

MARKET
INSIGHTS

1Q | 2011

As of December 31, 2010

Guide to the Markets

J.P. Morgan

J.P.Morgan
Asset Management

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U.S. Market Strategy Team

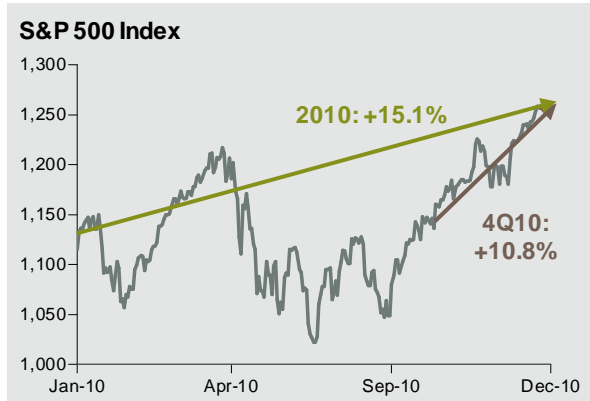
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Past performance is no guarantee of comparable future results.

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

Equities



4Q 2010

	Value	Blend	Growth
Large	10.5%	10.8%	11.8%
Mid	12.2%	13.1%	14.0%
Small	15.4%	16.3%	17.1%

2010

	Value	Blend	Growth
Large	15.5%	15.1%	16.7%
Mid	24.8%	25.5%	26.4%
Small	24.5%	26.9%	29.1%

Since Market Peak (October 2007)

	Value	Blend	Growth
Large	-19.9%	-13.6%	-4.7%
Mid	-5.9%	-3.5%	-2.0%
Small	-5.3%	-2.9%	-1.0%

Since Market Low (March 2009)

	Value	Blend	Growth
Large	99.8%	93.1%	94.3%
Mid	140.3%	132.9%	126.6%
Small	134.2%	134.0%	133.6%

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 – 12/31/10, illustrating market returns since the most recent S&P 500 Index high on 10/9/07. Since Market Low represents period 3/9/09 – 12/31/10, 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 12/31/10.

Equities

	Financials	Technology	Health Care	Industrials	Energy	Cons. Discr.	Cons. Staples	Telecom	Utilities	Materials	S&P 500 Index	
S&P Weight	16.1%	18.6%	10.9%	10.9%	12.0%	10.6%	10.6%	3.1%	3.3%	3.7%	100.0%	Weight
Russell Growth Weight	4.7%	30.9%	9.9%	13.3%	10.9%	14.7%	9.5%	0.9%	0.1%	5.3%	100.0%	
Russell Value Weight	27.6%	5.5%	12.5%	9.1%	12.5%	7.7%	9.9%	5.2%	6.8%	3.1%	100.0%	
4Q 2010	11.6	10.2	3.6	11.8	21.5	12.6	6.1	7.3	1.1	19.0	10.8	Return
2010	12.1	10.2	2.9	26.7	20.5	27.7	14.1	19.0	5.5	22.2	15.1	
Since Market Peak (October 2007)	-51.9	-1.5	-7.2	-14.0	-7.5	4.5	14.9	-15.1	-13.2	-4.2	-13.6	
Since Market Low (March 2009)	162.8	106.3	49.6	136.4	69.5	142.0	61.2	62.1	51.9	128.2	93.1	
Forward P/E Ratio	11.5x	13.5x	11.0x	14.8x	13.0x	14.8x	14.1x	16.0x	12.6x	14.7x	13.1x	P/E
15-yr avg.	13.0x	24.3x	19.6x	17.3x	15.5x	18.8x	19.2x	17.4x	13.4x	16.3x	17.2x	
Trailing P/E Ratio	14.2x	16.4x	13.9x	18.1x	14.9x	17.5x	16.4x	14.4x	12.0x	19.6x	15.7x	
20-yr avg.	16.0x	27.3x	24.6x	20.5x	18.6x	19.9x	21.5x	18.5x	14.1x	19.6x	19.8x	
Dividend Yield	1.2%	1.0%	2.3%	2.2%	2.0%	1.4%	3.1%	5.5%	4.5%	1.8%	1.8%	Div
20-yr avg.	2.2%	0.6%	1.4%	1.8%	2.1%	1.1%	2.0%	3.7%	4.6%	2.2%	1.8%	

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

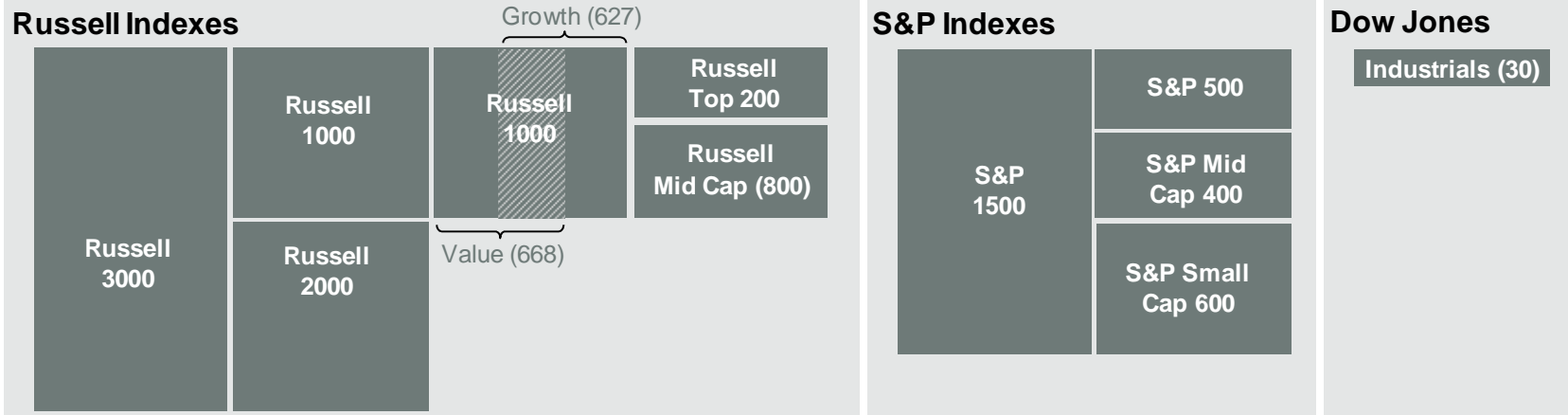
All calculations are cumulative total return, including dividends for the stated period. Since Market Peak represents period 10/9/07 – 12/31/10, illustrating market returns since the S&P 500 Index high on 10/9/07. Since Market Low represents period 3/9/09 – 12/31/10, illustrating market returns since 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 12/31/10.



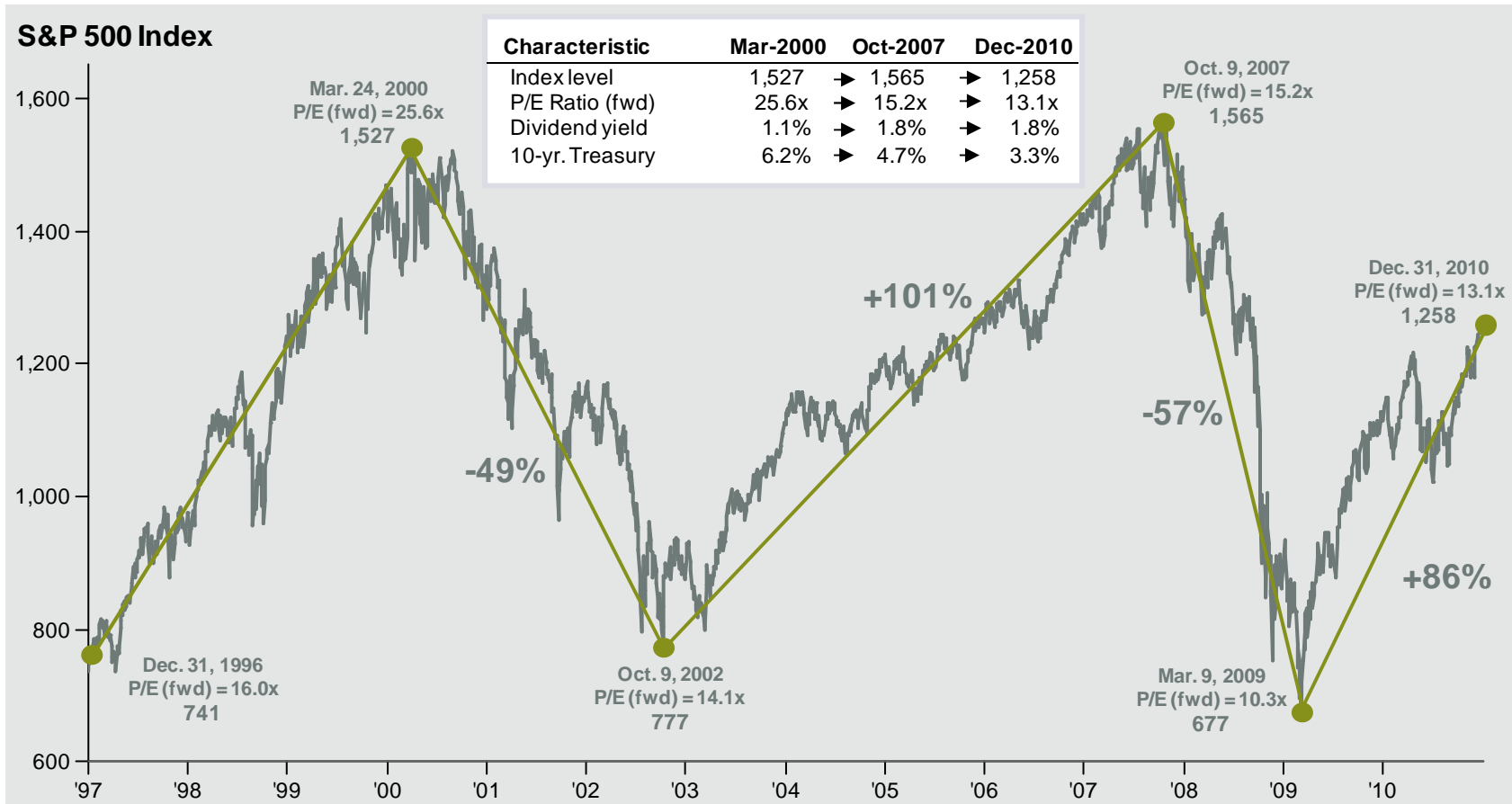
	Index	Market Cap		Weight		Size (Lipper*)			Valuation	
		Wtd Avg	Total	Top 10	Bottom 100	Large	Mid	Small	Div Yld	Fwd P/E
Large	S&P 500	88.6 bn	11,430 bn	18.6%	3.2%	88.9%	10.4%	0.7%	1.9%	13.1x
	Russell 1000	78.1	13,035	16.5	1.0	79.1	16.2	4.7	1.9	14.0
	Dow Jones	127.1	3,658	55.0	45.0	100.0	0.0	0.0	2.4	12.7
	Russell 1000 Value	71.0	6,459	24.0	1.0	78.0	16.4	5.6	2.3	12.9
	Russell 1000 Growth	85.2	6,576	25.1	0.6	80.3	16.0	3.7	1.5	15.1
Mid	S&P Mid Cap 400	3.7	1,111	7.0	10.9	0.0	52.1	47.9	1.3	16.8
	Russell Mid Cap	7.9	3,946	4.5	3.2	31.0	53.6	15.4	1.5	16.2
Sm	Russell 2000	1.2	1,181	2.7	0.4	0.0	1.2	98.8	1.2	20.5
All	Russell 3000	71.8	14,217	15.1	0.0	72.5	15.0	12.5	1.8	14.3

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 November 2010, Lipper defines large as market cap over \$10.2 billion, small as less than \$3.6 billion, and mid as all values in between.

The number of holdings as of 12/31/10 is – Russell 1000: 978; Russell Mid Cap: 785; Russell 2000: 1,974; Russell 3000: 2,952.

Data are as of 12/31/10.



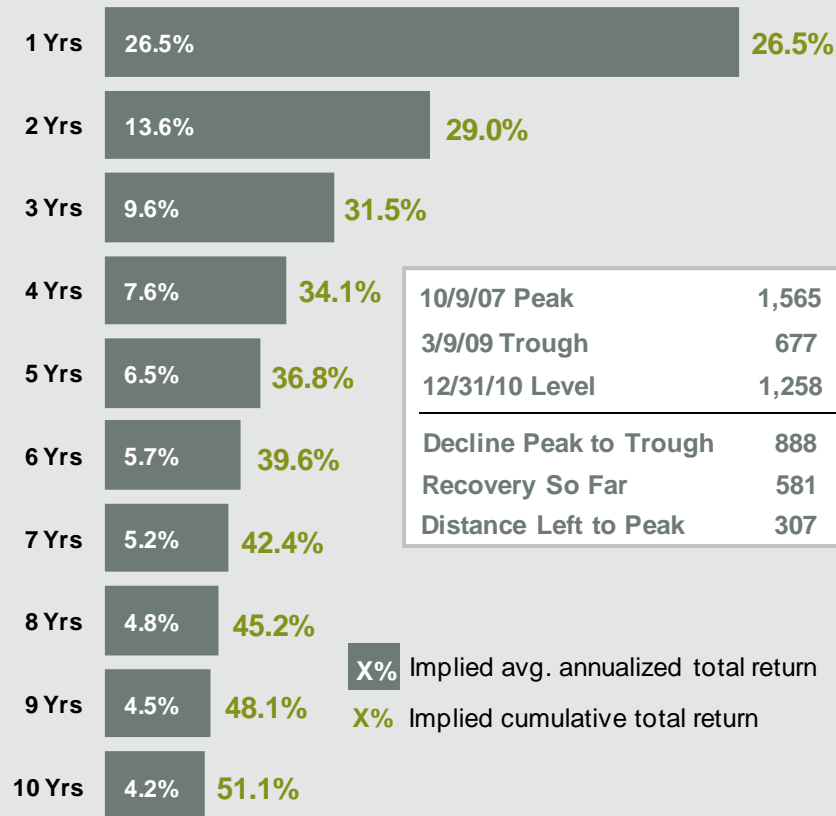
Source: Standard & Poor's, First Call, Compustat, FactSet, J.P. Morgan Asset Management.

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 12/31/10.

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

Analysis as of Dec. 31, 2010. Index has risen 85.8% since low of 677.



10/9/07 Peak	1,565
3/9/09 Trough	677
12/31/10 Level	1,258
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Decline Peak to Trough	888
Recovery So Far	581
Distance Left to Peak	307

Bear Market Cycles vs. Subsequent Bull Runs

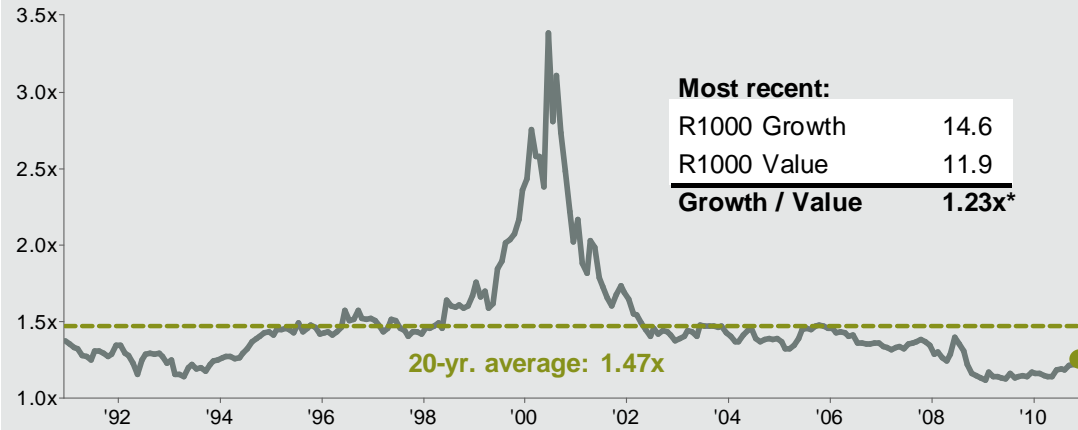
Market Peak	Market Low	Bear Market Return	Length of Decline	Bull Run	Length of Run	Yrs to Reach Old Peak
5/29/46	5/19/47	-28.6%	12	257.6%	122	3.1 yrs
7/15/57	10/22/57	-20.7%	3	86.4%	50	0.9 yrs
12/12/61	6/26/62	-28.0%	6	79.8%	44	1.2 yrs
2/9/66	10/7/66	-22.2%	8	48.0%	26	0.6 yrs
11/29/68	5/26/70	-36.1%	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	85.8%*	22*	-
Average:		-35.0%	14 mo's	176.0%	68 mo's	2.2 yrs

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

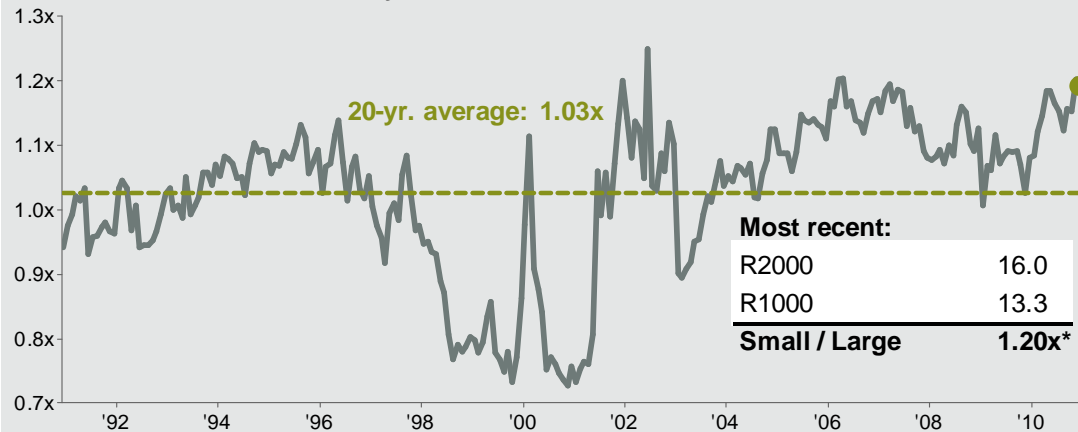
(Left) Data assume 2.0% annualized dividend yield. Implied values reflect the average geometric total returns required for the S&P 500 to reach its 10/9/07 peak of 1,565 over each stated time period. Chart is for illustrative purposes only. Past performance does not guarantee future results.

(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 12/31/10.

Russell 1000 Growth P/E divided by Russell 1000 Value P/E



Russell 2000 P/E divided by Russell 1000 P/E



Source: Russell Investment Group, IBES, FactSet, J.P. Morgan Asset Management.

P/E ratios are calculated and provided by Russell based on IBES consensus estimates of earnings over the next twelve months. *Represents the Russell 1000 Growth Index P/E ratio divided by the Russell 1000 Value Index P/E ratio (top) and Russell 2000 Index P/E ratio divided by the Russell 1000 Index P/E ratio (bottom). Data is most recent as of 12/31/10. Data reflect P/E's as provided by Russell based on IBES estimates of next twelve months earnings.

Data are as of 12/31/10.

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

	Value	Blend	Growth
Large	11.9 / 14.1	13.3 / 16.8	14.6 / 21.2
Mid	13.1 / 13.9	14.9 / 16.3	17.0 / 22.0
Small	14.0 / 14.1	16.0 / 17.0	17.9 / 21.3

Current P/E as % of 20-year avg. P/E

E.g.: Large Cap Blend stocks are 21.2% cheaper than their historical average.

	Value	Blend	Growth
Large	84.9%	78.8%	69.2%
Mid	94.3%	91.5%	77.7%
Small	99.4%	93.9%	84.2%

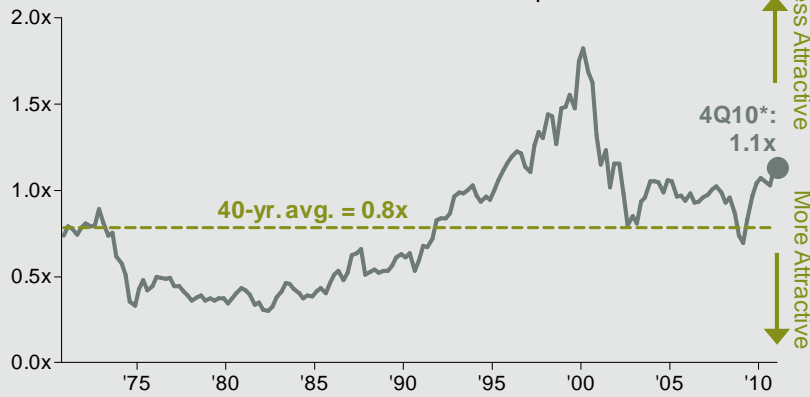
S&P 500 Index: Valuation Measures

Historical Averages

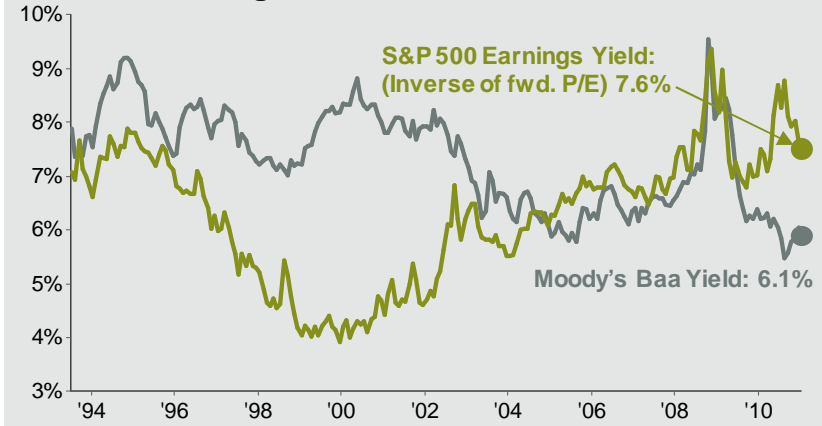
Valuation Measure	Description	Latest	1-year ago	3-year avg.	5-year avg.	10-year avg.	15-year avg.
P/E	Price to Earnings	13.1x	14.3x	13.0x	13.7x	15.6x	17.2x
P/B	Price to Book	2.3	2.2	2.2	2.4	2.7	3.2
P/CF	Price to Cash Flow	8.7	8.9	8.3	9.2	10.6	11.2
P/S	Price to Sales	1.3	1.2	1.1	1.2	1.3	1.5
Div. Yield	Dividend Yield	2.0%	2.0%	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. *4Q10 is an estimate provided by J.P. Morgan Asset Management as of 12/31/10.

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

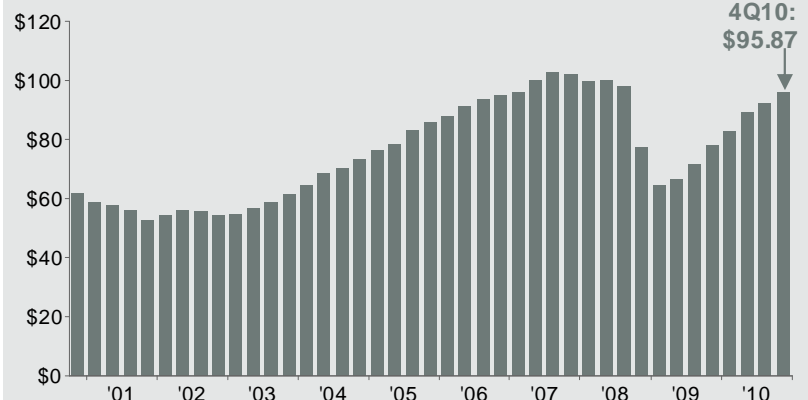
Equities

S&P 500 Index: Forward P/E Ratio



S&P 500 Operating Earnings Estimates

Consensus estimates of the next twelve months rolling earnings



Multiple Expansion and Contraction

Forward P/E based on consensus EPS estimates

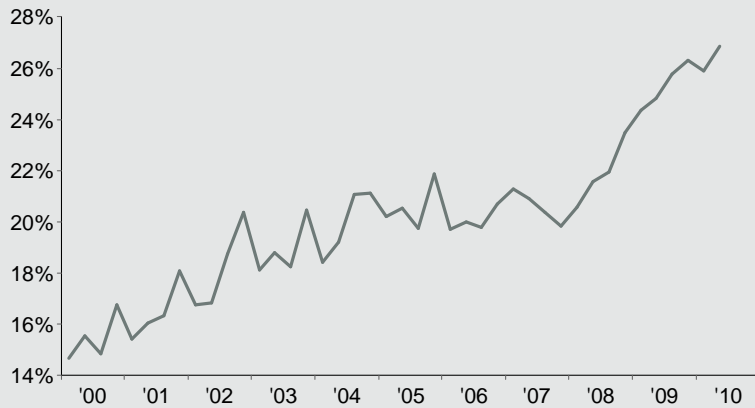


Source: (Top Left) Standard & Poor's, Compustat, FactSet, J.P. Morgan Asset Management. (Top Right) Standard & Poor's, Compustat, FactSet, J.P. Morgan Asset Management. Earnings estimates are for calendar years and taken at quarter end dates throughout the year. Actual reported are annual operating earnings reported by Standard and Poor's. (Bottom) Standard & Poor's, FactSet, University of Michigan, J.P. Morgan Asset Management. Forward Price to Earnings is price divided by consensus analyst estimates of earnings per share for the next twelve months.

Data are as of 12/31/10.

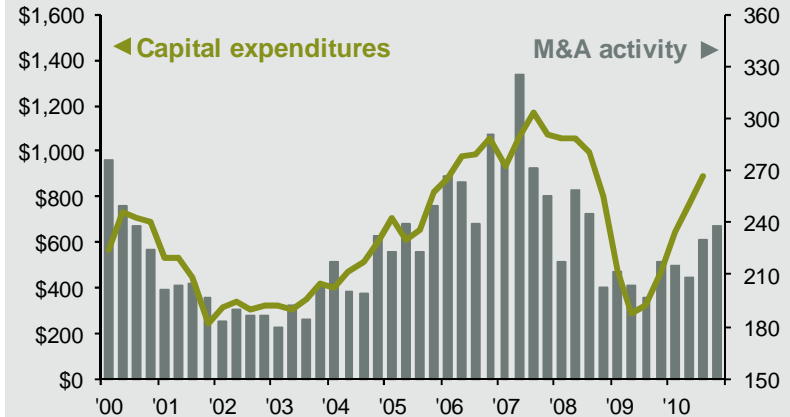
Corporate Cash as a % of Current Assets

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



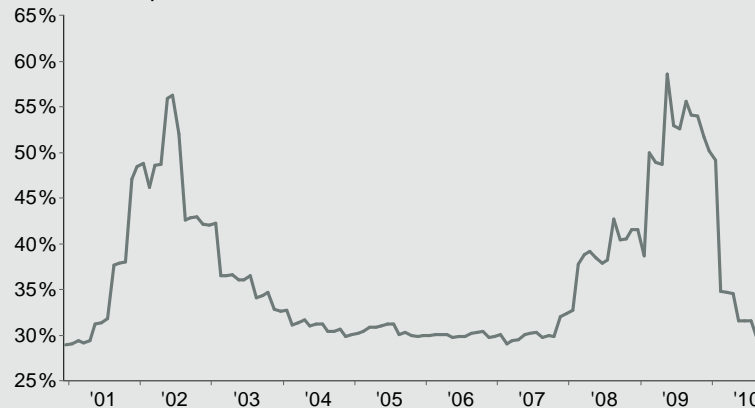
Corporate Growth

Quarterly deal volume and nonfarm nonfinancial capex, billions USD



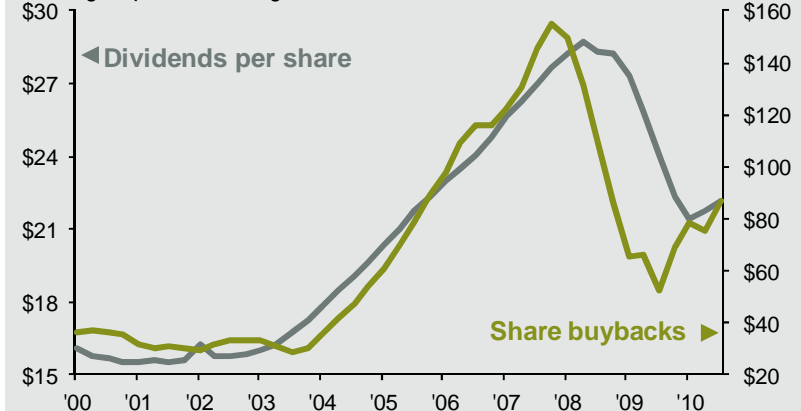
Dividend Payout Ratio

S&P 500 companies, LTM



Cash Returned to Shareholders

Rolling 4-quarter averages, S&P 500, billions USD



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

(Top left) Standard & Poor's, FactSet, J.P. Morgan Asset Management. (Top right) M&A activity is monthly number of deals of any value and capital expenditures are for nonfarm nonfinancial corporate business. (Bottom left) Standard & Poor's, FactSet, J.P. Morgan Asset Management. (Bottom right) Standard & Poor's, Compustat, FactSet, J.P. Morgan Asset Management. Data are most recent as of 12/31/10.

Chart 1: Net Profit Margin

Net income/sales



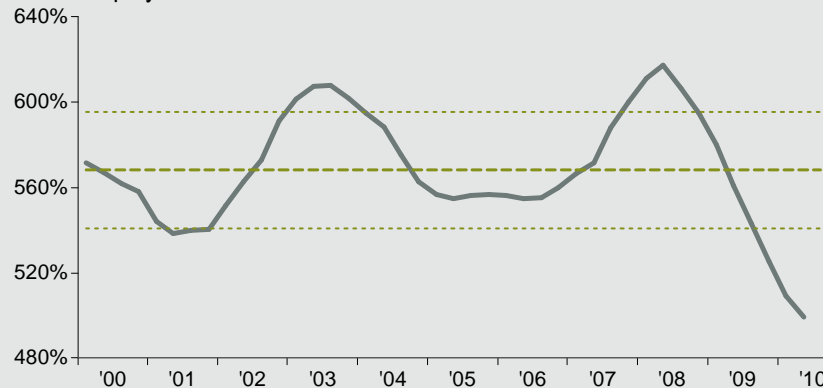
Chart 2: Asset Turnover Ratio

Sales/assets



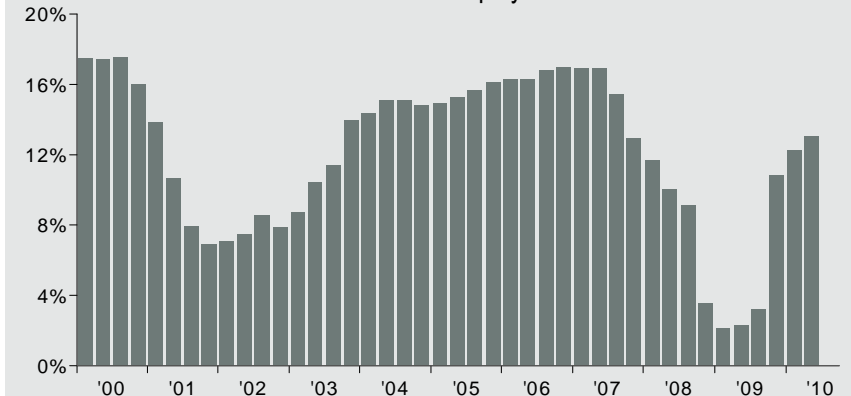
Chart 3: Financial Leverage

Assets/equity



Return on Equity

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

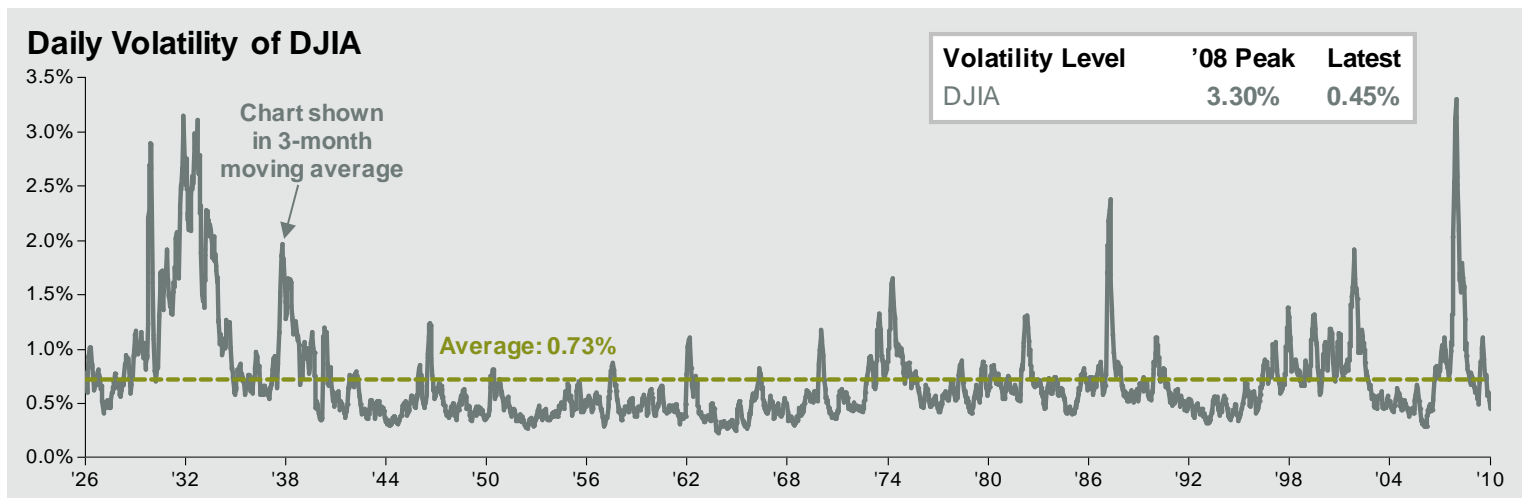
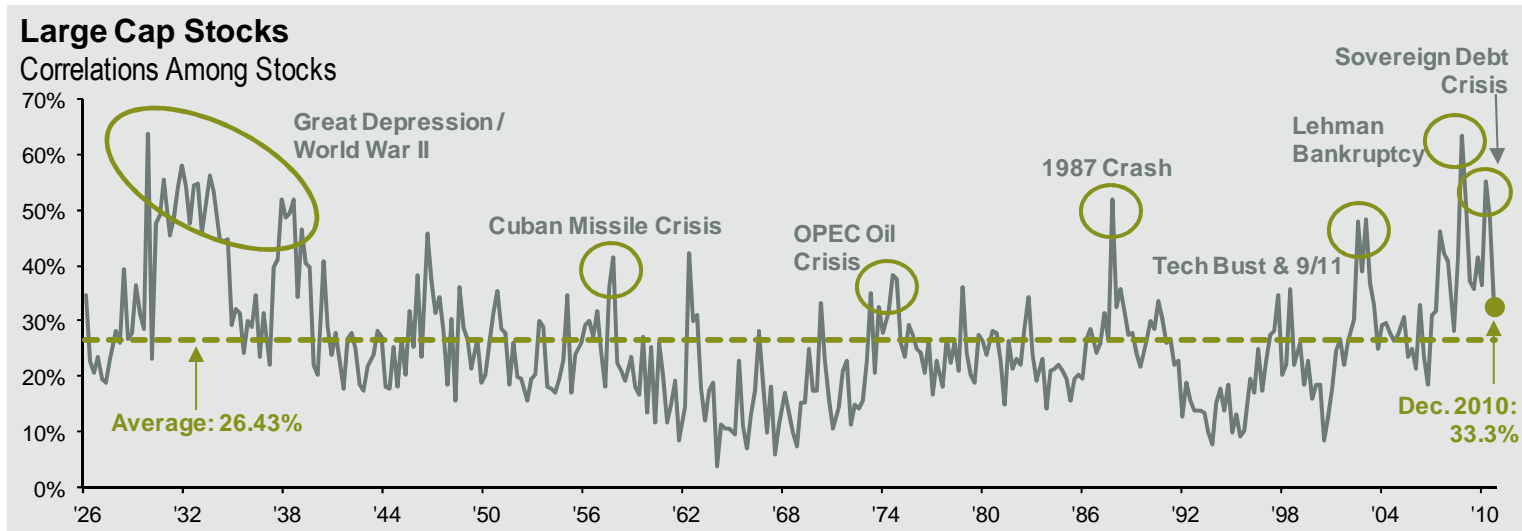


Source: Standard & Poor's, Compustat, FactSet, J.P. Morgan Asset Management.

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 2Q10 reflecting the last fully completed reporting period.

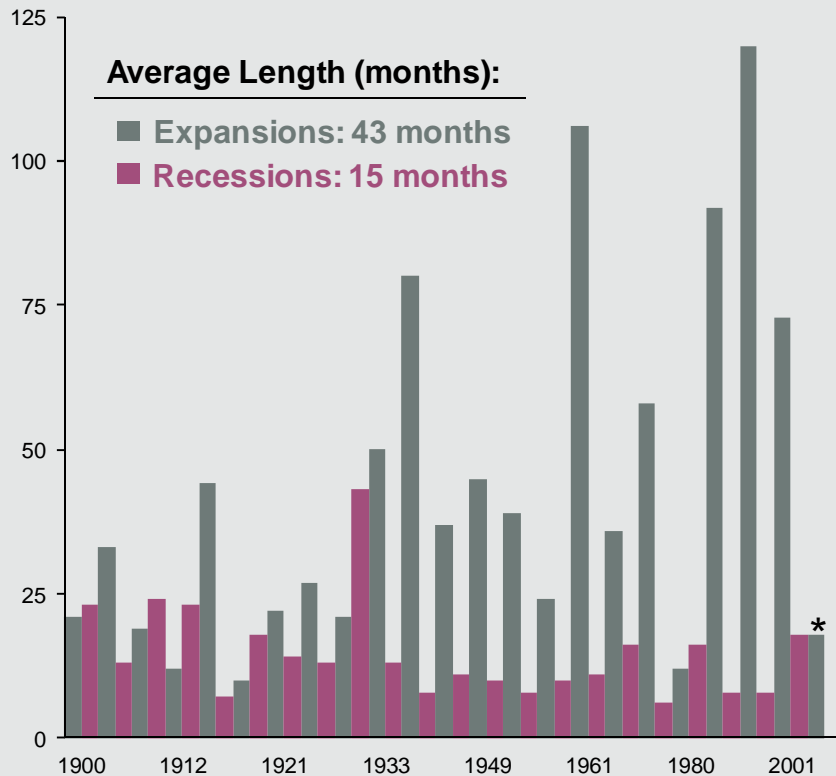
Data are as of 12/31/10.

Equities



Source: (Top) Empirical Research Partners LLC, Standard & Poor's, J.P. Morgan Asset Management. Capitalization weighted correlation of top 750 stocks by market capitalization, daily returns, 1926 – Dec. 28, 2010. (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 12/31/10.

Length of Economic Expansions and Recessions



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

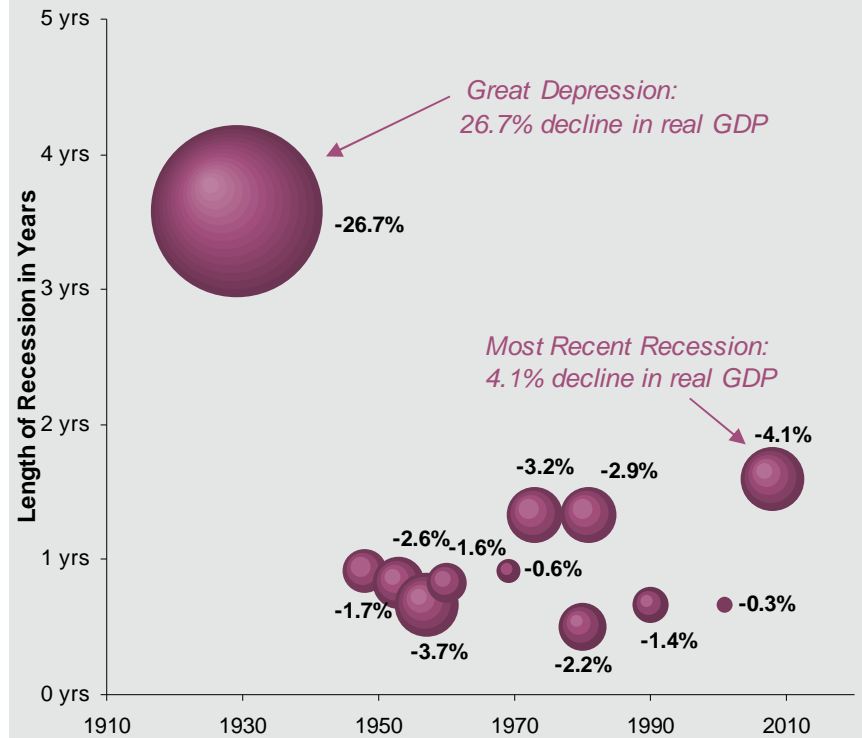
*Chart assumes current expansion started in July 2009 and continued through December 2010.

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 December 2010.

For illustrative purposes only.

The Great Depression and Post-War Recessions

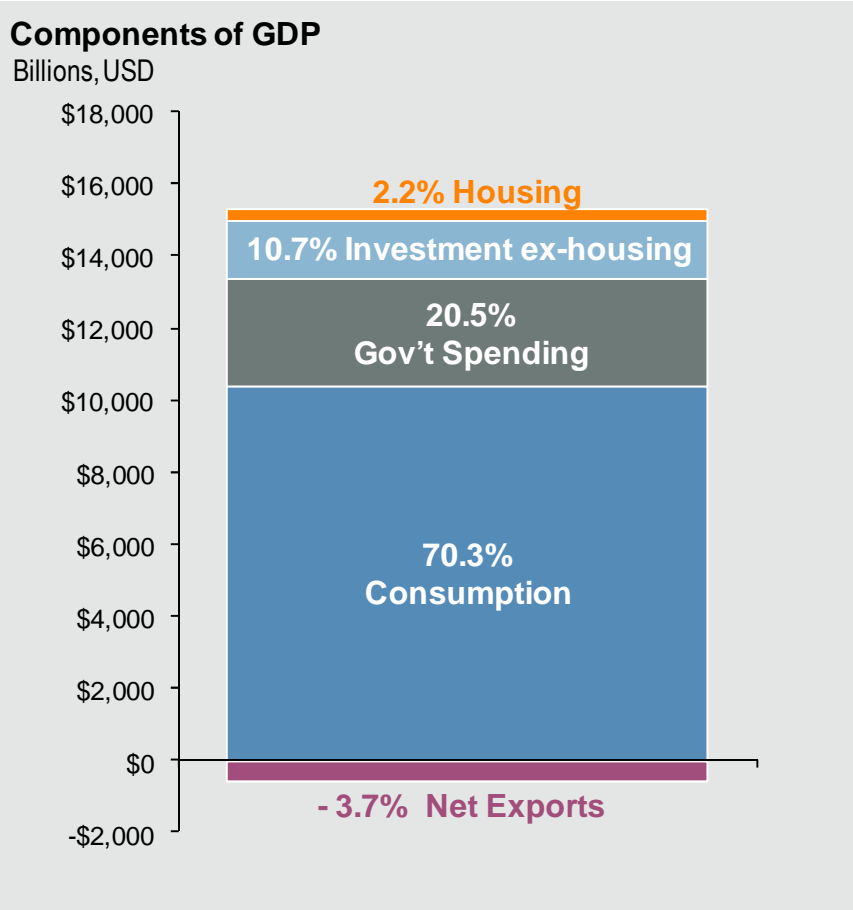
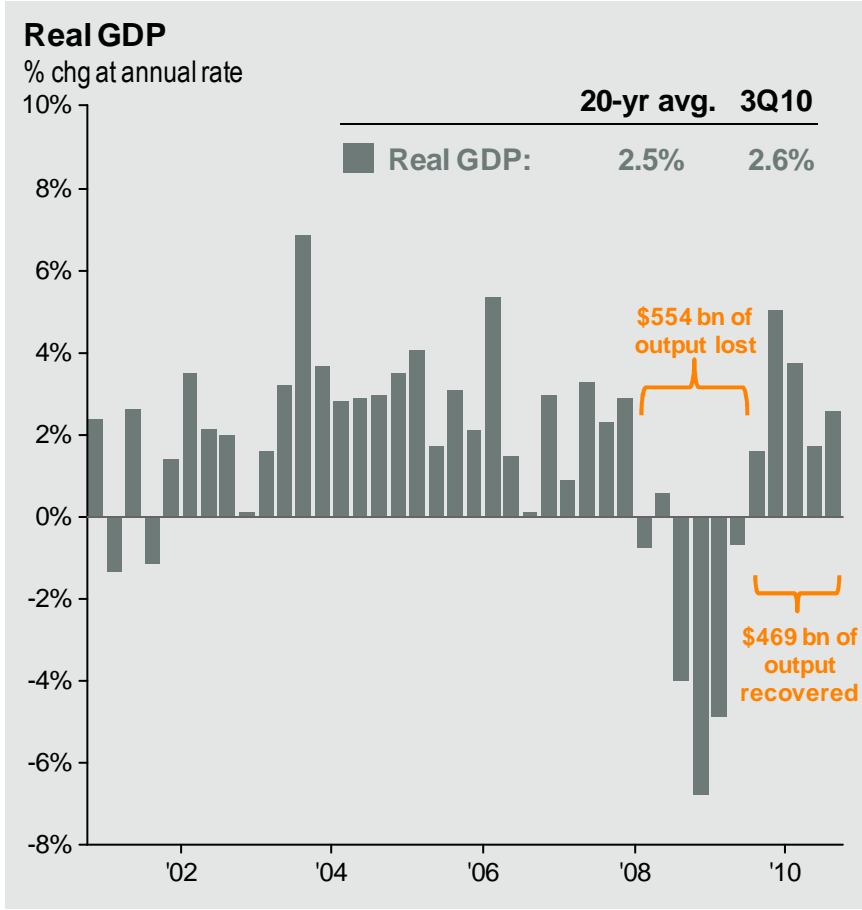
Length and severity of recession



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 12/31/10.

Economy



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

Data reflect most recently available as of 12/31/10. GDP values shown in legend are % change vs. prior quarter annualized and reflect revised 3Q10 GDP.

	Last 50 Years		Last 7 Recessions		Most Recent Recession		Last 7 Recoveries (15 months)		Current Recovery (15 Months)	
	Percent	Share	Percent	Share	Percent	Share	Percent	Share	Percent	Share
Overall GDP Growth	3.2	100.0%	-1.8	100.0%	-4.1	100.0%	6.3	100.0%	3.7	100.0%
Less Cyclical Components	2.5	79.8%	0.7	-39.9%	0.6	-15.5%	2.9	45.5%	0.1	2.6%
Consumption Ex-Autos	2.1	66.1%	0.1	-4.0%	-1.0	23.4%	3.0	48.0%	1.5	40.8%
Commercial Construction	0.1	1.8%	-0.1	3.8%	-0.6	14.6%	0.0	0.5%	-0.5	-12.8%
Net Exports	-0.1	-2.9%	0.4	-23.8%	1.5	-37.4%	-0.7	-10.6%	-1.2	-33.8%
Government	0.5	14.8%	0.3	-15.9%	0.7	-16.1%	0.5	7.6%	0.3	8.4%
More Cyclical Components	0.6	20.2%	-2.5	139.9%	-4.8	115.5%	3.4	54.5%	3.6	97.4%
Auto Consumption	0.1	3.0%	-0.2	11.4%	-0.6	15.2%	0.4	6.4%	0.1	3.5%
Residential Construction	0.1	2.5%	-0.5	27.3%	-1.3	32.4%	0.9	14.5%	-0.1	-2.2%
Equipment	0.4	13.1%	-0.3	15.7%	-1.6	38.0%	0.6	10.0%	1.4	37.4%
Change in Inventories	0.1	1.7%	-1.5	85.5%	-1.2	29.9%	1.5	23.6%	2.1	58.7%

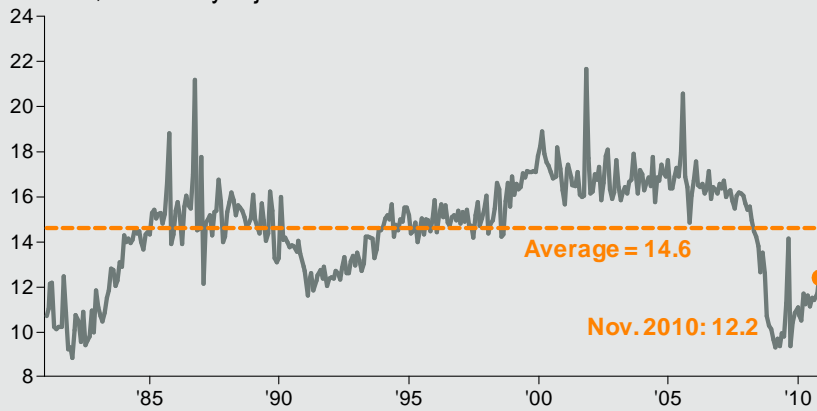
Source: BEA, NBER, J.P. Morgan Asset Management.

Last 50 Years are from 4Q60 – 3Q10. 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 12/31/10.

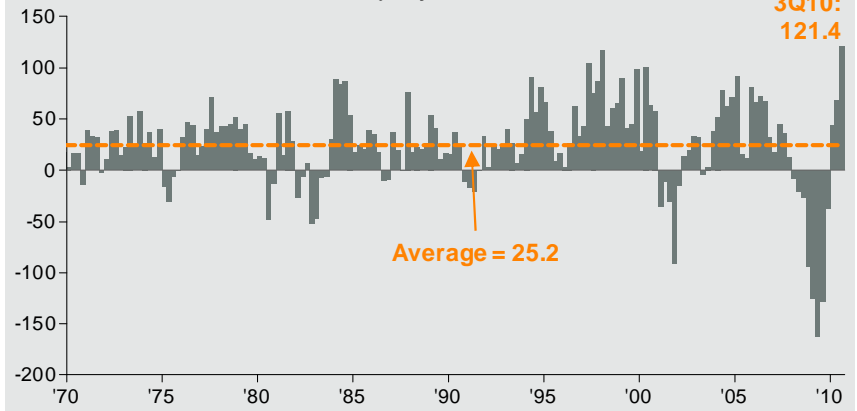
Light Vehicle Sales

Millions, seasonally adjusted annual rate



Change in Private Inventories

Billions of 2005 dollars, seasonally adjusted annual rate



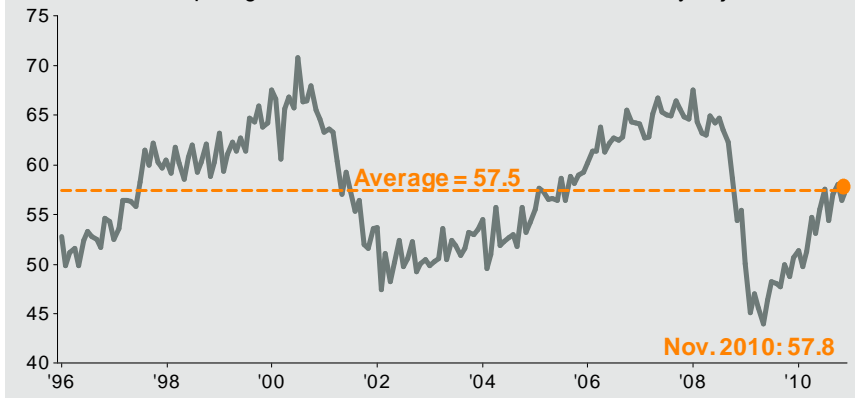
Housing Starts

Thousands, seasonally adjusted annual rate



Real Capital Goods Orders

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



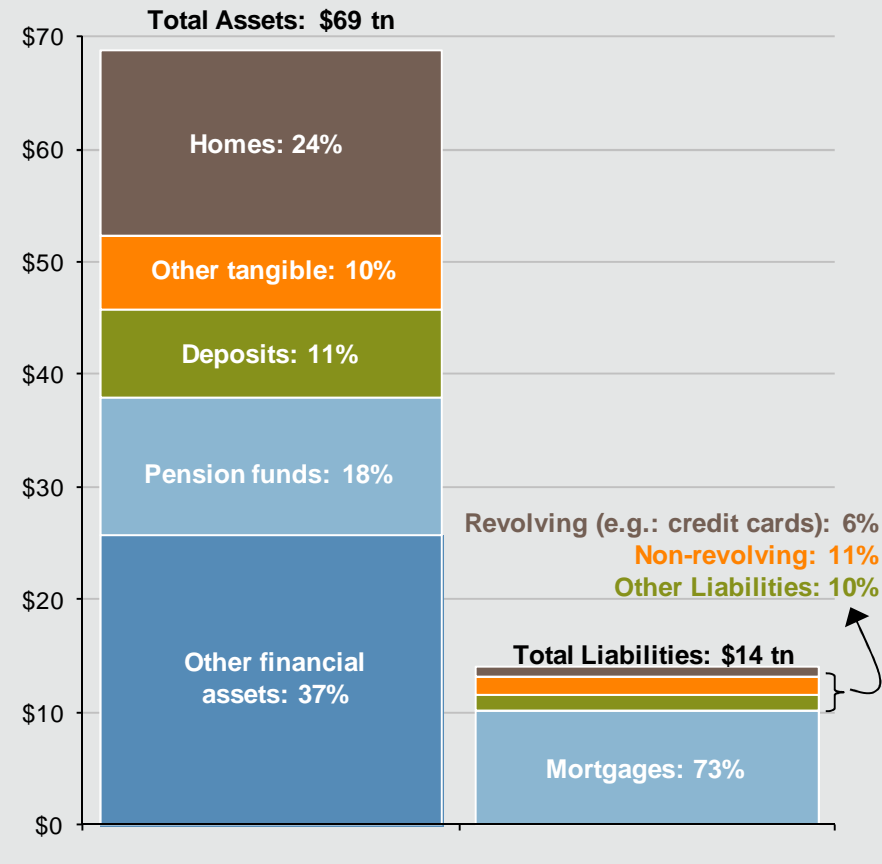
Source: (Top left) BEA, FactSet, J.P. Morgan Asset Management. (Top right) BEA, FactSet, J.P. Morgan Asset Management. (Bottom left) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management.

Data reflect most recently available as of 12/31/10.

Economy

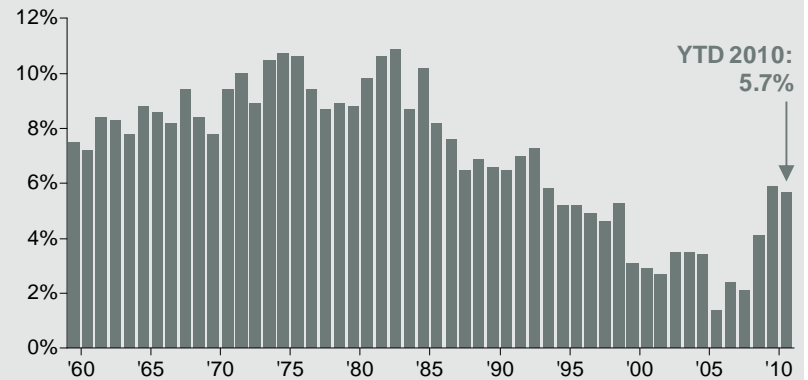
Consumer Balance Sheet

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.

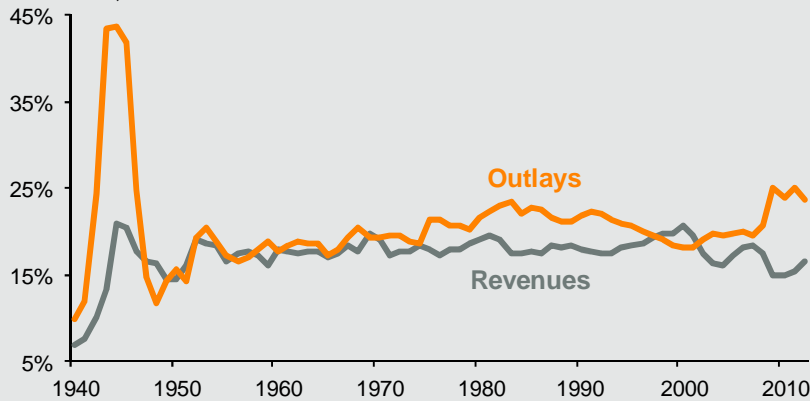
Personal savings rate is calculated as personal savings (after-tax income – personal outlays) divided by after-tax income. Employer and employee contributions to retirement funds are included in after-tax income but not in personal outlays, and thus are implicitly included in personal savings.

Savings rate data are as of November 2010. *4Q10 Household Debt Service Ratio is J.P. Morgan Asset Management estimate.

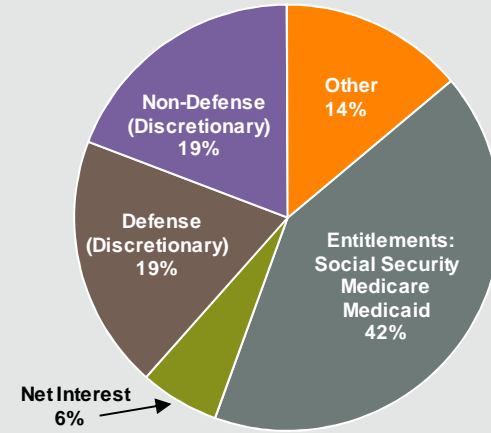
All other data are as of 3Q10.

Federal Government Revenues & Outlays

% of GDP, 1940 – 2012*

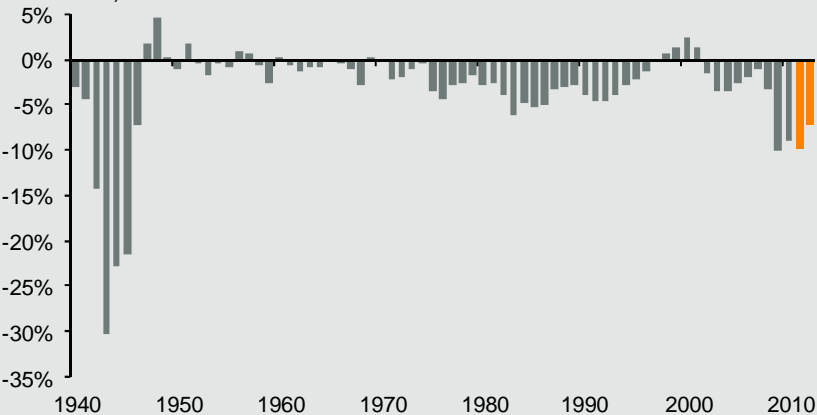


U.S. Proposed Federal Budget Outlays - 2011



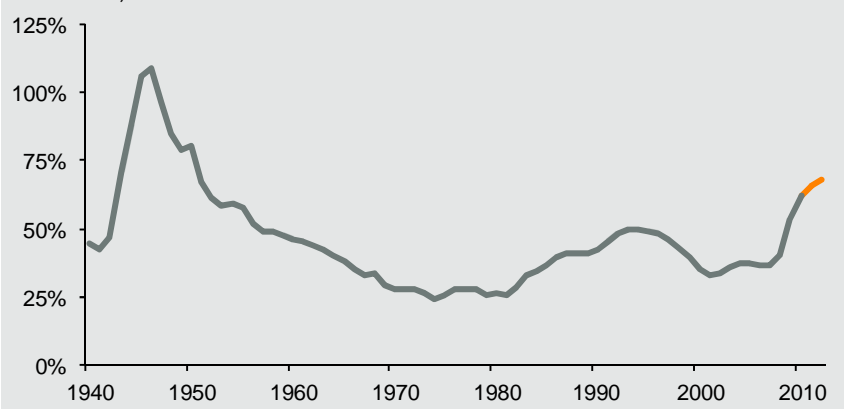
Federal Budget Surplus/Deficit

% of GDP, 1940 – 2012*



Federal Debt (Accumulated Deficits)

% of GDP, 1940 – 2012*



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 2011 and 2012 budget projections from the CBO.

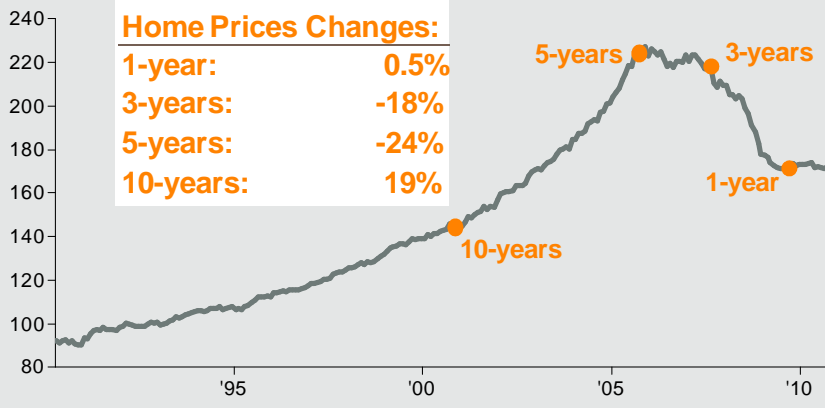
Source: CBO, J.P. Morgan Asset Management. 2010 numbers reflect CBO estimates for FY 2010.

*Other numbers are based on 2011 and 2012 budget projections from the CBO, adjusted for impact of Tax Relief Act of 2010 signed into law on 12/17/10.

Note: Years shown are fiscal years (Oct. 1 through Sep. 30). Bottom left chart displays federal surplus (revenues – outlays). Data reflect most recently available as of 12/31/10.

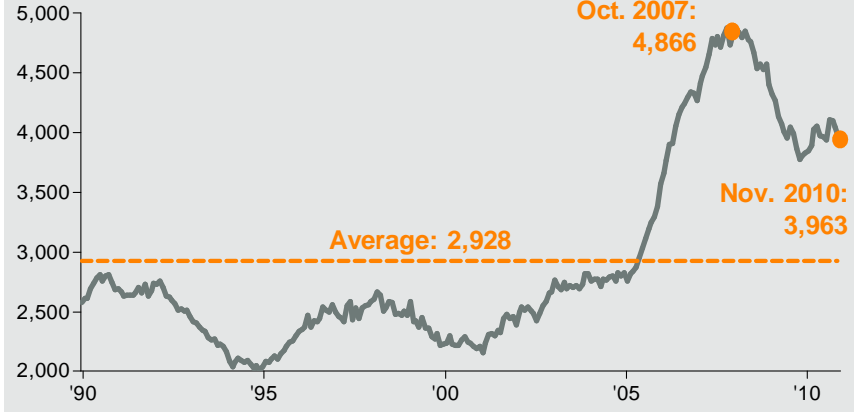
Median Existing Home Prices

\$ thousands, seasonally adjusted



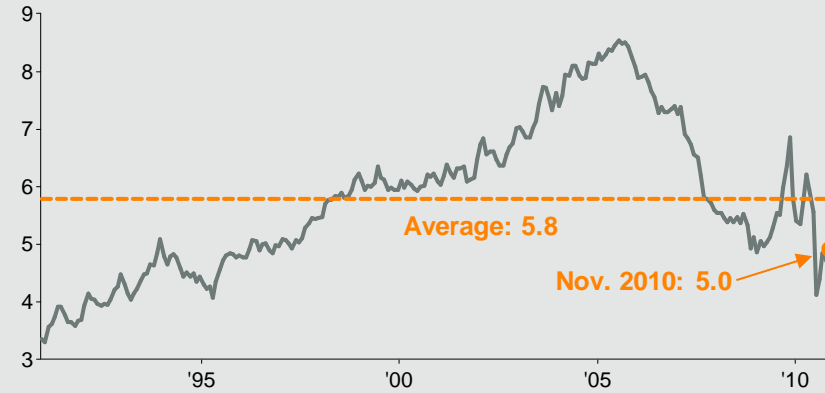
Combined New & Existing Homes for Sale

Thousands, seasonally adjusted



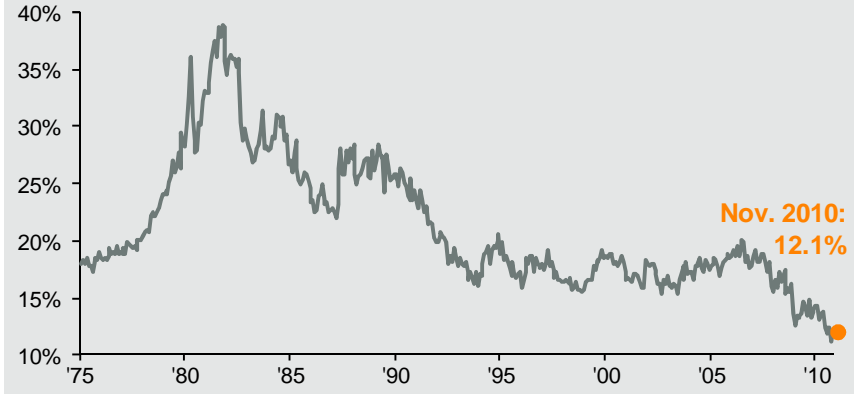
Combined New & Existing Home Sales

Millions, annual rate, seasonally adjusted



Affordability: Mortgage Payment on Average New Home

% of average household personal income



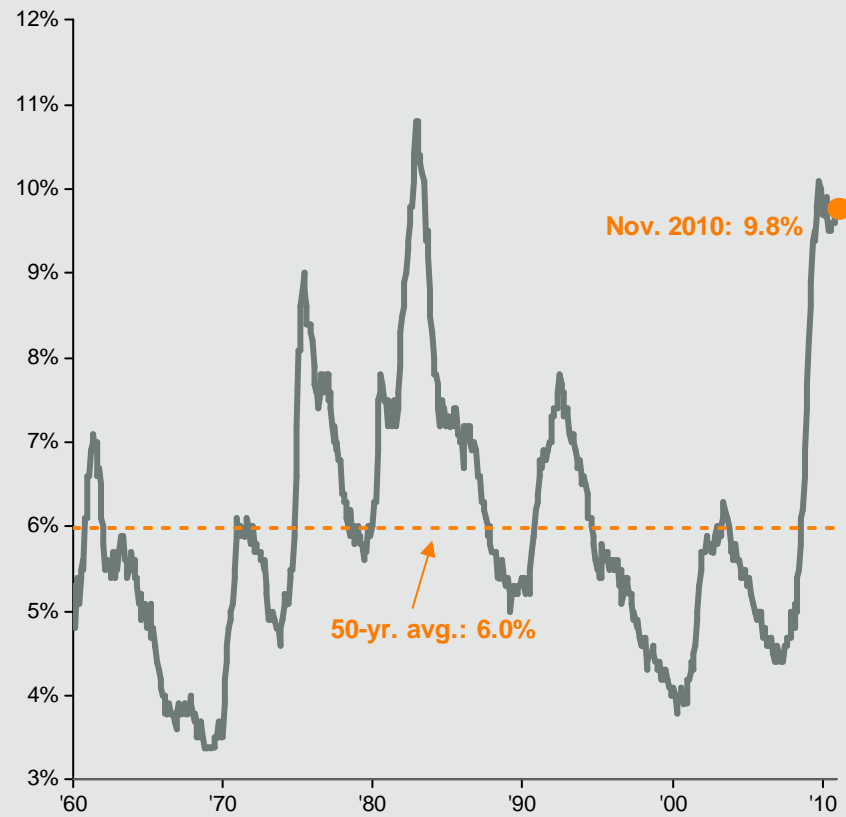
Sources: (Top left) National Association of Realtors, FactSet, J.P. Morgan Asset Management. (Top right) Census Bureau, National Association of Realtors, J.P. Morgan Asset Management. (Bottom left) Census Bureau, National Association of Realtors, J.P. Morgan Asset Management. (Bottom right) Census Bureau,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

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.

Data reflect most recently available as of 12/31/10.

Civilian Unemployment Rate

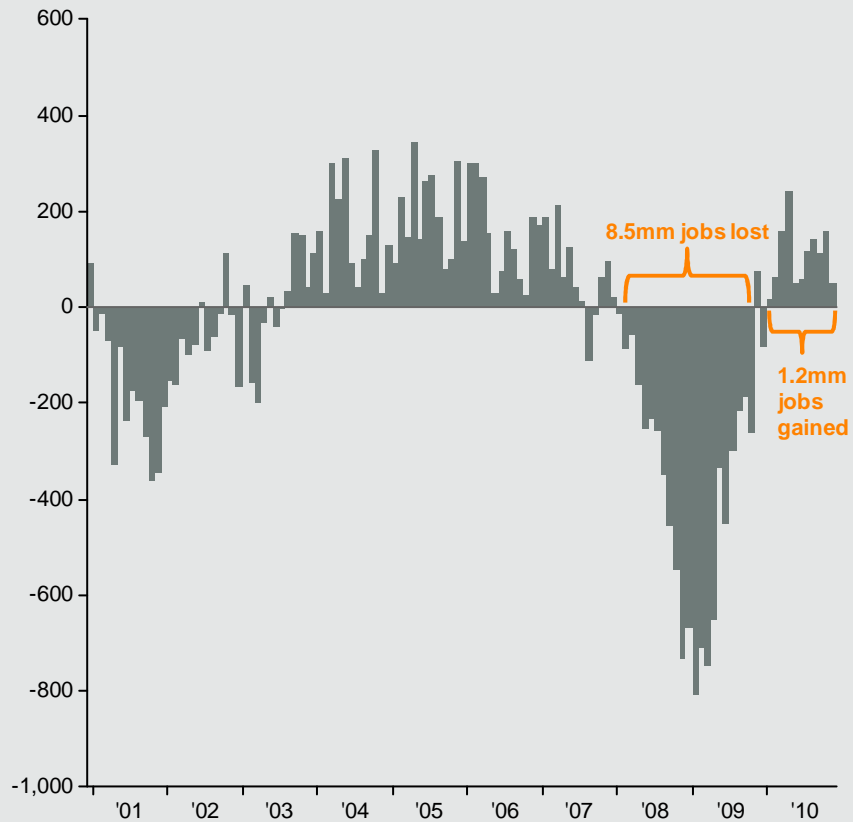
Seasonally adjusted



Source: BLS, J.P. Morgan Asset Management.
Data reflect most recently available as of 12/31/10.

Employment - Total Private Payroll

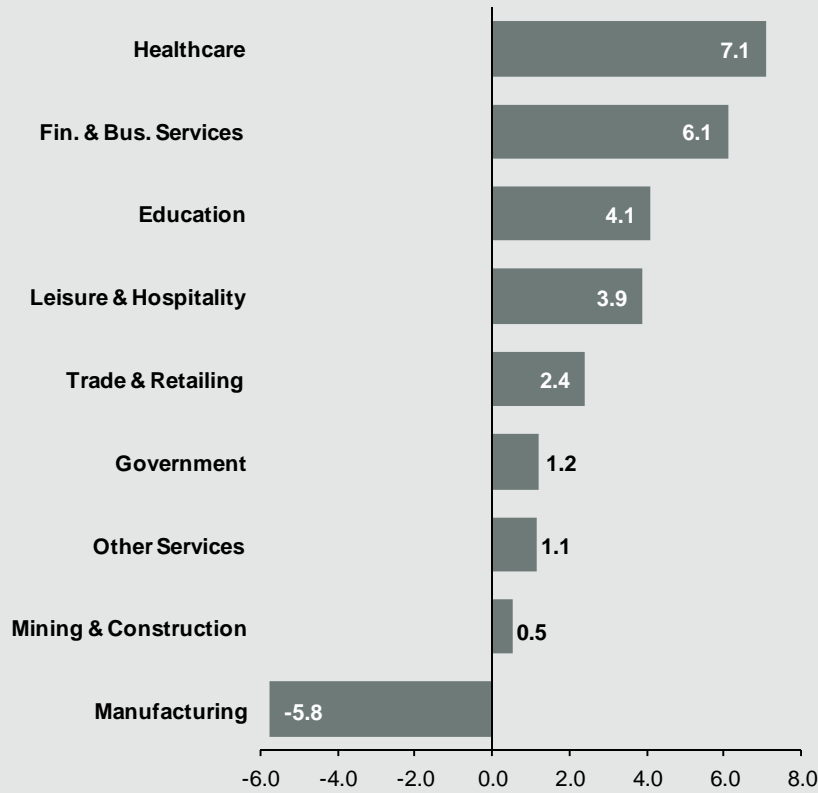
Total job gain/loss (thousands)



Source: BLS, J.P. Morgan Asset Management.
Data reflect most recently available as of 12/31/10.

20 Years - Net Job Creation

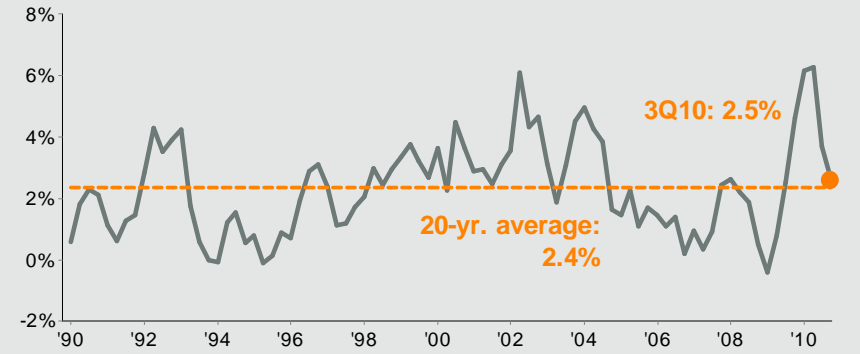
Net change in millions of payroll jobs, sa



Source: BLS, J.P. Morgan Asset Management.
Data reflect most recently available as of 12/31/10.

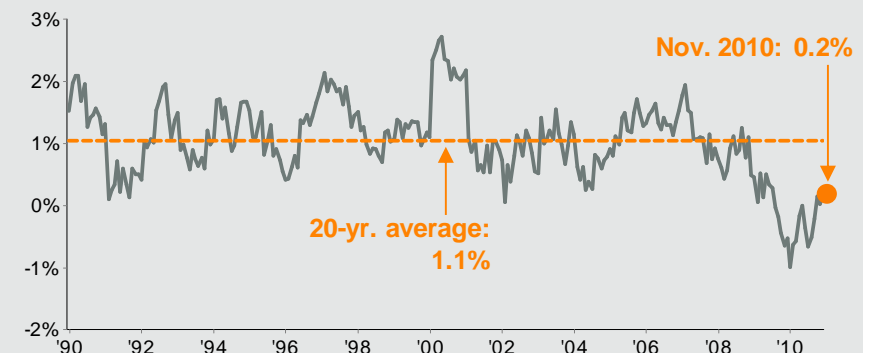
Labor Productivity: Output per Hour

Non-farm business productivity, % change year-over-year



Labor Force Growth

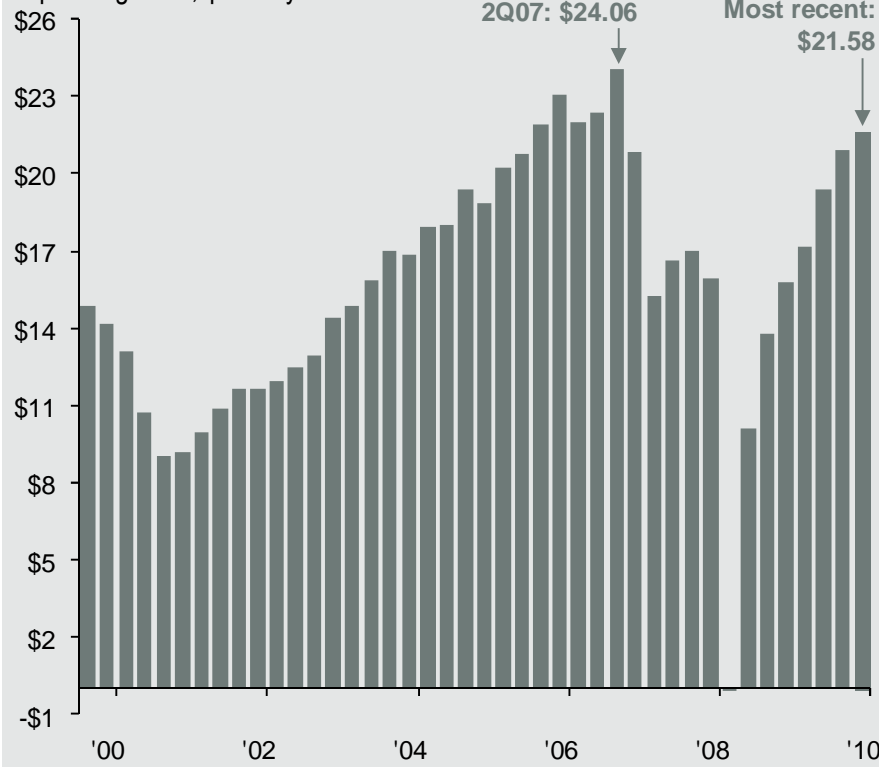
% change year-over-year



Source: BLS, J.P. Morgan Asset Management.
Data reflect most recently available as of 12/31/10.

S&P 500 Earnings

Operating basis, quarterly



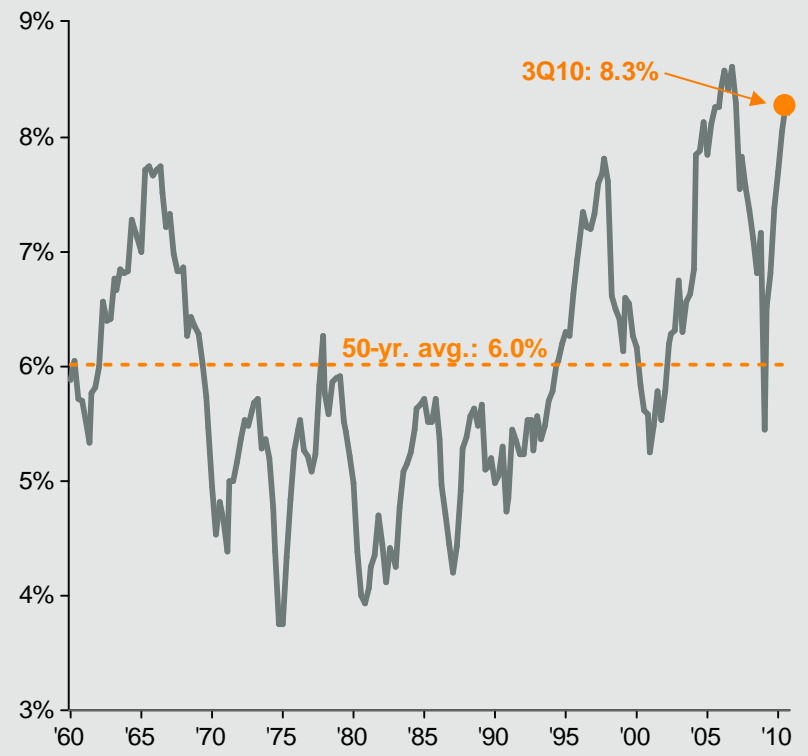
Source: Standard & Poor's, J.P. Morgan Asset Management.

EPS levels are based on operating earnings per share. Data reflect most recently available as of 12/31/10.

Most recently available is a 3Q10 99% complete estimate.

Adjusted After-Tax Corporate Profits (% of GDP)

Includes inventory and capital consumption adjustments

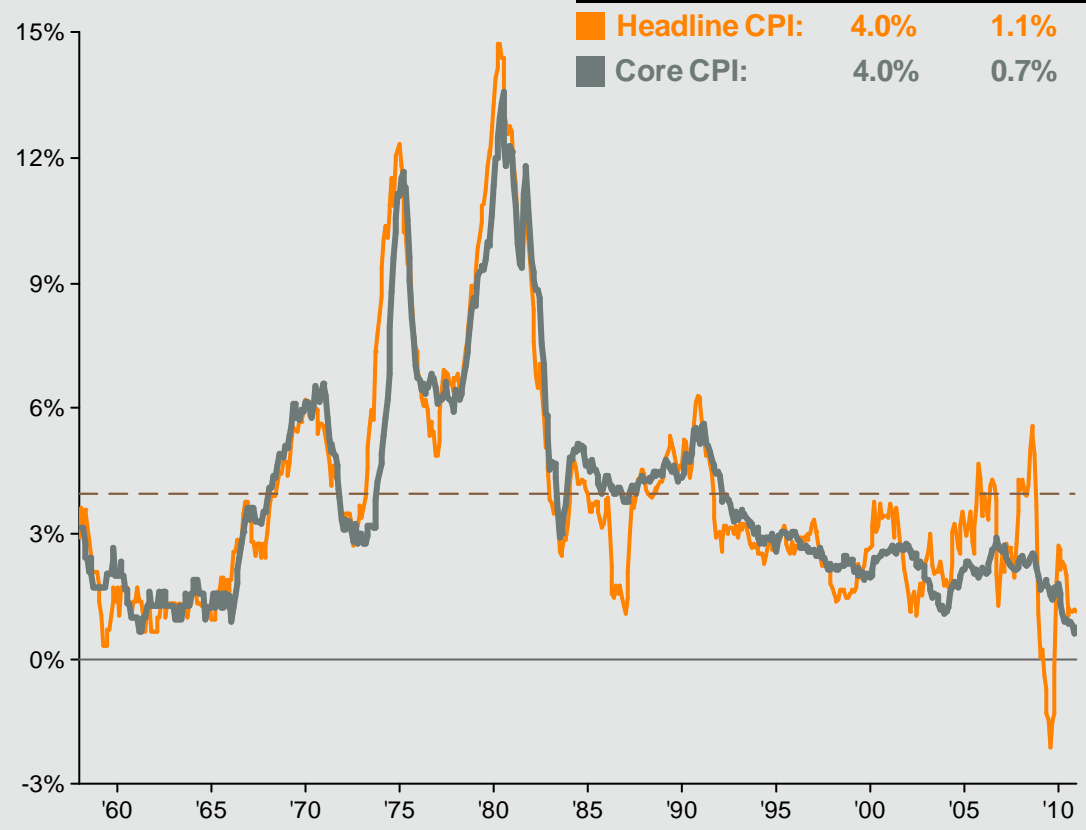


Source: BEA, FactSet, J.P. Morgan Asset Management.

Data are as of 12/31/10.

CPI and Core CPI

% chg vs. prior year

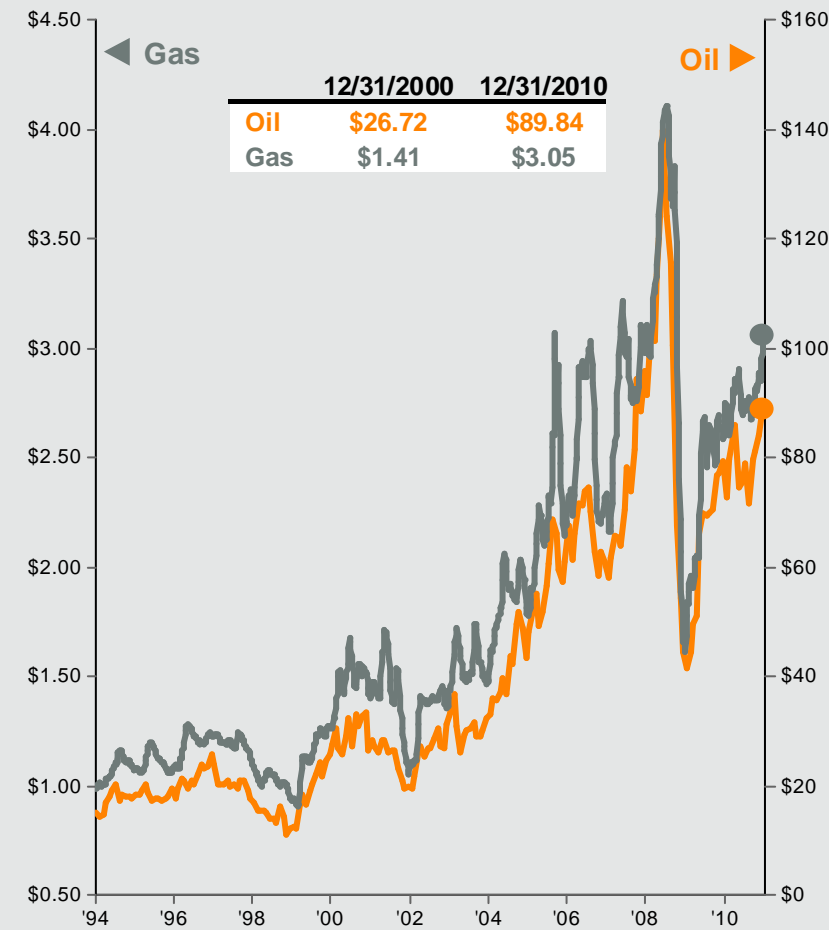


Source: BLS, J.P. Morgan Asset Management.

Data reflect most recently available as of 12/31/10. CPI values shown are % change vs. 1 year ago and reflect November 2010 CPI data. CPI component weights are as of Dec. 2010 and 12-month change reflects data through November 2010. Core CPI is defined as CPI excluding food and energy prices.

CPI Components	Weight in CPI	12-month Change
Food & Bev.	14.8%	1.5%
Housing	42.0%	-0.2%
Apparel	3.7%	-0.8%
Transportation	16.7%	3.8%
Medical Care	6.5%	3.2%
Recreation	6.4%	-0.9%
Educ. & Comm.	6.4%	1.6%
Other	3.5%	1.8%
Headline CPI	100.0%	1.1%
Less:		
Energy	8.6%	3.9%
Food	13.7%	1.5%
Core CPI	77.7%	0.7%

WTI Crude Oil & Retail Gasoline Prices

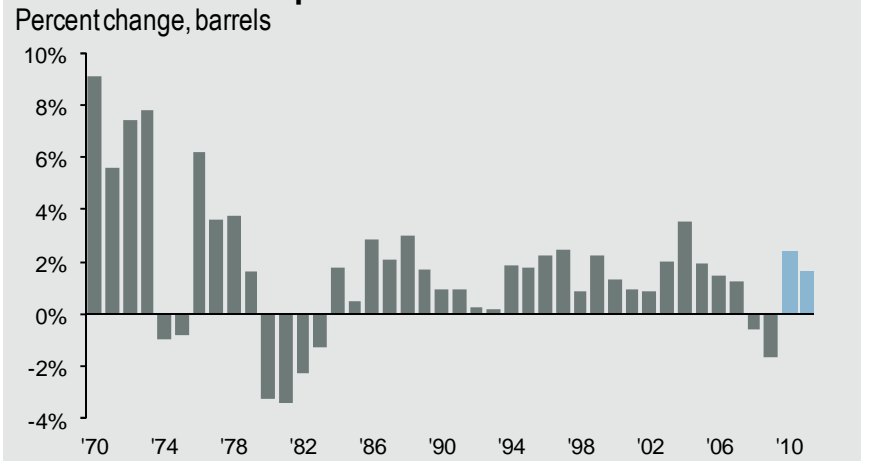


Source: U.S. Department of Energy, FactSet, J.P. Morgan Asset Management. Data reflect most recently available as of 12/31/10.

Economic Drag of Oil Prices



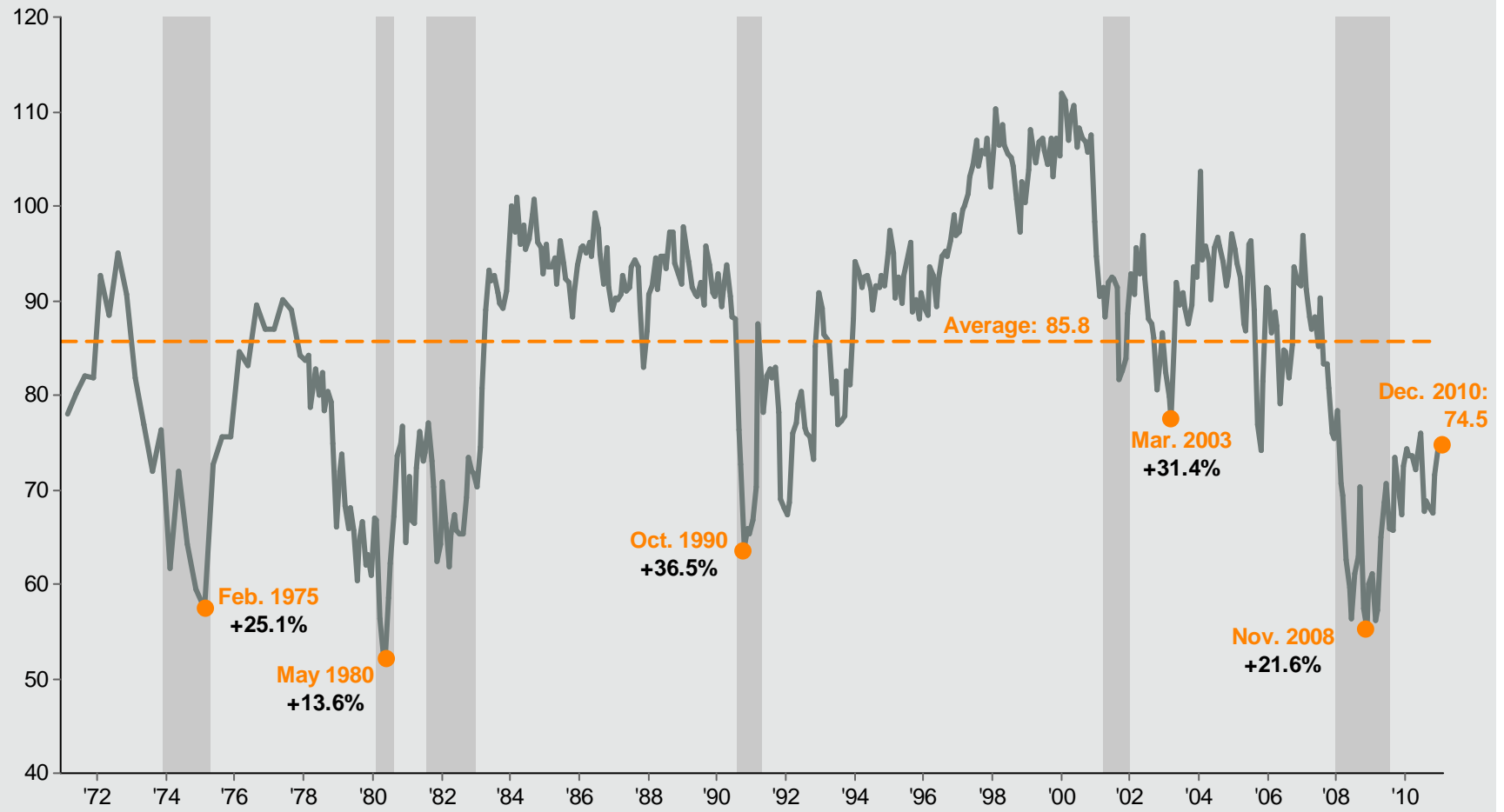
World Oil Consumption



Source: Bureau of Economic Analysis, Energy Information Administration, U.S. Department of Energy, J.P. Morgan Asset Management. Data reflect most recently available as of 12/31/10. 2010 and 2011 data reflect estimates as provided by the U.S. DOE.

Consumer Sentiment Index - University of Michigan

Including subsequent S&P 500 Index 18-month return



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

Returns are price return only.

Data are as of 12/31/10.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	4Q10	10-yrs 01 - '10
EMD	13.7%	10.3%	16.7%	29.0%	11.9%	12.3%	11.8%	11.6%	13.7%	58.2%	15.1%	3.2%	171.1%
Corp.	13.5%	8.4%	12.2%	26.9%	11.1%	3.6%	10.0%	9.0%	8.3%	34.2%	12.8%	0.2%	134.2%
TIPS	13.2%	8.2%	11.8%	10.6%	6.3%	3.5%	5.2%	7.0%	5.2%	18.7%	9.0%	-0.7%	97.2%
Muni	11.7%	7.9%	10.3%	10.0%	6.0%	2.8%	5.1%	6.9%	-1.4%	15.8%	7.6%	-1.2%	92.2%
Barclays Agg	11.6%	6.8%	10.1%	8.2%	5.4%	2.8%	4.8%	6.2%	-2.4%	12.9%	6.5%	-1.3%	89.0%
MBS	11.2%	6.7%	10.0%	5.3%	4.7%	2.7%	4.3%	5.2%	-2.5%	11.4%	6.3%	-1.5%	77.2%
Asset Alloc.	10.2%	5.3%	9.6%	4.1%	4.5%	2.6%	4.3%	4.6%	-4.9%	5.9%	5.9%	-1.6%	76.3%
Corp.	9.1%	5.1%	8.7%	3.1%	4.3%	2.4%	3.1%	3.4%	-14.7%	5.9%	5.4%	-2.6%	69.4%
High Yield	-5.9%	1.5%	-1.4%	2.2%	3.5%	1.7%	0.4%	1.9%	-26.2%	-3.6%	2.4%	-4.2%	60.3%

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 12/31/10.

U.S. Treasuries	# of issues	Mkt. Value	Avg. Maturity	Yield		Return		Impact on Price from 1% Change in Rates	
				12/31/2009	12/31/2010	2010	4Q 2010	+1%	-1%
2-Year	} # of issues: 134 Total value: \$3.989 tn		2 years	1.14%	0.61%	2.35%	-0.13%	-1.98%	1.30%*
5-Year			5	2.69	2.01	7.02	-2.70	-4.71	4.72
10-Year			10	3.85	3.30	8.01	-5.57	-8.54	8.55
30-Year			30	4.63	4.34	8.72	-9.86	-16.60	16.64
Sector									
Broad Market	8,216	\$15,134 bn	7.1 years	3.68%	2.97%	6.54%	-1.30%	-4.98%	4.98%
MBS	1,214	4,954	6.2	4.15	3.67	5.37	0.24	-4.17	4.15
Corporates	3,653	2,843	10.2	4.73	4.02	9.00	-1.61	-6.53	6.53
Municipals	46,336	1,213	13.3	3.62	3.80	2.38	-4.17	-8.48	8.48
Emerging Debt	379	536	11.5	6.59	5.76	12.84	-1.23	-6.48	6.48
High Yield	1,840	930	7.0	9.06	7.51	15.12	3.22	-4.32	4.32

Source: U.S. Treasury, Barclays 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. TIPS: Treasury Inflation Protection (TIPS). Treasury securities data for # of issues and market value based on U.S. Treasury benchmarks from Barclays 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:

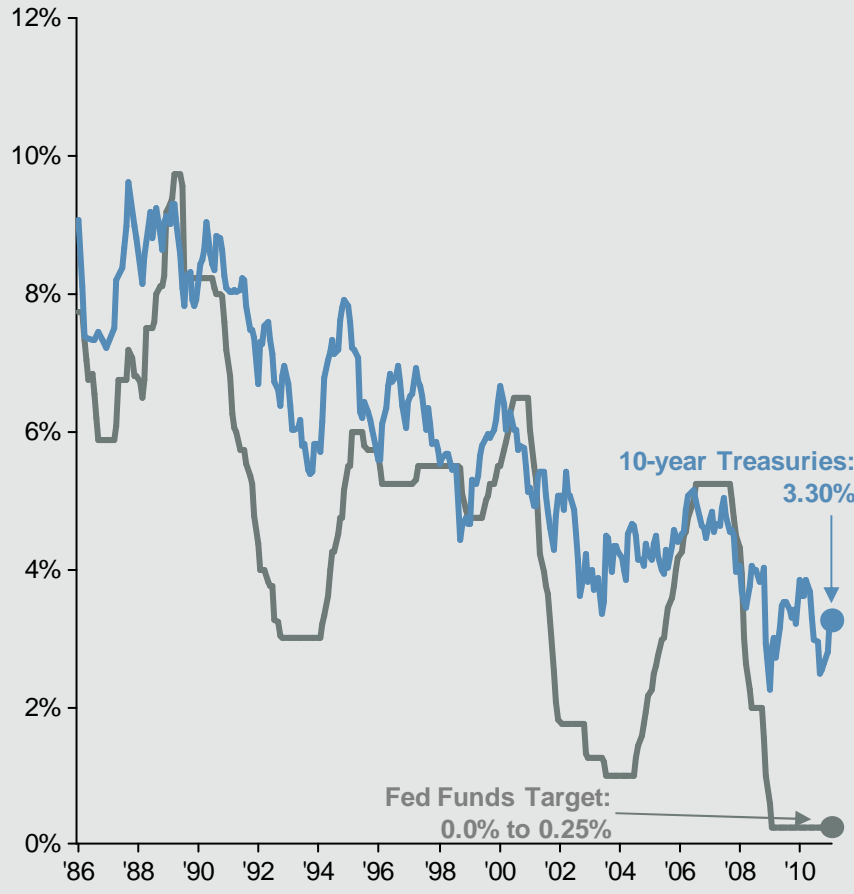
$$\text{New Price} = (\text{Price} + (\text{Price} * \text{-Duration} * \text{Change in Interest Rates})) + (0.5 * \text{Price} * \text{Convexity} * (\text{Change in Interest Rates})^2)$$

*Calculation assumes 2-Year Treasury interest rate falls 0.66% to 0.00% as interest rates can only fall to 0.00%.

Chart is for illustrative purposes only.

Data are as of 12/31/10.

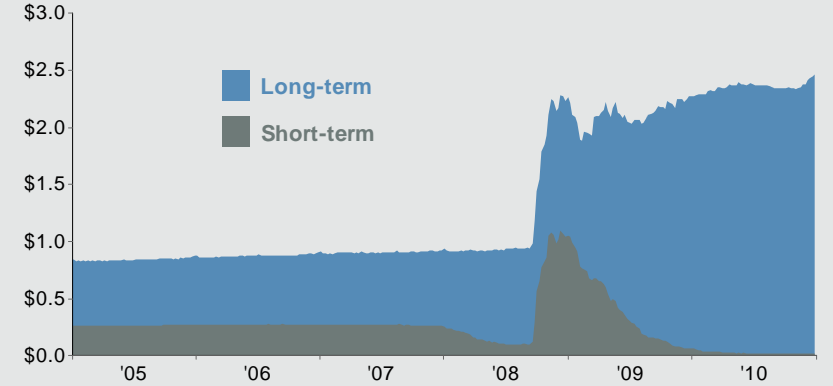
Fed Funds Target Rate and 10-Year Treasury Yields



Source: Federal Reserve, FactSet, J.P. Morgan Asset Management.
Data are as of 12/31/10.

Federal Reserve Balance Sheet

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



Money Supply Growth

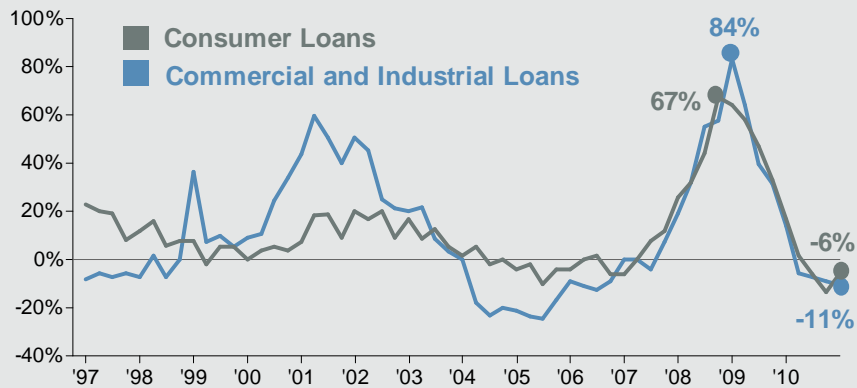
Year-over-year growth in M2



Source: Federal Reserve, FactSet, J.P. Morgan Asset Management.
Data are as of 12/31/10.

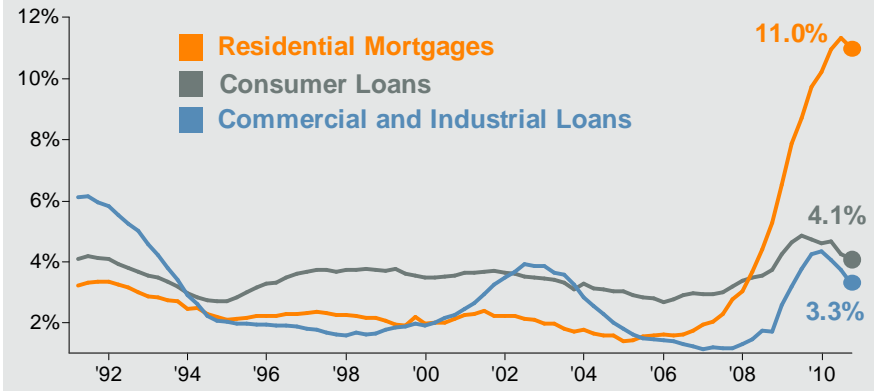
Lending Standards: Consumer Loans

Net percent of banks reporting tighter lending standards



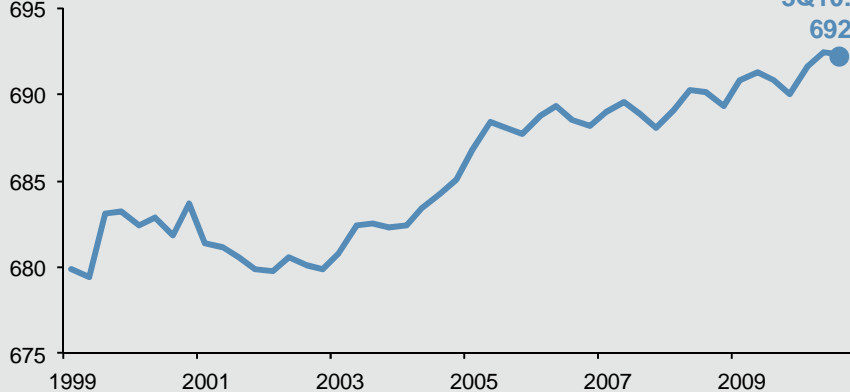
Delinquency Rates

All banks, seasonally adjusted



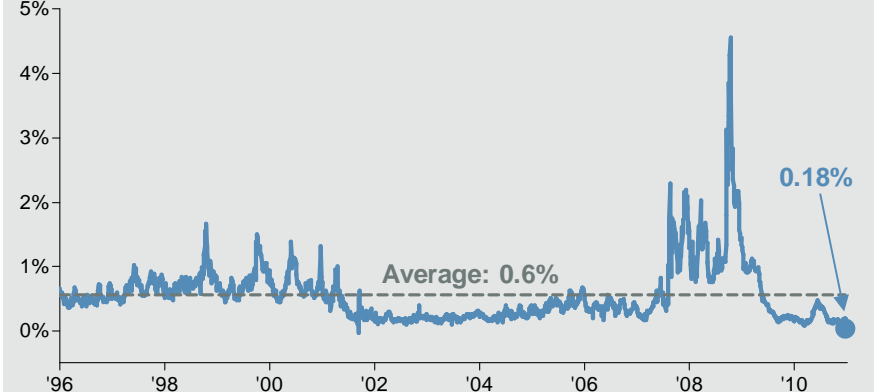
Equifax Risk Score

Average credit score



LIBOR Spread over Treasuries ("TED Spread")

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

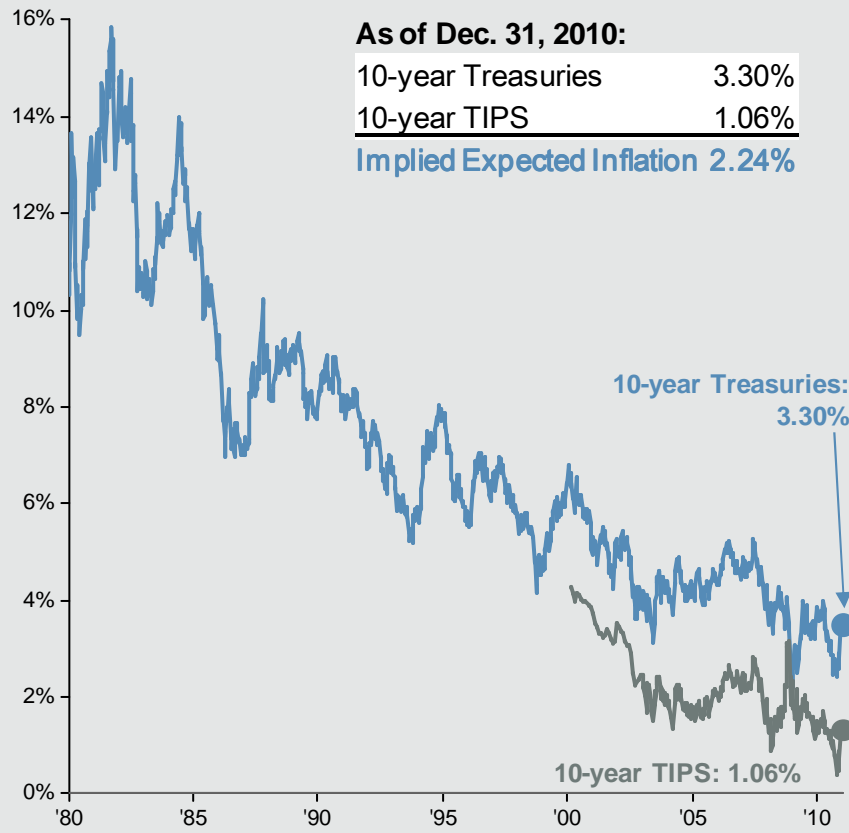


Source: (Top left) Federal Reserve, FactSet, J.P. Morgan Asset Management. (Top right) Federal Reserve, FactSet, J.P. Morgan Asset Management. (Bottom left): FRBNY Consumer Credit Panel, J.P. Morgan Asset Management. (Bottom right) U.S. Treasury, British Bankers Association, FactSet, U.S. Treasury, J.P.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

All data reflect most recently available releases.

Data are as of 12/31/10.

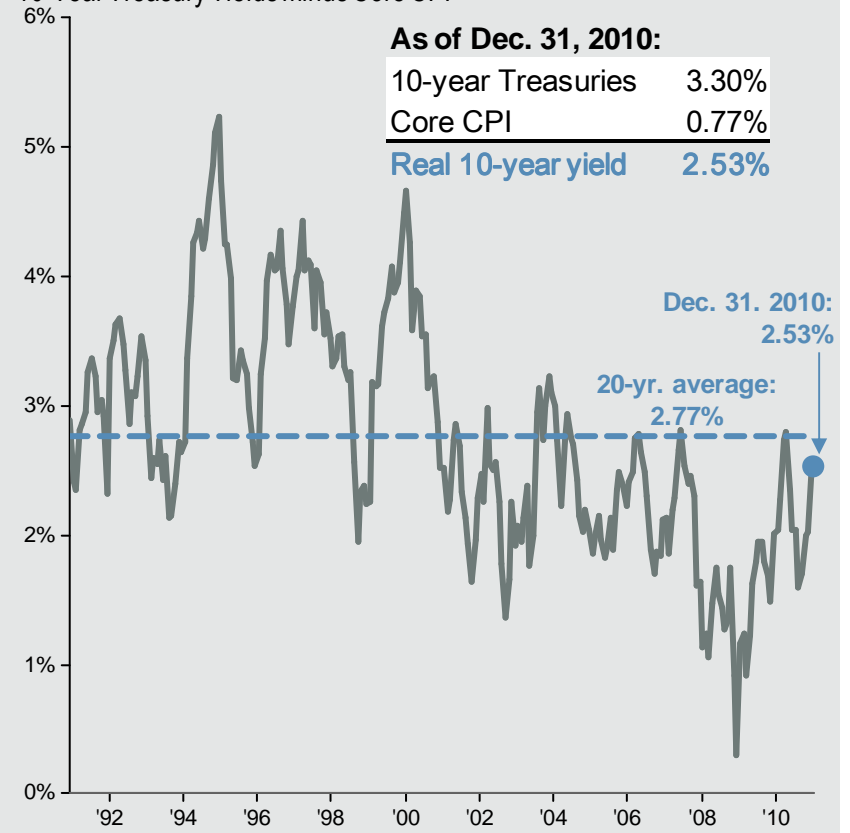
Nominal 10-Year Yields: Treasuries & TIPS



Source: St. Louis Fed, Federal Reserve, J.P. Morgan Asset Management.
Treasury Inflation Protected Securities were first introduced in 1997.
Data are as of 12/31/10.

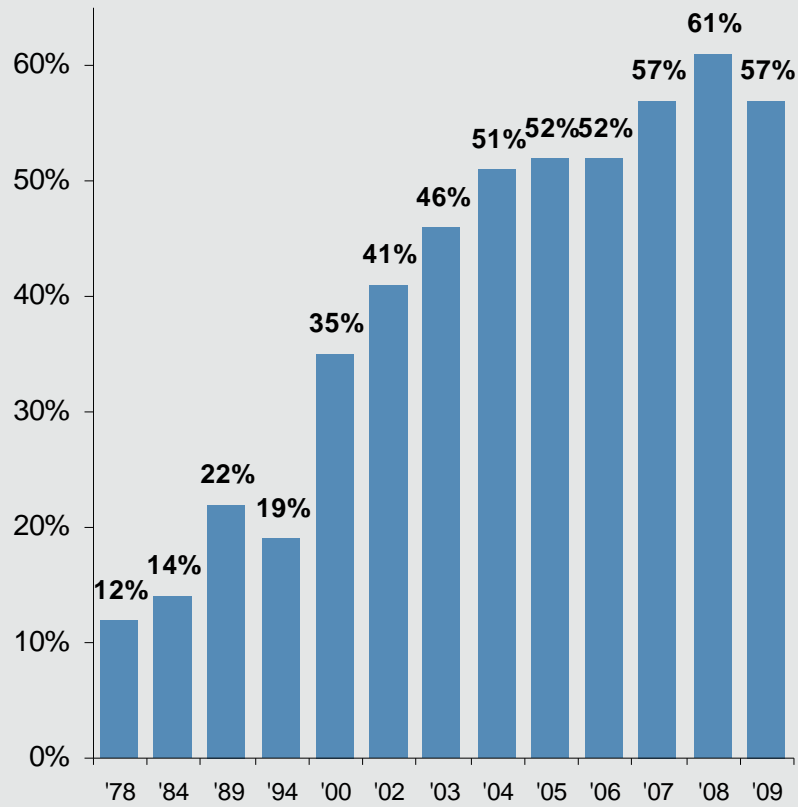
Real 10-Year Treasury Yields

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 12/31/10.

Percentage of U.S. Treasuries Owned by Foreigners

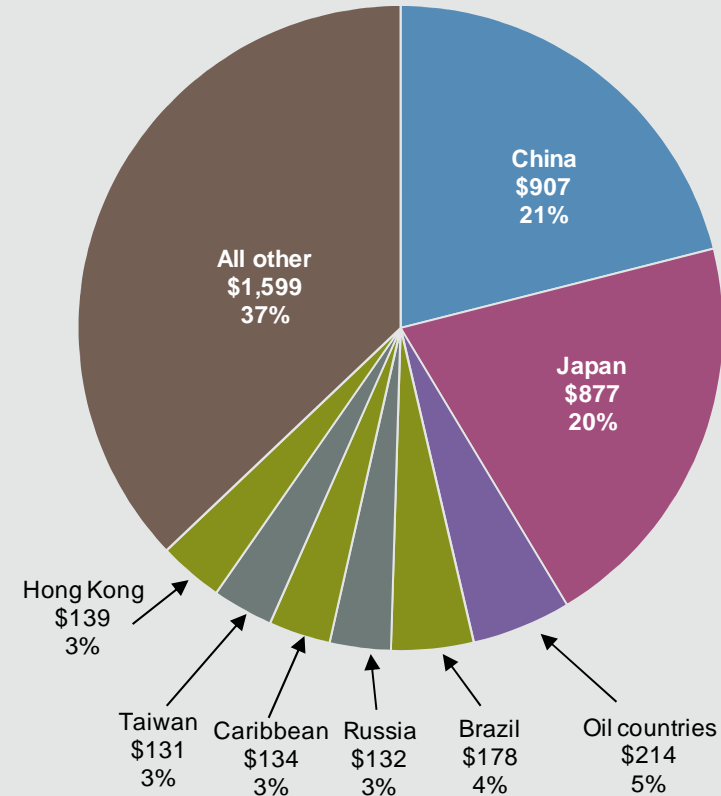


Source: J.P. Morgan Asset Management, U.S. Treasury Department TIC.

Data reflects most recently available information as of 12/31/10, published by the U.S. Treasury in May 2010 for the period ending 6/30/09. Based on long-term marketable securities less bills outstanding.

Foreign Holders of U.S. Treasuries

in billions USD



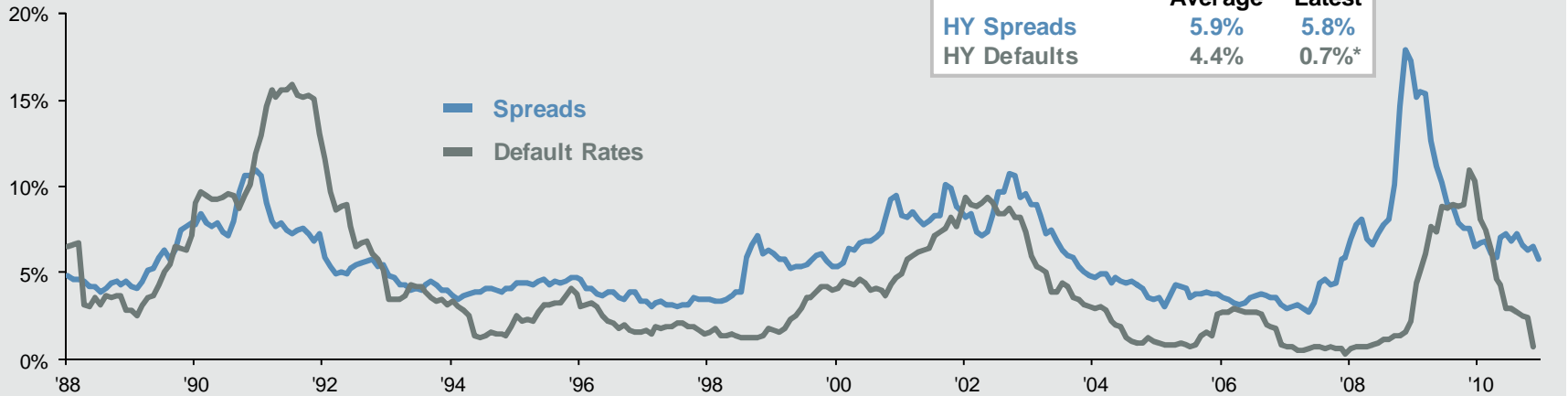
Source: J.P. Morgan Asset Management, U.S. Treasury Department TIC.

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.

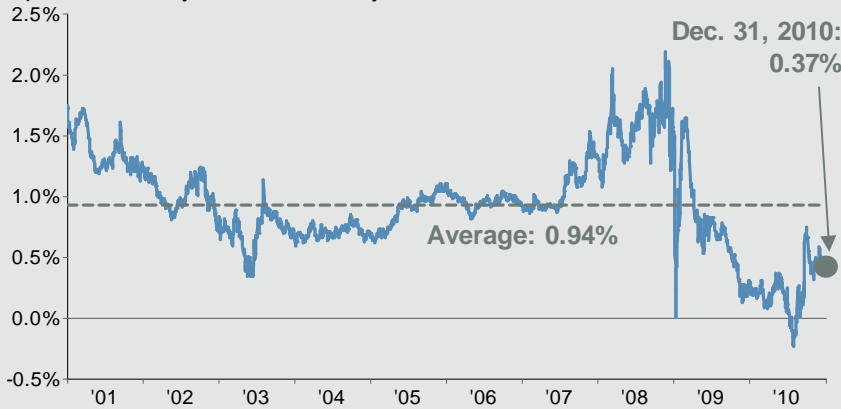
Data are as of October 2010.

High Yield Spreads and Defaults



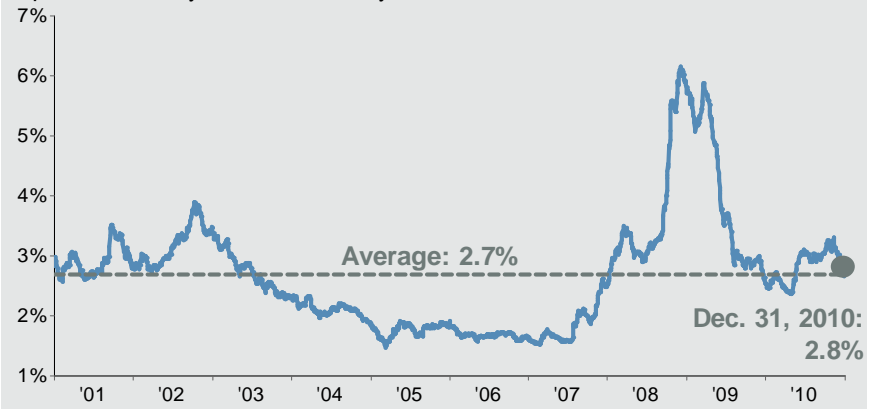
Mortgage-Backed Securities

Spread over 10-year U.S. Treasury, %



BAA Corporate Bonds

Spread over 10-year U.S. Treasury, %



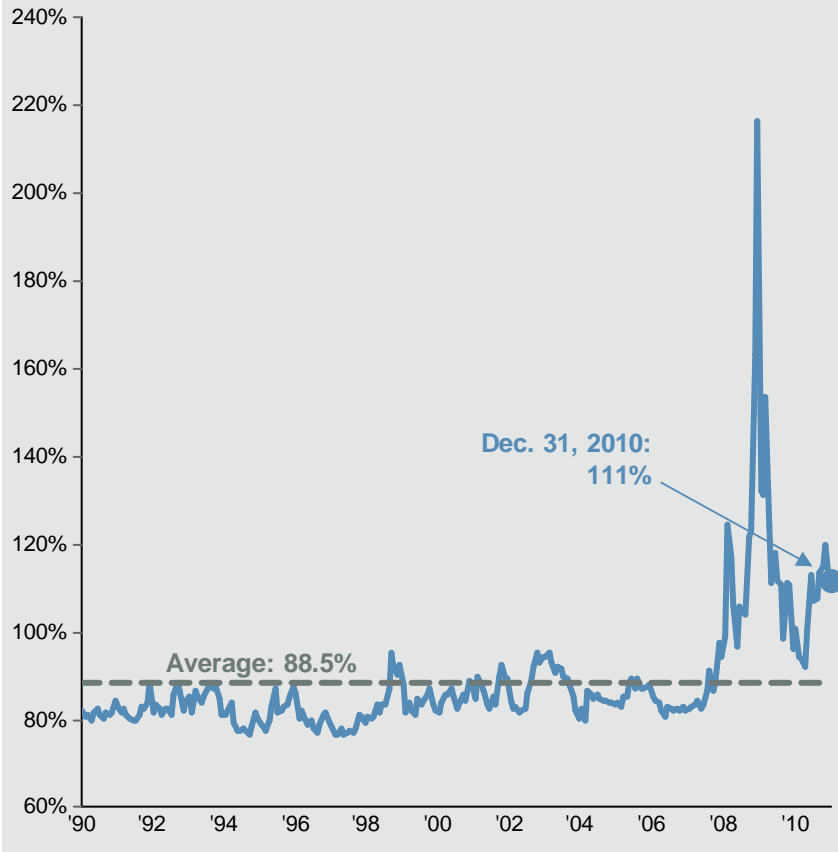
Source: (Top chart) J.P. Morgan High Yield & Leveraged Loan Strategy, J.P. Morgan Asset Management. Default rates are defined as the par value percentage of the total market trading at or below 50% of par value and include any chapter 11 filing, prepackaged filing, or missed interest payments.

(Bottom left) Barclays Capital, FactSet, J.P. Morgan Asset Management. (Bottom right) Moody's, FactSet, J.P. Morgan Asset Management.

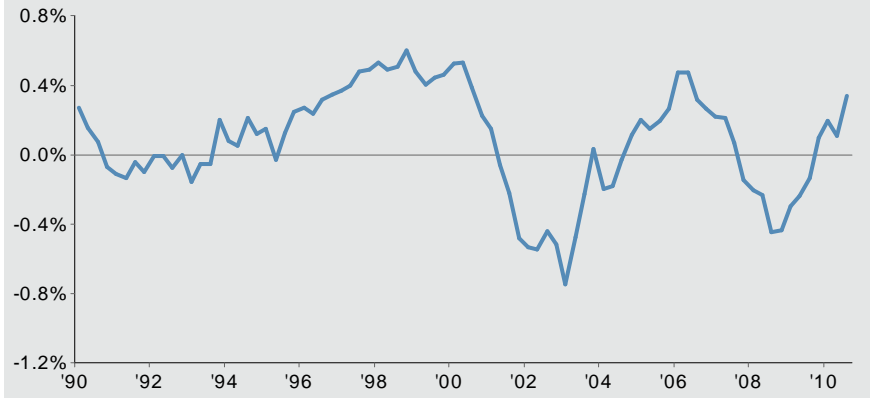
Spreads indicated are benchmark rates over comparable Treasury yields. *Default rate as of November 2010.

Data are as of 12/31/10.

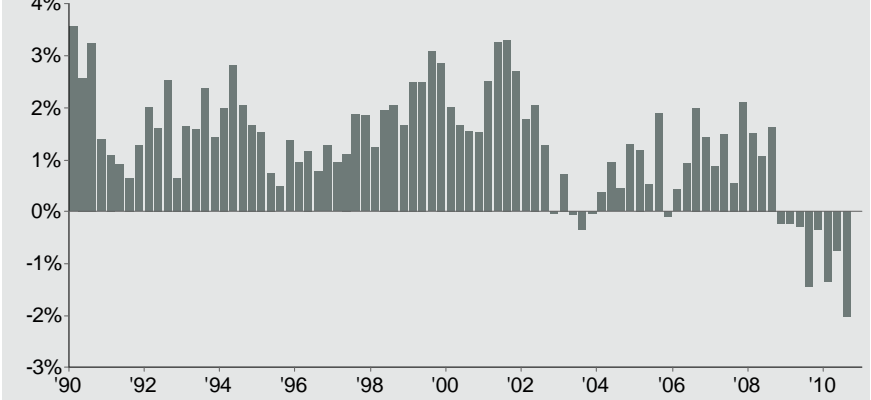
Ratio of Municipal Bond Yield to Treasury Yield
In theory, the muni yield should equal Treasury yield x (1 – tax rate)



State & Local Government Surplus/Deficit
% of GDP



State & Local Government Employment
% change, saar

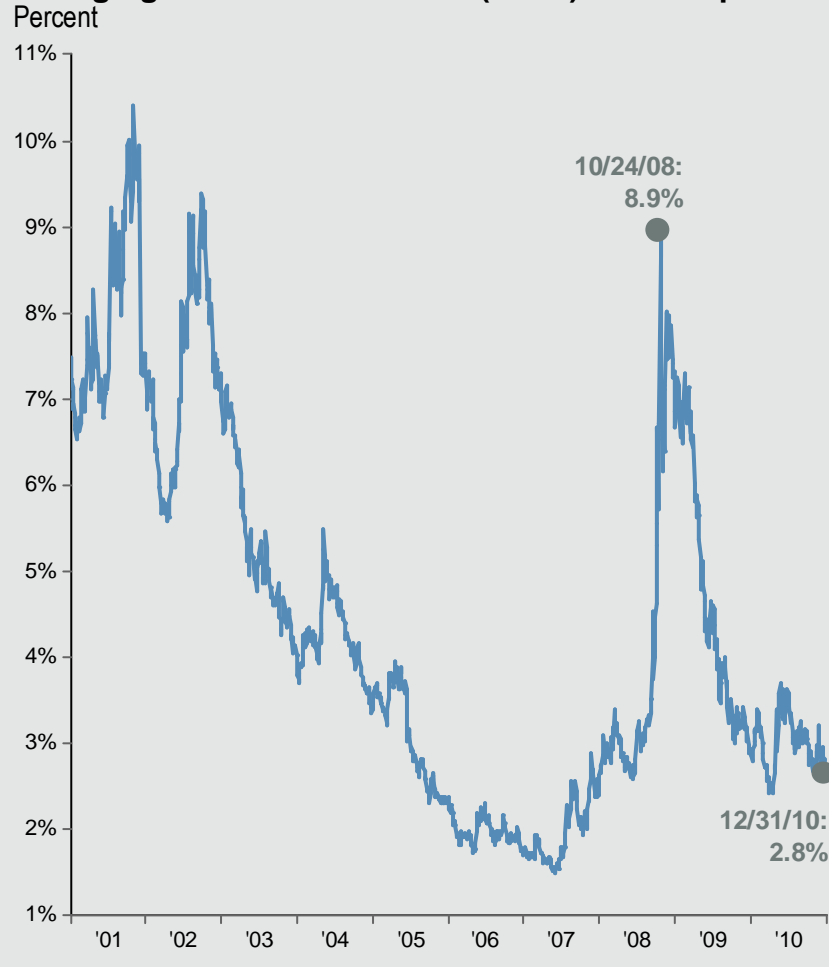


Source: (Left chart) Barclays Capital, U.S. Treasury, J.P. Morgan Asset Management. (Top Right) BEA, FactSet, J.P. Morgan Asset Management.

(Bottom right) BEA, FactSet, J.P. Morgan Asset Management.

Data are as of 12/31/10.

Emerging Markets Bond Index (EMBI) Global Spreads

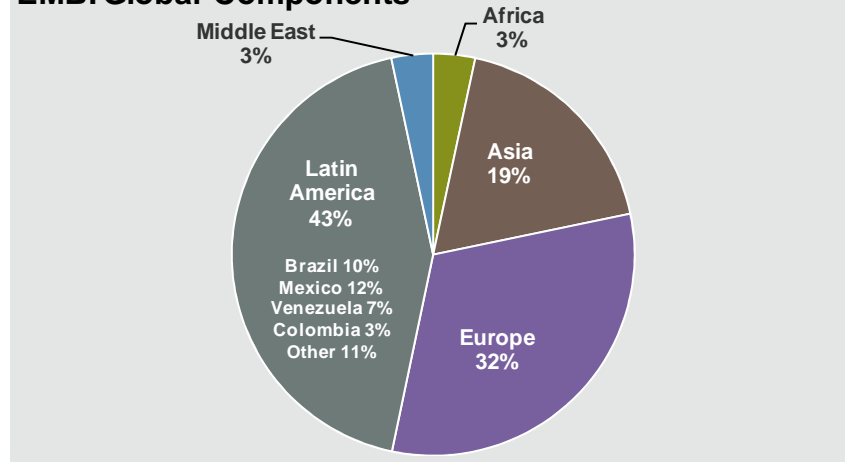


Source: J.P. Morgan Asset Management, EcoWin, FactSet.

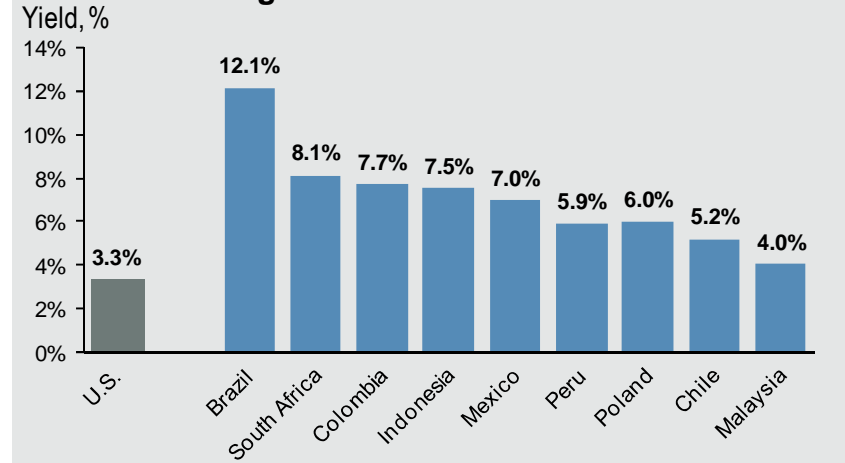
Spreads measure the credit risk premium over U.S. Treasury bonds. The J.P. Morgan EMBI Global (EMBIG) Index is an external debt index tracking bonds issued by sovereigns and quasi-sovereigns in developing nations.

Data are as of 12/31/10.

EMBI Global Components



10-Year Sovereign Debt Yields

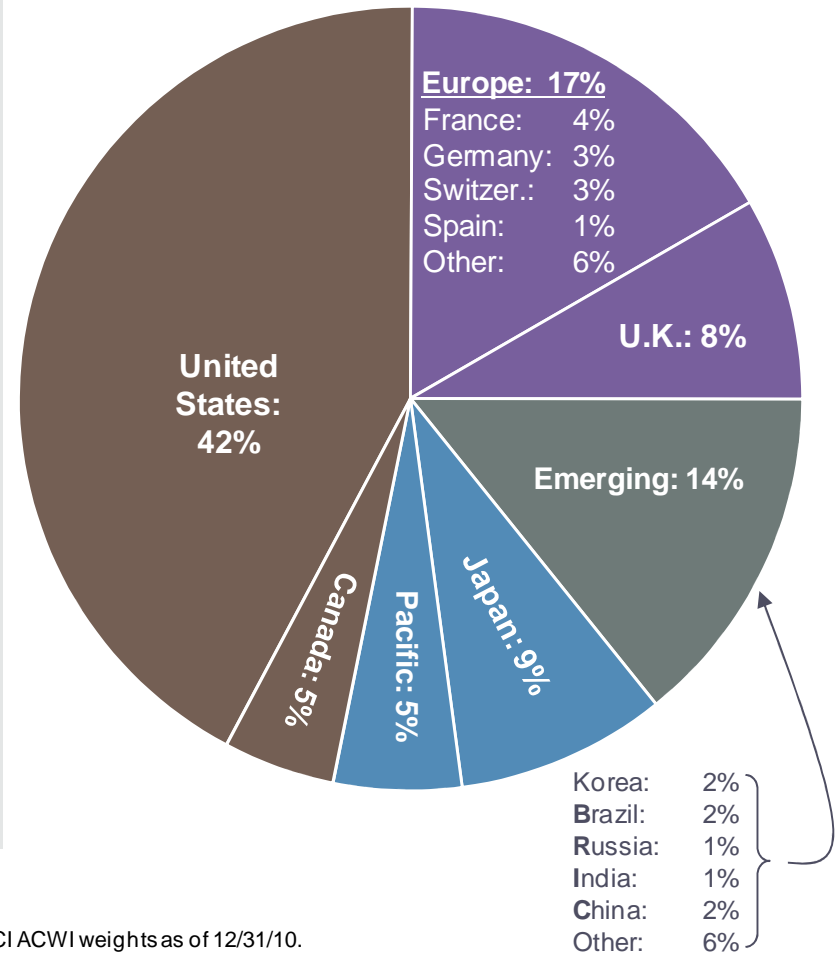


Source: (Top) J.P. Morgan, J.P. Morgan Asset Management. (Bottom) FactSet, J.P. Morgan Asset Management.

Data are as of 12/31/10.

Country / Region	4Q10		2010	
	Local	USD	Local	USD
Regions / Broad Indexes				
USA (S&P 500)	-	10.8	-	15.1
EAFE	5.7	6.7	5.3	8.2
Europe ex-U.K.	4.2	3.8	5.1	2.4
Pacific ex-Japan	4.0	8.3	6.1	17.1
Emerging Markets	5.8	7.4	14.4	19.2
MSCI: Selected Countries				
United Kingdom	6.7	6.1	12.2	8.8
France	3.7	1.9	3.5	-3.2
Germany	11.4	9.5	16.9	9.3
Japan	8.9	12.1	0.7	15.6
China	0.8	0.7	5.1	4.8
India	1.7	2.2	16.2	20.9
Brazil	1.5	3.5	1.7	6.8
Russia	16.4	16.5	20.3	19.4

Weights in MSCI All Country World Index



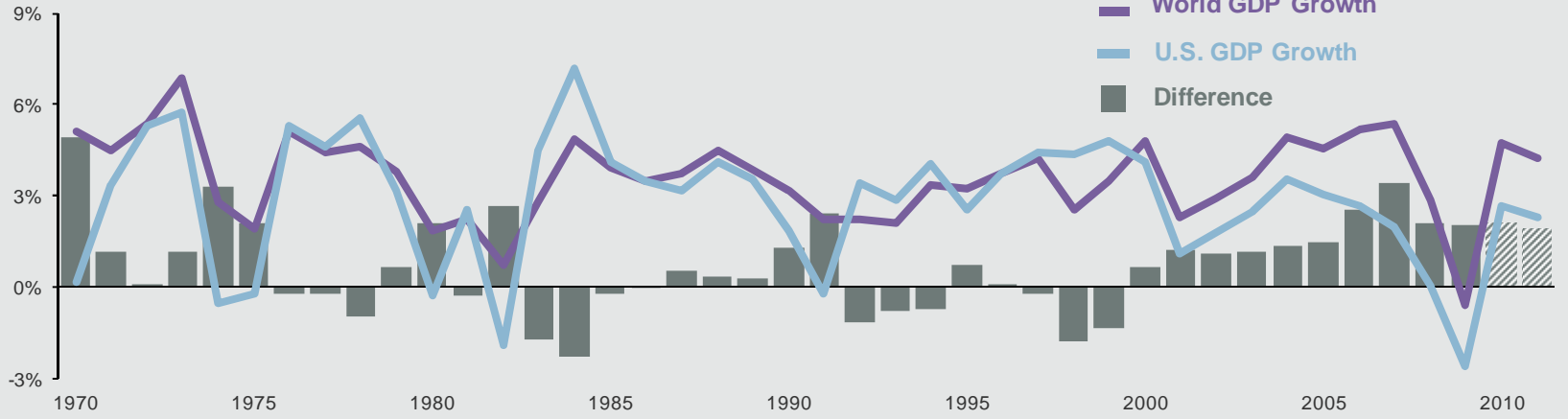
Source: J.P. Morgan Asset Management, FactSet, MSCI Inc., Standard & Poor's.

All return values are MSCI Gross Index (official) data. Returns are as of 12/31/10. MSCI ACWI weights as of 12/31/10.

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 12/31/10.

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 December 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 3Q10.

Data are as of 12/31/10.

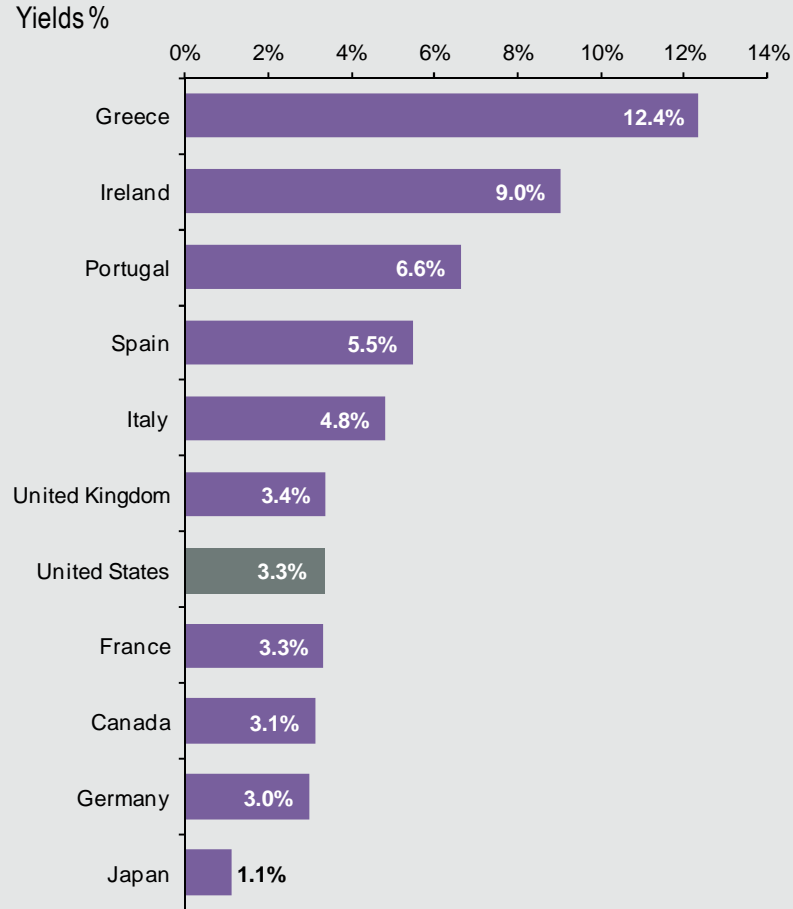
Economics						Demographics				
	GDP USD (B\$)	GDP Per Capita	GDP Growth	Unempl. Rate	Inflation (CPI)	Population	Population Growth	Percent Age >65	Median Age	Migration per 1000
Developed										
U.S.	\$14,745	\$46,000	2.6%	9.6%	1.2%	310 mm	1.0%	12.8%	36.8 yrs	+4.3
Canada	1,277	38,100	1.0	8.3	1.8	34	0.8	15.2	40.7	+5.6
U.K.	2,123	34,200	3.1	7.6	3.1	62	0.6	16.2	39.8	+2.6
Germany	2,810	34,200	2.8	7.5	1.2	82	-0.1	20.3	44.3	+2.2
France	2,094	32,500	1.4	9.5	1.8	65	0.5	16.4	39.7	+1.5
Japan	4,149	32,600	4.5	5.1	-0.8	127	-0.2	22.2	44.6	-
Italy	1,737	29,900	0.7	7.8	1.7	58	-0.1	20.2	43.7	+2.1
Emerging										
Russia	2,116	15,100	-3.8	8.4	6.2	139	-0.5	13.7	38.5	0.3
Mexico	1,463	13,200	3.0	5.5	3.7	112	1.1	6.2	26.7	-3.4
Brazil	2,010	10,100	2.1	8.1	4.6	201	1.2	6.4	28.9	-0.1
China	8,818	6,700	8.1	4.3	3.5	1,330	0.5	8.1	35.2	-0.3
India	3,680	3,200	14.2	10.7	10.3	1,173	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 3Q10. 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 3Q10. Unemployment rate for developed countries refers to November 2010 and comes from Eurostat and Statistics Canada. Demographic data provided by CIA World Factbook at CIA.gov.

Data are as of 12/31/10.

10-year Sovereign Debt Interest Rates



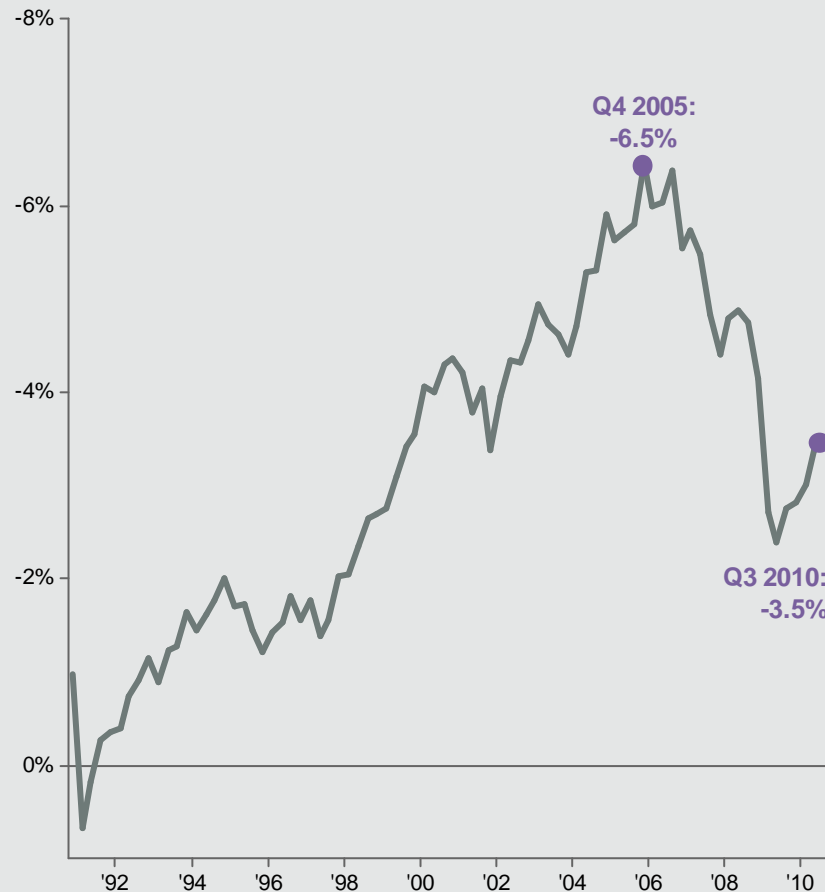
	Structural Govt. Deficit	Net Govt. Debt	Current Acct. Balance	% Govt. Debt Held Abroad
	% of projected 2011 GDP			2010
Greece	-5.3	117.2	-7.7	72.4
Ireland	-6.8	63.0	-1.1	58.7
Portugal	-4.0	82.9	-9.2	72.1
Spain	-5.3	60.9	-4.8	49.0
Italy	-2.8	100.1	-2.7	46.9
United Kingdom	-6.2	74.0	-2.0	24.1
United States	-7.1	72.7	-2.6	28.8
France	-3.7	77.9	-1.8	61.0
Canada	-2.0	33.5	-2.7	17.1
Germany	-2.9	60.4	5.8	50.2
Japan	-7.2	129.5	2.3	5.1

Source: FactSet, IMF's October 2010 Global Financial Stability Report, IMF's October 2010 World Economic Outlook, 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 12/31/10.

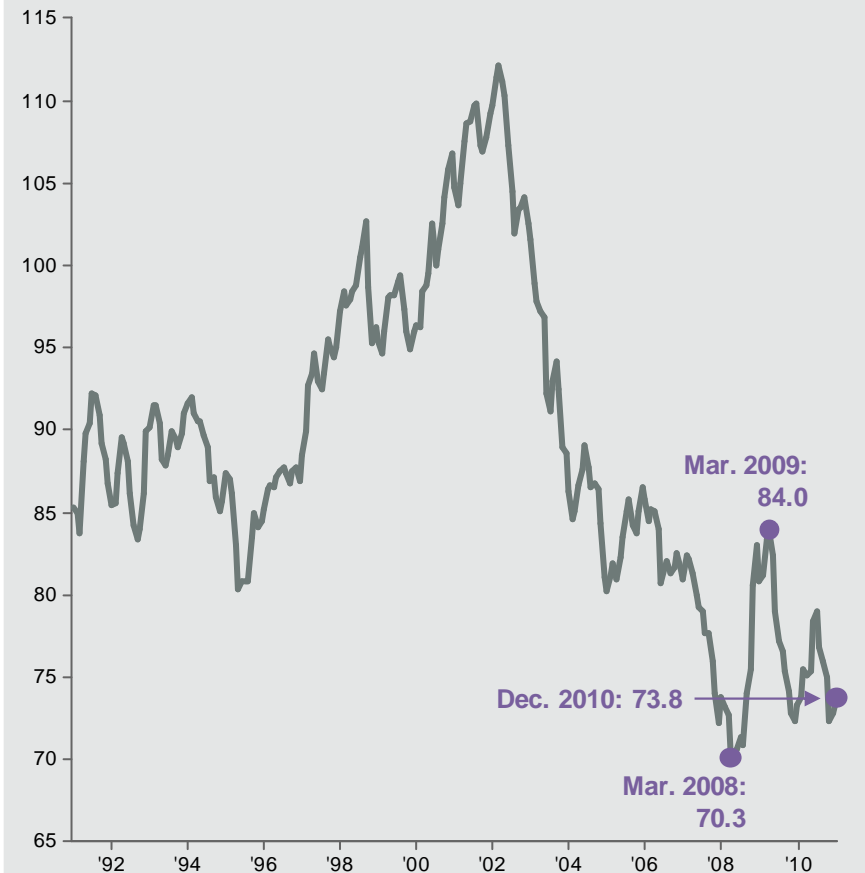
Current Account Balance, % of GDP



Source: J.P. Morgan Asset Management, BEA.
Data are as of 12/31/10 and are reported quarterly.

U.S. Dollar Index

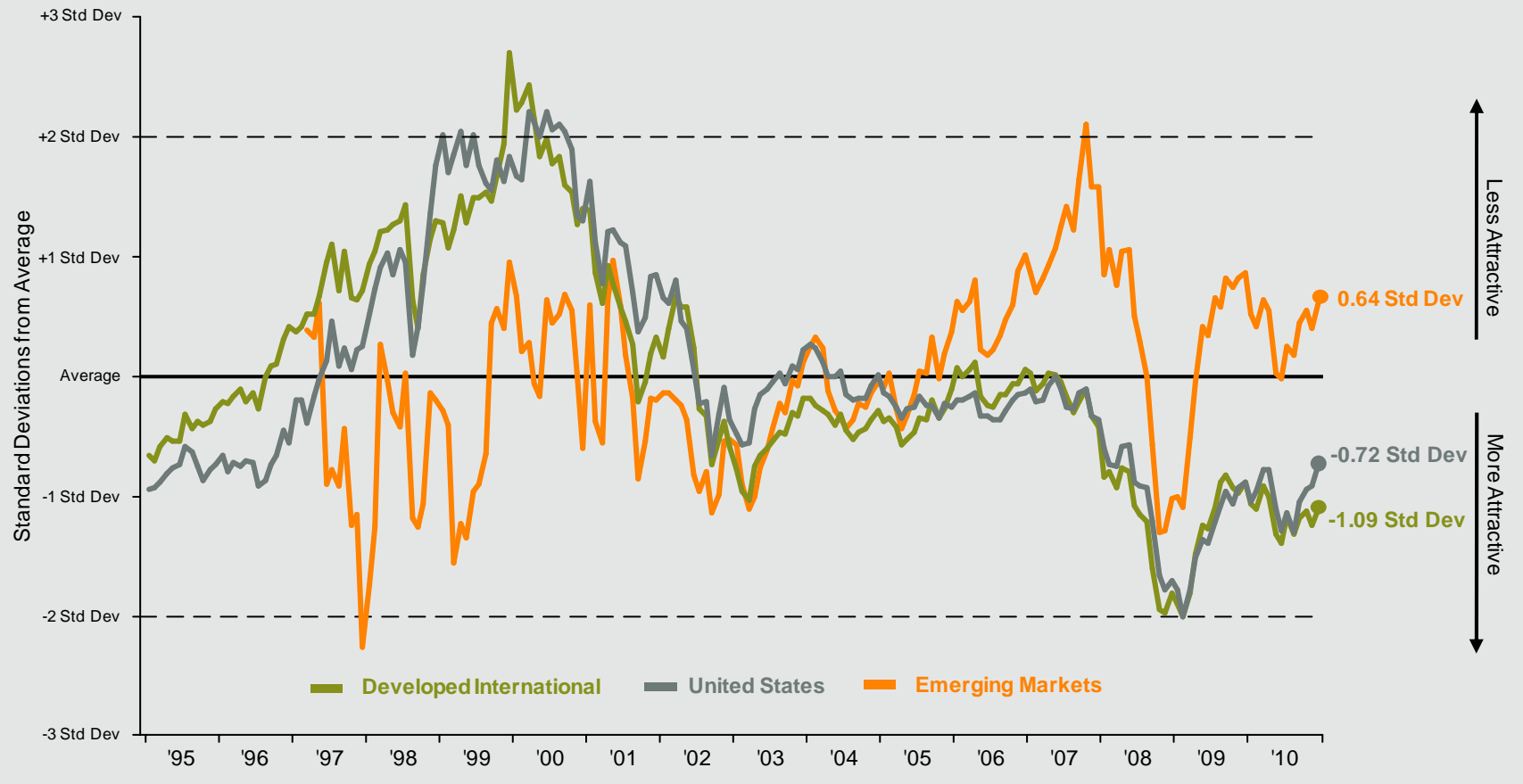
Nominal trade-weighted exchange index: major currencies



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
Data are as of 12/31/10.

Composite Equity Valuation Indices

Zero line represents the historical average for each series



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 12/31/10.

International

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	4Q10	10-ys '01 - '10
	REITs 26.4%	REITs 13.9%	DJ UBS Cmnty 23.9%	MSCI EME 56.3%	REITs 31.6%	MSCI EME 34.5%	REITs 35.1%	MSCI EME 39.8%	Barclays Agg 5.2%	MSCI EME 79.0%	REITs 28.0%	Russell 2000 16.3%	MSCI EME 350.0%
	DJ UBS Cmnty 24.2%	Market Neutral 9.3%	Barclays Agg 10.3%	Russell 2000 47.3%	MSCI EME 26.0%	DJ UBS Cmnty 17.6%	MSCI EME 32.6%	MSCI EAFE 11.6%	Market Neutral 1.1%*	MSCI EAFE 32.5%	Russell 2000 26.9%	DJ UBS Cmnty 15.8%	REITs 178.0%
	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 Cmnty 11.1%	Asset Alloc. -23.8%	REITs 28.0%	MSCI EME 19.2%	S&P 500 10.8%	Russell 2000 84.8%
	Barclays Agg 11.6%	Russell 2000 2.5%	REITs 3.8%	REITs 37.1%	Russell 2000 18.3%	REITs 12.2%	Russell 2000 18.4%	Market Neutral 9.3%	Russell 2000 -33.8%	Russell 2000 27.2%	DJ UBS Cmnty 16.7%	REITs 7.4%	Asset Alloc. 80.2%
	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 Cmnty -36.6%	S&P 500 26.5%	S&P 500 15.1%	MSCI EME 7.4%	Market Neutral 76.9%
	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%	Asset Alloc. 12.7%	MSCI EAFE 6.7%	Barclays Agg 76.3%
	S&P 500 -9.1%	S&P 500 -11.9%	MSCI EAFE -15.7%	DJ UBS Cmnty 22.7%	DJ UBS Cmnty 7.6%	S&P 500 4.9%	Market Neutral 11.2%	S&P 500 5.5%	REITs -37.7%	DJ UBS Cmnty 18.7%	MSCI EAFE 8.2%	Asset Alloc. 6.4%	MSCI EAFE 47.1%
	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 6.5%	Barclays Agg -1.3%	DJ UBS Cmnty 41.7%
	MSCI EME -30.6%	DJ UBS Cmnty -22.3%	S&P 500 -22.1%	Barclays Agg 4.1%	Barclays Agg 4.3%	Barclays Agg 2.4%	DJ UBS Cmnty -2.7%	REITs -15.7%	MSCI EME -53.2%	Market Neutral 4.1%	Market Neutral -2.5%	Market Neutral -1.6%	S&P 500 15.1%

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-ys" returns represent cumulative total return and are not annualized. These returns reflect the period from 1/1/01 – 12/31/10.

*Market Neutral returns include estimates found in disclosures.

Data are as of 12/31/10.

	Large Cap	Small Cap	EAFE	EME	Core Bonds	Corp. HY	EMD	Cmdty.	REITs	Hedge Funds	Eq Market Neutral*
Large Cap	1.00	0.94	0.92	0.88	-0.35	0.73	0.69	0.38	0.71	0.76	0.37
Small Cap		1.00	0.86	0.84	-0.38	0.68	0.62	0.28	0.76	0.69	0.36
EAFE			1.00	0.90	-0.24	0.69	0.64	0.50	0.69	0.82	0.53
EME				1.00	-0.27	0.78	0.71	0.50	0.59	0.82	0.41
Core Bonds					1.00	-0.12	0.08	-0.14	0.00	-0.18	0.08
Corp. HY						1.00	0.83	0.46	0.63	0.75	0.34
EMD							1.00	0.45	0.59	0.65	0.29
Commodities								1.00	0.36	0.65	0.45
REITs									1.00	0.58	0.45
Hedge Funds										1.00	0.53
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: NAREIT Equity REIT Index; Hedge Funds: CS/Tremont Multi-Strategy Index; Equity Market Neutral: CS/Tremont Equity Market Neutral Index. *Market Neutral returns include estimates found in disclosures.

All correlation coefficients calculated based on quarterly total return data for period 9/30/00 to 9/30/10.

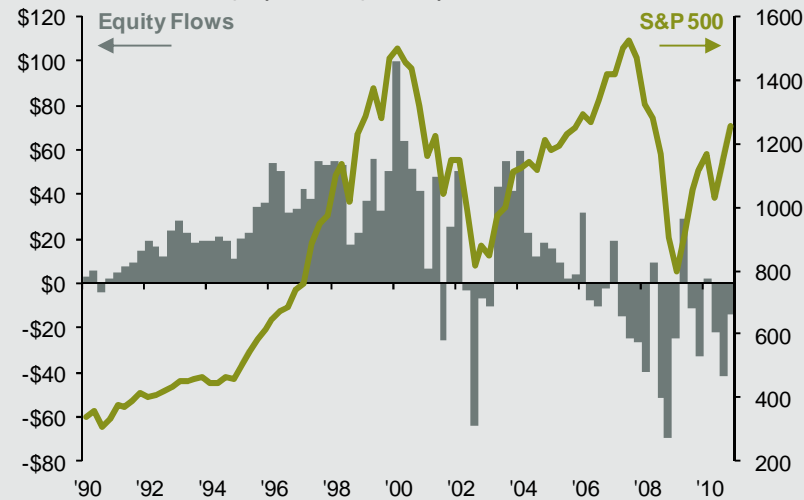
This chart is for illustrative purposes only.

Data are as of 12/31/10.

Billions, USD	AUM	Fund Flows											
		YTD 2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Domestic Equity	3,930	(75)	(40)	(152)	(48)	11	32	112	130	(23)	54	256	176
World Equity	1,395	45	31	(83)	139	148	104	66	22	(4)	(22)	53	11
Taxable Bond	2,142	242	307	20	98	45	26	3	39	124	76	(36)	8
Tax-exempt Bond	496	25	69	8	11	15	5	(14)	(7)	16	12	(14)	(12)
Hybrid	711	22	23	(18)	24	7	25	42	32	7	9	(31)	(14)
Money Market	2,812	(515)	(539)	637	654	245	62	(157)	(263)	(46)	375	159	194

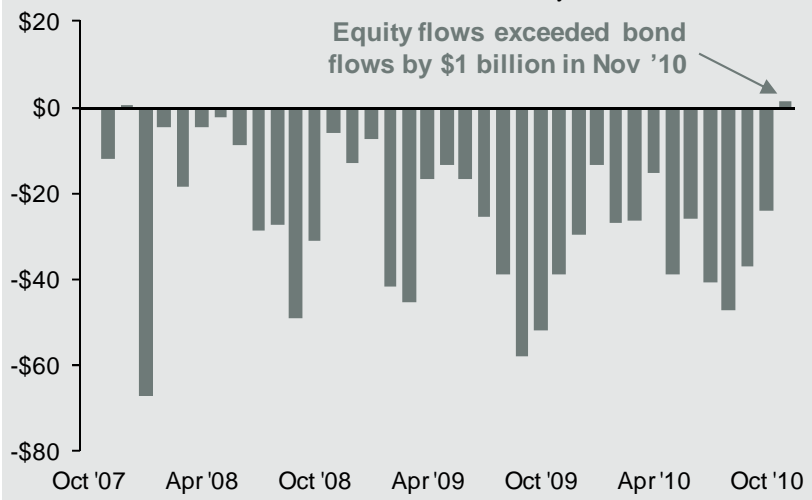
U.S. Equity Fund Flows and Market Performance

Billions USD, U.S. equity funds, quarterly



Difference Between Flows Into Stock and Bond Funds

Billions, USD, U.S. and international funds, monthly



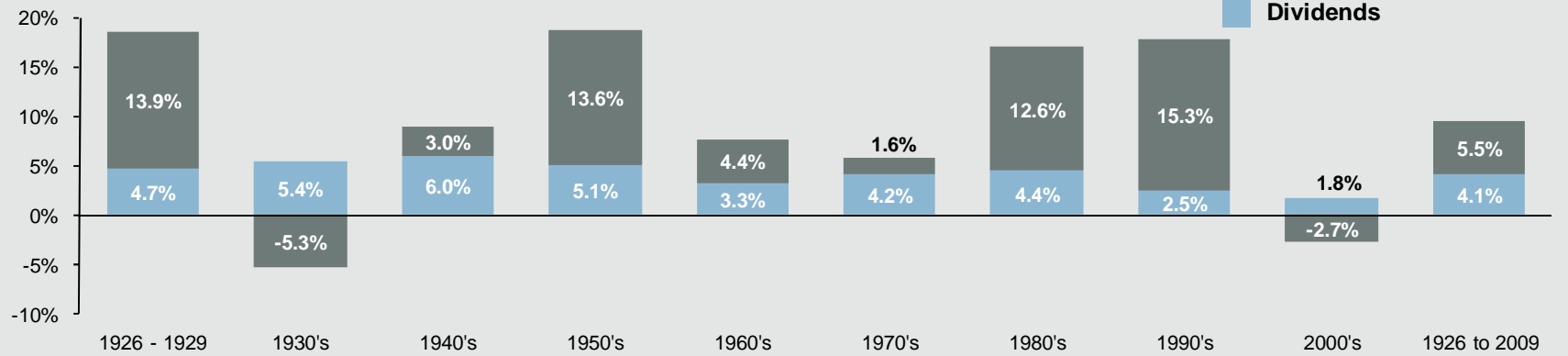
Source: Investment Company Institute, J.P. Morgan Asset Management.

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

Data are as of 12/31/10.

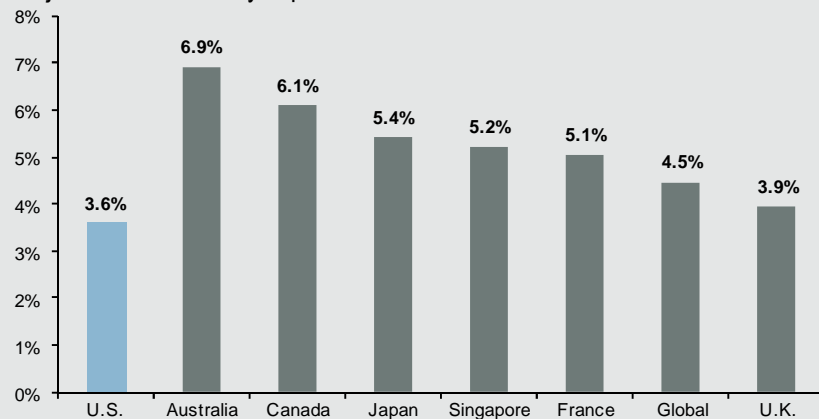
S&P 500 Total Return: Dividends vs. Capital Appreciation

Average annualized returns



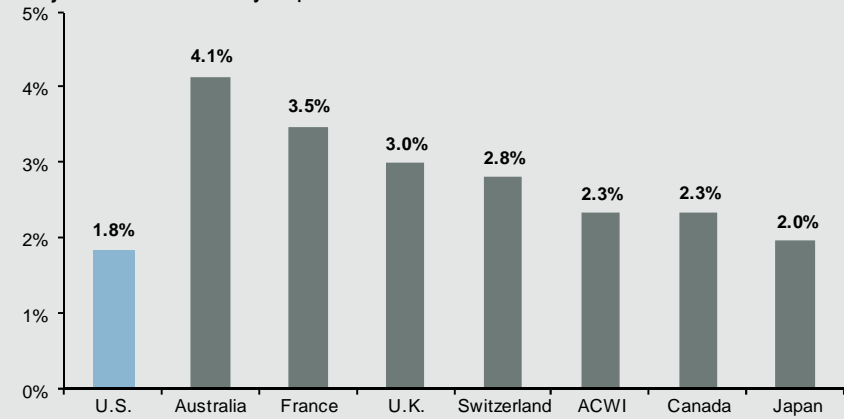
REIT Dividend Yields

Major world markets by capitalization



Equity Dividend Yields

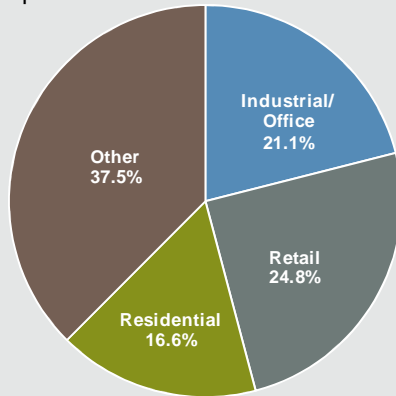
Major world markets by capitalization



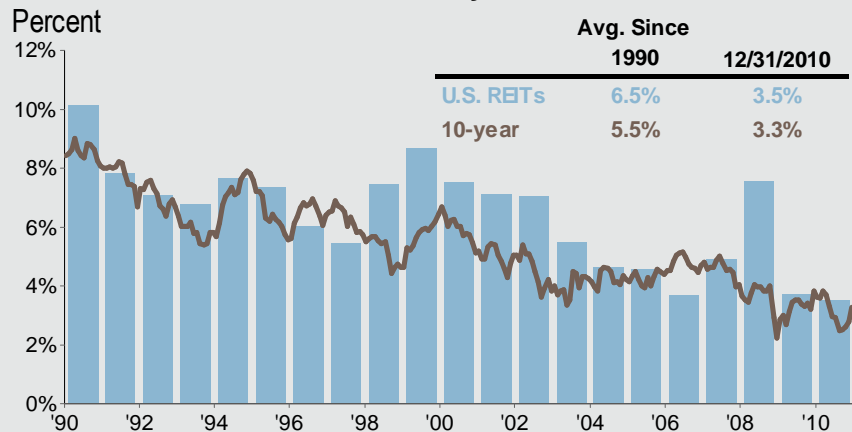
Source: (Top chart) Standard & Poor's, Ibbotson, J.P. Morgan Asset Management. (Bottom left) FactSet, NAREIT, J.P. Morgan Asset Management. Yields shown are that of the appropriate FTSE NAREIT REIT index, which excludes property development companies. (Bottom right) FactSet, MSCI, J.P. Morgan Asset Management.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

FTSE NAREIT Equity REIT Index

% equity market capitalization



REIT Yield vs. 10-Year Treasury Yield



Source: (Top) NAREIT, J.P. Morgan Asset Management. (Bottom) U.S. Treasury, NAREIT, FactSet, J.P. Morgan Asset Management.

Index constituents are as of November 30, 2010. REIT yields are annual average and 10-year U.S. Treasury yields are monthly averages.

Data are as of 12/31/10.

REITs and U.S. Equities

36-month rolling correlations

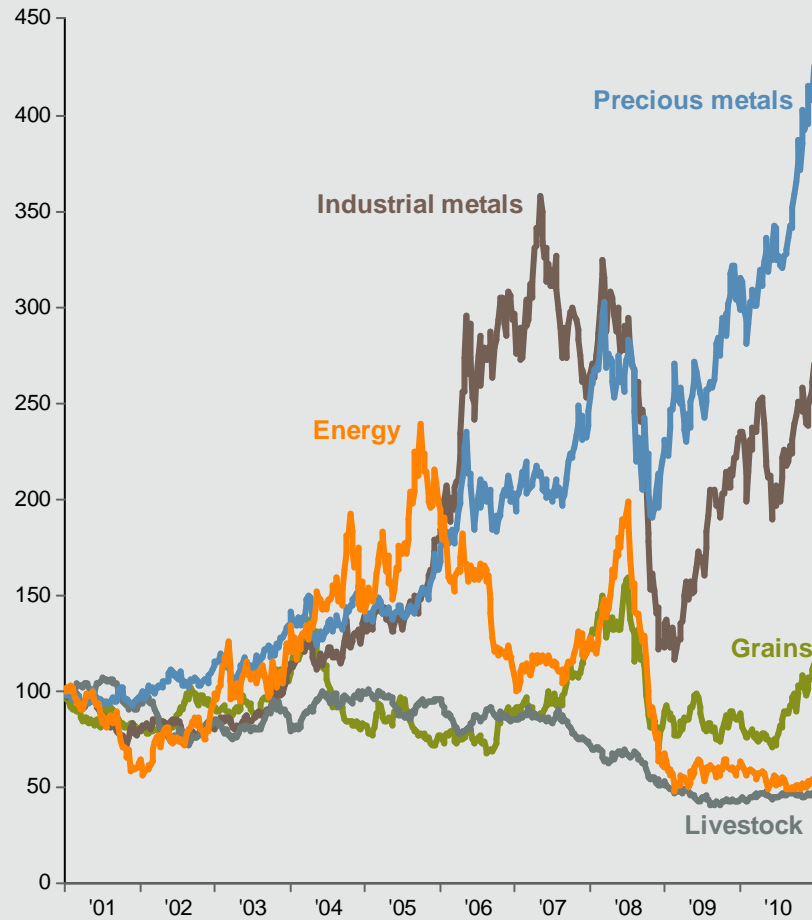


Source: FTSE/NAREIT, Standard & Poor's, FactSet, J.P. Morgan Asset Management.

Data are as of 12/31/10.

Commodity Prices

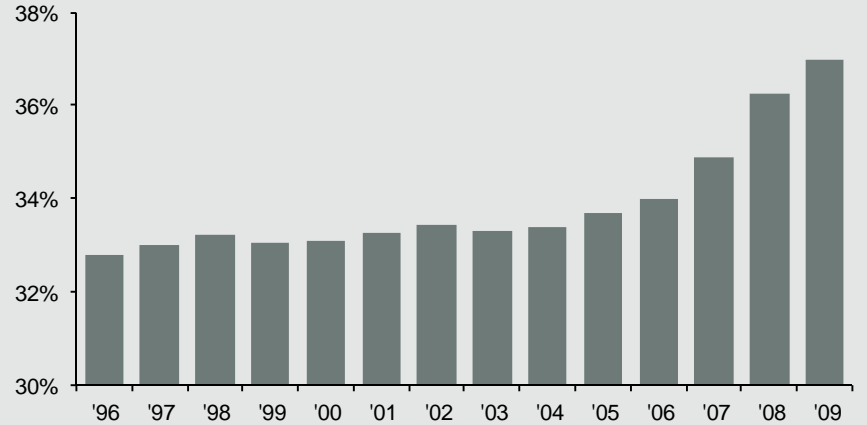
Weekly index prices rebased to 100



Source: Dow Jones/UBS, FactSet, J.P. Morgan Asset Management.
Commodity prices represented by the appropriate DJ/UBS Commodity sub-index.
Data reflect most recently available as of 12/31/10.

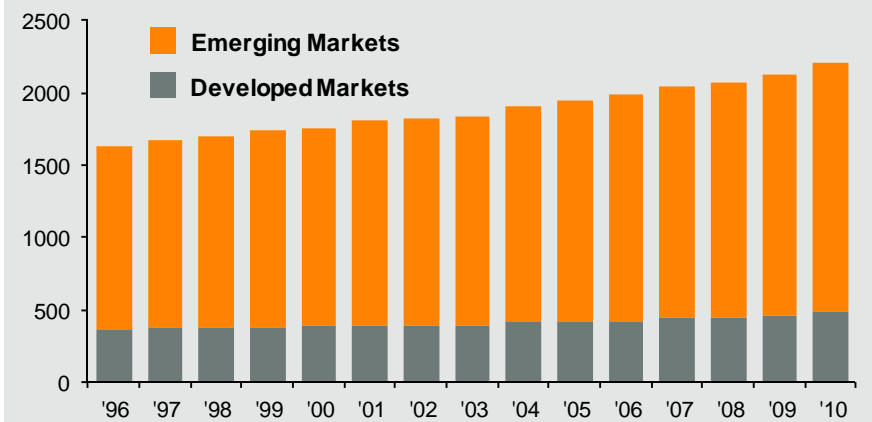
Oil Demand: Emerging Markets Share

Emerging markets as % of total global oil consumption



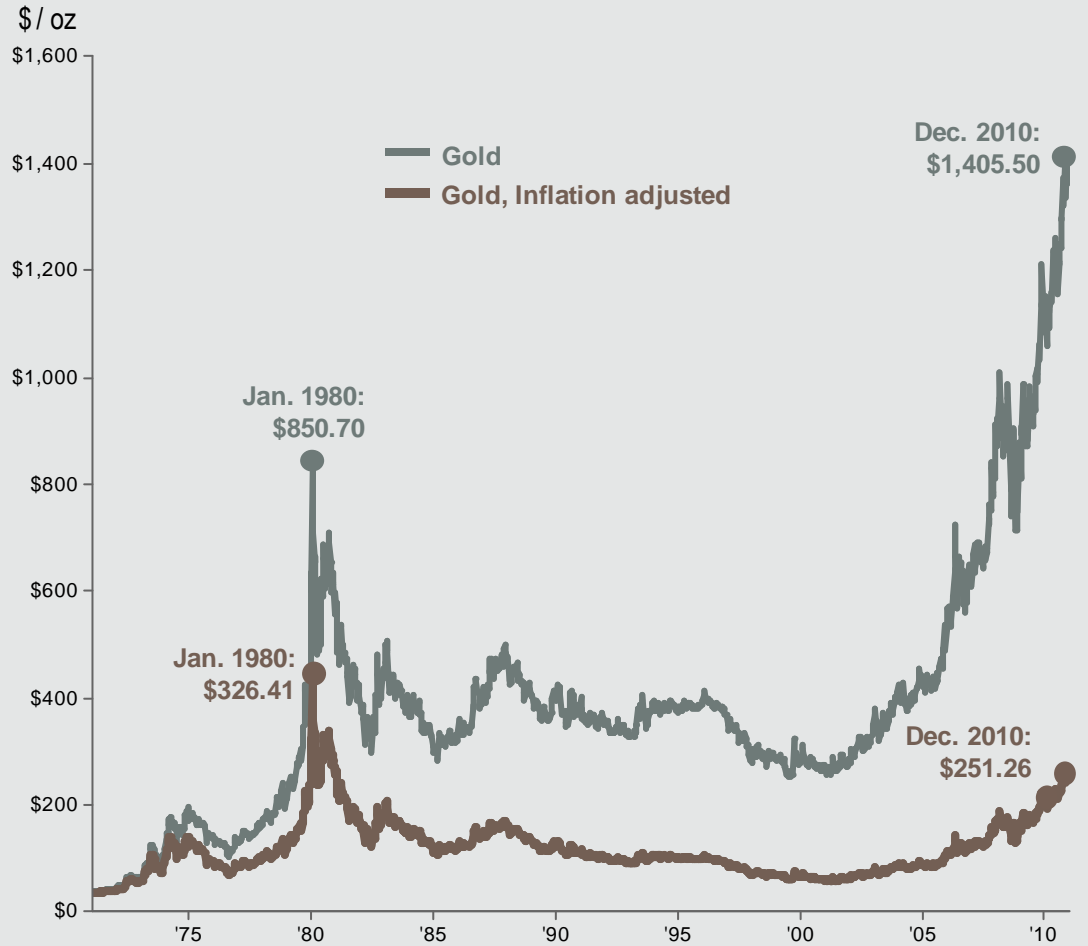
Grain Demand: Emerging vs. Developed Markets

Millions of metric tons



Source: USDA, BP Statistical Review of World Energy, J.P. Morgan Asset Management.
Data are as of 12/31/10.

Gold Prices



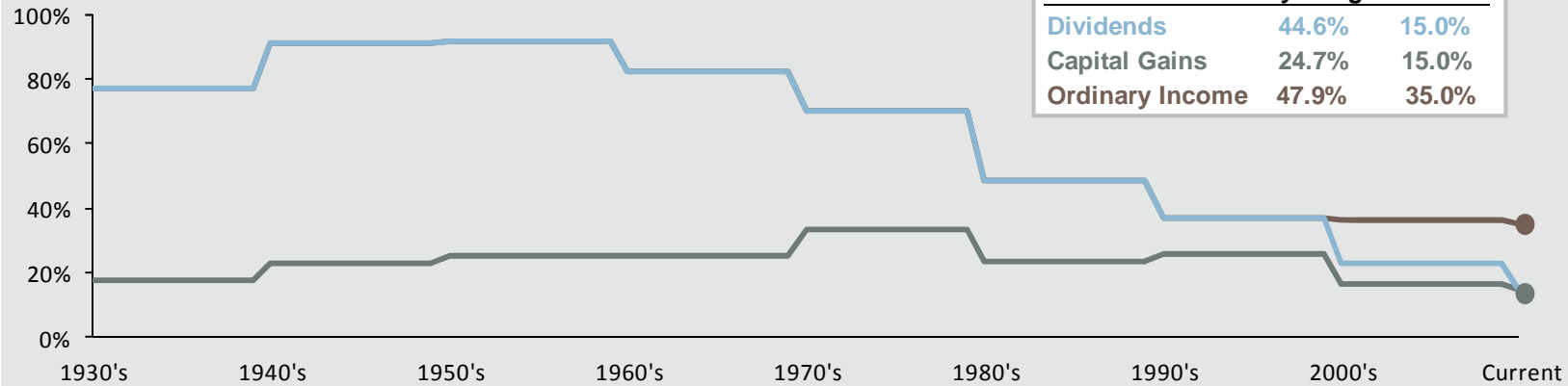
World Gold Production

Year	Troy Ounces	Total Value
2000	83 mm	\$23 bn
2001	84 mm	\$23 bn
2002	82 mm	\$25 bn
2003	82 mm	\$30 bn
2004	78 mm	\$32 bn
2005	79 mm	\$35 bn
2006	76 mm	\$46 bn
2007	76 mm	\$53 bn
2008	73 mm	\$63 bn
2009	76 mm	\$74 bn

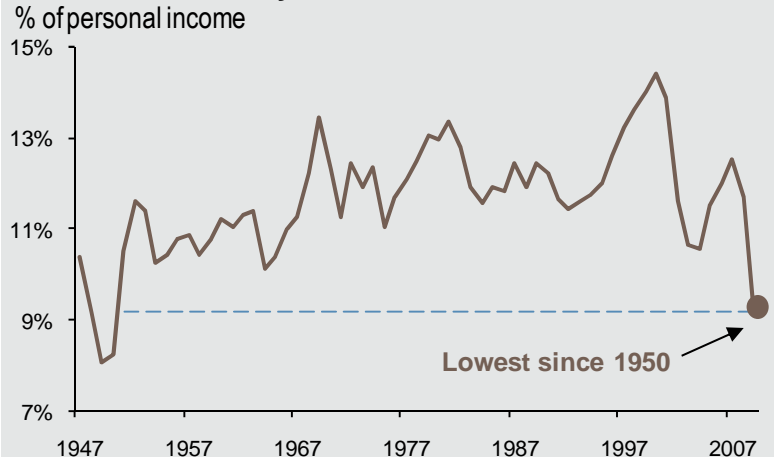
Source: (left) EcoWin, BLS, U.S. Department of Energy, FactSet, J.P. Morgan Asset Management. (right) U.S. Geological Survey, World Gold Council, J.P. Morgan Asset Management. CPI adjusted gold values are calculated using month averages of gold spot prices divided by the CPI value for that month. CPI is rebased to 100 at the start of the chart.

Data reflect most recently available as of 12/31/10.

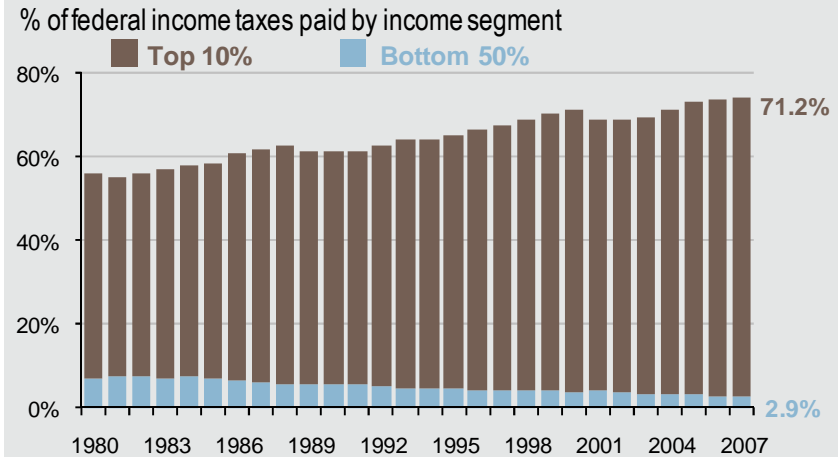
Average Maximum Tax Rate on Dividends and Capital Gains



Taxes Collected by the Government



Share of Federal Income Taxes

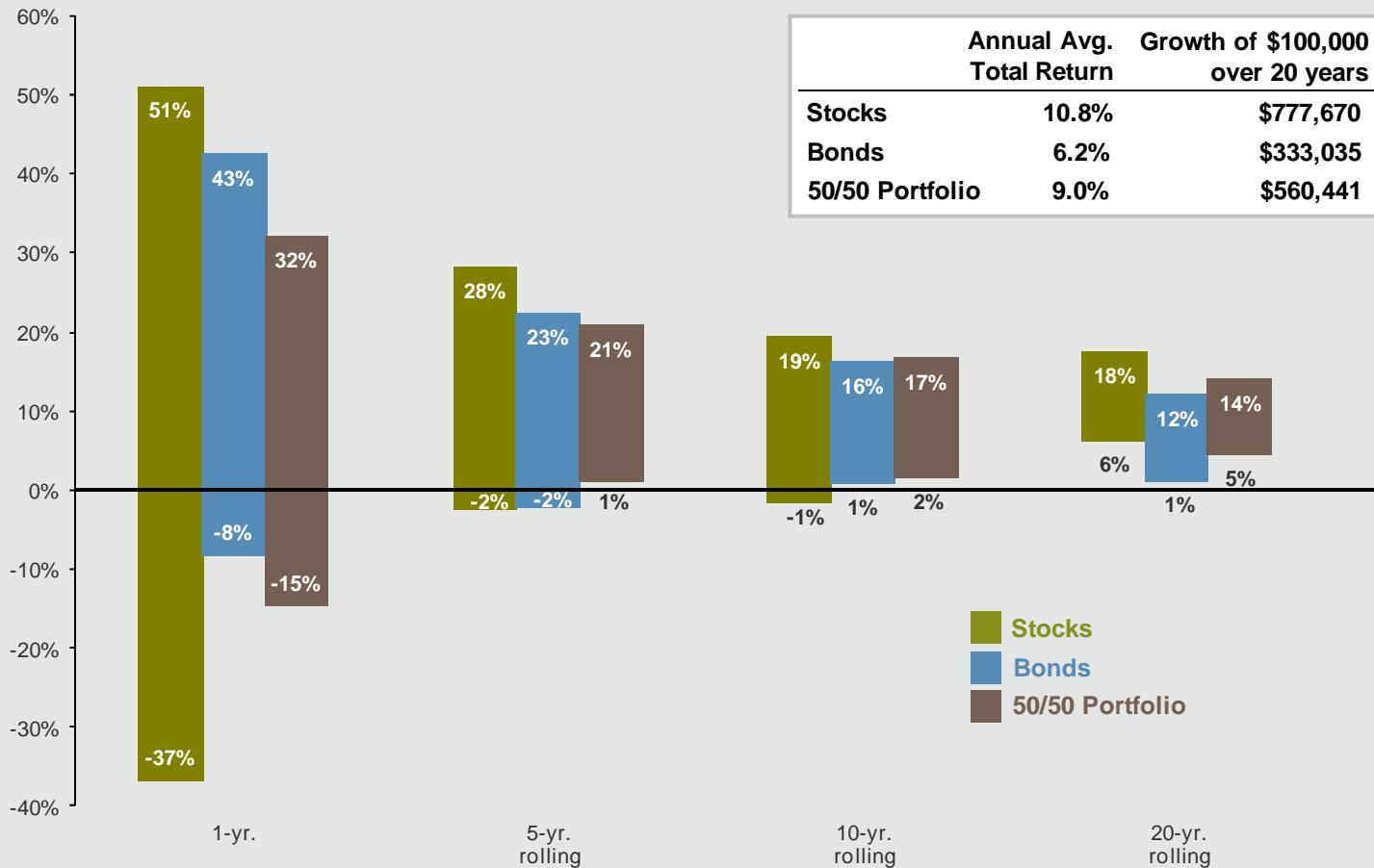


Source: (Top) The Tax Foundation, J.P. Morgan Asset Management. Tax rates based on maximum U.S. individual income tax. (Bottom left) BEA, J.P. Morgan Asset Management. (Bottom right) The Tax Foundation, IRS, J.P. Morgan Asset Management. Personal taxes include taxes on income, personal property and payments 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 12/31/10.

Range of Stock, Bond and Blended Total Returns

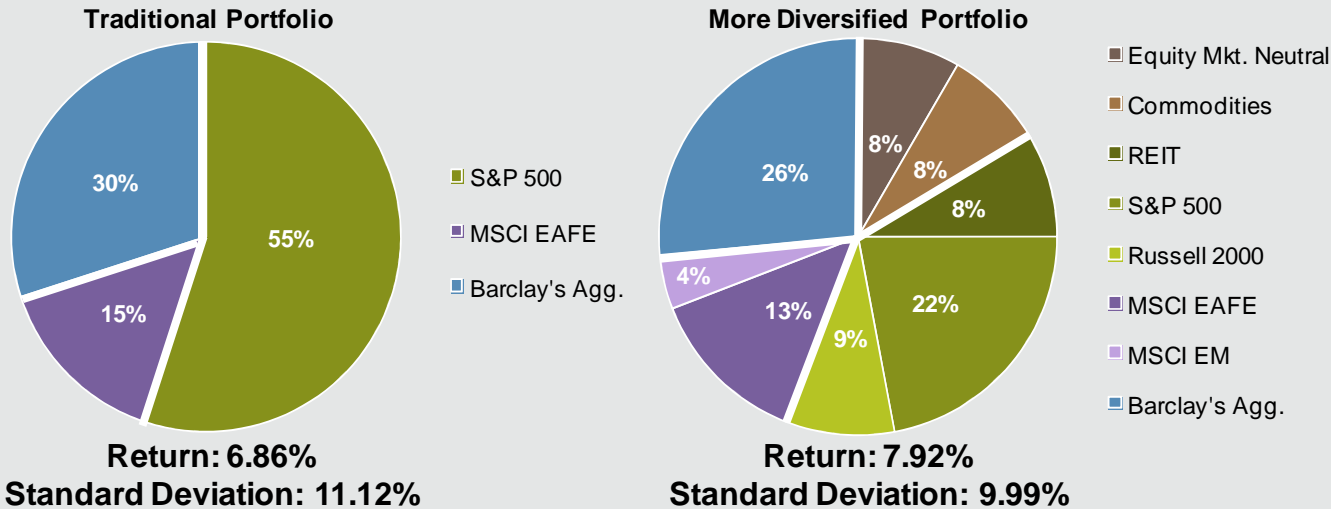
Annual total returns, 1950-2009



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

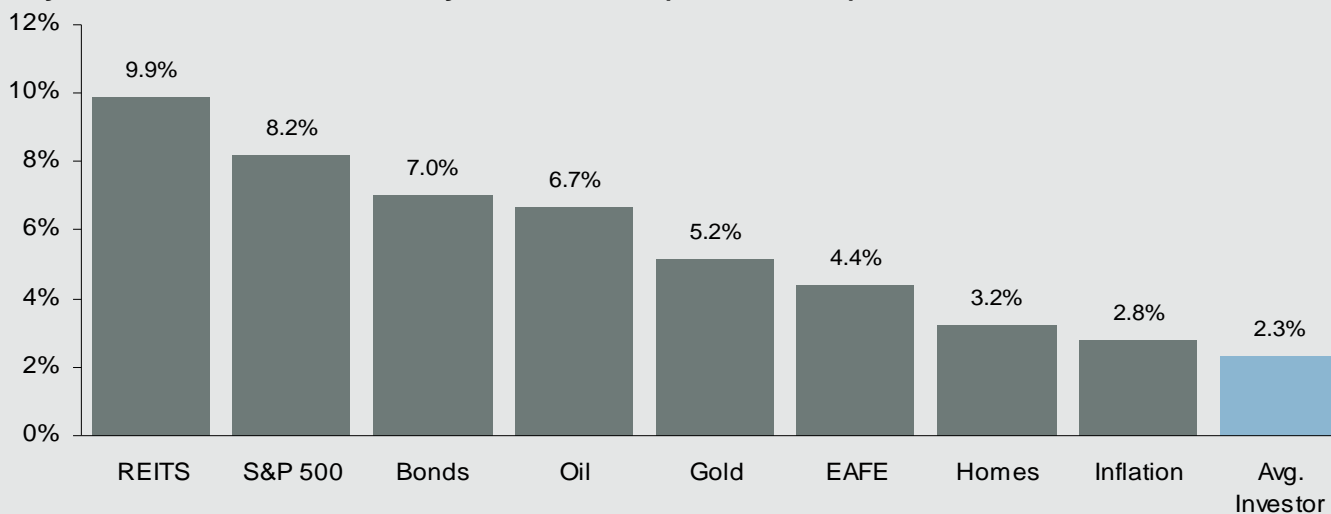
Data are as of 12/31/09.

Maximizing the Power of Diversification, 1994 - 2010



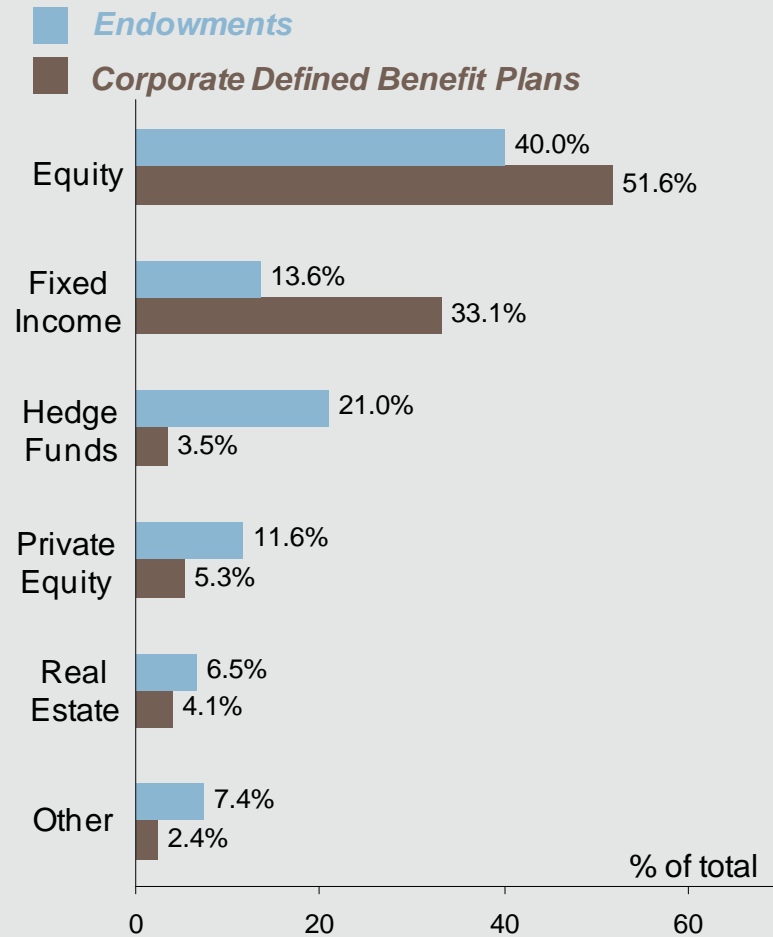
(Top) Indexes and weights of the traditional portfolio are as follows: U.S. stocks: 55% S&P 500, U.S. bonds: 30% Barclays Capital Aggregate. International stocks: 15% MSCI EAFE/ Portfolio with 25% in alternatives is as follows: U.S. stocks: 22.1% S&P 500, 8.8% Russell 2000; International Stocks: 4.4% MSCI EM, 13.2% MSCI EAFE; U.S. Bonds: 26.5% Barclays Capital Aggregate; Alternatives: 8.3% CS/Tremont Equity Market Neutral, 8.3% DJ/UBS Commodities, 8.3% NAREIT Equity REIT Index. Return and standard deviation calculated using Zephyr. Charts are shown for illustrative purposes only. Past returns are no guarantee of future results. Diversification does not guarantee investment returns and does not eliminate risk of loss. Data are as of 12/31/10.

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

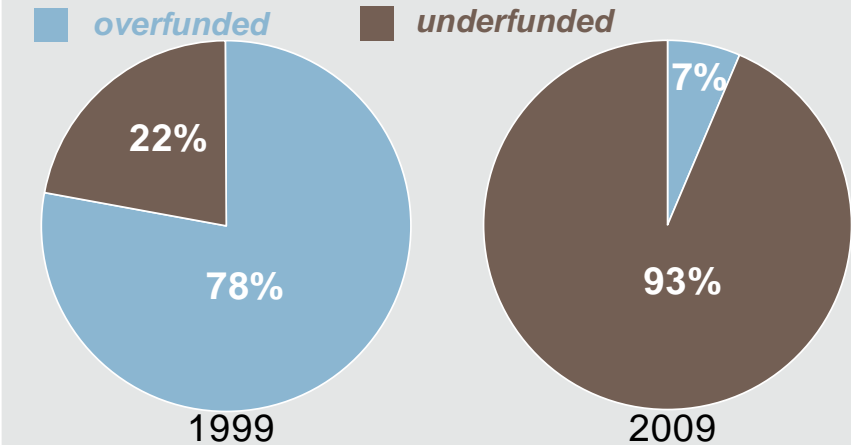


(Bottom) Indexes used are as follows: REITS: NAREIT Equity REIT Index, EAFE: MSCI EAFE, Oil: WTI Index, Bonds: Barclays Capital U.S. Aggregate Index, Homes: median sales price of existing single-family homes, Gold: USD/troy oz, Inflation: CPI. Average asset allocation investor return is based on an analysis by Dalbar Inc. which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. 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.

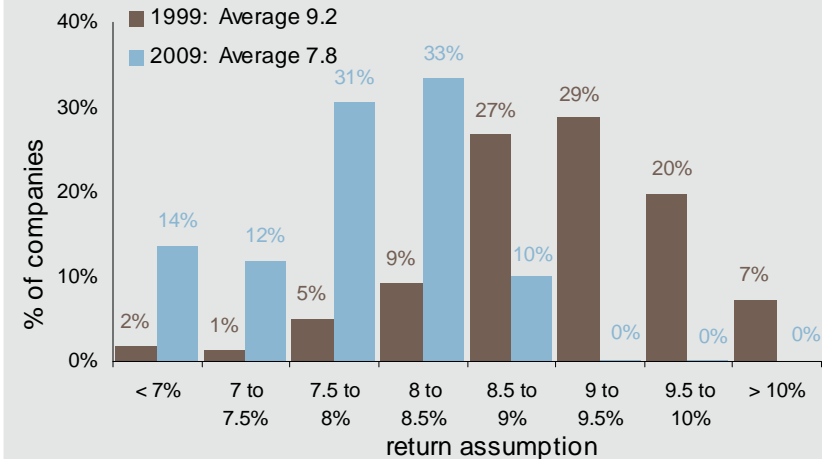
Asset Allocation: Corporate DB Plans vs. Endowments



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



Pension Return Assumptions: S&P 500 companies

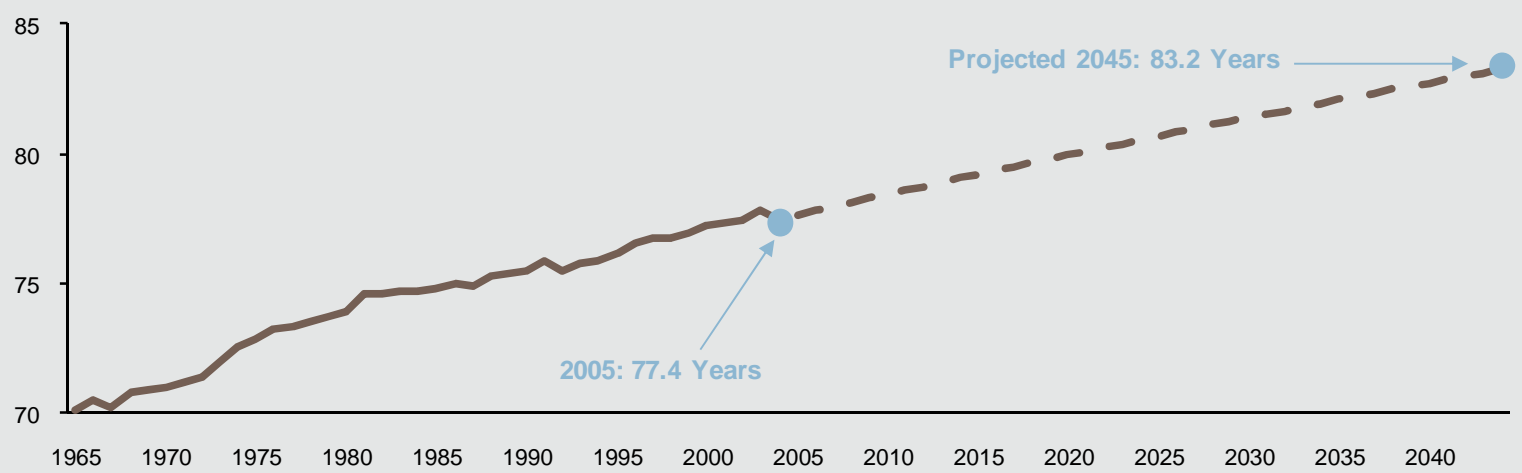


Source: NACUBO (National Association of College and University Business Officers), Compustat/FactSet, Greenwich Associates, J.P. Morgan Asset Management. Asset Allocation chart (left): Fixed Income includes cash. Endowments represents dollar-weighted average data of 778 colleges and universities. Pension 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.

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

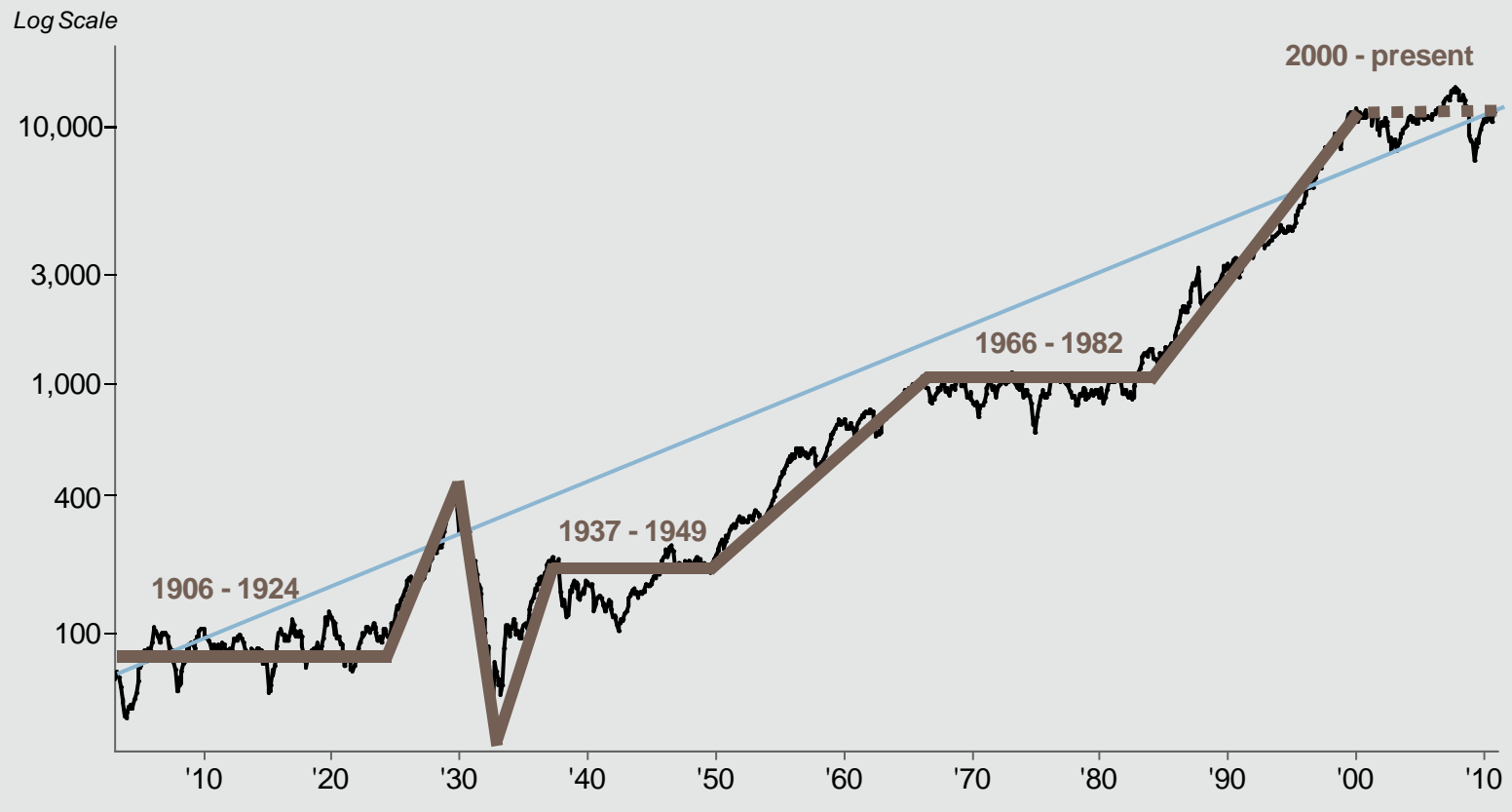


Source: Centers for Disease Control and Prevention, J.P. Morgan Asset Management.

(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.

Data are as of 12/31/10.

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 12/31/10.

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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 USD 200-1,500 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 Merchantile 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 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 December 31, 2010 or most recently available.

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