

# Form ADV Part 2A

## Firm Brochure

### **JF International Management Inc.**

File No. 801-41622

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This brochure provides information about the qualifications and business practices of JF International Management Inc. ("JFIMI"). If you have any questions about the contents of this brochure, please contact us at (852) 2800-2800. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about JFIMI, including a copy of our Form ADV Part I, is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

JFIMI is registered as an investment adviser with the SEC. Such registration does not imply a certain level of skill or training.

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**ITEM 2**  
**Material Changes**

There were no material changes to JFIMI's Form ADV Part 2A (commonly referred to as the "Brochure") since the last annual update of the Brochure dated March 31, 2011.

Clients may request a copy of the JFIMI's current Brochure by contacting their client service representative or financial advisor.

### ITEM 3

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## **ITEM 4**

### **Advisory Business**

#### **A. General Description of Advisory Firm**

JF International Management Inc. ("JFIMI" or the "Adviser") is part of J.P. Morgan Asset Management ("JPMAM"), which is the marketing name for the asset management businesses of JPMorgan Chase & Co. ("JPMC"), a publicly traded company, and its affiliates worldwide. JFIMI is a wholly-owned subsidiary of JPMorgan Asset Management (Asia) Inc., which is a subsidiary JPMC. JFIMI was incorporated in the British Virgin Islands on May 8, 1992 and is registered with the SEC as an investment adviser pursuant to the Investment Advisers Act of 1940, as amended (the "Advisers Act"). JFIMI is also registered with the Securities and Futures Commission (the "SFC") in Hong Kong with the license number ABG492 to conduct Type 4 (Advising on Securities) and Type 9 (Asset Management) activities.

#### **B. Description of Advisory Services**

JFIMI provides discretionary investment management services to various types of clients, including, without limitation, investment companies registered under the Investment Company Act of 1940, as amended (the "1940 Act"), ERISA plans and funds exempt from registration as an investment company pursuant to section 3(c)(7) of the 1940 Act. JFIMI provides its services subject to the supervision, investment objectives and investment policies of each client. In addition, the Adviser has the ability to manage institutional emerging market mandates.

#### **C. Availability of Customized Services for Individual Clients**

JFIMI makes investments for clients in accordance with the mutually agreed investment advisory agreements and written investment guidelines and provides continuous supervision of client portfolios. Investment services can be tailored for each client's needs and objectives and clients may impose restrictions on investing in certain securities or types of securities. JFIMI has established procedures and controls to help ensure compliance with each client's investment guidelines and any client-imposed restrictions. These procedures and controls include regular portfolio compliance monitoring using guideline monitoring software and pre-trade compliance review designed to ensure that portfolio managers are complying with each client's investment objectives and guidelines.

#### **D. Wrap Fee Programs**

Not applicable.

#### **E. Assets Under Management**

As of February 28, 2011, JFIMI managed client assets in the amounts set forth below:

- Assets managed on a discretionary basis \$1,497,644,854.
- Assets managed on a non-discretionary basis \$0.

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## **ITEM 5**

### **Fees and Compensation**

#### **A. Advisory Fees and Compensation**

The Adviser's fees are based on a negotiated percentage of assets under management for each client in accordance with each client's Investment Advisory Agreement. The Adviser does not have a set fee schedule and negotiates its fees with each client on a case by case basis.

Each client's Investment Advisory Agreement provides that the client may terminate the agreement upon written notice to such effect. Advisory fees are payable on a pro-rated basis up to the date of termination.

#### **B. Payment of Fees**

The Adviser generally charges fees to clients after services have been rendered, at the end of each calendar month or quarter at one twelfth or one fourth of the annual rate, as applicable, in accordance with each client's Investment Advisory Agreement.

#### **C. Additional Fees and Expenses**

Brokerage commissions, taxes, charges and other costs related to the purchase and sale of securities for a client's account are charged to and paid from the account. See Item 12 for additional information regarding the Adviser's brokerage practices. In most cases clients establish a custody account under a separate agreement with a custodian bank, and the client will incur a separate custody fee for the custodian's services. The custodian may be an affiliate of the Adviser.

#### **D. Prepayment of Fees**

Not applicable - the Adviser charges advisory fees in arrears and such fees are not paid in advance.

#### **E. Additional Compensation and Conflicts of Interest**

The Adviser may effect transactions on behalf of the client in units, shares or other securities of an in-house fund or of any life policy, company or trust or any other investment vehicle of which the Adviser or an affiliate may be the manager, issuer, operator, banker, adviser, transfer agent, depository, custodian or trustee, for which it will receive a fee. All the Adviser's fees will be agreed with clients and set forth in the Investment Advisory Agreement.

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**ITEM 6**  
**Performance-Based Fees and Side by Side Management**

Not applicable – Neither the Adviser nor its supervised persons receive performance-based fees from its clients.

**ITEM 7**  
**Type of Clients**

The Adviser primarily provides investment advisory services to pooled investment vehicles (e.g. investment companies registered under the 1940 Act, ERISA plans and 3c-7 funds).

**ITEM 8**  
**Method of Analysis, Investment Strategies and Risk of Loss**

**A. Methods of Analysis and Investment Strategies**

**Investment Process Summary**

The Adviser's objective for its Asia Pacific equity investment process is to identify attractive companies and countries in the region, to make investments in those companies and countries as appropriate for each portfolio and to implement its strategy in a cost effective manner. The Adviser's strategy consists of the three key components set forth below:

- **Idea Generation** – creates risk adjusted returns through **stock selection** and **asset allocation**;
- **Portfolio Construction** – consists of a disciplined application of the Adviser's ideas to each fund's or client's requirements while managing the risk-reward trade-off; and
- **Execution** – is completed by an effective central dealing team which minimizes market impact and transaction costs through state of the art technology.

**Idea Generation**

Idea generation is the most creative part of the Adviser's investment process, and is the responsibility of all Pacific Regional Group (PRG) members. The inherent opportunities that exist within the Asia Pacific markets, lead us to focus on active, bottom-up fundamental research, relying less on third party data and more on subjective analysis conducted primarily through company visits by locally-based country and regional specialists. Company visits are a cornerstone to driving idea generation and research inputs. In 2009, members of the PRG conducted over 8,000 company visits in the Asia Pacific region with visit notes held on our internal database JFIRST.

Country specialists are dedicated to their country of coverage and are responsible for defining their investable universe, identifying attractive investment opportunities, constructing their own single country portfolios, and communicating and sharing their best ideas with regional specialists. Regional specialists also conduct company visits, cross referencing their own insights with country specialists across all Asian markets. Accordingly, this approach encourages a higher conviction in our investment ideas which in turn

are filtered into the portfolio construction of our regional Asian portfolios which aim to capture the alpha generated by individual country specialists.

Our strong local presence in the region encourages strong relationships with the companies we research which we believe gives us an unparalleled edge over our competitors.

### **Stock selection**

Stock selection is an important part of the Idea Generation process, as it provides the greater part of our added value to our investments. Underpinning our stock selection is the rigorous research conducted by a dedicated team of country specialists based in Hong Kong, Mumbai, Seoul, Shanghai, Singapore, Taipei and Tokyo. Our stock selection is largely country specific, which means that country specialists have the responsibility to design and refine their stock selection process to cope with the dynamic local factors and market conditions.

In general, there are three primary sources of investment returns which country specialists focus on and that form the basic premise of the stock selection process:

- **Growth** – companies that exhibit sustainable earnings growth in excess of the market through an economic cycle;
- **Value** – quantitative analysis in evaluating the value and profitability of the company; and
- **Dividend yield** – an additional source of return, over and above capital appreciation.

**Growth** is core to our stock selection process and we look at a variety of factors when conducting our analysis. In conducting its growth analysis, the Adviser concentrates on a variety of factors, including, without limitation:

#### Growth prospects:

- source of revenue/earnings growth
- Industry/sector outlook
- cash flow growth
- asset growth/reinvestment opportunities
- key risks to growth

#### Quality analysis:

- management longevity and experience
- equity holders
- capital structure
- return on equity
- industry attractiveness
- development plans

During company visits, the Adviser makes qualitative assessments of the relative growth prospects of the visited companies and their strategies to create shareholder value. The Adviser analyzes the industries in which companies operate, the competitive landscape of the industry and management's strategy for enhancing the company's competitive advantage and returns. As part of the Adviser's investment process, in addition to meeting with representatives of the companies who fall within the Adviser's core stock coverage, the Adviser also meets with their competitors, distributors, suppliers and other



stakeholders in order to obtain a better picture of the company, the industry it operates in and other investment opportunities.

PRG's investment approach and process, with its strong emphasis on primary research is ideally suited to investing in Asian markets. Through the investment process, the Adviser aims to achieve a clear understanding of each company's business, thereby enabling the Adviser to identify companies that are likely to have high performance returns at an early stage.

**Value.** The second exercise under Stock Selection is valuation or quantitative analysis, by utilizing a variety of applicable tools to calculate and evaluate the value and profitability of the company. These analyses are complemented by input from the regional specialists who conduct company visits across all Asian markets. Under the valuation analysis, the country specialists maintain a running database of typical financial analysis data, all of which is contained in JFIRST, an intranet-based proprietary database for research sharing among PRG members. This data includes, without limitation:

- Profit and Loss: EBITDA, EPS
- Operating Free Cash Flow: Change in Working Capital, Change in Capital Expenditure
- Profitability: EBIT, Return on Invested Capital, Net Return on Equity
- Value: Enterprise Value/Invested Capital Ratio/Discount to BV, Relative PE, Re-rating opportunity/De-rating risk

In addition, Discounted Cash Flow (DCF) techniques may be used to establish or confirm extreme examples or misvaluations.

**Dividend Yield.** Sustainable dividend yields serve as another important source of long term return on top of the potential capital appreciation. Return analysis from country specialists involves analyzing the growth cycle of the business, its capital intensity and financial management in seeking to take advantage of this modest return expected from the stock.

### **Stock rankings**

A thorough understanding and appreciation of the above three sources of return results in our **stock rankings**, which is an exercise of choosing a "rank" for each stock. According to the expected relative performance for each of our universes of stock, the country specialists award a rank of between 1 and 5 to each stock, with 1 expected to outperform significantly, 3 being neutral, and 5 expected to underperform significantly. These rankings represent the opinions of the country specialists on the likely relative performance of companies over the medium to long term.

### **Asset Allocation**

The aim of the Adviser's asset allocation process is to set a policy expressed in terms of country rankings of 1 to 5 (with 1 the highest ranking and 5 the lowest) based on our expectations of the relative performance of individual countries over a three- to six-month time frame.

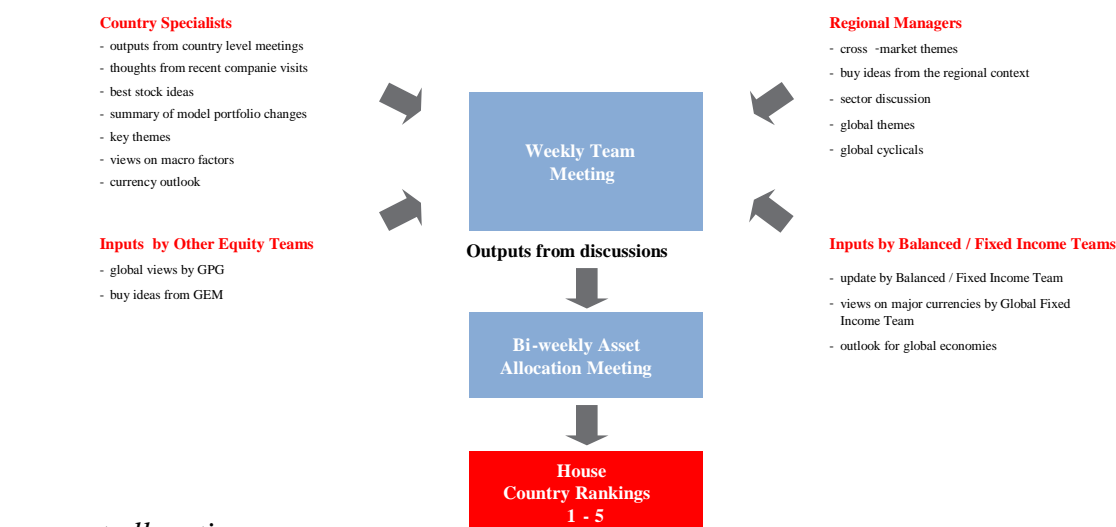
Asset allocation is formally determined by the Asset Allocation Committee of which the chairman is the CIO of the PRG. The Asset Allocation Committee meetings occur on a fortnightly basis and are attended by the PRG's senior regional specialists. The Asset Allocation Committee arrives at decisions through discussions aimed at producing consensus with the CIO serving as the final arbiter in the event of disagreement.

There are three primary inputs into the Asset Allocation decision process:

- The bond, interest rate and currency views of JPMorgan Asset Management Fixed Income and Currency groups. This sets the global macro economic framework for the discussion.
- The regional themes and ideas sourced from PRG members and members of various investment teams including the Japan Portfolio Group in Tokyo, the Global Portfolios Group and the Emerging Markets Equity Team in London.
- The company-specific ideas and opinions sourced from PRG country specialists.

Countries are assessed in terms of their relative performance against the region as a whole and are ranked from 1 to 5.

Set forth below is a graphic presentation of the Adviser's Asset Allocation process.



*... asset allocation process*

## Portfolio Construction

Portfolio construction is the responsibility of the portfolio manager assigned to each account. The team's investment views are incorporated into a model portfolio for the region using the outputs of the research process at the stock and country levels. The model portfolio forms the basis of the portfolio construction process resulting in a high degree of commonality across accounts with similar objectives and profiles. Portfolios are constructed using a disciplined and tailored approach. Stocks ranked 1 or 2 are viewed by the team as the most attractive and form the core positive active weights in portfolios. Decisions to sell a stock are based on the same investment principles as those to buy and are driven by the movement of the stock rankings.

Investment decisions are ultimately the responsibility of the portfolio manager who considers the insights of other team members. Purchases and sales are carefully considered in order to prevent one single decision derailing performance.

The Risk Management/Middle Office oversees portfolio managers to ensure compliance with fund or client guidelines and other internal requirements. Buy/sell decisions are automatically checked against

fund or client guidelines, and electronically forwarded to the trading team for execution.

**Execution**

Dealing in volatile, often illiquid markets imposes a cost on an active fund manager. The Central Dealing team is responsible for minimizing performance drag.

The Central Dealing team's focus is to minimize market impact and transaction costs. Our competitive advantages in achieving this objective are:

- 1) A specialist experienced team.
- 2) State of the art systems and on-going investment in trading technology.
- 3) Analysis of historical transactions and associated impact costs used to determine trading strategies.
- 4) Low commission rates paid to brokers reduce direct costs per trade.
- 5) Significant overall commission payout ensures premium service from investment banks and brokerage firms.

The success of the Central Dealing team can be measured by comparing each execution to the volume weighted average price (VWAP) and on-line through the independent Best Execution Comparison Service (BECS) which compares our transaction costs with those of our competitors. We monitor the effectiveness of our dealing team on an ongoing basis.

Clients should understand that investments in securities (both income and equity securities) and other assets involve a risk of loss. Past performance of any investment strategy is not a guarantee of future results. Clients should be prepared to bear the risk of investment losses. See Item 8.B. for more information regarding investment risks.

**B. Material, Significant, or Unusual Risks Relating to Investment Strategies**

The Adviser uses a variety of investment strategies depending on the requirements of the client and the investment guidelines associated with the client's account. All strategies are subject to management risk and an account or fund may not achieve its objective if the Adviser's expectations regarding particular securities or markets are not met. The Adviser discloses the risk factors for a particular strategy to the client, and in the case of pooled investment funds, discloses the risk factors associated with the fund's investment strategy in the prospectus, offering memorandum or other materials of the fund.

Set forth below are certain material principal risk factors that are often associated with the investment strategies and types of investments relevant to most of the Adviser's clients. The information included in this brochure does not include every potential risk associated with each investment strategy or applicable to a particular client account. Clients are urged to ask questions regarding risk factors applicable to a particular strategy or investment product, read all product-specific risk disclosures and determine whether a particular investment strategy or type of security is suitable for their account in light of their circumstances, investment objectives and financial situation.

**Equity Securities Risk.** Certain strategies invest in equity securities (such as stocks) that are more volatile and carry more risks than some other forms of investment. The price of equity securities may rise or fall, sometimes rapidly or unpredictably, because of economic or political changes or changes in a company's financial condition. These price movements may result from factors affecting individual companies, sectors or industries selected for a portfolio or the securities market as a whole, such as changes in economic or political conditions.

**Fixed Income Securities Risk.** Certain strategies invest in fixed income securities that will change in value based on changes in interest rates and are subject to the risk that a counterparty will fail to make payments when due or default. Several other risk factors can change the financial standing of a borrower, and thus the perceived capacity to repay, that are solely based on the industry in which that borrower operates. Some of these risks include political events like regulatory changes or tax law modifications, changes in consumer preferences, changes in technology, or in some cases the price and availability of substitute products. Each of these kinds of events, while not greatly impacting the general economy, can be a cause of lower market valuations and capital losses for loans to borrowers in industries affected by these changes. If rates rise, the value of these investments drops.

**Asset-Backed, Mortgage-related and Mortgage-Backed Securities Risk.** Certain strategies invest in mortgage-related and asset-backed securities including so-called "sub-prime mortgages" that are subject to certain other risks including prepayment extension and call risks. Since mortgage borrowers have the right to prepay principal in excess of scheduled payments, there is a risk that borrowers will exercise this option when interest rates are low to take advantage of lower refinancing rates. When that happens, the mortgage holder will need to reinvest the returned capital at the lower prevailing yields. This prepayment risk, as well as the risk of a bond being called, can cause capital losses. Conversely, when rates rise significantly, there is a risk that prepayments will slow to levels much lower than anticipated when the mortgage was originally purchased. In this instance, the risk that the life of the mortgage security is extended can also cause capital losses, as the mortgage holder needs to wait longer for capital to be returned and reinvested at higher prevailing yields. Mortgage-related and asset-backed securities may decline in value, face valuation difficulties, be more volatile and/or be illiquid.

**Index Funds Risk.** Index funds are not actively managed and are designed to track the performance and holdings of a specified index. Securities may be purchased, held and sold by an index fund or an account following an index strategy at times when an actively managed fund would not do so. There is also the risk that the underlying performance of an index fund may not correlate with the performance of the index.

**Foreign Securities and Emerging Markets Risk.** Strategies that invest in foreign currencies and foreign issuers are subject to additional risks including political and economic risks, greater volatility, civil conflicts and war, currency fluctuations, higher transaction costs, delayed settlement, possible foreign controls on investment, expropriation and nationalization risks, liquidity risks, and less stringent investor protection and disclosure standards of foreign markets. These risks are magnified in countries in "emerging markets."

**High Yield Securities Risk.** Certain strategies invest in securities and instruments that are issued by companies that are highly leveraged, less creditworthy or financially distressed. These investments (known as junk bonds) are considered to be speculative and are subject to greater risk of loss, greater sensitivity to interest rate and economic changes, valuation difficulties, and potential illiquidity.

**Smaller Companies Risk.** Certain strategies invest in securities of smaller companies. Investments in smaller, newer companies may be riskier than investments in larger, more established companies.

Securities of smaller companies tend to be less liquid than securities of larger companies. In addition, small companies may be more vulnerable to economic, market and industry changes. Because economic events have a greater impact on smaller companies, there may be greater and more frequent changes in their stock price. This may cause unexpected and frequent decreases in the value of an account's investments. Finally, emerging companies in certain sectors may not be profitable and may not realize earning profits in the foreseeable future.

**Derivatives Risk.** Certain strategies may use derivatives. Derivatives may be riskier than other investments because they may be more sensitive to changes in economic and market conditions and could result in losses that significantly exceed the original investment. Many derivatives create leverage thereby causing the investment portfolio to be more volatile than it would be if it had not used derivatives. Derivatives also expose an investment portfolio to counterparty risk (the risk that the derivative counterparty will not fulfill its contractual obligation), including credit risk of the derivative counterparty.

### **C. Risks Associated With Particular Types of Securities**

See item 8.B. for a summary of the risks associated with certain types of securities and asset classes.

## **ITEM 9 Disciplinary Information**

### **A. Criminal or Civil Proceedings**

As far as the Adviser is aware, the Adviser has no material civil or criminal actions to report.

### **B. Administrative Proceedings Before Regulatory Authorities**

As far as the Adviser is aware, there is no material administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority to report.

### **C. Self Regulatory Organization (SRO) Proceedings**

As far as the Adviser is aware, there is no material Self Regulatory Organization (SRO) Proceedings against the Adviser to report.

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**ITEM 10**  
**Other Financial Industry Activities and Affiliations**

**A. Broker-Dealer Registration Status**

Neither the Adviser nor its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

**B. Futures Commission Merchant, commodity Pool Operator, or Commodity Trading Adviser Registration Status**

Neither the Adviser nor its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor.

**C. Material Relationships or Arrangements with Industry Participants**

The Adviser is part of a large financial services firm. In connection with providing investment advisory services to its clients, the Adviser may use the products or services of its affiliates or other related persons, as described below.

The Adviser is a wholly-owned subsidiary of JPMC. The Adviser may, from time to time, make use of the services of the brokers/dealers within the JPMC, for example, J.P. Morgan Securities (Asia Pacific) Limited.

JF Asset Management Limited, JPMorgan Asset Management (Japan) Limited and JPMorgan Asset Management (Singapore) Limited (the "Participating Affiliates") are affiliates of the Adviser and may indirectly provide investment advice to the Adviser's clients. The Participating Affiliates are not registered as investment advisers under the Advisers Act. Certain personnel listed in the Adviser's Brochure Supplement are employed by the Participating Affiliates and may indirectly provide investment advice to clients in specialties for which they have particular expertise. All such personnel are under the overall supervision of the Adviser's Board of Directors in respect of their work for the Adviser and its clients. The Participating Affiliates may recommend to its clients, or invest on behalf of its clients in, securities that are the subject of recommendations to, or discretionary trading on behalf of, U.S. clients of the Adviser.

The Adviser may serve as sub-advisor to various investment companies or private funds sponsored by the Adviser's related persons including J.P. Morgan Investment Management Inc.

The Adviser's related person (e.g. J.P. Morgan Institutional Investments Inc.) may act as marketing agent for the funds advised by the Adviser.

The Adviser is the primary adviser to the U.S. mutual funds complex known as the JPMorgan Funds. The Adviser also serves as advisor and sub-advisor to various open-end and closed-end investment management companies sponsored by the Adviser and other registered investment advisors. The Adviser also serves as advisor to various U.S. private funds and numerous unregistered investment companies and pooled funds organized or formed under the laws of various countries. For certain accounts, the Adviser may invest client assets on a discretionary basis in any of the funds referred to

above. In general, client assets invested in these funds will be excluded from the calculation of investment management fees payable to the Adviser. Furthermore, with the prior consent of a client, the client's free cash balances may automatically be invested in shares of an affiliated money market fund. In those cases, clients are advised that the value of the money market fund shares will be included both for determining the Adviser's investment management fee and the Adviser's management fee as advisor to the affiliated money market fund.

**D. Material Conflicts of Interest Relating to Other Investment Advisers**

JFIMI may use the advisory services of unaffiliated investment advisers for certain of its client portfolios however JFIMI does not receive compensation from the unaffiliated investment advisers for this arrangement. In addition, JFIMI may pay the unaffiliated investment advisers for their sub-advisory services a portion of the advisory fees JFIMI receives from the client. As a result, JFIMI clients do not incur additional fees as a result of these relationships. JFIMI does not recommend or select unaffiliated investment advisers for its other clients, and does not have business relationships with other investment advisers that create a material conflict of interest. See Item 10.C for a discussion of relationships that JFIMI has with other investment advisers that are subsidiaries of JPMC.

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**ITEM 11****Code of Ethics, Participation or Interest in Client Transactions and Personal Trading****A. Code of Ethics**

The JPMC Code of Conduct (the “Code of Conduct”) is a collection of rules and policy statements intended to assist JPMC employees and directors in making decisions about their conduct in relation to the firm's business. The Code of Conduct applies to all JPMC employees (including employees of JFIMI) and all employees are required to comply with its terms as a condition of continued employment. In addition, JFIMI employees must adhere to the JFIMI Code of Ethics (the “Code of Ethics”), which establishes more stringent standards than the Code of Conduct and reflects the fiduciary obligations of JFIMI and its supervised persons. JFIMI has adopted the Code of Ethics pursuant to Rule 204A-1 under the Advisers Act. A copy of the JFIMI Code of Ethics is available free of charge upon request by contacting your client service representative or financial advisor.

The Code of Ethics requires JFIMI's employees and other supervised persons to place the interests of JFIMI clients before their own personal interests at all times and avoid any actual or potential conflict of interest. All real or potential conflicts of interest must be disclosed to the Compliance Department, including those in resulting from an employee's business or personal relationships with customers, suppliers, business associates, or competitors of JPMC, or with other JPMC employees. Certain transactions or activities may be restricted by the Code of Conduct, the Code of Ethics or Compliance policies. The Code of Ethics contains policies and procedures relating to:

- Personal trading policies, including reporting and pre-clearance requirements for certain personnel of the Adviser.
- Confidentiality obligations with respect to clients and compliance with policies, procedures and training requirements regarding securities laws, privacy, the Bank Secrecy Act, anti-money laundering and related matters.
- Conflicts of interest, including policies relating to restrictions on trading in securities of clients and suppliers, gifts and entertainment, political and charitable contributions and outside business activities.

In general, the personal trading rules under the Code of Ethics require that accounts of employees and associated persons be maintained with a designate broker and that all trades in reportable securities for such accounts be pre-cleared and monitored by compliance personnel. The Code of Ethics also prohibits certain types of trading activity, such as short-term and speculative trades. Employees of the Adviser generally must obtain approval prior to engaging in all security transactions, including those in private placements. In addition, certain employees of the Adviser may not be permitted to buy or sell securities issued by JPMC in certain periods throughout the year prior to and following announcement of quarterly earnings. Certain “Access Persons” (generally defined as persons with access to nonpublic information regarding the Adviser's recommendations to clients or purchases or sales of securities for client accounts and advised funds) are prohibited from executing personal trades in a security or similar instrument five business days (typically seven calendar days) before and after a client or fund managed by that Access Person transacts in that security or similar instrument.



JPMC is a global financial services firm that provides a variety of services for, and advice to, many types of clients. While providing such services, some divisions of JPMC, such as investment banking and the Adviser's private equity business, routinely have access to confidential information, some or all of which may be material, non-public information, (i.e., "inside information"). In order to prevent the flow of inside information from a so-called "insider" area to a "public" area of JPMC, JPMC has established informational barriers that seek to prohibit anyone in an insider area from communicating any non-public information, to anyone in a public area. In order to prevent the inadvertent flow of such information, employees in insider areas are generally physically segregated from employees in public areas. Furthermore, the Adviser safeguards the investment research and analysis on which its investment decisions are based to prevent "front running" (i.e., the misuse of such information prior to the execution of a trade on behalf of clients). However, subject to certain constraints, employees of the Adviser generally may discuss "best practices" or topics of a general, non-confidential nature with employees of the Adviser as well as other parts of JPMC.

From time to time, the Adviser and its employees may acquire inside information from non-JPMorgan Chase sources. However the inside information may be obtained, in compliance with JPMC's information sharing policies and insider trading policy, the Adviser and its employees are prohibited from using such information to buy or sell securities until such information has been disclosed to the public or is no longer material.

In addition, as part of a global financial services firm, as a result of applicable law and/or other conflicts of interest concepts, the Adviser may be precluded from effecting or recommending transactions in certain client portfolios. As a result, from time to time, client portfolios managed by the Adviser may be precluded from acquiring, or disposing of, certain securities or instruments. This includes, but is not limited to, the securities issued by JPMC. However, with respect to voting proxies on behalf of the Adviser's clients, the Adviser, as a fiduciary, will vote proxies independently and in its best interests of its clients.

In certain circumstances, the Adviser may conclude that certain transactions in a particular security need to be restricted and therefore, the security may be placed on a so-called "restricted list" and/or "watch list". While the security is on the restricted list and/or watch list, the Adviser may prohibit purchases, sales or all transactions in the security. The reasons for placing a security on the restricted list and/or watch list include, but are not limited to (i) preventing the Adviser from exceeding regulatory investment limitations with respect to the securities of companies in certain regulated industries, such as insurance companies and public utilities, (ii) avoiding a concentration in any particular security, (iii) buttressing an information barrier by preventing any appearance of impropriety in connection with trading decisions or recommendations, and (iv) preventing the use or appearance of the use of inside information.

#### **B. Securities Where the Adviser or a Related Person Has a Material Financial Interest**

The Adviser may purchase or sell for client accounts securities in which it, or related persons, has a financial interest. The Adviser's related persons may issue recommendations on securities held by the Adviser's client portfolios that may be contrary to investment activities of the Adviser. Additionally, employees of the Adviser, or its related persons, may hold the same or similar securities as client portfolios, and from time to time may recommend such securities for purchase or sale in clients' portfolios in the normal course of business. Similarly, employees of the Adviser and its related persons who maintain private equity interests may hold the same or similar interest as client portfolios. The Adviser has established informational barriers and has adopted various policies and safeguards in order to

address conflicts of interest that may arise from such activities. For additional information regarding such informational barriers, policies and safeguards, please see Item 11.A.

If permitted in writing by a client, and if in the client's best interest, the Adviser or its related persons may on occasion, lend securities held in a client's account to a related person, subject to applicable law and the disclosure and consent policies described above.

If permitted in writing by a client, from time to time the Adviser may effect client transactions on an agency basis in securities and futures and options through affiliated broker/dealers when, in the Adviser's judgment, the client is thereby obtaining best execution. The Adviser's affiliate may be entitled to receive a commission for effecting these transactions. These transactions may be effected through affiliated firms even though the total commission for the transaction may exceed the commission charged by another unaffiliated firm for the same transaction.

In addition, in some instances a security to be sold by one client account may independently be considered appropriate for purchase by another client account. In such cases, the Adviser may cause the security to be "crossed" or transferred directly between the relevant accounts at an independently determined market price and without incurring brokerage commissions, although customary custodian fees and transfer fees may be incurred (no part of which will be received by the Adviser). No such transactions will be effected unless the Adviser determines the transaction is in the best interest of each client account and permitted by applicable law.

Furthermore, the Adviser's related persons may provide futures execution or clearing services for a fee. For certain institutional accounts the Adviser or a related person may execute client directed orders through a related person on an agency basis. In such cases, the Adviser or related person will be acting in a fiduciary capacity and the other related person will receive normal consideration for services rendered. Please refer to conflicts relating to directed brokerage in Item 12 for additional information regarding conflicts of interest associated with directed brokerage.

In the ordinary course of business, and subject to compliance with applicable regulations, the Adviser or related persons may provide the initial funding necessary to establish new funds for the purpose of developing new investment strategies and products. These "seeded" funds may be in the form of registered investment companies, private funds such as partnerships, limited liability companies or separate accounts and may invest in the same securities as other client accounts. The Adviser expects that such investments will be redeemed from time to time as permitted by the governing documentation of such funds and applicable regulations. As a result of the infusion of seed capital from the Adviser or related person, the manager may be precluded from buying or selling certain securities, including, but not limited to, IPOs. These funds and accounts may, and frequently do, invest in the same securities as client accounts. The Adviser's policy is to treat such accounts in the same manner as client accounts for purposes of trading allocation.

The Adviser or related person may, from time to time, make a proprietary investment in U.S. or non-U.S. pooled investment vehicles that may also include client assets managed by the Adviser or another unaffiliated entity. Such investment may also involve the Adviser receiving representation on the pooled investment's board of directors, advisory committee or other similar position, in accordance with JFIMI policy, and the Adviser's participation in general operating activities. Additionally, the Adviser's employees may invest in accounts managed by the Adviser and to the extent applicable, the Adviser's employees may benefit from the investment performance of those funds and accounts. In order to manage conflicts of interest that arise in connection with such activity, the Adviser requires all employees to report

their participation on the board of directors, advisory committee or other similar position to the JPMC corporate secretary and the Compliance Department. The Compliance Department is responsible for monitoring the activities of employees holding such positions for compliance with JFIMI policies.

If permitted by a client's investment objectives, and subject to compliance with applicable law, the Adviser may purchase securities for client accounts during an underwriting or other offering of such securities in which a broker-dealer affiliate of the Adviser acts as a manager, co-manager, underwriter or placement agent. The Adviser's affiliate may receive a benefit in the form of management, underwriting or other fees. Affiliates of the Adviser may also act in other capacities in such offerings and the affiliate may receive a fee, compensation, or other benefit for such services. If the client's account is subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") participation in these offerings may require the Adviser or its affiliates to comply with the conditions of one or more class or individual prohibited transaction exemptions issued by the Department of Labor.

From time to time, the Adviser or its affiliates may be current investors in companies that offer securities to the Adviser, and may receive a direct or indirect benefit, as a selling shareholder, return of capital or otherwise, from the purchase by Adviser's clients in such offerings. In addition, employees of the Adviser, or its related persons, may serve as directors, officers, or in other capacities in which they may receive direct or indirect compensation for companies in which the Adviser may purchase securities. Further, for certain purposes, affiliates of the Adviser may be deemed affiliates of issuer companies in which Adviser may purchase securities in public offerings. Therefore, an investment in such issuers may be deemed an investment in an affiliate. Accordingly, the Adviser will receive advisory fees on the portion of client holdings invested in such affiliated issuers.

Purchases involving affiliated broker-dealers, or other affiliates of the Adviser, must comply with the Advisers Act, the Investment Company Act and any other applicable laws or prohibited transaction exemptions.

In addition, the Adviser may, subject to applicable law, participate in structured fixed income offerings of securities in which a related person may serve as trustee, depositor, originator, service agent or other service provider, on behalf of issuer in which fees will be paid to such related person. The related person may act as originator of loans or receivables for the structured fixed income offerings in which the Adviser may invest for clients. Participations in such offerings may directly or indirectly relieve obligations of a related person.

From time to time and subject to applicable law, the Adviser may invest in fixed income or equity instruments or other securities that represent a direct or indirect interest in securities of the Adviser or one of its affiliates. The Adviser will receive advisory fees on the portion of client holdings invested in such instruments or other securities, and may be entitled to vote or otherwise exercise rights and take actions with respect to such instruments or other securities on behalf of its clients. Generally, such activity occurs when a client account targets the returns of certain indices in which the securities of the Adviser or one of its affiliates is a key component. The Adviser has implemented certain guidelines for rebalancing a client's portfolio when it involves the purchase or sale of the securities of the Adviser or one of its affiliates and minimizes the level of investment in securities of the Adviser and its affiliates. In addition, the Adviser utilizes a third party proxy voting firm to vote shares of the securities of the Adviser or one of its affiliates that are held in a client account.

When permitted by applicable law and a client's investment guidelines, and when considered by the Adviser to be in the client's best interest, the Adviser may invest the assets of the client in various

collective investment vehicles and other securities investment vehicles with respect to which the Adviser or its affiliates may receive compensation for advisory, administration, trust or other services. When required by law, client consent will be obtained with respect to these investments. Also, the Adviser may waive its investment advisory fee with respect to assets so invested.

**C. Investing in Securities That The Adviser or a Related Person Recommends to Clients**

The Adviser does trade for its own account. However, the Adviser's affiliates or one of its related persons may, for its own account, buy or sell securities or other instruments that the Adviser has recommended to clients or purchased or sold for its clients. The Adviser has established informational barriers and has adopted various policies and safeguards in order to address conflicts of interest that may arise from such activities. For additional information regarding such informational barriers, policies and safeguards, please see Item 11.A.

**D. Conflicts of Interest Created by Contemporaneous Trading**

The Adviser has allocation practices in place that are designed to reasonably promote fair and equitable allocations of investment opportunities among its client accounts over time and to promote compliance with applicable regulatory requirements. Such practices are designed to reasonably ensure that accounts are treated in a fair and equitable manner. In general, orders involving the same investment opportunity are aggregated on a continual basis throughout each trading day, consistent with the Adviser's obligation to obtain best execution for its clients. If fully executed, participating accounts will be allocated their requested allotment on an average price basis.

With regard to equity securities, partially completed orders will be allocated among participating accounts on a pro-rata average price basis, subject to certain limited exceptions in the U.S and other markets which require individual trading ID. One such exception provides that if an allocation results in a de minimis allocation relative to the size of the account or its investment strategy, the allocation may be reallocated to other participating accounts. Non-pro-rata allocations for money market instruments and fixed income securities are based upon predetermined criteria for the selection of investments and a disciplined process for allocating securities with similar duration, credit quality and liquidity in the good faith judgment of the Adviser so that fair and equitable allocation will occur over time.

The similarity of guidelines and objectives for many accounts in combination with thin markets, price volatility or lack of liquidity in the market may require that a block order be filled in multiple executions extending over several days. To promote fair and equitable allocation each account is allocated shares on a pro rata basis to their original order. In certain circumstances the partial fills of the order could result in a client receiving an uneconomic allocation due to fixed transaction costs and custody costs. In these circumstances the trader may at his discretion either exclude the client from the allocation or complete the total order for the client. In this case, a reason is required to be recorded. Other circumstances are where a limit order applies, or to avoid a mismatch with a contingent trade. Any overrides of automatic allocations are reviewed by compliance on a post-trade basis.

**E. Other Conflicts of Interest**

The potential for conflicts of interest exists when the Adviser's portfolio managers manage accounts with similar investment objectives and strategies. Potential conflicts may include, for example, conflicts in the allocation of investment opportunities for similar accounts.

Responsibility for managing the Adviser's client portfolios is organized according to investment strategies within asset classes. Generally, client portfolios with similar strategies are managed by portfolio managers in the same portfolio management group using the same objectives, approach and philosophy. Therefore, portfolio holdings, relative position sizes and industry and sector exposures tend to be similar across similar portfolios, which reduce the potential for conflicts of interest.

The Adviser may receive more compensation with respect to certain similar accounts or may receive compensation based in part on the performance of some of its similar accounts. Potential conflicts of interest may arise with the allocation of securities transactions and allocation of limited investment opportunities, particularly for accounts that allow for the use of leverage. In certain instances portfolio managers may manage accounts' with less restrictive investment guidelines allowing for the use of leverage. In such accounts the portfolio manager generally will allocate securities based on the account's market value inclusive of the desired leverage, causing a potential conflict of interest. Allocations of aggregated trades, particularly trade orders that were only partially completed due to limited availability and allocation of investment opportunities generally, could raise a potential conflict of interest, as the Adviser may have an incentive to allocate securities that are expected to increase in value to favored accounts. New issue offerings, in particular, are frequently of limited availability. A potential conflict of interest also may be perceived to arise if transactions in one account closely follow related transactions in a different account, such as when a purchase increases the value of securities previously purchased by another account, or when a sale in one account lowers the sale price received in a sale by a second account. If the Adviser manages accounts that engage in short sales of securities of the type in which similar accounts invest, the Adviser could be seen as harming the performance of one account for the benefit of the accounts engaging in short sales if the short sales cause the market value of the securities to fall.

The Adviser has established policies and procedures designed to manage the conflicts described above. The Adviser has allocation and order aggregation practices in place designed to achieve fair and equitable allocation and execution of investment opportunities among its client accounts over time and are designed to comply with the securities laws and other applicable regulations. See Item 12.B for a description of these practices. The Adviser monitors a variety of areas, including compliance with account guidelines, review of IPO and new issue allocation decisions, compliance with the Code of Ethics, and a review of any material discrepancy in the performance of similar accounts.

From time to time, the Adviser may have clients who, through the normal course of the investment process, may own different classes of securities by the same issuer. Consequently, in the event of default or bankruptcy by the issuer, the Adviser may be involved in negotiations on behalf of holders of different classes of securities. As such, the Adviser will continue to act in the best interest of its clients, irrespective of the client's holdings and ability to recoup the value of their original investment.

Securities for which market quotations are not readily available or for which market quotations are deemed to be unreliable, are fair valued in accordance with established policies and procedures. Fair value situations could include, but are not limited to:

- a significant event that affects the value of a security;
- illiquid securities;
- securities that have defaulted or are de-listed from an exchange and are no longer trading; or
- any other circumstance in which it is determined that market quotations do not accurately reflect the value of the security.

## ITEM 12

### Brokerage Practices

#### **A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions**

The Adviser's primary objective in broker-dealer selection is to be consistent with its duty of best execution of orders for its clients. In selecting a broker-dealer, the Adviser considers a number of factors including, but not limited to,

- the price per unit of the security;
- the broker's execution capabilities;
- the commissions charged;
- the broker's reliability for prompt, accurate confirmations and on-time delivery of securities;
- the broker-dealer firm's financial condition;
- the broker's ability to provide access to public offerings; and
- the quality of research services provided.

The Adviser is responsible for determining that the level of commission paid for each trade is reasonable in light of the executions received. Commissions on brokerage transactions are subject to negotiation. Negotiated commissions take into account the difficulty involved in execution, the extent of the broker's commitment, if any, of its own capital and the amount of capital involved in a transaction.

One part of obtaining best execution is minimizing counterparty risk. The Adviser's Risk Management Department is responsible for:

- setting risk policies and procedures worldwide;
- monitoring implementation of these policies and procedures;
- reviewing and approving all proposed trading counterparties;
- setting credit limits for certain activities with an approved counterparty; and
- monitoring credit exposures to counterparties.

In an effort to monitor and minimize counterparty risk, the Risk Management Department communicates the list of approved counterparties to the trading desks globally and, relies heavily on proprietary research performed by the Adviser's global team of credit and research analysts to make its counterparty

assessments. Monitoring credit exposures is an ongoing responsibility and the Adviser adjusts limitations on exposure to counterparties as circumstances change.

**1. Research and Other Soft Dollar Benefits.**

The Adviser does not receive soft dollar benefits from brokers.

**2. Brokerage for Client Referrals.**

The Adviser does not select broker-dealers in order to receive client referrals. The factors used by the Adviser in selecting broker-dealers in order to execute trades are described in Item 12.A.

**3. Directed Brokerage.**

The Adviser does not recommend, request or require that clients direct transactions through a specified broker-dealer. Under certain conditions, the Adviser may accept written direction from a client, including those participating in separately managed account programs, to direct brokerage commissions from that client's account to specific brokers in return for services provided by the brokers to the client. Due to the Adviser's overall objective in effecting client transactions consistent with its duty of best execution, the Adviser generally will accept direction only with respect to a limited percentage of certain clients' overall trades on a "best efforts" basis. Consequently, the Adviser generally will not enter client orders with a directed broker when a pending order with a different broker in the same security is the broker providing best execution. Certain fixed income accounts may experience sequencing delays in order to meet client directed brokerage requests, which may impact the Adviser's ability to achieve best execution on behalf of such clients. For fixed income clients who have requested directed brokerage, the clients may lose certain benefits, such as volume discounts that the Adviser may have obtained for its non-directed accounts in a combined order.

**B. Order Aggregation**

The Adviser may, but need not, aggregate or "bunch" orders for accounts over which it has investment discretion in circumstances in which the Adviser believes that bunching will result in a more favorable overall execution. Where appropriate and practicable, the Adviser will allocate such bunched orders at the average price of the aggregated order. The Adviser may bunch a client's trades with trades of other clients and with trades of pooled vehicles in which the Adviser's personnel have a beneficial interest pursuant to an allocation process that the Adviser, in good faith, considers to be fair and equitable to all clients over time.

The Adviser has allocation and order aggregation practices in place that are designed to promote fair and equitable allocation and execution of investment opportunities among its client accounts over time and are designed to comply with the securities laws and other applicable regulations. The Adviser believes that these practices are designed to reasonably ensure that accounts are treated in a fair and equitable manner over time. In general, orders involving the same investment opportunity are aggregated on a continual basis throughout each trading day, consistent with the Adviser's duty of best execution for its clients. If aggregated trades are fully executed, participating accounts will be allocated their requested allotment on an average price basis. In some instances, trading restrictions imposed by client guidelines

may preclude the aggregation of trades, in which case, the aggregated trades will be executed in advance of the trade for the client account that is precluded from participating in the trade aggregation.

With regard to equity securities, including public offerings that receive substantial interest and are frequently oversubscribed, partially completed orders generally will be allocated among participating accounts on a pro-rata average price basis, subject to certain limited exceptions in the U.S. One such exception provides that if an allocation results in a de minimis allocation relative to the size of the account or its investment strategy, the allocation may be reallocated to other participating accounts.

The similarity of guidelines and objectives for many accounts in combination with thin markets, price volatility or lack of liquidity in the market may require that a block order be filled in multiple executions extending over several days. To promote fair and equitable allocation over time each account is allocated shares on a pro-rata basis to their original order. In certain circumstances the partial fills of the order could result in a client receiving an allocation that is too small to justify the fixed transaction costs and custody costs associated with being included in the transaction. In these circumstances the traders may exclude small orders until such time as 50% of the total order is complete. At this stage the small orders will be executed. Under this process smaller orders will lag in the early part of the order but will be 100% filled before the completion of the total order. In certain circumstances the trader may override the individual amounts which would be automatically allocated to each account.

Examples of these are where a limit order applies, or to avoid a mismatch with a contingent trade. The Adviser's policy regarding securities allocations requires portfolio managers to use reasonable judgment consistent with fiduciary duties to clients in making any non-pro rata allocations that are in the best interest of the affected clients. Trade allocations are reviewed by Compliance on a post trade basis.

For purposes of seeking to achieve best execution, the Adviser may coordinate portfolio management and trading activities among clients of the Adviser and clients of advisory affiliates and related persons that utilize Adviser's trading desk. These activities will be executed through the Adviser's appropriate trading desk in accordance with the Adviser's trading policies and procedures. These procedures include trade allocations, securities of new issues, cross trading and directed brokerage. Indications of interest for new issue securities will be aggregated for clients of the Adviser and appropriate clients of advisory affiliates and related persons, and will be allocated in a manner that is intended to be fair and equitable in accordance with the Adviser's allocation policy. As a result of the Adviser's trading arrangements, Adviser's clients may receive less shares of a new issue of securities where there is participation by clients of advisory affiliates and related persons in such new issues.

From time to time, the Adviser or its affiliates may execute various trading strategies for certain clients that may conflict with the trading activities of other clients, as well as clients of advisory affiliates and related persons (e.g., buy and sell in the same security), or involve the separation of orders in the same security that would otherwise be executed on an aggregated basis. From time to time, and subject to change, the Adviser has implemented trade order volume controls for clients' related persons who have received the Adviser's research information in order to minimize potential market impact execution costs of trading the same securities outside of the Adviser's trading desk. Similar controls have been implemented for Adviser's and advisory affiliates' separate account wrap business. In the course of monitoring the above noted trading activities the Adviser attempts to objectively ensure that all clients, as well as clients of advisory affiliates and related persons, are treated fair and equitably over time.



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**ITEM 13**  
**Review of Accounts**

**A. Frequency and Nature of Review of Client Accounts or Financial Plans**

The Adviser assigns a portfolio manager to each account. Each portfolio manager is responsible for reviewing, on a daily basis, account positions via the portfolio holding enquiry system, OSIRIS, and any transactions undertaken for the account via the order execution system, OES. From OSIRIS, the security positions and sector and geographical weightings of security positions is reviewed. An investment director is appointed for each account to monitor whether the account's investment objectives are being met and to hold performance review meetings quarterly. Reports from the portfolio manager are also presented to the Adviser's Board of Directors at each semi-annual Board of Directors meeting, and the Adviser's directors are provided with necessary information, reports when requested.

**B. Factors Prompting Review of Client Accounts Other than a Periodic Review**

Client inquiries and complaints, dealing errors and other issues identified by the Compliance Department or Investment Director may trigger a non-periodic review of a client account.

**C. Content and Frequency of Account Reports to Clients**

The Adviser generally provides clients with a quarterly statement of the assets held in their account(s). Such reports generally contain a complete description of each asset held in the client's account and such asset's cost and current market value. In addition, certain clients receive such statements on a monthly basis monthly and receive a monthly statement of transactions, detailing all activity within their accounts. Upon request, the Adviser sends quarterly performance reports to clients regarding their account(s). The Adviser generally meets with each client at least on an annual basis to review investment strategy, performance and administrative matters.

**ITEM 14****Client Referrals and Other Compensation****A. Economic Benefits for Providing Services to Clients**

In connection with providing investment advisory services to its clients, the Adviser does not receive sales awards, prizes or other economic benefits from someone who is not a client.

**B. Compensation to Non-Supervised Persons for Client Referrals**

The Adviser has compensated, and may continue to compensate, affiliated and non-affiliated persons for client referrals in accordance with Rule 206(4)-3 under the Advisers Act. The compensation paid generally consists of a cash payment computed as a percentage of the Adviser's advisory fee, although other methods of computation may be used.

**ITEM 15****Custody**

For certain accounts, the Adviser is deemed to have custody of the client's assets because it, or a related person, holds client funds or securities either directly or indirectly. Clients will receive account statements at least quarterly directly from their broker-dealer, bank or other qualified custodian. Upon receipt, clients should carefully review the statements. Clients will also receive Statements of Assets from the Adviser on a monthly basis. Clients are urged to compare these statements with those received from their qualified custodian. If there is a significant difference in the information provided, clients should contact their Client Service Manager immediately.

**ITEM 16****Investment Discretion**

As described in Item 4.B, the Adviser provides discretionary investment advisory services. When the Adviser accepts discretionary authority to manage the securities and other assets of client accounts, the Adviser's authority is set forth in an investment advisory, investment management or other written agreement with the client. The Adviser's discretionary authority is subject to the provisions of the agreement with the client, including the objectives and investment guidelines the client establishes for the account.

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## ITEM 17

### Voting Client Securities

#### **A. Policies and Procedures Relating to Voting Client Securities**

The Adviser may be granted by their clients the authority to vote the proxies of the securities held in client accounts. As a fiduciary, the Adviser must act in the best interest of the client including with respect to proxy voting activities. To ensure that the proxies are voted in the best interests of its clients, the Adviser has adopted detailed proxy voting procedures ("Procedures") pursuant to Rule 206(4)-6 under the Advisers Act that incorporate detailed proxy guidelines ("Guidelines") for voting proxies on specific types of issues.

Most routine proxy matters will be voted in accordance with the Guidelines, which have been developed with the objective of encouraging corporate action that enhances shareholder value. Because proxy proposals and individual company facts and circumstances may vary, the Adviser may not always vote proxies in accordance with the Guidelines.

The Adviser has retained an independent proxy voting service to vote in situations where a material conflict may exist. This includes voting any JPMC securities, and shares of JPMorgan mutual funds, held in any JPMAM client accounts.

In situations in which the Guidelines recommend a case-by-case analysis or where a vote contrary to the independent proxy voting service recommendation is considered appropriate, the Procedures require a certification and review process to be completed by appropriate investment professionals before the vote is cast. That process is designed to identify actual or potential material conflicts of interest and ensure that the proxy vote is cast in the best interests of clients.

To oversee and monitor the proxy-voting process, JPMAM has established a proxy committee and appointed a proxy administrator in each global location where proxies are voted. The proxy committee is composed of the Proxy Administrator, senior business officers of the Adviser and representatives of each of the Legal, Compliance and Risk Management Departments. The proxy committee will meet periodically to review general proxy-voting matters, review and approve the Guidelines annually, and provide advice and recommendations on general proxy-voting matters as well as on specific voting issues.

In order to maintain the integrity and independence of the Adviser's investment processes and decisions, including proxy voting decisions, and to protect the Adviser's decisions from influences that could lead to a vote other than in the clients' best interests, JPMC (including JFIMI) adopted a Safeguard Policy, and established formal informational barriers designed to restrict the flow of information from JPMC's securities, lending, investment banking and other divisions to JPMAM investment professionals. Material conflicts of interest are further avoided by voting in accordance with the Adviser's predetermined Guidelines. Examples of material conflicts of interest that could arise include circumstances in which: (i) management of a JFIMI client or prospective client, distributor or prospective distributor of its investment management products, or critical vendor, is soliciting proxies and failure to vote in favor of management may harm JFIMI's relationship with such company and materially impact JFIMI's business; or (ii) a personal relationship between a JFIMI officer and management of a company or other proponent of a proxy proposal could impact the Adviser's voting decisions.

Depending on the nature of the conflict of interest, the Adviser, in the course of addressing the conflict, may elect to take one or more of the following measures, or other appropriate action:

- Removing certain Adviser personnel from the proxy voting process;
- “walling off” personnel with knowledge of the conflict to ensure that such personnel do not influence the relevant proxy vote;
- Voting in accordance with the applicable Guidelines, if any, if the application of the Guidelines would objectively result in the casting of a proxy vote in a predetermined manner; or
- Deferring the vote to the Independent Voting Service, if any, which will vote in accordance with its own recommendation.

The resolution of all potential and actual material conflict issues will be documented in order to demonstrate that the Adviser acted in the best interests of its clients.

Clients may obtain a copy of JPMAM's Proxy Voting Procedures and information about how the Adviser voted the client's proxies by contacting their client service representative or financial advisor.

**B. No Authority to Vote Client Securities and Client Receipt of Proxies**

Some clients do not grant proxy voting authority to the Adviser, in which case the right to vote client securities is retained by the client or other designated person. In such situations the client will generally receive proxies or other solicitations from the client's custodian or transfer agent.

**ITEM 18  
Financial Information**

**A. Balance Sheet**

Not applicable - The Adviser does not have custody of client funds or securities, or require prepayment of more than \$1,200 in fees per client, six months or more in advance.

**B. Financial Conditions Likely to Impair Ability to Meet Contractual Commitments to Clients**

Not applicable - The Adviser does not have custody of client funds or securities, or require prepayment of more than \$1,200 in fees per client, six months or more in advance.

**C. Bankruptcy Filings**

Not applicable - The Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.