

**MARKET
INSIGHTS**

1Q | 2014

As of December 31, 2013

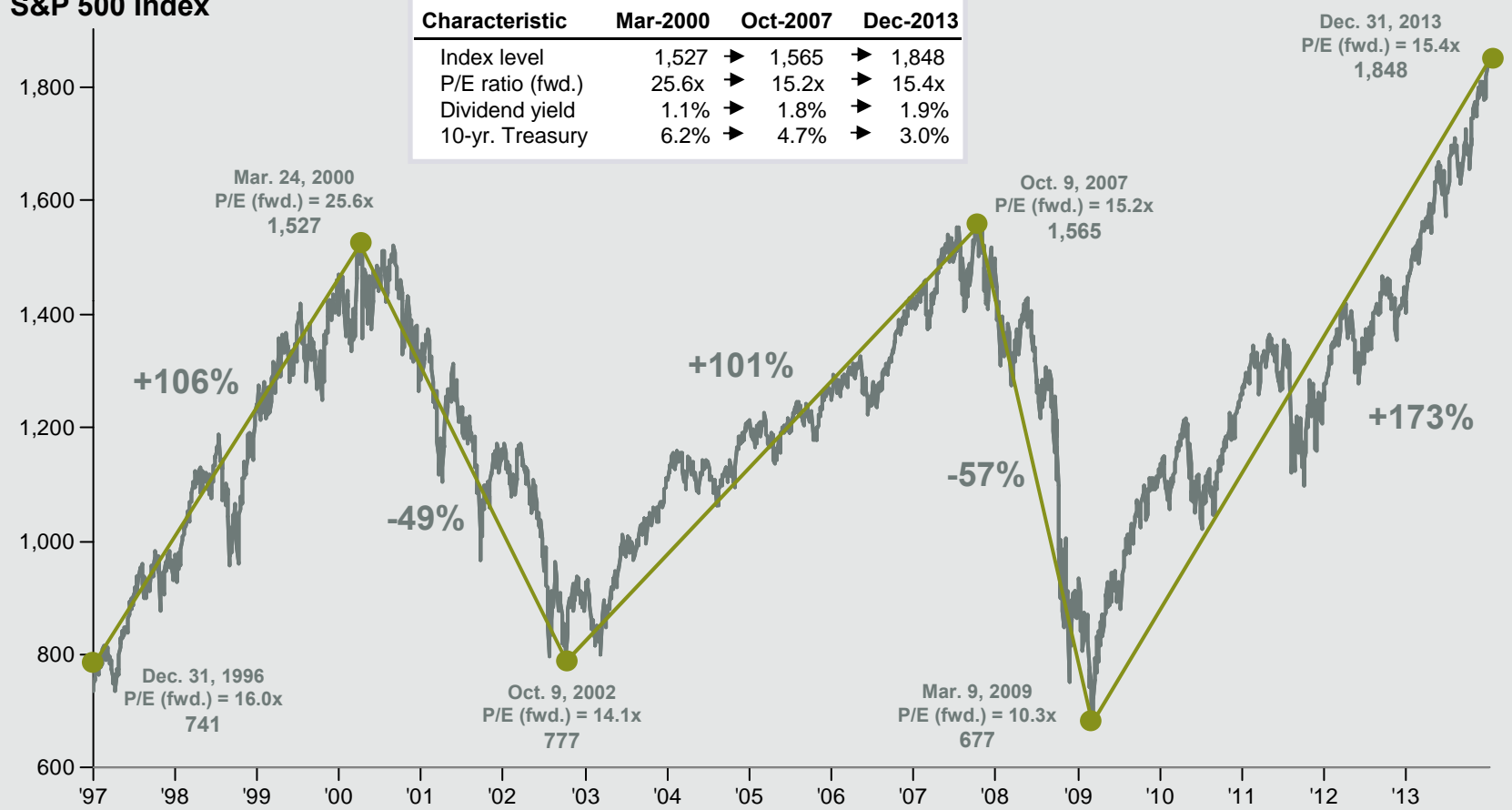
Guide to the Markets[®]

J.P. Morgan

J.P.Morgan
Asset Management

S&P 500 Index at Inflection Points

S&P 500 Index



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

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

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Data are as of 12/31/13.

Stock Valuation Measures: S&P 500 Index

S&P 500 Index: Valuation Measures

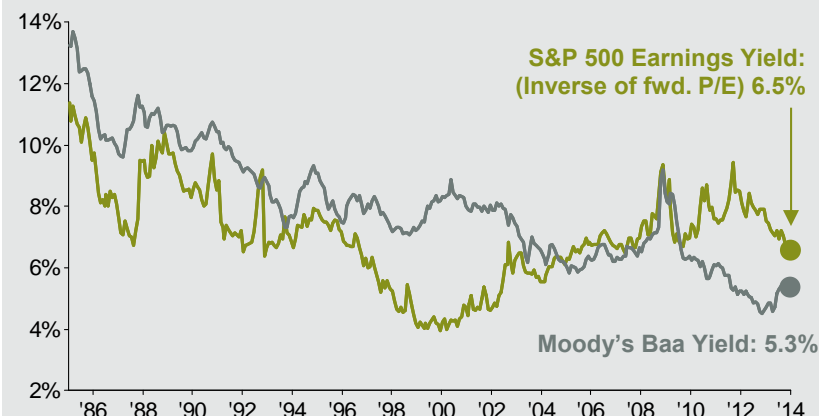
| Valuation Measure | Description | Historical Averages | | | | | |
|-------------------|--------------------------|---------------------|------------|-------------|-------------|--------------|--------------|
| | | Latest* | 1-year ago | 3-year avg. | 5-year avg. | 10-year avg. | 15-year avg. |
| P/E | Price to Earnings | 15.4x | 12.6x | 13.0x | 13.1x | 13.9x | 16.2x |
| P/B | Price to Book | 2.7 | 2.1 | 2.2 | 2.2 | 2.5 | 2.9 |
| P/CF | Price to Cash Flow | 10.6 | 8.7 | 8.9 | 8.6 | 9.5 | 10.8 |
| P/S | Price to Sales | 1.6 | 1.2 | 1.3 | 1.2 | 1.3 | 1.5 |
| PEG | Price/Earnings to Growth | 1.5 | 1.3 | 1.2 | 2.1 | 1.7 | 1.6 |
| Div. Yield | Dividend Yield | 2.1% | 2.4% | 2.2% | 2.2% | 2.1% | 1.9% |

S&P 500 Shiller Cyclically Adjusted P/E

Adjusted using trailing 10-yr. avg. inflation adjusted earnings



S&P 500 Earnings Yield vs. Baa Bond Yield



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

Price to Earnings is price divided by consensus analyst estimates of earnings per share for the next 12 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 12 months. Price to Sales is calculated as price divided by consensus analyst estimates of sales per share for the next 12 months. PEG Ratio is calculated as NTM P/E divided by NTM earnings growth. Dividend Yield is calculated as consensus analyst estimates of dividends for the next 12 months divided by price. All consensus analyst estimates are provided by FactSet. (Bottom left) Cyclically adjusted P/E uses as reported earnings throughout. *Latest reflects data as of 12/31/2013.

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

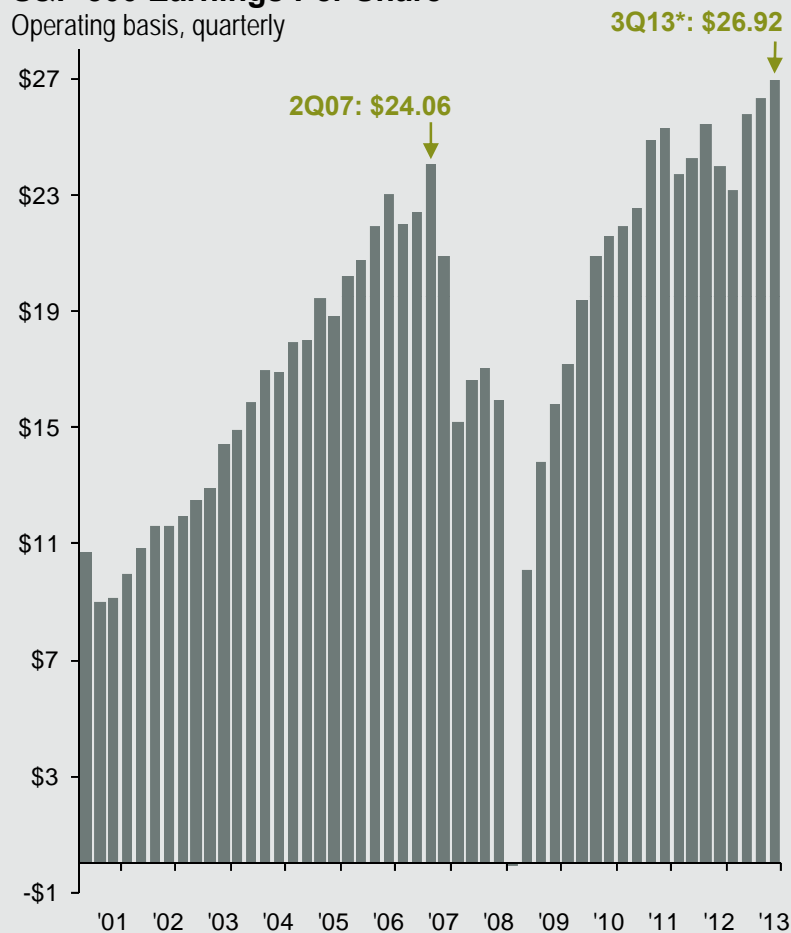
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Data are as of 12/31/13.

Corporate Profits and Leverage

S&P 500 Earnings Per Share

Operating basis, quarterly



Profit Margins

S&P 500 operating earnings per share / sales per share



Total Leverage

S&P 500, ratio of total debt to total equity, quarterly



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

EPS levels are based on operating earnings per share. *Most recently available data is 2Q13 as 3Q13 are Standard & Poor's preliminary estimates.

Past performance is not indicative of future returns.

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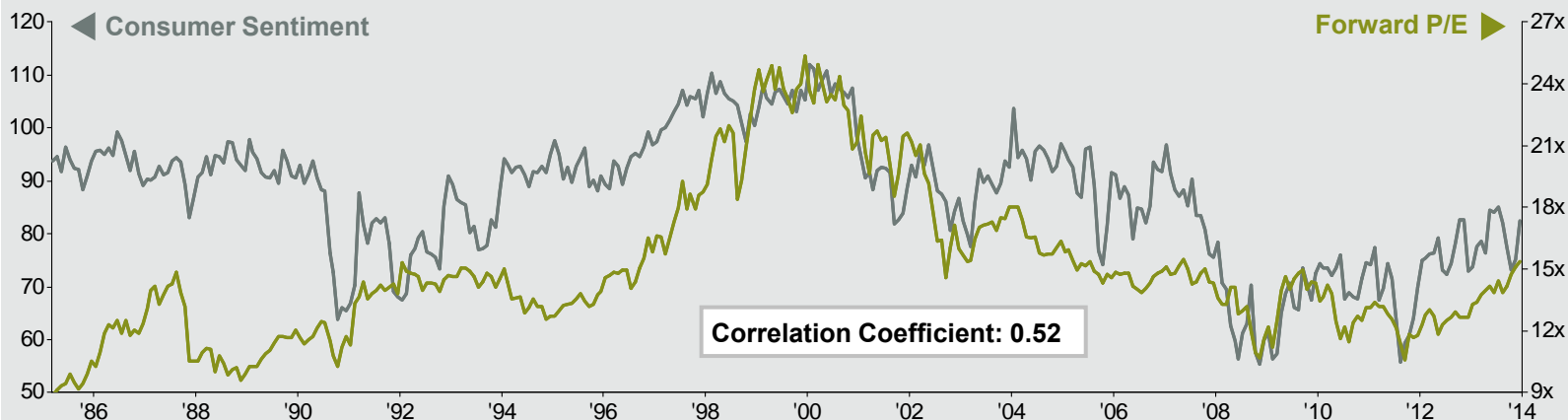
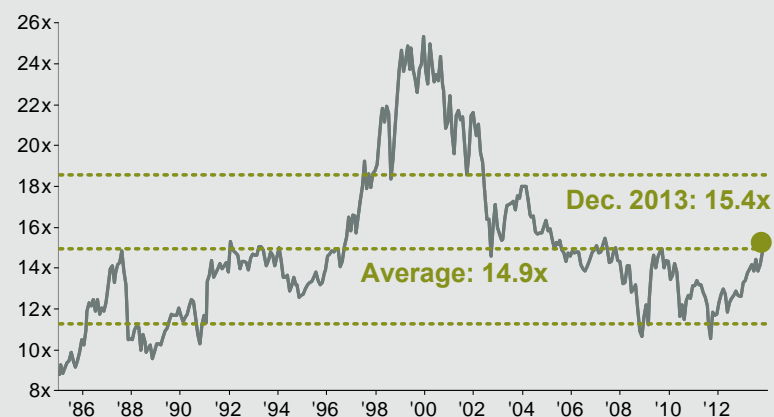
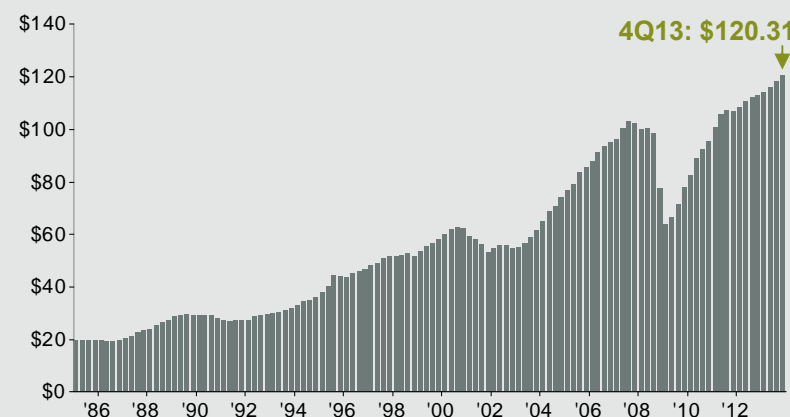
Data are as of 12/31/13.

Confidence, Earnings and Multiples

Multiple Expansion and Contraction

S&P 500 forward P/E based on consensus EPS estimates

Est. impact of a 10pt. rise in sentiment: +2.0 multiple points*

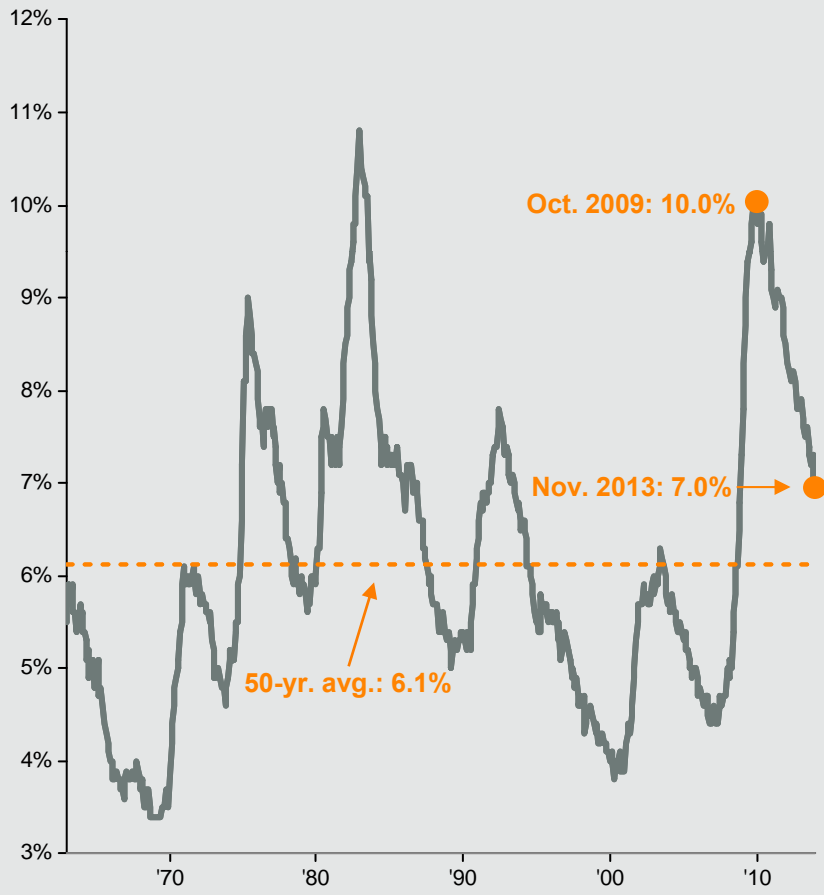
**S&P 500 Index: Forward P/E Ratio****S&P 500 Operating Earnings Estimates**

Source: (Top) Standard & Poor's, FactSet, J.P. Morgan Asset Management. (Bottom) U.S. Treasury, BLS, University of Michigan, J.P. Morgan Asset Management. Price to Earnings is price divided by consensus analyst estimates of earnings per share for the next twelve months.

*Estimated impact based on coefficients from regression analysis. Guide to the Markets – U.S. Data are as of 12/31/13.

Civilian Unemployment Rate

Seasonally adjusted



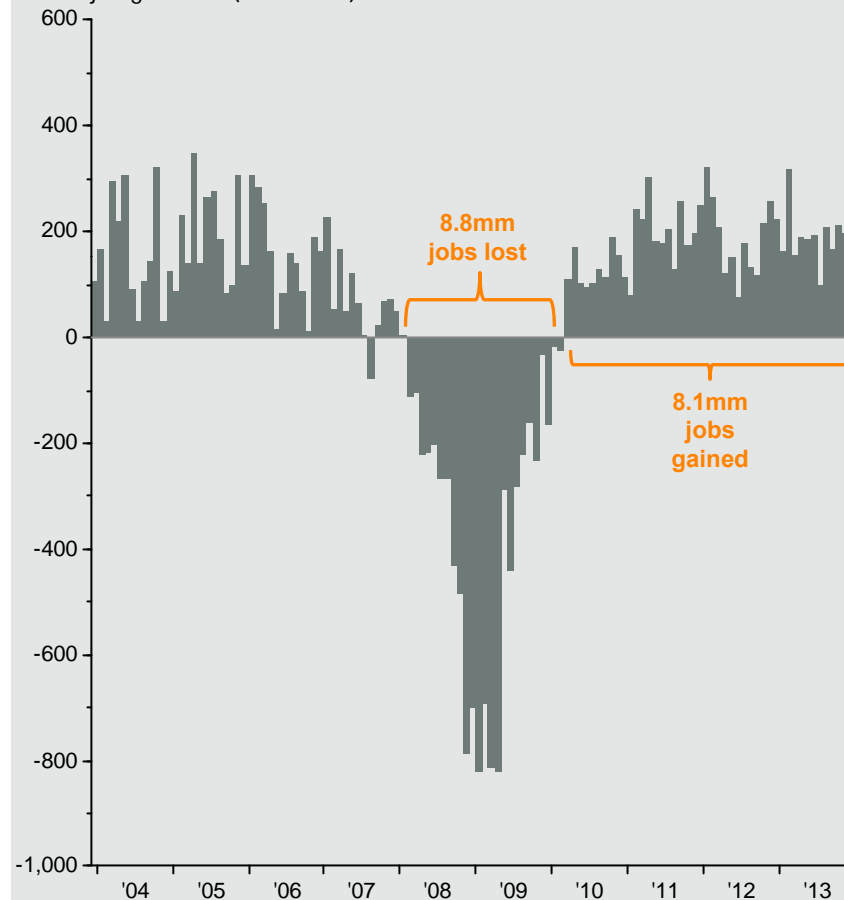
Source: BLS, FactSet, J.P. Morgan Asset Management.

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Data are as of 12/31/13.

Employment – Total Private Payroll

Total job gain/loss (thousands)

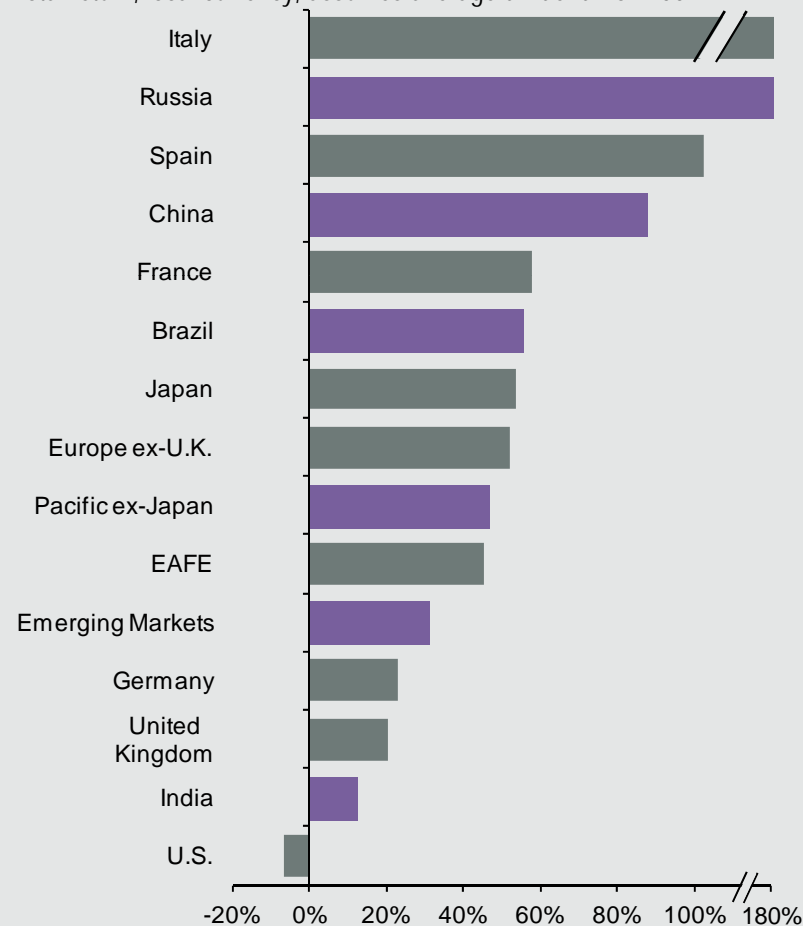


Source: BLS, FactSet, J.P. Morgan Asset Management.

Global Equity Markets: Returns to Prior Peaks

Returns to Reach 2007 Peak Price

Total return, local currency, assumes average dividend from '00-'12



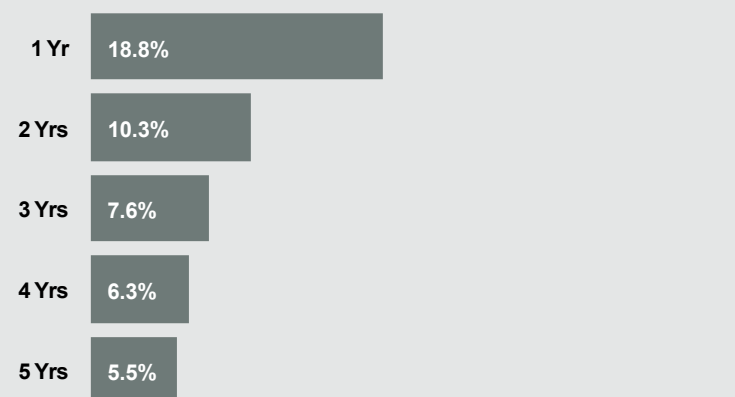
MSCI EAFE Index: Return Needed to Reach 2007 Peak

Analysis as of Dec. 31, 2013, implied average annualized total return



MSCI EME Index: Return Needed to Reach 2007 Peak

Analysis as of Dec. 31, 2013, implied average annualized total return



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

All return values are MSCI Gross Index (official) data. Data assume dividend yields as of 12/31/13 (MSCI EAFE: 2.9% and MSCI EM: 2.5%).

Chart is for illustrative purposes only. Past performance is not indicative of future results. Please see disclosure page for index definitions.

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Data as of 12/31/13.

MSCI EAFE Index at Inflection Points

MSCI EAFE Index

| Characteristic | Mar-2000 | Jul-2007 | Dec-2013 |
|---------------------|----------|----------|----------|
| Index level | 1,136 | 1,212 | 956 |
| P/E ratio (fwd.) | 28.7x | 14.5x | 13.3x |
| Dividend yield | 1.4% | 2.7% | 2.9% |
| 10-yr. German Bunds | 5.3% | 4.6% | 1.9% |



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

Index levels are in local currency. Dividend yield is calculated as the annualized dividend rate divided by price, as provided by MSCI. Forward Price to Earnings Ratio is a bottom-up calculation based on the most recent MSCI EAFE Index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by FactSet Market Aggregates. Returns are cumulative and based on MSCI EAFE Index price movement only, and do not include the reinvestment of dividends.

Past performance is not indicative of future returns.

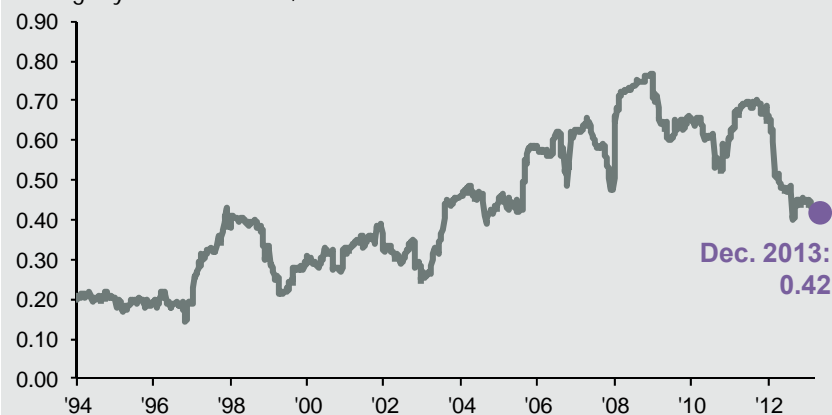
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Data are as of 12/31/13.

Global Equity Markets

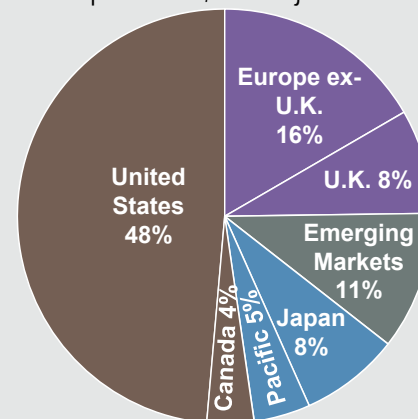
Global Equity Market Correlations

Rolling 1-year correlations, 30 countries

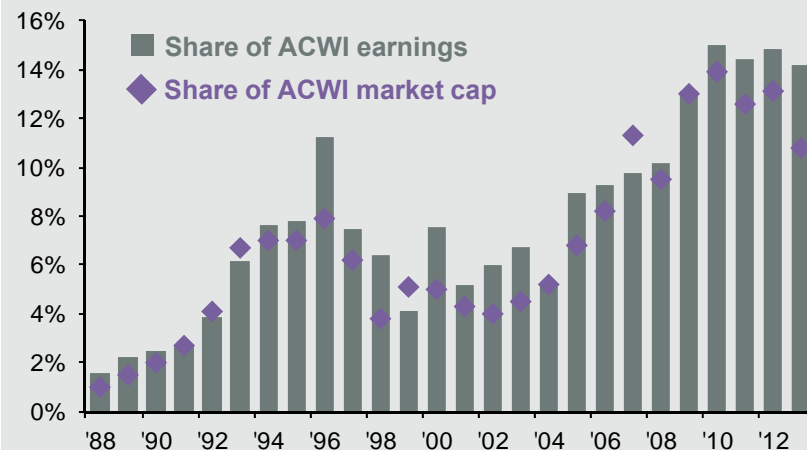


Weights in MSCI All Country World Index

% global market capitalization, float adjusted

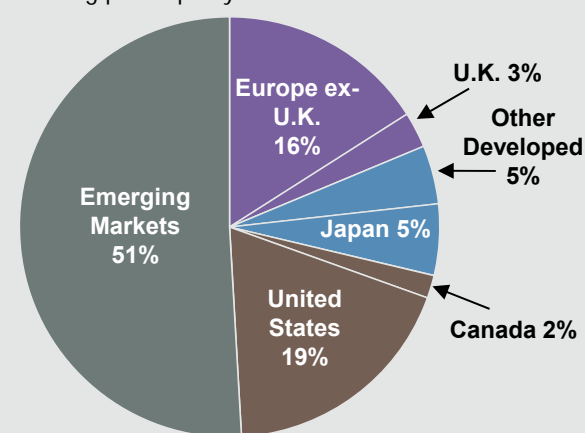


Emerging Market Share of MSCI ACWI



Share of Global GDP

Based on purchasing power parity



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

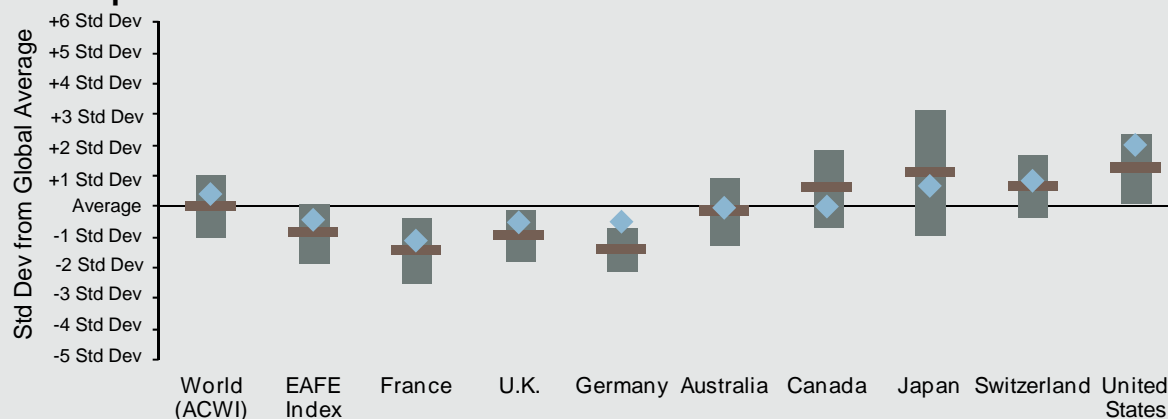
Share of global market capitalization is based on float adjusted MSCI data. Share of global GDP based on purchasing power parity (PPP) as calculated by the IMF for 2013. Definition of emerging markets is based on MSCI and IMF data sources.

Percentages may not sum to 100% due to rounding. Guide to the Markets – U.S.

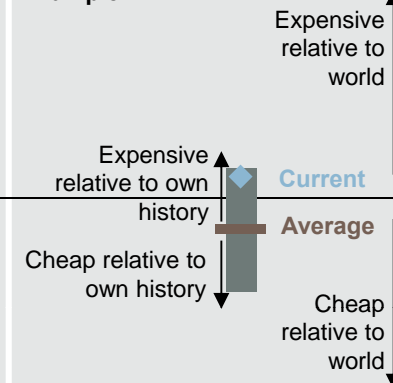
Data as of 12/31/13.

Global Equity Valuations - Developed Markets

Developed Market Countries



Example



| | Current Composite Index | Current | | | | 10-year avg. | | | |
|---------------|-------------------------|----------|-----|------|-----------|--------------|-----|------|-----------|
| | | Fwd. P/E | P/B | P/CF | Div. Yld. | Fwd. P/E | P/B | P/CF | Div. Yld. |
| World (ACWI) | 0.39 | 13.8 | 2.0 | 8.6 | 2.5% | 13.1 | 2.0 | 7.4 | 2.5% |
| EAFE Index | -0.45 | 13.3 | 1.7 | 7.9 | 3.1% | 12.6 | 1.7 | 6.6 | 3.1% |
| France | -1.13 | 12.5 | 1.5 | 6.8 | 3.4% | 11.3 | 1.6 | 5.8 | 3.3% |
| U.K. | -0.53 | 12.3 | 1.9 | 8.5 | 3.6% | 11.5 | 1.5 | 5.5 | 3.0% |
| Germany | -0.51 | 12.5 | 1.7 | 7.2 | 2.7% | 11.2 | 2.0 | 7.6 | 3.7% |
| Australia | -0.05 | 13.7 | 2.0 | 10.4 | 4.5% | 13.4 | 2.2 | 9.4 | 4.3% |
| Canada | -0.02 | 14.2 | 1.9 | 8.0 | 2.9% | 13.7 | 2.1 | 8.6 | 2.2% |
| Japan | 0.66 | 14.1 | 1.4 | 7.8 | 1.7% | 16.5 | 1.4 | 6.4 | 1.5% |
| Switzerland | 0.82 | 14.6 | 2.5 | 9.7 | 3.0% | 13.3 | 2.4 | 9.6 | 2.6% |
| United States | 1.99 | 15.4 | 2.7 | 10.1 | 1.9% | 14.0 | 2.5 | 8.6 | 1.9% |

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

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

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Data are as of 12/31/13.

Asset Class Returns

| | | | | | | | | | | | 10-ys. '04 - '13 | |
|------------------------|------------------------|-------------------------|------------------------|------------------------|------------------------|-------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|------------------------|
| 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 4Q13 | Cum. | Ann. |
| REITs 31.6% | MSCI EME 34.5% | REITs 35.1% | MSCI EME 39.8% | Barclays Agg 5.2% | MSCI EME 79.0% | REITs 27.9% | REITs 8.3% | REITs 19.7% | Russell 2000 38.8% | S&P 500 10.5% | MSCI EME 197.7% | MSCI EME 11.5% |
| MSCI EME 26.0% | DJ UBS Cdmty 21.4% | MSCI EME 32.6% | DJ UBS Cdmty 16.2% | Cash 1.8% | MSCI EAFE 32.5% | Russell 2000 26.9% | Barclays Agg 7.8% | MSCI EME 18.6% | S&P 500 32.4% | Russell 2000 8.7% | Russell 2000 138.3% | Russell 2000 9.1% |
| MSCI EAFE 20.7% | MSCI EAFE 14.0% | MSCI EAFE 26.9% | MSCI EAFE 11.6% | Market Neutral 1.1% | REITs 28.0% | MSCI EME 19.2% | Market Neutral 4.5% | MSCI EAFE 17.9% | MSCI EAFE 23.3% | MSCI EAFE 5.7% | REITs 128.5% | REITs 8.6% |
| Russell 2000 18.3% | REITs 12.2% | Russell 2000 18.4% | Market Neutral 9.3% | Asset Alloc. -24.0% | Russell 2000 27.2% | DJ UBS Cdmty 16.8% | S&P 500 2.1% | Russell 2000 16.3% | Asset Alloc. 14.9% | Asset Alloc. 4.6% | S&P 500 104.3% | S&P 500 7.4% |
| Asset Alloc. 12.5% | Asset Alloc. 8.3% | S&P 500 15.8% | Asset Alloc. 7.4% | Russell 2000 -33.8% | S&P 500 26.5% | S&P 500 15.1% | Cash 0.1% | S&P 500 16.0% | Market Neutral 7.9% | Market Neutral 3.8% | MSCI EAFE 104.1% | MSCI EAFE 7.4% |
| S&P 500 10.9% | Market Neutral 6.1% | Asset Alloc. 15.2% | Barclays Agg 7.0% | DJ UBS Cdmty -35.6% | Asset Alloc. 22.2% | Asset Alloc. 12.5% | Asset Alloc. -0.6% | Asset Alloc. 11.3% | REITs 2.9% | MSCI EME 1.9% | Asset Alloc. 100.1% | Asset Alloc. 7.2% |
| DJ UBS Cdmty 9.1% | S&P 500 4.9% | Market Neutral 11.2% | S&P 500 5.5% | S&P 500 -37.0% | DJ UBS Cdmty 18.9% | MSCI EAFE 8.2% | Russell 2000 -4.2% | Barclays Agg 4.2% | Cash 0.0% | Cash 0.0% | Market Neutral 62.7% | Market Neutral 5.0% |
| Market Neutral 6.5% | Russell 2000 4.6% | Cash 4.8% | Cash 4.8% | REITs -37.7% | Barclays Agg 5.9% | Barclays Agg 6.5% | MSCI EAFE -11.7% | Market Neutral 0.9% | Barclays Agg -2.0% | Barclays Agg -0.1% | Barclays Agg 56.0% | Barclays Agg 4.5% |
| Barclays Agg 4.3% | Cash 3.0% | Barclays Agg 4.3% | Russell 2000 -1.6% | MSCI EAFE -43.1% | Market Neutral 4.1% | Cash 0.1% | DJ UBS Cdmty -13.3% | Cash 0.1% | MSCI EME -2.3% | REITs -0.2% | Cash 17.1% | Cash 1.6% |
| Cash 1.2% | Barclays Agg 2.4% | DJ UBS Cdmty 2.1% | REITs -15.7% | MSCI EME -53.2% | Cash 0.1% | Market Neutral -0.8% | MSCI EME -18.2% | DJ UBS Cdmty -1.1% | DJ UBS Cdmty -9.5% | DJ UBS Cdmty -1.1% | DJ UBS Cdmty 9.0% | DJ UBS Cdmty 0.9% |

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

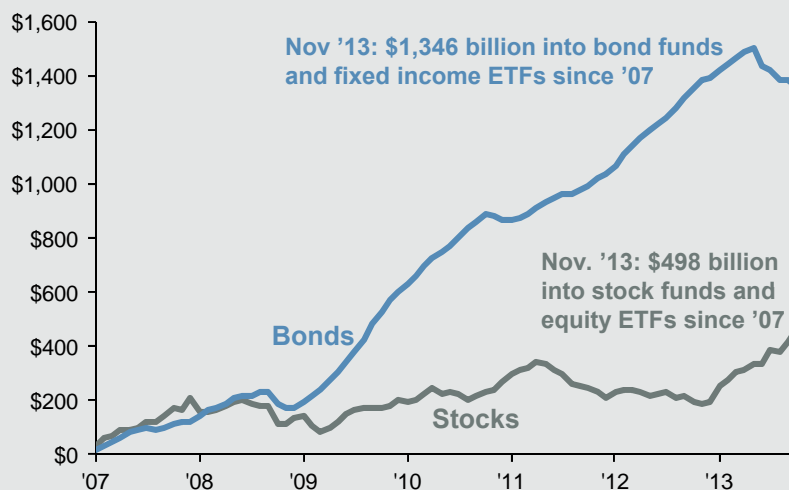
The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EMI, 25% in the Barclays Capital Aggregate, 5% in the Barclays 1-3m Treasury, 5% in the CS/Tremont Equity Market Neutral Index, 5% in the DJ UBS Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. All data represents total return for stated period. Past performance is not indicative of future returns. Data are as of 12/31/13, except for the CS/Tremont Equity Market Neutral Index, which reflects data through 11/30/13. "10-ys" returns represent period of 1/1/04 – 12/31/13 showing both cumulative (Cum.) and annualized (Ann.) over the period. Please see disclosure page at end for index definitions. *Market Neutral returns include estimates found in disclosures.

Guide to the Markets – U.S. Data are as of 12/31/13.

| Billions, USD | AUM | Fund Flows | | | | | | | | | | | | | | | |
|------------------------|-------|------------|-------|-------|-------|-------|-------|------|------|------|-------|-------|------|------|------|------|------|
| | | YTD 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 |
| Domestic Equity | 5,592 | 28 | (156) | (132) | (81) | (29) | (149) | (65) | (0) | 18 | 101 | 120 | (26) | 55 | 261 | 176 | 149 |
| World Equity | 1,993 | 131 | 3 | 4 | 58 | 28 | (80) | 139 | 149 | 106 | 71 | 24 | (3) | (22) | 53 | 11 | 8 |
| Taxable Bond | 2,824 | (10) | 254 | 137 | 224 | 310 | 21 | 98 | 45 | 27 | 5 | 40 | 125 | 76 | (36) | 8 | 59 |
| Tax-exempt Bond | 510 | (48) | 50 | (12) | 11 | 69 | 8 | 11 | 15 | 5 | (15) | (7) | 17 | 11 | (14) | (12) | 15 |
| Hybrid | 1,222 | 73 | 46 | 29 | 29 | 12 | (25) | 41 | 18 | 37 | 48 | 38 | 8 | 9 | (36) | (14) | 10 |
| Money Market | 2,674 | (29) | (0) | (124) | (525) | (539) | 637 | 654 | 245 | 62 | (157) | (263) | (46) | 375 | 159 | 194 | 235 |

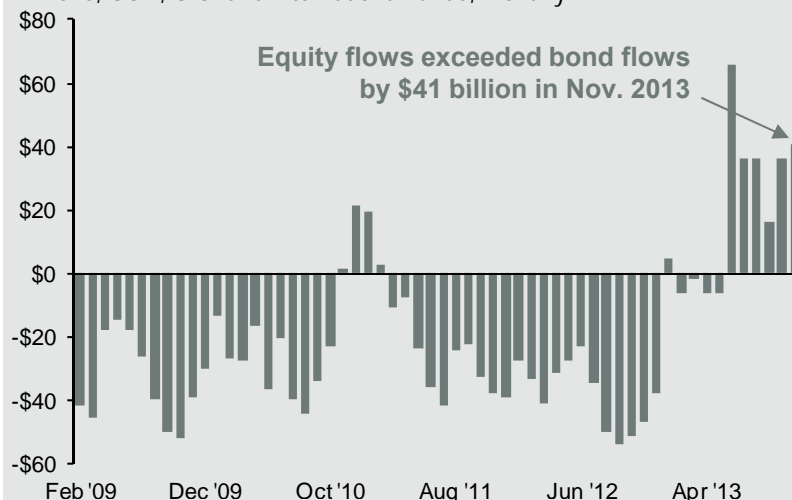
Cumulative Flows Into Stock & Bond Funds

Billions, USD, includes both mutual funds and ETFs



Difference In 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 2013 and exclude ETFs except for the bottom left chart. ICI data are subject to periodic revisions. World equity flows are inclusive of emerging market, global equity and regional equity flows. Hybrid flows include asset allocation, balanced fund, flexible portfolio and mixed income flows.

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Data are as of 12/31/13.