J.P.Morgan

Investing in Non-Traditional Funds

Non-traditional funds are mutual funds or exchange traded funds (ETFs) that pursue alternative investment strategies. While traditional mutual funds and ETFs generally focus their investment strategies on long-term buy-and-hold stock and bond investing, non-traditional funds generally employ more complex trading strategies, such as selling securities short (in anticipation of a drop in their price), using leverage (or debt), or purchasing options and futures. Some non-traditional funds also focus their investment strategies on investing in commodities (such as gold, copper and oil) or real estate. These strategies have generally been associated with alternative investment products such as hedge funds.

COMPARING NON-TRADITIONAL WITH TRADITIONAL FUNDS

The investment strategies of non-traditional funds are generally designed to offer investors the potential for returns that are less correlated with the overall market's performance, meaning that their performance tends to rise when the general market declines and vice versa They are structured much like a typical mutual fund or ETF, offering liquidity (the ability to redeem or sell) to investors at least daily, and are subject to the same tax reporting requirements. Like traditional funds and ETFs, non-traditional funds are subject to the regulatory requirements of the Investment Company Act of 1940 (the "'40 Act"). However, non-traditional funds differ from traditional funds and ETFs in that their investment strategies can be more dynamic and flexible. For example, some non-traditional funds actively and primarily engage in short selling securities, trading derivatives and/or using moderate leverage as principal investment strategies.

The portfolio holdings of non-traditional funds are typically not limited to stocks and bonds but, depending on their investment objectives and principal investment strategies, can include concentrated positions in derivatives. Derivatives are securities that derive their value from an underlying asset or group of assets.

USING NON-TRADITIONAL FUNDS IN YOUR PORTFOLIO

Non-traditional funds are designed to produce investment results that differ from those of the stock or bond funds focused on traditional investment strategies. This difference provides the potential for additional portfolio diversification and returns that are less correlated to the overall market performance or the performance of traditional investment strategies. Investment strategies that have shown positive, risk-adjusted returns independent of overall market performance may add value to an investment portfolio focused primarily on traditional investment strategies. These attributes are some of the reasons why non-traditional funds can be used to complement investment portfolios dominated by traditional investment strategies.

KEY DIFFERENCES BETWEEN NON-TRADITIONAL FUNDS AND ALTERNATIVE INVESTMENTS

Unlike non-traditional funds, alternative investments, such as hedge funds or private equity funds, are available only to investors who meet specific requirements regarding their total wealth. Investors in these products also typically have relatively high initial minimum investment amounts, can sometimes be hard to sell quickly due to the lack of liquidity of the underlying investments or the rules governing the product. In addition, the fees payable to the investment manager or sponsor of alternative investments often include a performance fee in addition to an investment management fee. Tax reporting for alternative investments is typically provided on IRS Form Schedule K-1 instead of the more common IRS Form 1099. Finally, many alternative investments are not registered under the '40 Act and are not subject to the '40 Act regulatory structure.

INVESTMENT AND INSURANCE PRODUCTS ARE:
• NOT FDIC INSURED • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY • NOT A DEPOSIT OR OTHER OBLIGATION OF, OR GUARANTEED BY, JPMORGAN CHASE BANK, N.A. OR ANY OF ITS AFFILIATES
• SUBJECT TO INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED

Non-traditional funds are intended to offer investors exposure to investment strategies that are similar to those employed by alternative investment products but in a '40 Act registered and regulated investment vehicle. As '40 Act registered and regulated vehicles, non-traditional funds are generally available for sale to retail investors, have lower initial minimum investment requirements, and offer liquidity at least daily.

Since they are not governed by the regulatory structure imposed under the '40 Act, alternative investment products have more freedom to pursue strategies that can include the use of leverage, investment in hard-to-sell assets and concentration of investments in one or a small number of firms; these can be are significant sources of potential alternative investment product outperformance.

RISKS OF NON-TRADITIONAL FUNDS

Investing in non-traditional funds is subject to varying degrees of risk. Some of the risks are similar to the risks associated with investing in mutual funds or ETFs with traditional investment strategies. For example, risks of investing in a traditional equity fund include the possibility that the value of the stocks the fund owns may fluctuate in response to events specific to the relevant companies or markets, as well as economic, political or social events in the United States or abroad. Investing in a traditional bond fund is subject to risks from interest rate changes, inflation, and default or bankruptcy of bond issuers. Investment in funds that hold foreign stocks and bonds involve additional risks, including risks from exchange-rate fluctuations between foreign currencies and the U.S. dollar, and the possibility of substantial price changes caused by adverse international political, economic or other developments.

To the extent a non-traditional fund exercises its investment strategies on a leveraged basis—using debt to enhance returns—the risk of loss is increased and can create large changes in performance results. As in the case with any investment, an investor in non-traditional funds can lose all or a substantial amount of his or her investment. In addition, non-traditional funds are subject to unique strategy-specific risks. You should carefully consider a fund's investment objectives, risks, charges and expenses before investing. This and other important information is included in the fund's prospectus and/ or, if available, summary prospectus, which you should read carefully before investing.

POTENTIAL BENEFITS & RISKS OF INVESTING IN NON-TRADITIONAL FUNDS

BENEFITS	RISKS
▪ **Portfolio Efficiency –** seeks to enhance returns while reducing volatility ▪ **Diversification –** may exhibit low correlation to traditional asset classes ▪ **Differentiated Return Profile –** seeks to deliver positive returns in various market environments	▪ **Market Risk –** while these strategies generally tend to have less sensitivity to market moves, this can vary at any given point in time ▪ **Leverage –** strategies have the ability to use leverage, which may increase risk ▪ **Liquidity –** applying leverage on less liquid securities may have an adverse effect on portfolio returns ▪ **Other –** concentration risk, counterparty risk, use of derivatives, shorting risk

EXAMPLES OF NON-TRADITIONAL FUNDS

- **Liquid Alternatives –** Liquid Alternatives are non-traditional funds that can buy and short-sell securities, use leverage, and invest using derivatives. They may generate returns that have the potential to exhibit lower sensitivity to changes in broad markets. One of the biggest misconceptions about investing in alternatives is that they are synonymous with higher risk. However, they generally tend to have lower risk than equities and may reduce risk in a diversified portfolio of traditional investments while increasing the overall return

- **Exchange-Traded Notes –** Like ETFs, exchange-traded notes (ETNs) are listed on an exchange and can be bought and sold at market price. However, rather than "funds," ETNs are a type of debt security that promises a return linked to a market index or other benchmark. ETNs can offer investors convenient and cost-effective exposure to everything from commodities to emerging markets, but they can also be complex and carry numerous risks—including the risk that the issuer will default on the note or take other actions that may impact the price of the ETN.

  Many of the considerations outlined below relating to non-traditional funds also apply to ETNs. Before investing in ETNs, be sure to research the issuer's credit rating and financial situation, and make sure you understand the risks involved in the applicable market index or benchmark, whether the ETN offers leveraged or inverse exposure to the index or benchmark, whether the ETN is callable, and the fees, costs and tax treatment associated with the ETN.

- **Non-Traditional Funds And Your Account Statement –** Non-traditional funds are identified as mutual funds or ETFs in the holdings section of your statement.

For more information about investing in mutual funds, including fees and expenses, see A Guide to Mutual Fund Investing.

IMPORTANT DISCLOSURES

Investing involves market risk, including the possible loss of principal. There is no guarantee that investment objectives will be achieved. Asset allocation/diversification does not guarantee a profit or protect against a loss.

Investors should carefully consider the investment objectives and risks, as well as charges and expenses of the fund before investing. To obtain a prospectus, visit the fund company's or insurance company's Web site. The prospectus contains this and other information about the fund. Read the prospectus carefully before investing.

The information expressed is being provided for informational and educational purposes only and is not intended to provide, and should not be relied on for accounting, legal or tax advice. It is not intended to provide specific advice or recommendations for any individual. You should carefully consider your needs and objectives before making any decisions.

IMPORTANT INFORMATION ABOUT YOUR INVESTMENTS AND POTENTIAL CONFLICTS OF INTEREST

Conflicts of interest will arise whenever the Advisor has an actual or perceived economic or other incentive in its management of the Client's Portfolio to act in a way that benefits the Advisor or its affiliates. Conflicts will result, for example, (1) when the Advisor invests in an investment product, such as a mutual fund, structured product, separately managed account or hedge fund issued or managed by the Advisor or an affiliate of the Advisor, such as J.P. Morgan Investment Management Inc.; (2) when the Advisor obtains services, including trade execution and trade clearing, from an affiliate of the Advisor; (3) when the Advisor receives payment as a result of purchasing an investment product for your account; or (4) when the Advisor or its affiliates receives payment for providing services (including shareholder servicing, recordkeeping or custody) with respect to investment products purchased for the Client 's Portfolio. Other conflicts will result because of relationships that the Advisor or its affiliates have with other clients or when the Advisor or its affiliates act for their own account.

Investment strategies are selected from both JPMC and third party asset managers and are subject to a review process by our manager research teams. From this pool of strategies, our portfolio construction teams select those strategies we believe fit our asset allocation goals and forward looking views in order to meet the Portfolio's investment objective.

As a general matter, we prefer JPMC managed strategies. We expect the proportion of JPMC managed strategies will be high (in fact, up to 100 percent) in strategies such as, for example, cash and high-quality fixed income, subject to applicable law and any account-specific considerations.

While our internally managed strategies generally align well with our forward looking views, and we are familiar with the investment processes as well as the risk and compliance philosophy of the firm, it is important to note that J.P. Morgan Chase receives more overall fees when internally managed strategies are included. We offer the option of choosing to exclude J.P. Morgan managed strategies (other than cash and liquidity products) in certain portfolios.

The Six Circles Funds are mutual funds managed by JPMC and sub-advised by third parties. Although considered internally managed strategies, JPMC does not retain a fee for fund management or other fund services.

IMPORTANT INFORMATION ABOUT EXCHANGE TRADED FUNDS

ETFs are marketable securities that are interests in registered funds, and are designed to track, before fees and expenses, the performance or returns of a relevant basket of assets, usually an underlying index. Unlike mutual funds, an ETF trades like a common stock on a stock exchange. ETFs experience price changes throughout the day as they are bought and sold. ETFs typically have higher daily liquidity and lower fees than mutual fund shares.

ETFs do not fully replicate their underlying indices and may hold securities different from those included in their underlying indices. Physical replication and synthetic replication are two of the most common structures used in the construction of ETFs. Physically replicated ETFs buy all or a representative portion of the underlying securities in the index that they track. In contrast, some ETFs do not purchase the underlying assets but gain exposure to them by use of swaps or other derivative instruments.

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

ETF shares are bought and sold in the secondary y market at market prices. Although ETFs are required to calculate their net asset values (NAV) on a daily basis, at times the market price of an ETF's shares may be more than the NAV (trading at a premium) or less than the NAV (trading at a discount). Given the differing nature of the relevant secondary y markets for ETFs, certain ETFs may trade at a larger premium or discount to NAV than shares of other ETFs depending on the markets where such ETFs are traded. The risk of deviation from NAV for ETFs generally is heightened in times of market volatility or periods of steep market declines. For example, during periods of market volatility, securities underlying ETFs may be unavailable in the secondary market, market participants may be unable to calculate accurately the NAV per share of such ETFs and the liquidity of such ETFs may be adversely affected. This kind of market volatility may also disrupt the ability of market participants to create and redeem shares in ETFs. Further, market volatility may adversely affect, sometimes materially, the prices at which market participants are willing to buy and sell shares of ETFs. As a result, under these circumstances, the market value of shares of an ETF may vary substantially from the NAV per share of such ETF, and the Client may incur significant losses from the sale of its ETF shares. In addition, for all of the foregoing reasons, the performance of any ETF may not correlate with the performance of its underlying index as well as the NAV per share of such ETF.

Trading in the shares of one or more ETFs may be halted due to market conditions or for reasons that, in the view of the exchange on which such shares are traded, make trading in such shares inadvisable. In addition, trading in the shares of ETFs may be subject to trading halts caused by extraordinary y market volatility pursuant to the relevant exchange's "circuit breaker" rules. If a trading halt or unanticipated early closing of an exchange occurs, it may not be possible to purchase or sell shares of an ETF. There can be no assurance that the requirements of an exchange necessary y to maintain the listing of an ETF will continue to be met or will remain unchanged. While shares of ETFs are generally listed on an exchange, there can be no assurance that active trading markets for the shares of any ETF will be maintained.

The information expressed is being provided for informational and educational purposes only. It is not intended to provide specific advice or recommendations for any individual. You should carefully consider your needs and objectives before making any decisions.

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