

MARKET
INSIGHTS

4Q | 2010

As of September 30, 2010

Guide to the Markets

J.P. Morgan

J.P.Morgan
Asset Management

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U.S. Market Strategy Team

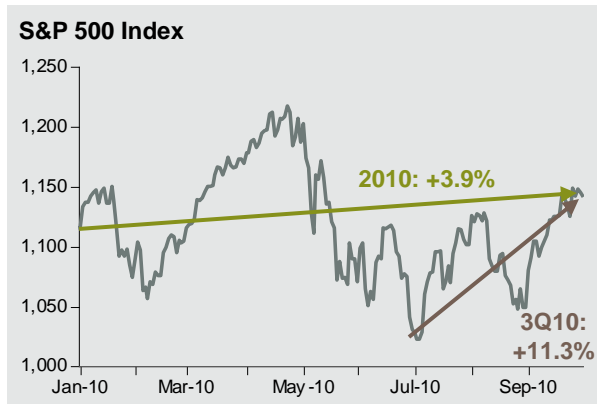
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Past performance is no guarantee of comparable future results.

Returns by Style

Charts reflect index levels (price change only). All returns and annotations reflect total return, including dividends.



3Q 2010

	Value	Blend	Growth
Large	10.1%	11.3%	13.0%
Mid	12.1%	13.3%	14.6%
Small	9.7%	11.3%	12.8%

YTD 2010

	Value	Blend	Growth
Large	4.5%	3.9%	4.4%
Mid	11.1%	11.0%	10.9%
Small	7.9%	9.1%	10.2%

Since Market Peak (October 2007)

	Value	Blend	Growth
Large	-27.5%	-22.0%	-14.8%
Mid	-16.1%	-14.6%	-14.0%
Small	-17.9%	-16.5%	-15.5%

Since Market Low (March 2009)

	Value	Blend	Growth
Large	80.8%	74.3%	73.7%
Mid	114.1%	106.0%	98.7%
Small	103.0%	101.3%	99.5%

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 – 9/30/10, illustrating market returns since the most recent S&P 500 Index high on 10/9/07. Since Market Low represents period 3/9/09 – 9/30/10, 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.

Data are as of 9/30/10.

Returns by Sector

Equities

	Financials	Technology	Health Care	Industrials	Energy	Cons. Discr.	Cons. Staples	Telecom	Utilities	Materials	S&P 500 Index	
S&P Weight	15.6%	18.8%	11.6%	10.8%	10.9%	10.4%	11.3%	3.2%	3.6%	3.6%	100.0%	Weight
Russell Growth Weight	4.6%	31.4%	10.1%	13.1%	10.0%	14.7%	10.1%	0.9%	0.1%	5.0%	100.0%	
Russell Value Weight	27.2%	5.5%	13.4%	8.9%	11.3%	7.5%	10.4%	5.3%	7.4%	3.1%	100.0%	
3Q 2010	4.3	11.8	8.9	14.3	12.9	15.2	10.6	21.0	12.3	17.8	11.3	Return
YTD 2010	0.5	0.0	-0.7	13.3	-0.8	13.3	7.5	10.8	4.3	2.7	3.9	
Since Market Peak (October 2007)	-56.8	-10.7	-10.4	-23.1	-23.8	-7.2	8.3	-21.0	-14.2	-19.5	-22.0	
Since Market Low (March 2009)	135.6	87.1	44.4	111.5	39.5	114.9	51.9	51.0	50.2	91.7	74.3	
Forward P/E Ratio	10.7x	12.7x	10.9x	14.0x	11.0x	13.9x	13.8x	15.2x	12.3x	13.6x	12.3x	P/E
15-yr avg.	13.0x	24.3x	19.7x	17.3x	15.5x	18.7x	19.3x	17.3x	13.4x	16.3x	17.2x	
Trailing P/E Ratio	13.1x	16.2x	12.9x	18.2x	13.5x	16.1x	16.0x	20.1x	11.7x	17.4x	15.0x	
20-yr avg.	15.9x	27.3x	24.7x	20.5x	18.6x	20.1x	21.5x	18.5x	14.1x	19.5x	19.8x	
Dividend Yield	1.0%	1.0%	2.4%	2.4%	2.4%	1.7%	3.2%	5.8%	4.5%	2.1%	2.0%	Div
20-yr avg.	2.2%	0.7%	1.4%	1.8%	2.2%	1.1%	2.0%	3.7%	4.7%	2.5%	1.8%	

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

All calculations are cumulative total return, including dividends for the stated period. Since Market Peak represents period 10/9/07 – 9/30/10, illustrating market returns since the S&P 500 Index high on 10/9/07. Since Market Low represents period 3/9/09 – 9/30/10, illustrating market returns since the S&P 500 Index low on 3/9/09. Returns are cumulative, not annualized.

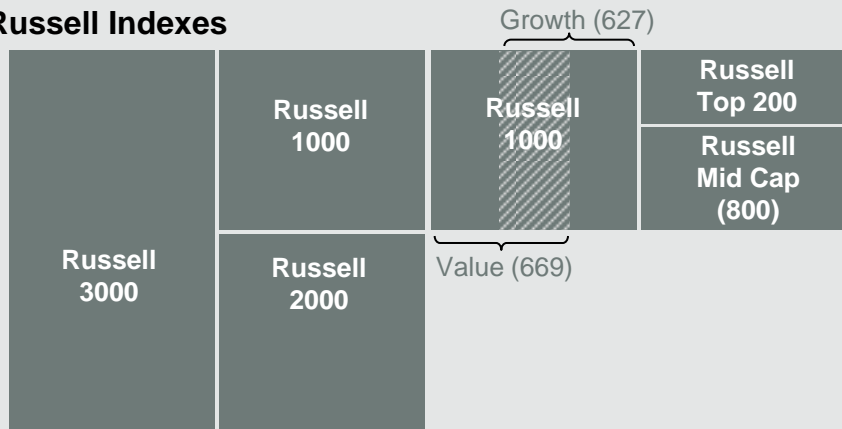
Forward Price to Earnings Ratio is a bottom-up calculation based on the most recent S&P 500 Index price, divided by consensus estimates for earnings in the next twelve months (NTM), and is provided by FactSet Market Aggregates. Trailing P/E ratios are bottom-up values defined as month-end price divided by the last twelve months' of available reported earnings. There is an inherent lag in the reporting of these data by companies to S&P. Historical data can change as new information becomes available. All P/E ratios exclude negatives. 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.

For all time periods, total return is based on S&P sectors and provided by FactSet. Russell weights are based on each sector's respective representation in the Russell 1000 Growth Index and the Russell 1000 Value Index.

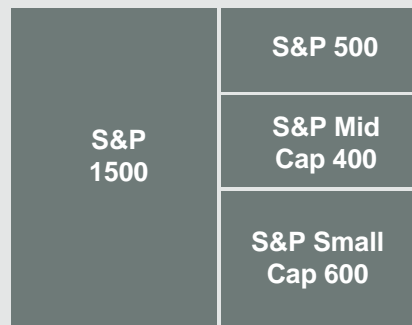
Past performance is not indicative of future returns. Technology is a rapidly changing field and stocks of these companies, especially of smaller or unseasoned companies, may be more volatile than the stock market in general. Data are as of 9/30/10.

U.S. Equity Indexes

Russell Indexes



S&P Indexes



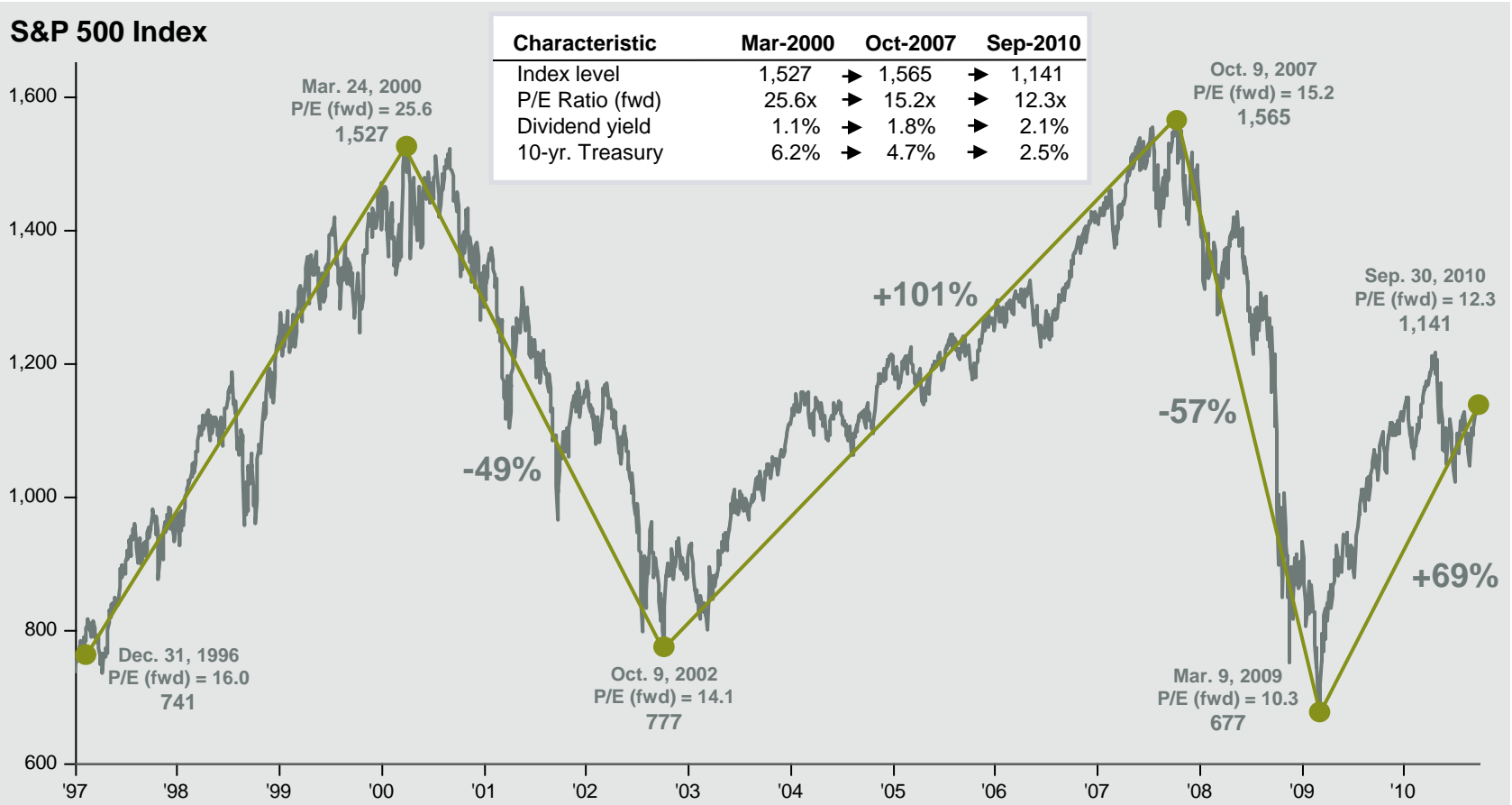
Dow Jones

Industrials (30)

	Index	Market Cap		Weight		Size (Lipper*)			Valuation	
		Wtd Avg	Total	Top 10	Bottom 100	Large	Mid	Small	Div Yld	Fwd P/E
Large	S&P 500	81.3 bn	10382 bn	18.7%	3.1%	87.4%	11.6%	1.0%	2.0%	12.3x
	Russell 1000	71.7	11,797	16.4	0.9	77.7	16.2	6.1	2.1	13.3
	Dow Jones	118.0	3,446	54.6	45.4	100.0	0.0	0.0	2.6	12.5
	Russell 1000 Value	67.2	5,878	24.7	0.9	76.6	15.8	7.5	2.5	12.3
	Russell 1000 Growth	76.2	5,920	25.0	0.6	78.7	16.6	4.7	1.7	14.4
Mid	S&P Mid Cap 400	3.3	1,001	7.1	10.6	0.0	42.5	57.1	1.4	15.7
	Russell Mid Cap	7.0	3,521	4.3	3.1	25.1	54.4	20.4	1.7	15.0
Sm	Russell 2000	1.1	1,020	2.4	0.5	0.0	0.3	99.7	1.3	19.0
All	Russell 3000	65.7	12,878	15.1	0.0	71.4	15.0	13.6	2.0	13.6

Market Cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's pricing database as provided by Standard & Poor's and Russell Investment Group, respectively. Dividend Yield is calculated based on the trailing 12 months dividends and is provided by FactSet's pricing database for S&P and Dow Indexes and Russell for the Russell Indexes. Forward P/E is a bottom-up calculation based on the most recent S&P 500 price, divided by consensus estimates for earnings in the next twelve months (NTM), and is provided by FactSet Market Aggregates. Top 10 represents summed benchmark weight of ten largest stocks in respective index. Bottom 100 represents summed benchmark weight of 100 smallest stocks in respective index. *Lipper mutual fund size parameters are used for illustrative purposes only and are hypothetical distributions based on Lipper mutual fund categories. As of August 2010, Lipper defines large as market cap over \$9.1 billion, small as less than \$3.2 billion, and mid as all values in between. The number of holdings as of 9/30/10 is – Russell 1000: 982; Russell Mid Cap: 789; Russell 2000: 1,973; Russell 3000: 2,955. Data are as of 9/30/10.

S&P 500 Index at Inflection Points



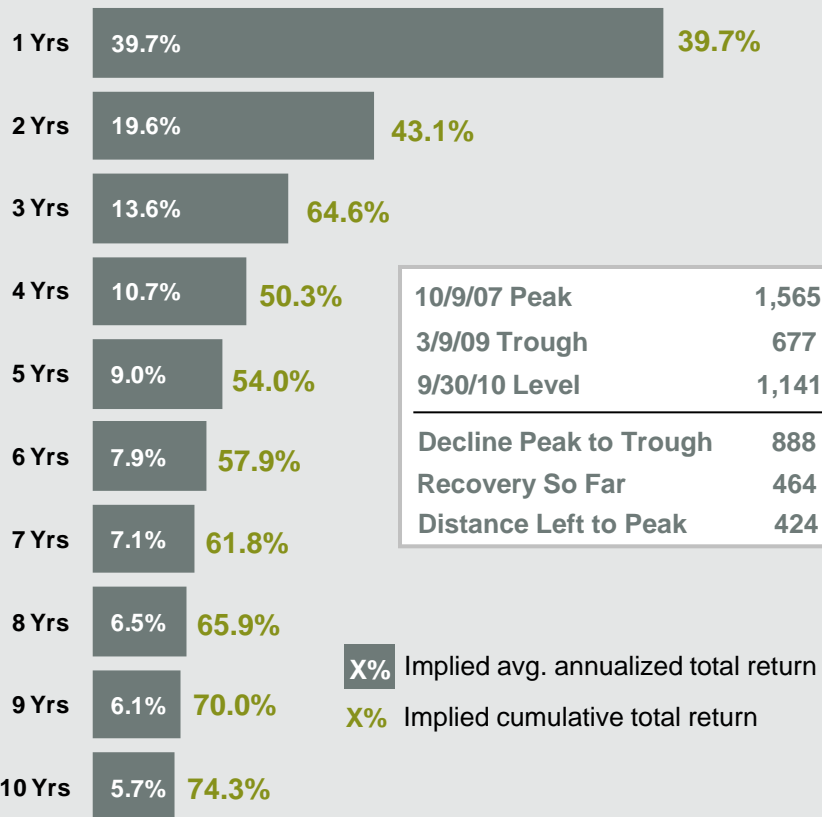
Source: Standard & Poor's, First Call, Compustat, FactSet, J.P. Morgan Asset Management.

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 twelve 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 results. Data are as of 9/30/10.

Equity Scenarios: Bull, Bear and In-between

S&P 500 Index: Return Needed to Reach 2007 Peak

Analysis as of Sep. 30, 2010. Index has risen 68.7% since low of 677.



Bear Market Cycles vs. Subsequent Bull Runs

Market Peak	Market Low	Bear Market Return	Length of Decline	Bull Run	Length of Run	Yrs to Reach Old Peak
5/29/46	5/19/47	-28.6%	12	257.6%	122	3.1 yrs
7/15/57	10/22/57	-20.7%	3	86.4%	50	0.9 yrs
12/12/61	6/26/62	-28.0%	6	79.8%	44	1.2 yrs
2/9/66	10/7/66	-22.2%	8	48.0%	26	0.6 yrs
11/29/68	5/26/70	-36.1%	18	74.2%	31	1.8 yrs
1/5/73	10/3/74	-48.4%	21	125.6%	74	5.8 yrs
11/28/80	8/12/82	-27.1%	20	228.8%	60	0.2 yrs
8/25/87	12/4/87	-33.5%	3	582.1%	148	1.6 yrs
3/24/00	10/9/02	-49.1%	31	101.5%	60	4.6 yrs
10/9/07	3/9/09	-56.8%	17	68.7%*	-	-
Average:		-35.0%	14 mo's	176.0%	68 mo's	2.2 yrs

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

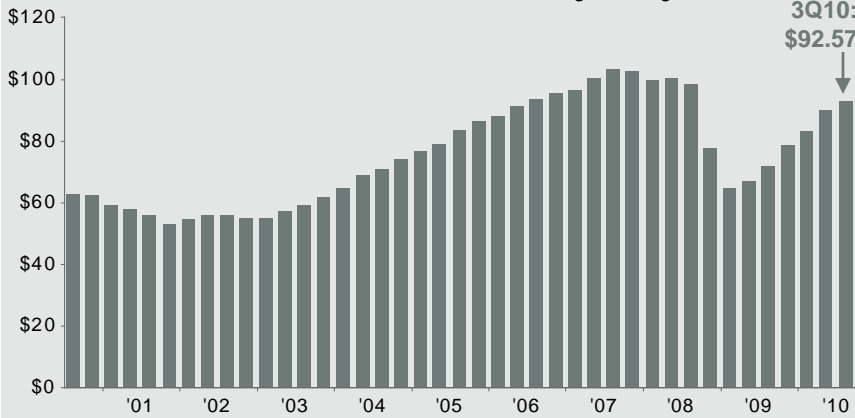
(Left) Data assume 2.5% annualized dividend yield. Implied values reflect the average geometric total returns required for the S&P 500 to reach its 10/9/07 peak of 1,565 over each stated time period. Chart is for illustrative purposes only. Past performance does not guarantee future results.

(Right) A bear market is defined as a peak-to-trough decline in the S&P 500 Index (price only) of 20% or more. The bull run data reflect the market expansion from the bear market low to the subsequent market peak. All returns are S&P 500 Index returns, and do not include dividends. *Current bull run from 3/9/09 through 9/30/10.

S&P 500 Earnings and P/E Ratio

S&P 500 Operating Earnings Estimates

Consensus estimates of the next twelve months rolling earnings



S&P 500 Index: Forward P/E Ratio

Average +/- one standard deviation



S&P 500 Index Levels

Index levels implied by operating earnings and P/E ratio combinations

	\$60	\$70	\$80	\$90	\$100	\$110
11x	660	770	880	990	1100	1210
12x	720	840	960	1080	1200	1320
13x	780	910	1040	1170	1300	1430
14x	840	980	1120	1260	1400	1540
15x	900	1050	1200	1350	1500	1650
16x	960	1120	1280	1440	1600	1760
17x	1020	1190	1360	1530	1700	1870
18x	1080	1260	1440	1620	1800	1980
19x	1140	1330	1520	1710	1900	2090

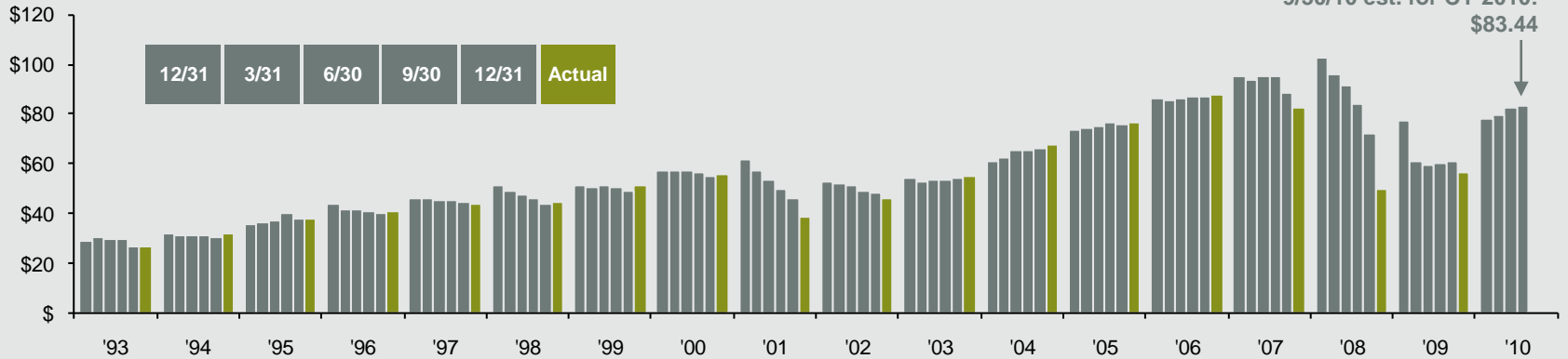
Source: Standard and Poor's, Compustat, FactSet, J.P. Morgan Asset Management.

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 twelve months (NTM), from 7/31/92 through 9/30/10, and is compiled and provided by FactSet Market Aggregates. Table shows the S&P 500 Index level implied by a given level of earnings and P/E ratio. Data are as of 9/30/10.

Earnings Estimates and Valuation Drivers

Consensus EPS Estimates for the S&P 500

Analyst consensus estimates of calendar years



Multiple Expansion and Contraction

Forward P/E based on consensus EPS estimates

Correlation Coefficient: 0.72



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

(Top) Earnings estimates are for calendar years and taken at quarter end dates throughout the year. Data are as of 9/30/10. Actual reported are annual operating earnings reported by Standard and Poor's.

(Bottom) Forward Price to Earnings is price divided by consensus analyst estimates of earnings per share for the next twelve months.

Stock Valuation Measures: S&P 500 Index

S&P 500 Index: Valuation Measures

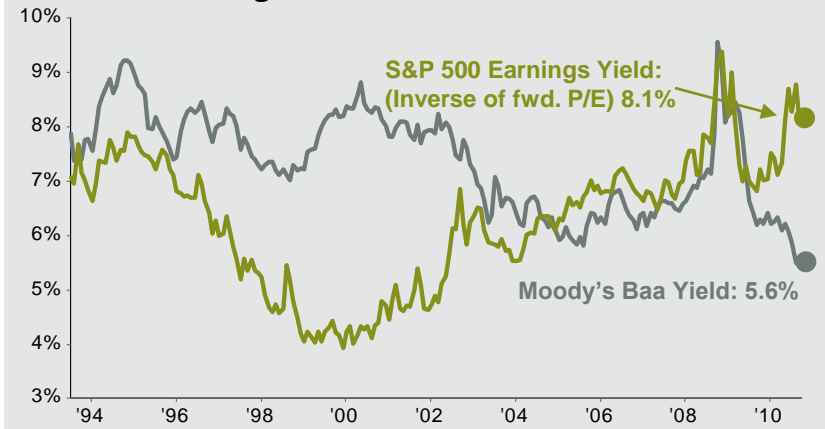
Valuation Measure	Description	S&P 500 Index: Valuation Measures		Historical Averages			
		Latest	1-year ago	3-year avg.	5-year avg.	10-year avg.	15-year avg.
P/E	Price to Earnings	12.3x	14.7x	13.2x	13.8x	15.8x	17.2x
P/B	Price to Book	2.1	2.1	2.2	2.4	2.8	3.2
P/CF	Price to Cash Flow	8.3	8.7	8.5	9.3	10.8	11.2
P/S	Price to Sales	1.1	1.1	1.1	1.2	1.4	1.5
Div. Yield	Dividend Yield	2.1%	2.1%	2.3%	2.2%	1.9%	1.9%

Q-Ratio: Stock Price Relative to Company Assets

Price to net asset value, all U.S. non-financial corporations



S&P 500 Earnings Yield vs. Baa Bond Yield



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

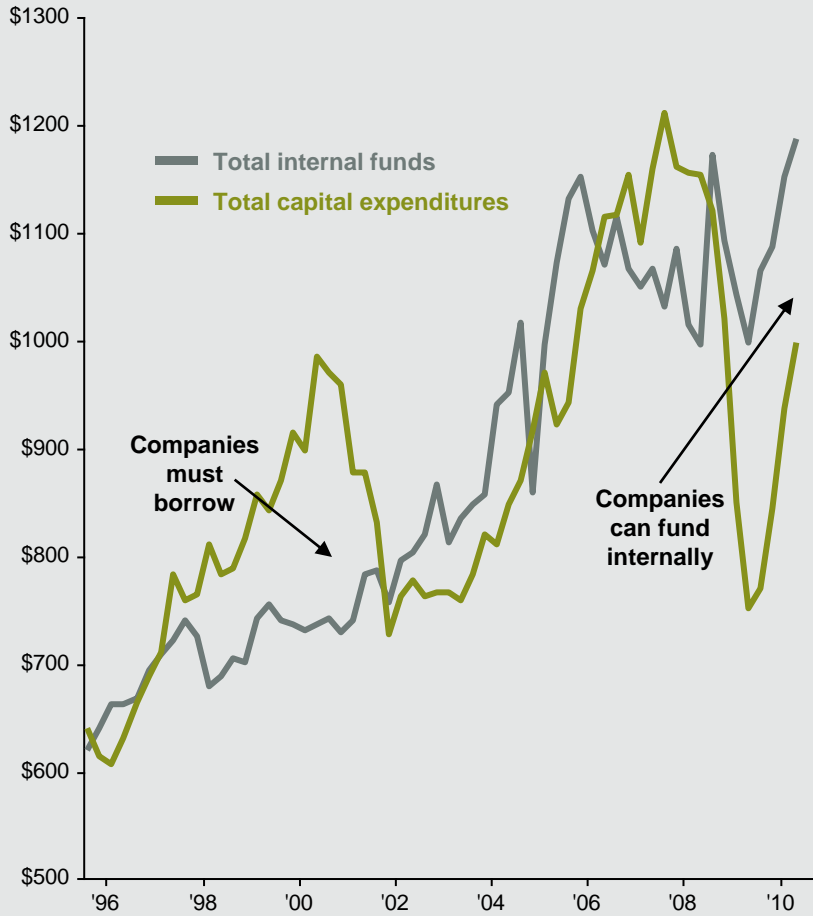
Price to Earnings is price divided by consensus analyst estimates of earnings per share for the next twelve months. Price to Book is price divided by book value per share. Data post-1992 include intangibles and are provided by Standard & Poor's. Price to Cash Flow is price divided by consensus analyst estimates of cash flow per share for the next twelve months. Price to Sales is calculated as price divided by consensus analyst estimates of sales per share for the next twelve months. Dividend Yield is calculated as consensus analyst estimates of dividends for the next twelve months divided by price. All consensus analyst estimates are provided by FactSet. (Bottom left) Q-Ratio based on data from the Federal Reserve, table B.102. 3Q10 is an estimate provided by J.P. Morgan Asset Management as of 9/30/10.

(Bottom right) Standard & Poor's, Moody's, J.P. Morgan Asset Management.

Data are as of 9/30/10.

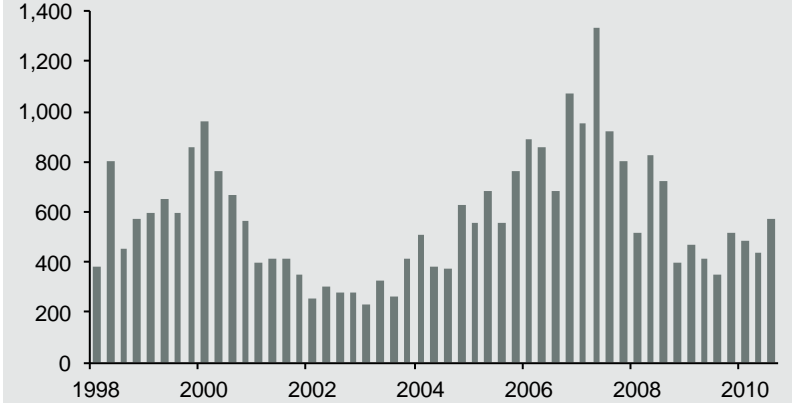
Corporate Financing Gap

Nonfarm nonfinancial corporate business, billions USD



Merger & Acquisition Growth

Quarterly deal volume



S&P 500 Dividends per Share

Next twelve months expected dividends per share, USD



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

(Left) Fed Flow of Funds tables report Z.1, F.102 lines 9 and 11. Total internal funds equals retained earnings plus depreciation. (Top right) M&A activity is quarterly number of deals of any value. (Bottom right) Next twelve months dividends are estimates provided by Standard & Poor's. Data reflect most recently available as of 9/30/10.

Chart 1: Net Profit Margin

Net income/sales

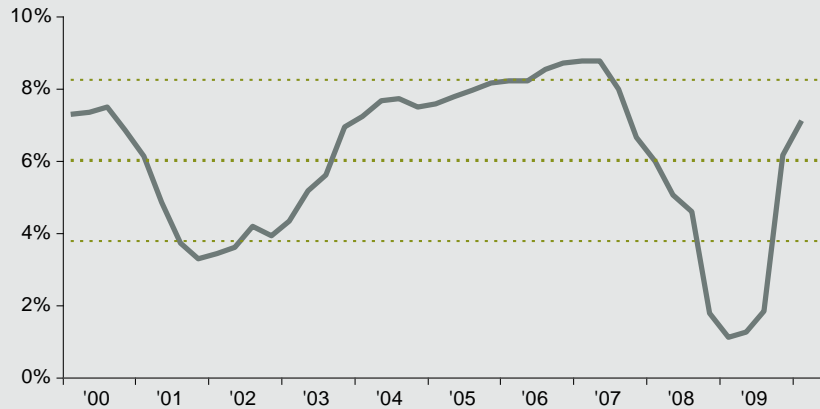


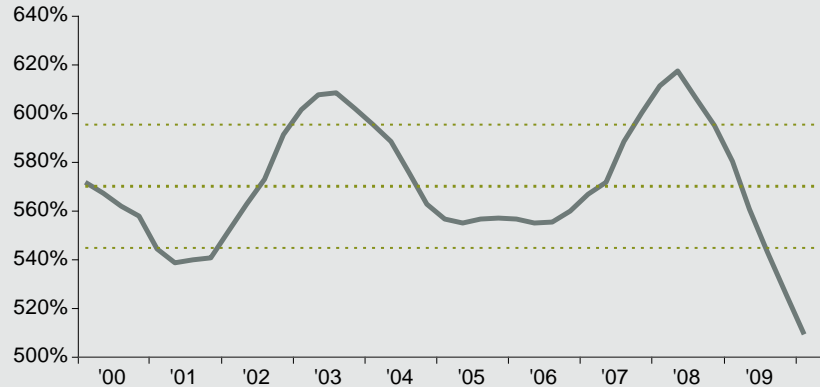
Chart 2: Asset Turnover Ratio

Sales/assets



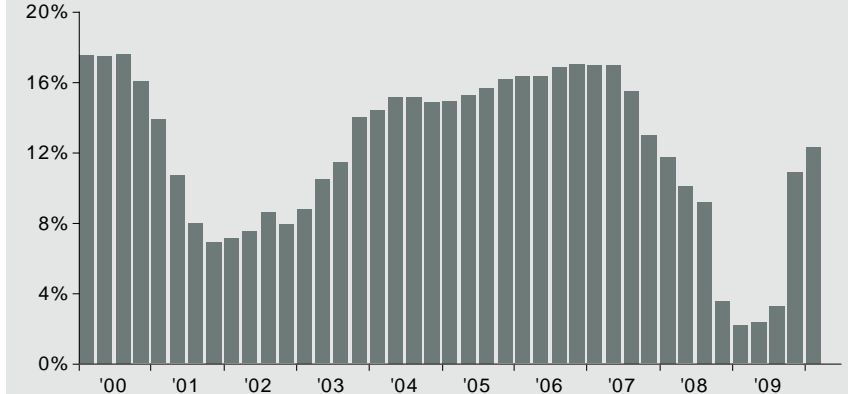
Chart 3: Financial Leverage

Assets/equity



Return on Equity

Chart 1 * Chart 2 * Chart 3 = Net income/equity

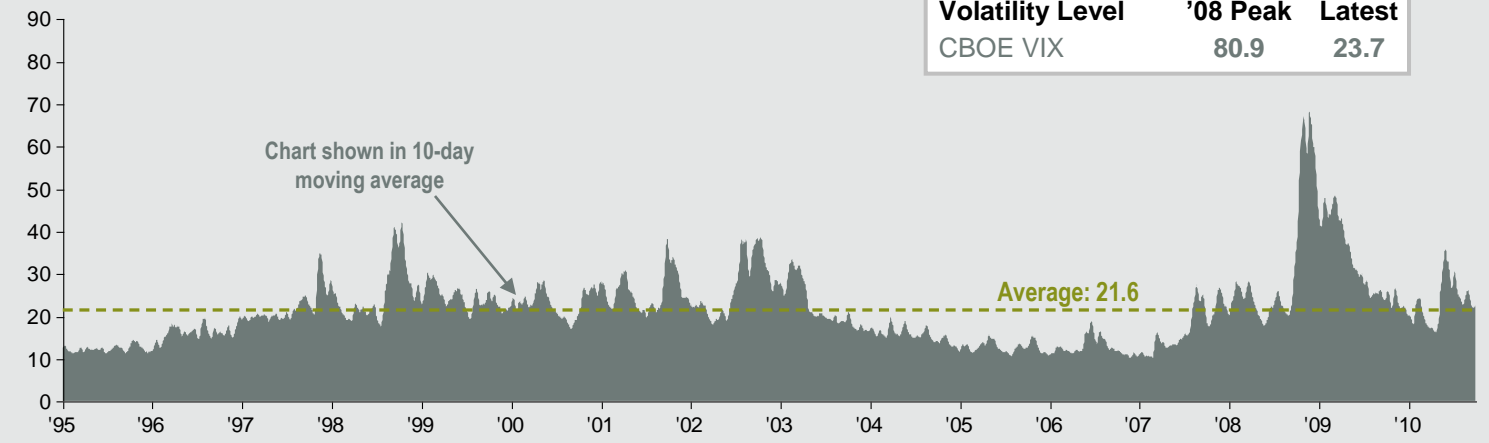


Source: Standard & Poor's, Compustat, FactSet, J.P. Morgan Asset Management.

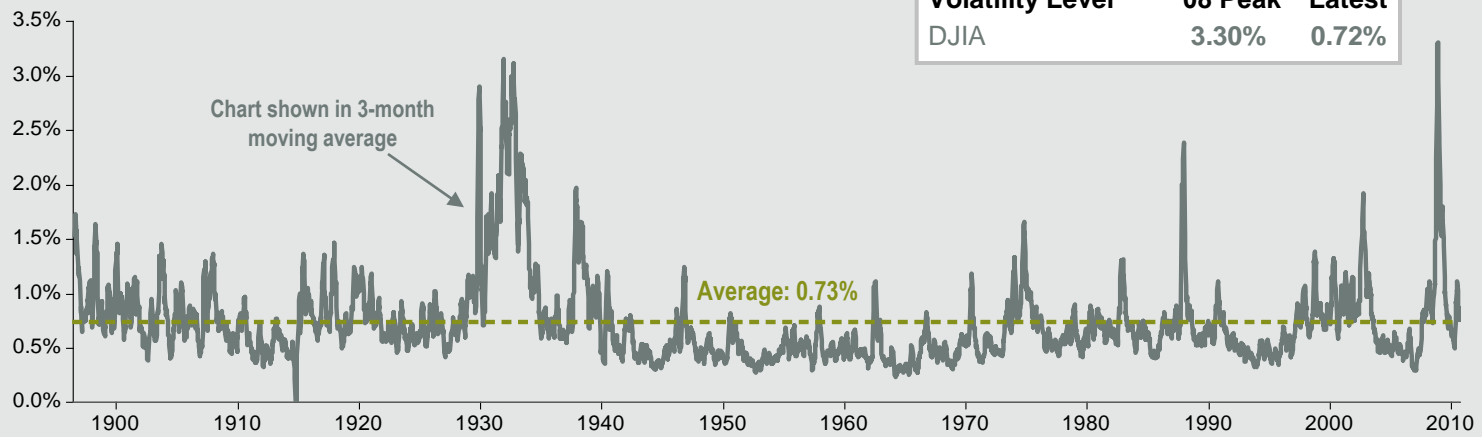
Return on equity for S&P 500 companies calculated as the product of aggregate net income/sales, aggregate sales/assets and aggregate assets/equity for these 500 companies. Most recent data are from 1Q10 reflecting the last fully completed reporting period.

Data are as of 9/30/10.

Implied Volatility (CBOE VIX)



Daily Volatility of DJIA

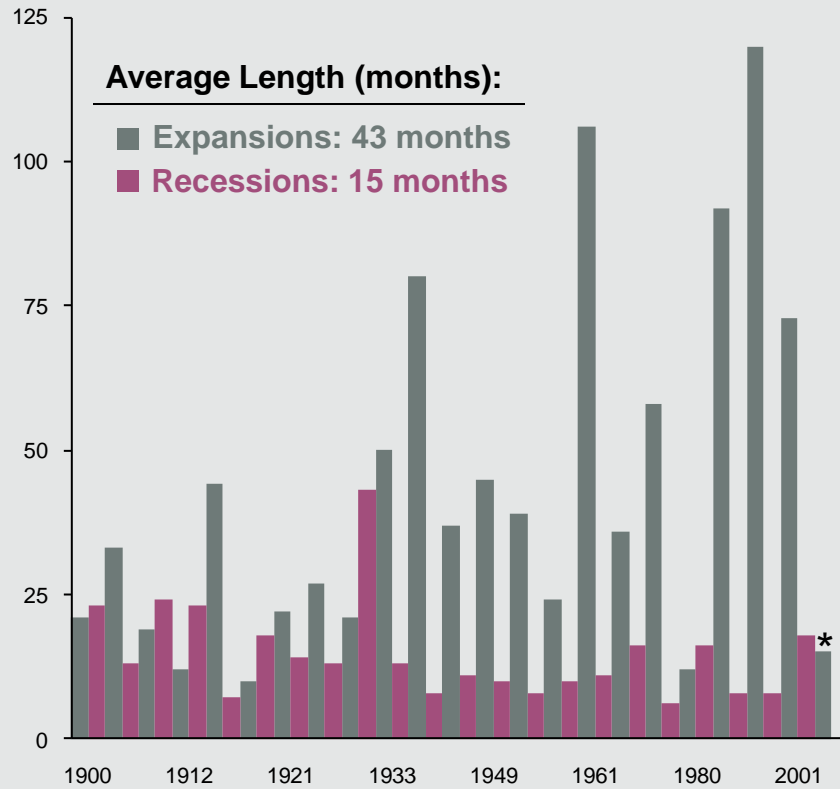


Source: (Top) Merrill Lynch, CBOE, EcoWin, FactSet, J.P. Morgan Asset Management.

Source: (Bottom) Dow Jones, J.P. Morgan Asset Management. Data are represented as three-month moving averages of the daily absolute percentage change in the Dow Jones Industrial Average and are as of 9/30/10. Note that volatility dropped to zero in 1914 due to temporary closure of the stock exchange for over four months.

Charts shown for illustrative purposes only. Data are as of 9/30/10.

Length of Economic Expansions and Recessions



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

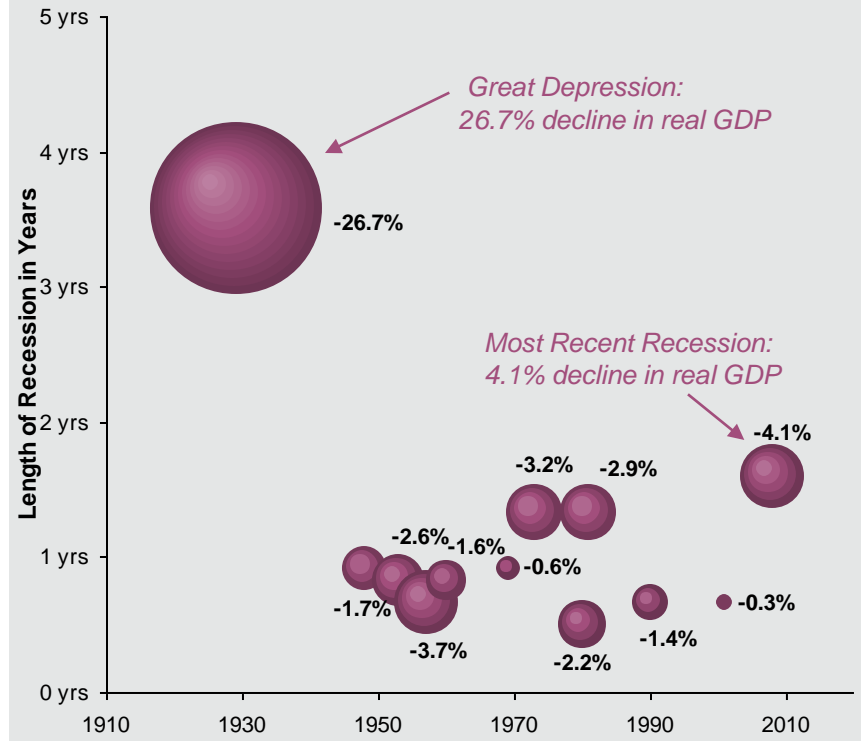
*Chart assumes current expansion continued through September 2010.

Data for length of economic expansions and recessions obtained from the National Bureau of Economic Research (NBER). This data can be found at www.nber.org/cycles/ and reflects information through September 2010.

For illustrative purposes only.

The Great Depression and Post-War Recessions

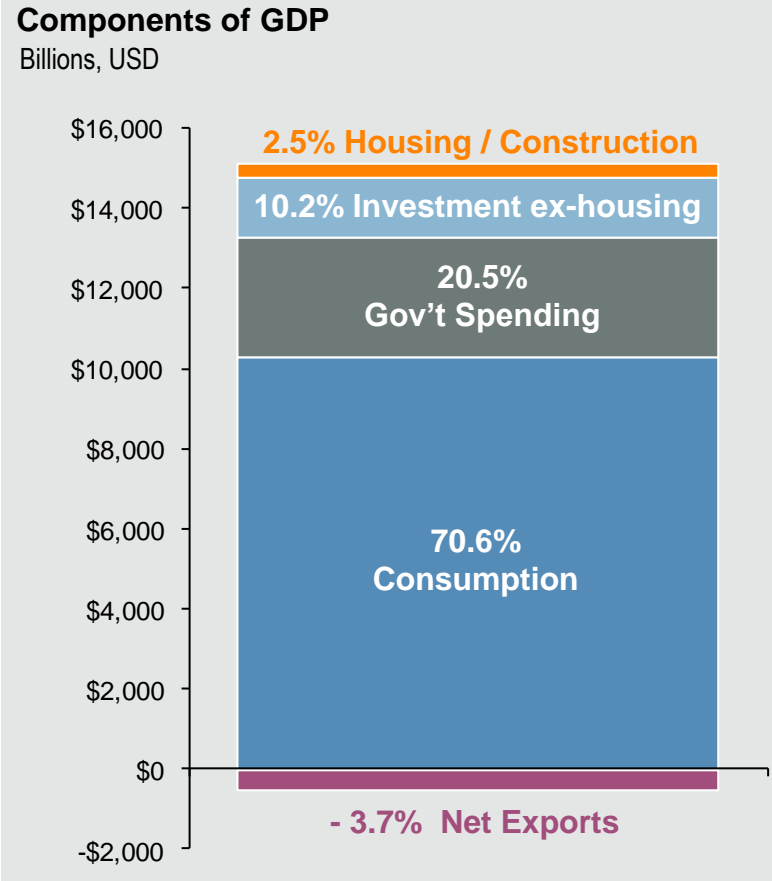
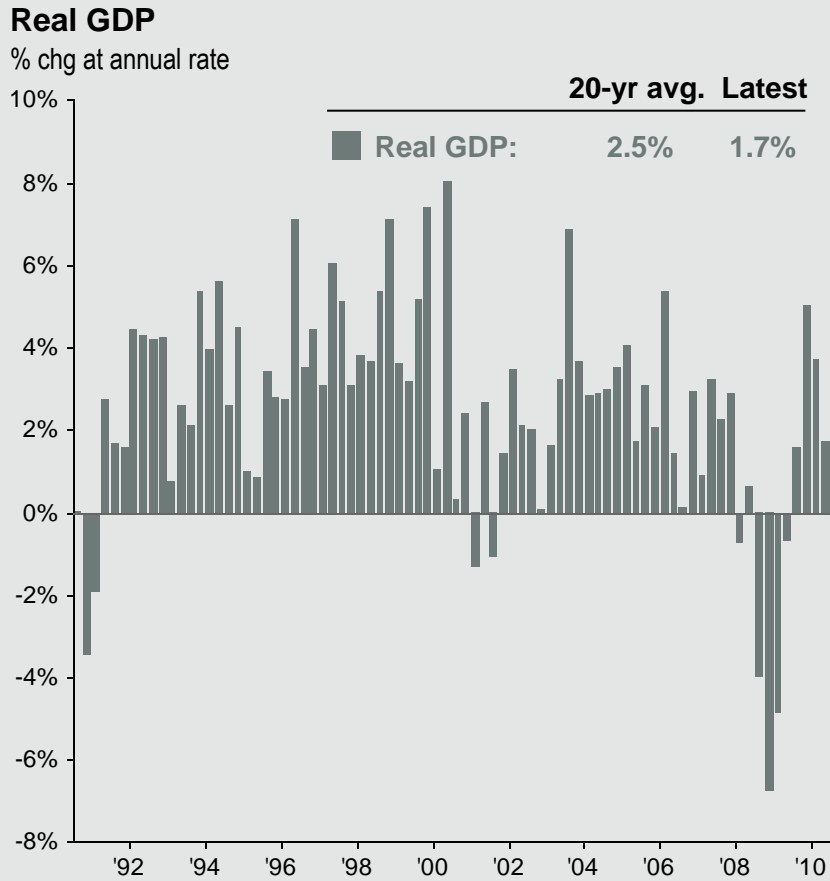
Length and severity of recession



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

Bubble size reflects the severity of the recession, which is calculated as the decline in real GDP from the peak quarter to the trough quarter except in the case of the Great Depression, where it is calculated from the peak year (1929) to the trough year (1933), due to a lack of available quarterly data. Data are as of 9/30/10.

Economic Growth and the Composition of GDP



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

Data reflect most recently available as of 9/30/10. GDP values shown in legend are % change vs. prior quarter annualized and reflect revised 2Q10 GDP.

Contributors to GDP Growth

	Last 50 Years		Last 7 Recessions		Last 7 Recoveries (1st Yr)		Most Recent Recession		Current Recovery (1st Yr)	
	Percent	Share	Percent	Share	Percent	Share	Percent	Share	Percent	Share
Overall GDP Growth	3.2	100.0%	-1.8	100.0%	5.0	100.0%	-4.1	100.0%	3.0	100.0%
Less Cyclical Components	2.6	81.2%	0.7	-39.9%	2.0	40.1%	0.6	-15.5%	-0.0	-0.8%
Consumption Ex-Autos	2.1	66.6%	0.1	-4.0%	2.4	47.9%	-1.0	23.4%	1.1	35.6%
Commercial Construction	0.1	1.9%	-0.1	3.8%	-0.1	-2.3%	-0.6	14.6%	-0.4	-14.8%
Net Exports	-0.1	-2.5%	0.4	-23.8%	-0.6	-12.7%	1.5	-37.4%	-0.8	-26.1%
Government	0.5	15.2%	0.3	-15.9%	0.4	7.2%	0.7	-16.1%	0.1	4.4%
More Cyclical Components	0.6	18.8%	-2.5	139.9%	3.0	59.9%	-4.8	115.5%	3.0	100.8%
Auto Consumption	0.1	3.1%	-0.2	11.4%	0.4	7.7%	-0.6	15.2%	0.1	3.3%
Residential Construction	0.1	2.2%	-0.5	27.3%	0.7	14.5%	-1.3	32.4%	0.1	4.4%
Equipment	0.4	12.9%	-0.3	15.7%	0.5	9.1%	-1.6	38.0%	1.1	36.1%
Change in Inventories	0.0	0.6%	-1.5	85.5%	1.4	28.6%	-1.2	29.9%	1.7	57.0%

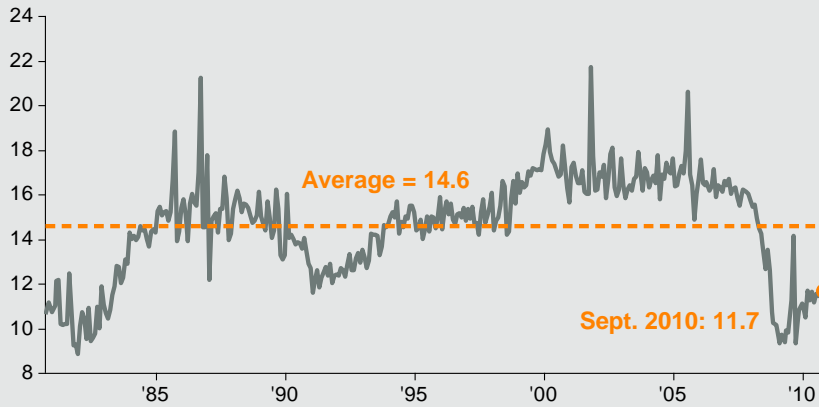
Source: BEA, NBER, J.P. Morgan Asset Management.

Last 50 Years are from 2Q60 – 2Q10. Last 7 Recessions are measured from peak real GDP to trough real GDP. Last 7 Recoveries are defined as the four quarters following the NBER-designated trough quarter. Most Recent Recession is defined from peak real GDP in 4Q07 to trough real GDP in 2Q09.

Note that contribution numbers are approximations due to the use of chain-weighted GDP, which is not designed to sum exactly. Most recent data as of 9/30/10.

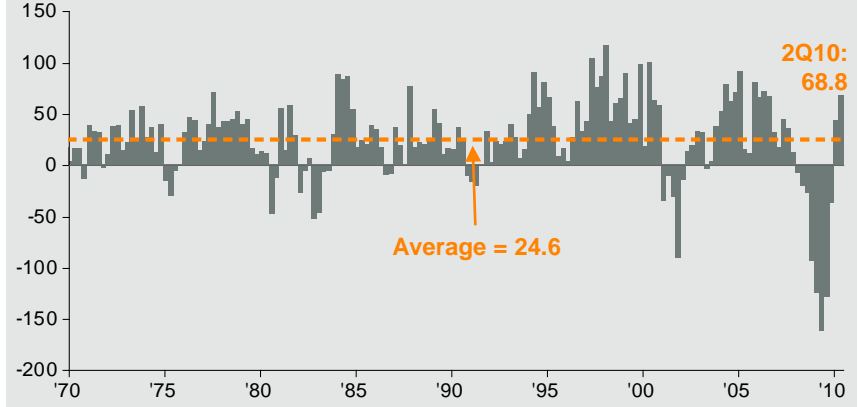
Light Vehicle Sales

Millions, seasonally adjusted annual rate



Change in Private Inventories

Billions of 2005 dollars, seasonally adjusted annual rate



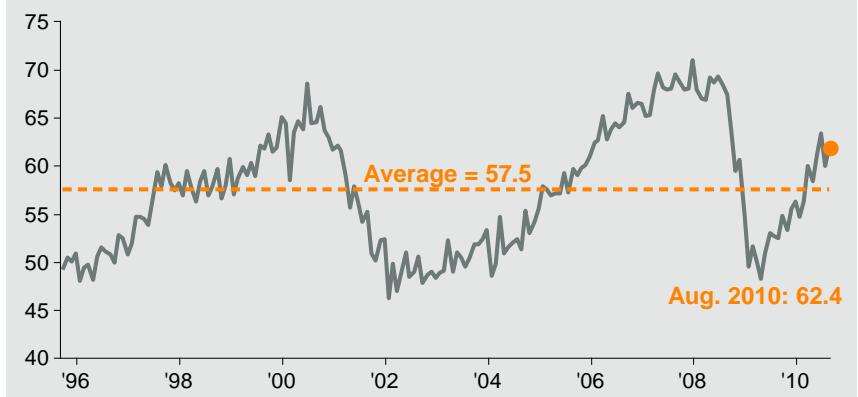
Housing Starts

Thousands, seasonally adjusted annual rate



Capital Goods Orders

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

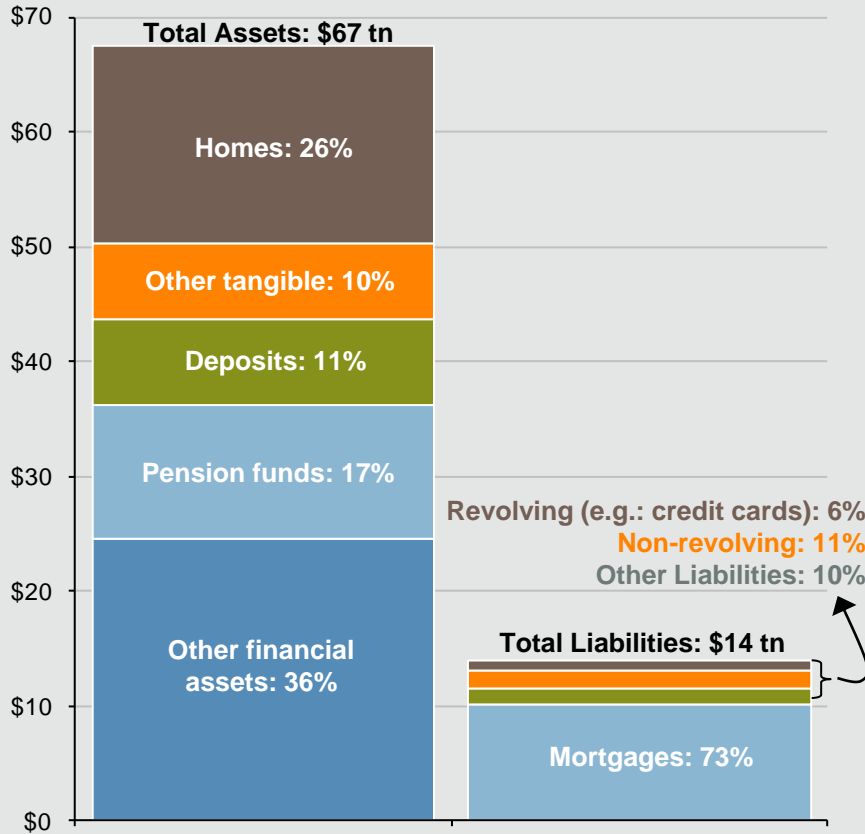


Source: (Top left) BEA, J.P. Morgan Asset Management. (Top right) BEA, J.P. Morgan Asset Management. (Bottom left) Census Bureau, J.P. Morgan Asset Management. (Bottom right) Census Bureau, J.P. Morgan Asset Management.

Data reflect most recently available as of 9/30/10.

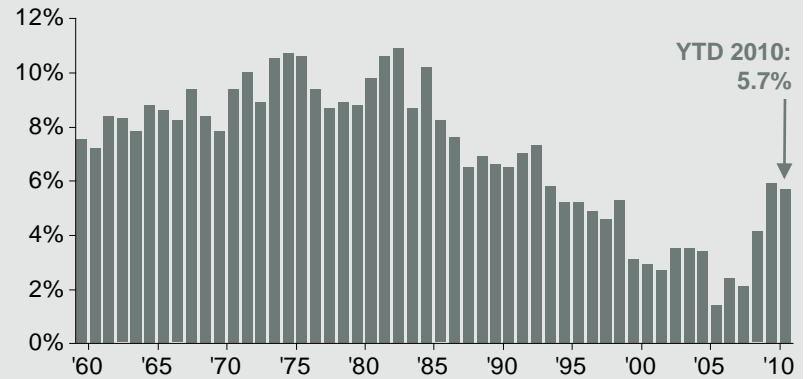
Consumer Balance Sheet

Trillions of dollars outstanding, not seasonally adjusted



Personal Savings Rate

Annual, % of disposable income



Household Debt Service Ratio

Debt payments as % of disposable personal income, seasonally adjusted



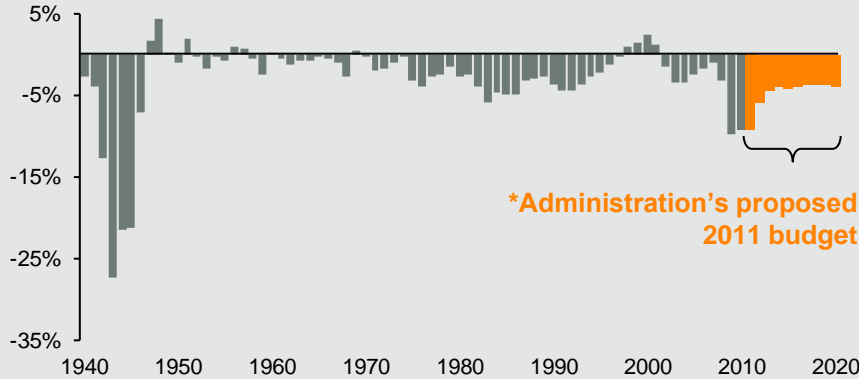
Source: (Left) FRB, J.P. Morgan Asset Management. Data includes households and nonprofit organizations. (Right) BEA, FRB, J.P. Morgan Asset Management.

Personal savings rate is calculated as personal savings (after-tax income – personal outlays) divided by after-tax income. Employer and employee contributions to retirement funds are included in after-tax income but not in personal outlays, and thus are implicitly included in personal savings.

Savings rate data are as of August 2010. *3Q10 Household Debt Service Ratio is J.P. Morgan Asset Management estimate. All other data are as of 2Q10.

Federal Budget Surplus/Deficit

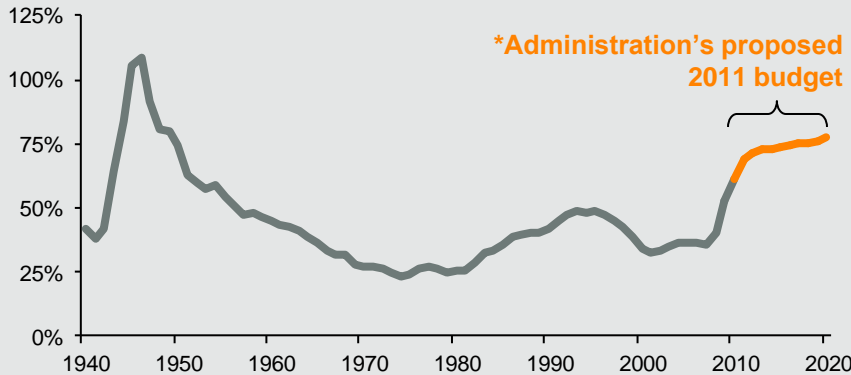
% of GDP, 1940 – 2020*



*Administration's proposed 2011 budget

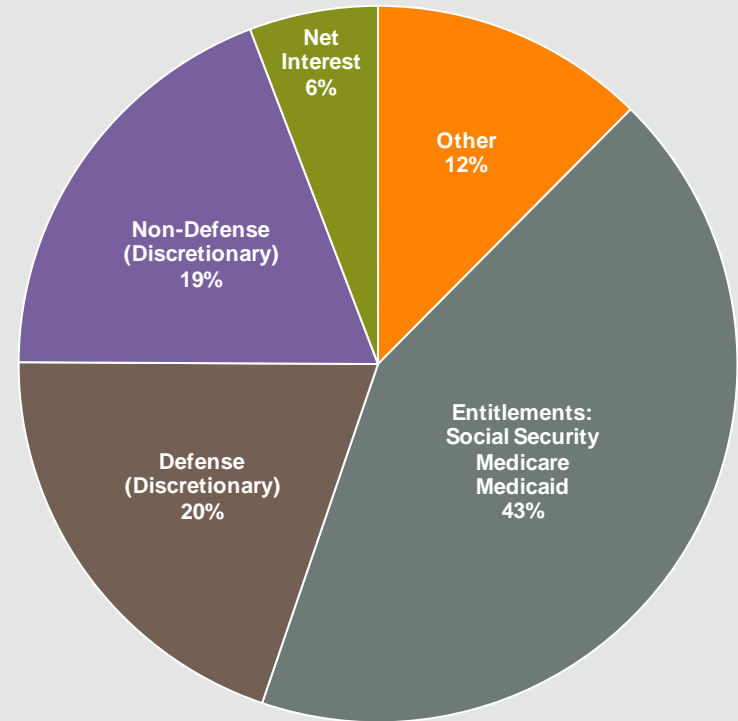
Federal Debt (Accumulated Deficits)

% of GDP, 1940 – 2020*



*Administration's proposed 2011 budget

U.S. Proposed Federal Budget Outlays - 2010



Total Projected 2010 Budget Receipts: \$2,143 billion
 Total Projected 2010 Budget Outlays: \$3,485 billion
 Projected Surplus / Deficit: **-\$1,342 billion**

Source: U.S. Treasury, BEA, CBO, OMB, J.P. Morgan Asset Management.

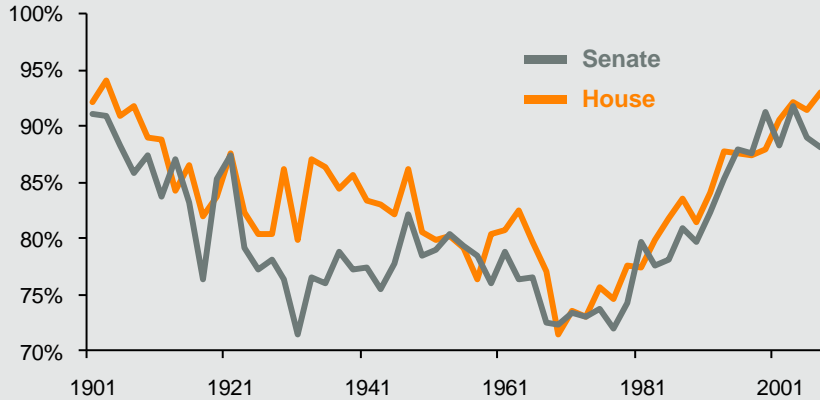
2010 numbers reflect CBO estimates for FY 2010. Other numbers are based on the Administration's proposed 2011 budget from the OMB.

Note: Years shown are fiscal years (Oct. 1 through Sep. 30). Bottom left chart displays federal debt in the hands of the public. Data reflect most recently available as of 9/30/10.

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

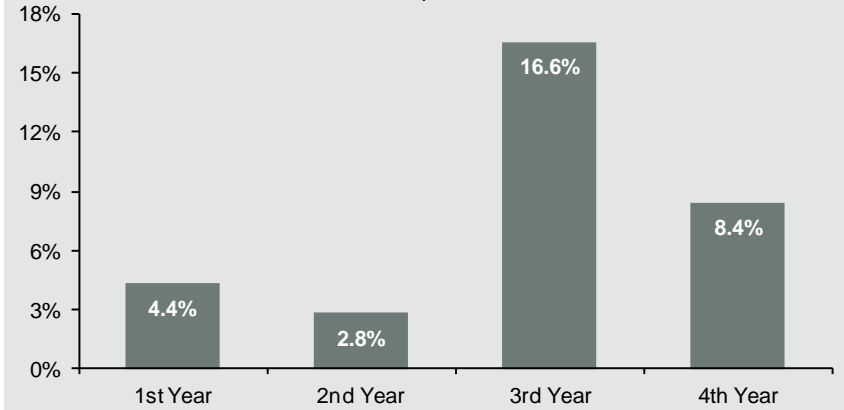
Political Polarization

% of Representatives voting with the majority of their party*



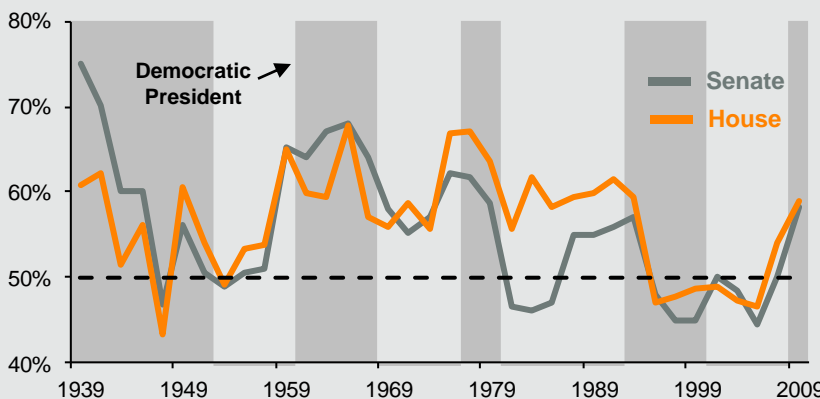
Stock Market Returns by Year in Presidential Cycle

1940 – 2008 based on election dates, price return



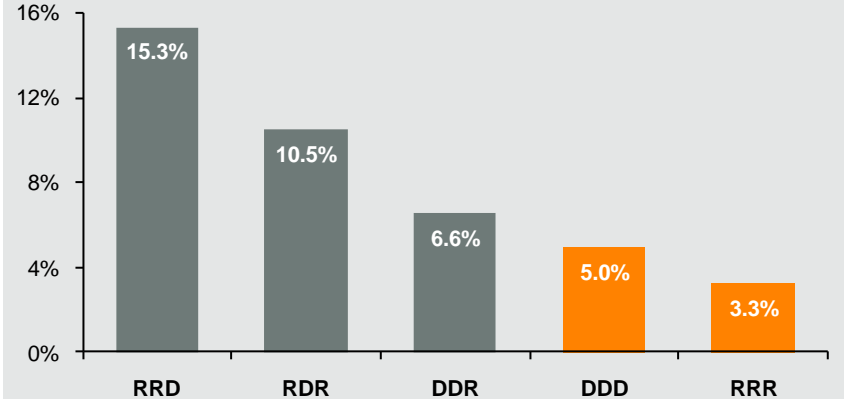
Political Party Dominance

Democratic % of major party seats



Stock Market Returns by Political Party Control

1940 – 2008 based on election dates, Senate/House/President



Source: U.S. House of Representatives, U.S. Senate, Gallup Inc., FactSet, J.P. Morgan Asset Management.

*In roll call votes where the majority in one party voted the opposite way to the majority in the other. Data compiled by Professors Keith T. Poole and Howard Rosenthal available at www.voteview.com. Stock market returns are price only and calculated from election date to election date from 11/5/40 to 11/4/08.

Data are as of 9/30/10.

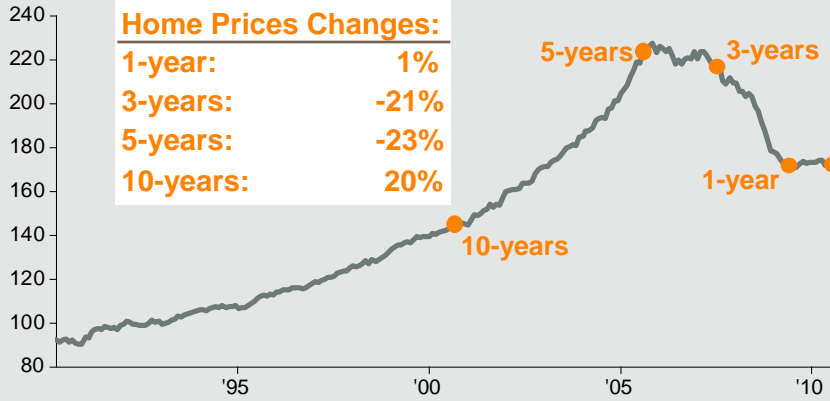
The Aftermath of the Housing Bubble

Median Existing Home Prices

\$ thousands, seasonally adjusted

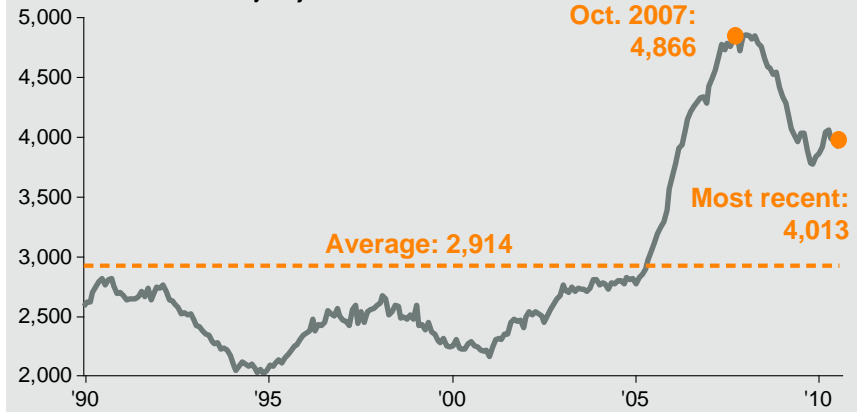
Home Prices Changes:

1-year:	1%
3-years:	-21%
5-years:	-23%
10-years:	20%



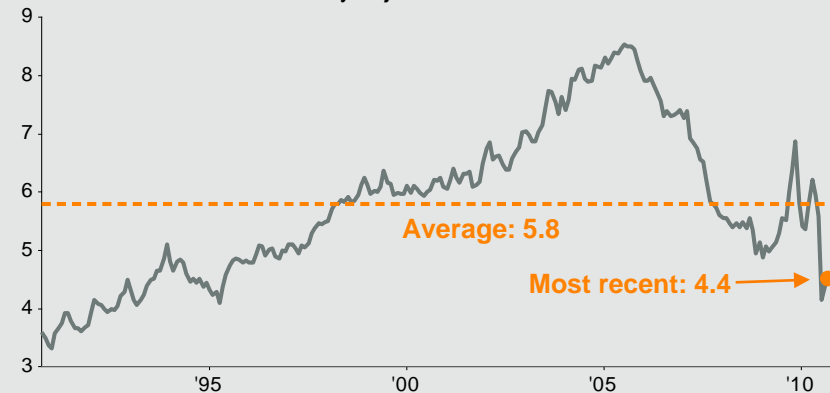
Combined New & Existing Homes for Sale

Thousands, seasonally adjusted



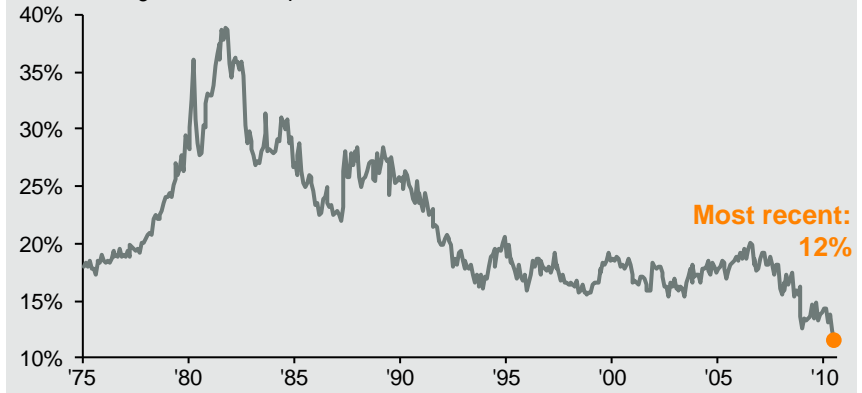
Combined New & Existing Home Sales

Millions, annual rate, seasonally adjusted



Affordability: Mortgage Payment on Average New Home

% of average household personal income

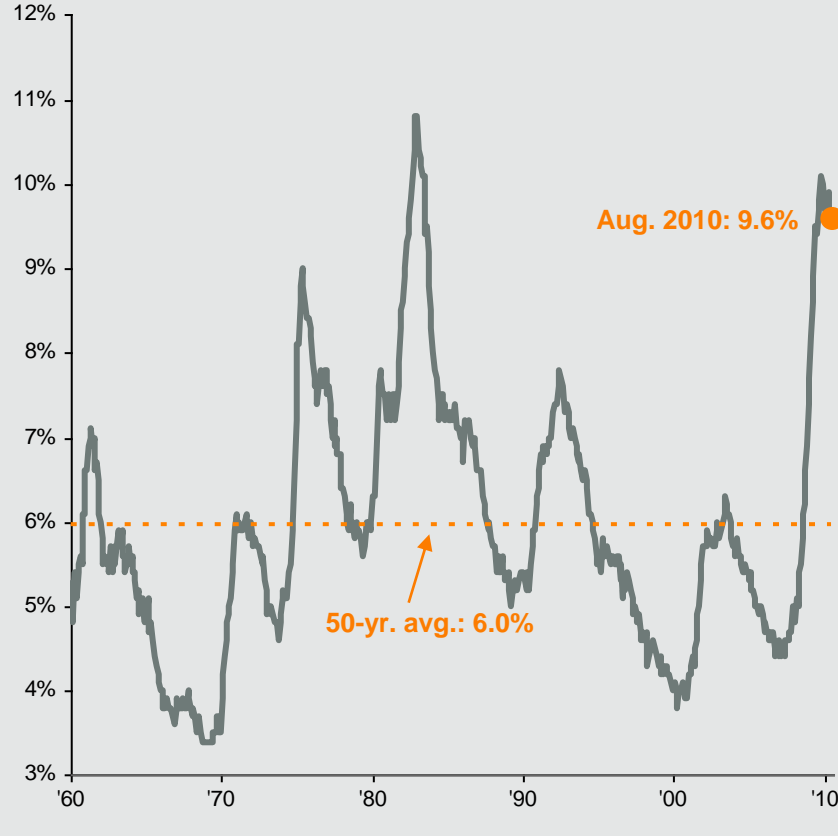


Sources: (Top left) National Association of Realtors, FactSet, J.P. Morgan Asset Management. (Top right) Census Bureau, National Association of Realtors, J.P. Morgan Asset Management. (Bottom left) Census Bureau, National Association of Realtors, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FRB, BEA, J.P. Morgan Asset Management.

Data reflect most recently available as of 9/30/10. Home price based on median sales price of existing homes and are cumulative, not annualized. Existing home sales include single-family, townhomes, condominiums and co-ops. Note: Calculation for bottom right chart assumes a 20% down payment, a 30-year fixed rate mortgage, excludes property tax and homeowners' insurance and is expressed as a percent of pre-tax income.

Civilian Unemployment Rate

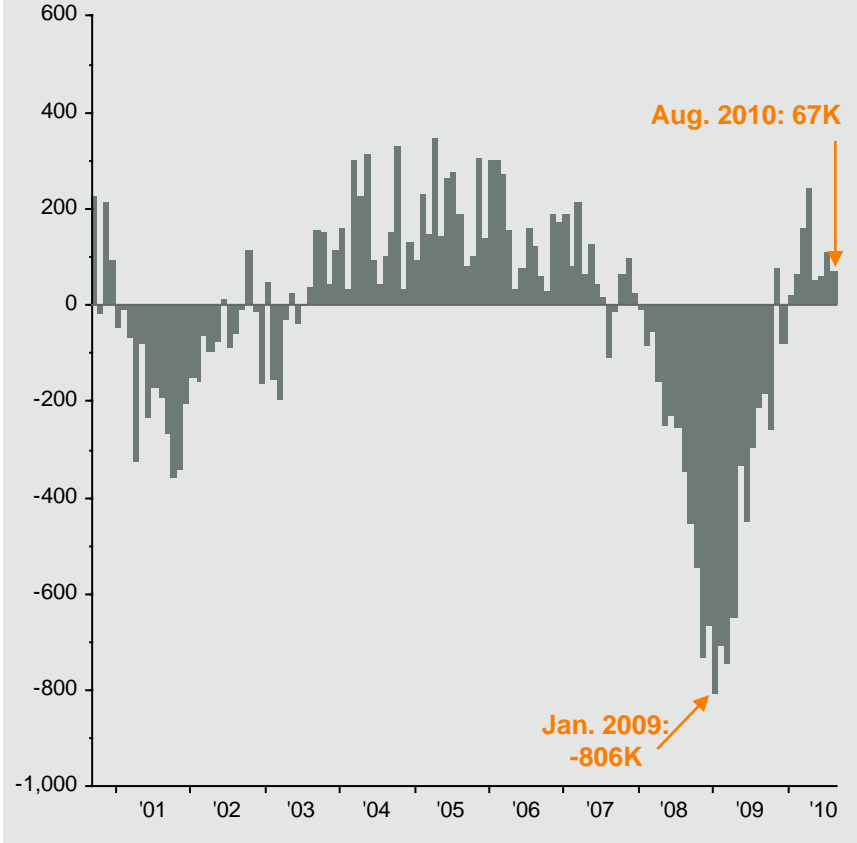
Seasonally adjusted



Source: BLS, J.P. Morgan Asset Management.
Data reflect most recently available as of 9/30/10.

Employment - Total Private Payroll

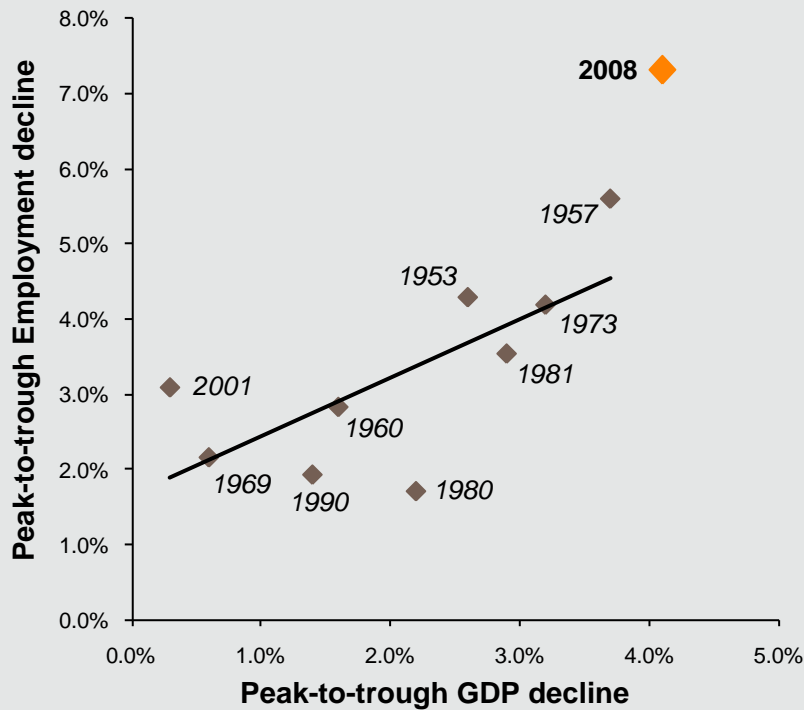
Total job gain/loss (thousands)



Source: BLS, J.P. Morgan Asset Management.
Data reflect most recently available as of 9/30/10.

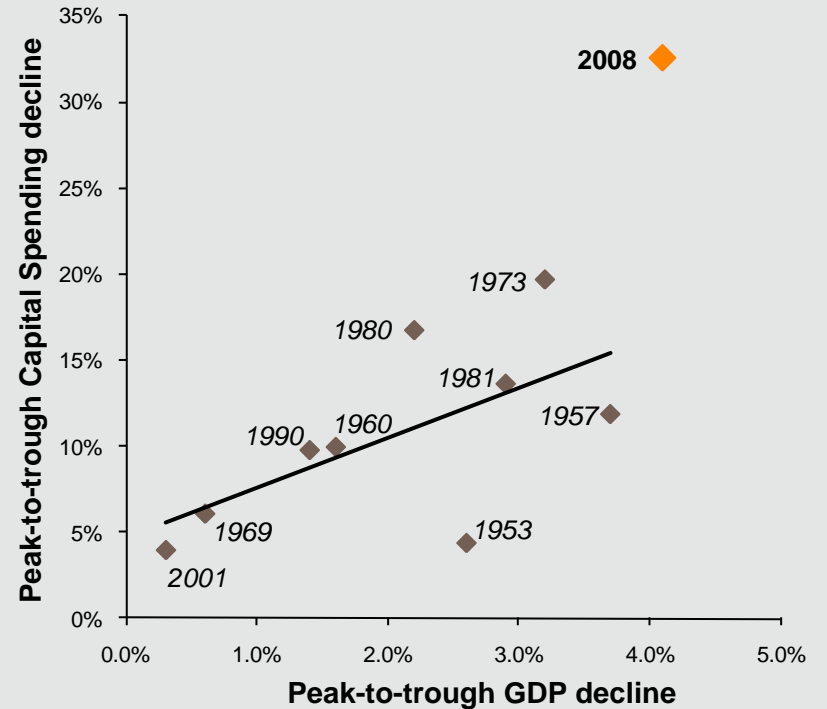
Peak-to-trough Employment Decline

10 recessions since 1950



Peak-to-trough Capital Spending Decline

10 recessions since 1950

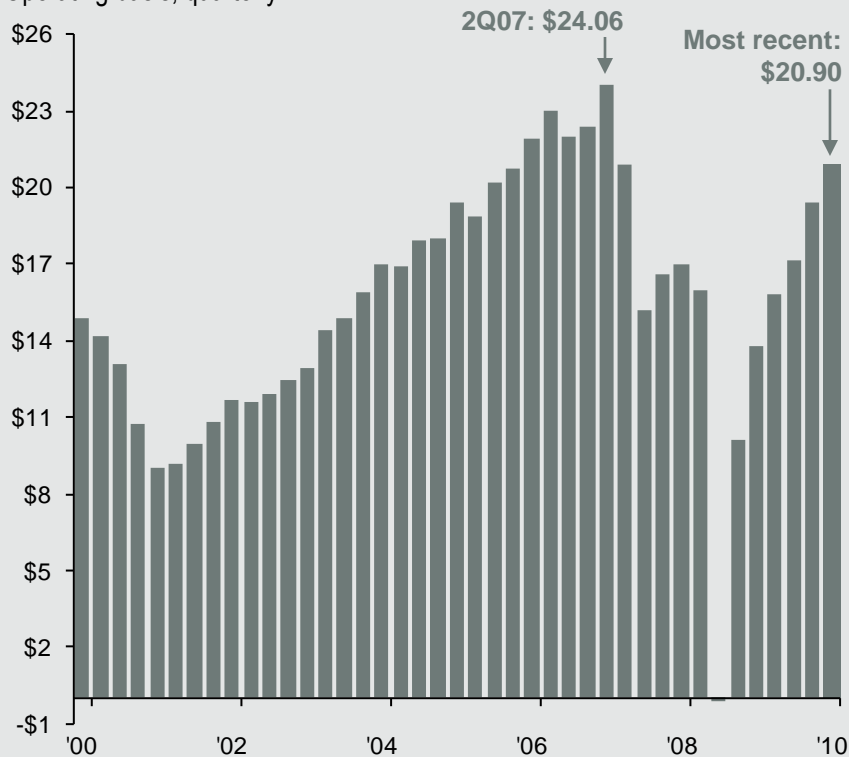


Source: FactSet, BEA, BLS, J.P. Morgan Asset Management.

Data is most recent as of 9/30/10.

S&P 500 Earnings

Operating basis, quarterly



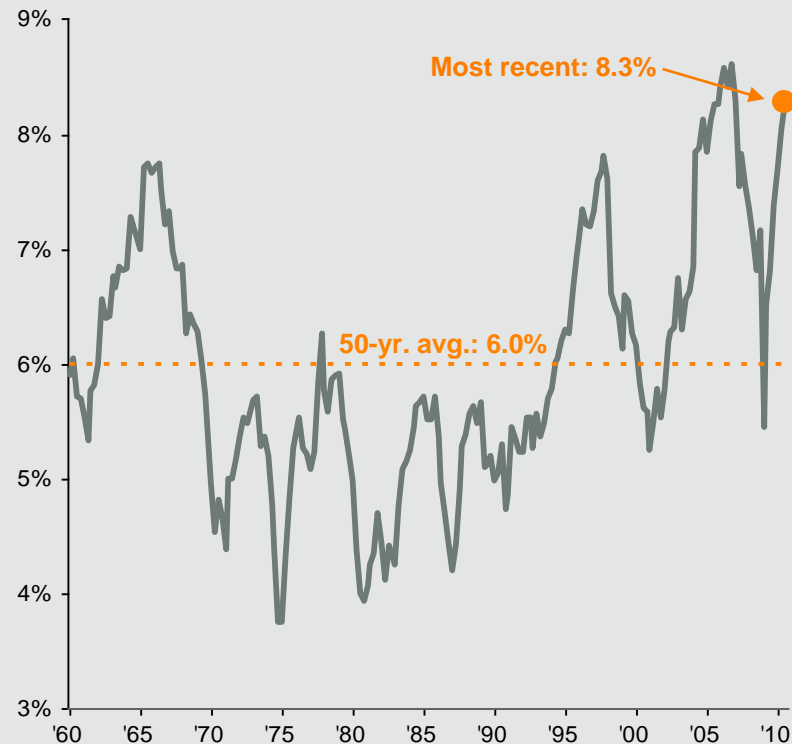
Source: Standard & Poor's, J.P. Morgan Asset Management.

EPS levels are based on operating earnings per share. Data reflect most recently available as of 9/30/10.

Most recently available is a 2Q10 99% complete estimate.

Adjusted After-Tax Corporate Profits (% of GDP)

Includes inventory and capital consumption adjustments



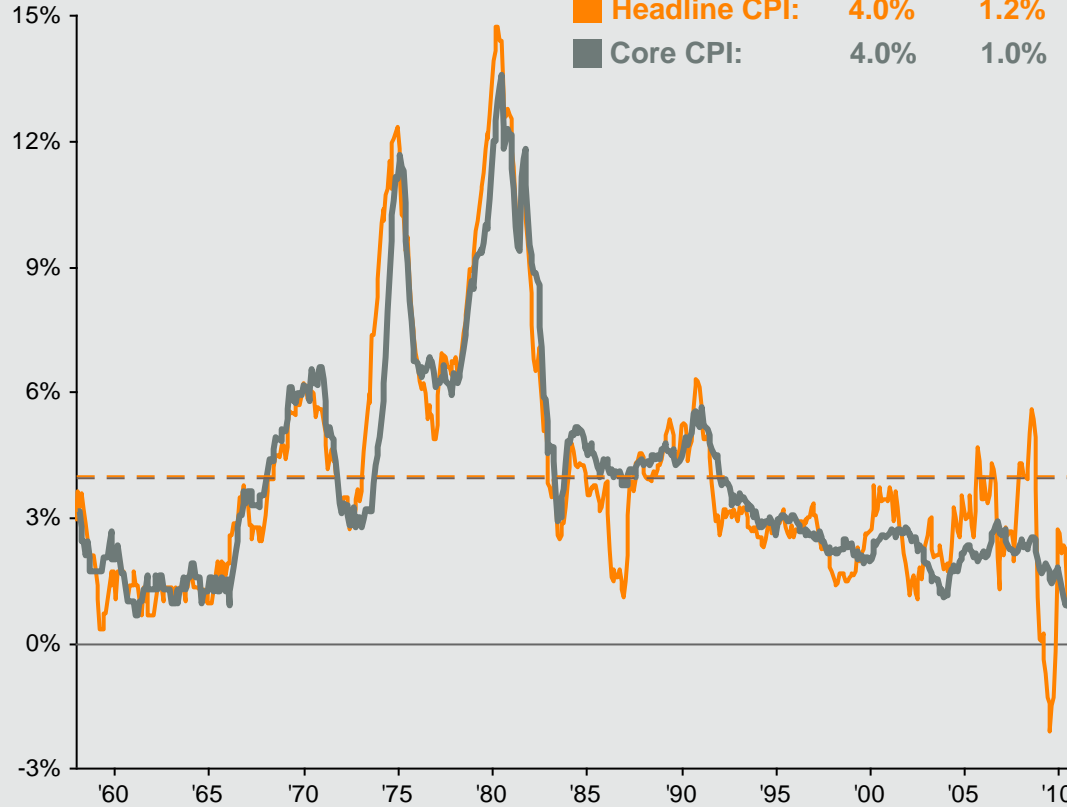
Source: BEA, FactSet, J.P. Morgan Asset Management.

Data are as of 9/30/10.

Consumer Price Index

CPI and Core CPI

% chg vs. prior year



CPI Components	Weight in CPI	12-month Change
Food & Bev.	14.8%	1.0%
Housing	42.0%	-0.2%
Apparel	3.7%	-0.3%
Transportation	16.7%	4.8%
Medical Care	6.5%	3.2%
Recreation	6.4%	-1.1%
Educ. & Comm.	6.4%	1.9%
Other	3.5%	3.0%
Headline CPI	100.0%	1.2%
Less:		
Energy	8.6%	3.8%
Food	13.7%	1.0%
Core CPI	77.7%	1.0%

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

Data reflect most recently available as of 9/30/10. CPI values shown are % change vs. 1 year ago and reflect August 2010 CPI data. CPI component weights are as of Dec. 2009 and 12-month change reflects data through August 2010. Core CPI is defined as CPI excluding food and energy prices.

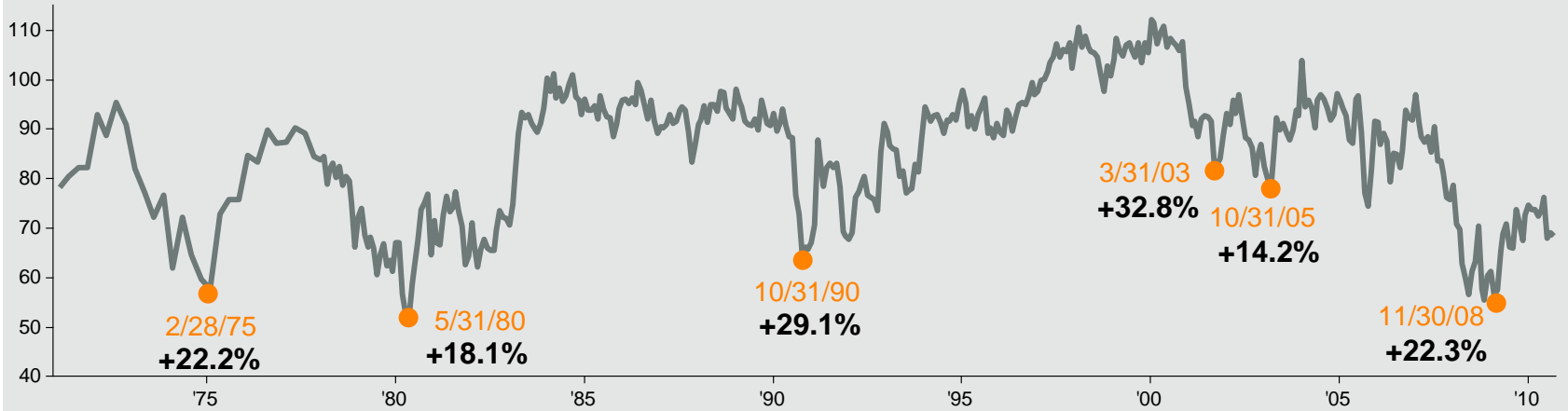
Lagging Economic Indicators

Economy

Consumer Sentiment Index - University of Michigan

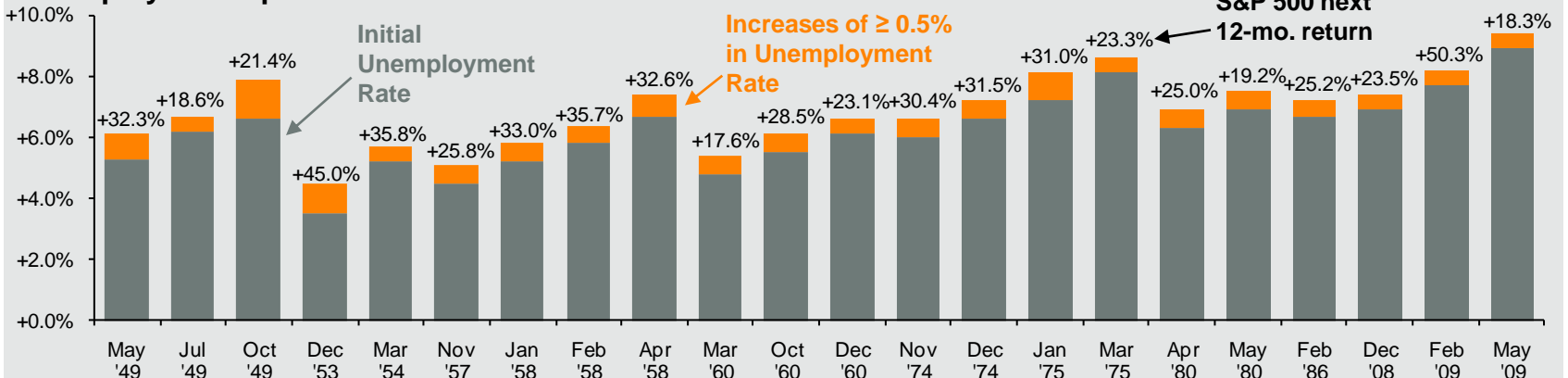
Including subsequent S&P 500 Index 12-month return

● Consumer Sentiment Low
x% S&P 500 Return Over Next 12-mo's



Unemployment Spikes ≥ 0.5% and Market Returns

S&P 500 next 12-mo. return

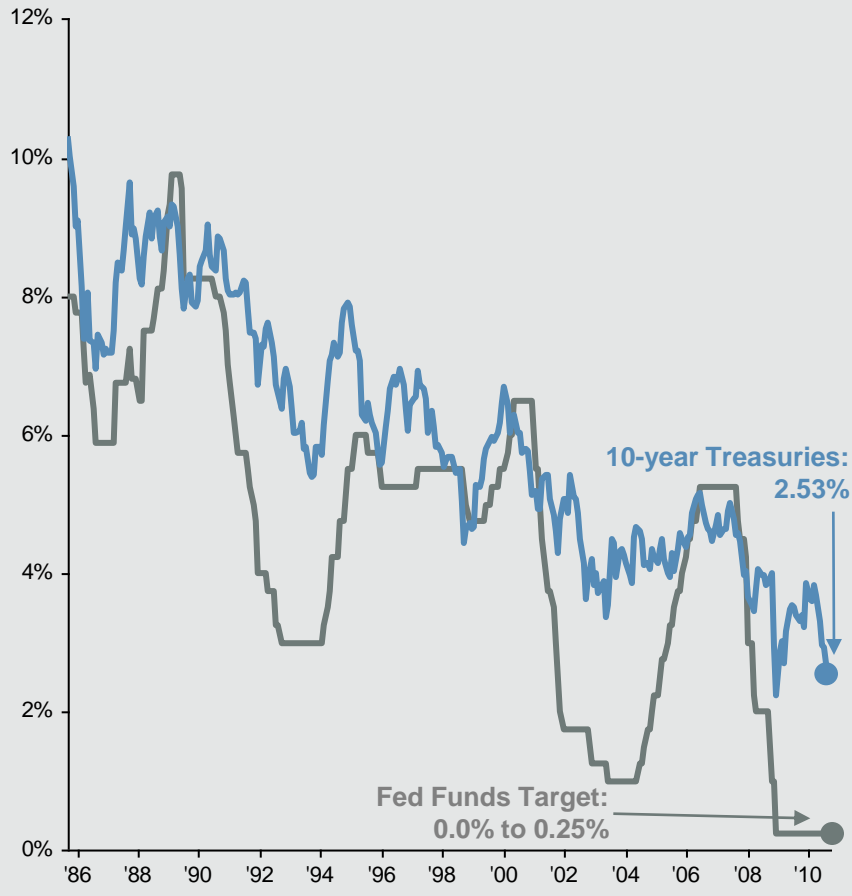


Source: Standard & Poor's, BLS, FactSet, University of Michigan, J.P. Morgan Asset Management.

Market return reflects S&P 500 Price Index return (not including dividends) for 12-month period following each low in consumer sentiment and unemployment spike, as indicated in chart. Returns are calculated using month-end values. Data are as of 9/30/10.

The Federal Reserve

Fed Funds Target Rate and 10-Year Treasury Yields

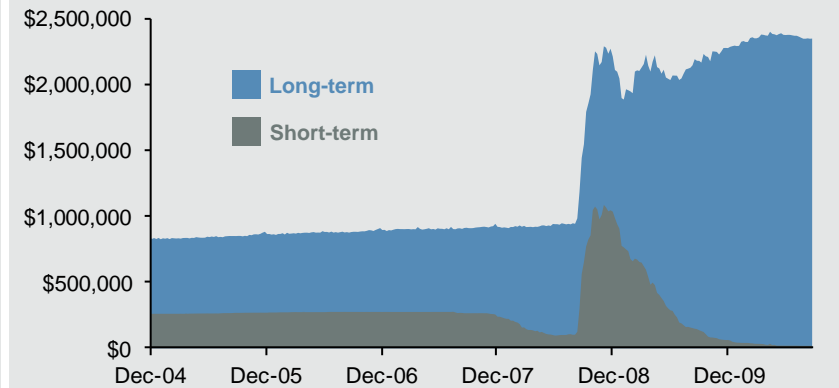


Source: Federal Reserve, FactSet, J.P. Morgan Asset Management.

Data are as of 9/30/10.

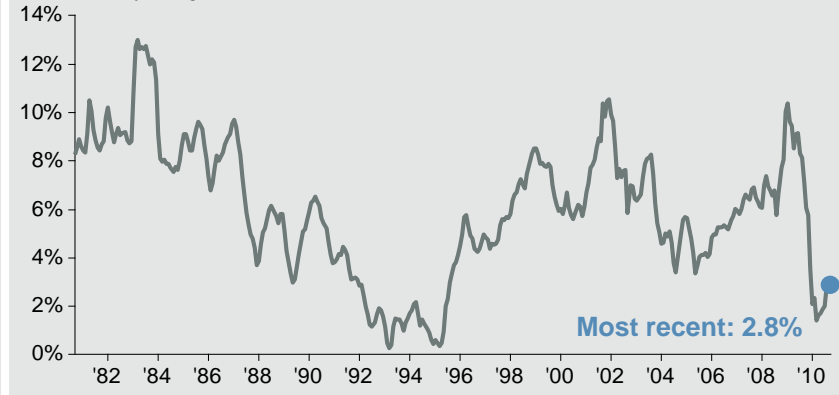
Federal Reserve Balance Sheet

U.S. Federal Reserve, total reserve bank credit, \$ millions



Money Supply Growth

Year-over-year growth in M2



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

Data are as of 9/30/10.

Fixed Income Yields, Returns and Risks

U.S. Treasuries	# of issues	Mkt. Value	Yield		Return		Impact on Price from 1% Change in Rates	
			12/31/2009	9/30/2010	2009	3Q 2010	+1%	-1%
2-Year	} # of issues: 129 Total value: \$3.711 tn		1.14%	0.42%	1.29%	0.60%	-1.99%	0.83%*
5-Year			2.69	1.27	-1.35	3.31	-4.83	4.83
10-Year			3.85	2.53	-9.76	4.53	-8.63	8.63
30-Year			4.63	3.69	-25.88	4.71	-17.72	17.77
Sector								
Broad Market	8,249	\$15,404 bn	3.68%	2.56%	5.93%	2.48%	-4.67%	4.67%
MBS	1,313	5,010	4.15	3.26	5.89	0.63	-2.94	2.92
Corporates	3,517	2,885	4.73	3.63	18.68	4.71	-6.72	6.72
Municipals	46,123	1,279	3.62	3.01	12.91	3.40	-8.08	8.08
Emerging Debt	338	524	6.59	5.27	34.23	8.14	-6.77	6.77
High Yield	1,747	882	9.06	7.80	58.21	6.71	-4.18	4.18

Source: U.S. Treasury, Barclay's Capital, FactSet, J.P. Morgan Asset Management.

Fixed income sectors shown above are provided by Barclay's Capital and are represented by- Broad Market: US Barclay's Capital Index; MBS: Fixed Rate MBS Index; Corporate: U.S. Corporates; Municipals: Muni Bond Index; Emerging Debt: Emerging Markets Index; High Yield: Corporate High Yield Index. Treasury securities data for # of issues and market value based on U.S. Treasury benchmarks from Barclay's Capital. Yield and return information based on Bellwethers for Treasury securities.

Change in bond price is calculated using both duration and convexity according to the following formula:

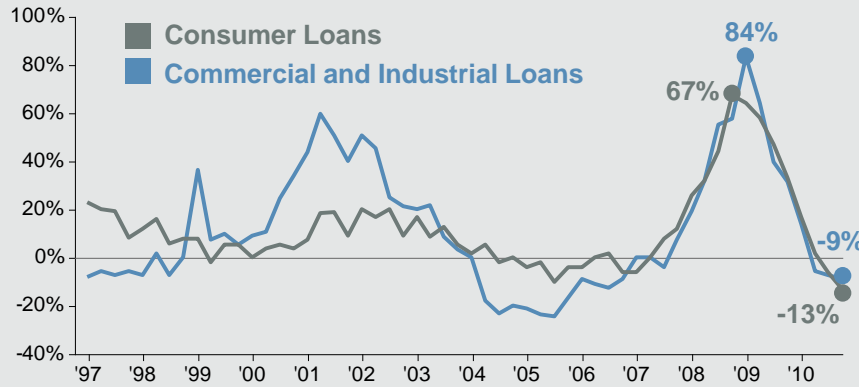
$$\text{New Price} = (\text{Price} + (\text{Price} * \text{-Duration} * \text{Change in Interest Rates})) + (0.5 * \text{Price} * \text{Convexity} * (\text{Change in Interest Rates})^2)$$

*Calculation assumes 2-Year Treasury interest rate falls 0.42% to 0.00% as interest rates can only fall to 0.00%.

Chart is for illustrative purposes only.
Data are as of 9/30/10.

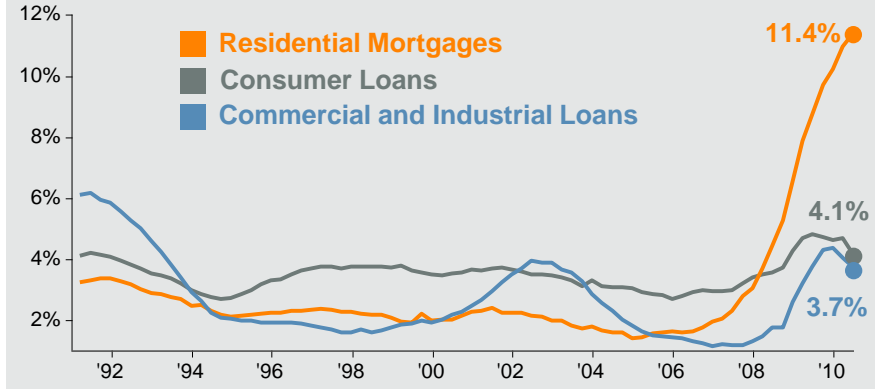
Lending Standards: Consumer Loans

Net percent of banks reporting tighter lending standards



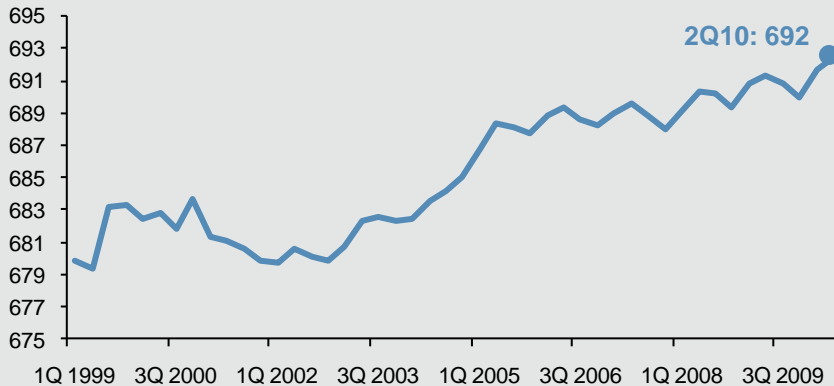
Delinquency Rates

All banks, seasonally adjusted



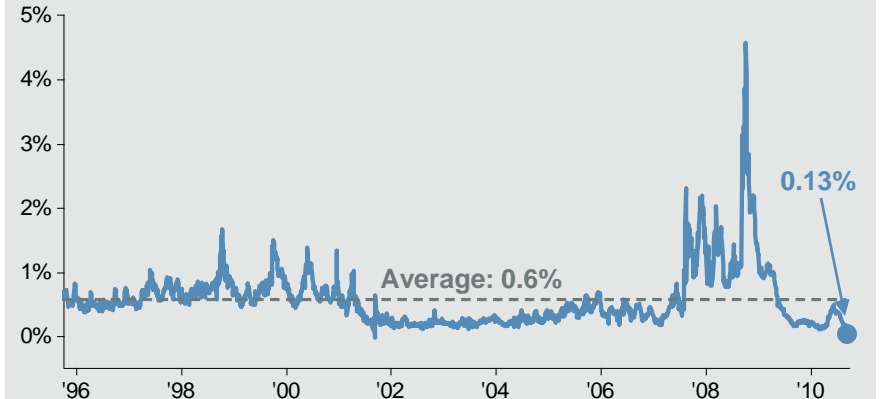
Equifax Risk Score

Average credit score



LIBOR Spread over Treasuries ("TED Spread")

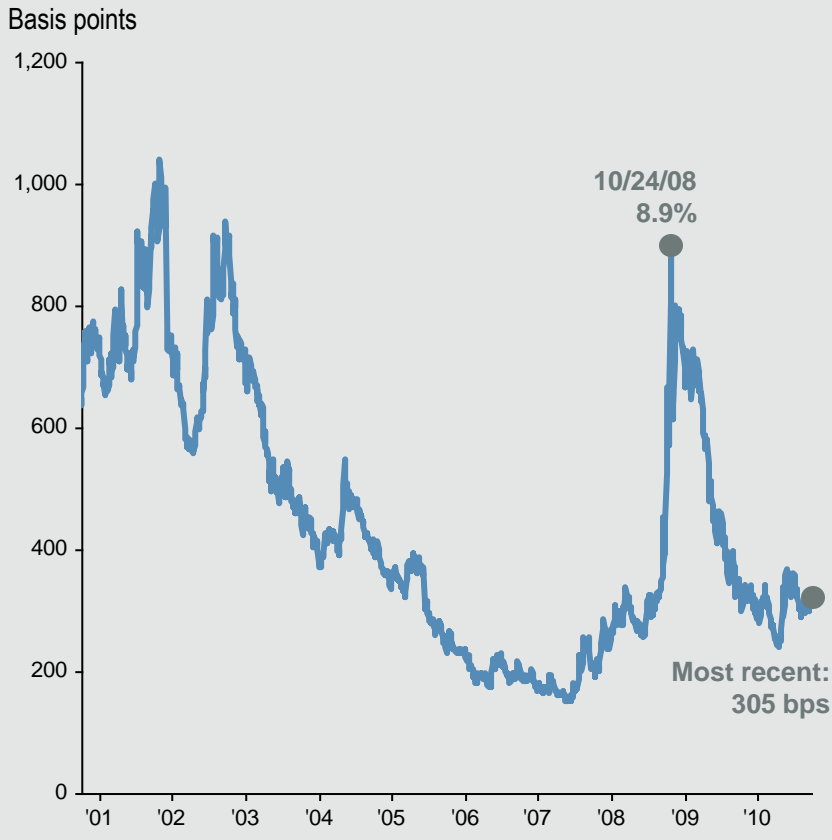
3-month LIBOR – 3-month Treasury (rate on interbank loans)



Source: (Top left) Federal Reserve, FactSet, J.P. Morgan Asset Management. (Top right) Federal Reserve, FactSet, J.P. Morgan Asset Management. (Bottom left): FRBNY Consumer Credit Panel, J.P. Morgan Asset Management. (Bottom right) U.S. Treasury, British Bankers Association, FactSet, U.S. Treasury, J.P. Morgan Asset Management. All data reflect most recently available releases.

Data are as of 9/30/10.

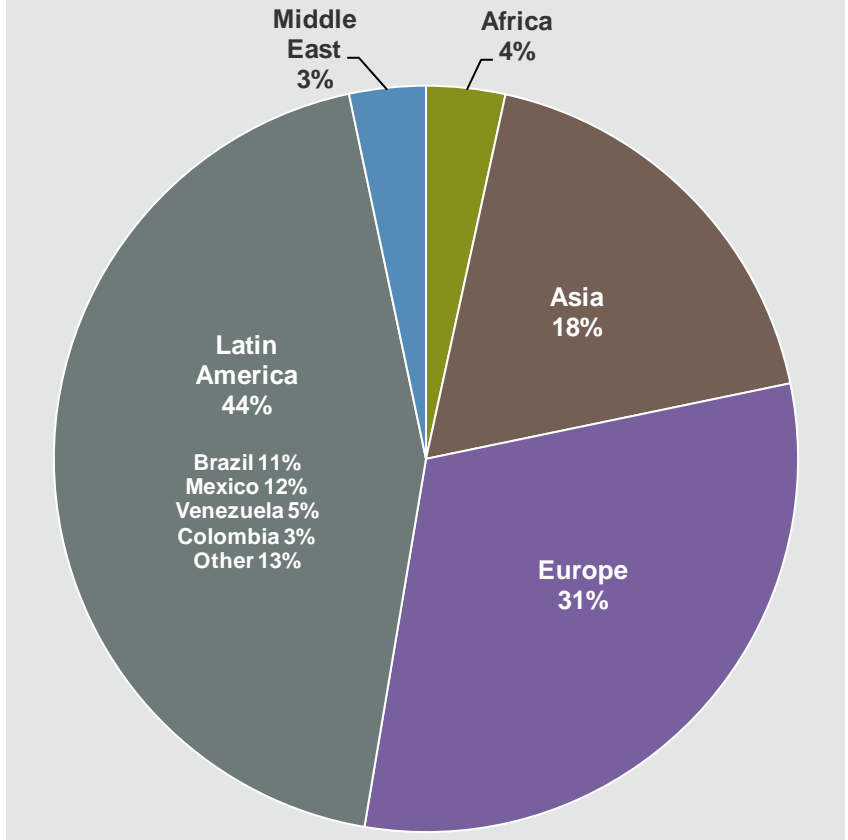
Emerging Markets Bond Index (EMBI) Global Spreads



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

Data are as of 9/30/10. Spreads measure the credit risk premium over U.S. Treasury bonds.

EMBI Global Components



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

Data are as of 9/30/10.

Fixed Income Sector Returns

Fixed Income

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	3Q10	YTD	10-ys 00 - '09
EMD	13.7%	10.3%	16.7%	29.0%	11.9%	12.3%	11.8%	11.6%	13.7%	58.2%	8.1%	14.2%	173.2%
Treas.	13.5%	8.4%	12.2%	26.9%	11.1%	3.6%	10.0%	9.0%	8.3%	34.2%	6.7%	11.5%	109.9%
TIPS	13.2%	8.2%	11.8%	10.6%	6.3%	3.5%	5.2%	7.0%	5.2%	18.7%	4.7%	10.8%	95.6%
Muni	11.7%	7.9%	10.3%	10.0%	6.0%	2.8%	5.1%	6.9%	-1.4%	15.8%	3.9%	9.2%	91.5%
Barclays Agg	11.6%	6.8%	10.1%	8.2%	5.4%	2.8%	4.8%	6.2%	-2.4%	12.9%	3.4%	8.7%	89.1%
MBS	11.2%	6.7%	10.0%	5.3%	4.7%	2.7%	4.3%	5.2%	-2.5%	11.4%	2.7%	7.9%	86.9%
Asset Alloc.	10.2%	5.3%	9.6%	4.1%	4.5%	2.6%	4.3%	4.6%	-4.9%	5.9%	2.5%	7.0%	84.8%
Corp.	9.1%	5.1%	8.7%	3.1%	4.3%	2.4%	3.1%	3.4%	-14.7%	5.9%	2.5%	6.8%	81.7%
High Yield	-5.9%	1.5%	-1.4%	2.2%	3.5%	1.7%	0.4%	1.9%	-26.2%	-3.6%	0.6%	5.1%	74.9%

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

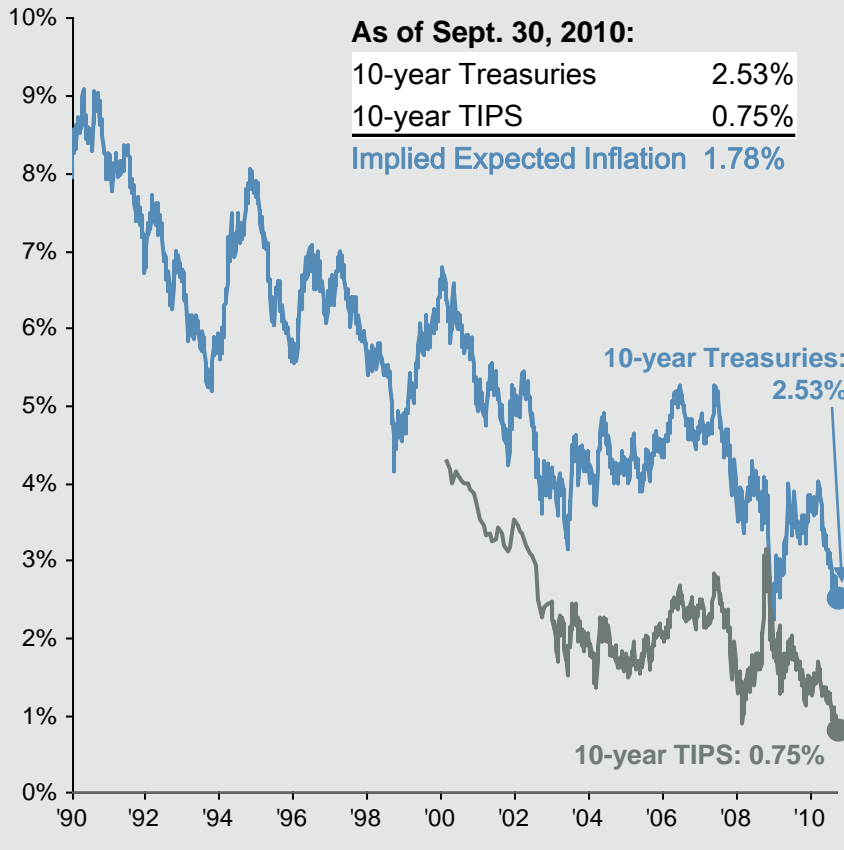
Past performance is not indicative of future returns. Fixed income sectors shown above are provided by Barclays Capital and are represented by: Barclays Capital U.S. Aggregate Index; MBS: Fixed Rate MBS Index; Corporate: U.S. Corporates; Municipals: Muni Bond Index; Emerging Debt: Emerging Markets Index; High Yield: Corporate High Yield Index; Treasuries: Barclays Capital U.S. Treasury; TIPS: Barclays Capital Real TIPS.

The "Asset Allocation" portfolio assumes the following weights: 10% in MBS, 20% in Corporate, 15% in Municipals, 10% in Emerging Debt, 10% in High Yield, 25% in Treasuries, 10% in TIPS. Asset allocation portfolio assumes annual rebalancing.

Data are as of 9/30/10.

Treasury Yields and Inflation

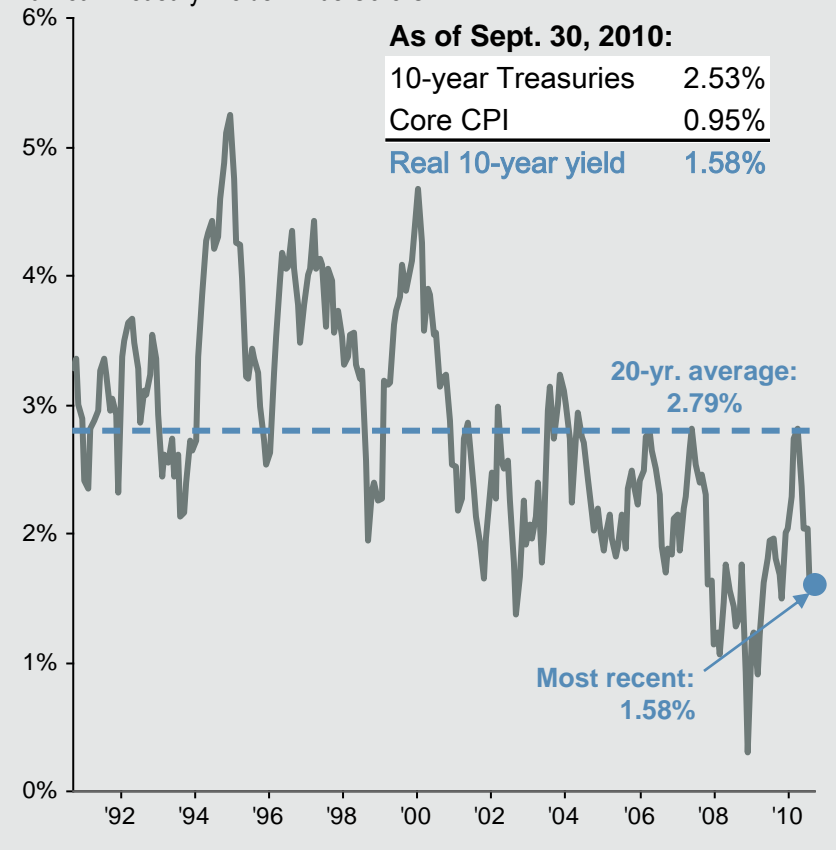
Nominal 10-Year Yields: Treasuries & TIPS



Source: St. Louis Fed, Federal Reserve, J.P. Morgan Asset Management.
 Treasury Inflation Protected Securities were first introduced in 1997.
 Data are as of 9/30/10.

Real 10-Year Treasury Yields

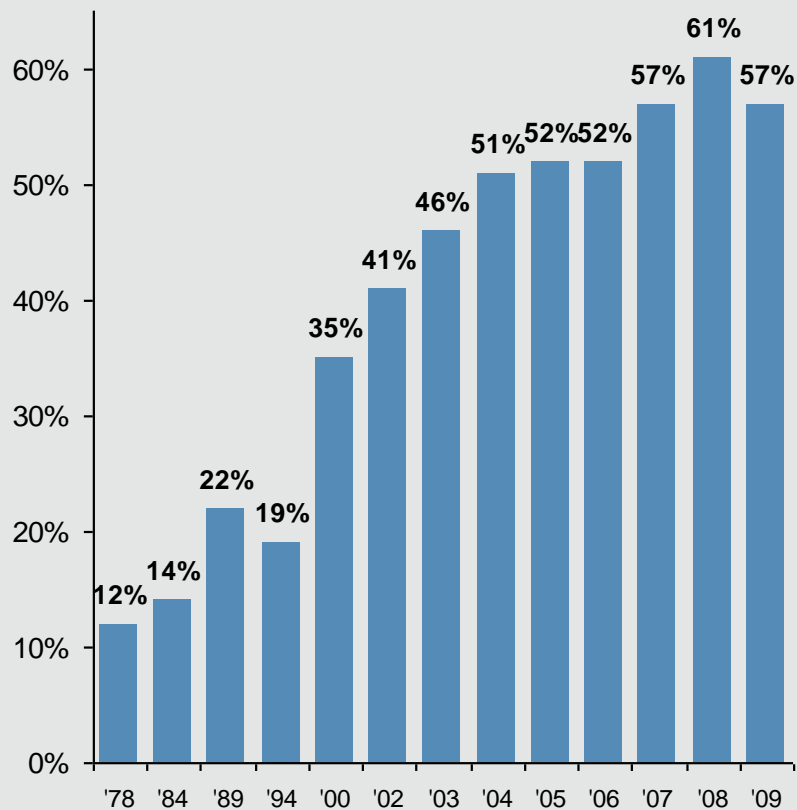
10-Year Treasury Yields minus Core CPI



Source: FRB, BLS, J.P. Morgan Asset Management. Chart is the 10-year Treasury yield less Core CPI (inflation excluding food and energy, year-over-year).
 Data are as of 9/30/10.

Foreign Ownership of U.S. Treasuries

Percentage of U.S. Treasuries Owned by Foreigners

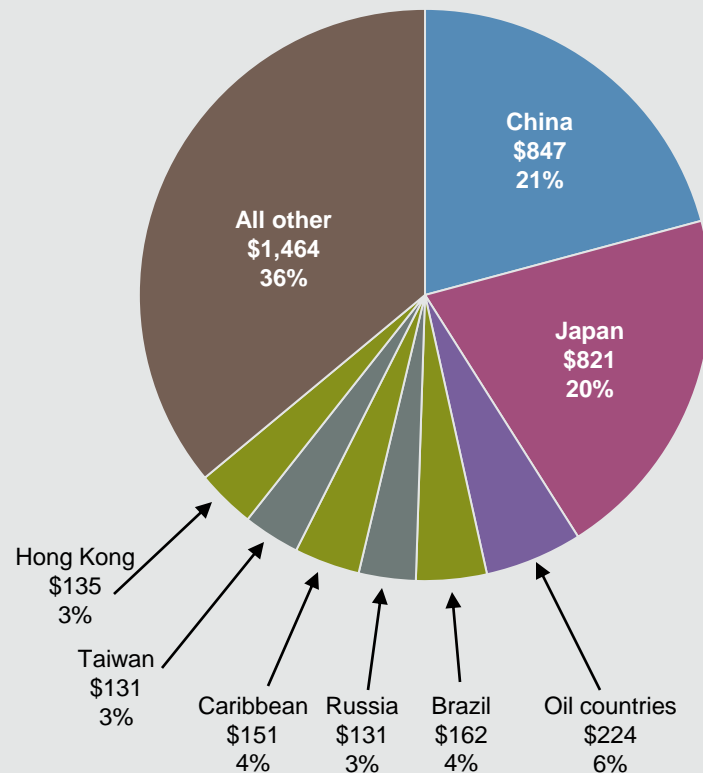


Source: J.P. Morgan Asset Management, U.S. Treasury Department TIC.

Data reflects most recently available information as of 9/30/10, published by the U.S. Treasury in Mar. 2010 for the period ending 9/30/09. Based on long-term marketable securities less bills outstanding.

Foreign Holders of U.S. Treasuries

in billions USD



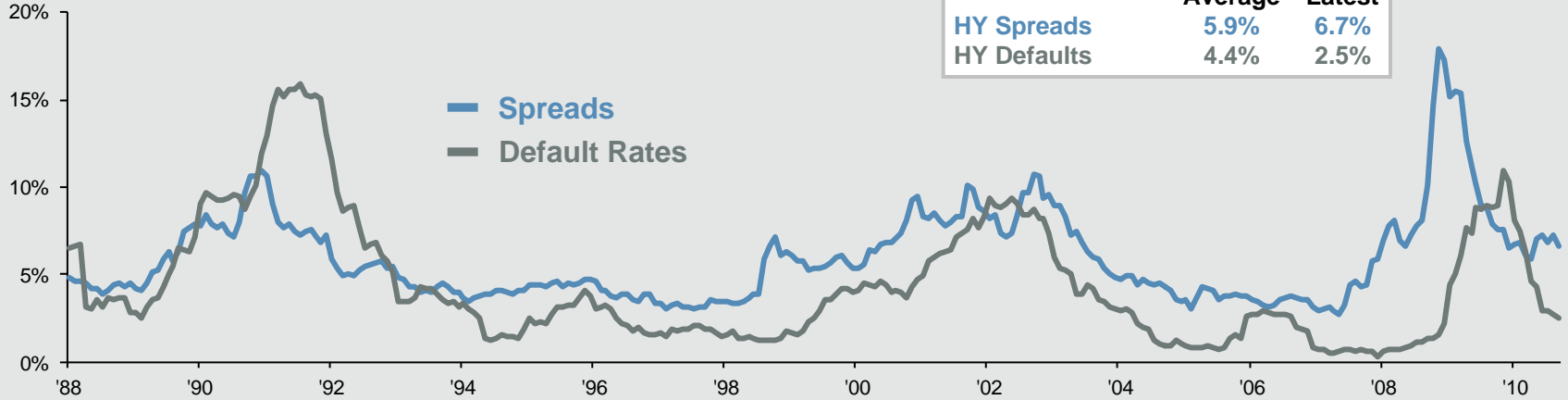
Source: J.P. Morgan Asset Management, U.S. Treasury Department TIC.

Caribbean Banking Centers include Bahamas, Bermuda, Cayman Islands, Netherlands Antilles, and Panama. Oil countries include Ecuador, Venezuela, Indonesia, Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, the United Arab Emirates, Algeria, Gabon, Libya, and Nigeria.

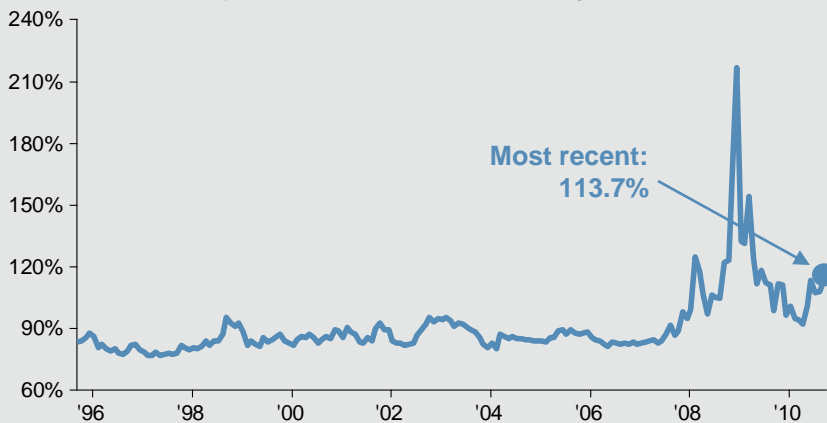
Data on this page are updated annually each June to reflect revisions by Treasury. Data are as of July 2010.

Corporate Bond Spreads

High Yield Spreads and Defaults



Ratio of Municipal Bond Yield to Treasury Yield



BAA Corporate Bond Spreads



Source (Top chart): U.S. Treasury, 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 charts): U.S. Treasury, J.P. Morgan Asset Management.

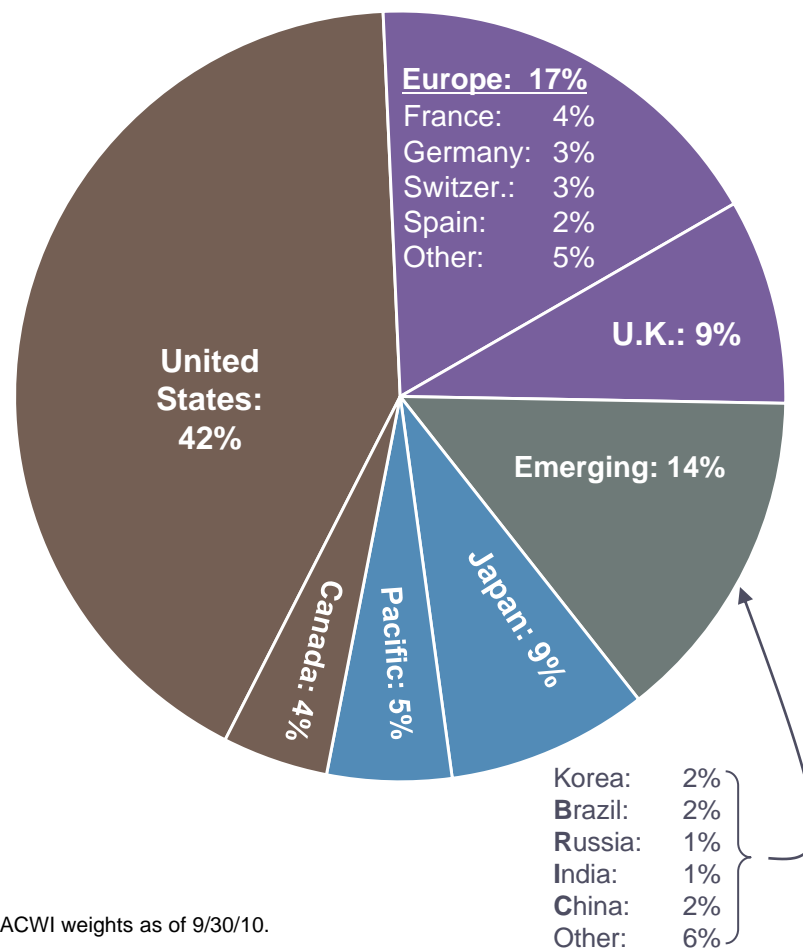
Spreads indicated are benchmark rates over comparable Treasury yields. Corporate bond spreads are of 10+ year maturity.

Data are as of 9/30/10.

International Returns: Local Currency vs. U.S. Dollars

Country / Region	3Q10		YTD	
	Local	USD	Local	USD
Regions / Broad Indexes				
USA (S&P 500)	-	11.3	-	3.9
EAFE	7.1	16.5	-0.4	1.5
Europe ex-U.K.	6.9	19.2	0.9	-1.3
Pacific ex-Japan	10.6	22.2	2.1	8.1
Emerging Markets	12.9	18.2	8.2	11.0
MSCI: Selected Countries				
United Kingdom	13.7	19.8	5.1	2.6
France	8.5	20.9	-0.2	-5.0
Germany	4.7	16.7	4.9	-0.2
Japan	0.0	5.9	-7.5	3.1
China	10.4	10.7	4.2	4.1
India	11.7	15.4	14.3	18.3
Brazil	14.4	21.8	0.3	3.2
Russia	11.4	13.4	3.4	2.5

Weights in MSCI All Country World Index



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

All return values are MSCI Gross Index (official) data. Returns are as of 9/30/10. MSCI ACWI weights as of 9/30/10.

International investing involves a greater degree of risk and volatility. Changes in currency exchange rate and political and economic climate can raise or lower returns. Past performance is not indicative of future results. Europe and Pacific regions exclude Emerging Markets, which are shown separately. Europe excludes U.K. and Pacific excludes Japan.

Data are as of 9/30/10.

International Economic and Demographic Data

Economics						Demographics				
	GDP USD (B\$s)	GDP Per Capita	GDP Growth	Unempl. Rate	Inflation (CPI)	Population	Population Growth	Percent Age >65	Median Age	Migration per 1000
Developed										
U.S.	\$14,579	\$46,000	1.7%	9.6%	1.8%	310 mm	1.0%	12.8%	36.8 yrs	+4.3
Canada	1,279	38,200	2.0	8.1	1.4	33	0.8	15.2	40.7	+5.6
U.K.	2,128	34,800	4.9	7.8	3.4	61	0.3	16.2	39.8	+2.2
Germany	2,810	34,100	9.0	7.7	1.3	82	-0.1	20.3	44.3	+2.2
France	2,097	32,600	2.8	9.3	1.6	64	0.5	16.4	39.7	+1.5
Japan	4,150	32,700	1.5	5.2	-1.2	127	-0.2	22.2	44.6	-
Italy	1,739	29,900	1.8	8.5	1.4	58	-0.0	20.2	43.7	+2.1
Emerging										
Russia	2,110	15,100	4.3	6.9	5.9	140	-0.5	13.7	38.5	0.3
Mexico	1,465	13,200	13.5	5.5	4.0	111	1.1	6.2	26.7	-3.6
Brazil	2,013	10,100	5.1	6.7	5.1	199	1.2	6.4	28.9	-0.1
China	8,748	6,600	7.2	4.3	2.9	1,339	0.7	8.1	35.2	-0.4
India	3,570	3,100	8.5	10.7	13.7	1,157	1.4	5.2	25.9	-0.1

Source: FactSet, CIA, J.P. Morgan Asset Management, J.P. Morgan Securities.

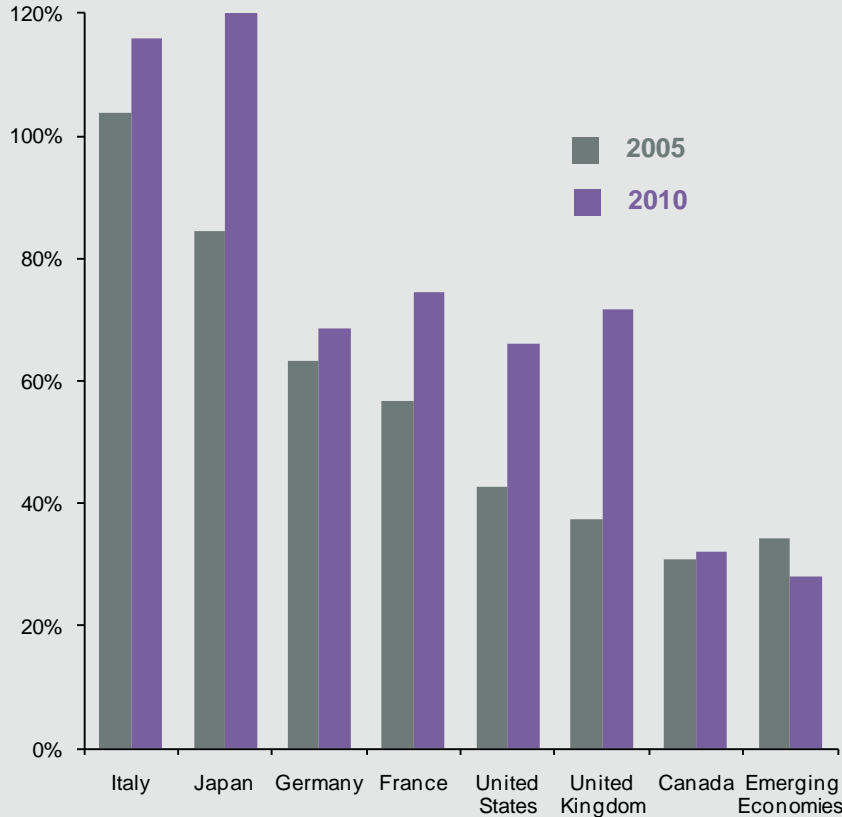
GDP Growth is shown as % change versus prior quarter annualized and all data are for 2Q10. Mexico unemployment is from CIA estimates (CIA also points out "underemployment of perhaps 25%" in Mexico) and is as of 2009. CPI Inflation is shown as % change versus a year ago and all data are for 2Q10. Unemployment rate for developed countries refers to August 2010 and comes from Eurostat and Statistics Canada. Demographic data provided by CIA World Factbook at CIA.gov.

Data are as of 9/30/10.

Debt to GDP and Global Yield Curves

Government Debt to GDP by Country

IMF estimate of net debt as a % of GDP



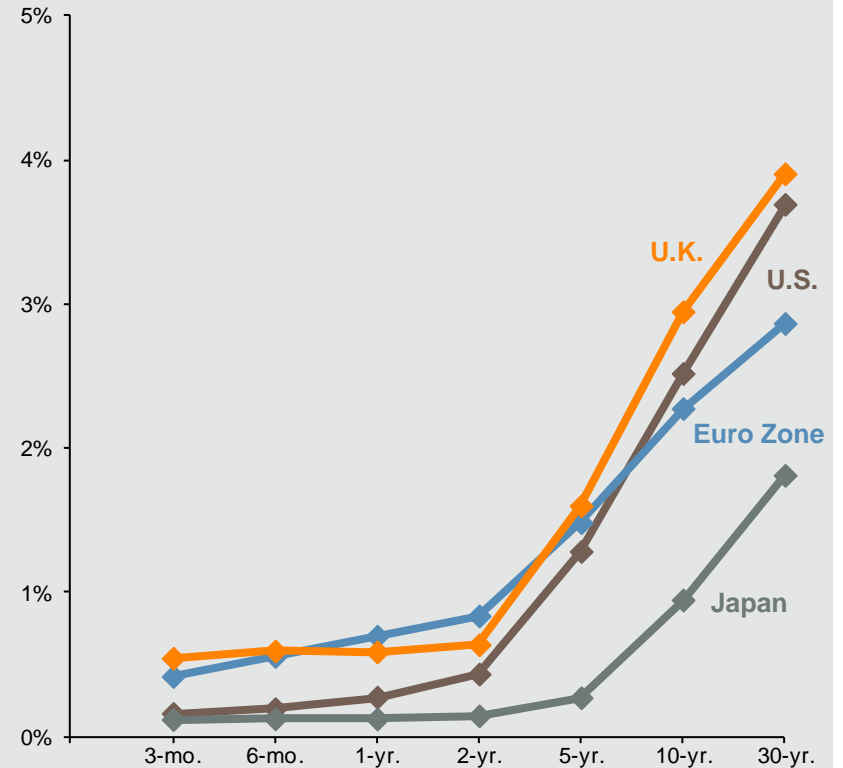
Source: IMF Fiscal Monitor, J.P. Morgan Asset Management.

Data are as of May 2010. This entry records the cumulative total of all government borrowings less repayments that are denominated in a country's home currency. Public debt should not be confused with external debt, which reflects the foreign currency liabilities of both the private and public sector and must be financed out of foreign exchange earnings.

Data are as of 9/30/10.

Global Yield Curves: U.S., U.K., Euro Zone & Japan

Yield %



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

Data are as of 9/30/10.

Sovereign Debt Vulnerability

	Market Interest Rates		Fiscal and Debt Fundamentals			External Funding	
	10-yr. Note Yield 9/30/10	10-yr. Note Yield 9/30/09	Structural Govt. Deficit	Net Govt. Debt	Govt. Debt < 1 yr. to Maturity	Current Account Balance	Govt. Debt Held Abroad
Developed (G7)	%	%	% of 2010 GDP			% of 2010 GDP	
Canada	2.8	3.3	3.0	31.8	14.1	-2.6	14.1
France	2.6	3.5	4.6	74.5	17.2	-1.9	48.7
Germany	2.3	3.2	3.8	68.6	15.8	5.5	40.3
Italy	3.9	4.0	3.5	116.0	24.5	-2.8	56.4
Japan	0.9	1.3	7.5	121.7	48.7	2.8	13.7
United Kingdom	2.9	3.6	7.6	71.6	6.6	-1.7	17.9
United States	2.5	3.3	9.2	66.2	17.9	-3.3	24.7
Distressed Sovereigns							
Greece	10.4	4.2	8.9	104.3	15.9	-9.7	99.0
Ireland	6.7	4.5	7.9	47.8	3.3	0.4	47.2
Portugal	6.2	3.6	7.1	81.6	13.0	-9.0	60.2
Spain	4.1	3.8	7.3	57.5	12.4	-5.3	26.9

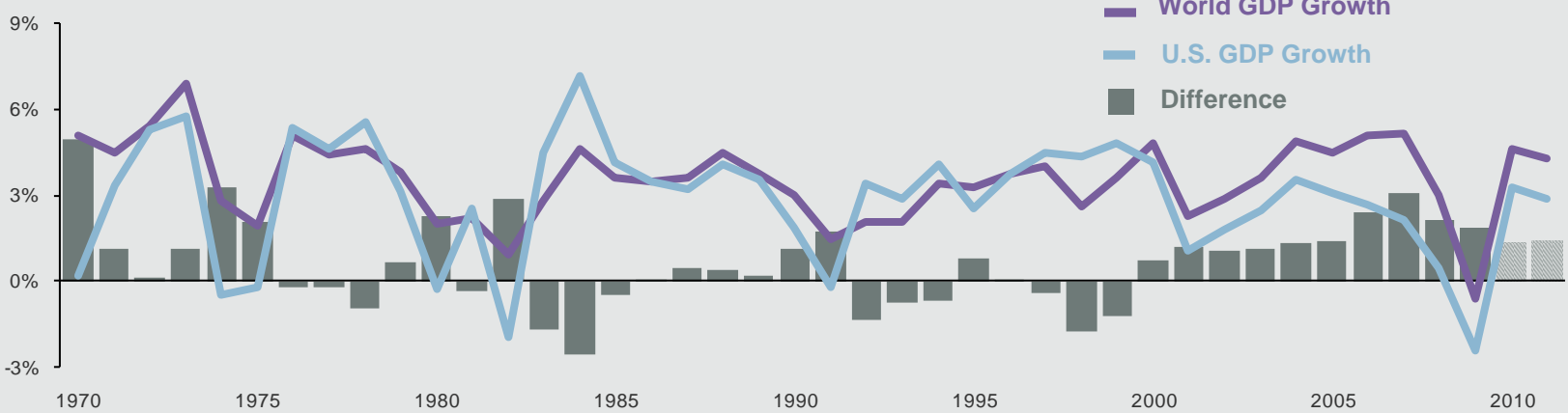
Source: FactSet, IMF's April Global Financial Stability Report, J.P. Morgan Asset Management.

The Structural Deficit represents what the deficit would be if the economy were operating at its potential. Net government debt is equal to gross government debt less government assets.

Data are as of 9/30/10.

The Economic Growth Differential

World GDP Growth vs. U.S. GDP Growth



Emerging and Developed GDP Growth



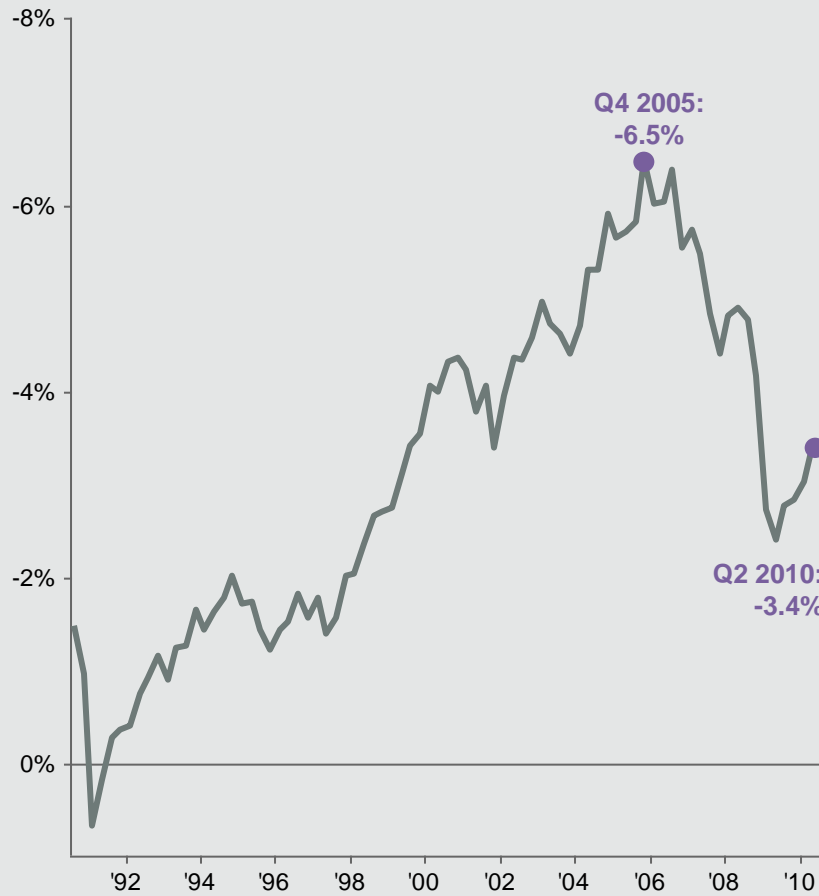
Source: J.P. Morgan Global Economics Research, IMF, J.P. Morgan Asset Management.

Data are as of July 2010 and are provided by the International Monetary Fund. 2010 and 2011 data are estimates as provided by the IMF. Emerging and Developed Economy GDP growth rates represent quarterly annualized growth estimated by J.P. Morgan Global Economics Research and are as of 2Q10.

Data are as of 9/30/10.

Current Account Deficit and U.S. Dollar

Current Account Balance, % of GDP



Source: J.P. Morgan Asset Management, BEA.
Data are as of 9/30/10 and are reported quarterly.

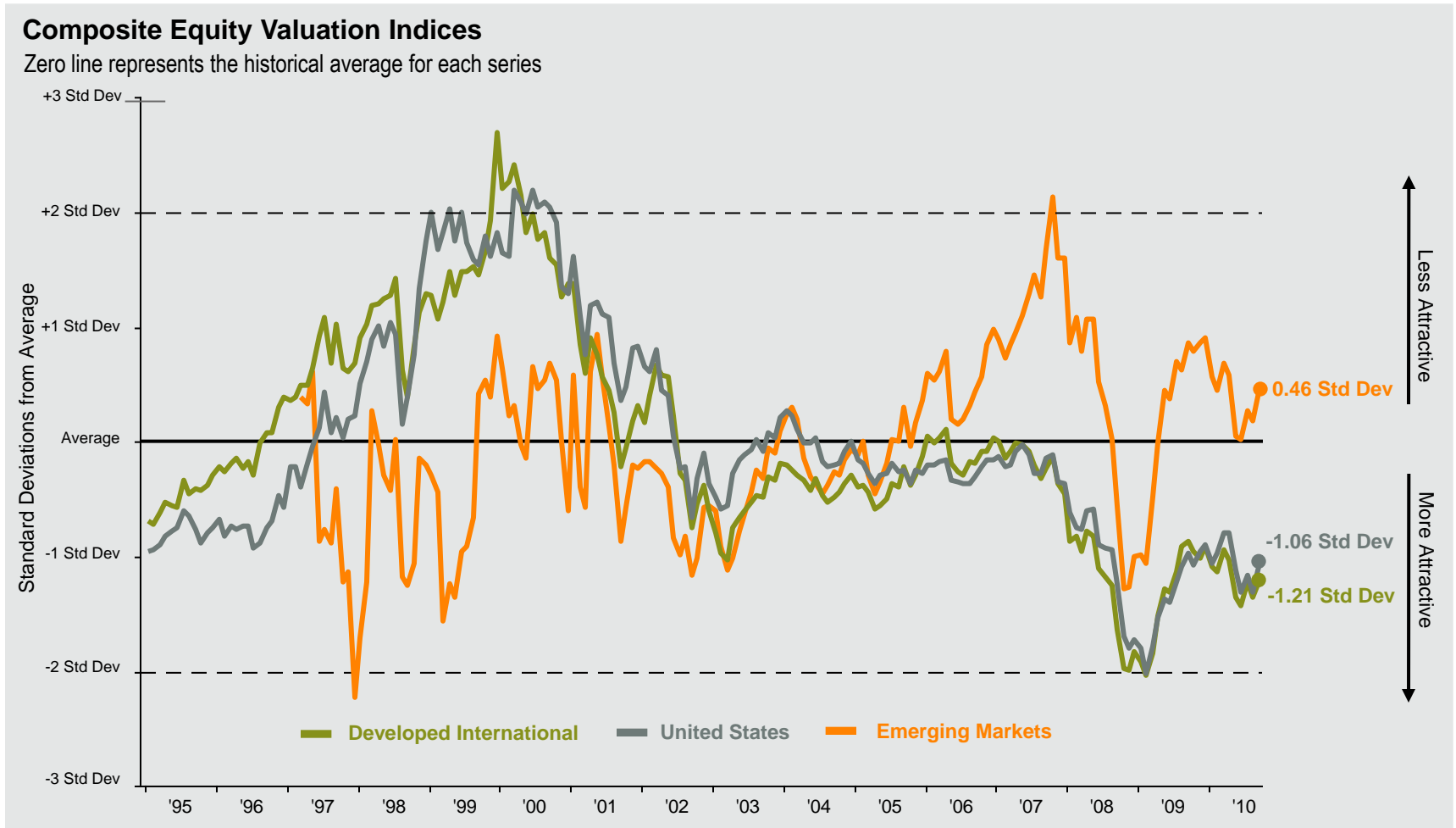
U.S. Dollar Index

Nominal trade-weighted exchange index: major currencies



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
Data are as of 9/30/10.

Global Equity Market Valuations



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

*Note: Each valuation index shows the number of standard deviations from the mean of a composite of four equally weighted metrics (forward price to earnings, price to book, price to cash flow and price to dividends) for MSCI US, MSCI EM and MSCI EAFE.

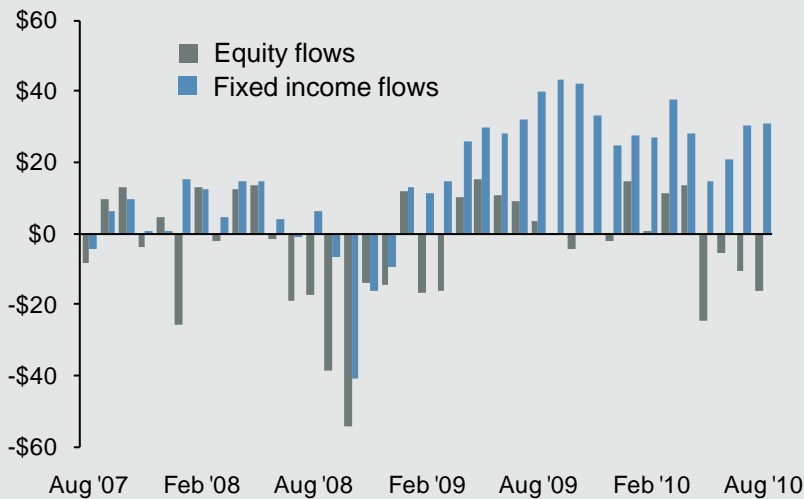
Data are as of 9/30/10.

Mutual Fund Flows

Billions, USD	AUM	Fund Flows											
		YTD 2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Domestic Equity	3,471	(45)	(39)	(151)	(48)	11	31	111	130	(25)	54	260	176
World Equity	1,242	27	31	(82)	139	148	105	67	23	(3)	(22)	50	11
Taxable Bond	2,067	188	307	20	98	45	26	3	39	124	76	(36)	8
Tax-exempt Bond	513	28	69	8	11	15	5	(14)	(7)	16	12	(14)	(12)
Hybrid	653	12	23	(19)	24	7	25	43	32	8	10	(31)	(14)
Money Market	2,827	(496)	(539)	637	654	245	62	(157)	(263)	(46)	375	159	194

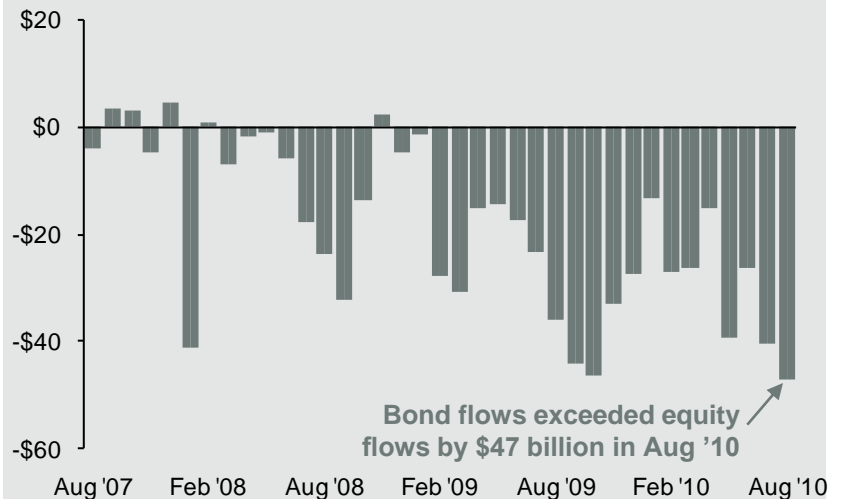
Net fund flows (monthly)

Billions, USD, U.S. and international funds



Difference between net flows into stock and bond funds

Billions, USD, U.S. and international funds



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

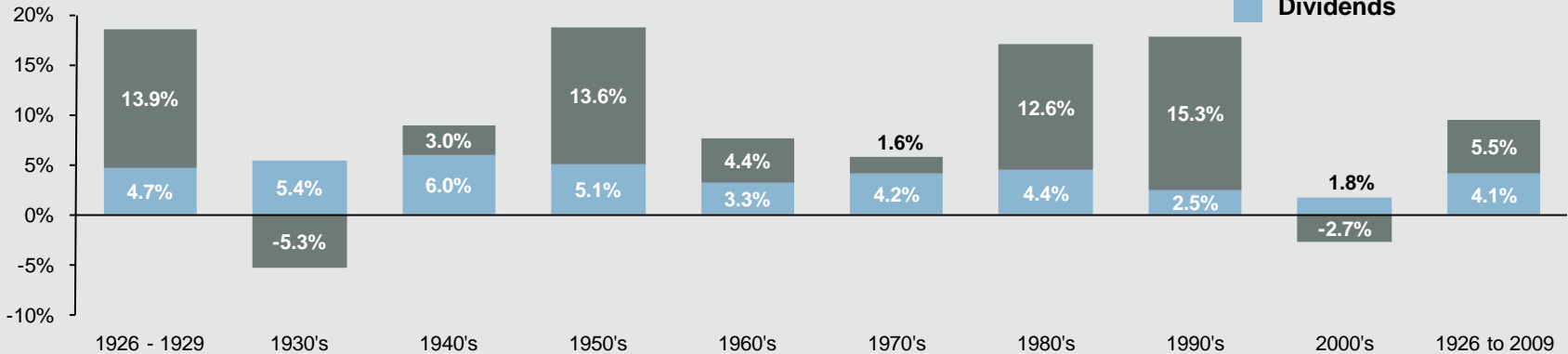
Data include flows through August 2010 and exclude ETFs. ICI data are subject to periodic revisions. International equity flows are inclusive of emerging market, global equity and regional equity flows. Hybrid flows include asset allocation, balanced fund, flexible portfolio and mixed income flows.

Data are as of 9/30/10.

Dividend Income: Domestic and Global

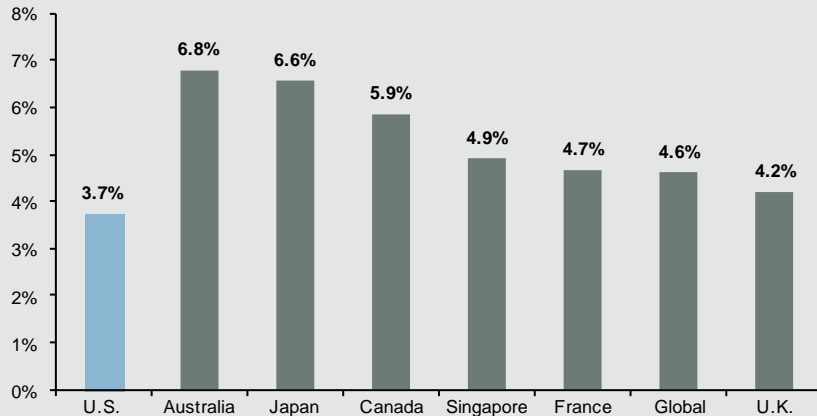
S&P 500 Total Return: Dividends vs. Capital Appreciation

Average annualized returns



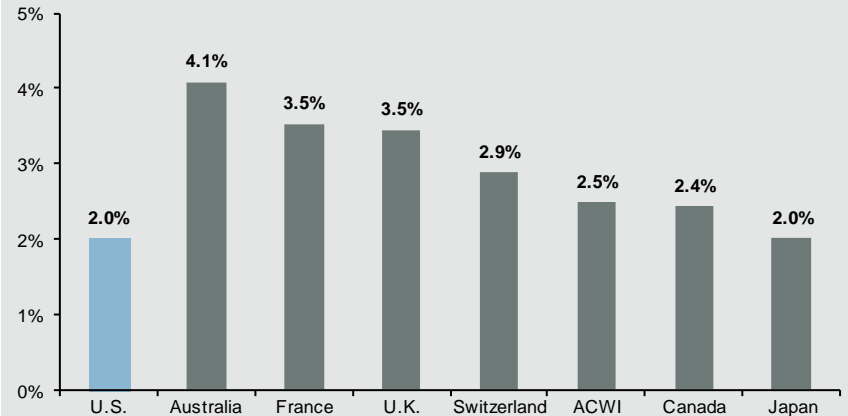
REIT Dividend Yields

Major world markets by capitalization



Equity Dividend Yields

Major world markets by capitalization

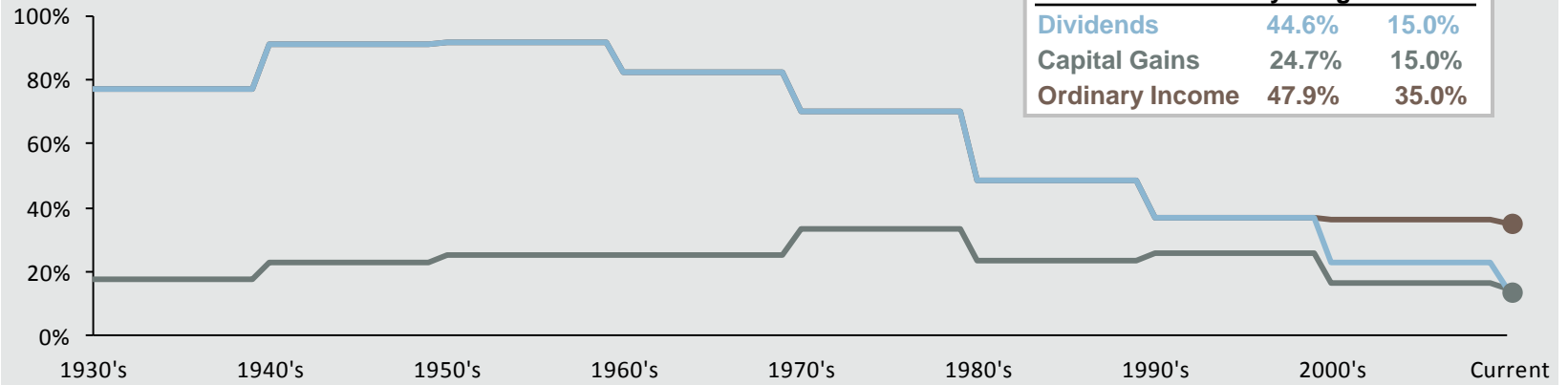


Source: (Top chart) Standard & Poor's, Ibbotson, J.P. Morgan Asset Management. (Bottom left) FactSet, NAREIT, J.P. Morgan Asset Management. Yields shown are that of the appropriate FTSE NAREIT REIT index, which excludes property development companies. (Bottom right) FactSet, MSCI, J.P. Morgan Asset Management. Yields shown are that of the appropriate MSCI index.

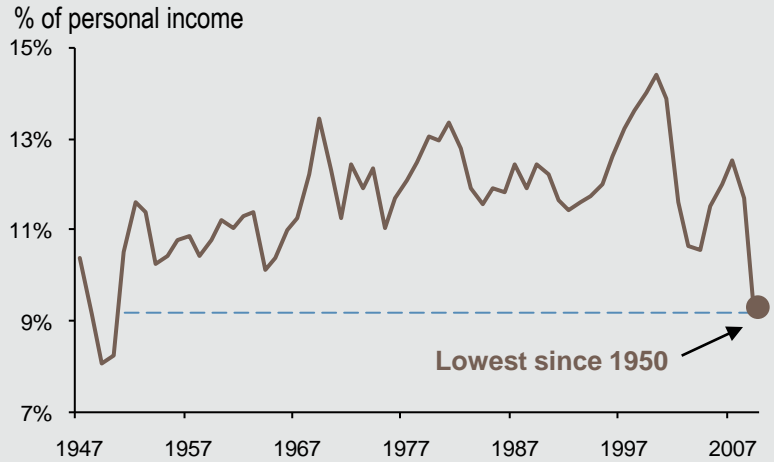
Data are as of 9/30/10.

Marginal and Average Tax Rates

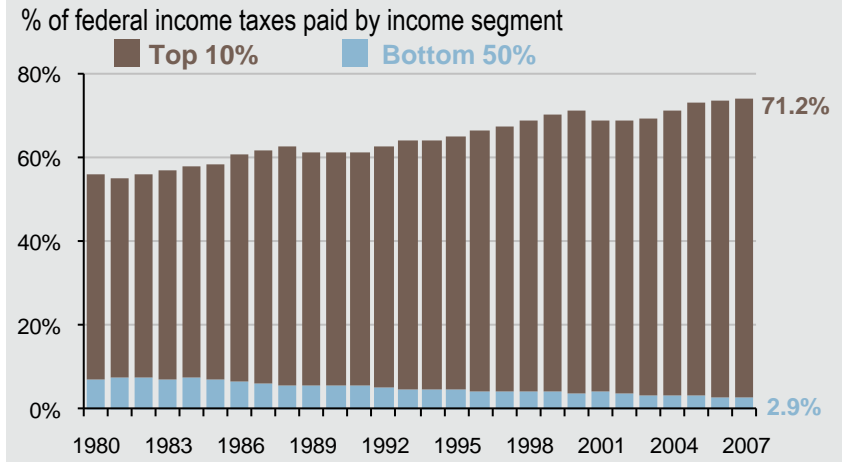
Average Maximum Tax Rate on Dividends and Capital Gains



Taxes Collected by the Government



Share of Federal Income Taxes

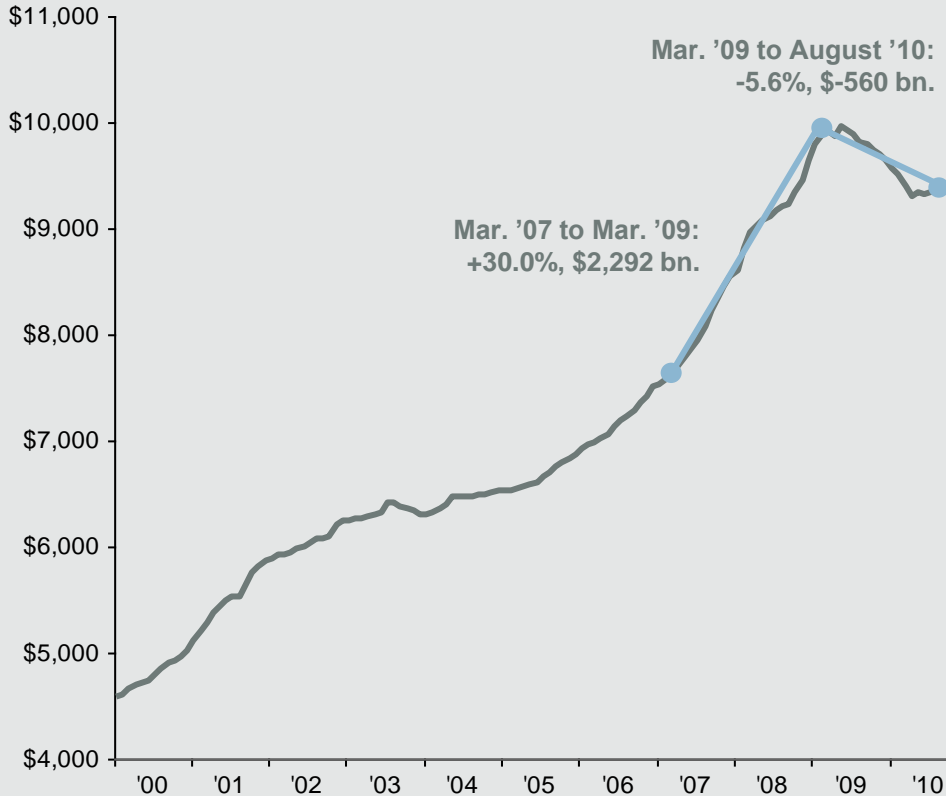


Source: (Top) The Tax Foundation, J.P. Morgan Asset Management. Tax rates based on maximum U.S. individual income tax. (Bottom left) BEA, J.P. Morgan Asset Management. (Bottom right) The Tax Foundation, IRS, J.P. Morgan Asset Management. Personal taxes include taxes on income, personal property and payments for personal licenses (see NIPA tables 3.4 and 3.4u). Data through 2007 is latest available from IRS. Includes all returns with positive AGI. 2007 dollar cut-off/minimum AGI for tax return to fall into top 10%: \$113,018; bottom 50%:\$32,870. The only tax analyzed here is the federal individual income tax, which is responsible for about 25% of the nation's taxes paid. Data are as of 9/30/10.

Cash Accounts

Growth in “Cash on the Sidelines”

Measured as M2 - M1 + Inst. MMMF & IRA & Keogh accounts, in billions USD



Money Supply Component	\$ Billions	Weight in Money Supply
M2- M1	6,912	73.7%
Retail MMMFs	734	7.8%
Savings deposits	5,152	55.0%
Small time deposits	1,027	11.0%
Institutional MMMFs	1,881	20.1%
Cash in IRA & Keogh accounts	583	6.2%
Total	9,376	100.0%

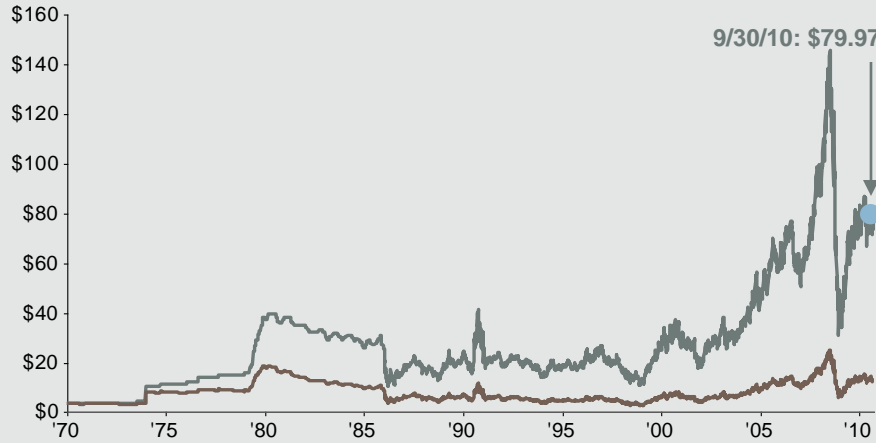
Source: The Federal Reserve, J.P. Morgan Asset Management. All cash measures obtained from the Federal Reserve are seasonally adjusted monthly numbers. All numbers are in billions of U.S. dollars.

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.

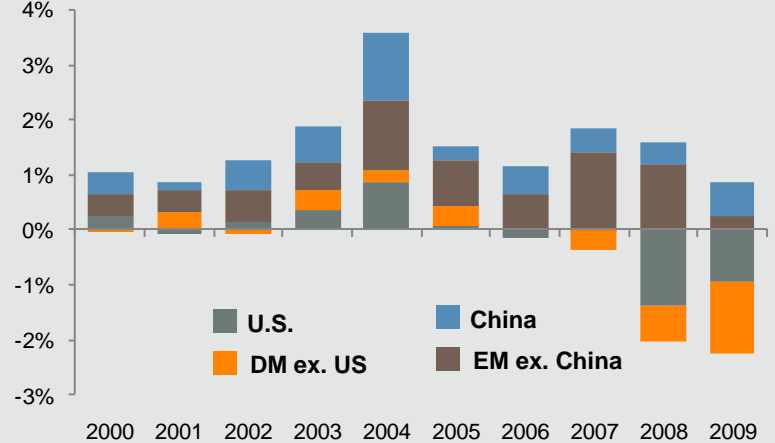
IRA and Keogh account balances at money market mutual funds are subtracted from retail money funds.

Data are as of 9/30/10.

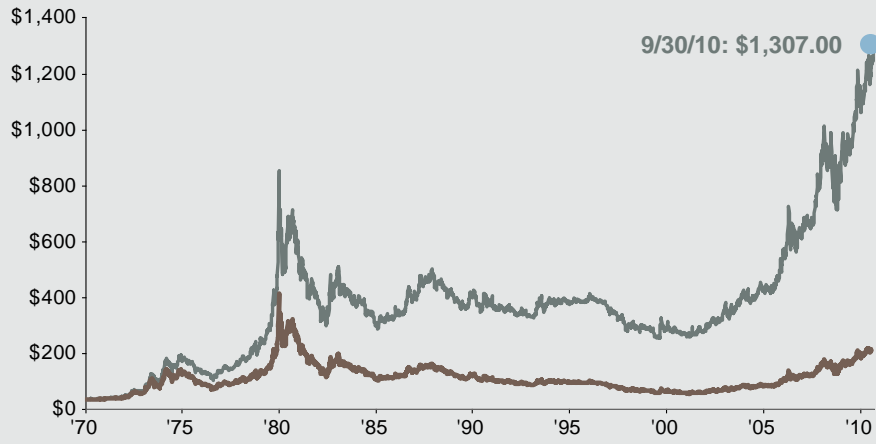
WTI Oil Prices - Nominal and Inflation Adjusted



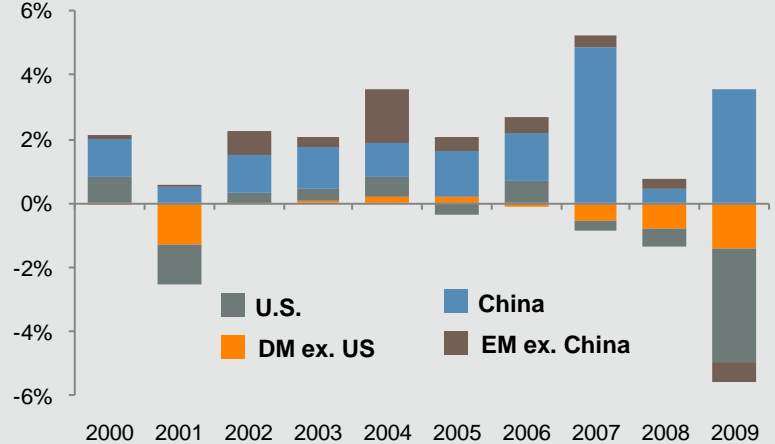
World Oil Consumption Growth



Gold Prices - Nominal and Inflation Adjusted



Industrial Metals Consumption Growth



Source: BLS, U.S. Department of Energy, FactSet, J.P. Morgan Asset Management.
Data reflect most recently available as of 9/30/10.

Source: IMF, Bloomberg, J.P. Morgan Asset Management. Industrial metals are represented by copper and aluminum consumption.
Data are as of 9/30/10.

Asset Class Returns

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	3Q10	YTD	10-yrs '00 - '09
Real Estate 26.4%	Real Estate 13.9%	DJ UBS Cmdty 23.9%	MSCI EME 56.3%	Real Estate 31.6%	MSCI EME 34.5%	Real Estate 35.1%	MSCI EME 39.8%	Barclays Agg 5.2%	MSCI EME 79.0%	MSCI EME 18.2%	Real Estate 19.1%	Real Estate 174.5%
DJ UBS Cmdty 24.2%	Market Neutral 9.3%	Barclays Agg 10.3%	Russell 2000 47.3%	MSCI EME 26.0%	DJ UBS Cmdty 17.6%	MSCI EME 32.6%	MSCI EAFE 11.6%	Market Neutral 1.1%*	MSCI EAFE 32.5%	MSCI EAFE 16.5%	MSCI EME 11.0%	MSCI EME 162.0%
Market Neutral 15.0%	Barclays Agg 8.4%	Market Neutral 7.4%	MSCI EAFE 39.2%	MSCI EAFE 20.7%	MSCI EAFE 14.0%	MSCI EAFE 26.9%	DJ UBS Cmdty 11.1%	Asset Alloc. -23.8%	Real Estate 28.0%	Real Estate 12.8%	Russell 2000 9.1%	Market Neutral 108.7%
Barclays Agg 11.6%	Russell 2000 2.5%	Real Estate 3.8%	Real Estate 37.1%	Russell 2000 18.3%	Real Estate 12.2%	Russell 2000 18.4%	Market Neutral 9.3%	Russell 2000 -33.8%	Russell 2000 27.2%	DJ UBS Cmdty 11.6%	Barclays Agg 7.9%	Barclays Agg 84.8%
Asset Alloc. 0.6%	MSCI EME -2.4%	Asset Alloc. -5.4%	S&P 500 28.7%	Asset Alloc. 12.5%	Asset Alloc. 8.0%	S&P 500 15.8%	Asset Alloc. 7.3%	DJ UBS Cmdty -36.6%	S&P 500 26.5%	S&P 500 11.3%	Asset Alloc. 6.0%	Asset Alloc. 60.8%
Russell 2000 -3.0%	Asset Alloc. -3.4%	MSCI EME -6.0%	Asset Alloc. 25.2%	S&P 500 10.9%	Market Neutral 6.1%	Asset Alloc. 14.9%	Barclays Agg 7.0%	S&P 500 -37.0%	Asset Alloc. 22.5%	Russell 2000 11.3%	S&P 500 3.9%	DJ UBS Cmdty 50.9%
S&P 500 -9.1%	S&P 500 -11.9%	MSCI EAFE -15.7%	DJ UBS Cmdty 22.7%	DJ UBS Cmdty 7.6%	S&P 500 4.9%	Market Neutral 11.2%	S&P 500 5.5%	Real Estate -37.7%	DJ UBS Cmdty 18.7%	Asset Alloc. 9.3%	MSCI EAFE 1.5%	Russell 2000 41.3%
MSCI EAFE -14.0%	MSCI EAFE -21.2%	Russell 2000 -20.5%	Market Neutral 7.1%	Market Neutral 6.5%	Russell 2000 4.6%	Barclays Agg 4.3%	Russell 2000 -1.6%	MSCI EAFE -43.1%	Barclays Agg 5.9%	Barclays Agg 2.5%	DJ UBS Cmdty 0.8%	MSCI EAFE 17.0%
MSCI EME -30.6%	DJ UBS Cmdty -22.3%	S&P 500 -22.1%	Barclays Agg 4.1%	Barclays Agg 4.3%	Barclays Agg 2.4%	DJ UBS Cmdty -2.7%	Real Estate -15.7%	MSCI EME -53.2%	Market Neutral 4.1%	Market Neutral 0.1%	Market Neutral -0.6%	S&P 500 -9.1%

Source: Russell, MSCI Inc., Dow Jones, Standard and Poor's, Barclays Capital, NAREIT, 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 EMI, 30% in the Barclays Capital Aggregate, 5% in the CS/Tremont Equity Market Neutral Index, 5% in the DJ UBS Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. All data except commodities represent total return for stated period. Past performance is not indicative of future returns. Please see disclosure page at end for index definitions. Data are as of 9/30/10, except for the CS/Tremont Equity Market Neutral Index, which reflects data through 8/31/10. "10-yrs" returns represent cumulative total return and are not annualized. These returns reflect the period from 1/1/00 – 12/31/09.

*Market Neutral returns include estimates found in disclosures.

Data are as of 9/30/10.

Correlations: 10-Years

	Large Cap	Small Cap	EAFE	EME	Core Bonds	Corp. HY	EMD	Cmdty.	Real Estate	Hedge Funds	Eq Market Neutral*
Large Cap	1.00	0.94	0.91	0.86	-0.37	0.73	0.68	0.36	0.18	0.75	0.34
Small Cap		1.00	0.85	0.82	-0.39	0.67	0.61	0.27	0.16	0.68	0.34
EAFE			1.00	0.90	-0.28	0.69	0.61	0.48	0.17	0.80	0.50
EME				1.00	-0.30	0.77	0.68	0.48	0.11	0.79	0.36
Core Bonds					1.00	-0.13	0.07	-0.16	-0.12	-0.18	0.07
Corp. HY						1.00	0.83	0.45	-0.08	0.74	0.32
EMD							1.00	0.44	0.03	0.64	0.27
Commodities								1.00	0.28	0.64	0.43
Real Estate									1.00	0.27	0.28
Hedge Funds										1.00	0.51
Eq Market Neutral*											1.00

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

Indexes used – Large Cap: S&P 500 Index; Small Cap: Russell 2000; 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: NCREIF Property 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 calculated based on quarterly total return data for period 6/30/00 to 6/30/10.

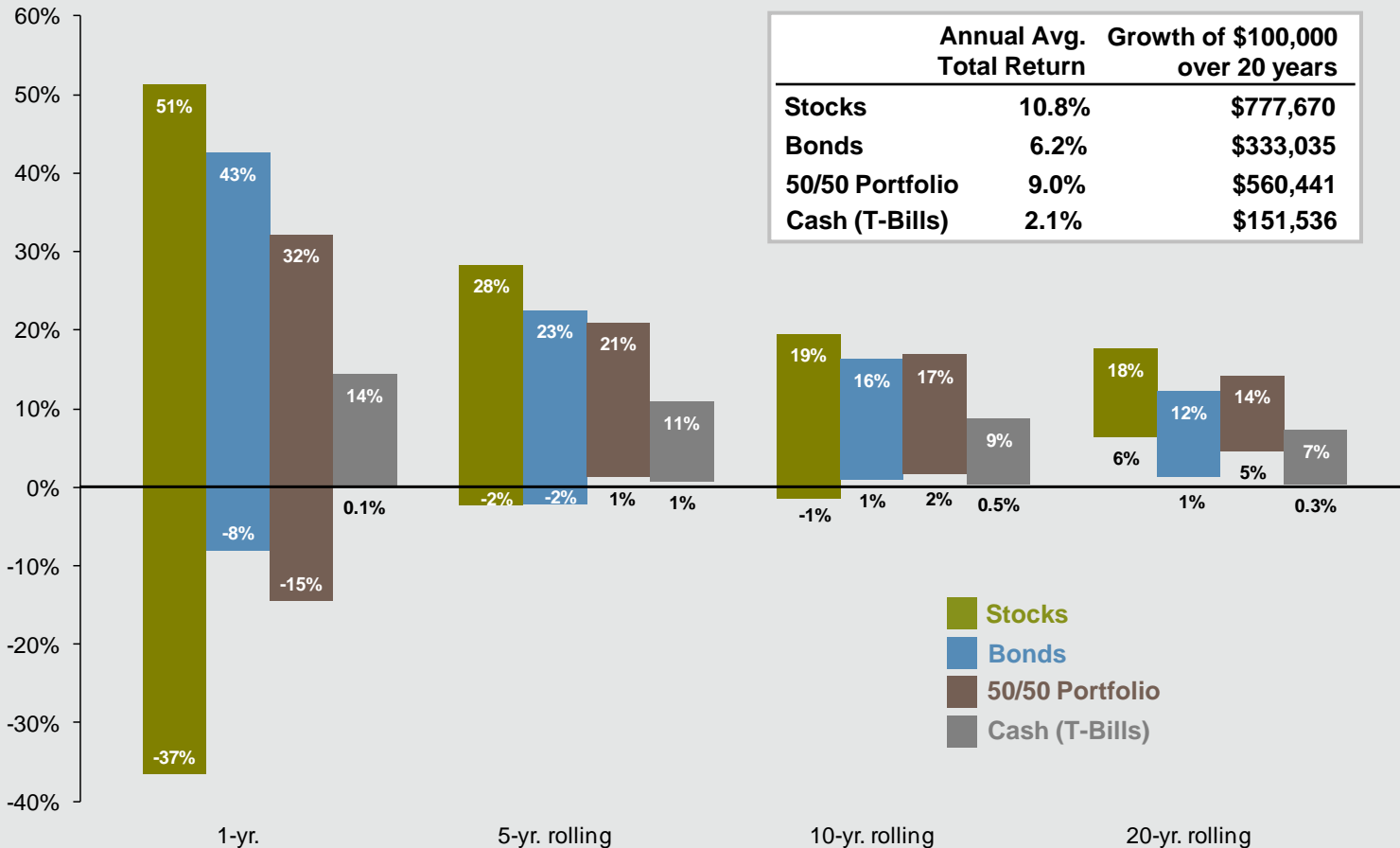
This chart is for illustrative purposes only.

Data are as of 9/30/10.

Historical Returns by Holding Period

Range of Stock, Bond, Blended and Cash Total Returns

Annual total returns, 1950-2009*



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

*The 20-yr. cash (T-Bill) returns were calculated using 20-yr. annualized returns from 1953-2009.

Data are as of 9/30/10.

Alternative Investment Returns

Hedge Funds (as of 6/30/10)	1 year	3 year	5 year	10 year
CSFB/Tremont HF Index	11.3%	0.0%	5.6%	6.5%
Multi-Strategy	14.3%	-0.6%	5.7%	6.4%
Distressed	20.1%	0.1%	6.4%	9.5%
Convertible Arbitrage	27.0%	1.2%	5.5%	6.1%
Equity Market Neutral*	-1.8%	1.4%	5.0%	6.2%
Risk Arbitrage	6.0%	3.9%	5.5%	5.2%
Fixed Income Arbitrage	21.3%	-1.7%	1.6%	4.0%
Global Macro	10.8%	6.7%	9.4%	12.5%
Real Estate (as of 6/30/10)	1 year	3 year	5 year	10 year
NCREIF Property Index	-1.5%	-4.7%	3.8%	7.2%
Apartment	-0.1%	-5.6%	2.5%	6.9%
Industrial	-3.7%	-5.5%	3.2%	6.9%
Office	-2.0%	-5.3%	4.4%	6.4%
Retail	-0.2%	-1.9%	4.7%	9.5%
Private Equity (as of 3/31/10)	1 year	3 year	5 year	10 year
U.S. Venture Capital Index	6.5%	-0.7%	4.9%	-3.7%
U.S. Private Equity Index	22.4%	1.3%	10.4%	7.2%

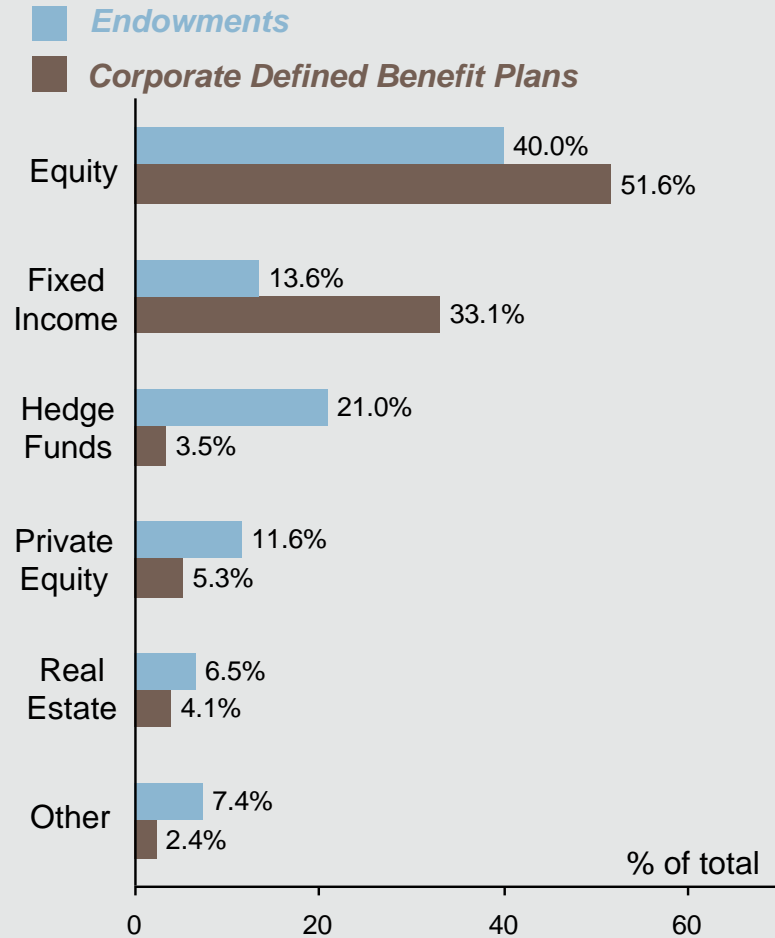
Source: Cambridge Associates LLC, NCREIF, CS/Tremont, J.P. Morgan Asset Management. Cambridge PE and VC data provided at no charge. Other indexes shown are unmanaged and are for illustrative purposes only. Past performance is no guarantee of future results. Returns for all periods are as of 6/30/10 with the exception of Private Equity returns, which are as of 3/31/10. All returns are annualized for periods greater than 1 year. Investing in alternative assets involves higher risks than traditional investments and is suitable only for the long term. They may not be tax efficient and have higher fees than traditional investments. They may also be highly leveraged and engage in speculative investment techniques, which can magnify the potential for investment loss or gain.

*Market Neutral returns include estimates found in disclosures.

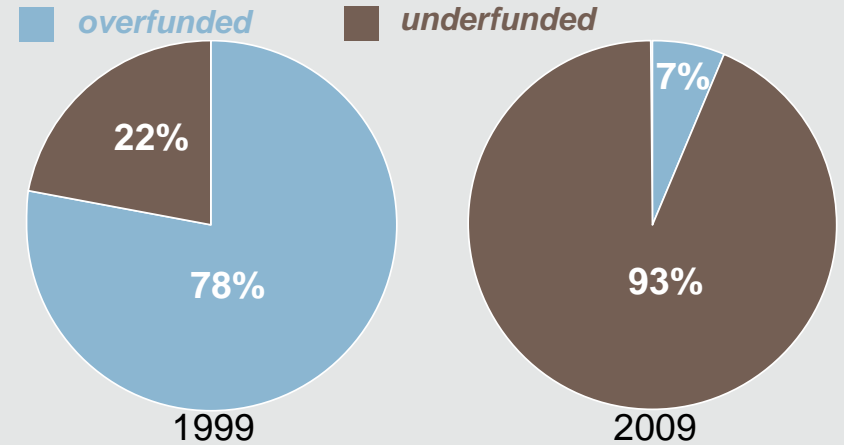
Data are as of 9/30/10.

Corporate DB Plans and Endowments

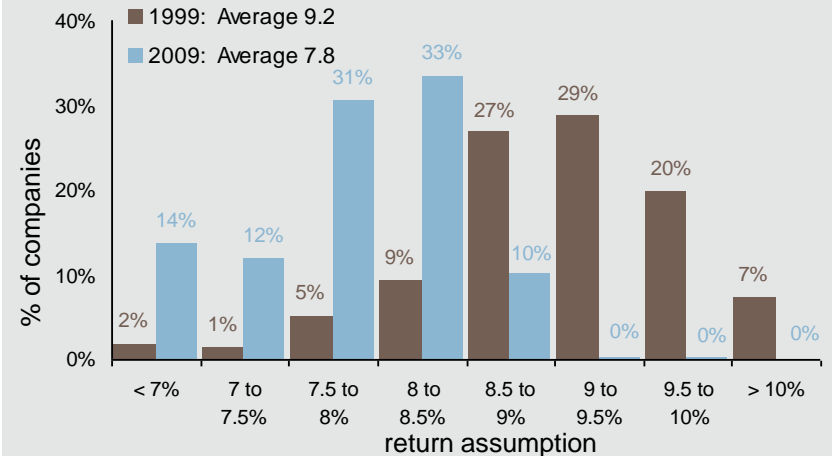
Asset Allocation: Corporate DB Plans vs. Endowments



Defined Benefit Plans – Funded Status: S&P 500 companies



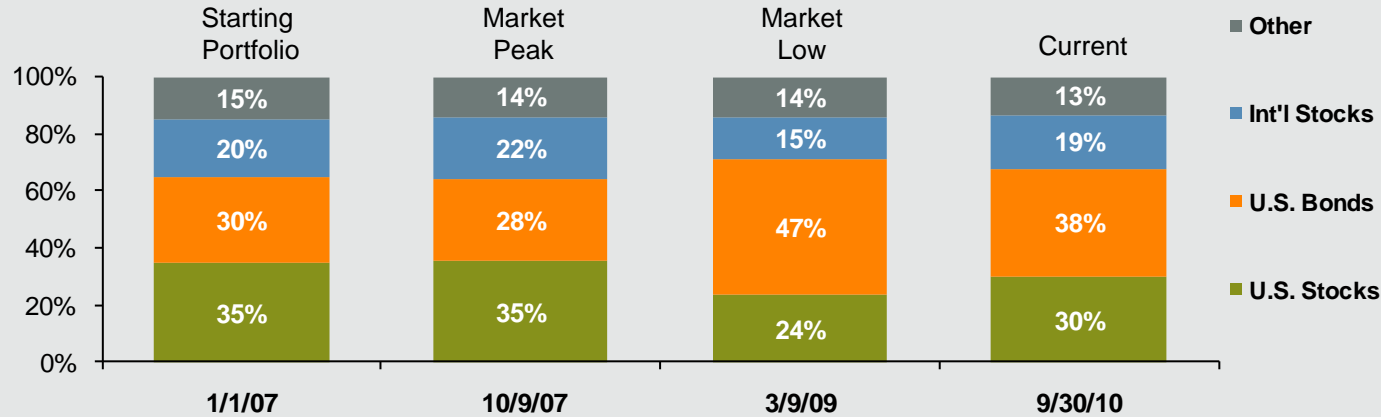
Pension Return Assumptions: S&P 500 companies



Source: NACUBO (National Association of College and University Business Officers), Compustat/FactSet, Greenwich Associates, J.P. Morgan Asset Management. Asset Allocation chart (left): Fixed Income includes cash. Endowments represents dollar-weighted average data of 778 colleges and universities. Pension Return Assumptions and Funded Status data based on all available and reported data from S&P 500 Index companies. Return assumption bands are inclusive of upper range. All information is shown for illustrative purposes only. Right charts are as of 12/31/09, left chart as of 12/31/08.

Portfolio Weights and Historical Returns by Asset Class

Balanced Portfolio Weights Through Market Turmoil



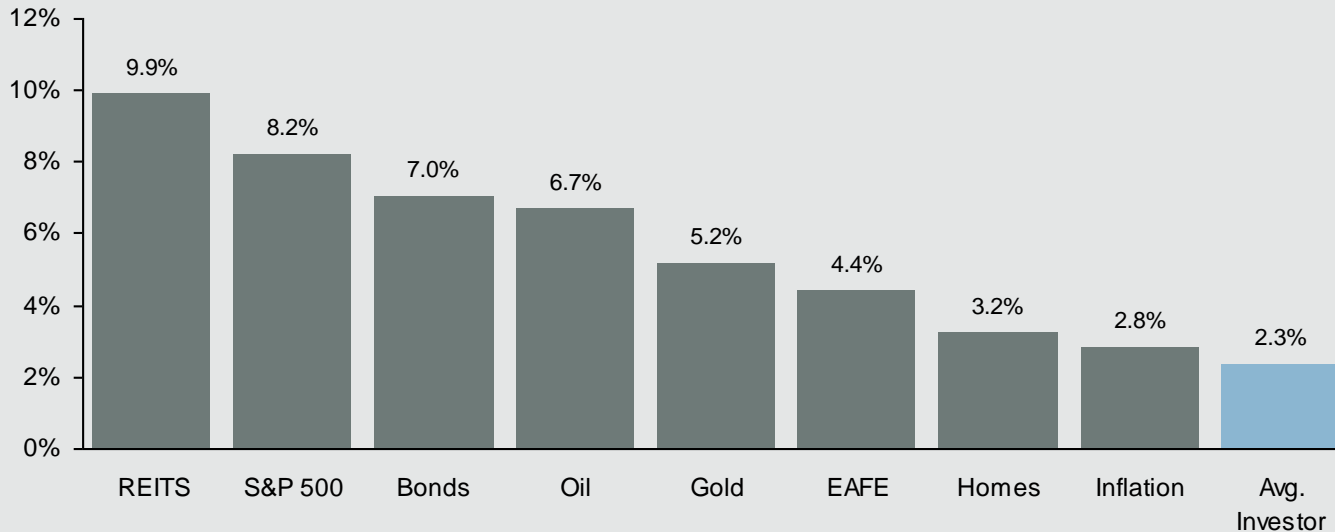
(Top) The indexes and weights of starting portfolio is as follows:
 U.S. stocks: 25% S&P 500, 10% Russell 2000. U.S. bonds: 30% Barclays Capital Aggregate.
 International stocks: 15% MSCI EAFE and 5% MSCI EMI. Other: 5% CS/Tremont Equity Market Neutral, 5% NAREIT Equity REIT Index and 5% DJ UBS
 Commodity Index. The market peak and market low are based on S&P 500 peak on 10/9/07 and S&P 500 low on 3/9/09. Portfolio assumes no rebalancing.

Charts are shown for illustrative purposes only. Past returns are no guarantee of future results.

(Bottom) The 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 sales 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. All returns are annualized (and total return where applicable) and represent the 20-year period ending 12/31/09 to match Dalbar's most recent analysis.

Data are as of 9/30/10.

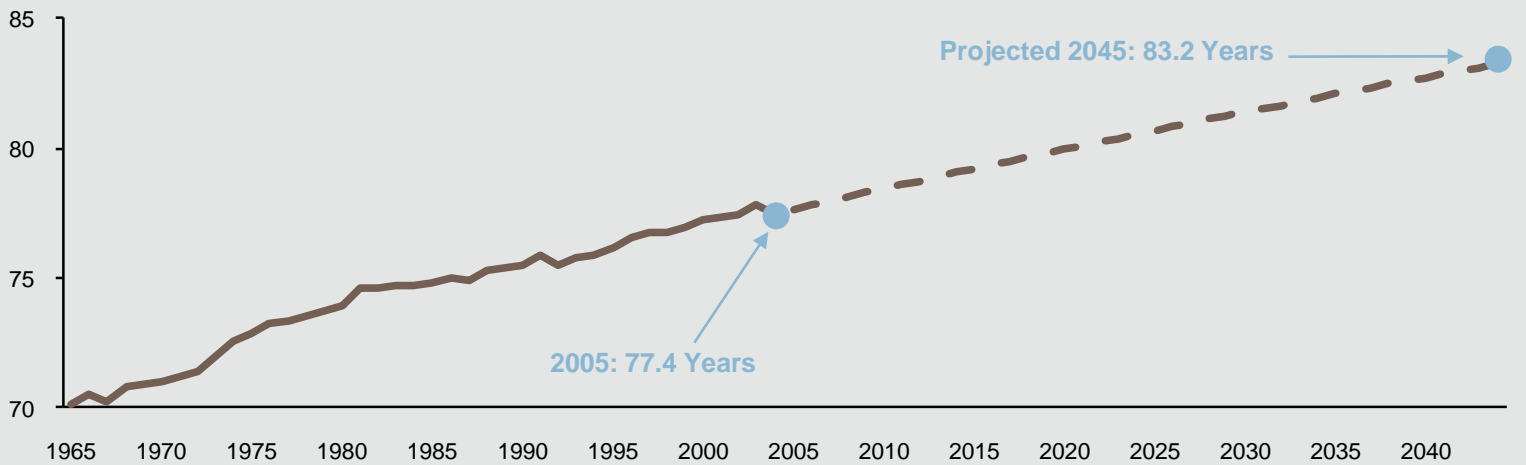
20-year Annualized Returns by Asset Class (1990 – 2009)



Probability of Surviving to Age...

Current Age	Survival Age							
	65	70	75	80	85	90	95	100
50	90.9%	85.7%	78.4%	67.5%	52.3%	34.8%	19.2%	6.8%
55	92.5%	86.8%	78.9%	67.2%	51.5%	33.6%	17.9%	6.1%
60	95.1%	88.8%	80.1%	67.6%	51.1%	32.6%	16.8%	5.5%
65	100.0%	92.8%	83.1%	69.4%	51.7%	32.3%	16.1%	5.1%
70		100.0%	88.8%	73.3%	53.8%	32.9%	15.8%	4.7%
75			100.0%	81.6%	58.9%	35.1%	16.2%	4.6%
80				100.0%	71.0%	41.3%	18.2%	4.9%
85					100.0%	56.7%	23.9%	6.1%
90						100.0%	40.2%	9.8%
95							100.0%	22.8%
100								100.0%

Life Expectancy at Birth

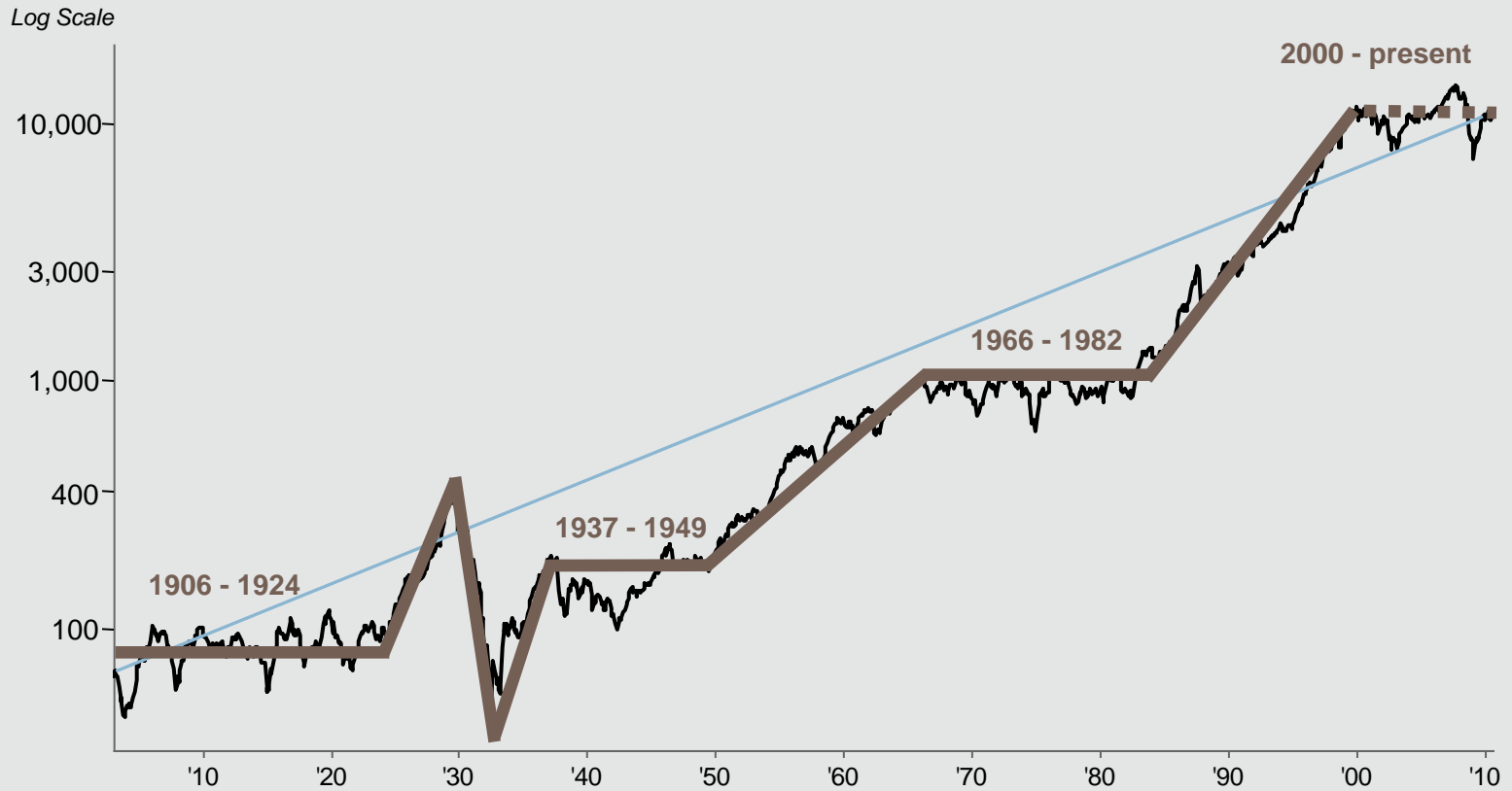


Source: Centers for Disease Control and Prevention, J.P. Morgan Asset Management.

(Top) Projections assume a continuation of improvement observed in survival rates between 1990 and 2004. (Bottom) Graph uses historical data until 2005. Years 2006 through 2045 represent projections assuming a continuation of improvement observed in survival rates.

The Dow Jones Industrial Average Since 1900

Dow Jones Industrial Index, Price Return (Since 1900)



Source: IDC, 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.

Data are as of 9/30/10.

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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 **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**™ 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**™ 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**™ 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**™ 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**™ 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**™ 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.

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

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 **Dow Jones-UBS Commodity Index** is composed of futures contracts on physical commodities and represents nineteen separate commodities traded on U.S. exchanges, with the exception of aluminum, nickel, and zinc.

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.

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 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 **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 **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.

*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.

Past performance is no guarantee of comparable future results.

Diversification does not guarantee investment returns and does not eliminate the risk of loss.

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.

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.

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 involving 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.

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Unless otherwise stated, all data are as of September 30, 2010 or most recently available.

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