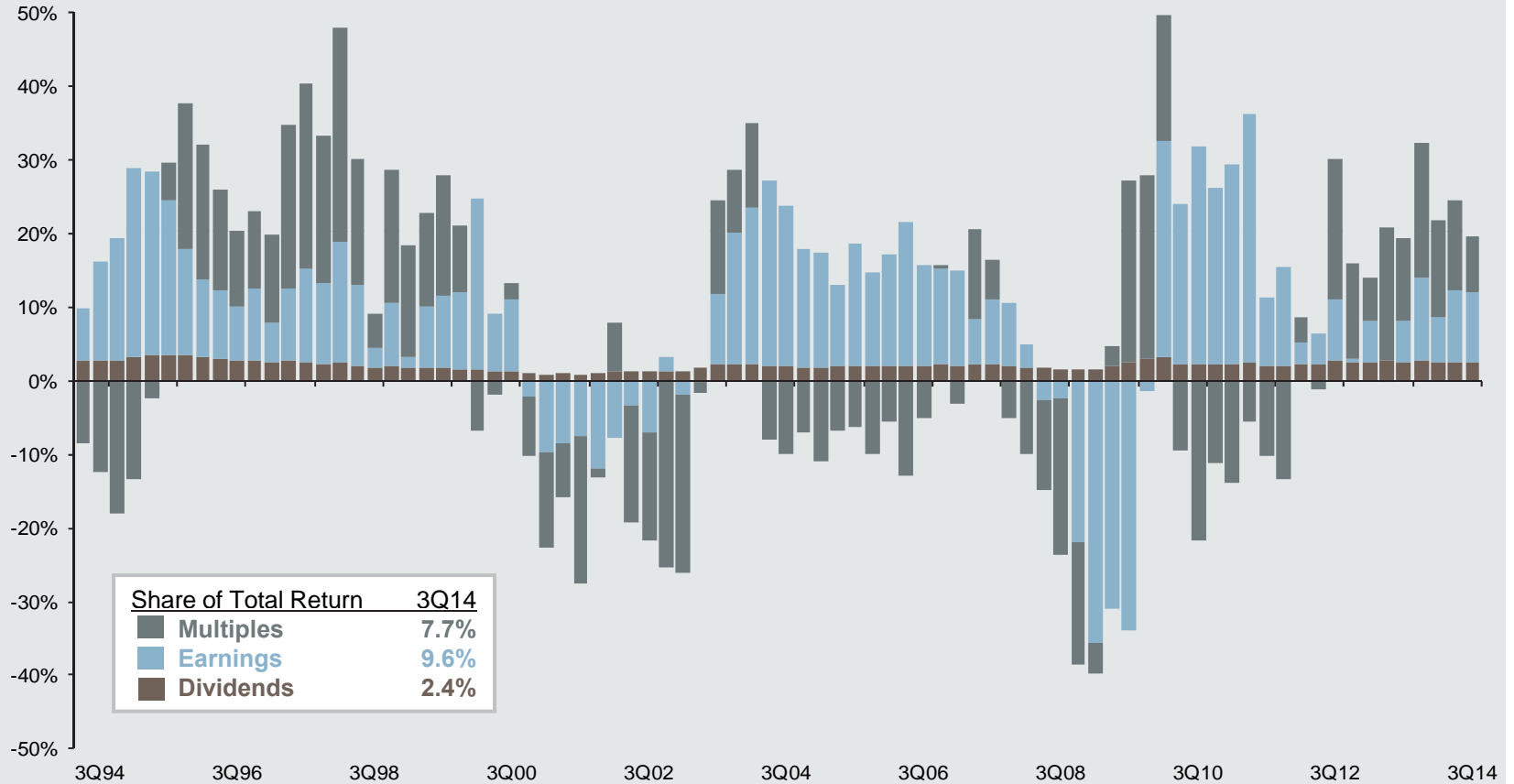
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Data are as of 9/30/14.

# Sources of Total Return

## S&P 500 Year-Over-Year Total Return

Total return broken into multiples, earnings and dividends, quarterly



Source: Standard & Poor's, IBES, J.P. Morgan Asset Management.  
Earnings contribution is the measured change in forward earnings per share estimates.

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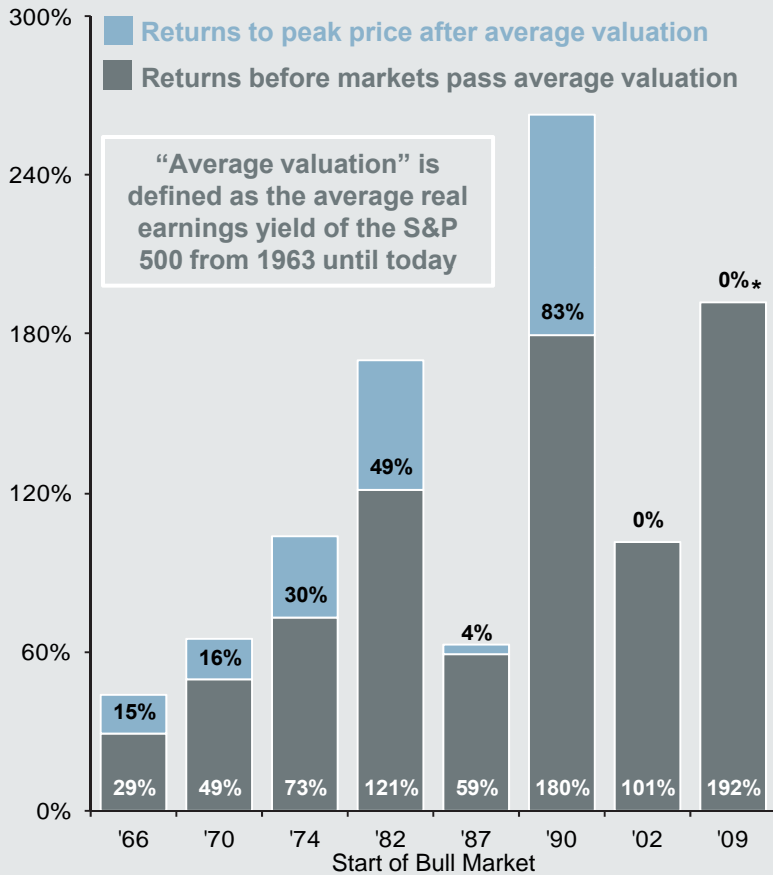
Data are as of 9/30/14.

# Equity Performance in Bull Markets

Equities

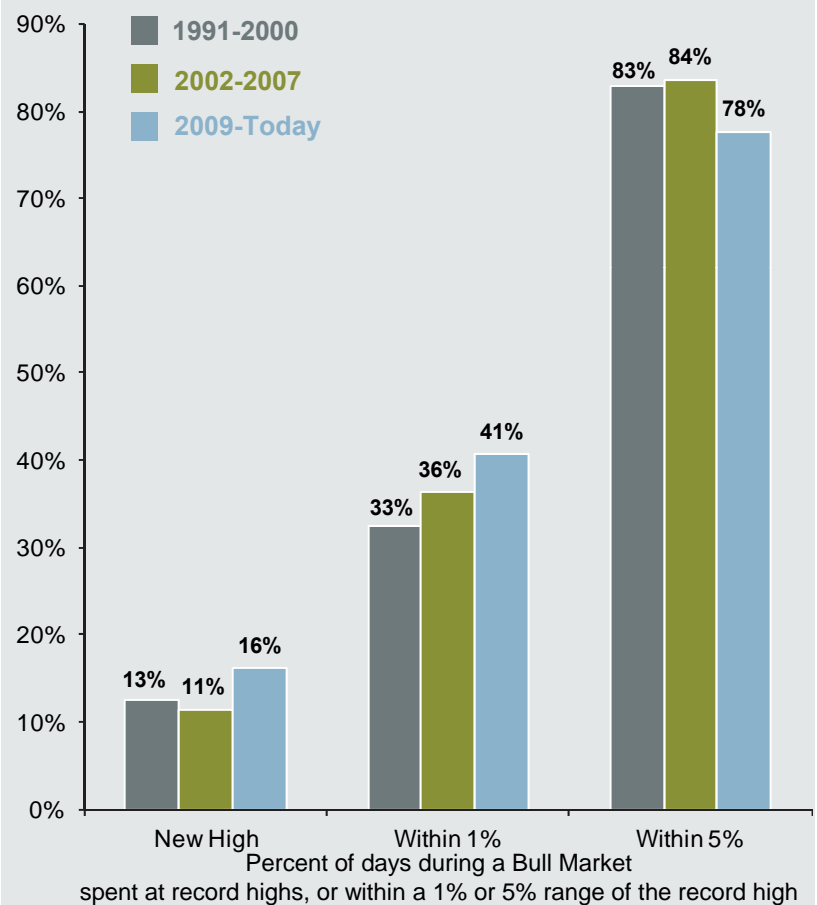
## S&P 500 Performance and Average Valuation

Price returns to peak after crossing average real earnings yield



## S&P 500 Levels Near Market Highs

% of days during bull markets the S&P 500 is at and near record highs



Source: Standard & Poor's, J.P. Morgan Asset Management.

Valuations are based on real earnings yield for the S&P 500 which is defined as (trailing four quarters of reported earnings/price) - year over year core CPI inflation. Period after average valuation defined by 15-day moving average passing below average real earnings yield. \*As depicted on the left hand chart, the return to peak price for the current bull market is 0% as the S&P 500 has yet to cross its long run average real earnings yield. The S&P 500 would need to appreciate over 17% to reach its long-term average real earnings yield of 2.4%.

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Data as of 9/30/2014

**Correlations Between Weekly Stock Returns and Interest Rate Movements**

Weekly S&P 500 returns, 10-year Treasury yield, rolling 2-year correlation, May 1963 – Sep. 2014



Source: Standard & Poor's, U.S. Treasury, FactSet, J.P. Morgan Asset Management.

Returns are based on price index only and do not include dividends. Markers represent monthly 2-year correlations only.

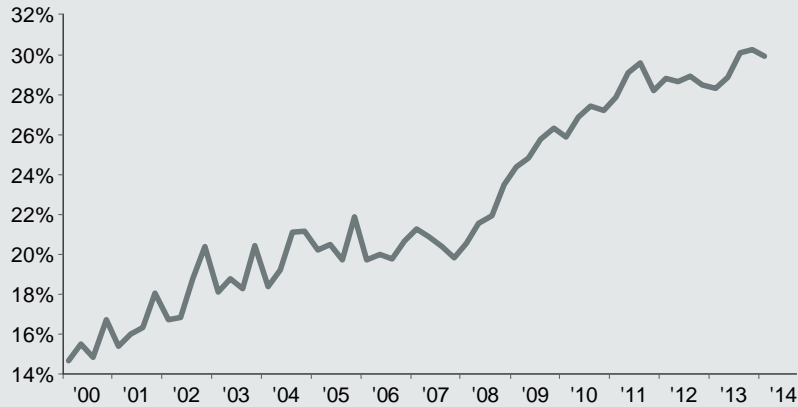
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# Deploying Corporate Cash

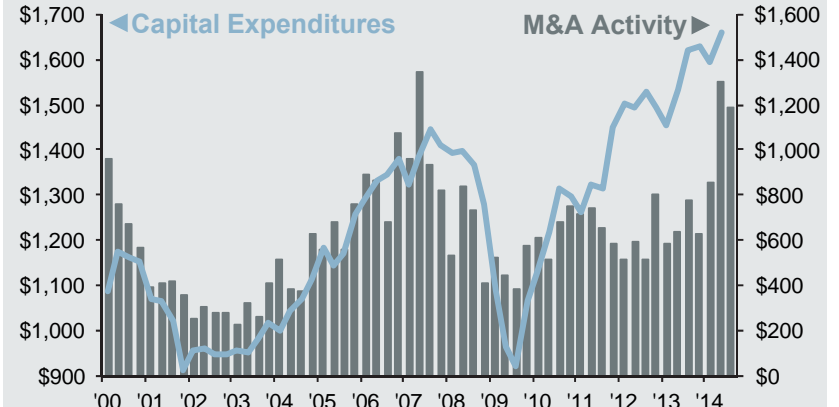
## Corporate Cash as a % of Current Assets

S&P 500 companies – cash and cash equivalents, quarterly



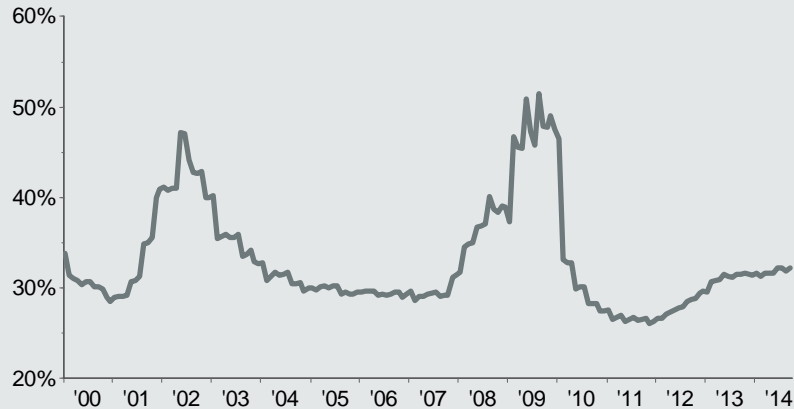
## Corporate Growth

\$bn, nonfarm nonfinancial capex, quarterly value of deals completed



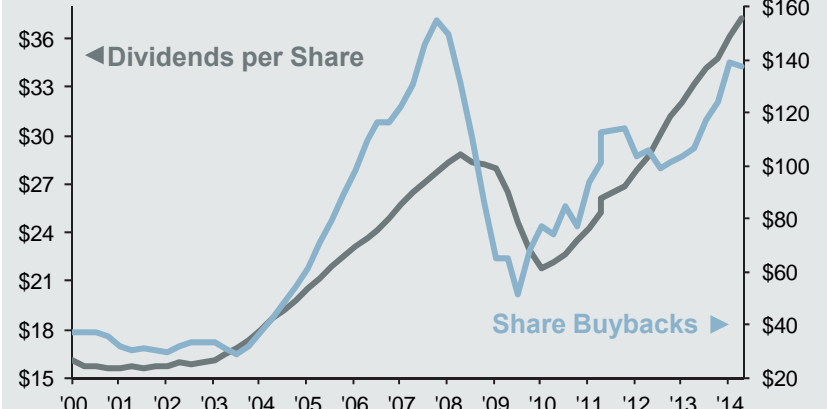
## Dividend Payout Ratio

S&P 500 companies, LTM



## Cash Returned to Shareholders

\$bn, S&P 500 companies, rolling 4-quarter averages



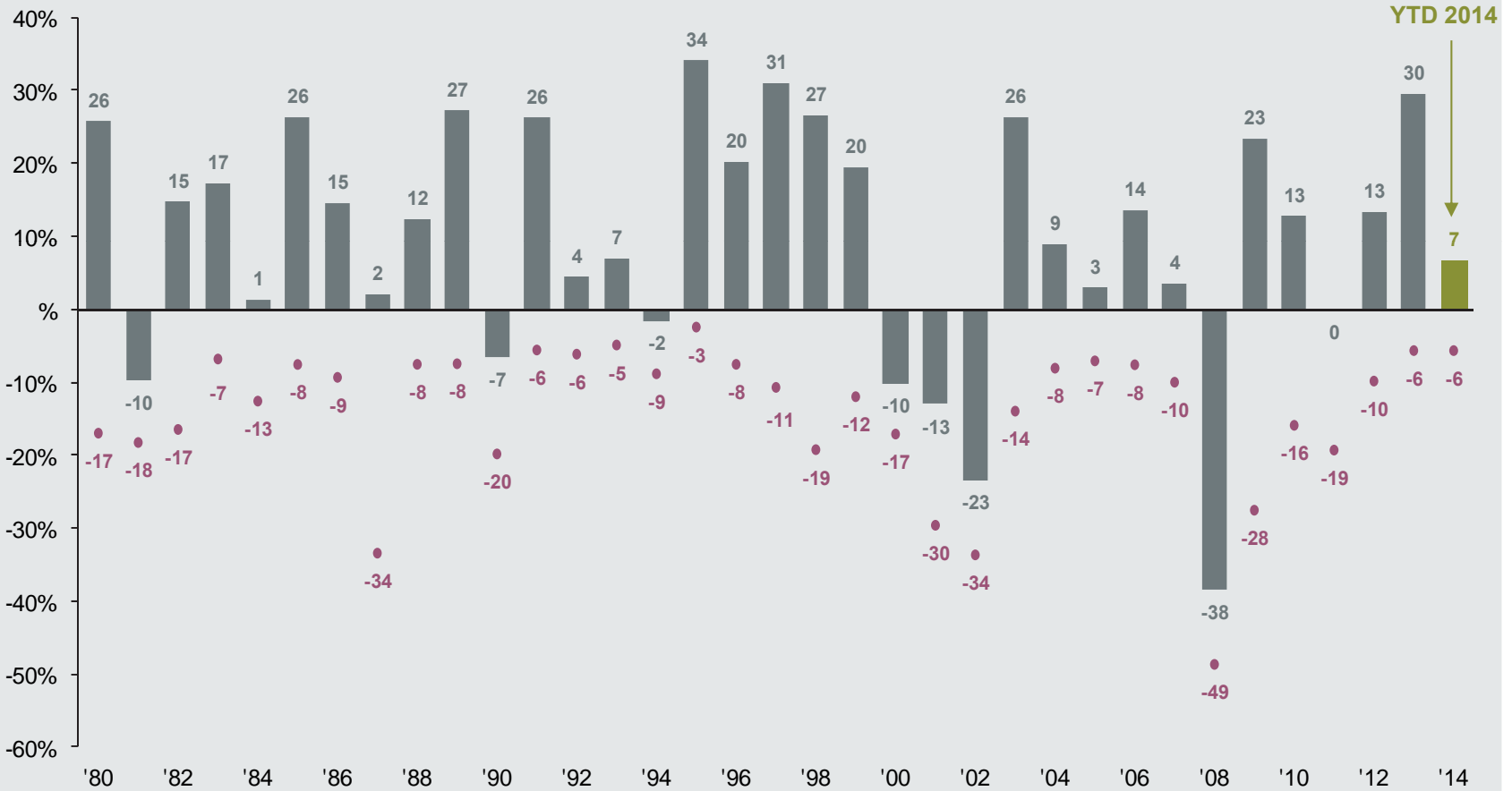
Source: Standard & Poor's, FRB, Bloomberg, FactSet, J.P. Morgan Securities, J.P. Morgan Asset Management. (Top left) Standard & Poor's, FactSet, J.P. Morgan Asset Management. (Top right) M&A activity is the quarterly value of officially agreed transactions and capital expenditures are for nonfarm nonfinancial corporate business. (Bottom left) Standard & Poor's, FactSet, J.P. Morgan Asset Management. (Bottom right) Standard & Poor's, Compustat, FactSet, J.P. Morgan Asset Management. Guide to the Markets – U.S. Data are as of 9/30/14.

# Annual Returns and Intra-year Declines

Equities

## S&P 500 Intra-year Declines vs. Calendar Year Returns

Despite average intra-year drops of 14.2%, annual returns positive in 26 of 34 years\*



Source: Standard & Poor's, FactSet, J.P. Morgan Asset Management.

Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. \*Returns shown are calendar year returns from 1980 to 2013 excluding 2014 which is year-to-date.

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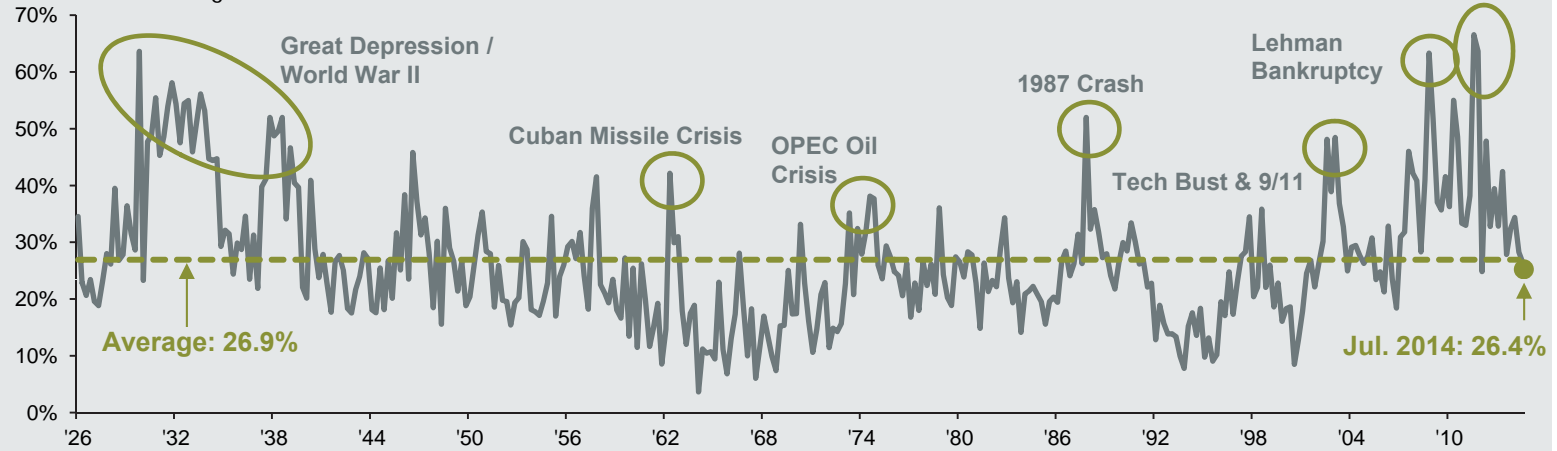
Data are as of 9/30/14.

# Equity Correlations and Volatility

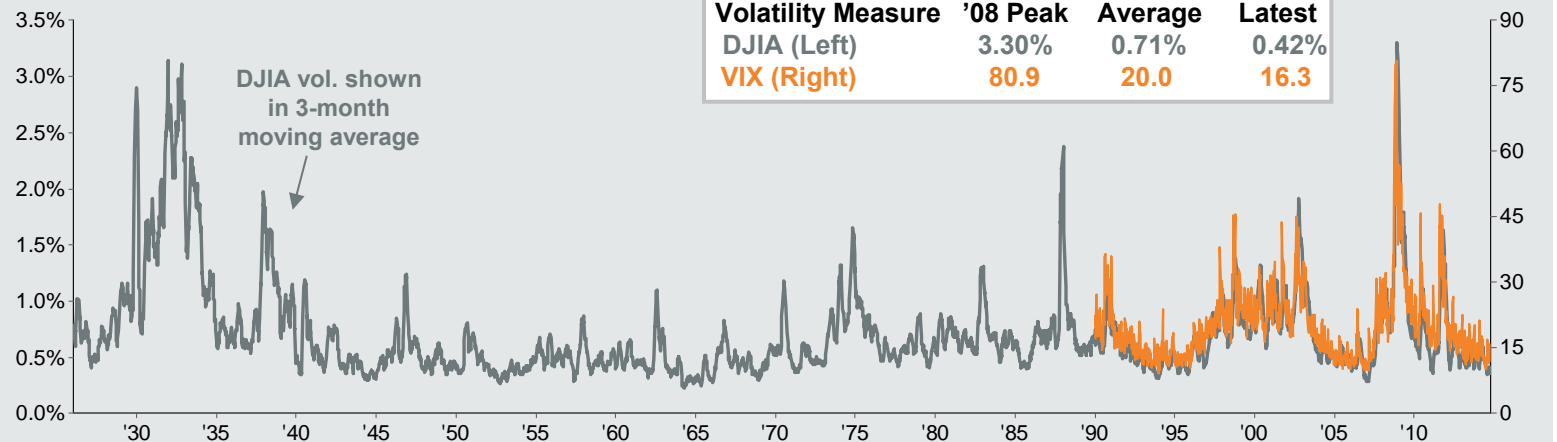
Equities

## Large Cap Stocks

Correlations Among Stocks

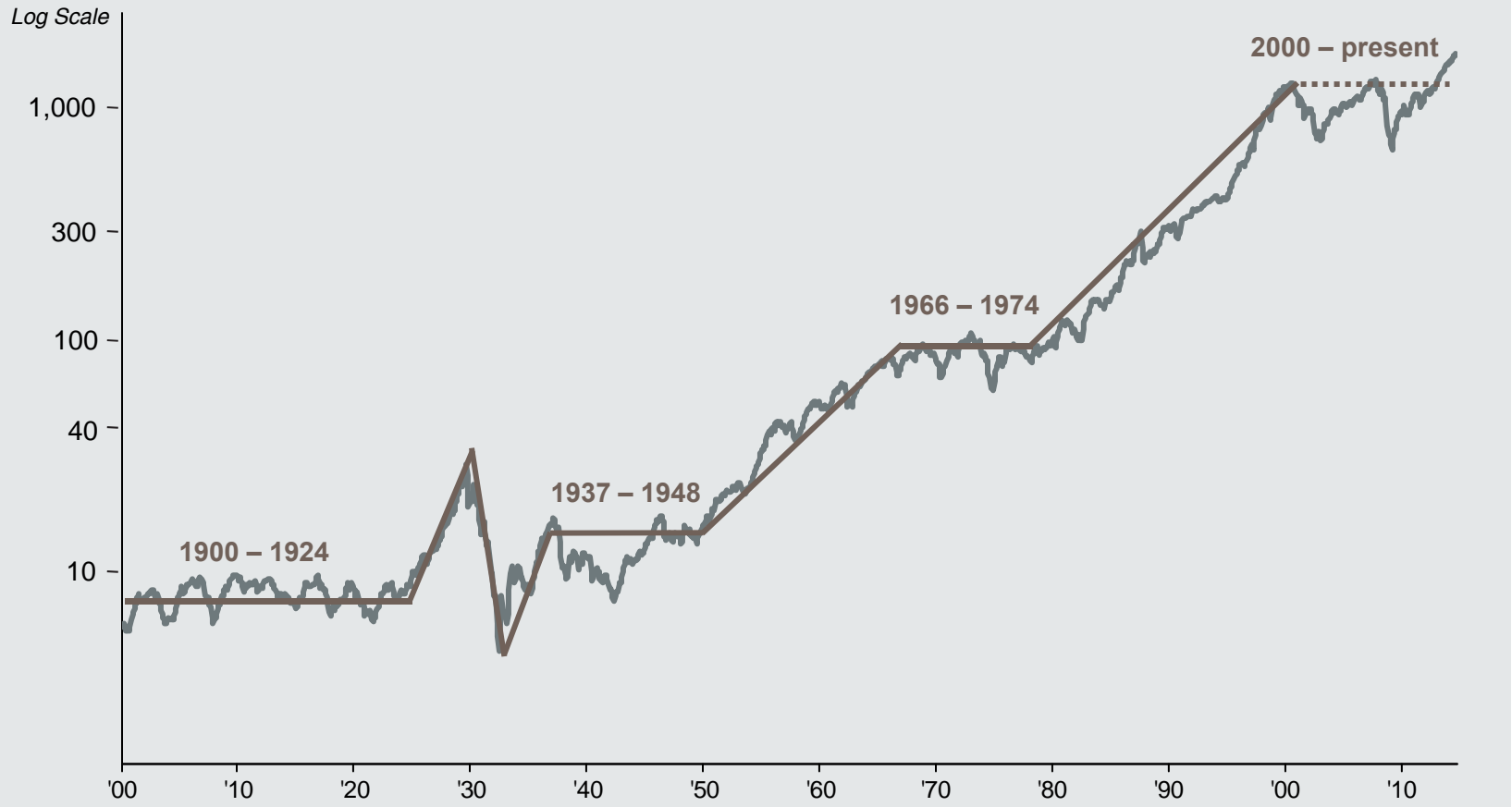


## Daily Volatility of DJIA



Source: (Top) Empirical Research Partners LLC, Standard & Poor's, J.P. Morgan Asset Management. Capitalization weighted correlation of top 750 stocks by market capitalization, daily returns, 1926 – Jul. 1, 2014. (Bottom) CBOE, Dow Jones, J.P. Morgan Asset Management. DJIA volatility are represented as three-month moving averages of the daily absolute percentage change in the Dow Jones Industrial Average. Charts shown for illustrative purposes only. Guide to the Markets – U.S. Data are as of 9/30/14.

**S&P Composite Index**



Source: Robert Shiller, FactSet, J.P. Morgan Asset Management.  
 Data shown in log scale to best illustrate long-term index patterns.  
 Past performance is not indicative of future returns. Chart is for illustrative purposes only.

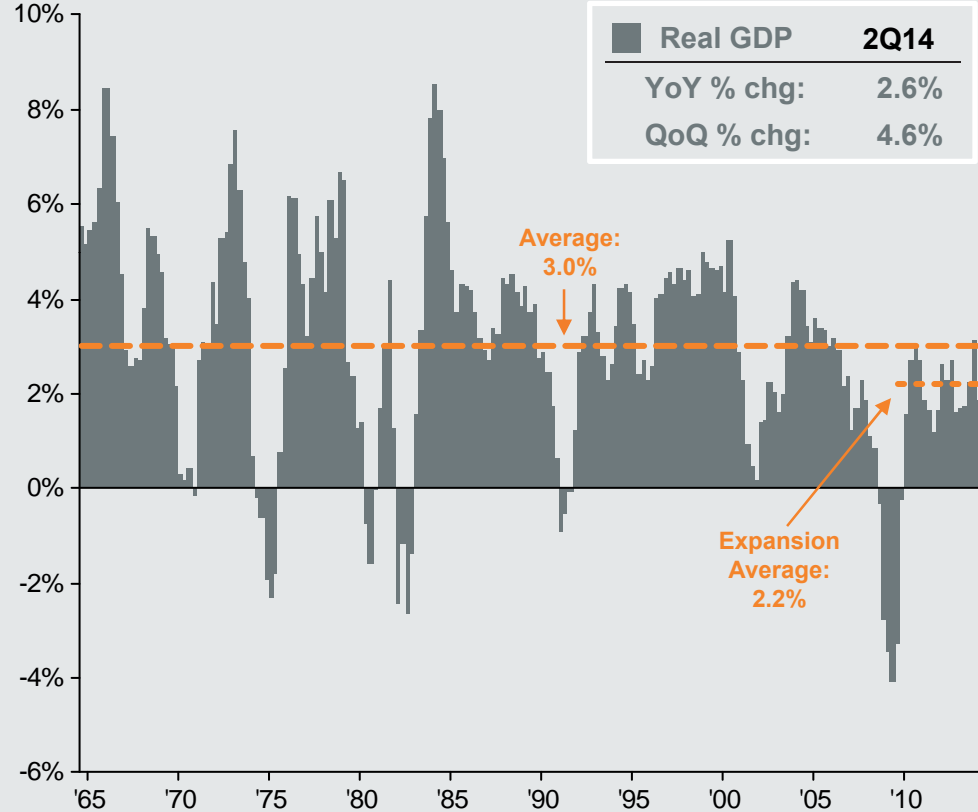
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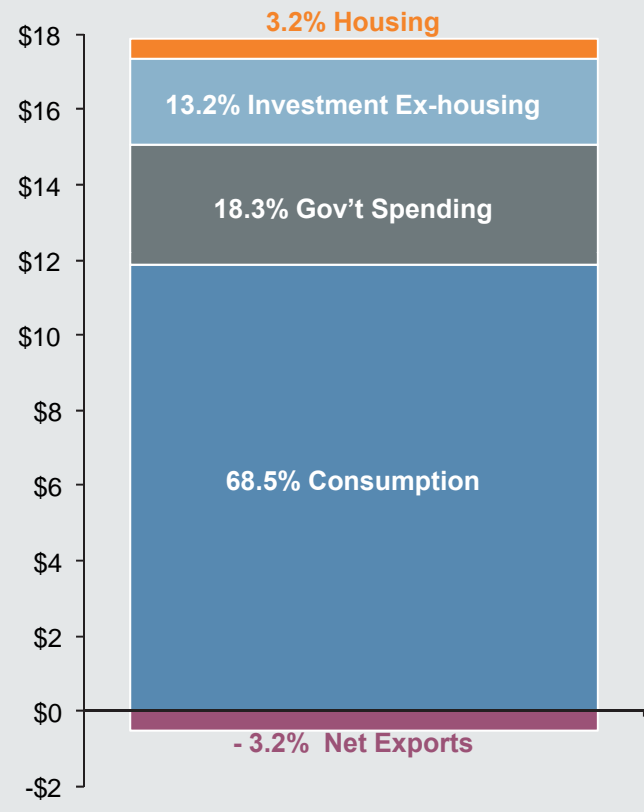
**Real GDP**

Year-over-year % chg



**Components of GDP**

2Q14 nominal GDP, trillions USD



Source: BEA, FactSet, J.P. Morgan Asset Management.

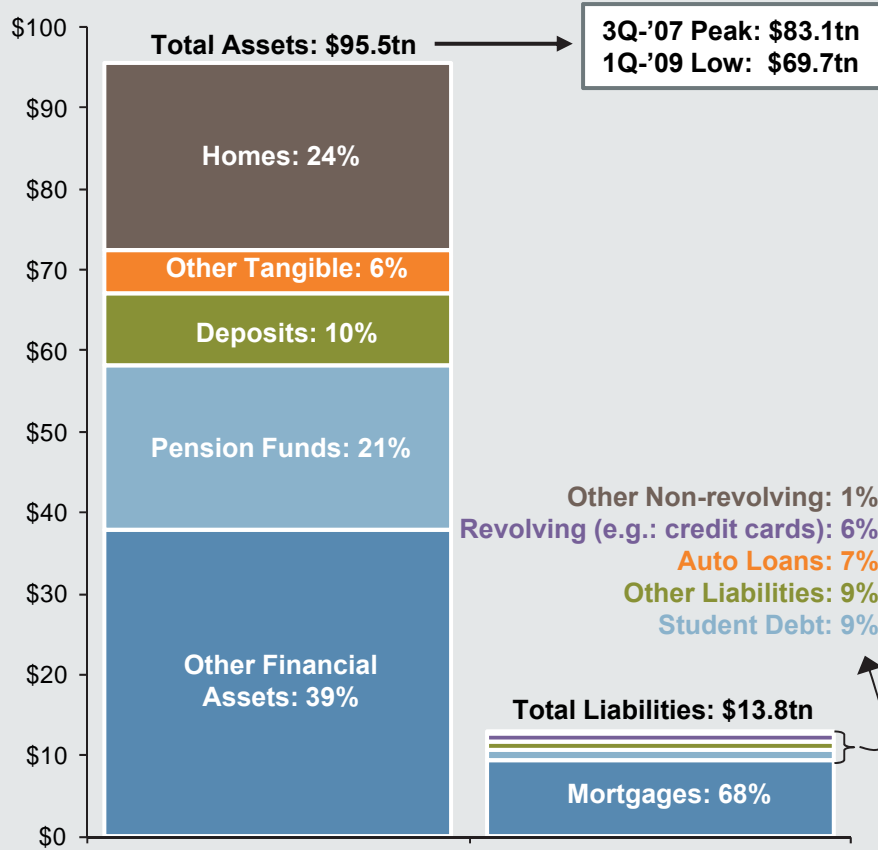
Values may not sum to 100% due to rounding. Quarter over quarter percent changes are at an annualized rate. Average represents the annualized growth rate for the full period. Expansion average refers to the period starting in the second quarter of 2009.

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Data are as of 9/30/14.

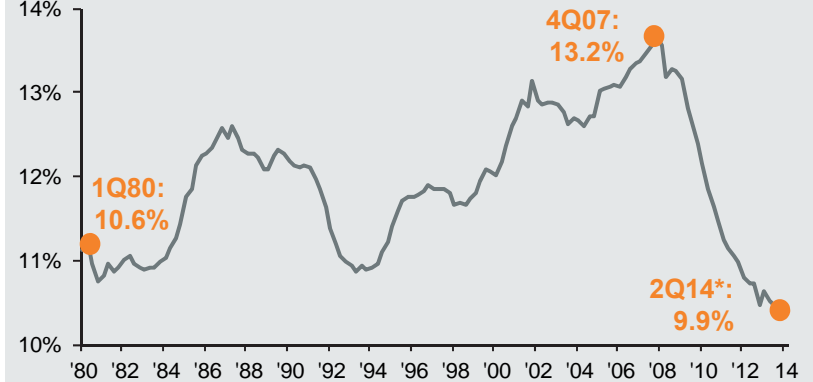
### Consumer Balance Sheet

2Q14, Trillions of dollars outstanding, not seasonally adjusted



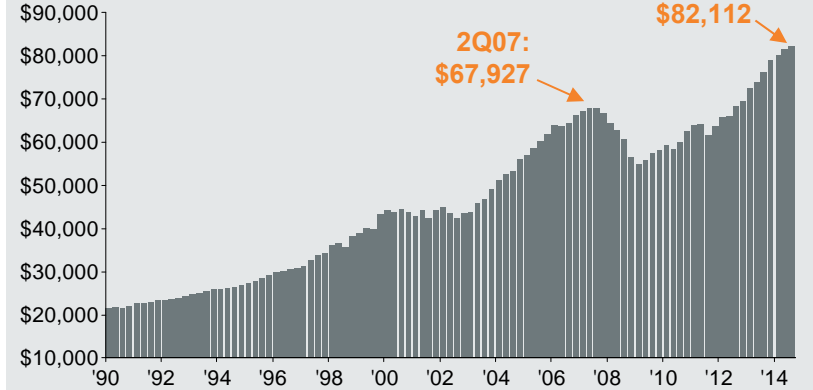
### Household Debt Service Ratio

Debt payments as % of disposable personal income, seasonally adjusted



### Household Net Worth

Billions USD, not seasonally adjusted

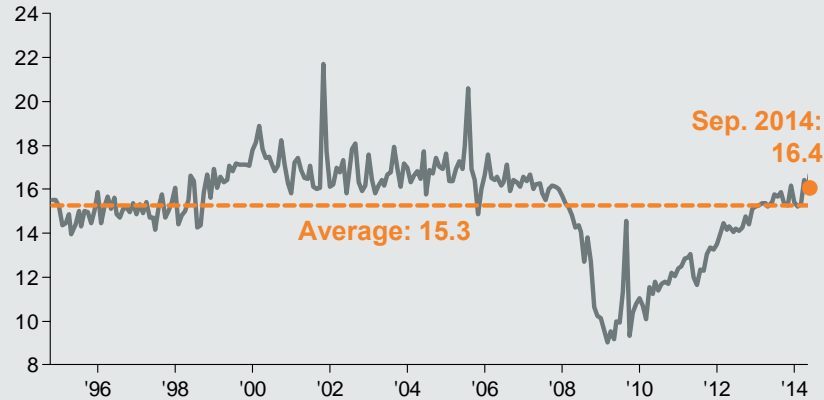


Source: (Left) FRB, J.P. Morgan Asset Management. Data includes households and nonprofit organizations. (Right) BEA, FRB, J.P. Morgan Asset Management. \*2Q14 household debt service ratio and 3Q14 household net worth are J.P. Morgan Asset Management estimates. Values may not sum to 100% due to rounding.

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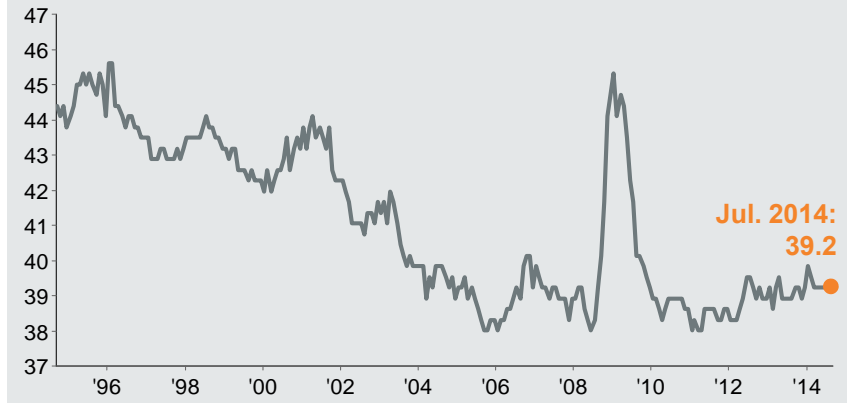
### Light Vehicle Sales

Millions, seasonally adjusted annual rate



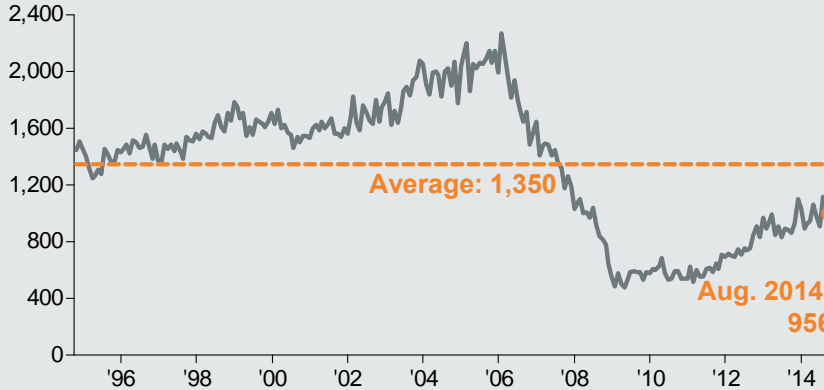
### Manufacturing and Trade Inventories

Days of sales, seasonally adjusted



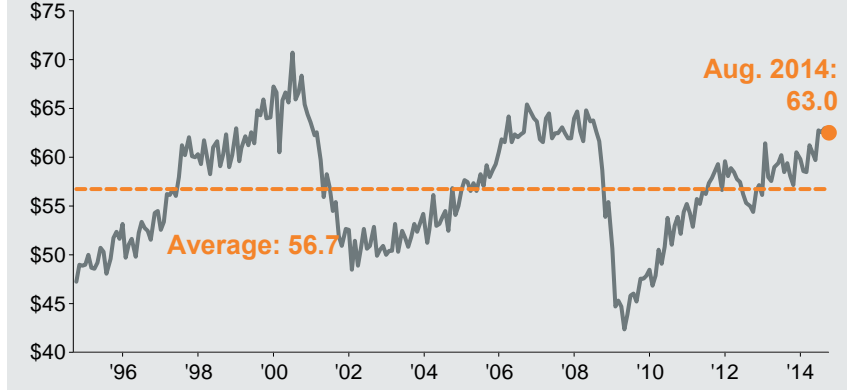
### Housing Starts

Thousands, seasonally adjusted annual rate



### Real Capital Goods Orders

Non-defense capital goods orders ex. aircraft, \$ bn, seasonally adjusted

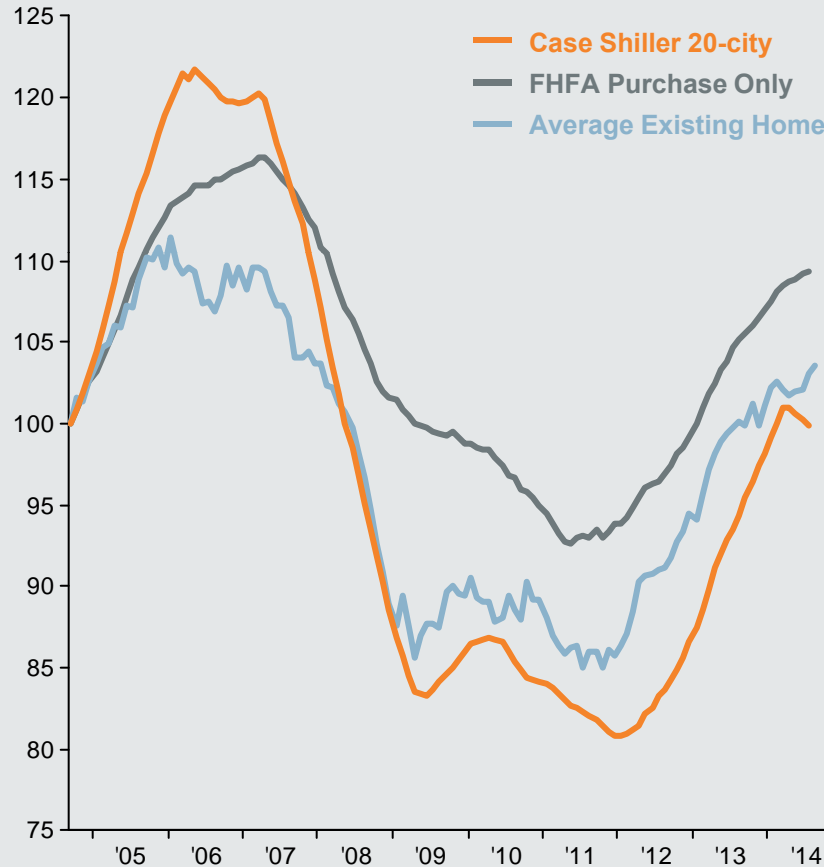


Source: (Top left) BEA, FactSet, J.P. Morgan Asset Management. (Top right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom left) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. Capital goods orders deflated using the producer price index for capital goods with a base year of 2004. Guide to the Markets – U.S.

Data are as of 9/30/14.

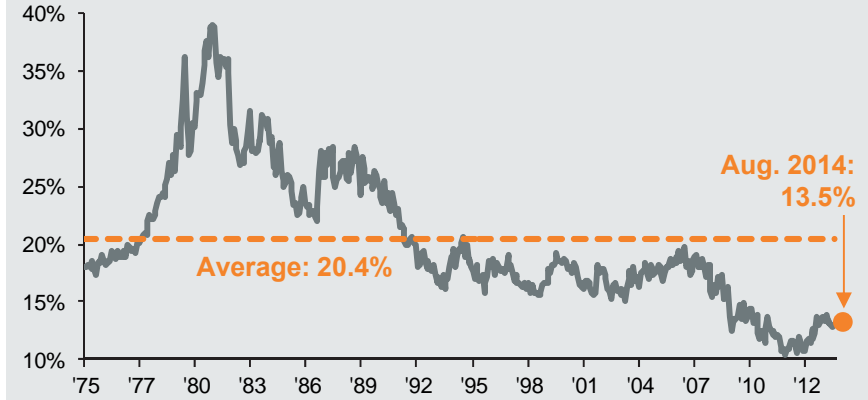
### Home Prices

Indexed to 100, seasonally adjusted



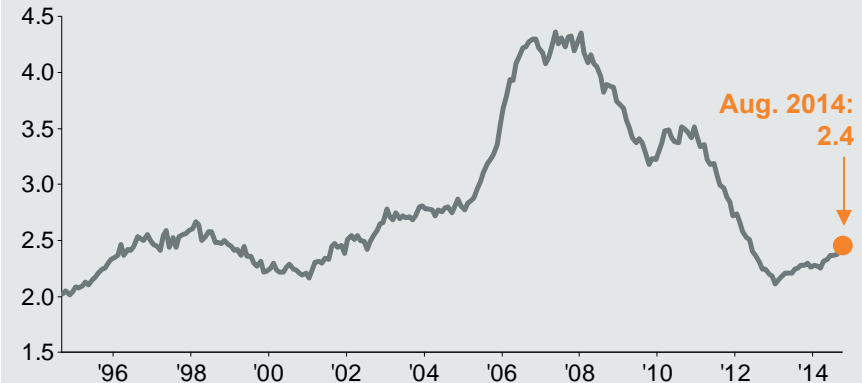
### Housing Affordability Index

Avg. mortgage payment as a % of household income



### Home Inventories

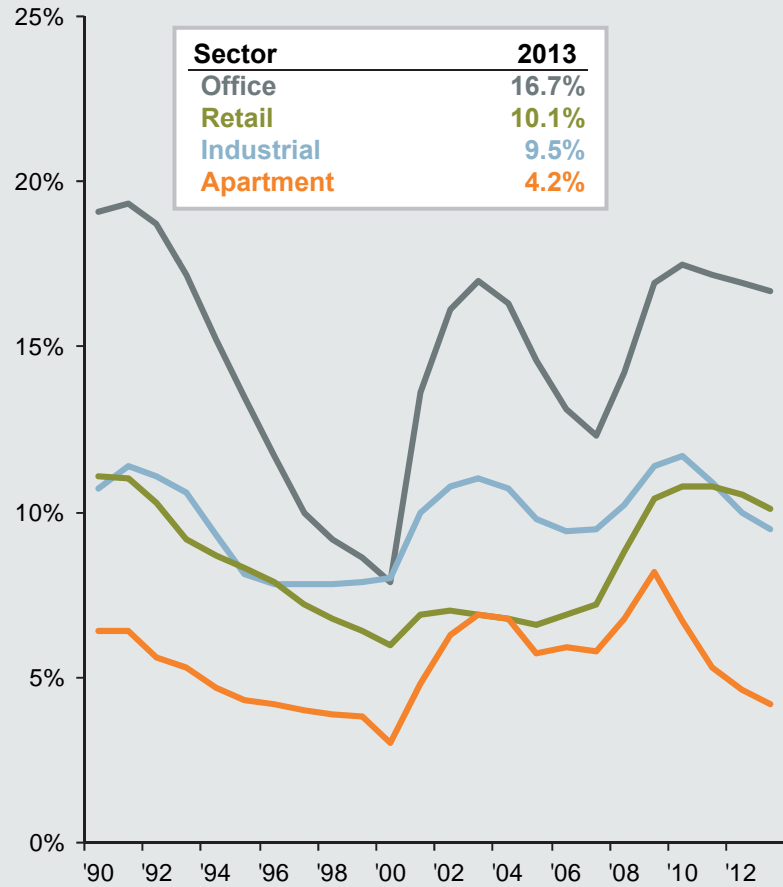
Millions, annual rate, seasonally adjusted



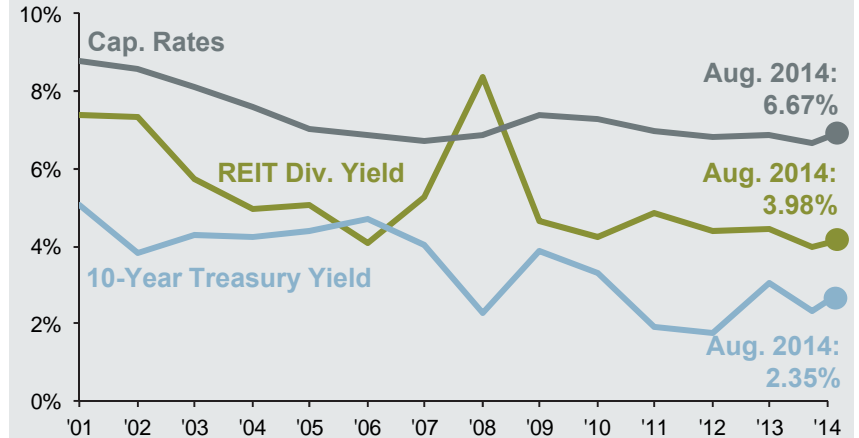
Sources: (Left) National Association of Realtors, Standard & Poor's, FHFA, FactSet, J.P. Morgan Asset Management. (Top right) Census Bureau, J.P. Morgan Asset Management. Monthly mortgage payment assumes the prevailing 30-year fixed-rate mortgage rates and average new home prices excluding a 20% down payment. (Bottom right) Census Bureau, National Association of Realtors, J.P. Morgan Asset Management.

**Commercial Vacancy Rates by Sector**

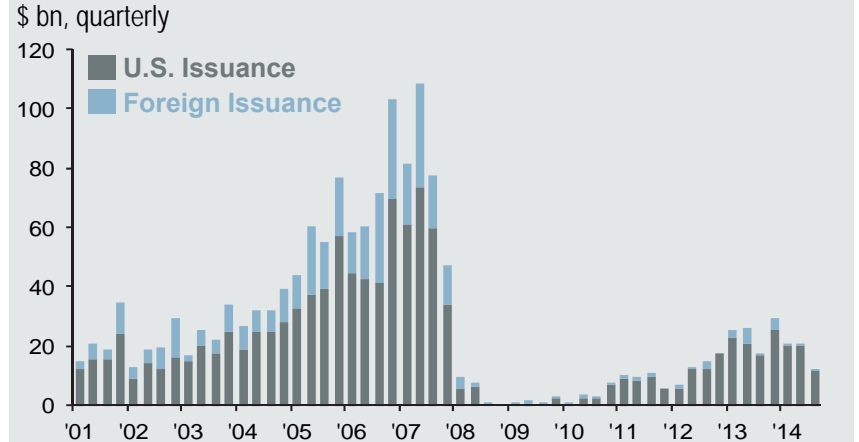
Percent at year end



**Cap. Rates, REIT Div. Yields & Treasury Yields**



**Commercial Mortgage-Backed Security Issuance**



Source: Reis, Inc., PREA, FactSet, J.P. Morgan Asset Management.

Cap rate is the rate of return on a real estate investment property based on the expected return that the property will generate. It is calculated by dividing annual income by the total value of the property. Cap rate is for U.S. core properties limited to deal transactions of \$2.5 million or greater.

Vacancy rate data provided by Reis, Inc.

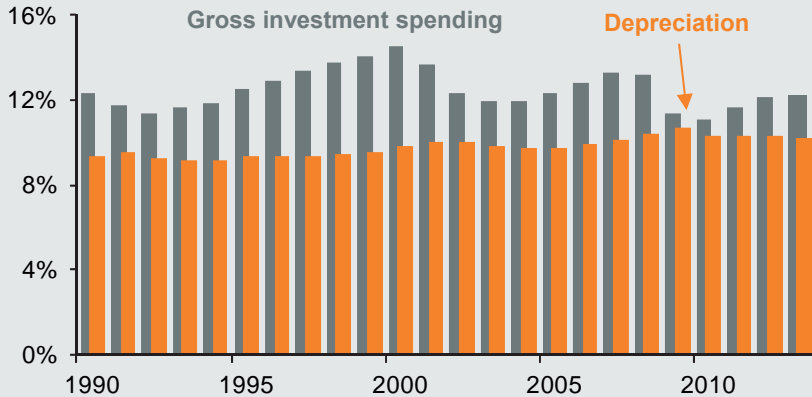
Guide to the Markets – U.S.

Data are as of 9/30/14.

# Long-term Drivers of Economic Growth

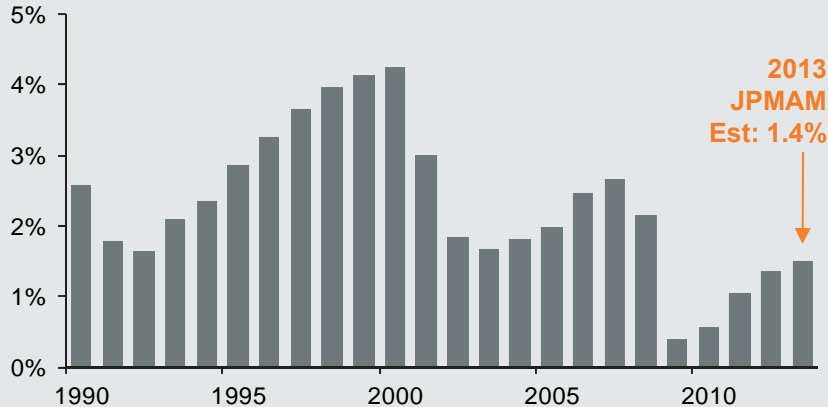
## Gross Investment and Depreciation

Private nonresidential fixed investment, % of GDP



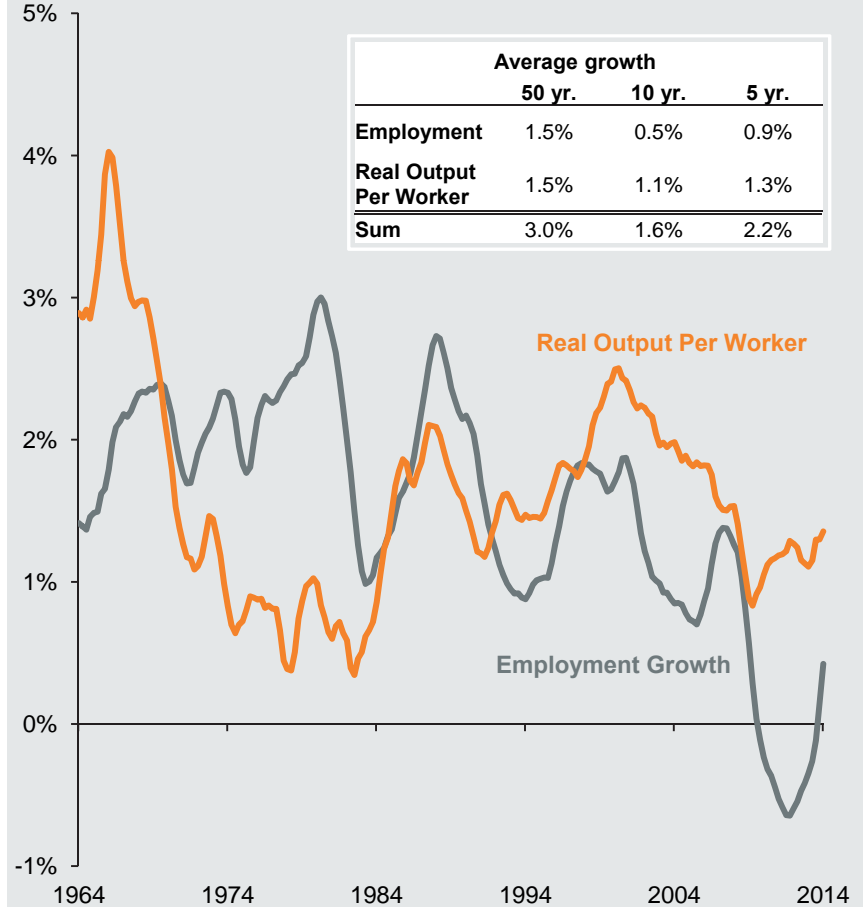
## Real Capital Stock Growth

Nonresidential fixed assets, year-over-year % chg.



## Growth in Employment and Real Output Per Worker\*

Five year moving average of year-over-year % change



Source: BEA, BLS, FactSet, J.P. Morgan Asset Management.

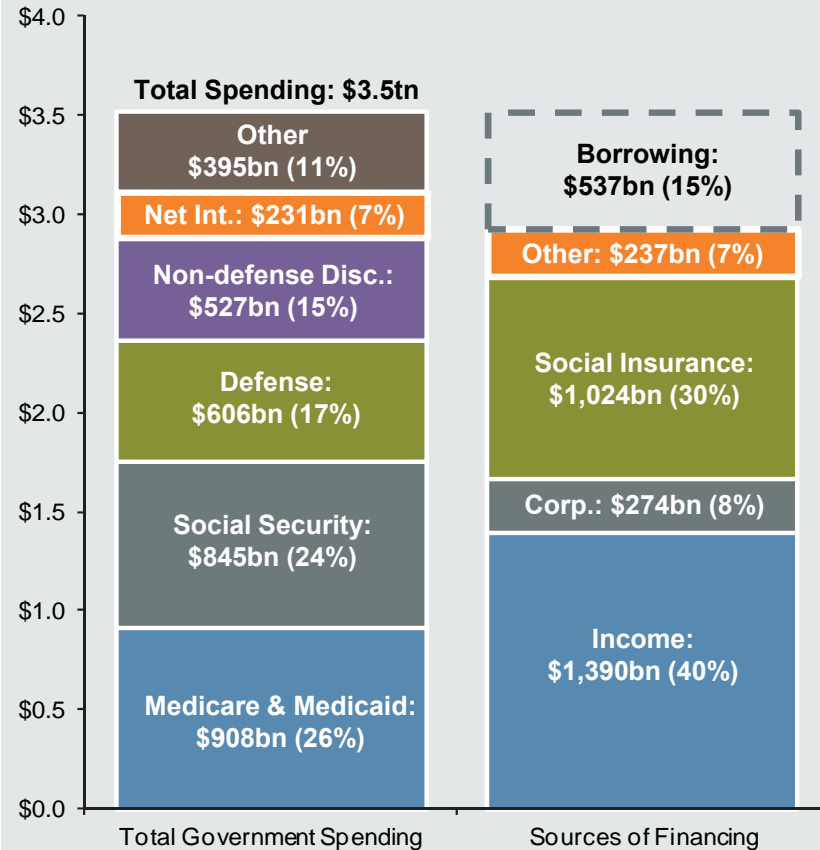
\*Labor Force includes the population age 16+ working or looking for work, Real Output Per Worker is calculated as real GDP growth minus civilian employment growth. Averages are calculated as the annualized growth rate.

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Data are as of 9/30/14.

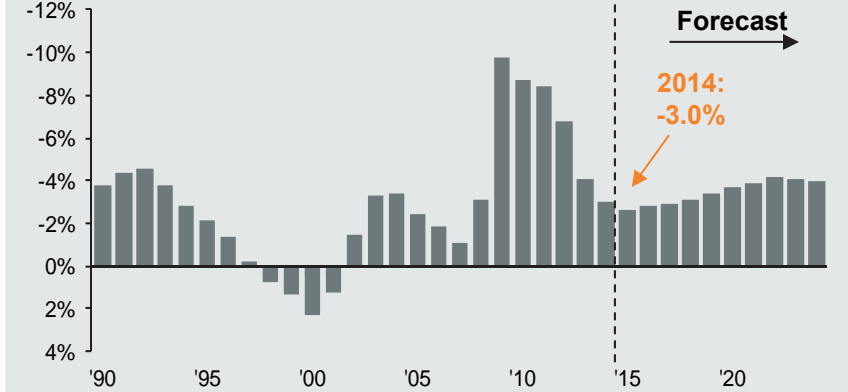
**The 2014 Federal Budget**

CBO Baseline forecast, trillions USD



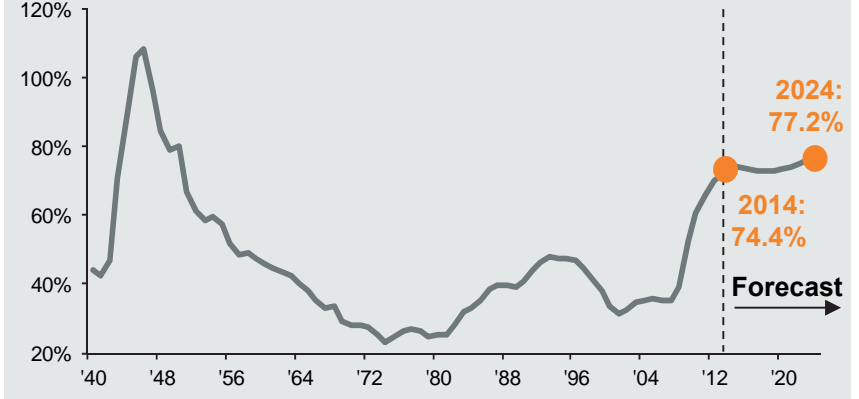
**Federal Budget Surplus/Deficit**

% of GDP, 1990 – 2024, 2014 CBO Baseline



**Federal Net Debt (Accumulated Deficits)**

% of GDP, 1940 – 2024, 2014 CBO Baseline, end of fiscal year



Source: U.S. Treasury, BEA, CBO, St. Louis Fed, J.P. Morgan Asset Management.

2014 Federal Budget is based on the CBO's August 2014 Baseline Scenario. Other spending includes, but is not limited to, health insurance subsidies, income security, and federal civilian and military retirement.

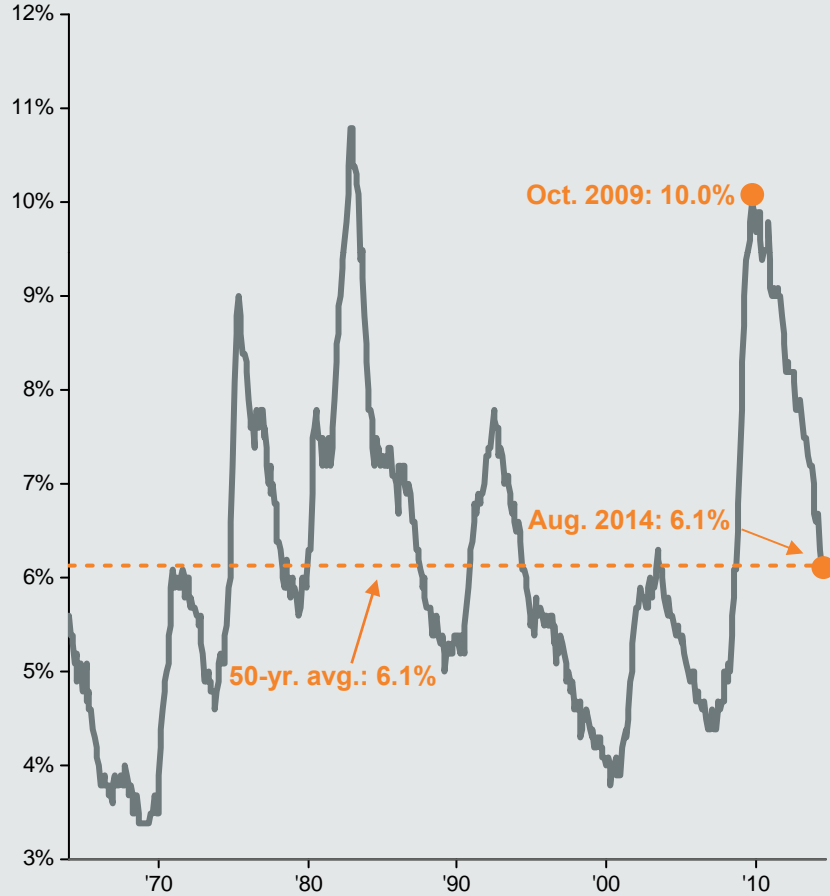
Note: Years shown are fiscal years (Oct. 1 through Sep. 30). 2014 numbers are CBO estimates as of August 2014.

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Data are as of 9/30/14.

### Civilian Unemployment Rate

Seasonally adjusted



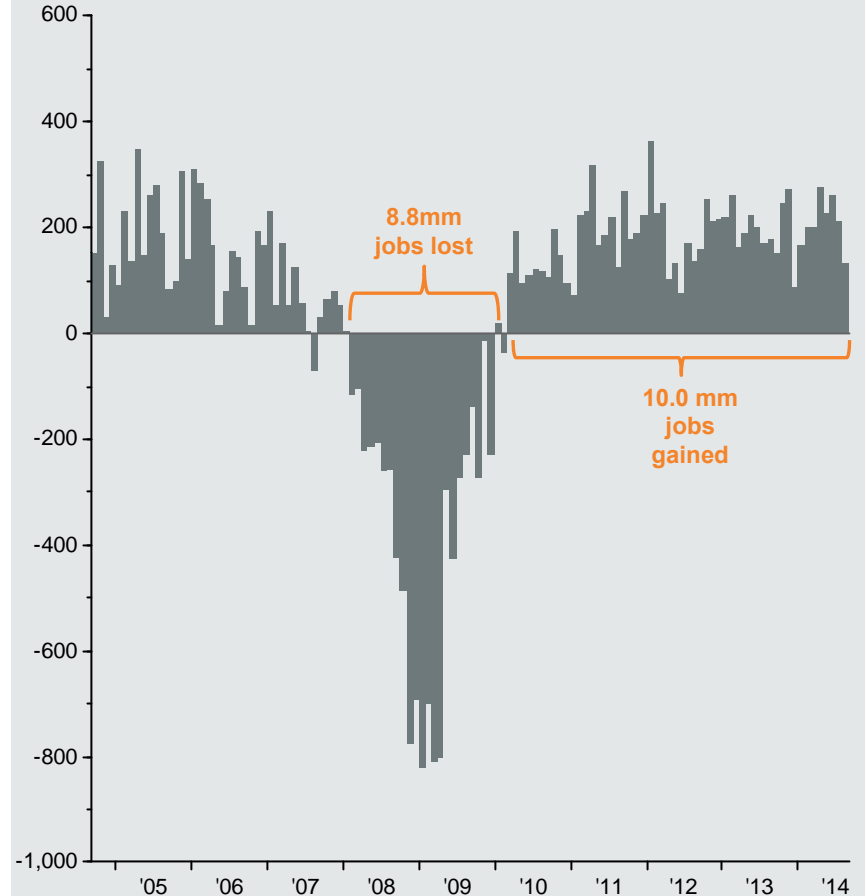
Source: BLS, FactSet, J.P. Morgan Asset Management.

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Data are as of 9/30/14.

### Employment – Total Private Payroll

Total job gain/loss (thousands)





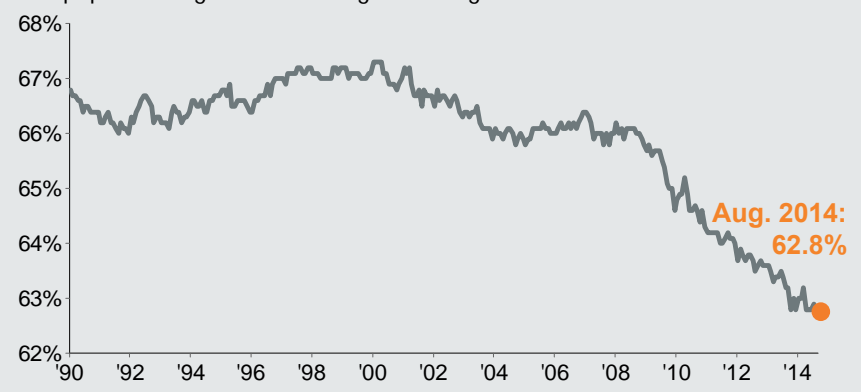
### Employed Part-time for Economic Reasons

% of labor force employed part-time for economic reasons

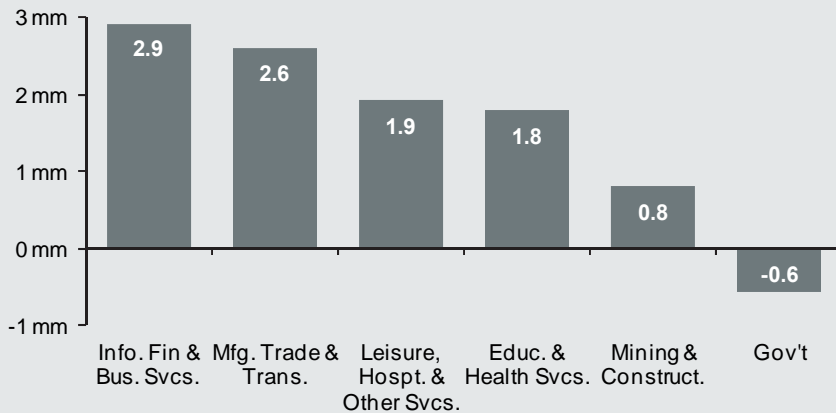


### Labor Force Participation Rate

% of population aged 16+ working or looking for work



### Net Job Creation Since Feb. 2010 – Millions of Jobs



### Average Hourly Earnings Growth

Year-over-year % chg. for production and nonsupervisory workers

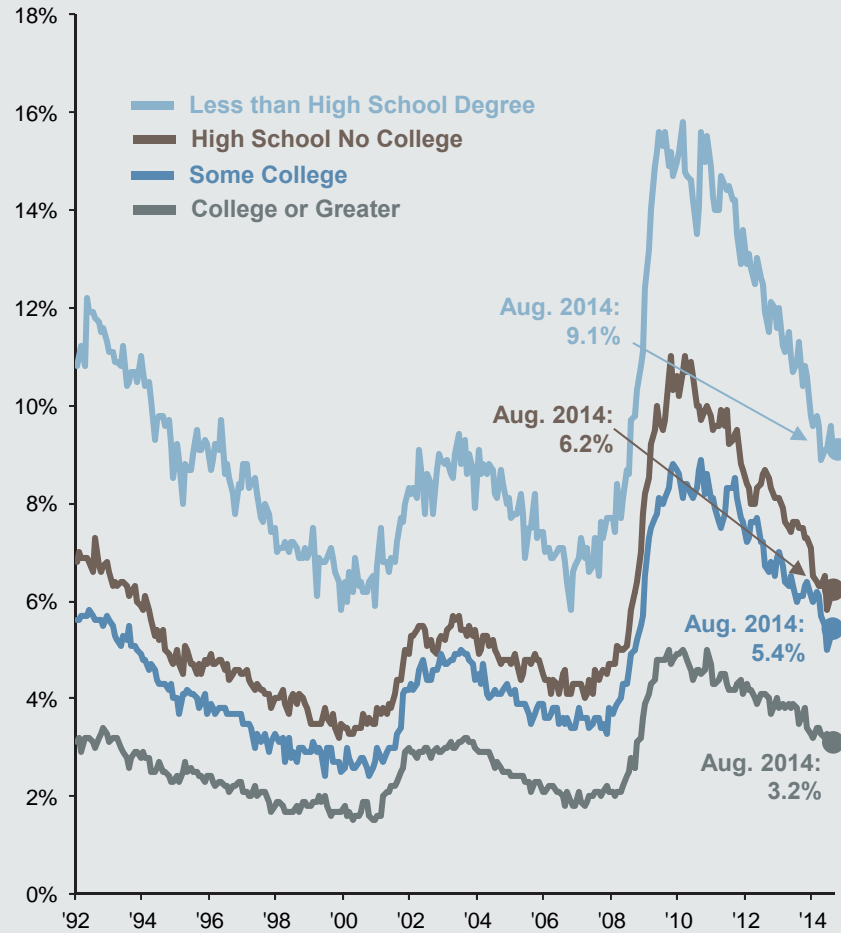


Source: BLS, FactSet, J.P. Morgan Asset Management.

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Data are as of 9/30/14.

## Unemployment Rate by Education Level



Source: BLS, Census Bureau, FactSet, J.P. Morgan Asset Management.

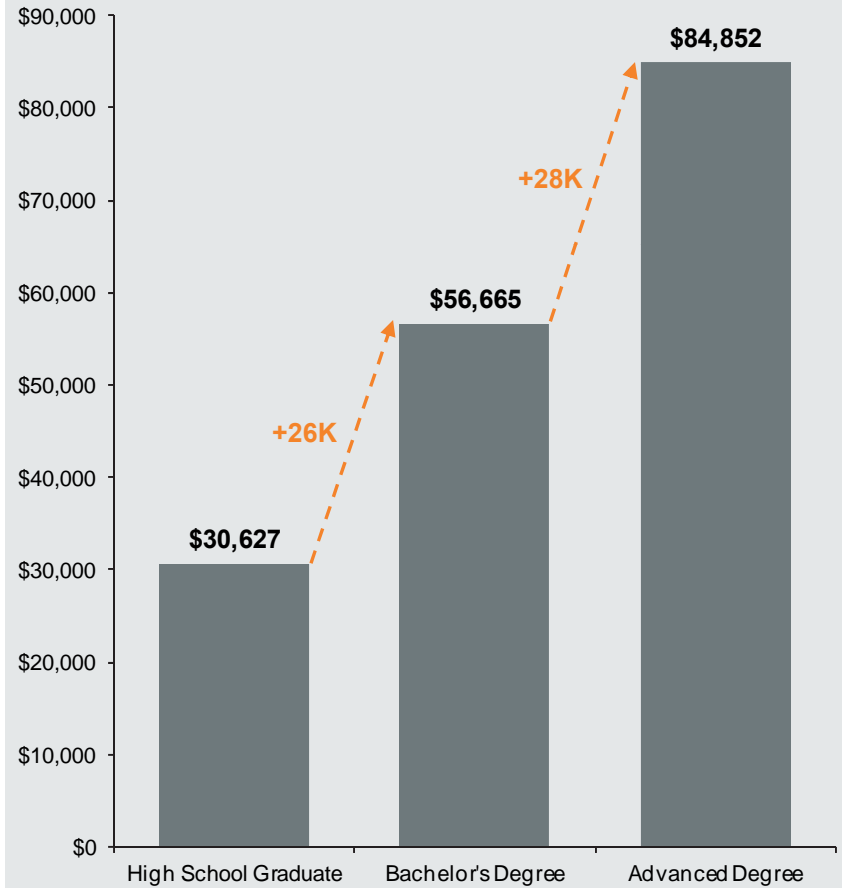
Unemployment rates shown are for civilians aged 25 and older.

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Data are as of 9/30/14.

## Average Annual Earnings by Highest Degree Earned

Full-time workers aged 18 and older, 2012, USD

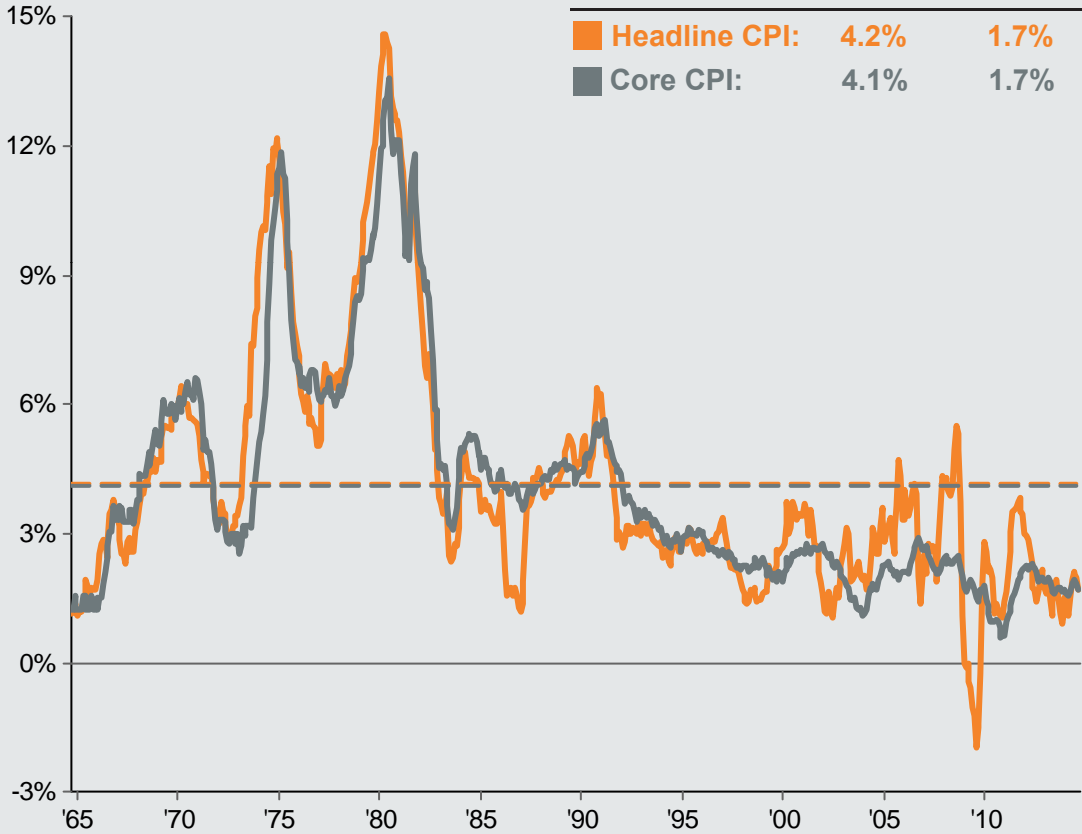


# Consumer Price Index

Economy

## CPI and Core CPI

% change vs. prior year, seasonally adjusted



CPI Components	Weight in CPI	12-month change (sa)
Food & Bev.	14.9%	2.6%
Housing	41.4%	2.6%
Apparel	3.4%	0.1%
Transportation	16.4%	-0.4%
Medical Care	7.6%	2.1%
Recreation	5.8%	0.0%
Educ. & Comm.	7.1%	1.5%
Other	3.4%	1.6%
<b>Headline CPI</b>	<b>100.0%</b>	<b>1.7%</b>
Less:		
Energy	9.0%	0.3%
Food	13.9%	2.7%
<b>Core CPI</b>	<b>77.1%</b>	<b>1.7%</b>

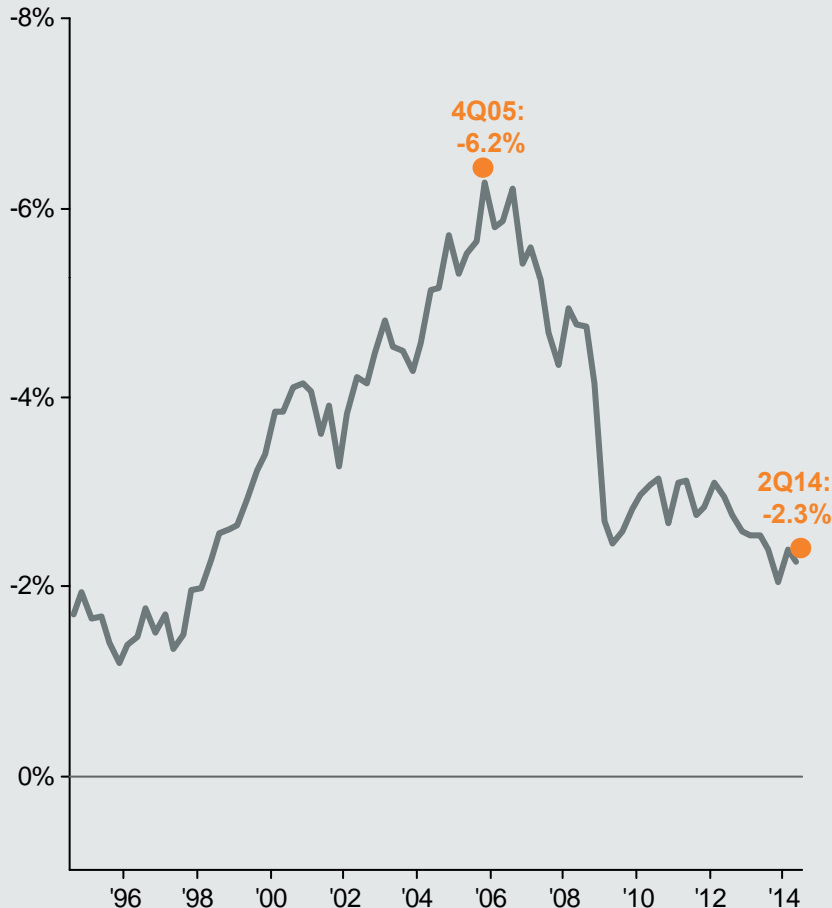
Source: BLS, FactSet, J.P. Morgan Asset Management.

CPI used is CPI-U and values shown are % change vs. one year ago and reflect August 2014 CPI data. CPI component weights are as of December 2013. Core CPI is defined as CPI excluding food and energy prices.

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Data are as of 9/30/14.

**Current Account Balance, % of GDP**



**U.S. Dollar Index**

Monthly average of nominal trade-weighted exchange index: major currencies



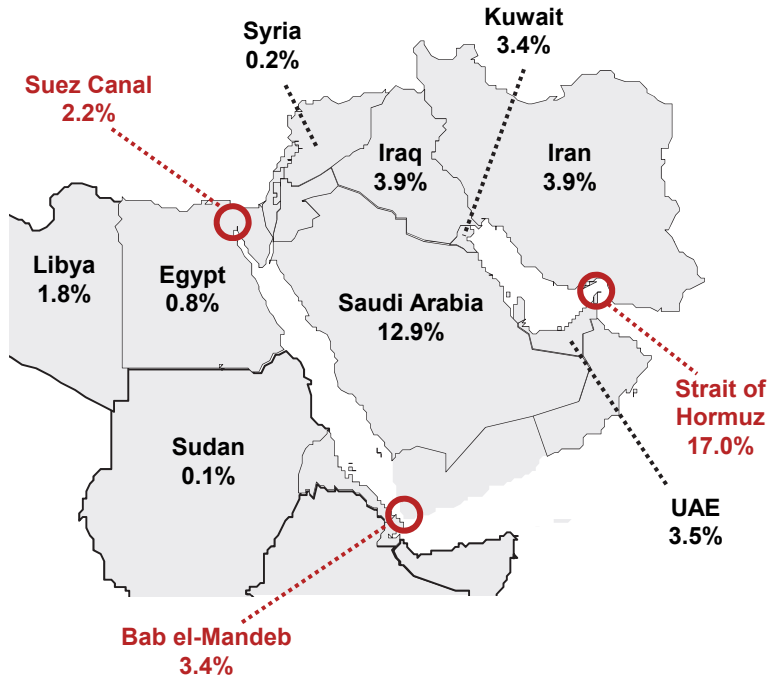
Source: BEA, Federal Reserve, FactSet, J.P. Morgan Asset Management. \*September average of the U.S. Dollar Index is a J.P. Morgan Asset Management estimate.

Data are as of 9/30/14.

Guide to the Markets – U.S.

### Middle East Energy Production & Chokepoints

Percent of global liquid fuel production, 2012\*



#### Major Producers

Percent of global total, 2012

Saudi Arabia	13%
United States	12%
Russia	12%
China	5%
Canada	4%
Iran	4%

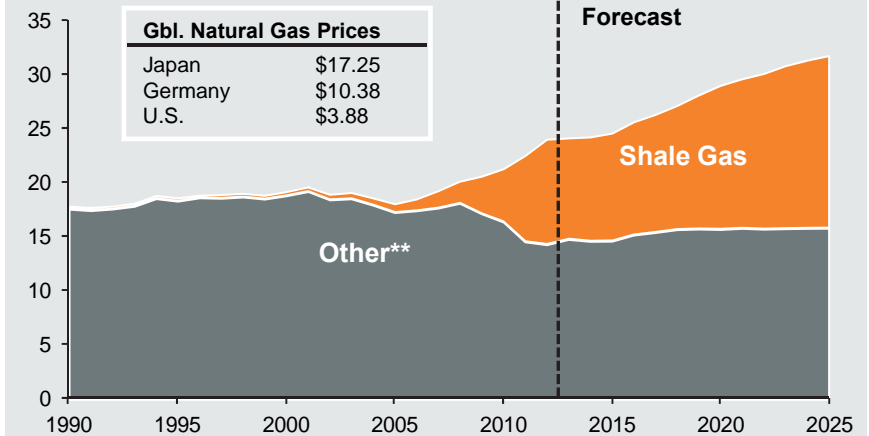
#### Major Consumers

Percent of global total, 2012

United States	21%	India	4%
China	11%	Russia	4%
Japan	5%	Saudi Arabia	3%

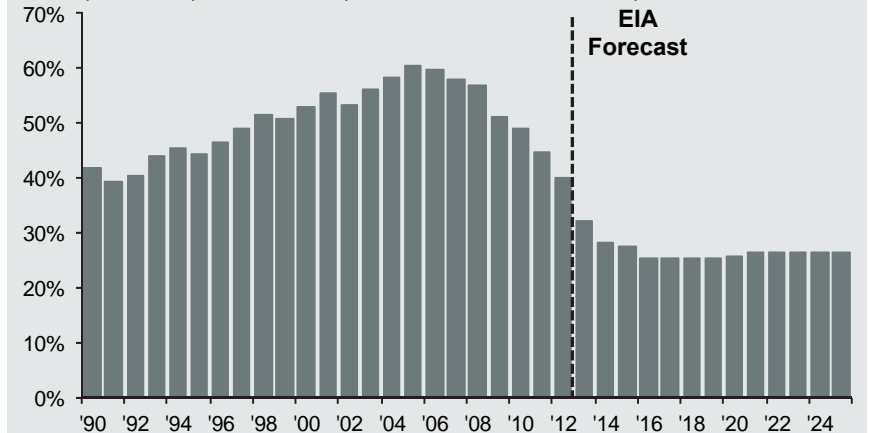
### U.S. Natural Gas Production\*

Trillions of cubic feet, USD



### Consumption of Imports of Liquid Fuels

Net imports of liquid fuels as a percent of total US consumption

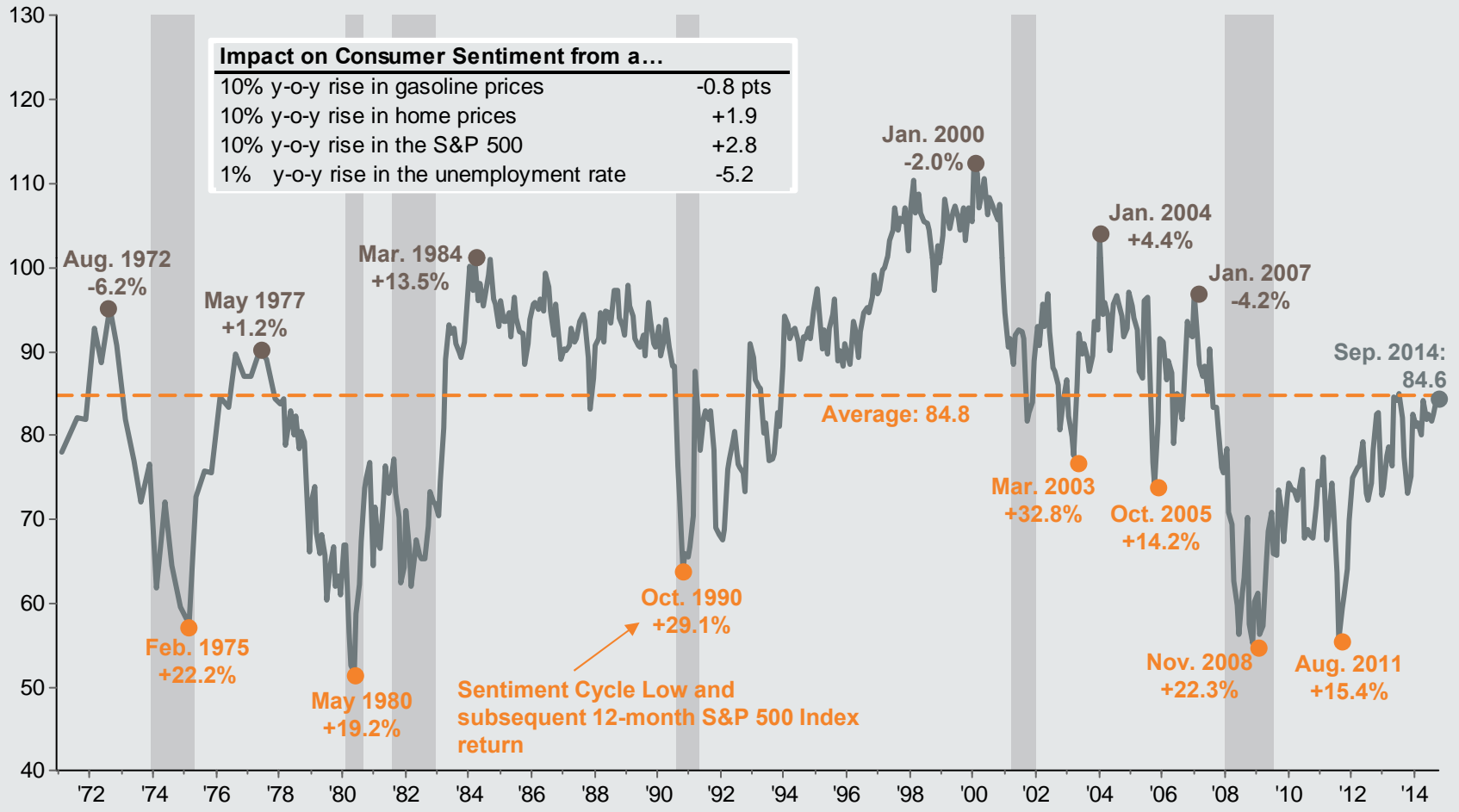


Source: (Left) EIA, J.P. Morgan Asset Management. (Top right) EIA, IMF, FactSet, J.P. Morgan Asset Management. (Bottom right) EIA, J.P. Morgan Asset Management. Forecasts are from EIA Annual Energy Outlook and start in 2013. \*Production numbers as of 2012, while chokepoints are 2011 data. \*\*Other includes conventional on and offshore natural gas drilling, tight gas, and coalbed methane. Natural gas prices are \$/mmbtu and are as of August 2014. Guide to the Markets – U.S.

Data are as of 9/30/2014.

# Consumer Confidence and the Stock Market

## Consumer Sentiment Index – University of Michigan



Source: University of Michigan, FactSet, J.P. Morgan Asset Management.

Peak is defined as the highest index value before a series of lower lows, while a trough is defined as the lowest index value before a series of higher highs. Subsequent 12-month S&P 500 returns are price returns only, which excludes dividends. Impact on consumer sentiment is based on a multivariate monthly regression between 1/31/2000 – 5/31/2014. Guide to the Markets – U.S.

# Fixed Income Sector Returns

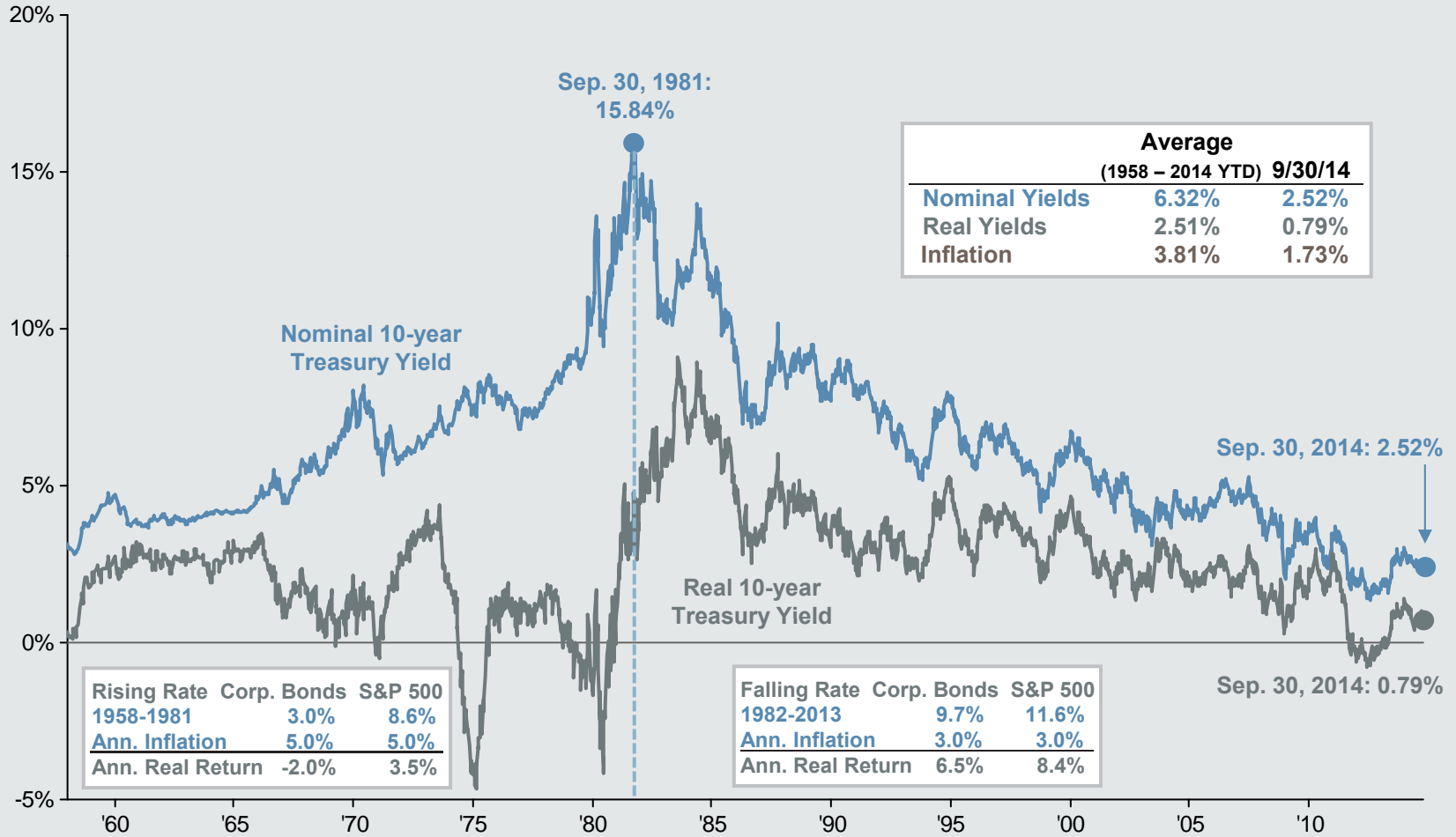
2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	YTD	3Q14	10-yrs. '04 - '13 Cum.	Ann.
EMD LCL. 23.0%	EMD USD 10.2%	EMD LCL. 15.2%	EMD LCL. 18.1%	Treas. 13.7%	Gbl. HY 59.4%	EMD LCL. 15.7%	TIPS 13.6%	Gbl. HY 19.6%	Gbl. HY 7.3%	EMD USD 8.0%	Muni 1.5%	EMD LCL. 148.3%	EMD LCL. 9.5%
Gbl. HY 13.2%	EMD LCL. 6.3%	Gbl. HY 13.7%	TIPS 11.6%	Gbl. Sov. 9.4%	EMD USD 29.8%	Gbl. HY 14.8%	Muni 12.3%	EMD USD 17.4%	Gbl. Corp. 1.8%	Muni 7.2%	Treas. 0.3%	Gbl. HY 143.6%	Gbl. HY 9.3%
Gbl. Sov. 12.1%	Gbl. HY 3.6%	EMD USD 9.9%	Gbl. Sov. 10.9%	MBS 8.3%	Gbl. Corp. 23.7%	EMD USD 12.2%	Treas. 9.8%	EMD LCL. 16.8%	<b>Asset Alloc.</b> 1.3%	MBS 4.2%	MBS 0.2%	EMD USD 119.7%	EMD USD 8.2%
EMD USD 11.6%	TIPS 2.8%	Gbl. Corp. 8.3%	Treas. 9.0%	Barclays Agg 5.2%	EMD LCL. 22.0%	<b>Asset Alloc.</b> 7.5%	Barclays Agg 7.8%	Gbl. Corp. 12.5%	MBS -1.4%	Barclays Agg 4.1%	Barclays Agg 0.2%	<b>Asset Alloc.</b> 75.4%	<b>Asset Alloc.</b> 5.8%
Gbl. Corp. 10.0%	Treas. 2.8%	Gbl. Sov. 7.3%	<b>Asset Alloc.</b> 7.2%	Muni 1.5%	<b>Asset Alloc.</b> 16.2%	Gbl. Corp. 7.0%	EMD USD 7.3%	<b>Asset Alloc.</b> 8.3%	Barclays Agg -2.0%	<b>Asset Alloc.</b> 3.8%	EMD USD -0.6%	Gbl. Corp. 72.2%	Gbl. Corp. 5.6%
TIPS 8.5%	Muni 2.7%	<b>Asset Alloc.</b> 6.9%	Barclays Agg 7.0%	<b>Asset Alloc.</b> -1.5%	TIPS 11.4%	Barclays Agg 6.5%	<b>Asset Alloc.</b> 6.9%	TIPS 7.0%	Muni -2.2%	TIPS 3.7%	<b>Asset Alloc.</b> -1.2%	TIPS 60.6%	TIPS 4.8%
<b>Asset Alloc.</b> 8.2%	MBS 2.6%	MBS 5.2%	MBS 6.9%	TIPS -2.4%	Muni 9.9%	TIPS 6.3%	MBS 6.2%	Muni 5.7%	Treas. -2.7%	Treas. 3.1%	TIPS -2.0%	Muni 57.5%	Muni 4.6%
MBS 4.7%	Barclays Agg 2.4%	Muni 4.7%	EMD USD 6.2%	EMD LCL. -5.2%	Barclays Agg 5.9%	Gbl. Sov. 6.1%	Gbl. Sov. 5.2%	Barclays Agg 4.2%	Gbl. Sov. -4.9%	Gbl. Corp. 2.9%	Gbl. Corp. -2.3%	MBS 57.0%	MBS 4.6%
Barclays Agg 4.3%	<b>Asset Alloc.</b> 1.7%	Barclays Agg 4.3%	Gbl. Corp. 6.1%	Gbl. Corp. -11.2%	MBS 5.9%	Treas. 5.9%	Gbl. Corp. 4.0%	MBS 2.6%	EMD USD -5.3%	Gbl. HY 2.6%	Gbl. HY -3.3%	Barclays Agg 56.0%	Barclays Agg 4.5%
Muni 4.1%	Gbl. Corp. -2.7%	Treas. 3.1%	Muni 4.3%	EMD USD -12.0%	Gbl. Sov. 4.3%	MBS 5.4%	Gbl. HY 3.1%	Treas. 2.0%	TIPS -8.6%	Gbl. Sov. 0.3%	Gbl. Sov. -5.3%	Treas. 51.3%	Treas. 4.2%
Treas. 3.5%	Gbl. Sov. -8.8%	TIPS 0.4%	Gbl. HY 3.2%	Gbl. HY -26.9%	Treas. -3.6%	Muni 4.0%	EMD LCL. -1.8%	Gbl. Sov. 1.8%	EMD LCL. -9.0%	EMD LCL. 0.0%	EMD LCL. -5.7%	Gbl. Sov. 50.2%	Gbl. Sov. 4.1%

Source: Barclays Capital, FactSet, J.P. Morgan Asset Management. Past performance is not indicative of future returns. Fixed income sectors shown above are provided by Barclays Capital unless otherwise noted and are represented by Broad Market: Barclays Capital U.S. Aggregate Index; MBS: Fixed Rate MBS Index; Corporate: Gbl. Corporates; Municipals: Muni Bond 10-Year Index; Emerging Debt USD: J.P. Morgan EMBIG Diversified Index; Emerging Debt LCL: J.P. Morgan EM Global Index; Gbl. High Yield: Global Corporate High Yield Index; Treasuries: Barclays Capital; U.S. Treasury; TIPS: Barclays Capital TIPS; Gbl. Sovereigns: Global Treasury ex U.S.. The "Asset Allocation" portfolio assumes the following weights: 20% in MBS, 20% in Gbl. Corporate, 15% in Municipals, 5% in Emerging Debt USD, 5% in Emerging Debt LCL, 10% in Gbl. High Yield, 15% in Treasuries, 5% in TIPS, 5% in Gbl. Sovereigns. Asset allocation portfolio assumes annual rebalancing.

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Data are as of 9/30/14.

Nominal and Real 10-year Treasury Yields



Source: Federal Reserve, BLS, J.P. Morgan Asset Management.

Real 10-year Treasury yields are calculated as the daily Treasury yield less year-over-year core CPI inflation for that month except for September 2014, where real yields are calculated by subtracting out August 2014 year-over-year core inflation. All returns above reflect annualized total returns, which include reinvestment of dividends. Corporate bond returns are based on a composite index of investment grade bond performance.

Guide to the Markets – U.S.

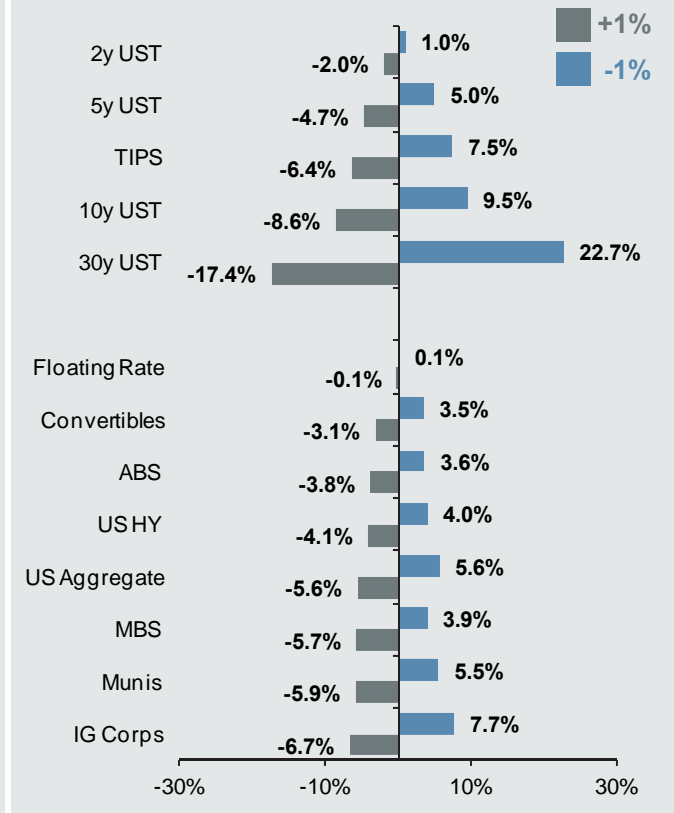
Data are as of 9/30/14.



# Fixed Income Yields and Returns

US Treasuries	# of issues	Correlation to 10-year	Avg. Maturity	Yield		Return	
				9/30/2014	6/30/2014	3Q14	YTD
<b>2-Year</b>	93	0.64	2 years	0.58%	0.47%	0.04%	0.49%
<b>5-Year</b>	96	0.91	5	1.78%	1.62%	-0.19%	1.73%
<b>10-Year</b>	17	1.00	10	2.52%	2.53%	0.75%	6.93%
<b>30-Year</b>	20	0.92	30	3.21%	3.34%	3.33%	17.56%
<b>TIPS</b>	35	0.58	10	0.55%	0.27%	-2.04%	3.67%
<b>Sector</b>							
<b>Broad Market</b>	8,908	0.85	7.7 years	2.36%	2.22%	0.17%	4.10%
<b>MBS</b>	427	0.81	7.2	2.88%	2.79%	0.18%	4.22%
<b>Municipals</b>	9,057	0.46	9.9	2.13%	2.25%	1.46%	7.24%
<b>Corporates</b>	5,111	0.46	10.5	3.10%	2.91%	-0.08%	5.60%
<b>High Yield</b>	2,157	-0.24	6.5	6.13%	4.91%	-1.87%	3.49%
<b>Floating Rate</b>	49	-0.21	3.0	0.98%	1.01%	0.40%	1.53%
<b>Convertibles</b>	521	-0.30	--	1.16%	1.19%	-1.51%	7.56%
<b>ABS</b>	1,666	-0.04	4.2	2.18%	1.90%	-0.18%	2.15%

Price Impact of a 1% Rise/Fall in Interest Rates\*



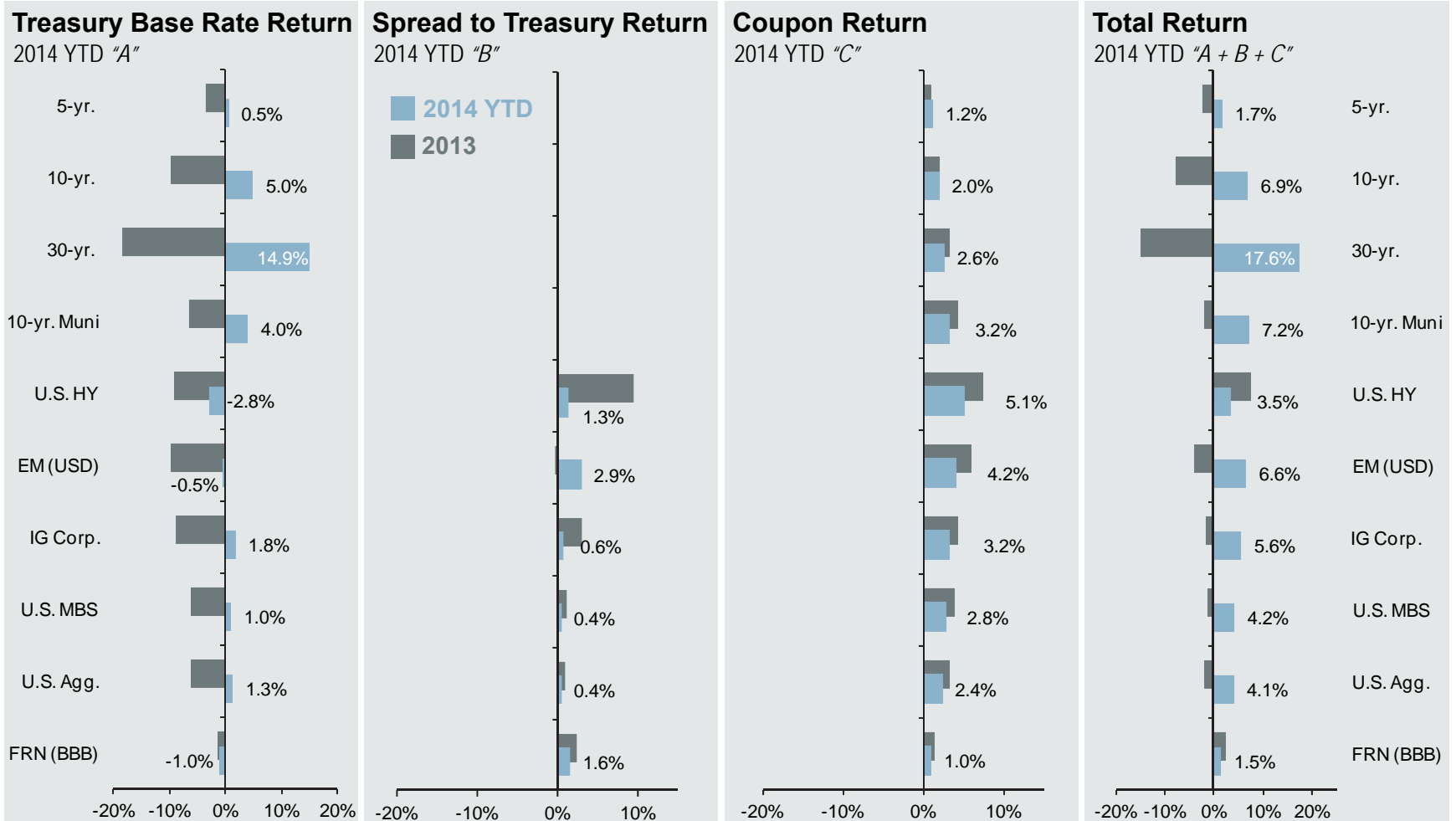
Source: U.S. Treasury, Barclays Capital, FactSet, J.P. Morgan Asset Management.

Fixed income sectors shown above are provided by Barclays Capital and are represented by – Broad Market: Barclays U.S. Aggregate; MBS: U.S. Aggregate Securitized - MBS Index; Corporate: U.S. Corporates; Municipals: Muni Bond 10-year Index; High Yield: Corporate High Yield Index; TIPS: Treasury Inflation Protection Securities (TIPS). Floating Rate: Barclays FRN (BBB); Convertibles: Barclays U.S. Convertibles Composite; ABS: Barclays ABS + CMBS. Treasury securities data for # of issues based on U.S. Treasury benchmarks from Barclays Capital. Yield and return information based on bellwethers for Treasury securities. Sector yields reflect yield to worst, while Treasury yields are yield to maturity. Correlations are based on 10-years of monthly returns for all sectors. Change in bond price is calculated using both duration and convexity according to the following formula:  $\text{New Price} = (\text{Price} + (\text{Price} * \text{Duration} * \text{Change in Interest Rates})) + (0.5 * \text{Price} * \text{Convexity} * (\text{Change in Interest Rates})^2)$ . \*Calculation assumes 2-year Treasury interest rate falls 0.58% to 0.00%, as interest rates can only fall to 0.00%. Chart is for illustrative purposes only. Past performance is not indicative of future results.

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Data are as of 9/30/14.

# Sources of Bond Returns

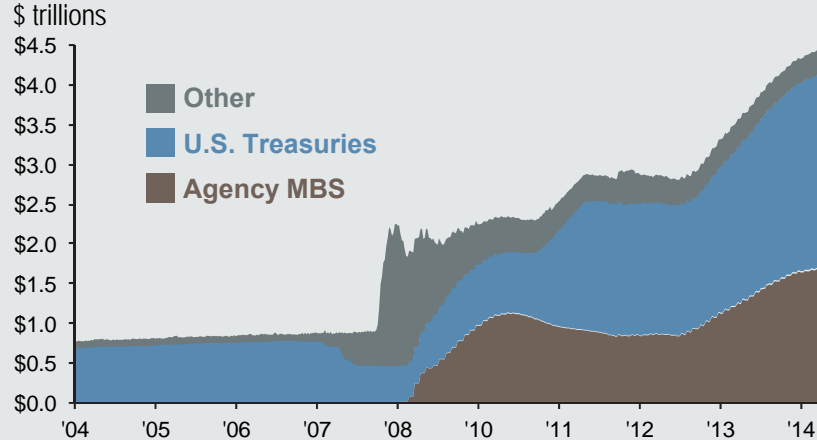


Source: Federal Reserve, Barclays, J.P. Morgan Asset Management.

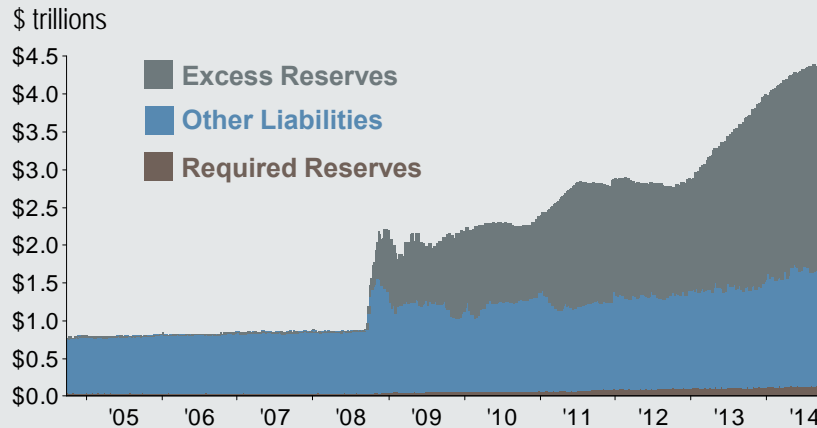
All returns reflect year to date returns. Treasury base, spread, and coupon returns based on Barclays and J.P. Morgan Asset Management estimates. The sum of charts A and B equate to price return for each sector.

Indices used include Barclays US Treasury Bellwethers (10Y), Barclays US Aggregate, Barclays US Aggregate Credit – Corporate Investment Grade, Barclays US Aggregate Credit – Corporate High Yield, Barclays Muni 10-year Index, Barclays US MBS Index, Barclays Floating Rate Index, and Barclays Emerging Markets USD. Guide to the Markets – U.S. Data are as of 9/30/14.

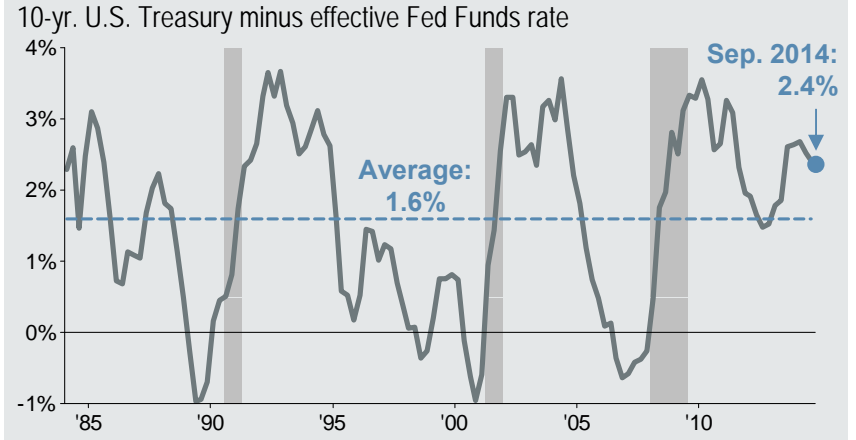
**Fed's Balance Sheet: Assets**



**Fed's Balance Sheet: Liabilities**



**Yield Curve Steepness**



**Federal Reserve Summary of Economic Projections**

**Fed's September 2014 Forecasts\***

	2014	2015	2016	2017	Long Run
Change in real GDP, Q4 to Q4	2.2	2.8	2.8	2.4	2.2
Unemployment Rate, Q4	6.0	5.5	5.3	5.1	5.4
PCE Inflation, Q4 to Q4	1.6	1.8	1.9	2.0	2.0
Federal Funds Rate, end of year	0.25	1.38	2.88	3.75	3.75

Source: Federal Reserve, FactSet, J.P. Morgan Asset Management.

Monetary base is defined as the total amount of a currency that is either circulated in the hands of the public or in the commercial bank deposits held in the central bank's reserves. Other liabilities of the Federal Reserve primarily consist of currency outstanding. \*Forecasts of 17 FOMC participants, midpoints of central tendency except for federal funds rate which is a median estimate. Guide to the Markets – U.S.

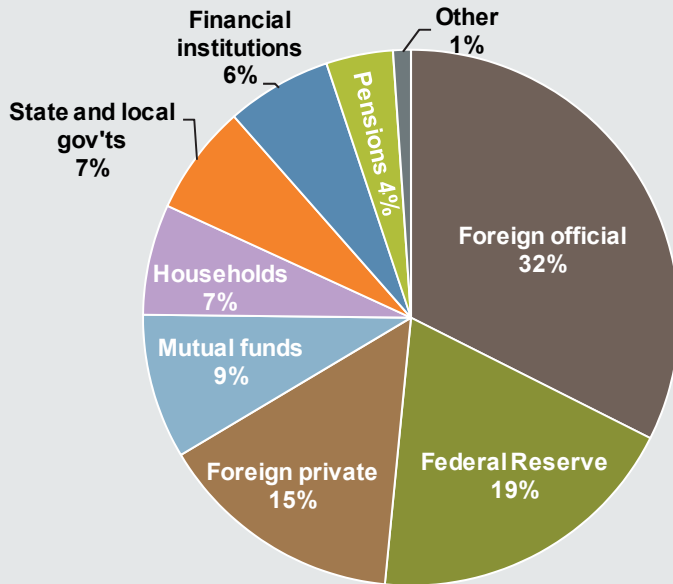
Data are as of 9/30/14.

# Owners of Treasury Securities

## Treasuries Outstanding – 2Q14

Billions of dollars, end of period, not seasonally adjusted

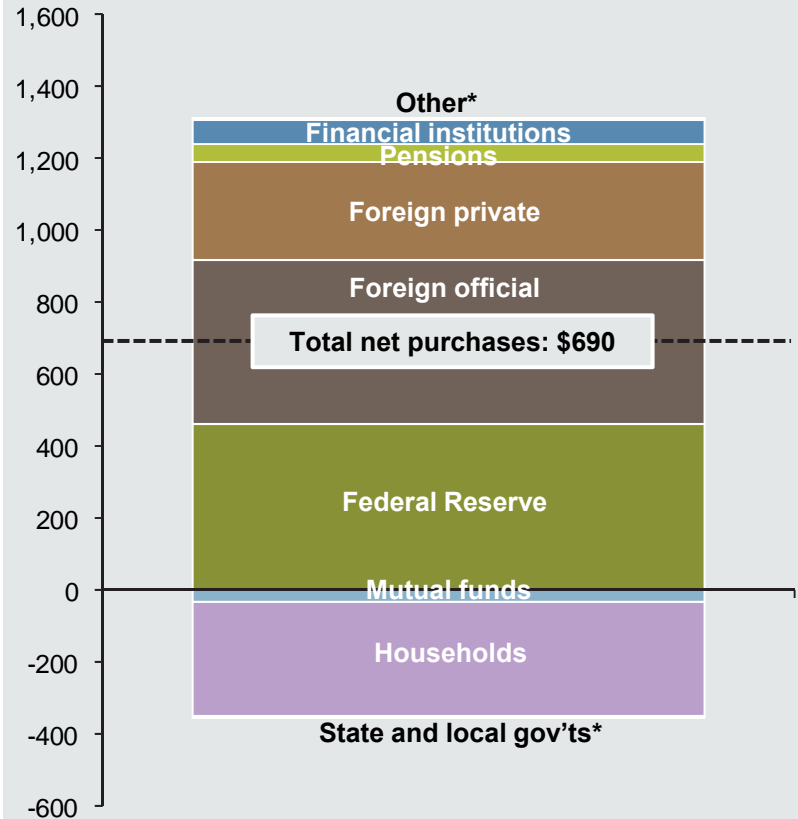
**Total Outstanding Treasury Securities: \$12,544**



< 3 yrs:	15%
3-5 yrs:	29%
5-10 yrs:	31%
> 10 yrs:	25%

## Net Purchases of Treasuries – Year Ended 2Q14

Billions of dollars



Source: Federal Reserve, J.P. Morgan Asset Management.

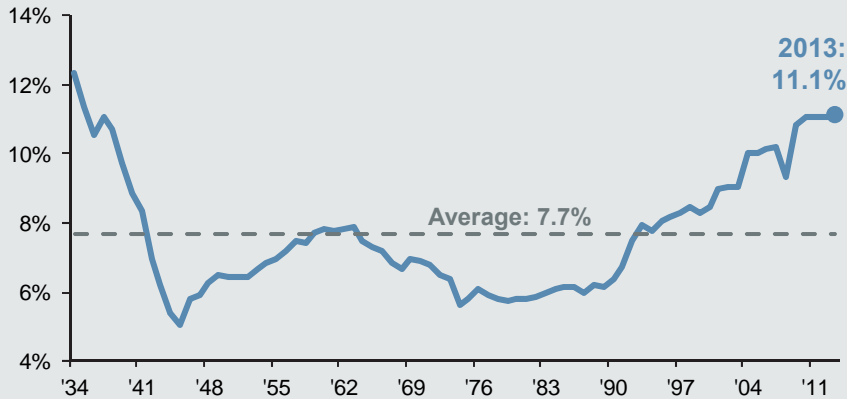
Treasuries outstanding include total issues of Treasury securities plus budget agency securities and federal mortgage borrowing. "Other" includes Nonfinancial corporate business, Nonfinancial noncorporate business, Issuers of asset-backed securities and Holding companies. Net Purchases is the average of the annual rates over the past four quarters. \*Other had net inflows of \$6.6 billion and State and local gov'ts had net outflows of \$4.9 billion.

Guide to the Markets – U.S.

Data are as of 9/30/14.

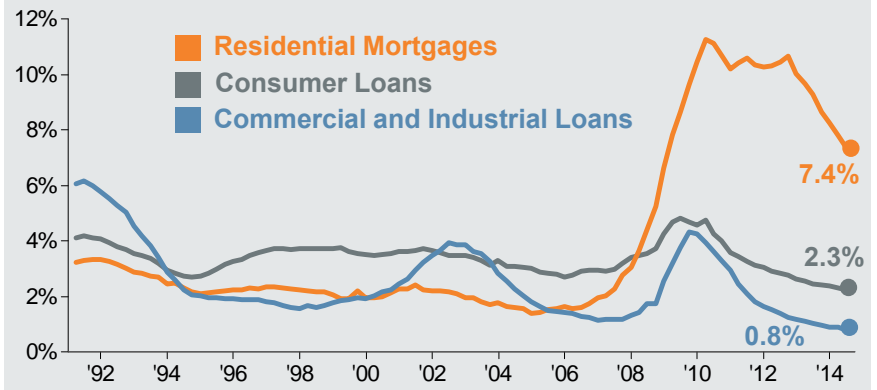
### Common Equity as a % of Total Assets

All FDIC insured institutions, 1934 – 2013



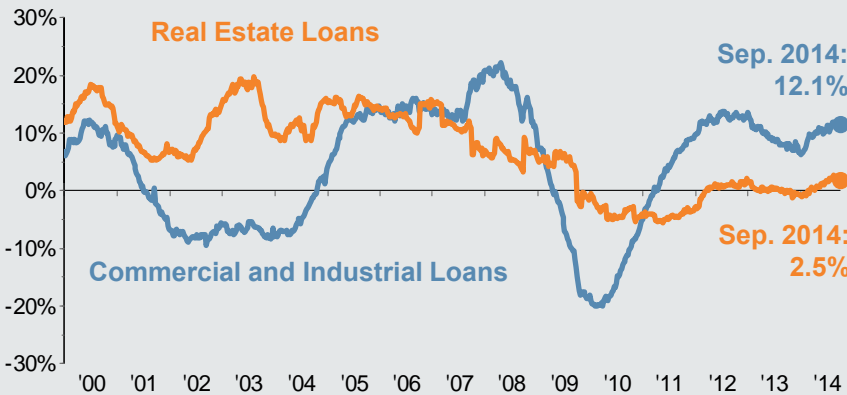
### Delinquency Rates

All banks, seasonally adjusted



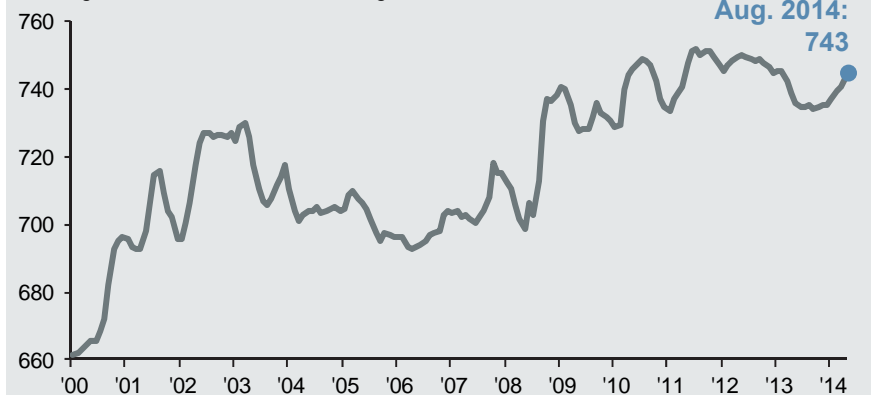
### Loan Growth

YoY growth in loans outstanding at commercial banks, seasonally adjusted



### Lending Standards for Approved Mortgage Loans

Average FICO score based on origination date



Source: (Top left) FDIC, J.P. Morgan Asset Management. (Top right) Federal Reserve, FactSet, J.P. Morgan Asset Management. (Bottom left): Federal Reserve, FactSet, J.P. Morgan Asset Management. (Bottom Right) McDash, J.P. Morgan Securitized Product Research, J.P. Morgan Asset Management.

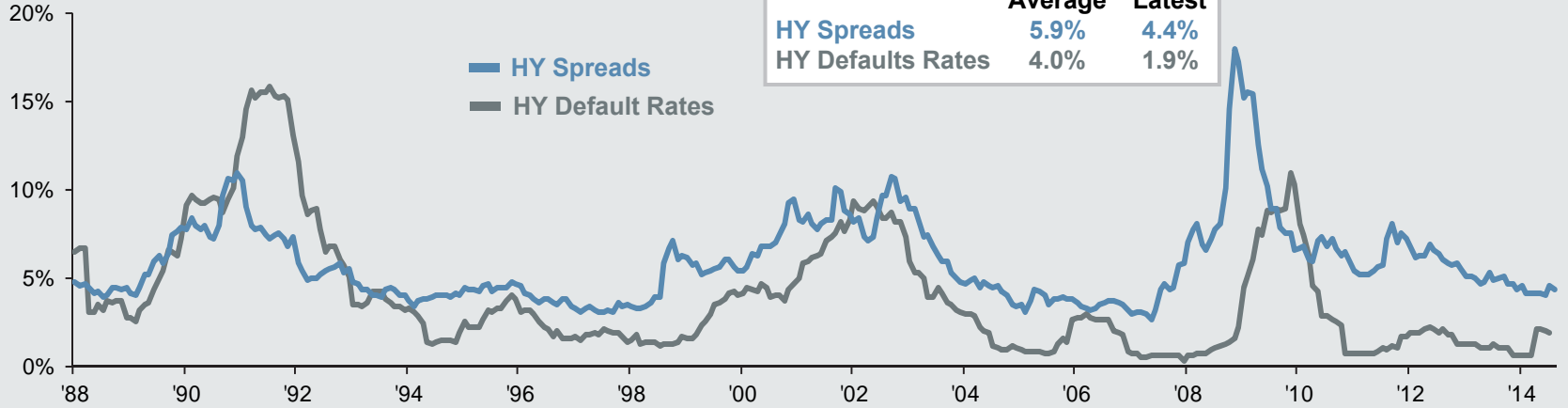
All data reflect most recently available releases.

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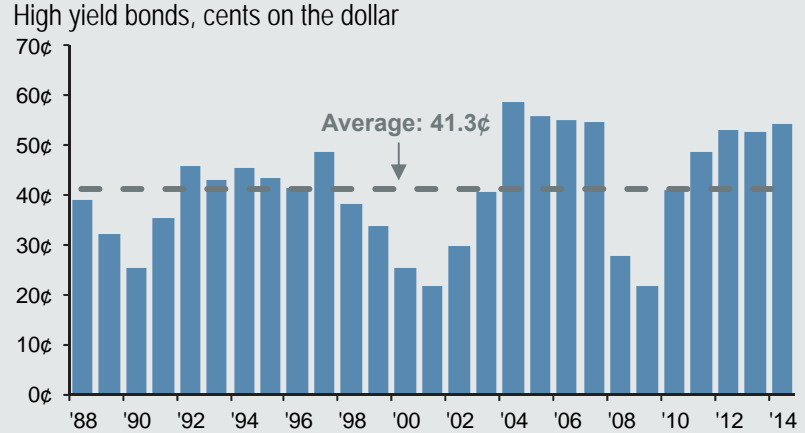
Data are as of 9/30/14.

# High Yield Bonds

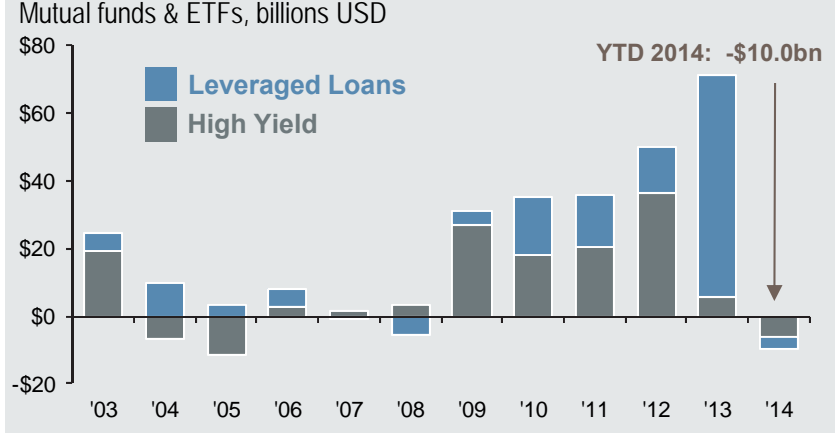
## High Yield Spreads and Defaults



## Historical High Yield Recovery Rates



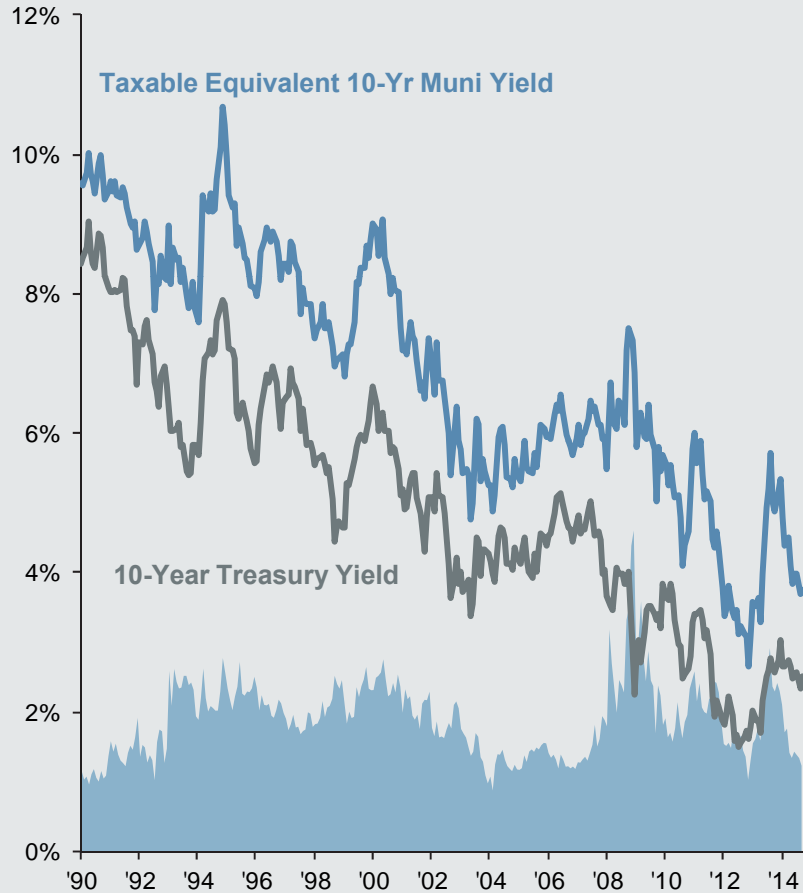
## Annual Flows into High Yield and Leveraged Loan Funds



Source: (Top chart): U.S. Treasury, J.P. Morgan, Strategic Insight, J.P. Morgan Asset Management. Default rates are defined as the par value percentage of the total market trading at or below 50% of par value and include any Chapter 11 filing, prepackaged filing or missed interest payments. (Bottom left): J.P. Morgan, Fitch, J.P. Morgan Asset Management. (Bottom right): Strategic Insight, J.P. Morgan Asset Management. Spreads indicated are benchmark yield to worst less comparable maturity Treasury yields. 2014 recovery rate is a weighted average number as of September 2014. Yield to worst is defined as the lowest potential yield that can be received on a bond without the issuer actually defaulting and reflects the possibility of the bond being called at an unfavorable time for the holder. Flows include ETFs and are as of August 2014. Past performance is not indicative of comparable future results. Guide to the Markets – U.S. Data are as of 9/30/14.

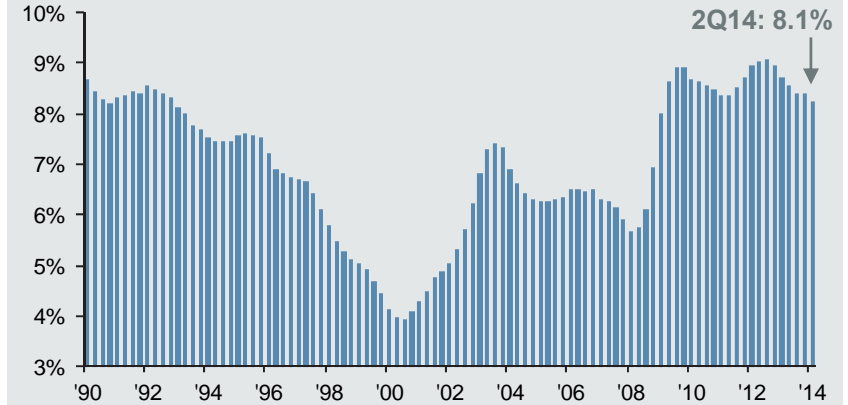
**10-Year Muni Taxable Equivalent Yield**

Taxable equivalent Muni and Treasury yields



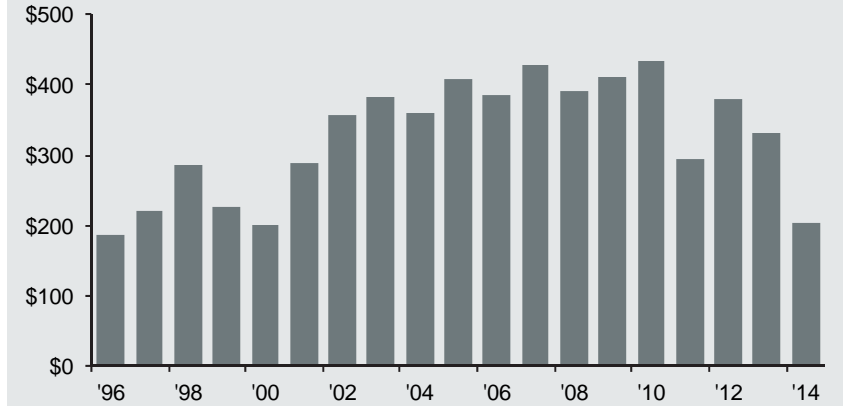
**State & Local Government Debt Service**

% of current expenditures



**Municipal Bond Issuance\***

Billions USD, revenue and GO issues



Source (Left chart): Barclays Capital, U.S. Treasury, FactSet, J.P. Morgan Asset Management. (Top right) BEA, J.P. Morgan Asset Management. (Bottom right) SIFMA, J.P. Morgan Asset Management.

Taxable equivalent yields are calculated for the highest federal marginal tax bracket. 2014 tax rate includes the net investment income tax of 3.8%.

\*Excludes maturities of 13 months or less and private placements. Interest payments include interest accrued on defined benefit liabilities.

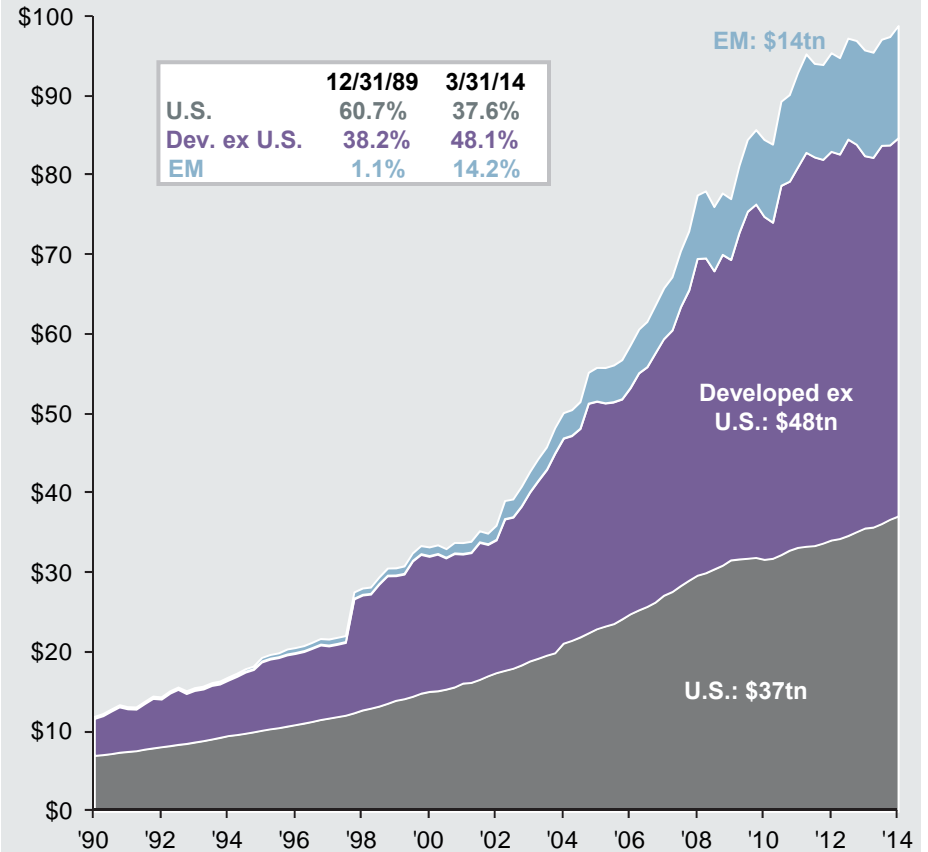
2014 issuance data is as of June 2014. Guide to the Markets – U.S.

Data are as of 9/30/14.

Aggregates	Correl to 10-year	Duration	Yield		Return	
			9/30/2014	6/30/2014	3Q14	YTD
U.S.	0.83	5.6 Yrs	2.36%	2.22%	0.17%	4.10%
Gbl. ex. U.S.	0.38	6.9	1.46%	1.56%	-4.83%	0.40%
Japan	0.53	8.1	0.52%	0.53%	-7.01%	-2.11%
Germany	0.26	5.9	0.76%	0.94%	-5.31%	-1.87%
U.K.	0.17	9.0	2.36%	2.54%	-2.03%	4.19%
Italy	0.08	6.4	1.67%	2.00%	-4.86%	2.69%
Spain	0.11	5.6	1.32%	1.68%	-4.71%	2.60%
<b>Sector</b>						
EMD (\$)	0.19	7.0	5.39%	5.10%	-0.59%	8.02%
EMD (LCL)	0.07	4.8	6.74%	6.42%	-5.66%	-0.01%
Euro Corp.	0.09	4.8	1.20%	1.48%	-6.04%	-2.15%
Euro HY.	-0.40	3.9	4.58%	4.37%	-7.79%	-2.85%

**Global Bond Market**

USD, trillions



Source: Barclays Capital, BIS, FactSet, J.P. Morgan Asset Management. Fixed income sectors shown above are provided by Barclays Capital and are represented by the global aggregate for each country except where noted. EMD sectors are represented by the J.P. Morgan EMBIG Diversified Index (USD) and the J.P. Morgan GBI EM Global Diversified Index (LCL). European Corporates are represented by the Barclays Euro Aggregate Corporate Index and the Barclays Pan-European High Yield index and returns are in USD. Sector yields reflect yield to worst. Duration is modified duration. Correlations are based on 7-years of monthly returns for the all sectors. Past performance is not indicative of future results.

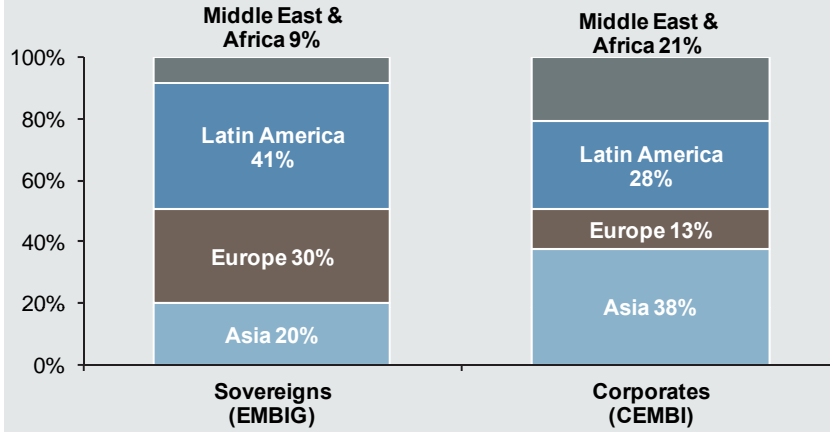
Guide to the Markets – U.S.

Data are as of 9/30/14.



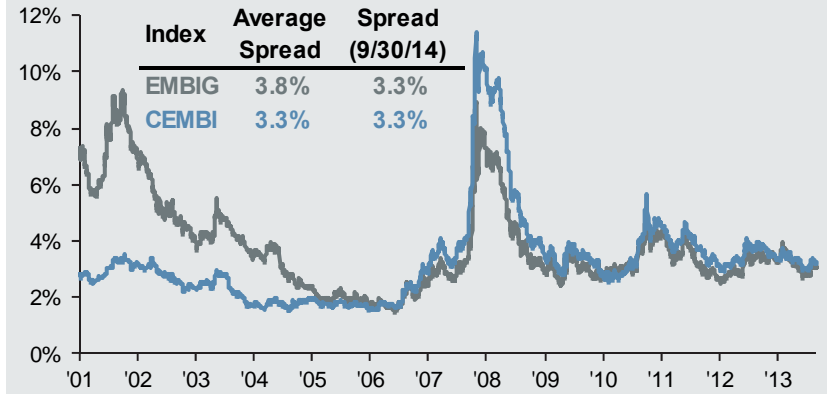
# Emerging Market Debt

## Index Breakdown – USD Denominated EMD



## Emerging Markets Debt Spreads

Spread to Treasuries of USD-denominated debt, percent



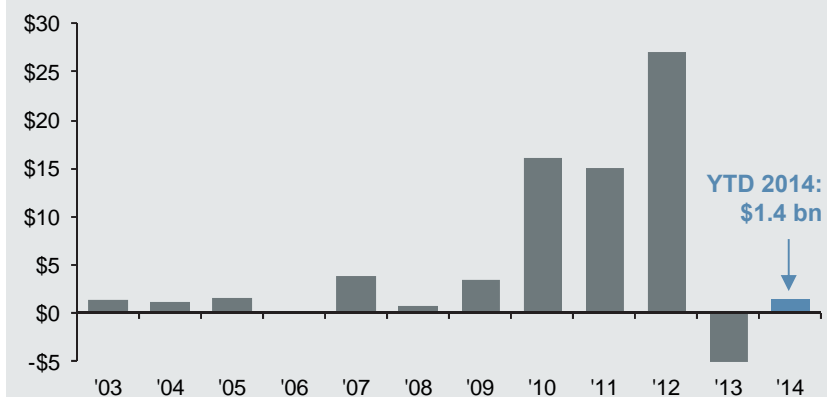
## Emerging Market Debt Credit Rating

EMBIG average monthly credit rating, inverse scale



## Annual Flows into EMD Mutual Funds & ETFs

Billions USD



Source: J.P. Morgan, Morgan Markets, FactSet, Strategic Insight, J.P. Morgan Asset Management.

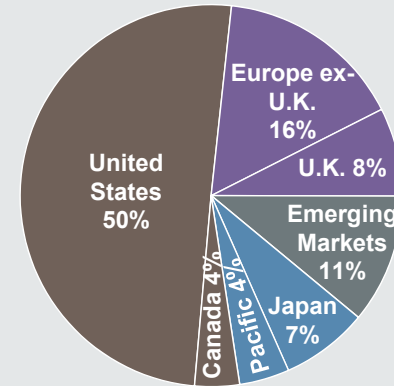
Spreads measure the credit risk premium over comparable maturity U.S. Treasury bonds. The J.P. Morgan EMBI Global (EMBIG) Index is a USD-denominated external debt index tracking bonds issued by sovereigns and quasi-sovereigns in developing nations. The J.P. Morgan Corporate Emerging Bond Index Broad (CEMBI) is a USD-denominated external debt index tracking bonds issued by corporations in developing nations. Flow data is as of August 2014. Past performance is not indicative of comparable future results. Index breakdown may not equate to 100% due to rounding. Guide to the Markets – U.S.

Data are as of 9/30/14.

Country / Region	3Q14		YTD 2014	
	Local	USD	Local	USD
<b>Regions / Broad Indexes</b>				
U.S. (S&P 500)	-	1.1	-	8.3
EAFE	1.0	-5.8	4.5	-1.0
Europe ex-U.K.	0.1	-7.4	7.2	-1.6
Pacific ex-Japan	-0.9	-5.9	2.7	1.2
Emerging Markets	0.7	-3.4	5.5	2.7
<b>MSCI: Selected Countries</b>				
United Kingdom	-0.9	-6.0	1.0	-1.2
France	-0.6	-8.3	5.4	-3.4
Germany	-3.7	-11.2	-1.2	-9.4
Japan	5.9	-2.2	3.0	-1.4
China	1.7	1.5	1.2	1.0
India	5.1	2.3	24.5	24.7
Brazil	1.6	-8.6	5.1	1.2
Russia	-4.3	-15.1	-6.6	-19.5

**Weights in MSCI All Country World Index**

% global market capitalization, float adjusted



**Global Equity Market Correlations**

Rolling 1-year correlations, 30 countries



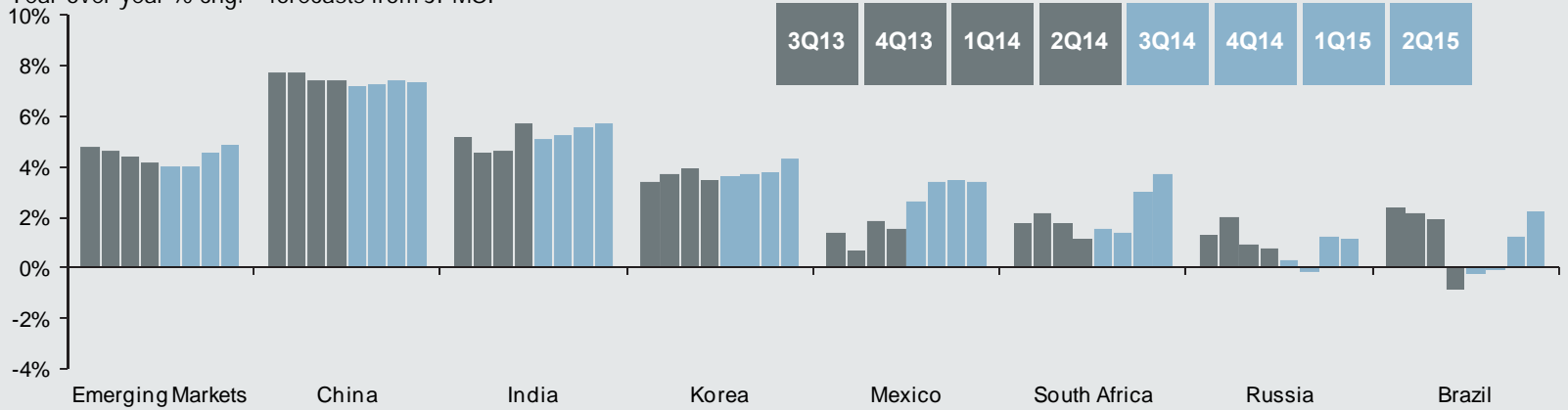
Source: Standard & Poor's, MSCI, FactSet, J.P. Morgan Asset Management.

All return values are MSCI Gross Index (official) data. Chart is for illustrative purposes only. Past performance is not indicative of future results. Please see disclosure page for index definitions. Countries included in global correlations include Argentina, South Africa, Japan, UK, Canada, France, Germany, Italy, Australia, Austria, Brazil, China, Colombia, Denmark, Finland, Hong Kong, India, Malaysia, Mexico, Netherlands, New Zealand, Peru, Philippines, Portugal, Korea, Spain, Taiwan, Thailand, Turkey, United States. Guide to the Markets – U.S.

Data as of 9/30/14.

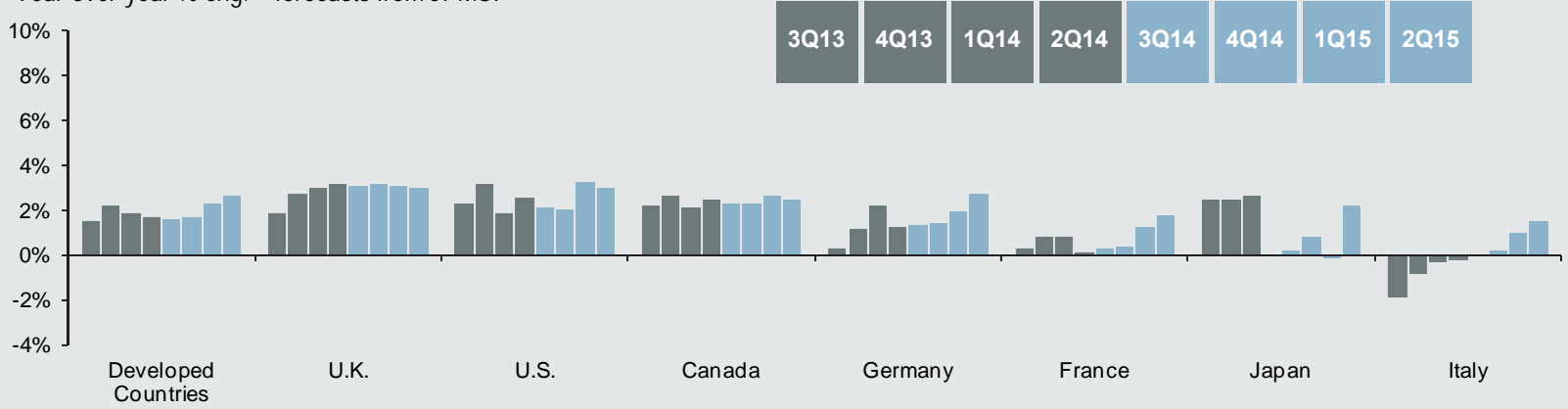
**Emerging Market Country Real GDP Growth**

Year-over-year % chg. – forecasts from JPMSI



**Developed Market Country Real GDP Growth**

Year-over-year % chg. – forecasts from JPMSI



Source: J.P. Morgan Global Economic Research, J.P. Morgan Asset Management.

Forecast and aggregate data come from J.P. Morgan Global Economic Research. Historical growth data collected from FactSet Economics. Guide to the Markets – U.S.

Data are as of 9/30/14.

# Manufacturing Momentum

## Global Purchasing Managers' Index for Manufacturing

	Oct'12	Nov'12	Dec'12	Jan'13	Feb'13	Mar'13	Apr'13	May'13	Jun'13	Jul'13	Aug'13	Sep'13	Oct'13	Nov'13	Dec'13	Jan'14	Feb'14	Mar'14	Apr'14	May'14	Jun'14	Jul'14	Aug'14	Sep'14
Global	48.9	49.7	50.1	51.4	50.8	51.0	50.2	50.4	50.4	50.6	51.5	51.6	51.9	52.9	52.9	53.0	53.2	52.4	51.9	52.2	52.6	52.4	52.5	52.2
U.S.	51.0	52.8	54.0	55.8	54.3	54.6	52.1	52.3	51.9	53.7	53.1	52.8	51.8	54.7	55.0	53.7	57.1	55.5	55.4	56.4	57.3	55.8	57.9	57.5
Canada	51.4	50.4	50.4	50.5	51.7	49.3	50.1	53.2	52.4	52.0	52.1	54.2	55.6	55.3	53.5	51.7	52.9	53.3	52.9	52.2	53.5	54.3	54.8	53.5
U.K.	47.7	48.0	50.6	51.0	48.1	50.2	50.6	52.2	52.8	55.0	57.4	56.4	56.1	57.9	57.0	56.5	56.4	55.6	57.2	56.8	57.2	54.7	52.2	51.6
Euro Area	45.4	46.2	46.1	47.9	47.9	46.8	46.7	48.3	48.8	50.3	51.4	51.1	51.3	51.6	52.7	54.0	53.2	53.0	53.4	52.2	51.8	51.8	50.7	50.3
Germany	46.0	46.8	46.0	49.8	50.3	49.0	48.1	49.4	48.6	50.7	51.8	51.1	51.7	52.7	54.3	56.5	54.8	53.7	54.1	52.3	52.0	52.4	51.4	49.9
France	43.7	44.5	44.6	42.9	43.9	44.0	44.4	46.4	48.4	49.7	49.7	49.8	49.1	48.4	47.0	49.3	49.7	52.1	51.2	49.6	48.2	47.8	46.9	48.8
Italy	45.5	45.1	46.7	47.8	45.8	44.5	45.5	47.3	49.1	50.4	51.3	50.8	50.7	51.4	53.3	53.1	52.3	52.4	54.0	53.2	52.6	51.9	49.8	50.7
Spain	43.5	45.3	44.6	46.1	46.8	44.2	44.7	48.1	50.0	49.8	51.1	50.7	50.9	48.6	50.8	52.2	52.5	52.8	52.7	52.9	54.6	53.9	52.8	52.6
Greece	41.0	41.8	41.4	41.7	43.0	42.1	45.0	45.3	45.4	47.0	48.7	47.5	47.3	49.2	49.6	51.2	51.3	49.7	51.1	51.0	49.4	48.7	50.1	48.4
Ireland	52.1	52.4	51.4	50.3	51.5	48.6	48.0	49.7	50.3	51.0	52.0	52.7	54.9	52.4	53.5	52.8	52.9	55.5	56.1	55.0	55.3	55.4	57.3	55.7
Australia	42.8	44.3	44.3	40.2	45.6	44.4	36.7	43.8	49.6	42.0	46.4	51.7	53.2	47.7	47.6	46.7	48.6	47.9	44.8	49.2	48.9	50.7	47.3	46.5
Japan	46.9	46.5	45.0	47.7	48.5	50.4	51.1	51.5	52.3	50.7	52.2	52.5	54.2	55.1	55.2	56.6	55.5	53.9	49.4	49.9	51.5	50.5	52.2	51.7
China	49.5	50.5	51.5	52.3	50.4	51.6	50.4	49.2	48.2	47.7	50.1	50.2	50.9	50.8	50.5	49.5	48.5	48.0	48.1	49.4	50.7	51.7	50.2	50.2
Indonesia	51.9	51.5	50.7	49.7	50.5	51.3	51.7	51.6	51.0	50.7	48.5	50.2	50.9	50.3	50.9	51.0	50.5	50.1	51.1	52.4	52.7	52.7	49.5	50.7
Korea	47.4	48.2	50.1	49.9	50.9	52.0	52.6	51.1	49.4	47.2	47.5	49.7	50.2	50.4	50.8	50.9	49.8	50.4	50.2	49.5	48.4	49.3	50.3	48.8
Taiwan	47.8	47.4	50.6	51.5	50.2	51.2	50.7	47.1	49.5	48.6	50.0	52.0	53.0	53.4	55.2	55.5	54.7	52.7	52.3	52.4	54.0	55.8	56.1	53.3
India	52.9	53.7	54.7	53.2	54.2	52.0	51.0	50.1	50.3	50.1	48.5	49.6	49.6	51.3	50.7	51.4	52.5	51.3	51.3	51.4	51.5	53.0	52.4	51.0
Brazil	50.2	52.2	51.1	53.2	52.5	51.8	50.8	50.4	50.4	48.5	49.4	49.9	50.2	49.7	50.5	50.8	50.4	50.6	49.3	48.8	48.7	49.1	50.2	49.3
Mexico	55.5	55.6	57.1	55.0	53.4	52.2	51.7	51.8	51.3	49.7	50.8	50.0	50.2	51.9	52.6	54.0	52.0	51.7	51.8	51.9	51.8	51.5	52.1	52.6
Russia	52.9	52.2	50.0	52.0	52.0	50.8	50.6	50.4	51.7	49.2	49.4	49.4	51.8	49.4	48.8	48.0	48.5	48.3	48.5	48.9	49.1	51.0	51.0	50.4

Source: Markit, J.P. Morgan Asset Management.

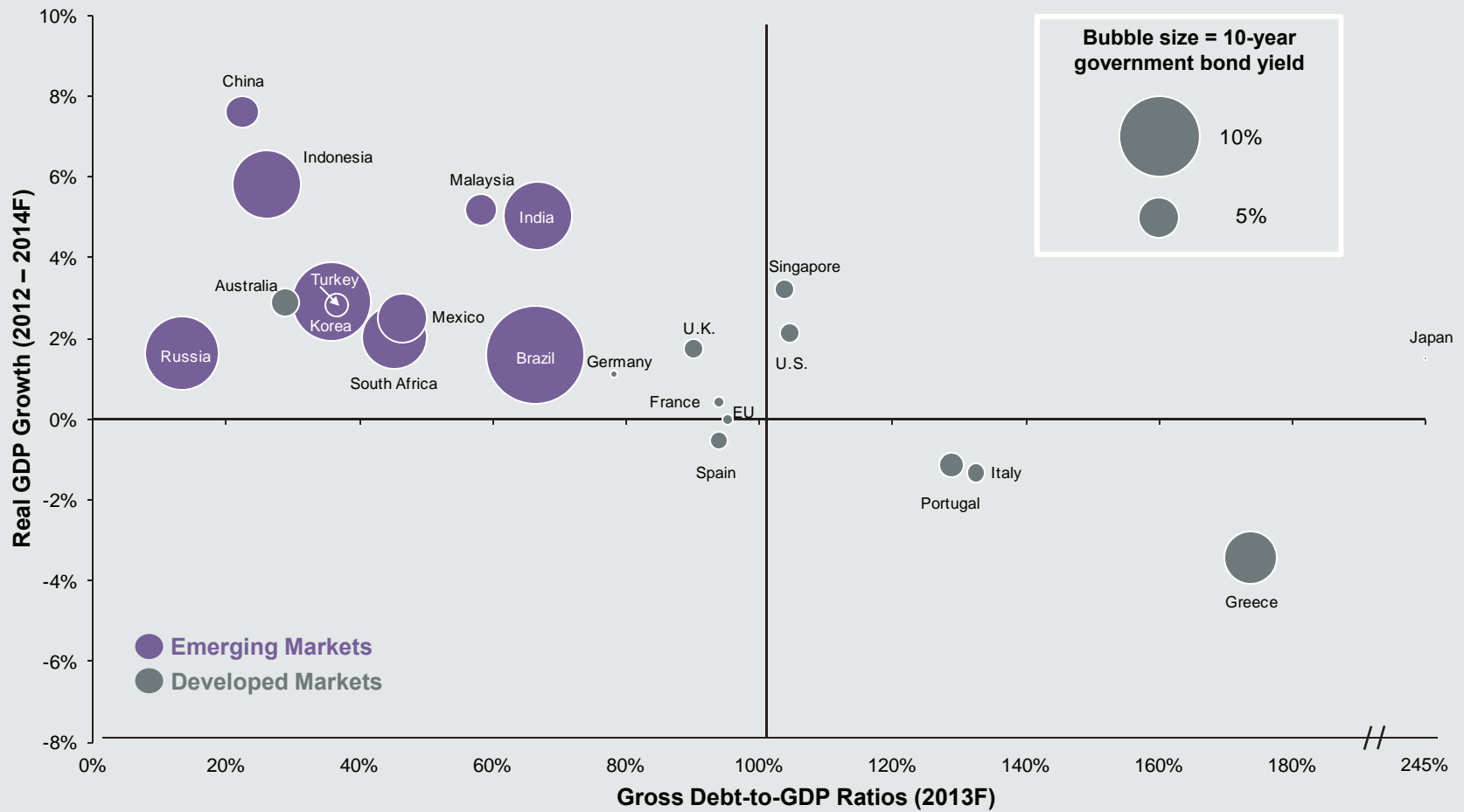
Heatmap colors are based on PMI relative to the 50 level, which indicates acceleration or deceleration of the sector, for the time period shown.

Guide to the Markets – U.S.

Data are as of 9/30/14.

# Sovereign Debt Stresses

**GDP Growth, Gross Debt to GDP and Borrowing Costs**

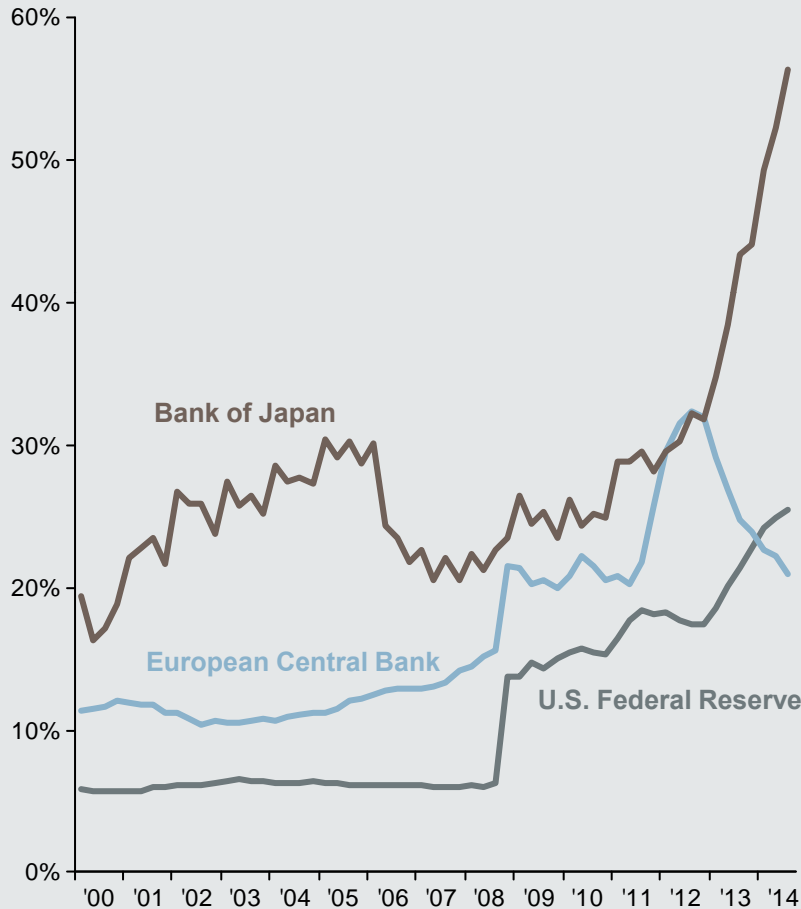


Source: IMF, FactSet, Bloomberg, J.P. Morgan Economics, Barclays, J.P. Morgan Asset Management.

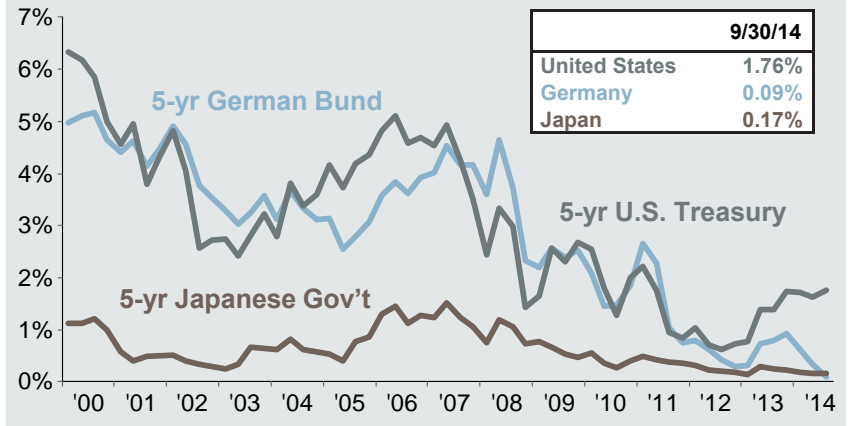
Growth and debt data are based on the April 2014 World Economic Outlook.

Borrowing costs based on local currency debt. EU overall borrowing cost based on Barclays Capital Euro-Aggregate 7-10 year treasury. South Africa's borrowing cost is based on 7-year government bond yield due to data availability. Guide to the Markets – U.S.

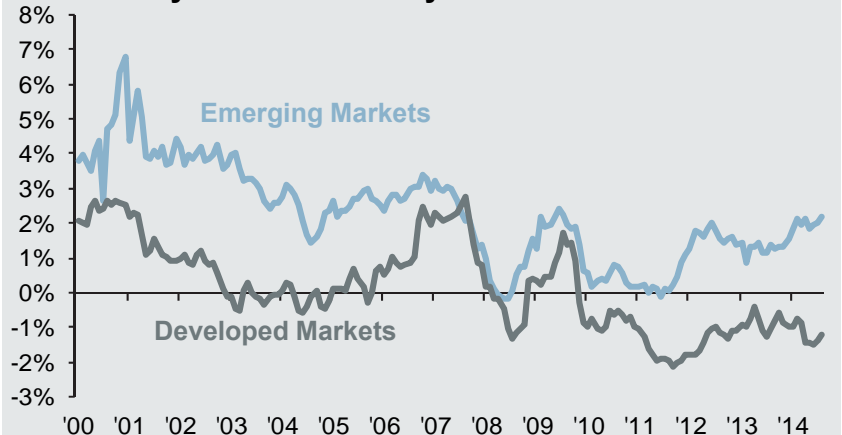
Central Bank Assets – Percent of Nominal GDP



Nominal 5-Year Interest Rates



Real Policy Rates – Monthly



Source: J.P. Morgan Global Economics Research, FactSet, J.P. Morgan Asset Management.

Real policy rates represent GDP weighted aggregates estimated by J.P. Morgan Global Economics Research. Real policy rates are short-term target interest rates set by central banks minus year-over-year inflation.

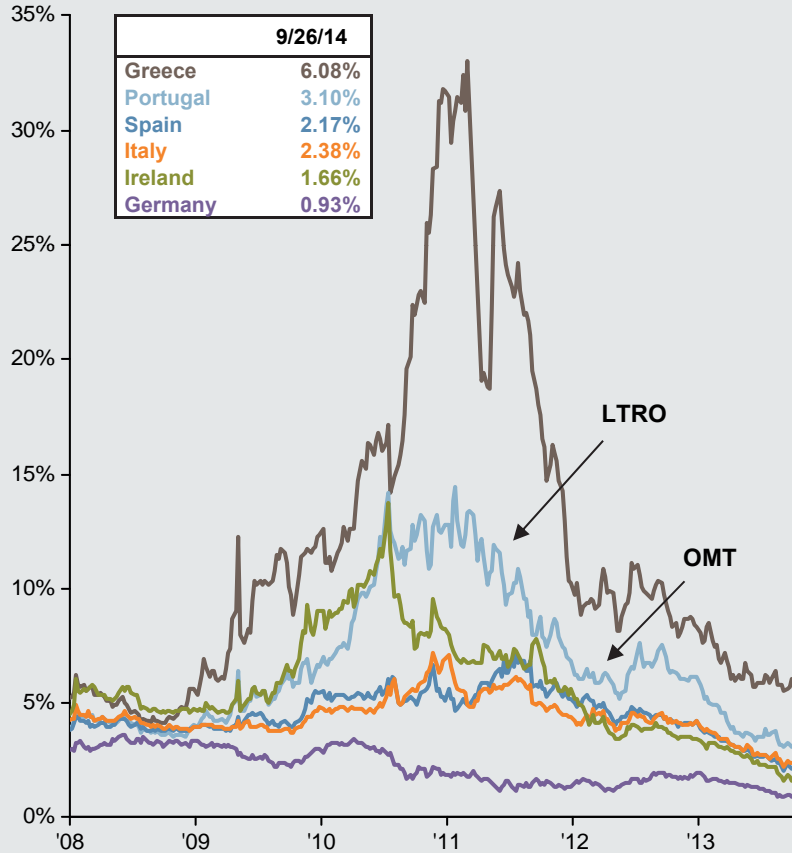
Guide to the Markets – U.S.

Data are as of 9/30/14.

# Europe: Cyclical Headwinds and Tailwinds

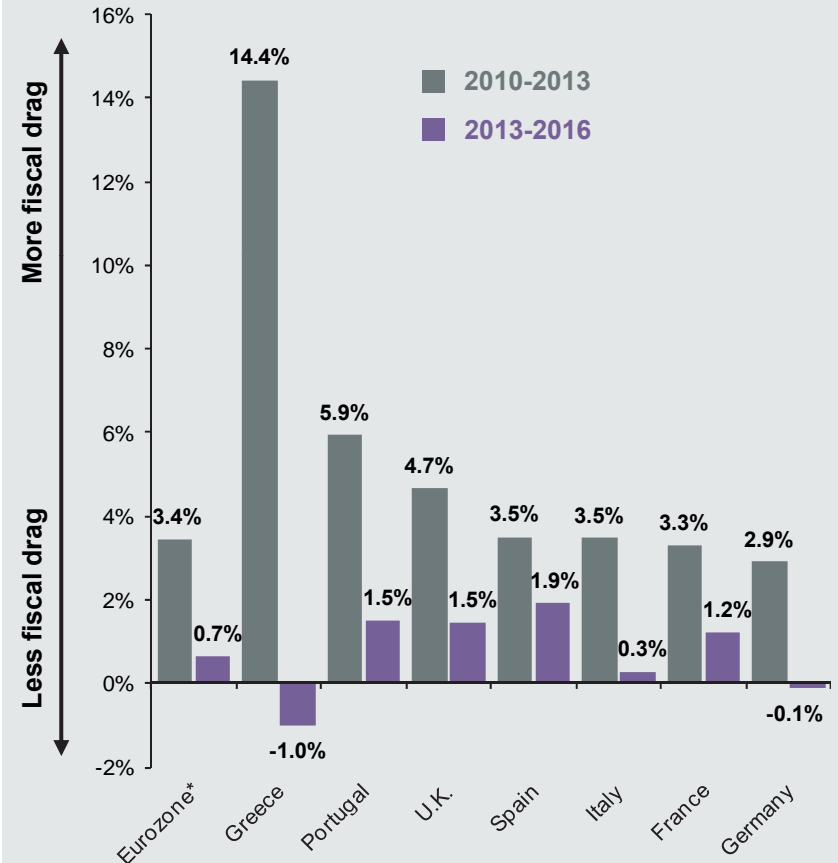
## European Sovereign Funding Costs

10-year benchmark bond yield



## Government Fiscal Drag

% of potential GDP, reduction in structural deficits from one period to the next



Source: Tullett Prebon, FactSet, IMF, J.P. Morgan Asset Management. Data are based on the April 2014 World Economic Outlook.

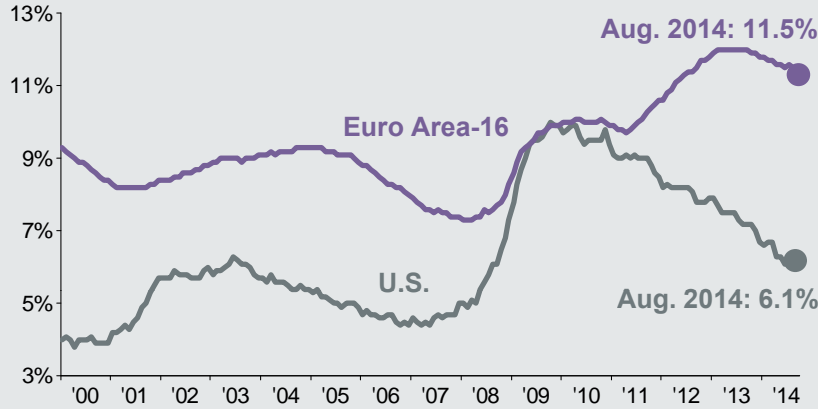
Government deficits are calculated by the IMF as the general government structural balance. The structural balance excludes the normal impact of the business cycle, providing a clearer measure of the independent impact of changes in government spending and taxation on demand in the economy.

\*Eurozone includes a J.P. Morgan Asset Management estimate for the 2016 structural deficit as a % of GDP.

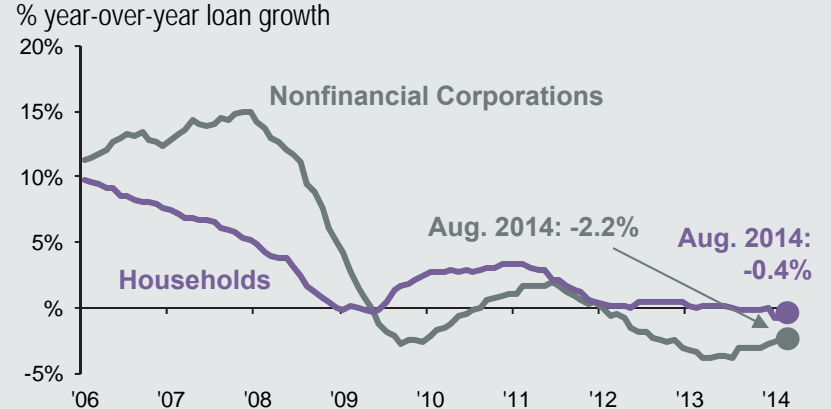
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Data are as of 9/30/14.

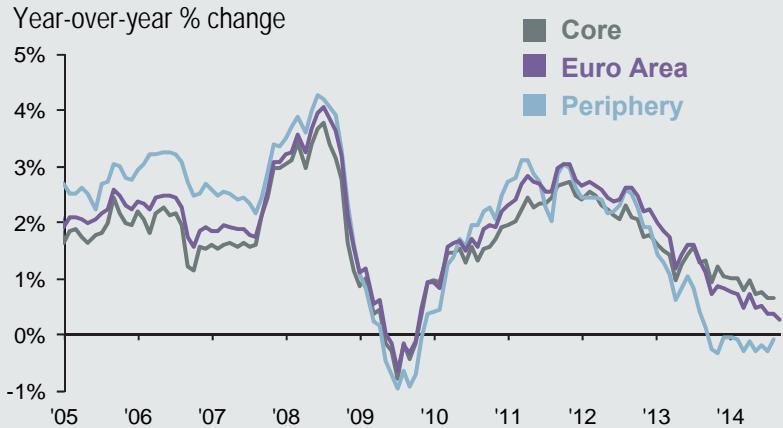
**Unemployment Rates**



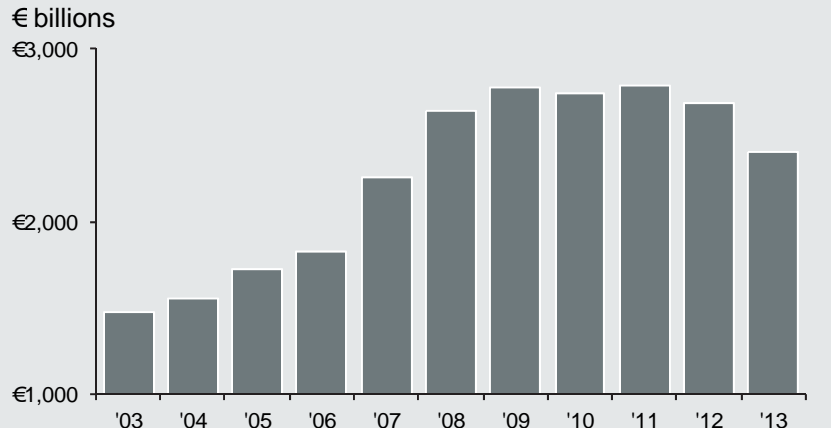
**Euro Area Credit Growth**



**Europe Inflation**



**Euro Area Asset-Backed Securities Outstanding**



Source: Eurostat, BLS, SIFMA, ECBC, FactSet, IMF, J.P. Morgan Asset Management.

(Top left) Unemployment rate levels for the U.S. and Euro Area-16 are not directly comparable due to calculation differences. (Bottom right) Euro Area securitization outstanding includes Covered Bonds, Asset-Backed Securities, Residential Mortgage-Backed Securities, Commercial Real Estate Mortgage-Backed Securities, and Small and Medium-Sized Enterprise Asset-Backed Securities.

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Data are as of 9/30/14.



# Europe: Revenues, Margins and Earnings

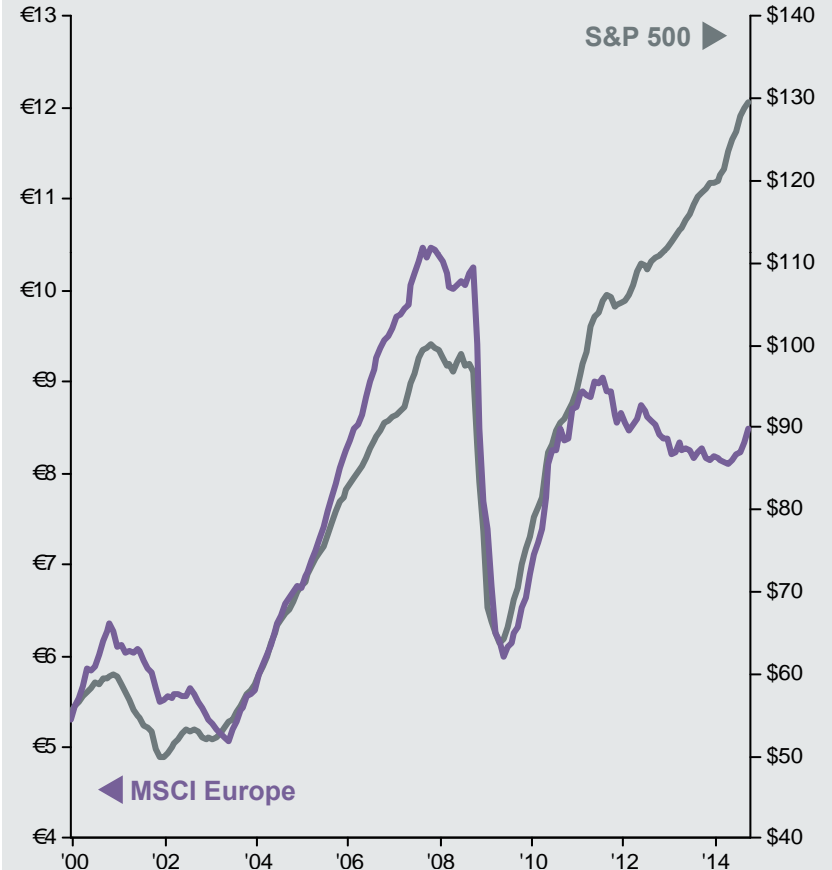
## Economic Growth and Revenue Growth Estimates

12- month revenue growth & manufacturing PMI (advanced 12-months)



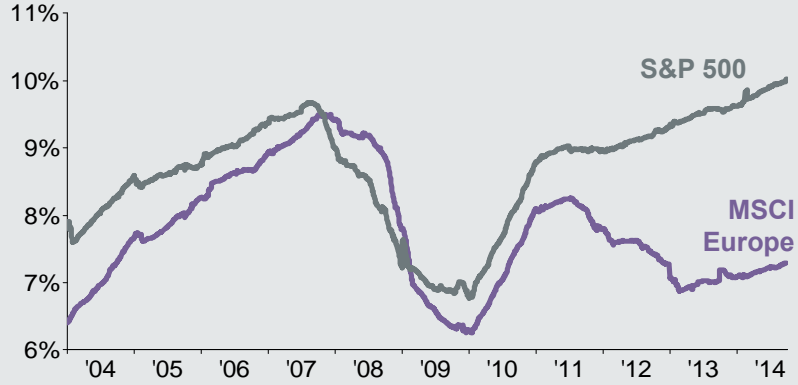
## Earnings Per Share

Next 12- month consensus EPS



## U.S. and European Operating Profit Margins

LTM, EPS/SPS



Source: Markit, MSCI, FactSet, J.P. Morgan Asset Management.

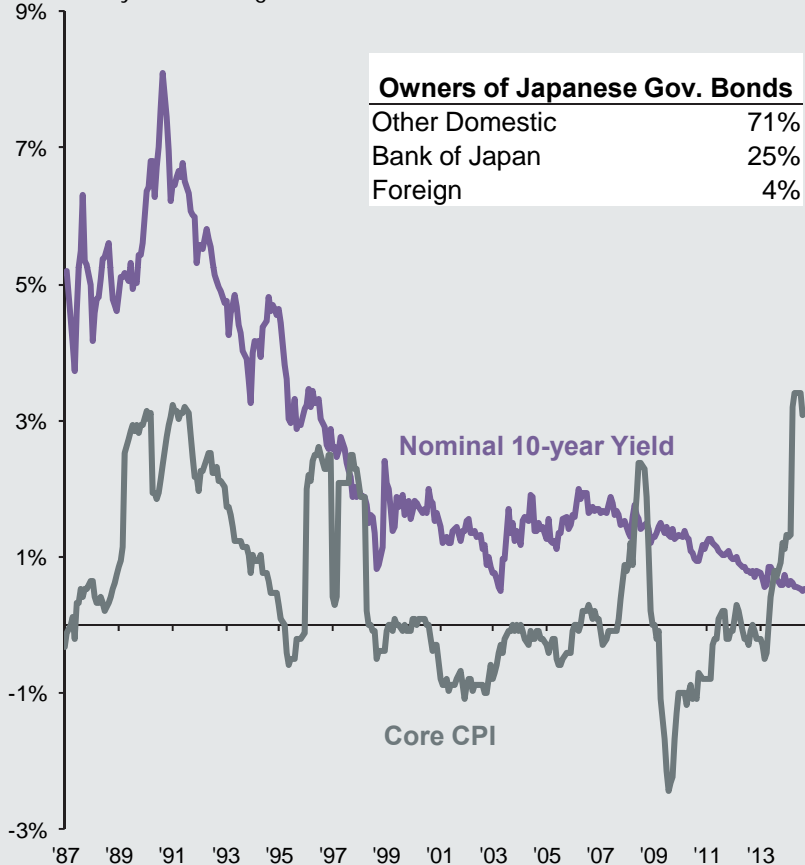
Revenue growth reflects next twelve month forward estimates from FactSet for the MSCI Europe Index.

Data are as of 9/30/14.

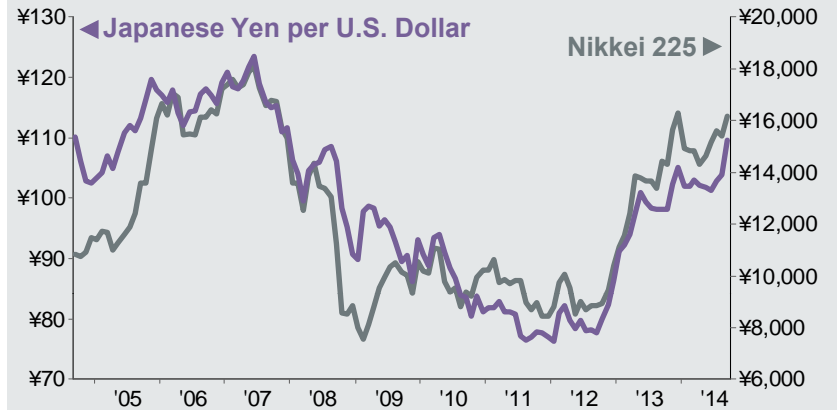
# Japan: Economic Snapshot

## Inflation and Japanese Government Bond Yields

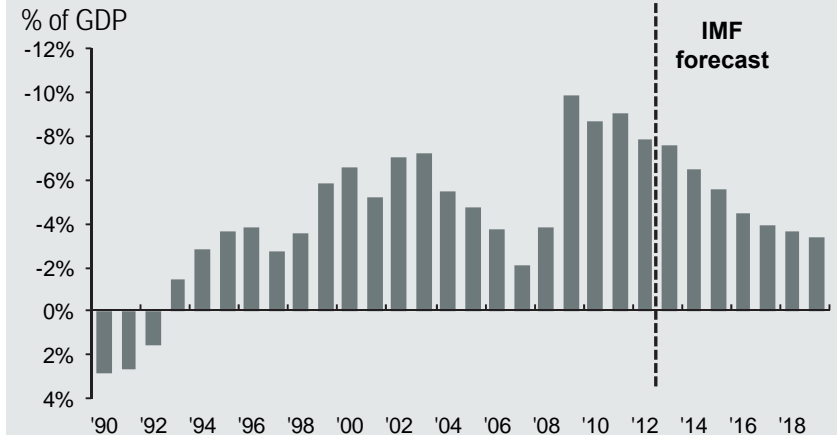
Year-over-year % change for inflation



## Japanese Yen and the Stock Market



## Government Fiscal Balance



Source: (Left) Bank of Japan, OECD, IMF, FactSet, J.P. Morgan Asset Management. (Right) FactSet, J.P. Morgan Asset Management.

Core CPI is defined as CPI excluding fresh food. Other Domestic includes banks, insurance and pensions, public pensions, and households. Values may not sum to 100% due to rounding. Government bond data is calculated from the Bank of Japan's September 2014 flow of funds.

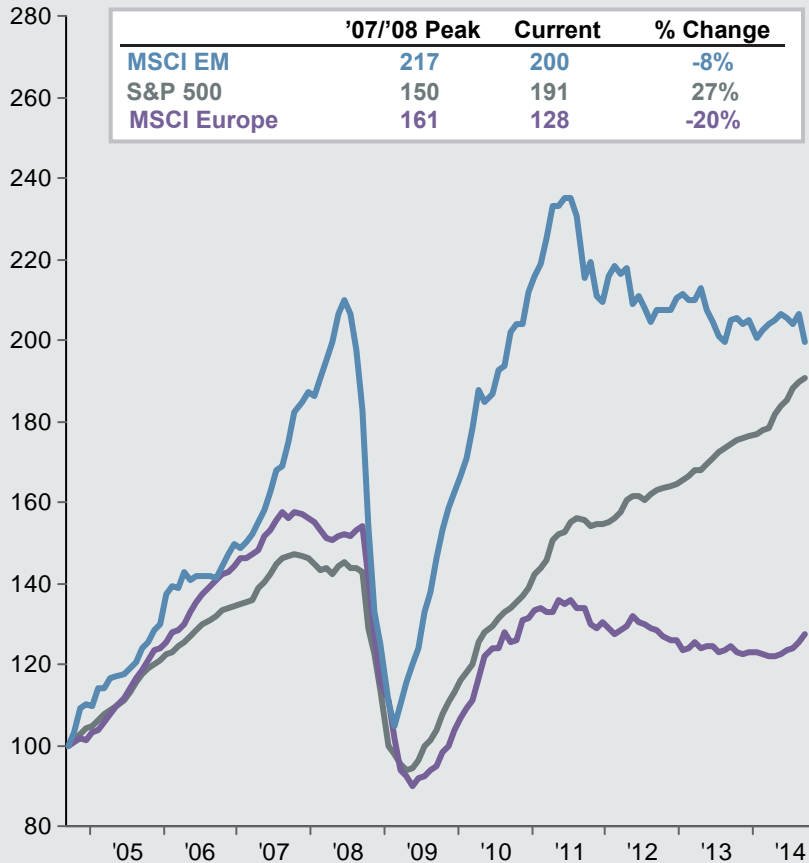
Guide to the Markets – U.S.

Data are as of 9/30/14.

# International Equity Earnings and Valuations

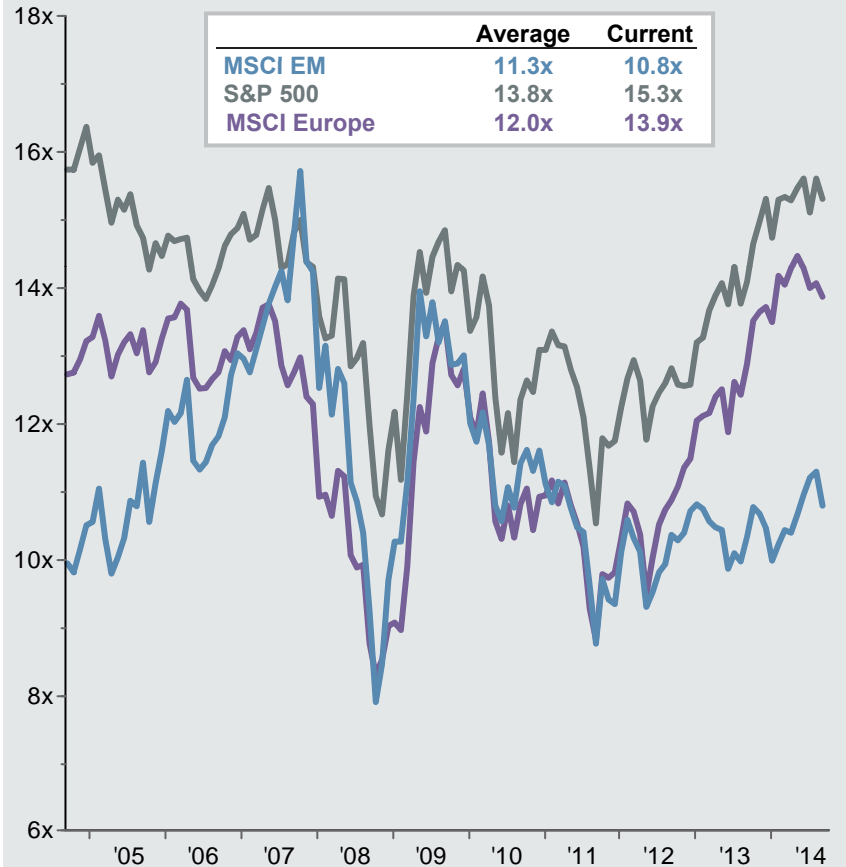
## Earnings per Share

EPS for next 12-month consensus, local currency, rebased to 100



## Forward Price to Earnings

P/E ratios for next 12-month consensus EPS



Source: MSCI, FactSet, J.P. Morgan Asset Management.

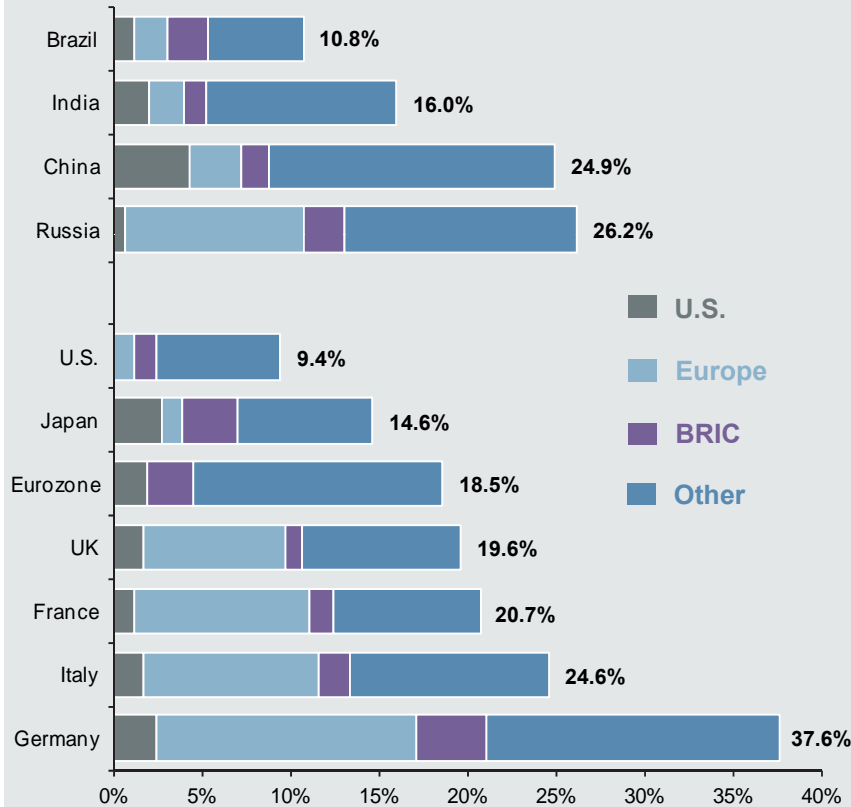
Forward Price to Earnings Ratio is based on each index price, divided by consensus estimates for earnings per share (EPS) in the next 12 months (NTM), and is provided by FactSet Market Aggregates. Past performance is not indicative of future returns.

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Data are as of 9/30/14.

**Exports as a % of GDP**

2013, goods exported



**Demographic Snapshot**

	GDP Per Capita	Population	% of Pop. under 20	Investment (% of GDP)
<b>Developed</b>				
U.S.	\$54,980	319 mm	26%	20%
Canada	49,838	35	22	24
U.K.	43,830	65	24	15
Germany	47,893	81	18	17
France	45,123	64	24	20
Japan	38,142	127	18	22
Italy	36,216	60	19	18
<b>Emerging</b>				
Korea	25,931	50	22	27
India	1,584	1,260	38	35
Brazil	11,080	200	33	18
Mexico	10,767	120	38	22
Russia	14,645	143	21	24
China	7,333	1,368	20	48

Source: FactSet, World Bank, United Nations, J.P. Morgan Global Economics Research, OECD, China Bureau of Statistics, Ministry of Statistics & Programme Implementation of India, J.P. Morgan Asset Management.

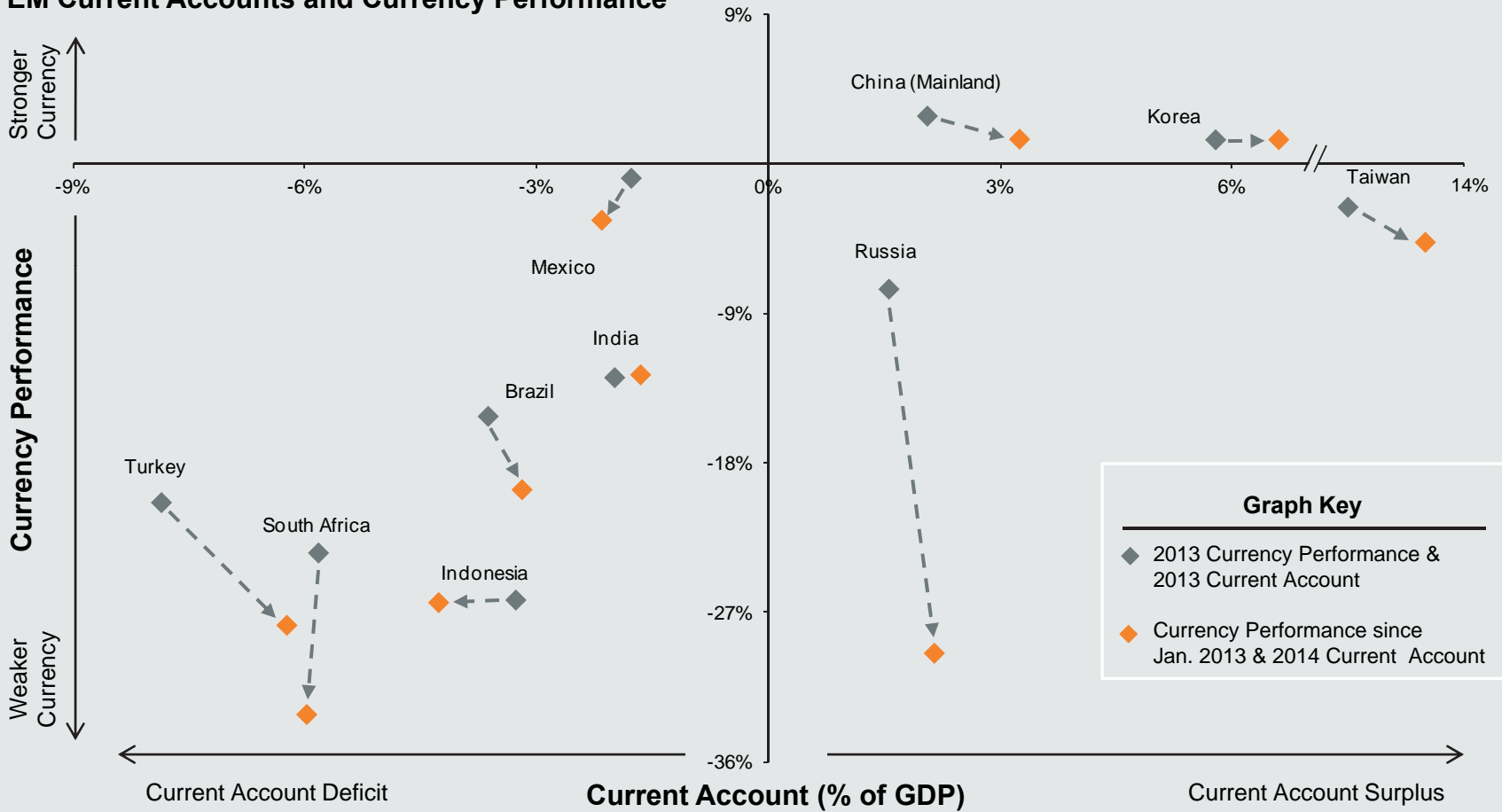
GDP Per Capita, Population and Investment as % of GDP are IMF estimates for 2014.

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Data are as of 9/30/14.

# Emerging Market Currencies

**EM Current Accounts and Currency Performance**



Source: IMF – World Economic Outlook, FactSet, J.P. Morgan Asset Management.

Current accounts as a percentage of GDP are IMF figures for full year 2013 and latest available quarterly data for 2014.

Russia current account reflects IMF estimates for 2014. Guide to the Markets – U.S.

Data are as of 9/30/14.

# Emerging Market Diversity

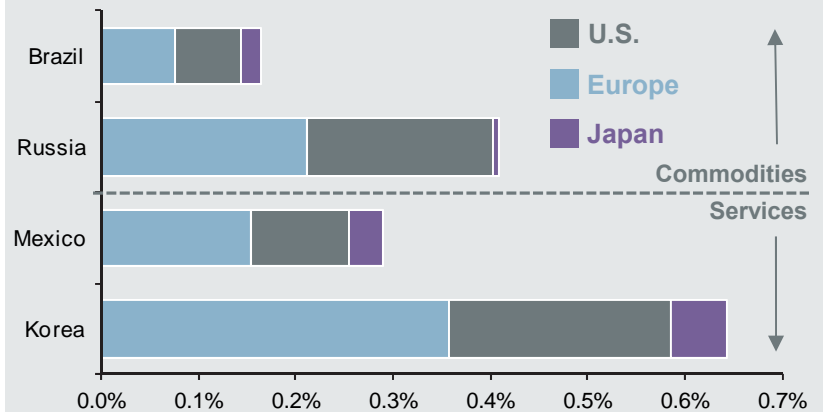
## Emerging Markets: Commodities vs. Services

% of exports in service or commodity sectors, 2012

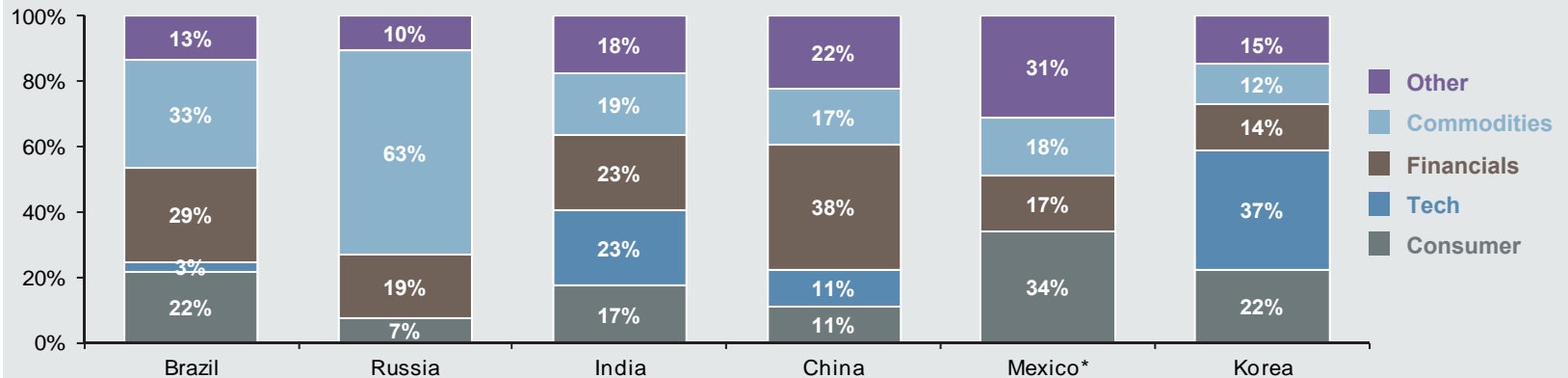
Service-Oriented	Percent of Exports, Mfg. & Services	Commodity-Oriented	Percent of Exports, Commodities
China	94.7	Chile	72.5
Korea	89.2	Russia	70.9
Mexico	78.6	Indonesia	54.5
India	73.8	Brazil	52.3

## EM GDP growth: Sensitivity to DM growth

Estimated increase in real GDP growth from a 1% increase in DM growth



## MSCI EM Country Index by Sector

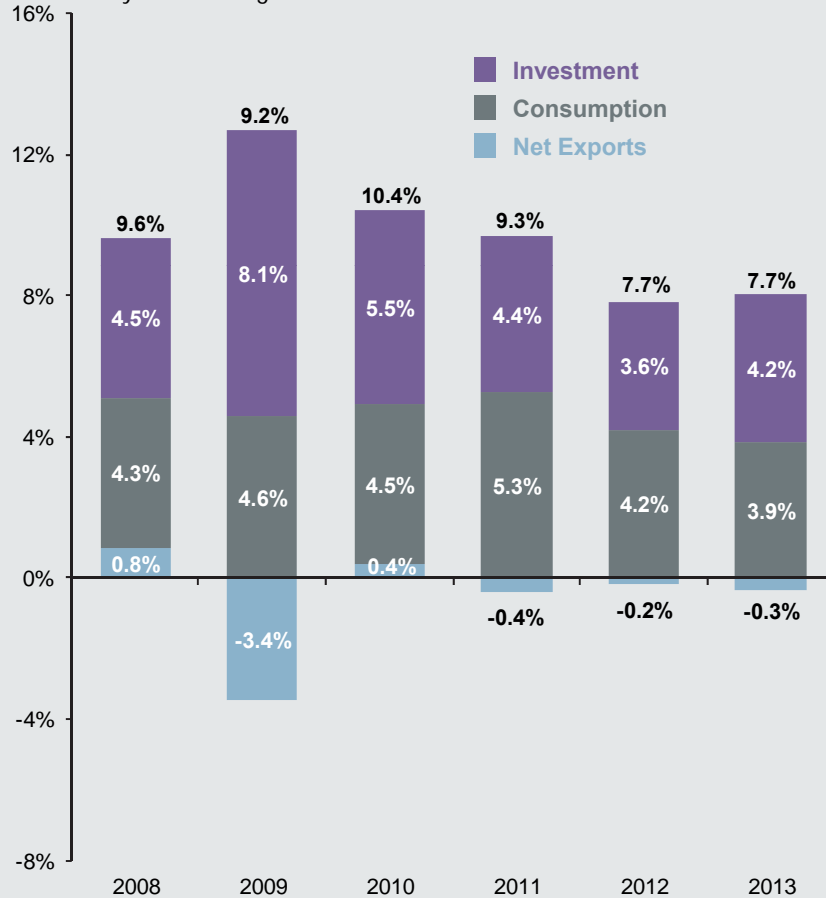


Source: MSCI, FactSet, MacData, IMF, J.P. Morgan Asset Management. "Other" is comprised of Health Care, Industrials, Telecom, and Utilities sectors. \*Mexican telecom sector accounts for 20.2% of the country's market capitalization. Values may not sum to 100% due to rounding. (Top Right) Assumes a 1% increase in GDP growth from Japan, Europe, and the U.S., and estimates a reaction function through a multistage regression measuring emerging market economies sensitivity to export volumes. Developed market imports are used as a proxy for developed demand and estimated from a 1% pick up in domestic GDP. Increases in industrial production are estimated while controlling for emerging market domestic demand in order to limit feedback loops and isolate the impulse from developed market demand only. The sample period tested ranges between 1993 and 2013 reflecting quarterly data. Guide to the Markets – U.S. Data are as of 9/30/14.

# China: Economic and Credit Growth

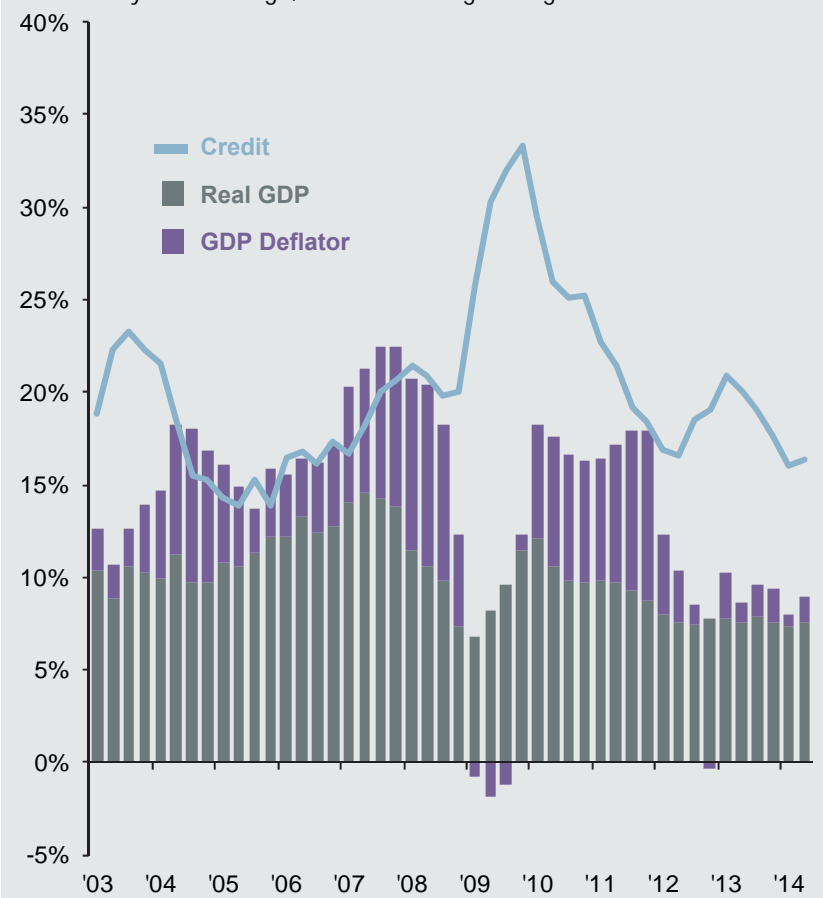
## China Real GDP Contribution

Year-over-year % change



## Credit\* vs. GDP Growth

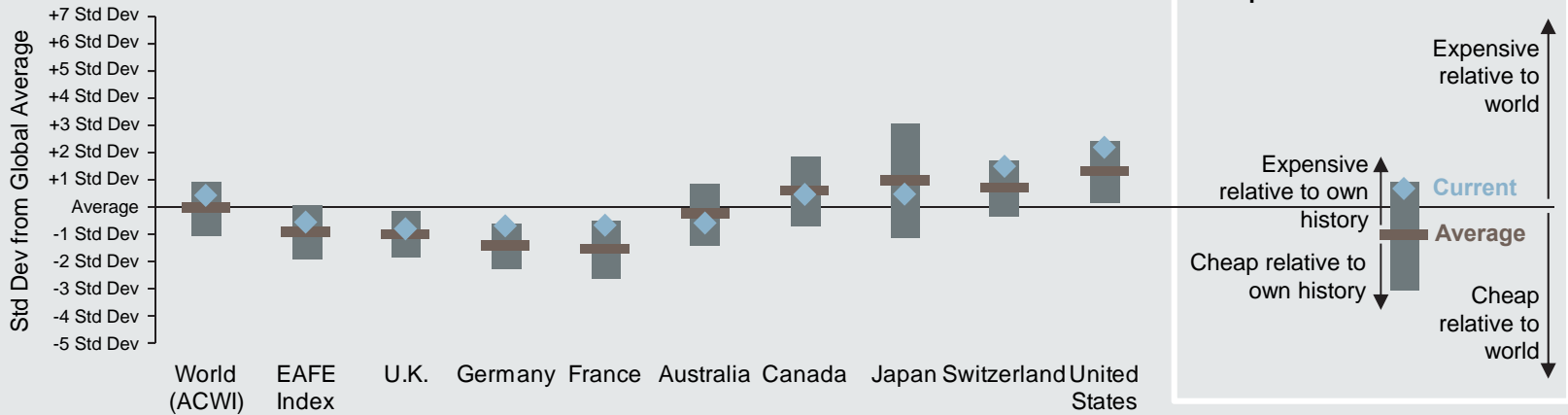
Year-over-year % change, 3-month moving average for credit



Source: National Bureau of Statistics of China, The People's Bank of China, EM Advisors Group, FactSet, CEIC, J.P. Morgan Asset Management. Values may not sum to 100% due to rounding. \*As defined by Total Social Financing: RMB bank loans, bankers acceptance bills, trust loans, entrusted loans, corporate bond financing, foreign currency loans, and non-financial equity financing. TSF data uses an assumption of outstanding credit in Dec. 2001. Guide to the Markets – U.S. Data are as of 9/30/14.

# Global Equity Valuations - Developed Markets

## Developed Market Countries



	Current Composite Index	Current				10-year avg.			
		Fwd. P/E	P/B	P/CF	Div. Yld.	Fwd. P/E	P/B	P/CF	Div. Yld.
<b>World (ACWI)</b>	<b>0.45</b>	14.2	2.0	8.4	2.5%	13.0	2.0	7.5	2.5%
<b>EAFE Index</b>	<b>-0.53</b>	13.9	1.6	7.6	3.2%	12.6	1.7	6.7	3.2%
<b>U.K.</b>	<b>-0.78</b>	13.1	1.8	7.4	3.8%	11.4	2.0	7.4	3.6%
<b>Germany</b>	<b>-0.67</b>	12.5	1.6	7.5	2.9%	11.5	1.5	5.7	3.1%
<b>France</b>	<b>-0.65</b>	13.7	1.5	7.8	3.3%	11.3	1.6	5.8	3.4%
<b>Australia</b>	<b>-0.57</b>	14.0	1.9	8.5	4.8%	13.4	2.2	9.2	4.3%
<b>Canada</b>	<b>0.48</b>	14.5	2.0	9.2	2.7%	13.6	2.1	8.6	2.3%
<b>Japan</b>	<b>0.49</b>	14.1	1.3	7.9	1.9%	16.0	1.4	6.4	1.6%
<b>Switzerland</b>	<b>1.52</b>	15.9	2.6	11.8	3.2%	13.3	2.4	9.8	2.7%
<b>United States</b>	<b>2.21</b>	15.4	2.7	10.4	1.9%	13.9	2.5	8.7	1.9%

Source: MSCI, FactSet, J.P. Morgan Asset Management.

Note: Each valuation index shows an equally weighted composite of four metrics: price to forward earnings (Fwd. P/E), price to current book (P/B), price to last 12 months' cash flow (P/CF) and price to last 12 months' dividends. Results are then normalized using means and average variability over the last 10 years. The grey bars represent one standard deviation in variability relative to that of the MSCI All Country World Index (ACWI). See disclosures page at the end for metric definitions.

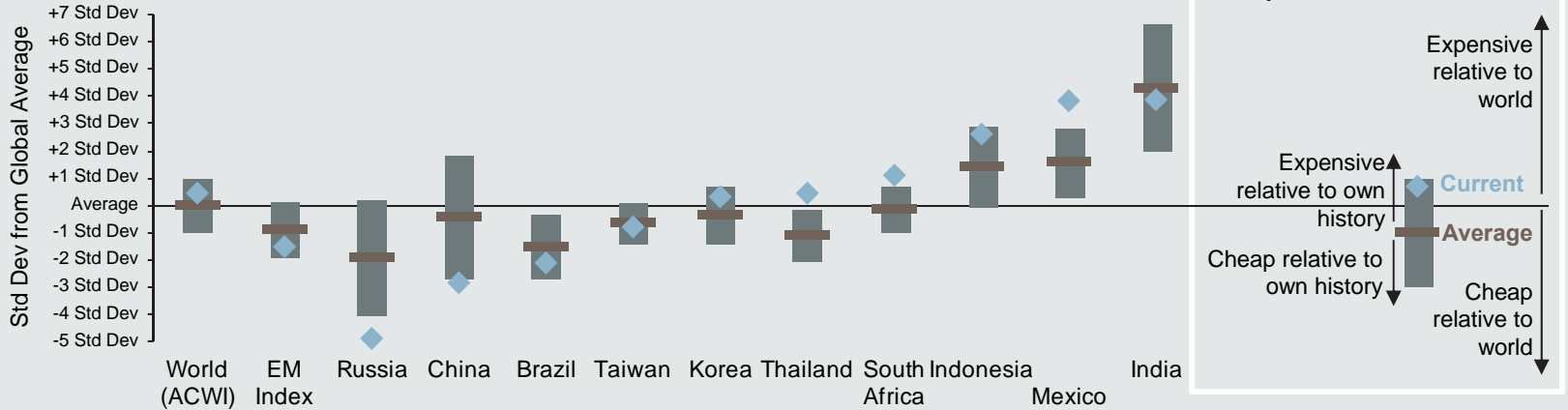
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Data are as of 9/30/14.



# Global Equity Valuations - Emerging Markets

## Emerging Market Countries



	Current Composite Index	Current				10-year avg.			
		Fwd. P/E	P/B	P/CF	Div. Yld.	Fwd. P/E	P/B	P/CF	Div. Yld.
<b>World(ACWI)</b>	<b>0.45</b>	14.2	2.0	8.4	2.5%	13.0	2.0	7.5	2.5%
<b>EM Index</b>	<b>-1.52</b>	10.8	1.5	5.4	2.8%	11.0	1.9	6.3	2.7%
<b>Russia</b>	<b>-4.89</b>	4.5	0.6	2.3	5.2%	7.4	1.4	4.5	2.2%
<b>China</b>	<b>-2.85</b>	8.5	1.3	3.3	3.5%	11.7	2.1	6.9	2.7%
<b>Brazil</b>	<b>-2.12</b>	10.4	1.3	5.9	4.0%	9.9	1.9	5.6	3.2%
<b>Taiwan</b>	<b>-0.79</b>	13.0	1.8	6.2	3.1%	14.1	1.9	6.7	3.6%
<b>Korea</b>	<b>0.32</b>	10.0	1.1	5.6	1.2%	9.6	1.4	5.0	1.5%
<b>Thailand</b>	<b>0.45</b>	13.5	2.2	9.6	2.9%	10.8	2.0	7.1	3.6%
<b>South Africa</b>	<b>1.11</b>	14.3	2.5	11.4	3.1%	11.5	2.5	8.8	3.2%
<b>Indonesia</b>	<b>2.62</b>	14.7	3.4	12.9	2.4%	12.6	3.5	10.1	2.7%
<b>Mexico</b>	<b>3.85</b>	19.3	2.8	8.7	1.3%	14.4	2.8	7.5	1.8%
<b>India</b>	<b>3.88</b>	16.6	2.9	12.1	1.4%	15.4	3.2	12.9	1.3%

Source: MSCI, FactSet, J.P. Morgan Asset Management.

Note: Each valuation index shows an equally weighted composite of four metrics: price to forward earnings (Fwd. P/E), price to current book (P/B), price to last 12 months' cash flow (P/CF) and price to last 12 months' dividends. Results are then normalized using means and average variability over the last 10 years. The grey bars represent one standard deviation in variability relative to that of the MSCI All Country World Index (ACWI). See disclosures page at the end for metric definitions. See disclosures page at the end for metric definitions. Guide to the Markets – U.S. Data are as of 9/30/14.

# Asset Class Returns

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	YTD	3Q14	10-yrs. '04 - '13 Cum.	Ann.
REITs 31.6%	MSCI EME 34.5%	REITs 35.1%	MSCI EME 39.8%	Barclays Agg 5.2%	MSCI EME 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Russell 2000 38.8%	REITs 13.4%	S&P 500 1.1%	MSCI EME 197.7%	MSCI EME 11.5%
MSCI EME 26.0%	Bberg Cmdty 21.4%	MSCI EME 32.6%	Bberg Cmdty 16.2%	Cash 1.8%	MSCI EAFE 32.5%	Russell 2000 26.9%	Barclays Agg 7.8%	MSCI EME 18.6%	S&P 500 32.4%	S&P 500 8.3%	Barclays Agg 0.2%	Russell 2000 138.3%	Russell 2000 9.1%
MSCI EAFE 20.7%	MSCI EAFE 14.0%	MSCI EAFE 26.9%	MSCI EAFE 11.6%	Market Neutral 1.1%	REITs 28.0%	MSCI EME 19.2%	Market Neutral 4.5%	MSCI EAFE 17.9%	MSCI EAFE 23.3%	Barclays Agg 4.1%	Cash 0.0%	REITs 128.5%	REITs 8.6%
Russell 2000 18.3%	REITs 12.2%	Russell 2000 18.4%	Market Neutral 9.3%	Asset Alloc. -24.0%	Russell 2000 27.2%	Bberg Cmdty 16.8%	S&P 500 2.1%	Russell 2000 16.3%	Asset Alloc. 15.0%	Asset Alloc. 3.0%	Market Neutral -0.7%	S&P 500 104.3%	S&P 500 7.4%
Asset Alloc. 12.5%	Asset Alloc. 8.3%	S&P 500 15.8%	Asset Alloc. 7.4%	Russell 2000 -33.8%	S&P 500 26.5%	S&P 500 15.1%	Cash 0.1%	S&P 500 16.0%	Market Neutral 9.3%	MSCI EME 2.7%	Asset Alloc. -2.2%	MSCI EAFE 104.1%	MSCI EAFE 7.4%
S&P 500 10.9%	Market Neutral 6.1%	Asset Alloc. 15.2%	Barclays Agg 7.0%	Bberg Cmdty -35.6%	Asset Alloc. 22.2%	Asset Alloc. 12.5%	Asset Alloc. -0.6%	Asset Alloc. 11.3%	REITs 2.9%	Cash 0.0%	REITs -2.5%	Asset Alloc. 100.2%	Asset Alloc. 7.2%
Bberg Cmdty 9.1%	S&P 500 4.9%	Market Neutral 11.2%	S&P 500 5.5%	S&P 500 -37.0%	Bberg Cmdty 18.9%	MSCI EAFE 8.2%	Russell 2000 -4.2%	Barclays Agg 4.2%	Cash 0.0%	MSCI EAFE -1.0%	MSCI EME -3.4%	Market Neutral 64.9%	Market Neutral 5.1%
Market Neutral 6.5%	Russell 2000 4.6%	Cash 4.8%	Cash 4.8%	REITs -37.7%	Barclays Agg 5.9%	Barclays Agg 6.5%	MSCI EAFE -11.7%	Market Neutral 0.9%	Barclays Agg -2.0%	Market Neutral -1.2%	MSCI EAFE -5.8%	Barclays Agg 56.0%	Barclays Agg 4.5%
Barclays Agg 4.3%	Cash 3.0%	Barclays Agg 4.3%	Russell 2000 -1.6%	MSCI EAFE -43.1%	Market Neutral 4.1%	Cash 0.1%	Bberg Cmdty -13.3%	Cash 0.1%	MSCI EME -2.3%	Russell 2000 -4.4%	Russell 2000 -7.4%	Cash 17.1%	Cash 1.6%
Cash 1.2%	Barclays Agg 2.4%	Bberg Cmdty 2.1%	REITs -15.7%	MSCI EME -53.2%	Cash 0.1%	Market Neutral -0.8%	MSCI EME -18.2%	Bberg Cmdty -1.1%	Bberg Cmdty -9.5%	Bberg Cmdty -5.6%	Bberg Cmdty -11.8%	Bberg Cmdty 9.0%	Bberg Cmdty 0.9%

Source: Russell, MSCI, Bloomberg, Standard & Poor's, Credit Suisse, Barclays Capital, NAREIT, FactSet, J.P. Morgan Asset Management.

The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Barclays Capital Aggregate, 5% in the Barclays 1-3m Treasury, 5% in the CS/Tremont Equity Market Neutral Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. All data represents total return for stated period. Past performance is not indicative of future returns. Data are as of 9/30/14, except for the CS/Tremont Equity Market Neutral Index, which reflects data through 8/31/14. "10-yrs" returns represent period of 1/1/04 – 12/31/13 showing both cumulative (Cum.) and annualized (Ann.) over the period. Please see disclosure page at end for index definitions. \*Market Neutral returns include estimates found in disclosures. Guide to the Markets – U.S. Data are as of 9/30/14.

# Correlations and Volatility

	U.S. Large Cap	EAFE	EME	Bonds	Corp. HY	Munis	Currency.	EMD	Cmdty.	REITs	Hedge Funds	Eq Market Neutral*	Ann. Volatility
U.S. Large Cap	1.00	0.89	0.79	-0.26	0.77	-0.09	-0.53	0.63	0.50	0.79	0.82	0.60	16%
EAFE		1.00	0.91	-0.16	0.78	-0.03	-0.73	0.70	0.59	0.71	0.88	0.72	20%
EME			1.00	-0.11	0.82	0.04	-0.68	0.79	0.64	0.61	0.90	0.57	25%
Bonds				1.00	-0.06	0.82	-0.08	0.27	-0.23	-0.02	-0.27	-0.18	3%
Corp. HY					1.00	0.16	-0.52	0.87	0.56	0.72	0.78	0.41	12%
Munis						1.00	-0.07	0.47	-0.17	0.06	-0.07	-0.11	4%
Currencies							1.00	-0.52	-0.60	-0.46	-0.60	-0.67	7%
EMD								1.00	0.47	0.65	0.67	0.34	8%
Commodities									1.00	0.37	0.70	0.46	20%
REITs										1.00	0.56	0.43	26%
Hedge Funds											1.00	0.59	8%
Eq Market Neutral*												1.00	4%

Source: Standard & Poor's, FRB, Barclays Capital Inc., MSCI Inc., Credit Suisse/Tremont, NCREIF, DJ UBS, J.P. Morgan Asset Management.

Indexes used – Large Cap: S&P 500 Index; Currencies: Federal Reserve Trade Weighted Dollar; EAFE: MSCI EAFE; EME: MSCI Emerging Markets; Bonds: Barclays Capital Aggregate; Corp HY: Barclays Capital Corporate High Yield; EMD: Barclays Capital Emerging Market; Cmdty.: DJ UBS Commodity Index; Real Estate: NAREIT Equity REIT Index; Hedge Funds: CS/Tremont Multi-Strategy Index; Equity Market Neutral: CS/Tremont Equity Market Neutral Index. \*Market Neutral returns include estimates found in disclosures.

All correlation coefficients and annualized volatility calculated based on quarterly total return data for period 9/30/04 to 9/30/14.

This chart is for illustrative purposes only. Guide to the Markets – U.S.

Data are as of 9/30/14.

# Alternative Asset Class Returns

10-yrs '04 - '13

Ann. Return Ann. Volatility

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	YTD	3Q14	10-yrs '04 - '13 Ann. Return	10-yrs '04 - '13 Ann. Volatility
Real Estate 35.0%	Private Equity 28.3%	Real Estate 35.6%	Private Equity 19.7%	Gbl. Macro 4.7%	MLPs 76.4%	MLPs 35.9%	MLPs 13.9%	Real Estate 18.0%	MLPs 27.6%	MLPs 19.5%	MLPs 2.7%	MLPs 15.0%	Real Estate 25.3%
Private Equity 25.9%	Global Equity 17.4%	Private Equity 28.7%	MLPs 12.7%	Eq. Mkt. Ntrl. -3.0%	Global Equity 30.0%	Real Estate 26.7%	Private Equity 11.0%	Global Equity 16.5%	Global Equity 26.2%	Real Estate 14.6%	Gbl. Macro 2.1%	Private Equity 15.0%	MLPs 18.2%
Distrsd. 18.1%	Real Estate 13.7%	MLPs 26.1%	Gbl. Macro 11.4%	Mrgr. Arb. -6.7%	Real Estate 27.6%	Private Equity 20.4%	Real Estate 9.4%	Private Equity 14.0%	Private Equity 20.8%	Global Equity 6.7%	HF Agg. 2.1%	Real Estate 8.5%	Private Equity 10.3%
MLPs 16.7%	Distrsd. 10.4%	Global Equity 17.0%	HF Agg. 11.0%	Rel. Val. -17.3%	Rel. Val. 23.0%	Rel. Val. 12.5%	Mrgr. Arb. 2.3%	Rel. Val. 9.7%	Distrsd. 15.1%	Distrsd. 6.3%	Rel. Val. 1.6%	Distrsd. 7.7%	Distrsd. 9.6%
Global Equity 12.0%	HF Agg. 9.1%	Distrsd. 15.3%	Rel. Val. 10.0%	HF Agg. -18.7%	Distrsd. 20.2%	Distrsd. 12.2%	Rel. Val. 0.8%	Distrsd. 8.5%	HF Agg. 9.6%	Rel. Val. 6.2%	Mrgr. Arb. 1.0%	Global Equity 7.3%	Global Equity 9.3%
HF Agg. 9.3%	MLPs 6.3%	Mrgr. Arb. 14.6%	Mrgr. Arb. 8.9%	Distrsd. -22.3%	HF Agg. 18.6%	Global Equity 11.1%	Distrsd. 0.0%	MLPs 4.8%	Rel. Val. 7.5%	HF Agg. 5.1%	Global Equity 0.9%	Rel. Val. 6.5%	HF Agg. 7.8%
Gbl. Macro 7.5%	Eq. Mkt. Ntrl. 6.1%	HF Agg. 13.3%	Global Equity 7.7%	Private Equity -22.4%	Private Equity 13.4%	HF Agg. 8.5%	Gbl. Macro -0.7%	HF Agg. 4.4%	Eq. Mkt. Ntrl. 6.4%	Gbl. Macro 2.9%	Distrsd. 0.9%	HF Agg. 5.8%	Rel. Val. 6.8%
Rel. Val. 6.1%	Gbl. Macro 6.1%	Rel. Val. 12.2%	Distrsd. 6.8%	MLPs -36.9%	Mrgr. Arb. 11.9%	Mrgr. Arb. 4.6%	Eq. Mkt. Ntrl. -1.5%	Eq. Mkt. Ntrl. 3.1%	Mrgr. Arb. 5.3%	Mrgr. Arb. 2.6%	Eq. Mkt. Ntrl. 0.3%	Mrgr. Arb. 5.0%	Gbl. Macro 4.8%
Mrgr. Arb. 3.7%	Mrgr. Arb. 5.5%	Gbl. Macro 8.2%	Eq. Mkt. Ntrl. 5.7%	Real Estate -37.3%	Gbl. Macro 6.9%	Gbl. Macro 3.2%	HF Agg. -2.0%	Mrgr. Arb. 1.8%	Gbl. Macro 0.1%	Eq. Mkt. Ntrl. 2.4%	Real Estate -2.0%	Gbl. Macro 4.5%	Eq. Mkt. Ntrl. 3.7%
Eq. Mkt. Ntrl. 3.4%	Rel. Val. 5.3%	Eq. Mkt. Ntrl. 7.0%	Real Estate -16.3%	Global Equity -39.2%	Eq. Mkt. Ntrl. -1.7%	Eq. Mkt. Ntrl. 2.5%	Global Equity -6.0%	Gbl. Macro -1.3%	Real Estate -0.5%	Private Equity -	Private Equity -	Eq. Mkt. Ntrl. 2.7%	Mrgr. Arb. 3.6%

Source: Standard & Poor's, Alerian, HFRI, MSCI, Cambridge Associates, NAREIT, FactSet, J.P. Morgan Asset Management.

Hedge fund indices include distressed and restructuring (Distrsd.), relative value (Rel. Val.), global macro (Gbl. Macro), merger arbitrage (Mrgr. Arb.), equity market neutral (Eq. Mkt. Ntrl.), and the aggregate (HF Agg.). Returns may fluctuate as hedge fund reporting occurs on a lag. QTD and YTD private equity data is unavailable and provided by Cambridge Associates. Real estate returns reflect the NAREIT Real Estate 50 Index and global equity returns reflect the MSCI AC World Index. Annualized volatility and returns are calculated from quarterly data between 12/31/03 and 12/31/13.

Please see disclosure pages for index definitions. Guide to the Markets – U.S.

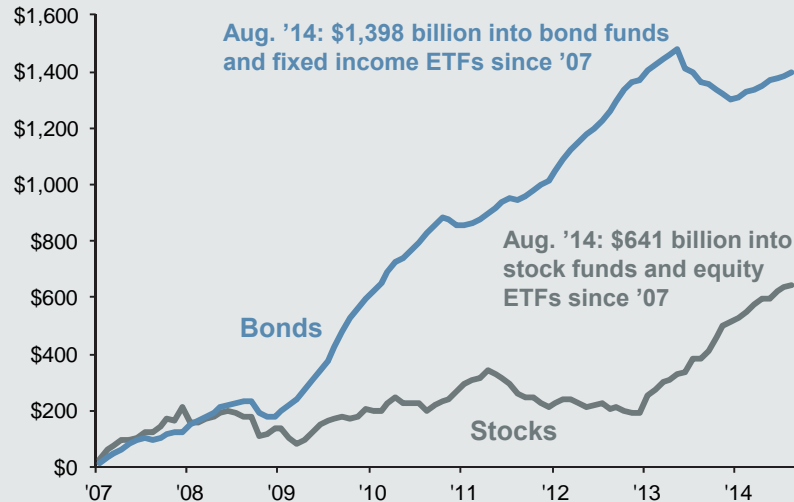
Data are as of 9/30/14.

Mutual Fund Flows

Billions, USD	AUM	YTD 2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Domestic Equity</b>	6,175	(20)	18	(159)	(133)	(81)	(28)	(149)	(69)	(3)	17	100	120	(25)	57	258	176
<b>World Equity</b>	2,214	72	142	6	4	57	26	(80)	142	151	107	72	24	(4)	(23)	58	11
<b>Taxable Bond</b>	2,939	50	(21)	252	127	219	301	22	100	45	21	0	39	125	76	(36)	8
<b>Tax-exempt Bond</b>	545	15	(58)	50	(12)	11	70	8	11	15	5	(15)	(7)	17	12	(14)	(12)
<b>Hybrid</b>	1,382	31	73	47	40	35	20	(26)	40	20	43	53	39	8	7	(37)	(14)
<b>Money Market</b>	2,582	(137)	15	(0)	(124)	(525)	(539)	637	654	245	62	(157)	(263)	(46)	375	159	194

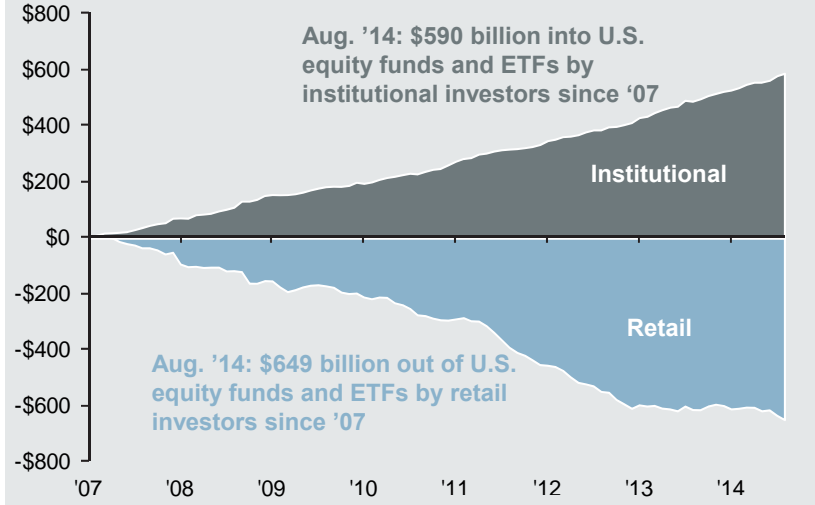
Cumulative Flows Into Stock & Bond Funds

Billions, USD, includes both mutual funds and ETFs



Cumulative Flows Into U.S. Equity Funds

Billions, USD, includes both mutual funds and ETFs



Source: Investment Company Institute, J.P. Morgan Asset Management.

Data include flows through August 2014 and exclude ETFs except for the bottom left chart. ICI data are subject to periodic revisions. World equity flows are inclusive of emerging market, global equity and regional equity flows. Hybrid flows include asset allocation, balanced fund, flexible portfolio and mixed income flows.

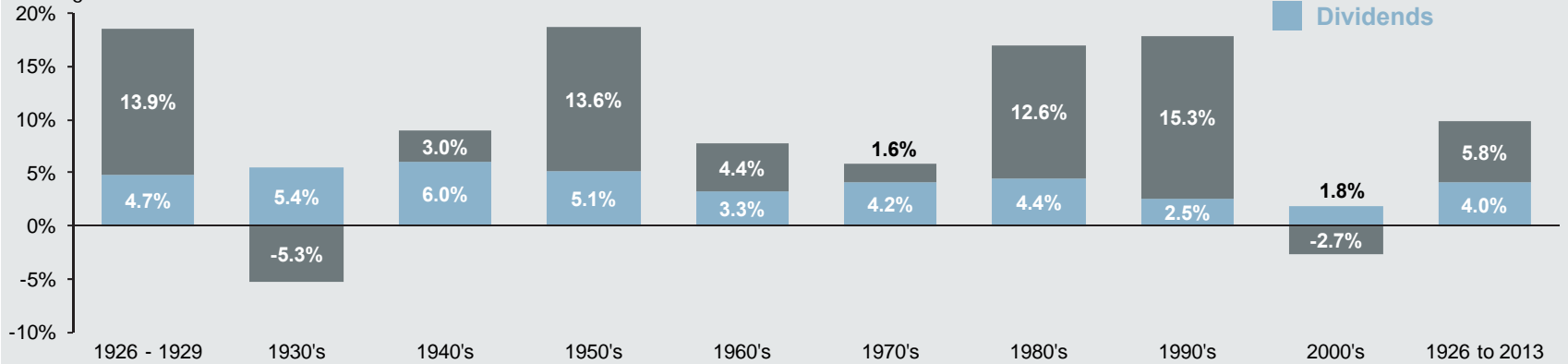
Guide to the Markets – U.S.

Data are as of 9/30/14.

# Yield Alternatives: Domestic and Global

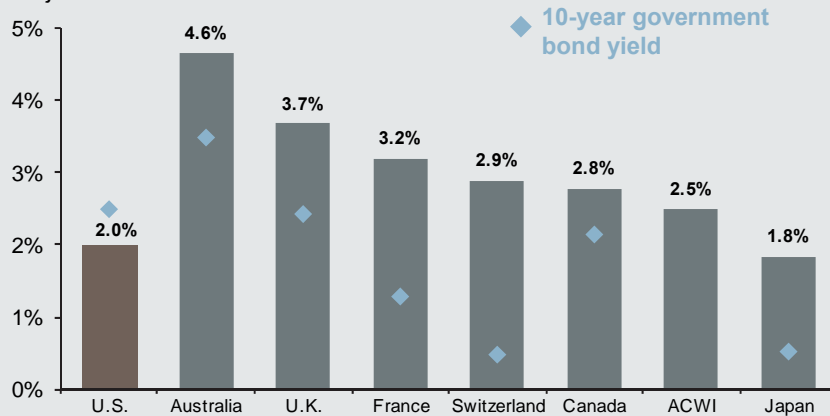
## S&P 500 Total Return: Dividends vs. Capital Appreciation

Average annualized returns



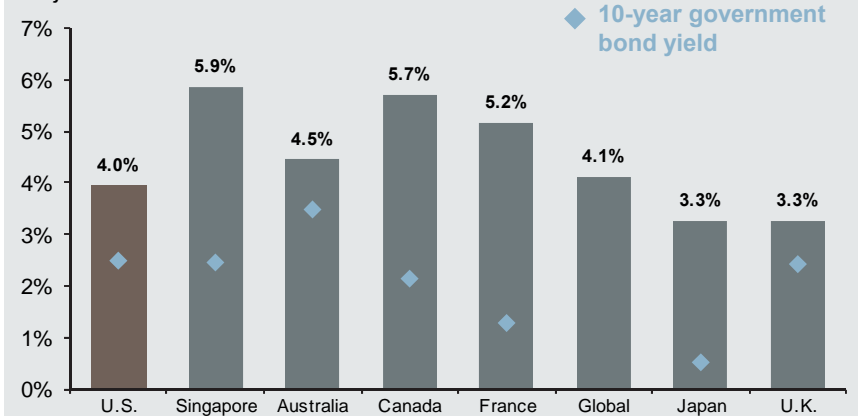
## Equity Dividend Yields

Major world markets, annualized



## REIT Yields

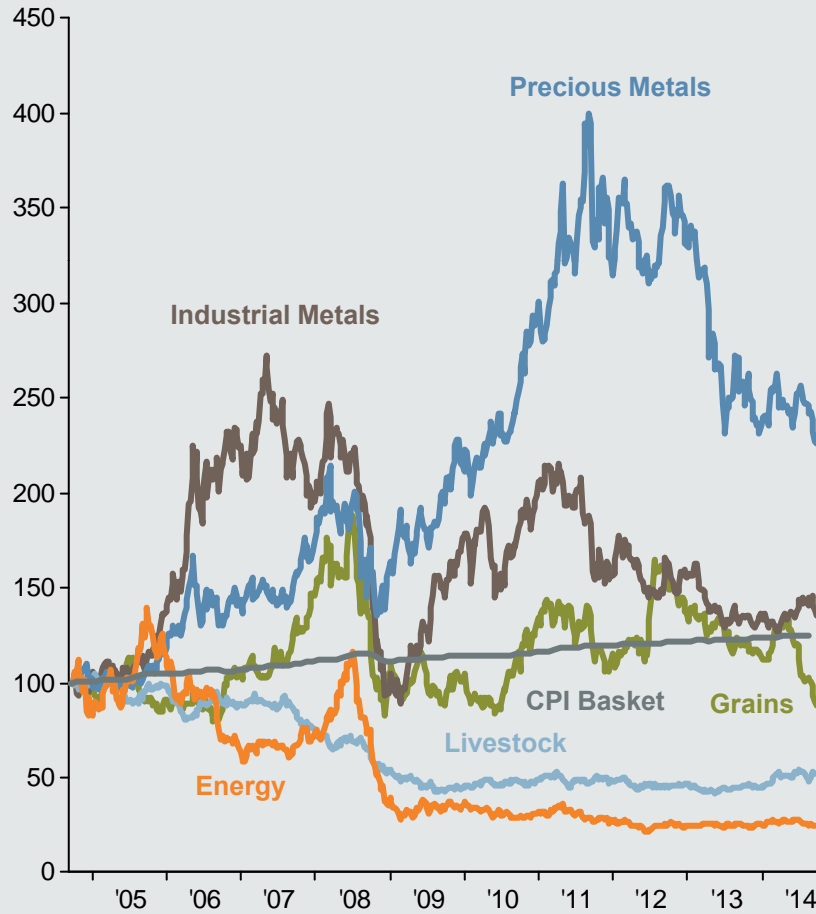
Major world markets, annualized



Source: (Top chart) Standard & Poor's, Ibbotson, J.P. Morgan Asset Management. (Bottom right) FactSet, NAREIT, J.P. Morgan Asset Management. Dividend vs. capital appreciation returns are through 12/31/13. Yields shown are that of the appropriate FTSE NAREIT REIT index, which excludes property development companies. (Bottom left) FactSet, MSCI, J.P. Morgan Asset Management. Yields shown are that of the appropriate MSCI index. Guide to the Markets – U.S.

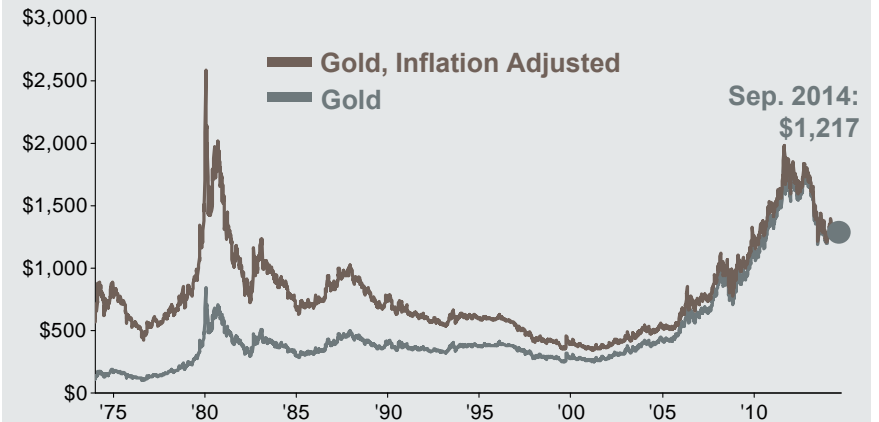
**Commodity Prices**

Weekly index prices rebased to 100



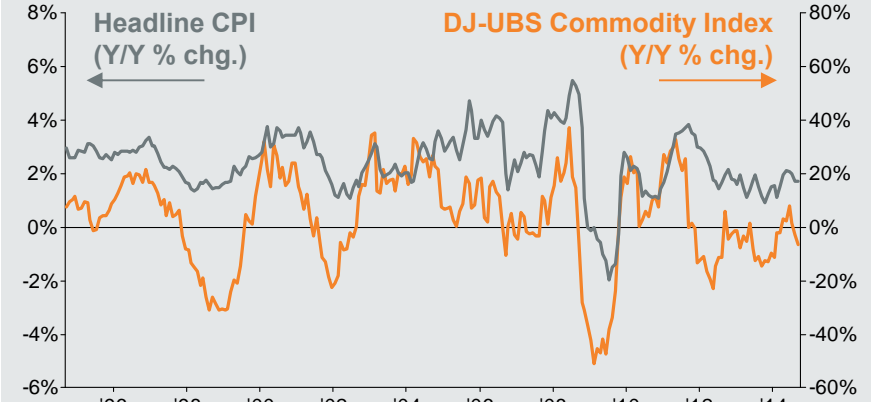
**Gold Prices**

\$ / oz



**Commodity Prices and Inflation**

Year-over-year % chg.



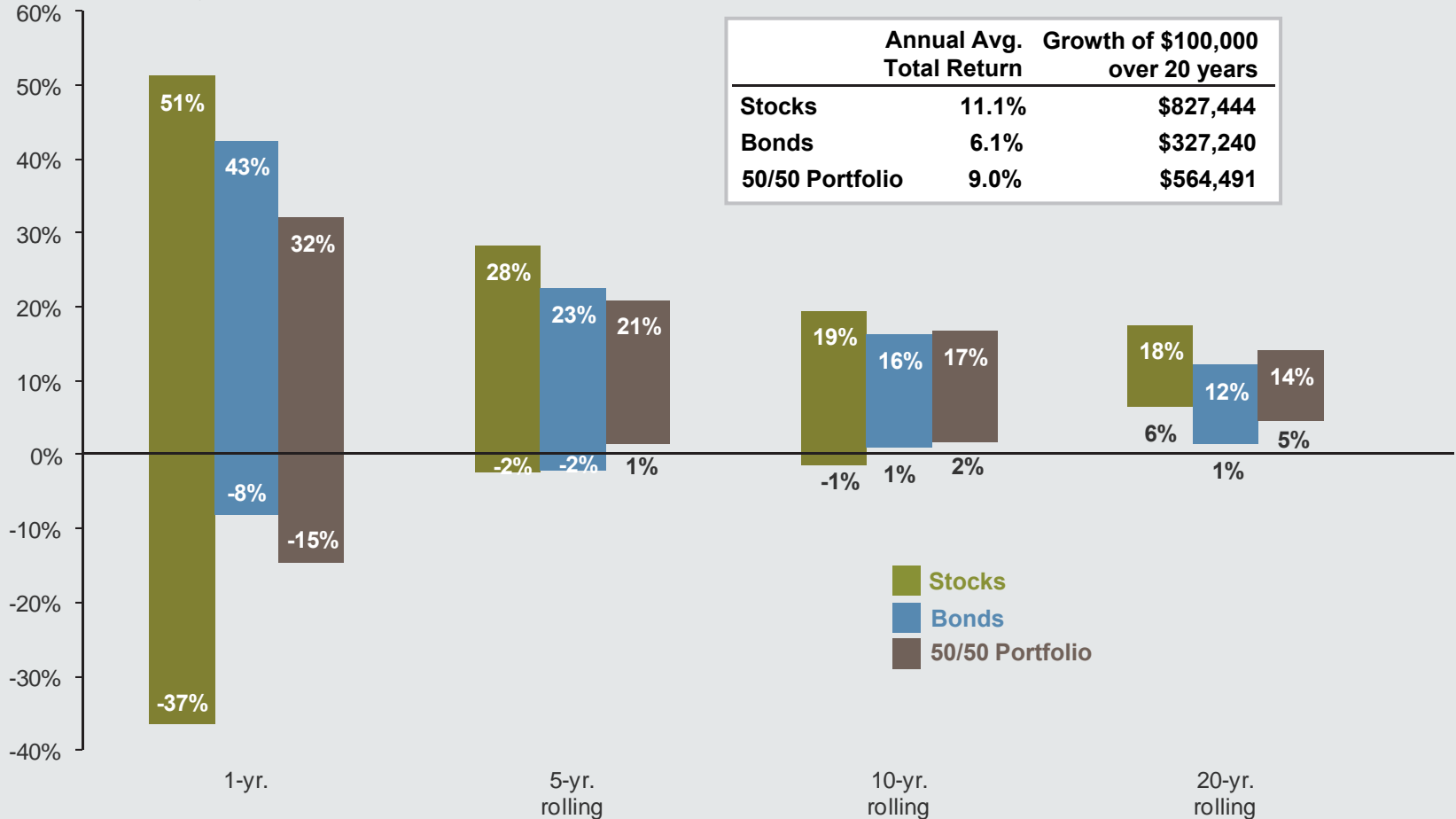
Source: Dow Jones/UBS, EcoWin, BLS, U.S. Department of Energy, FactSet, J.P. Morgan Asset Management. CPI adjusted gold values are calculated using monthly averages of gold spot prices divided by the CPI value for that month. CPI is rebased to 100 at the end of the chart. Returns based on nominal prices. Commodity prices represented by the appropriate Bloomberg Commodity sub-index. Guide to the Markets – U.S.

Data are as of 9/30/14.

# Historical Returns by Holding Period

## Range of Stock, Bond and Blended Total Returns

Annual total returns, 1950 – 2013



	Annual Avg. Total Return	Growth of \$100,000 over 20 years
<b>Stocks</b>	11.1%	\$827,444
<b>Bonds</b>	6.1%	\$327,240
<b>50/50 Portfolio</b>	9.0%	\$564,491

Sources: Barclays Capital, FactSet, Robert Shiller, Strategas/Ibbotson, Federal Reserve, J.P. Morgan Asset Management.

Returns shown are based on calendar year returns from 1950 to 2013. Growth of \$100,000 is based on annual average total returns from 1950-2013. Guide to the Markets – U.S.

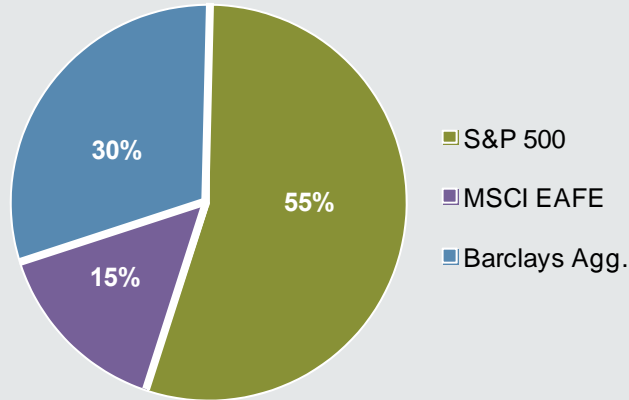
Data are as of 9/30/14.



# Diversification and the Average Investor

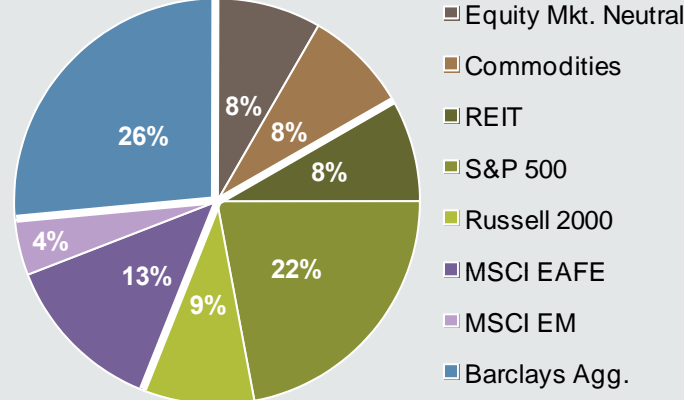
## Maximizing the Power of Diversification (1994 – 2013)

Traditional Portfolio



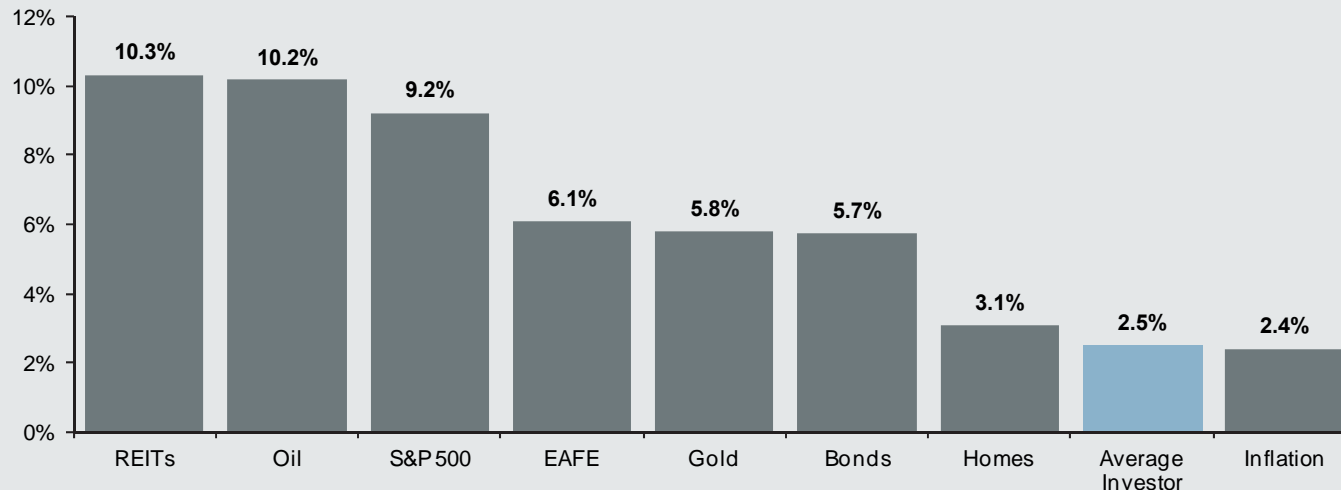
**Return: 8.02%**  
**Standard Deviation: 10.64%**

More Diversified Portfolio



**Return: 7.95%**  
**Standard Deviation: 9.71%**

## 20-year Annualized Returns by Asset Class (1994 – 2013)



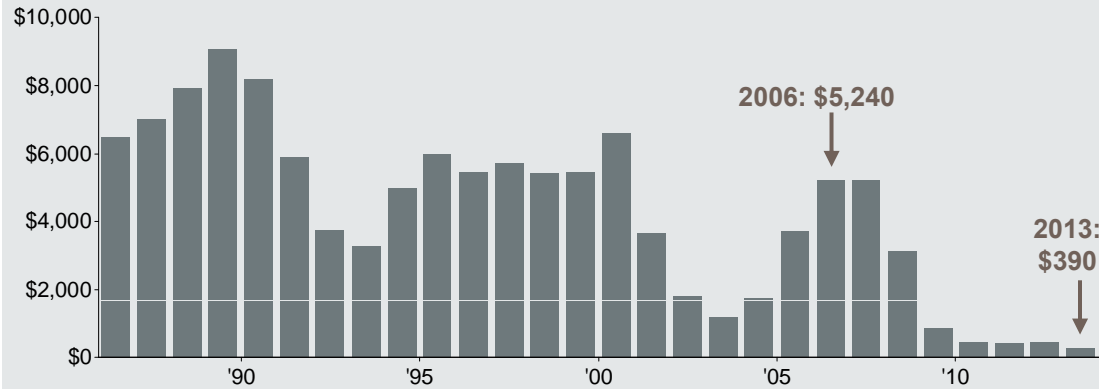
Source: Morningstar Direct, Dalbar Inc., J.P. Morgan Asset Management. (Top) Indexes and weights of the traditional portfolio are as follows: U.S. Stocks: 55% S&P 500; U.S. Bonds: 30% Barclays Capital Aggregate; International Stocks: 15% MSCI EAFE. Portfolio with 25% in alternatives is as follows: U.S. Stocks: 22.2% S&P 500, 8.8% Russell 2000; International Stocks: 4.4% MSCI EM, 13.2% MSCI EAFE; U.S. Bonds: 26.5% Barclays Capital Aggregate; Alternatives: 8.3% CS/Tremont Equity Market Neutral: 8.3%, DJ/UBS Commodities: 8.3% NAREIT Equity REIT Index. Return and standard deviation calculated using Morningstar Direct.

Charts are shown for illustrative purposes only. Past performance is not indicative of future returns.

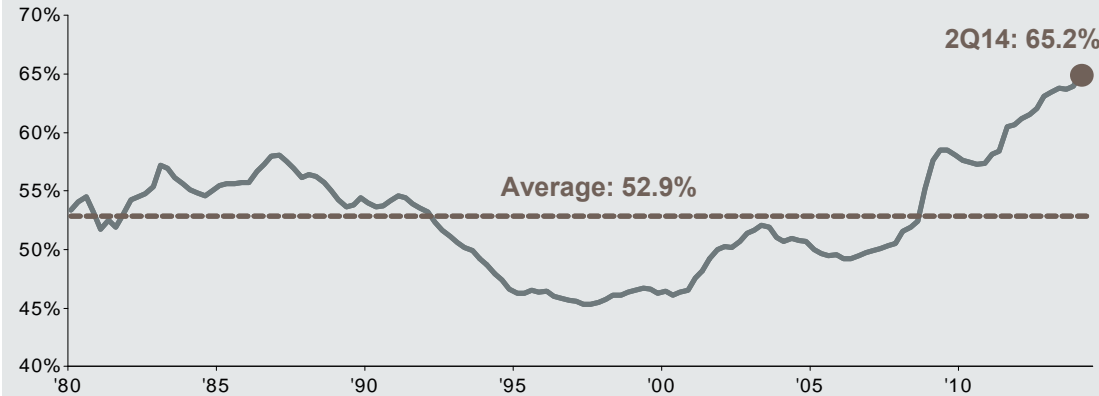
Diversification does not guarantee investment returns and does not eliminate risk of loss. (Bottom) Indexes used are as follows: REITs: NAREIT Equity REIT Index, EAFE: MSCI EAFE, Oil: WTI Index, Bonds: Barclays Capital U.S. Aggregate Index, Homes: median sale price of existing single-family homes, Gold: USD/troy oz, Inflation: CPI. Average asset allocation investor return is based on an analysis by Dalbar Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Returns are annualized (and total return where applicable) and represent the 20-year period ending 12/31/13 to match Dalbar's most recent analysis. Guide to the Markets – U.S. Data are as of 9/30/14.

# Cash Accounts

**Annual Income Generated by \$100,000 Investment in a 6-month CD**



**M2 Money Supply as a % of Nominal GDP**



Money Supply Component	\$ Billions	Weight in Money Supply
<b>M2-M1</b>	<b>8,640</b>	<b>78.4%</b>
Retail MMMFs	637	5.8%
Savings deposits	7,476	67.8%
Small time deposits	527	4.8%
<b>Institutional MMMFs</b>	<b>1,741</b>	<b>15.8%</b>
<b>Cash in IRA &amp; Keogh accounts</b>	<b>646</b>	<b>5.9%</b>
<b>Total</b>	<b>11,027</b>	<b>100.0%</b>

Source: Federal Reserve, St. Louis Fed, Bankrate.com, J.P. Morgan Asset Management.

All cash measures obtained from the Federal Reserve are seasonally adjusted monthly numbers. All numbers are in billions of U.S. dollars.

Small-denomination time deposits are those issued in amounts of less than \$100,000. All IRA and Keogh account balances at commercial banks and thrift institutions are subtracted from small time deposits. Annual income is for illustrative purposes and is calculated based on the 6-month CD yield on average during each year and \$100,000 invested. IRA and Keogh account balances at money market mutual funds are subtracted from retail money funds.

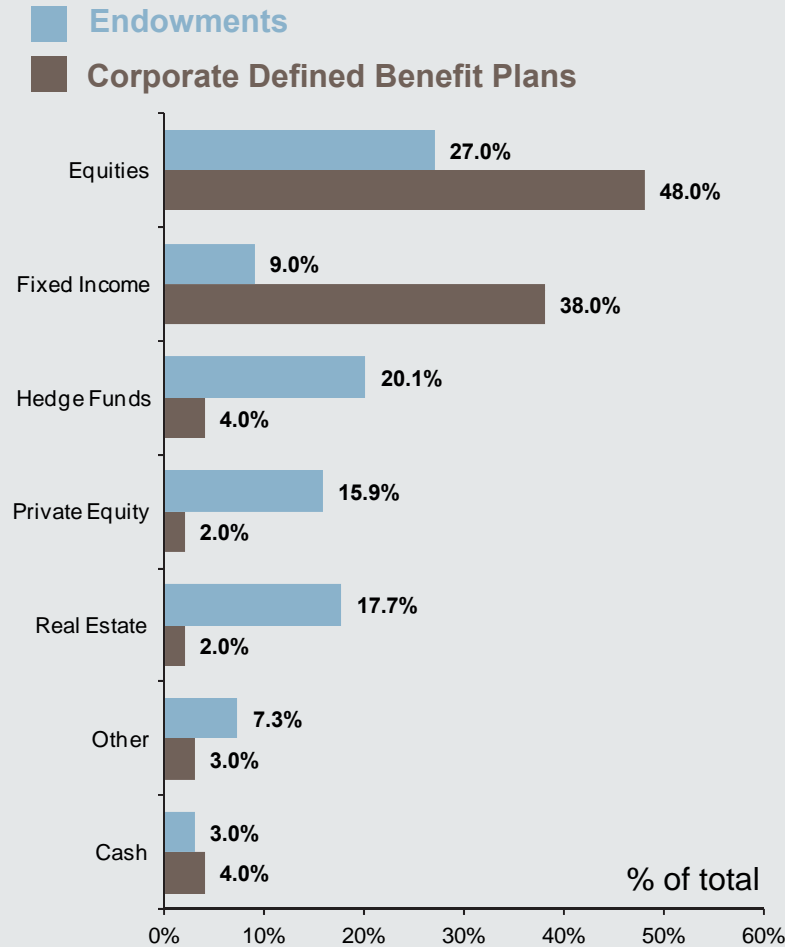
Past performance is not indicative of comparable future results.

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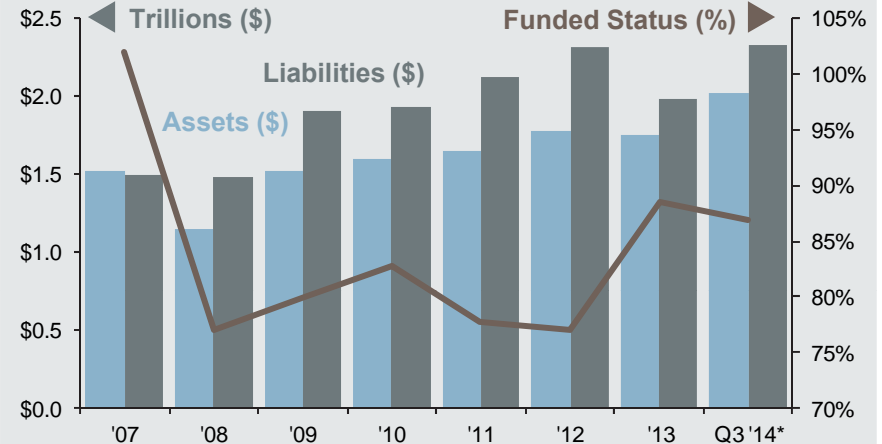
Data are as of 9/30/14.

# Corporate DB Plans and Endowments

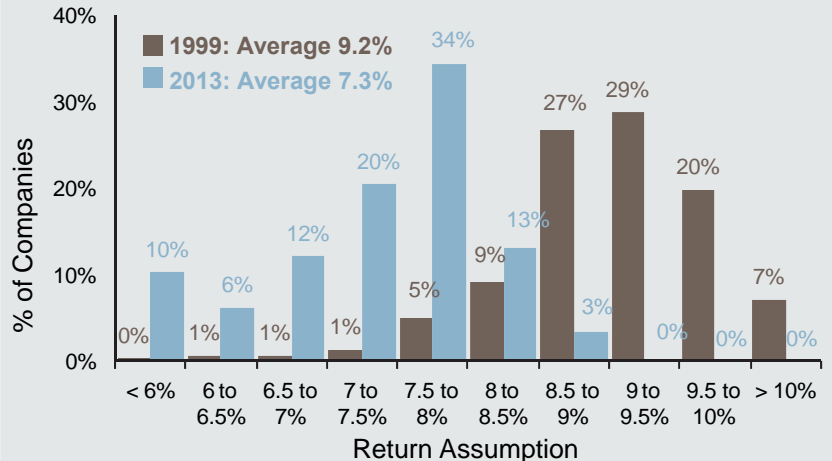
**Asset Allocation: Corporate DB Plans vs. Endowments**



**Defined Benefit Plans: Russell 3000 Companies**



**Pension Return Assumptions: S&P 500 companies**



Source: NACUBO (National Association of College and University Business Officers), Towers Watson, Compustat/FactSet, J.P. Morgan Asset Management. Asset allocation as of 2012. \*Funded status for 3Q14 estimated using market returns. Endowments represents dollar-weighted average data of 842 colleges and universities. Pension Return Assumptions based on all available and reported data from S&P 500 Index companies. Pension Assets, Liabilities and Funded Status based on Russell 3000 companies reporting pension data. Return assumption bands are inclusive of upper range. All information is shown for illustrative purposes only. Guide to the Markets – U.S. Data are as of 9/30/14.

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

The **S&P 500 Index** is widely regarded as the best single gauge of the U.S. equities market. This world-renowned index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the S&P 500 Index focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market. An investor cannot invest directly in an index.

The **S&P 400 Mid Cap Index** is representative of 400 stocks in the mid-range sector of the domestic stock market, representing all major industries.

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

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

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

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

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

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

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

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

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

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

The **Russell Top 200 Index**® measures the performance of the largest cap segment of the U.S. equity universe. It includes approximately 200 of the largest securities based on a combination of their market cap and current index membership and represents approximately 68% of the U.S. market.

The **MSCI® EAFE (Europe, Australia, Far East) Net Index** is recognized as the pre-eminent benchmark in the United States to measure international equity performance. It comprises 21 MSCI country indexes, representing the developed markets outside of North America.

The **MSCI Emerging Markets Index**SM is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2007, the MSCI Emerging Markets Index consisted of the following 25 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

The **MSCI ACWI (All Country World Index) Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. As of June 2009 the MSCI ACWI consisted of 45 country indices comprising 23 developed and 22 emerging market country indices.

The **MSCI Small Cap Indices**SM target 40% of the eligible Small Cap universe within each industry group, within each country. MSCI defines the Small Cap universe as all listed securities that have a market capitalization in the range of USD200-1,500 million.

The **MSCI Value and Growth Indices**SM cover the full range of developed, emerging and All Country MSCI Equity indexes. As of the close of May 30, 2003, MSCI implemented an enhanced methodology for the MSCI Global Value and Growth Indices, adopting a two dimensional framework for style segmentation in which value and growth securities are categorized using different attributes - three for value and five for growth including forward-looking variables. The objective of the index design is to divide constituents of an underlying MSCI Standard Country Index into a value index and a growth index, each targeting 50% of the free-float adjusted market capitalization of the underlying country index. Country Value/Growth indices are then aggregated into regional Value/Growth indices. Prior to May 30, 2003, the indices used Price/Book Value (P/BV) ratios to divide the standard MSCI country indices into value and growth indices. All securities were classified as either "value" securities (low P/BV securities) or "growth" securities (high P/BV securities), relative to each MSCI country index.

The following **MSCI Total Return Indices**SM are calculated with gross dividends:

This series approximates the maximum possible dividend reinvestment. The amount reinvested is the dividend distributed to individuals resident in the country of the company, but does not include tax credits.

The **MSCI Europe Index**SM is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe. As of June 2007, the MSCI Europe Index consisted of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

The **MSCI Pacific Index**SM is a free float-adjusted market capitalization index that is designed to measure equity market performance in the Pacific region. As of June 2007, the MSCI Pacific Index consisted of the following 5 Developed Market countries: Australia, Hong Kong, Japan, New Zealand, and Singapore.

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

The **NCREIF Property Index** is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. All properties in the NPI have been acquired, at least in part, on behalf of tax-exempt institutional investors - the great majority being pension funds. As such, all properties are held in a fiduciary environment.

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

The **Dow Jones Industrial Average** measures the stock performance of 30 leading blue-chip U.S. companies.

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

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

The **S&P GSCI Index** is a composite index of commodity sector returns representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities. The returns are calculated on a fully collateralized basis with full reinvestment. Individual components qualify for inclusion in the index on the basis of liquidity and are weighted by their respective world production quantities.

The **Barclays Capital U.S. Aggregate Index** represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indexes that are calculated and reported on a regular basis.

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

**West Texas Intermediate (WTI)** is the underlying commodity for the New York Mercantile Exchange's oil futures contracts.

The **Barclays Capital High Yield Index** covers the universe of fixed rate, non-investment grade debt. Pay-in-kind (PIK) bonds, Eurobonds, and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, and 144-As are also included.

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

The **Barclays Capital General Obligation Bond Index** is a component of the **Barclays Capital Municipal Bond Index**. To be included in the index, bonds must be general obligation bonds rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date. Remarketed issues, taxable municipal bonds, bonds with floating rates, and derivatives, are excluded from the benchmark.

The **Barclays Capital Revenue Bond Index** is a component of the **Barclays Capital Municipal Bond Index**. To be included in the index, bonds must be revenue bonds rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date. Remarketed issues, taxable municipal bonds, bonds with floating rates, and derivatives, are excluded from the benchmark.

The **Barclays High Yield Municipal Index** includes bonds rated Ba1 or lower or non-rated bonds using the middle rating of Moody's, S&P and Fitch.

The **Barclays Capital Taxable Municipal Bond Index** is a rules-based, market-value weighted index engineered for the long-term taxable bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies if all three rate the bond: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate and must be at least one year from their maturity date. Remarketed issues (unless converted to fixed rate), bonds with floating rates, and derivatives, are excluded from the benchmark.

**Municipal Bond Index:** To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date. Remarketed issues, taxable municipal bonds, bonds with floating rates, and derivatives are excluded from the benchmark.

The **Barclays Capital Emerging Markets Index** includes USD-denominated debt from emerging markets in the following regions: Americas, Europe, Middle East, Africa, and Asia. As with other fixed income benchmarks provided by Barclays Capital, the index is rules-based, which allows for an unbiased view of the marketplace and easy replicability.

The **Barclays Capital MBS Index** covers the mortgage-backed pass-through securities of Ginnie Mae, Fannie Mae, and Freddie Mac. Aggregate components must have a weighted average maturity of at least one year, must have \$250 million par amount outstanding, and must be fixed rate mortgages.

The **Barclays Capital Corporate Bond Index** is the Corporate component of the U.S. Credit index.

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

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

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

The **CS/Tremont Equity Market Neutral Index** takes both long and short positions in stocks with the aim of minimizing exposure to the systematic risk of the market (i.e., a beta of zero).

The **CS/Tremont Multi-Strategy Index** consists of funds that allocate capital based on perceived opportunities among several hedge fund strategies. Strategies adopted in a multi-strategy fund may include, but are not limited to, convertible bond arbitrage, equity long/short, statistical arbitrage and merger arbitrage.

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

\*Market Neutral returns for November 2008 are estimates by J.P. Morgan Funds Market Strategy, and are based on a December 8, 2008 published estimate for November returns by CS/Tremont in which the Market Neutral returns were estimated to be +0.85% (with 69% of all CS/Tremont constituents having reported return data). Presumed to be excluded from the November return are three funds, which were later marked to \$0 by CS/Tremont in connection with the Bernard Madoff scandal. J.P. Morgan Funds believes this distortion is not an accurate representation of returns in the category. CS/Tremont later published a finalized November return of -40.56% for the month, reflecting this mark-down. CS/Tremont assumes no responsibility for these estimates.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The **Cambridge Associates LLC U.S. Private Equity Index®** is an end-to-end calculation based on data compiled from 1,052 U.S. private equity funds (buyout, growth equity, private equity energy and mezzanine funds), including fully liquidated partnerships, formed between 1986 and 2013.

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

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Unless otherwise stated, all data are as of September 30, 2014 or most recently available.

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