

**FORM ADV, PART 2A**  
**FIRM BROCHURE**

**J.P. Morgan Private Investments Inc.**  
**Advisory Program**  
File No. 801-41088

270 Park Avenue  
New York, New York 10017  
212-464-2070  
[www.jpmorgan.com](http://www.jpmorgan.com)

March 31, 2017

This brochure provides information about the qualifications and business practices of J.P. Morgan Private Investments Inc. If you have any questions about the contents of this brochure, please contact us at (212) 464-2070. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about J.P. Morgan Private Investments Inc. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

**The advisory services described in this brochure are: not insured by the Federal Deposit Insurance Corporation (“FDIC”); not a deposit or other obligation of, or guaranteed by, JPMorgan Chase Bank, N.A. or any of its affiliates; and subject to investment risks, including possible loss of the principal amount invested.**

**ITEM 2 - Material Changes**

On December 2, 2016, J.P. Morgan Private Investments Inc. (“JPMPI”) filed an initial brochure describing the advisory services that JPMPI provides in the Advisory Program. This is the annual updating amendment to that brochure. There have been no material changes to this brochure since JPMPI filed the initial brochure. However, JPMPI has updated and expanded disclosures related to its business operations, particularly in the following areas:

- Item 5 – Fees and Compensation to reflect changes to the fee calculation methodology implemented by J.P. Morgan Securities LLC (“JPMS”), the sponsor of the Advisory Program, as explained more fully in the JPMS Form ADV, Part 2A Appendix 1 Advisory Program Brochure.
- Item 8 – Method of Analysis, Investment Strategies and Risk of Loss to delete a description of the Absolute Return Fixed Income Strategy, which JPMS is not offering through the Advisory Program.

**ITEM 3 - Table of Contents**

Cover Page.....	1
ITEM 2 - Material Changes .....	2
ITEM 3 - Table of Contents .....	3
ITEM 4 - Advisory Business .....	4
ITEM 5 - Fees and Compensation .....	8
ITEM 6 - Performance-Based Fees and Side-by-Side Management.....	9
ITEM 7 - Types of Clients .....	10
ITEM 8 - Method of Analysis, Investment Strategies and Risk of Loss .....	11
ITEM 9 - Disciplinary Information.....	23
ITEM 10 - Other Financial Industry Activities and Affiliations .....	25
ITEM 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading ....	29
ITEM 12 - Brokerage Practices .....	34
ITEM 13 - Review of Accounts.....	36
ITEM 14 - Client Referrals and Other Compensation.....	36
ITEM 15 - Custody .....	37
ITEM 16 - Investment Discretion .....	37
ITEM 17 - Voting Client Securities .....	38
ITEM 18 - Financial Information.....	38

## **ITEM 4 - Advisory Business**

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

J.P. Morgan Private Investments Inc. (“JPMPI”), a Delaware corporation, is a registered investment adviser that acts as a sub-adviser to open-end and closed-end Registered Investment Companies (“RICs”) under the Investment Company Act of 1940, as amended (the “1940 Act”); provides investment advice and/or administrative functions for private investment funds organized as limited partnerships, limited liability companies, or offshore companies (“Private Funds”); and provides discretionary investment management services in various wrap fee programs offered through an affiliate, J.P. Morgan Securities LLC (“JPMS”), including acting as (i) manager of the strategies set forth in Item 8 below (the “Select Advisory Strategies”) offered through JPMS’s Advisory Program (the “Advisory Program”), (ii) manager of the Focused Dividend Growth (“FDG”) and Focused Tactical Equity (“FTE”) strategies offered through JPMS’s Strategic Investment Services (“STRATIS”) program, and (iii) sub-adviser to JPMS’s J.P. Morgan Core Advisory Portfolio (“JPMCAP”) program, Chase Strategic Portfolio (“CSP”) program, and Mutual Fund Advisory Portfolio (“MFAP”) program. In addition, as described in this brochure, JPMPI provides certain manager research services to JPMS with respect to the Portfolio Manager Program (“PMP”) strategies managed by unaffiliated and certain affiliated portfolio managers that JPMS offers through the Advisory Program.

JPMPI was incorporated on November 25, 1991. JPMPI is a wholly-owned subsidiary of J.P. Morgan Chase & Co., which, together with its affiliates (collectively, “J.P. Morgan”), is engaged in a large number of financial businesses worldwide, including banking, asset management, securities brokerage, and investment advisory services. As relevant to this brochure, JPMPI is also affiliated with the following entities, which are also affiliates of each other as well as J.P. Morgan: JPMS, J.P. Morgan Investment Management Inc. (“JPMIM”), and J.P. Morgan Chase Bank, N.A. (“JPMCB”).

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

This brochure describes (i) the advisory services that JPMPI provides to Advisory Program clients that select the Select Advisory Strategies, and (ii) the manager research services that JPMPI provides to JPMS with respect to the PMP strategies that JPMS offers through the Advisory Program.

Additional information about the services JPMPI provides to its other clients and for STRATIS, CSP, MFAP, and JPMCAP is described in separate brochures, which are available from JPMS upon request and/or at the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). In addition, for more information on STRATIS, CSP, MFAP, JPMCAP, and the Advisory Program please see the applicable JPMS Form ADV, Part 2A Appendix 1, SEC File No. 801-3702, for those programs.

### **Advisory Program Overview**

The Advisory Program is a wrap fee program offered by the Chase Wealth Management and Chase Private Client divisions of JPMS that provides JPMS clients with access to portfolio managers who provide discretionary investment management services in client separately managed accounts. Clients in the Advisory Program may invest in (i) Select Advisory Strategies managed by JPMPI; and (ii) PMP strategies managed by JPMIM or by unaffiliated portfolio managers.

Based on information provided by the client, JPMS assists the client in selecting an investment strategy and a portfolio manager. JPMS (not JPMPI) is responsible for determining whether the Advisory Program, particular investment strategies, and particular portfolio managers are suitable for a particular client.

JPMS requires clients to open a separate account for each investment strategy selected. Clients that wish to pursue multiple investment strategies as part of their overall strategy must open a separate Advisory Program account for each investment strategy. In managing a Select Advisory Strategy, JPMPI will not consider any assets owned by the client outside of that particular Select Advisory Strategy, including any assets held in other Advisory Program accounts.

JPMS will ordinarily provide clearing, settlement, and custodial services with respect to transactions and assets in Advisory Program accounts, including the Select Advisory Strategies.

In addition to the portfolio management of the Select Advisory Strategies, JPMS has separately engaged JPMPI to provide manager research services to JPMS with respect to the PMP strategies, which include unaffiliated and certain affiliated portfolio managers, that JPMS offers through the Advisory Program. JPMPI performs these manager research services for JPMS, and not for any individual client in a PMP strategy. JPMPI is not responsible for any portfolio management or trading in client accounts in the PMP strategies.

For more information about the Advisory Program, including the PMP strategies, please see the JPMS Form ADV, Part 2A Appendix 1 Advisory Program Brochure.

### **Portfolio Management of the Select Advisory Strategies**

JPMS has determined to include certain strategies managed by JPMPI in the Advisory Program; collectively these comprise the Select Advisory Strategies. JPMPI provides discretionary investment management services to those clients in the Advisory Program who select one or more Select Advisory Strategies.

There are two types of Select Advisory Strategies: (1) single-manager strategies (the “Single-Manager Select Advisory Strategies”) for which JPMPI seeks to invest in individual securities; and (2) multi-manager strategies (the “Multi-Manager Select Advisory Strategies”) for which JPMPI seeks to invest in one or more open-end mutual funds and exchange-traded funds (“ETFs”) available

through JPMS (collectively, “Funds”), and/or in individual securities following one or more model portfolios provided by affiliated and/or unaffiliated investment advisers (the “Model Managers”). With respect to Model Managers that are SEC-registered investment advisers, the Form ADV, Part 2A for each Model Manager selected for a client’s Multi-Manager Select Advisory Strategy account is available at the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

JPMPI, as portfolio manager of the Select Advisory Strategies, is responsible for securities selection (including selecting Funds and Model Managers for investment by certain Multi-Manager Select Advisory Strategy accounts) and determining portfolio construction. JPMPI is also responsible for evaluating the Select Advisory Strategies on an ongoing basis, as described below in Item 8. Funds available in the Multi-Manager Select Advisory Strategies include both Funds sponsored or managed by J.P. Morgan affiliates (the “J.P. Morgan Funds”), including JPMIM, and Funds managed by third-party asset managers (the “non-J.P. Morgan Funds”). In addition, unaffiliated and affiliated Model Managers may be evaluated and selected for Multi-Manager Select Advisory Strategy accounts. See “Use of J.P. Morgan Funds and Model Managers and Potential Conflicts of Interest” below for more information on the use of J.P. Morgan Funds and affiliated Model Managers in the Multi-Manager Select Advisory Strategies portfolios.

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

Clients may place reasonable restrictions on the purchase or sale of certain securities for their Select Advisory Strategy accounts, subject to JPMPI’s acceptance. JPMPI may reject a restriction or the account if it deems the restriction to be unreasonable. Any restrictions on the management of a Select Advisory Strategy account may cause the account to perform differently than similar unrestricted accounts. JPMPI is only responsible for implementing client-imposed restrictions in the Select Advisory Strategies, not in any PMP strategies. For more information, please see the JPMS Form ADV, Part 2A Appendix 1 Advisory Program Brochure.

**D. Wrap Fee Programs**

JPMPI’s investment advisory services are available to clients through the Select Advisory Strategies available in the Advisory Program, a “wrap fee” program sponsored by JPMS. A wrap fee program generally is an investment advisory program under which a client pays a single, all-inclusive (or “wrap” or “bundled”) fee to an adviser (here, JPMS) for investment advisory services, custody and reporting services, and the execution of client transactions.

JPMS has primary responsibility for client communications and services; arranging for payment of JPMPI’s advisory fees on behalf of the client; monitoring and evaluating JPMPI’s investment advisory services; executing trades placed with JPMS; and providing custodial services for the client’s assets, in exchange for a single fee paid by the client to JPMS. For more information, please see the JPMS Form ADV, Part 2A Appendix 1 Advisory Program Brochure.

**March 31, 2017**

JPMPI, as the portfolio manager of the Select Advisory Strategies, is responsible for making investment decisions regarding the selection of investments and the total amount of securities bought and sold for Select Advisory Strategy accounts, and may do so without consultation with clients. However, clients may place reasonable restrictions on the purchase or sale of certain securities for their accounts, subject to JPMPI's acceptance, as discussed in Item 4.C above. JPMPI may delegate to JPMIM certain portfolio implementation services for the Select Advisory Strategy accounts that JPMPI manages. Clients generally authorize and direct JPMPI to effect transactions for the account(s) directly through JPMS, subject to JPMPI's duty to seek best execution.

The same JPMPI personnel who manage Select Advisory Strategies also manage other accounts for JPMPI and for affiliates of JPMPI, including JPMCB. Some of these other accounts have the same or substantially similar investment objectives, and follow similar strategies to those used by, the Select Advisory Strategies ("Similar Accounts"). For example, certain Select Advisory Strategies might be made available by JPMCB, and the FDG and FTE strategies available through the Advisory Program are also available through STRATIS. Select Advisory Strategy accounts in the Advisory Program may not be handled identically to Similar Accounts. Transactions may be implemented in Similar Accounts on behalf of clients of JPMPI or JPMCB, but that may not actually be implemented in the Select Advisory Strategy accounts in the Advisory Program. JPMPI and/or its affiliates may receive more compensation with respect to Similar Accounts than it or its affiliates receive from Select Advisory Strategy accounts. This may create a potential conflict of interest for JPMPI and its affiliates or the portfolio managers by providing an incentive to favor these Similar Accounts when, for example, placing securities transactions. In addition, JPMPI or its affiliates has a conflict of interest to the extent that JPMPI or an affiliate has a proprietary investment in Similar Accounts, the portfolio managers have personal investments in Similar Accounts, or the Similar Accounts are investment options in JPMPI's or its affiliates' employee benefit plans.

See Items 10 and 11 for more information on material conflicts of interest relating to JPMPI's advisory services.

**E. Assets Under Management**

JPMPI provides discretionary investment management services to those clients in the Advisory Program who select one or more Select Advisory Strategies. As of December 31, 2016, JPMPI managed approximately \$68.4 million of assets in the Select Advisory Strategies on a discretionary basis.

Outside of the Select Advisory Strategies, as of December 31, 2016, JPMPI managed approximately \$59.7 billion in assets on a discretionary basis and approximately \$14.9 billion in assets on a non-discretionary basis.

## **ITEM 5 - Fees and Compensation**

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

JPMS charges to clients and pays to JPMPI a product fee for the discretionary investment management services JPMPI provides in the Single-Manager Select Advisory Strategies, which is either 0.45% or 0.65% annually depending on the Single-Manager Select Advisory Strategy selected. Clients do not pay a separate product fee to JPMPI for the Multi-Manager Select Advisory Strategies, but will incur a separate fee for Model Managers in the portfolios of the selected Multi-Manager Select Advisory Strategy.

JPMS also pays to JPMPI a share of the JPMS advisory fee, equal to 0.20% of the total assets in the Advisory Program, in return for certain investment advisory, portfolio management, manager research, and execution services JPMPI performs for the Advisory Program. For qualified retirement accounts where product fees to affiliates are waived, JPMS may share with JPMPI a portion of the advisory fees it receives for the account.

Please see the JPMS Form ADV, Part 2A Appendix 1 Advisory Program Brochure for additional information.

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

JPMS deducts fees for the Advisory Program from client accounts monthly in arrears based upon the market value of all assets held in the Advisory Program account (including cash) on the last business day of the prior month.

Please see the JPMS Form ADV, Part 2A Appendix 1 Advisory Program Brochure for additional information.

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

The wrap fee clients pay to JPMS does not include internal Fund fees and expenses, transfer taxes, electronic fund and wire fees, individual retirement account ("IRA") and retirement plan account fees, margin interest, American depositary receipt ("ADR") related fees, or any other fees that would reasonably be assessed to a brokerage account. In addition, the wrap fee paid to JPMS does not cover certain costs or charges that may be imposed by JPMS or third parties, including margin interest, costs associated with exchanging foreign currencies, borrowing fees on short sales, odd-lot differentials, activity assessment fees, transfer taxes, exchange fees, wire transfer fees, postage fees, auction fees, foreign clearing, settlement and custodial fees, and other fees or taxes required by law. Further, the wrap fee does not cover "dealer spreads" that JPMS or its affiliates or other broker-dealers may receive when acting as principal in certain transactions.



Funds pay fees and expenses that are ultimately borne by clients (including but not limited to management fees, brokerage costs, and administration and custody fees). Clients should review the applicable prospectuses for Funds in the Select Advisory Strategies for additional information about these fees and expenses. These fees are in addition to any fees paid to JPMS as the sponsor of the Advisory Program and any fees received by JPMPI for acting as manager of the Select Advisory Strategies. In addition, JPMS and its affiliates collectively receive greater revenue if J.P. Morgan Funds or affiliated Model Managers are included in the Select Advisory Strategies, and therefore, JPMS and JPMPI have a conflict of interest in including J.P. Morgan Funds or affiliated Model Managers in the Select Advisory Strategies. See “Use of J.P. Morgan Funds and Model Managers and Potential Conflicts of Interest” below for more information on the use of J.P. Morgan Funds and affiliated Model Managers.

In managing the Select Advisory Strategies available through the Advisory Program, JPMPI will generally place orders for client accounts with JPMS for execution because the wrap fee paid by each client includes commissions and certain transaction charges on trades executed through JPMS. JPMPI may execute trades through a broker-dealer other than JPMS (including in transactions referred to as “step-out” transactions) when JPMPI reasonably believes doing so will allow it to seek best execution. This can include, for example, situations where JPMPI believes that any added transaction or other charges of trading through another broker-dealer can be offset by a more favorable execution offered by that broker-dealer. If JPMPI places orders with a broker-dealer other than JPMS, the client generally will incur any transaction and other charges, including, for example, commissions, markups, and markdowns, charged by that broker-dealer, which are in addition to the wrap fee paid to JPMS.

There are no additional fees and expenses payable to JPMPI with respect to the Advisory Program. Please see the JPMS Form ADV, Part 2A Appendix 1 Advisory Program Brochure for additional information.

**D. Prepayment of Fees**

See Item 5.B.

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

Neither JPMPI nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of Funds, in the Advisory Program.

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

JPMPI manages accounts that are charged both asset-based fees and performance-based fees. JPMPI also manages accounts that are charged only asset-based fees (including the Select Advisory Strategy accounts, which are not charged any performance-based fees). JPMPI from time to time utilizes substantially similar investment strategies and invests in substantially similar assets for both account

types. This portfolio management relationship is often referred to as “side-by-side management.” Accounts that pay performance-based fees reward JPMPI based on the performance in those accounts. As a result, performance-based fee arrangements likely provide a heightened incentive for JPMPI to make investments that present a greater potential for return but also a greater risk of loss and that may be more speculative than if only asset-based fees were applied. On the other hand, JPMPI will likely have an interest in engaging in comparatively safer investments when managing accounts that pay only asset-based fees. The side-by-side management of accounts that pay performance-based fees and accounts that pay only asset-based fees creates a conflict of interest because there is an incentive for the portfolio manager to favor accounts with the potential to pay JPMPI greater fees. For example, JPMPI will be faced with a conflict of interest when allocating scarce investment opportunities given the possibility of greater fees from accounts that pay performance-based fees as opposed to accounts that do not pay performance-based fees.

JPMPI believes that such conflicts of interest are mitigated because the type of advice JPMPI provides to accounts that are charged performance-based fees is different from the advice JPMPI provides to accounts in the Select Advisory Strategies. Select Advisory Strategy accounts are invested predominantly in traditional asset classes through Funds or individual securities, while JPMPI clients who are charged performance-based fees invest predominantly in alternative strategies and generally do not invest in Funds or individual securities. JPMPI believes that conflicts are also mitigated because JPMPI generally does not allocate the same securities between its performance fee-paying clients, on the one hand, and Select Advisory Strategy clients, on the other hand. JPMPI also has policies and procedures designed to manage conflicts and, to the extent practicable, to allocate, within its reasonable discretion, investment opportunities among clients over a period of time on a fair and equitable basis, and monitors a variety of areas, including compliance with account guidelines, reviews of allocation decisions, and compliance with JPMPI’s Code of Ethics (the “Code of Ethics”) and the J.P. Morgan Code of Conduct (the “Code of Conduct”).

## **ITEM 7 - Types of Clients**

JPMS offers the Advisory Program to individuals, trusts, estates, charitable organizations, corporations and other business entities, and certain types of retirement accounts. The Advisory Program is not available to qualified retirement plans subject to the Employee Retirement Income Security Act of 1974. Clients invested in the Advisory Program must have a brokerage account with JPMS. The minimum amount of assets required to open an account in the Select Advisory Strategies available through the Advisory Program is typically \$100,000 per account, although JPMS may, in its discretion, waive or reduce the minimum account opening size for certain clients or accounts. For more information, please see the JPMS Form ADV, Part 2A Appendix 1 Advisory Program Brochure.

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

### **A. Method of Analysis and Investment Strategies**

JPMPI utilizes different methods of analysis that are tailored for each of the Select Advisory Strategies available in the Advisory Program. Set forth below are general descriptions of the Select Advisory Strategies available in the Advisory Program and the primary methods of analysis that JPMPI utilizes for the Select Advisory Strategies. These descriptions are not intended to serve as Fund, Model Manager, or account guidelines, and are not generally intended to provide a complete investment program for a client. Neither JPMS, JPMPI, nor the Manager Selection Team (the “Manager Selection Team”) can ensure that a given Select Advisory Strategy’s investment objective will be attained.

The descriptions of the Select Advisory Strategies below are: (1) with respect to investments in Funds, qualified in their entirety by the information included in the applicable Fund’s prospectus or other relevant offering documentation, and (2) with respect to investments in individual securities through a Model Manager that is an SEC-registered investment adviser, qualified in their entirety by the information included in the applicable Model Manager’s Form ADV, Part 2A, which is available at the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). In addition, set forth below is a general description of the primary method of analysis that the Manager Selection Team uses to perform manager research services regarding the PMP strategies in the Advisory Program.

Neither JPMS, JPMPI, nor the Manager Selection Team is responsible for the performance of any Fund (including any J.P. Morgan Fund), any Model Manager (including any affiliated Model Manager), or any PMP strategy, or for any Fund’s, Model Manager’s, or PMP strategy’s compliance with its prospectus, disclosures, laws or regulations, or other matters within the Fund’s, Model Manager’s or PMP strategy’s control. Each Fund’s adviser is solely responsible for the management of the Fund.

This Item 8 includes a discussion of the primary risks associated with (1) JPMPI’s management of the Select Advisory Strategies and (2) the manager research services JPMPI performs for JPMS regarding the PMP strategies that are offered through the Advisory Program. However, it is not possible to identify all of the risks associated with investing. The particular risks applicable to a client account will depend on the nature of the account, its investment strategy or strategies, and the types of securities held.

While JPMPI seeks to manage the Select Advisory Strategy accounts so that risks are appropriate to the Select Advisory Strategy, it is often not possible or desirable to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. Clients should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses. Clients should read carefully all applicable

informational materials and governing documents prior to selecting a Select Advisory Strategy. See Item 8.B for additional information regarding investment risks.

**Investing in securities involves risk of loss that clients should be prepared to bear. The investment performance and success of any particular investment cannot be predicted or guaranteed, and the value of a client's investments will fluctuate due to market conditions and other factors. Investments are subject to various risks, including but not limited to market, liquidity, currency, economic, and political risks, and will not necessarily be profitable. Past performance of investments is not indicative of future performance.**

### **Description of Select Advisory Strategies**

JPMPI provides discretionary investment management services to those clients in the Advisory Program who select one or more of the Select Advisory Strategies. The Select Advisory Strategies seek to address specific investment objectives, provide exposure to targeted asset classes, capture timely market opportunities, and/or address specific client objectives through actively managed portfolios. Portfolio managers construct portfolios to implement investment views within the Select Advisory Strategy's guidelines and consistent with its investment objectives. Portfolio managers may seek to determine their initial and ongoing portfolio positioning at an asset class, sub-asset class, sector, or sub-sector level, in order to capture opportunities or limit risks while managing the portfolio within respective guidelines.

Portfolio managers identify specific securities and investment vehicles to use within a Select Advisory Strategy that reflect the portfolio manager's investment view within the Select Advisory Strategy's investment guidelines and portfolio objectives. In making investment decisions with respect to the Multi-Manager Select Advisory Strategies, portfolio managers are only permitted to use approved investment vehicles. An internal governance forum provides ongoing oversight of the Select Advisory Strategies to review compliance with strategy-specific guidelines and metrics.

Portfolio managers may select individual securities and Funds. The Funds may include Liquid Alternative Funds, which are mutual funds that may hold more non-traditional investments and employ more complex strategies than traditional mutual funds. See Item 8.B below for more information about relevant risks of these investments.

### ***Single-Manager Select Advisory Strategies***

The Single-Manager Select Advisory Strategies available in the Advisory Program include the following strategies:

- The Consumer Recovery Strategy expects to invest in companies listed in the United States in the form of equity securities or ADRs across all market capitalizations. The strategy seeks to deliver total returns in excess of the benchmark over the medium term. (The benchmark

consists of the S&P 500 Consumer Staples Index and the S&P 500 Consumer Discretionary Index, with each Index comprising 50% of the benchmark.)

- The Digital Evolution Strategy aims to achieve capital appreciation by investing in equity securities and depositary receipts of companies focusing on or benefiting from the development of technology related products, services and processes that enhance mobility and connectivity. The strategy expects to invest in companies across all market capitalizations with a preference toward medium and large capitalizations. The strategy seeks to deliver long-term total returns in excess of the benchmark (the S&P Technology Select Sector Index) over a full market cycle.
- FDG seeks to allocate to concentrated equity investments expected to produce current income and capital gains over a longer-term horizon.
- FTE seeks to provide a concentrated, all-cap opportunistic strategy that invests in equities trading at compelling valuations versus historical averages, peer universe, and potential earnings power.

### ***Multi-Manager Select Advisory Strategies***

The Multi-Manager Select Advisory Strategies available in the Advisory Program include the following strategies:

- The Dynamic Yield Strategy seeks to allocate to a blend of relatively low correlated liquid investments expected to benefit in both a stable and a rising U.S. interest rate environment, with an accompanying focus on current yield.
- The Emerging Markets Growth and Income Strategy seeks to allocate to a blend of liquid investments that offer attractive emerging market returns while balancing risk across a broad spectrum of investments.
- The Global Opportunistic Equity Strategy seeks to allocate to a blend of Funds, individual securities, and cash that represent a concentrated, flexible, and dynamic tactical allocation across a collection of thematic ideas. The strategy will seek to outperform the MSCI All-Country World Index over a full market cycle while balancing risk across geographic regions, market capitalization, and industry sectors.
- The U.S. Energy and Industrial Renaissance Strategy seeks to provide an opportunistic, all-capitalization strategy that invests in companies that should benefit from their involvement in North American energy production or from the ability to take advantage of affordable energy prices (example: natural gas) for the purpose of production and profit within the United States.

**JPMPI's Managed Strategy Selection Process for the Multi-Manager Select Advisory Strategies**

JPMPI, as portfolio manager of the Multi-Manager Select Advisory Strategies, is responsible for portfolio construction, including selecting Funds and Model Managers for these Strategies. JPMPI's process for selecting Funds and Model Managers as available for portfolio managers of the Multi-Manager Select Advisory Strategies is described below. See "Use of J.P. Morgan Funds and Model Managers and Potential Conflicts of Interest" below for important information on the use of J.P. Morgan Funds and affiliated Model Managers.

***Research Process***

JPMPI uses research from its Manager Selection Team to research, select, and monitor Funds and Model Managers. The Manager Selection Team is responsible for researching and selecting Funds and Model Managers, and for subjecting them to a review process. The Manager Selection Team will begin the search process by defining an applicable universe of managed strategies, which typically will include J.P. Morgan managed strategies when there is one in the desired asset class. The Manager Selection Team utilizes both quantitative and qualitative assessments during its initial review process. The Manager Selection Team then recommends particular Funds and Model Managers to an internal governance forum, which is responsible for approving or rejecting them. The Manager Selection Team is also responsible for monitoring and re-evaluating approved Funds and Model Managers as part of its ongoing review process. The Manager Selection Team and internal governance forum perform substantially similar services for other clients of JPMPI and its affiliates.

***Strategy Approval***

The internal governance forum approves or rejects new affiliated and unaffiliated Funds and Model Managers to be made available for JPMPI to use in the Multi-Manager Select Advisory Strategies. There may be Funds or Model Managers that are not available in Multi-Manager Select Advisory Strategies, but that are available in other programs advised by JPMPI or its affiliates. The Manager Selection Team provides a formal presentation on prospective managed strategies to the governance forum for review. The internal governance forum is expected to consider the same factors in its review and approval process for J.P. Morgan and non-J.P. Morgan managed strategies. These factors include, but are not limited to: (a) an analysis of the manager's overall investment opportunity; (b) investment thesis; (c) track record; (d) performance; (e) terms of the vehicle; (f) reputational risk; (g) potential for conflicts of interest; and (h) regulatory issues.

***Portfolio Construction***

From the pool of strategies, JPMPI selects the combination of Funds and Model Managers that, in its view, fit each Multi-Manager Select Advisory Strategy's asset allocation goals and JPMPI's forward looking views in an effort to best meet the Multi-Manager Select Advisory Strategy's investment objectives. JPMPI may also consider other factors, including but not limited to: (a) manager capacity,

(b) investment guidelines, and/or (c) portfolio-specific constraints. In making portfolio construction decisions, JPMPI will consider and is permitted to prefer J.P. Morgan Funds and affiliated Model Managers.

### ***Ongoing Review of Approved Strategies***

Another internal governance forum is responsible for making decisions to maintain Funds and Model Managers as approved and available for use in the Multi-Manager Select Advisory Strategies, place them on probation, or terminate them as part of its ongoing monitoring and oversight responsibilities. The factors considered by the forum are expected to be the same for J.P. Morgan and non-J.P. Morgan managed strategies, and include, but are not limited to: (a) changes in the portfolio management team; (b) significant underperformance; (c) discovery of material operational risks; (d) changes in investment thesis; (e) terms of the vehicle; (f) reputational risk; (g) potential for conflicts of interest; and (h) regulatory issues.

JPMPI also may, for portfolio construction reasons, remove a Fund or Model Manager from use in a Multi-Manager Select Advisory Strategy.

A Fund or Model Manager that is on probation may be held in a Multi-Manager Select Advisory Strategy account, but generally JPMPI may not direct new purchases until the Fund or Model Manager is removed from probation. During the probation period, the Manager Selection Team will continue to review the Fund or Model Manager. Generally, a Fund or Model Manager that is terminated will be sold in a Multi-Manager Select Advisory Strategy account, and JPMPI will not direct new purchases of that Fund or Model Manager.

If JPMPI removes a Fund or Model Manager from use in a Multi-Manager Select Advisory Strategy, the assets held in Multi-Manager Select Advisory Strategy accounts will be sold and replaced with another Fund or Model Manager that is approved for use in a Multi-Manager Select Advisory Strategy. When evaluating a replacement Fund or Model Manager, JPMPI is expected to consider the same factors described above.

If a Model Manager is terminated, JPMPI will determine whether to re-invest Multi-Manager Select Advisory Strategy account assets in a replacement Fund or Model Manager, and JPMPI will determine the specific Fund or Model Manager in which to re-invest the assets, using the factors described above.

### **JPMPI Review Process for its Select Advisory Strategies**

The Select Advisory Strategies are subject to an initial and ongoing internal review process by JPMPI. This is different from the review process applied by JPMPI to the PMP strategies described below, and does not involve the Manager Selection Team, or follow the same governance procedure for placing a strategy on probation or terminating ongoing monitoring and oversight responsibilities for a

strategy. However, JPMPI does have a process for taking action on the Select Advisory Strategies if warranted as a result of its ongoing internal review process.

### **JPMPI Manager Research Services on PMP Strategies**

In addition to the portfolio management of the Select Advisory Strategies, JPMS has separately engaged JPMPI to perform manager research services regarding the PMP strategies for potential inclusion in the Advisory Program. The manager research services that JPMPI performs for JPMS include: (1) recommending PMP strategies to JPMS for potential inclusion in the Advisory Program; (2) ongoing review of the PMP strategies selected by JPMS; and (3) recommending that PMP strategies selected by JPMS be placed on probation or removed from the Advisory Program. The PMP strategies are managed by affiliated portfolio managers, including JPMIM, and unaffiliated portfolio managers. JPMPI uses its Manager Selection Team to provide the manager research services and make recommendations to JPMS. In providing the manager research services, JPMPI expects to generally follow a similar process to the one described above under “Research Process,” “Strategy Approval,” and “Ongoing Review.”

The manager research services JPMPI provides to JPMS for the PMP strategies are not advisory services provided by JPMPI to or tailored to clients of the Advisory Program. JPMS (not JPMPI) is solely responsible for selecting the PMP strategies to be made available in the Advisory Program, based upon the information and recommendations provided by the Manager Selection Team and such other information and resources that JPMS deems appropriate.

JPMPI does not have the authority to place a PMP strategy on probation or to terminate it from the Advisory Program. Rather, when the Manager Selection Team’s monitoring process uncovers a concern, it may recommend that JPMS place the PMP strategy on probation or terminate it from the Advisory Program. JPMS (not JPMPI) is solely responsible for determining whether to place a PMP strategy on probation or to terminate one from the Advisory Program. JPMPI may, however, terminate its manager research services on a particular PMP strategy at any time.

JPMS provides clients the Form ADV, Part 2A and Part 2B (or an equivalent disclosure document) for the portfolio manager(s) of each PMP strategy clients select for their Advisory Program accounts.

### **Use of J.P. Morgan Funds and Model Managers and Potential Conflicts of Interest in the Multi-Manager Select Advisory Strategies**

Conflicts of interest will arise whenever J.P. Morgan has an actual or perceived economic or other incentive in its management of our client’s accounts to act in a way that benefits J.P. Morgan. Conflicts will result, for example (to the extent the following activities are permitted in a client’s account): (1) when J.P. Morgan invests in an investment product, such as a mutual fund, structured product, separately managed account or hedge fund issued or managed by a J.P. Morgan affiliate, such as JPMIM; (2) when a J.P. Morgan entity obtains services, including trade execution and trade clearing, from a J.P. Morgan affiliate; (3) when J.P. Morgan receives payment as a result of



purchasing an investment product for a client's account; or (4) when J.P. Morgan receives payment for providing services (including shareholder servicing, recordkeeping, or custody) with respect to investment products purchased for a client's account. Other conflicts will result because of relationships that J.P. Morgan has with other clients or when J.P. Morgan acts for its own account.

Investment strategies are selected from both J.P. Morgan and third-party asset managers and are subject to a review process by J.P. Morgan manager research teams. From this pool of strategies, J.P. Morgan portfolio construction teams select those strategies J.P. Morgan believes fit its asset allocation goals and forward looking views in order to meet the investment strategy's investment objective.

As a general matter, J.P. Morgan prefers J.P. Morgan managed strategies. The proportion of J.P. Morgan managed strategies in Select Advisory Strategy portfolios will be high (in fact, up to 100 percent) in strategies such as, for example, cash and high-quality fixed income, subject to applicable law and any account-specific considerations.

While J.P. Morgan's internally managed strategies generally align well with J.P. Morgan's forward looking views, and J.P. Morgan is familiar with the investment processes as well as the risk and compliance philosophy of the firm, it is important to note that J.P. Morgan receives more overall fees when internally managed strategies are included.

When J.P. Morgan selects J.P. Morgan Funds for a client's account, J.P. Morgan may receive a fee for managing the J.P. Morgan Funds. As such, J.P. Morgan will receive more total revenue when a client's account is invested in J.P. Morgan Funds than when it is invested in third party funds.

All Funds have various internal fees and other expenses that are paid by managers or issuers of the Funds or by the Funds themselves, but that ultimately are borne by the investor. These fees and expenses are in addition to any fees paid to JPMS or received by JPMPI for acting as portfolio manager in the Select Advisory Strategies. J.P. Morgan may receive administrative and servicing fees for providing services to both affiliated and unaffiliated Funds that are held in a client's account. Clients should review the applicable prospectuses for Funds in the Select Advisory Strategies for more information about these fees and expenses. These payments may be made by sponsors of the Funds (including affiliates of J.P. Morgan) but not the Funds themselves, and may be based on the value of the Funds in the client's account. Funds or their sponsors may have other business relationships with J.P. Morgan outside of its portfolio management role or with its broker-dealer affiliates, which may provide brokerage or other services that pay commissions, fees, and other compensation.

With respect to Model Managers, when an affiliate serves as Model Manager, there is a benefit to J.P. Morgan since it increases the overall revenue of J.P. Morgan. Additionally, both affiliated and unaffiliated Model Managers may invest in products that may result in additional revenue to J.P. Morgan.

If a Select Advisory Strategy account owned by an IRA, or other client that is a qualified retirement plan subject to the prohibited transaction provisions of Section 4975 of the Internal Revenue Code of 1986 (the “IRC”), holds any J.P. Morgan Funds, JPMS has agreed to credit, and is responsible for crediting, the actual amount of the J.P. Morgan Funds’ advisory fees associated with those account assets against the account fee, as described in the JPMS Form ADV, Part 2A Appendix 1 Advisory Program Brochure.

JPMPI may allocate a significant portion of the assets in a Multi-Manager Select Advisory Strategy to J.P. Morgan Funds. That portion varies depending on market or other conditions.

### **Potential Conflicts of Interest in the Research and Review of the Select Advisory Strategies and PMP Strategies**

For the Advisory Program, JPMPI may recommend to JPMS strategies managed by JPMPI, JPMIM, or unaffiliated third parties. JPMPI has an incentive to recommend the JPMPI and JPMIM-managed strategies to JPMS because J.P. Morgan receives more overall revenue when these strategies are chosen by clients. Similarly, with respect to manager termination, JPMPI has a greater incentive to recommend that JPMS terminate unaffiliated third-party managers from the Advisory Program, particularly where the manager’s strategy is similar to one offered by JPMPI or JPMIM.

In addition, with respect to the JPMPI-managed strategies (i.e., the Select Advisory Strategies), the internal review process that JPMPI follows in recommending a manager to JPMS does not include a process to identify an applicable universe of managed strategies. As a result, there may be one or more strategies managed by affiliates or third parties that may outperform the Select Advisory Strategies made available to Advisory Program clients.

### **Investment Advisory Services for Other Clients**

Additional information about the services JPMPI provides to its other clients is described in separate brochures, which are available from JPMS upon request or at the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

The Select Advisory Strategies in which clients may invest generally will invest in Funds and individual securities. Please refer to a Fund’s prospectus or other relevant offering materials for a more detailed discussion of risks.

Set forth below are some of the material risk factors that are often associated with the investment strategies and types of investments relevant to the Select Advisory Strategies. The information included below does not identify every potential risk associated with each Select Advisory Strategy. Clients are urged to ask JPMS questions regarding risk factors applicable to a particular strategy or

investment product, read all product-specific risk disclosures, and determine whether a particular Select Advisory Strategy is suitable for their account in light of their specific circumstances, investment objectives, and financial situation.

### **General Economic Conditions; Highly Volatile Markets**

Various sectors of the global financial markets continue to experience an extended period of adverse conditions following serious disruptions in the U.S. residential mortgage market. These conditions have resulted in reduced liquidity, greater volatility, general widening of credit spreads, and a lack of price transparency in some markets.

### **Equity Investments**

The prices 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. When the value of a portfolio of securities goes down, your investment decreases in value.

### **Fixed Income Investments**

Although fixed income investments are perceived to be conservative investments and more predictable than stocks, they are not without risk. Below are some of the major risks associated with the fixed income instruments that may be purchased in the Select Advisory Strategies. Many of the risks in fixed income securities apply to other investments as well. For instance, inflation risk (the risk that returns will not keep pace with inflation) affects every investment. Foreign investments also contain currency risk (the risk that currency exchange rate fluctuations may reduce gains or increase losses on foreign investments). Exchange rate volatility also may affect the ability of an issuer to repay its foreign currency denominated debt, thereby increasing credit risk.

#### ***Credit Risk***

Credit risk is the risk that the issuer of a security, or the counterparty to a contract, may not honor its obligation to pay principal or interest, resulting in a loss to the investor. However, losses may occur in a fixed income portfolio invested in securities of good credit quality if the portfolio is actively traded.

#### ***Liquidity Risk***

There may be no market for a fixed income instrument, and the holder may not be able to sell the security at the desired time or price. Even when a market exists, there may be a substantial difference between the secondary market bid and ask prices for a fixed income instrument.

***Credit Spread Risk***

Credit spread risk is the risk that a change in credit spreads will adversely affect the value of an investment. Even when a market exists, there may be a substantial credit spread, that is, the difference between the secondary market bid and ask prices for a fixed income instrument. The value of fixed income instruments generally moves in the opposite direction of credit spreads. Values decrease when credit spreads widen and increase when credit spreads narrow.

***Interest Rate (Duration) Risk***

Changes in interest rates also affect the value of a fixed income instrument. The value of fixed income securities generally moves in the opposite direction of interest rates. Values decrease when interest rates rise and increase when interest rates fall.

***Call Risk***

Declining interest rates may cause issuers to call their bonds in order to sell new bonds paying lower interest rates. The bond's principal is repaid early, but the investor is left unable to find a similar bond with as attractive a yield.

***Reinvestment Risk***

Investors in callable bonds may not receive the bond's original coupon rate for the entire term of the bond, and they may be unable to find an equivalent investment paying rates as high as the original rate. In addition, once the call date has been reached, the stream of a callable bond's interest payments is uncertain and any appreciation in the market value of the bond may not rise above the call price.

***Prepayment and Extension Risk***

Callable bonds and asset-backed securities (a pool of fixed-income securities backed by a package of assets, including, but not limited to, mortgages, automobile loans, or credit card receivables) are also subject to prepayment and extension risk. A decline in interest rates and other factors may result in unexpected prepayment of the underlying obligations, possibly causing a decline in the value of the investment and reinvestment at lower interest rates. An increase in interest rates and other factors may extend the life of such a security because the prepayments do not occur as expected, possibly causing a decline in the value of the investment.

***Government Securities Risk***

Although U.S. government securities issued directly by the U.S. government are guaranteed by the U.S. Treasury, other U.S. government securities issued by an agency of the U.S. government may not carry such a guaranty. The U.S. government may not provide financial support to its agencies if not

required to do so by law. Similar risks apply to securities issued by state government agencies and municipalities.

### **Foreign Investments**

Advisory Program accounts may invest in foreign countries, some of which may prove to be unstable. With any investment in a foreign country, there exists risks relating to: adverse political developments, including nationalization; confiscation without fair compensation or war; fluctuation in currency exchange rates that may affect the value of investments in foreign securities or other assets; restrictions imposed to prevent capital flight that may make it difficult or impossible to exchange or repatriate foreign currency; the laws and regulations of foreign countries, which may impose restrictions that would not exist in the U.S. and may require financing and structuring alternatives that differ significantly from those customarily used in the U.S.; and the imposition by foreign countries of taxes on an account. Certain of the investments in a strategy or a Fund may be in currencies other than U.S. dollars. Accordingly, adverse exchange rate fluctuations may cause the value of the investments of an account to diminish.

### **ETFs and Index Mutual Funds**

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

Physical replication and synthetic replication are two of the most common structures used in the construction of ETFs and index mutual funds. Physically replicated ETFs and index mutual funds buy all or a representative portion of the underlying securities in the index that they track. In contrast, some ETFs and index mutual funds do not purchase the underlying assets but gain exposure to them by using swaps or other derivative instruments.

In addition to the general risks of investing in mutual funds, there are specific risks to consider with respect to an investment in these passive investment vehicles. ETF and index mutual fund performance may differ from the performance of the applicable index for a variety of reasons. For example, ETFs and index mutual funds incur operating expenses and portfolio transaction costs not incurred by the benchmark index, may not be fully invested in the securities of their indices at all times, or may hold securities not included in their indices. In addition, corporate actions with respect to the equity securities underlying ETFs and index mutual funds (such as mergers and spin-offs) may impact the variance between the performances of the funds and applicable indices. Passive investing differs from active investing in that managers are not seeking to outperform their benchmark. As a result, managers may hold securities that are components of their underlying index, regardless of the current or projected performance of the specific security or market sector. Passive managers do not

attempt to take defensive positions based upon market conditions, including declining markets. This approach could cause a passive vehicle's performance to be lower than if it employed an active strategy.

With respect to ETFs, shares are bought and sold in the secondary market at market prices. Although ETFs are required to calculate their net asset values ("NAV") on a daily basis, at times the market price of an ETF's shares may be more than the NAV (trading at a premium) or less than the NAV (trading at a discount). Given the differing nature of the relevant secondary markets for ETFs, certain ETFs may trade at a larger premium or discount to NAV than shares of other ETFs depending on the markets where such ETFs are traded. The risk of deviation from NAV for ETFs generally is heightened in times of market volatility or periods of steep market declines. For example, during periods of market volatility, securities underlying ETFs may be unavailable in the secondary market, market participants may be unable to calculate accurately the NAV per share of such ETFs and the liquidity of such ETFs may be adversely affected. This kind of market volatility may also disrupt the ability of market participants to create and redeem shares in ETFs. Further, market volatility may adversely affect, sometimes materially, the prices at which market participants are willing to buy and sell shares of ETFs. As a result, under these circumstances, the market value of shares of an ETF may vary substantially from the NAV per share of such ETF, and the client may incur significant losses from the sale of ETF shares.

### **Liquid Alternative Funds**

Liquid Alternative Funds typically may invest in assets such as global real estate, commodities, derivatives, leveraged loans, start-up companies, and unlisted securities that offer exposure beyond traditional stocks, bonds, and cash. These funds may provide a source of returns with a low correlation with the performance of traditional asset classes, such as equities and bonds.

Hedge funds often engage in leveraging, short selling, derivatives, and other speculative investment practices that may increase the risk of a complete loss of a client's investment. Hedge funds often charge performance fees in addition to management fees.

Liquid Alternative Funds utilize strategies similar to hedge funds, but are subject to regulatory limits on illiquid investments, leveraging, and amounts that may be invested in any one issuer. However, Liquid Alternative Funds may trade more frequently than traditional mutual funds and generally will hold more non-traditional investments and will employ more complex trading strategies than traditional mutual funds. Liquid Alternative Funds may have higher total expense ratios compared to traditional mutual funds plus higher annual operating expenses. Higher fees will negatively impact performance compared to traditional mutual funds. Unlike hedge funds, Liquid Alternative Funds generally cannot charge performance fees in addition to management fees. Liquid Alternative Funds also offer daily liquidity. Although Liquid Alternative Funds can offer diversification within a relatively liquid and accessible structure, they may not have the same type of returns as other alternative investments. The risk characteristics of Liquid Alternative Funds can be similar to those

generally associated with other alternative investments and are further described in the prospectus. In addition to the usual market and investment-specific risks of traditional mutual funds, Liquid Alternative Funds may carry additional risks based on the strategies they use and the underlying investments made by the Liquid Alternative Funds. These strategies may target specific returns or benchmarks, and seek to mitigate or provide exposure to higher asset classes and alternative risks.

In general, Liquid Alternative Funds are speculative investments that have the potential for significant loss of principal. Investments in Liquid Alternative Funds are only available to certain clients who meet applicable eligibility and suitability requirements and in circumstances approved by JPMS. Because Liquid Alternative Funds involve speculative strategies, clients should fully understand the terms, investment strategy, and risk associated with such Funds. For example, the use of aggressive investment techniques, such as futures, forward contracts, swap agreements, derivatives, and options, can increase a Liquid Alternative Funds' volatility and carries a high risk of substantial loss. The risks of a particular Liquid Alternative Fund are described in the prospectus.

### **Key Personnel Risk**

If one or more key individuals become unavailable to JPMPI, including any of the portfolio managers of the Select Advisory Strategies, who are important to the management of the portfolio's assets, the portfolio could suffer material adverse effects, including substantial share redemptions that could require the portfolio to sell portfolio securities at times when markets are not favorable.

### **Focused Portfolio Risks**

A Select Advisory Strategy's portfolio may have more volatility and is considered to have more risk than a portfolio that invests in securities of a greater number of issuers because changes in the value of a single issuer's security may have a more significant effect, either negative or positive on the portfolio's value. To the extent that the portfolio invests its assets in the securities of fewer issuers, the portfolio is subject to greater risk of loss if any of those securities lose value.

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

Please see response to Item 8.B.

### **ITEM 9 - Disciplinary Information**

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

JPMPI has no material civil or criminal actions to report.

**March 31, 2017**

**B. Administrative Proceedings Before Regulatory Authorities**

JPMPI has no material administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority to report.

On December 18, 2015, JPMS and JPMCB (together “Respondents”), affiliates of JPMPI, entered into a settlement with the SEC, resulting in the SEC issuing an order (the “SEC Order”), and JPMCB entered into a settlement with the United States Commodity Futures Trading Commission (“CFTC”), resulting in the CFTC issuing an order. The Respondents consented to the entry of the SEC Order that finds that JPMS violated Sections 206(2), 206(4), and 207 of the Investment Advisers Act of 1940 (“Advisers Act”) and Rule 206(4)-7 and JPMCB violated Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933. The SEC Order finds that JPMCB negligently failed to adequately disclose (a) from February 2011 to January 2014, a preference for affiliated mutual funds in certain discretionary investment portfolios (the “Discretionary Portfolios”) managed by JPMCB and offered through J.P. Morgan’s U.S. Private Bank (the “U.S. Private Bank”) and the Chase Private Client lines of business; (b) from 2008 to 2014, a preference for affiliated hedge funds in certain of those portfolios offered through the U.S. Private Bank; and (c) from 2008 to August 2015, a preference for retrocession-paying third-party hedge funds in certain of those portfolios offered through the U.S. Private Bank. With respect to JPMS, the SEC Order finds, that from May 2008 to 2013, JPMS negligently failed to adequately disclose, including in documents filed with the SEC, conflicts of interest associated with its use of affiliated mutual funds in the CSP program, specifically, a preference for affiliated mutual funds, the relationship between the discounted pricing of certain services provided by an affiliate and the amount of CSP assets invested in affiliated products, and that certain affiliated mutual funds offered a lower-cost share class than the share class purchased for CSP. In addition, the SEC Order finds that JPMS failed to implement written policies and procedures adequate to ensure disclosure of these conflicts of interest. Solely for the purpose of settling these proceedings, the Respondents consented to the SEC Order, admitted to the certain facts set forth in the SEC Order and acknowledged that certain conduct set forth in the SEC Order violated the federal securities laws. The SEC Order censures JPMS and directs the Respondents to cease-and-desist from committing or causing any violations and any future violations of the above-enumerated statutory provisions. Additionally, the SEC Order requires the Respondents to pay a total of \$266,815,000 in disgorgement, interest and civil penalty.

On December 18, 2015, JPMCB also reached a settlement agreement with the CFTC to resolve its investigation of JPMCB’s disclosure of certain conflicts of interest to discretionary account clients of the U.S. Private Bank’s U.S.-based wealth management business. In connection with the settlement, the CFTC issued an order (the “CFTC Order”), finding that JPMCB violated Section 4o(1)(B) of the Commodity Exchange Act (“CEA”) and Regulation 4.41(a)(2) by failing to fully disclose to certain clients its preferences for investing certain discretionary portfolio assets in certain commodity pools or exempt pools, namely (a) investment funds operated by JPMorgan Asset Management and (b) third-party managed hedge funds that shared management and/or performance fees with an affiliate of JPMCB. The CFTC Order directs JPMCB to cease-and-desist from violating Section 4o(1)(B) of the



**March 31, 2017**

CEA and Regulation 4.41(a)(2). Additionally, JPMCB shall pay \$40 million as a civil penalty to the CFTC and disgorgement of \$60 million satisfied by disgorgement to be paid to the SEC by JPMCB and JPMS in the related and concurrent settlement with the SEC.

On or about July 27, 2016, Respondents entered into a Consent Agreement (“Agreement”) with the Indiana Securities Division (“ISD”). The Respondents consented to the entry of the Agreement that alleged that certain conduct of the Respondents was outside the standards of honesty and ethics generally accepted in the securities trade and industry, in violation of 710 Ind. Admin. Code§ 4-10-1(23) (2016). Specifically, the Agreement alleged that, between 2008 and 2013, JPMS failed to disclose to Indiana investors that certain proprietary mutual funds purchased for CSP clients offered institutional shares that were less expensive than the institutional shares JPMS chose for CSP clients. In addition, the Agreement alleged that, from February 2011 to January 2014, no account opening document or marketing materials disclosed to Indiana investment management account clients or Indiana J.P. Morgan Investment Portfolio clients that JPMCB preferred to invest client assets in proprietary mutual funds, and that between 2008 and January 2014, JPMCB did not disclose its preference for investing certain investment management account assets in certain proprietary hedge funds to Indiana clients. Lastly, the Agreement alleged that, JPMCB did not disclose its preference for placement-agent-fee-paying third-party hedge fund managers in certain investment management accounts to Indiana clients until August 2015. Solely for the purpose of settling these proceedings, the Respondents consented to the Agreement, with no admissions as to liability. In the Agreement, the Respondents agreed to pay a total of \$950,000 to resolve the ISD’s investigation, which was paid on August 1, 2016.

**C. Self-Regulatory Organization (“SRO”) Proceedings**

JPMPI has no material SRO disciplinary proceedings to report.

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

**A. Broker-Dealer Registration Status**

JPMPI has management persons who are registered with the Financial Industry Regulatory Authority (“FINRA”) as representatives of an affiliated broker-dealer.

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

JPMPI is registered as a commodity pool operator with the CFTC and is not registered as a commodity trading advisor in reliance on applicable exemptions from registration. Further, JPMPI operates its commodity pools under three separate exemptions: CFTC Rules 4.7 (exemption from certain part 4 requirements) and 4.13 (exemption from registration as a commodity pool operator),

and CFTC Advisory 18-96 (relief from certain disclosure, reporting, and recordkeeping requirements for offshore commodity pools).

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

JPMPI also manages accounts on behalf of its affiliates, which creates conflicts of interest related to JPMPI's determination to use, suggest, or recommend the services of such affiliates. The particular services involved will depend on the types of services offered by the affiliate. The use of affiliates to provide services to clients and JPMPI creates certain conflicts of interest for JPMPI. Among other things, there are financial incentives for JPMPI's affiliates, including its parent company, J.P. Morgan Chase & Co., to favor affiliated service providers over non-affiliated service providers, and compensation of supervised persons of JPMPI may be directly or indirectly related to the financial performance of J.P. Morgan. However, JPMPI believes there may also be advantages to using affiliated service providers in certain situations, and JPMPI will engage such affiliated service providers only in a manner consistent with applicable laws, regulations, and JPMPI's policies and procedures.

**(1) broker-dealer, municipal securities dealer, or government securities dealer or broker**

JPMorgan Distribution Services, Inc., an affiliated broker-dealer, is the distributor for the J.P. Morgan Funds and certain other Funds offered to Multi-Manager Select Advisory Strategy clients.

JPMS is dually registered as a broker-dealer and an investment adviser with the SEC. JPMS is a wholly owned subsidiary of J.P. Morgan. Certain directors and officers of JPMPI are also officers of JPMS. JPMPI may use JPMS for various services, including for clearing of securities transactions on behalf of certain RICs sub-advised by JPMPI, subject to applicable laws and regulations and the policies and procedures of JPMPI.

**(2) investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)**

JPMPI serves as sub-adviser to four RICs for which JPMIM serves as investment adviser. JPMPI has entered into sub-advisory arrangements with JPMIM to provide the day-to-day investment decisions for the RICs, including the selection of mutual funds for the RICs, which may include J.P. Morgan Funds. See "Use of J.P. Morgan Funds and Model Managers and Potential Conflicts of Interest" above for more information on the use of J.P. Morgan Funds and affiliated Model Managers. In addition, please see Section D of this Item and Item 11 for more information on material conflicts of interest relating to JPMPI's advisory services.

**(3) other investment adviser or financial planner**

JPMPI has separate agreements to provide advisory and sub-advisory services to certain Private Funds and RICs. JPMPI also acts as sub-adviser or portfolio manager in STRATIS, CSP, MFAP, and JPMCAP, which are wrap fee programs sponsored by JPMS. See “Use of J.P. Morgan Funds and Model Managers and Potential Conflicts of Interest” above for more information on the use of J.P. Morgan Funds and affiliated Model Managers. Please see Section D of this Item and Item 11 for more information on material conflicts of interest relating to JPMPI’s advisory services.

**(4) banking or thrift institution**

JPMCB is a banking institution that provides various banking, custody, or administrative services to JPMPI and the Funds. JPMCB and/or other affiliates of JPMCB share personnel (including investment advisory, research, legal, compliance, investor relations, marketing, technology, accounting, back office, and administrative personnel) with JPMPI and provide other investment and non-investment resources to JPMPI. A substantial number of JPMPI’s supervised persons also have duties and obligations outside of JPMPI to JPMCB and/or JPMPI’s other affiliates. Personnel sharing can result in conflicts of interest to the extent such personnel have substantive responsibilities outside of JPMPI. For example, the resources available to JPMPI may be impacted by such personnel’s other responsibilities to JPMCB or its affiliates. In addition, it may be more difficult for JPMPI to supervise such personnel and to monitor the communications and activities of such personnel. To the extent JPMCB or its affiliates share personnel with JPMPI, such personnel generally will be treated as supervised persons of JPMPI for compliance purposes with respect to that portion of their roles and responsibilities that directly relates to JPMPI’s business.

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

JPMPI and its affiliates maintain certain limitations on investment positions (including registered funds) that JPMPI or its affiliates will take on behalf of its various clients due to, among other things: (i) liquidity concerns, (ii) regulatory requirements applicable to JPMPI or its affiliates, and (iii) internal policies related to such concerns or requirements, in light of the management of multiple portfolios and businesses by JPMPI and its affiliates. Such policies preclude JPMPI or its affiliates from purchasing certain investments for clients, and may cause JPMPI to sell certain investments held in client accounts. This could result in performance dispersion among accounts with similar investment objectives.

Potential conflicts of interest may arise with both the aggregation and allocation of securities transactions and allocation of investment opportunities because of market factors or investment restrictions imposed upon JPMPI and its affiliates by law, regulation, contract, or internal policies. 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 JPMPI or its affiliates may have an incentive to allocate securities that are expected to increase in value to favored accounts. Initial public offerings, in particular, are frequently of very limited availability. JPMPI and its affiliates may be perceived as causing accounts they manage to participate in an initial public offering to increase JPMPI's and its affiliates' overall allocation of securities in that offering. A potential conflict of interest also may 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.

JPMPI does not charge Select Advisory Strategy clients a performance-based fee. Outside of Select Advisory Strategy accounts, JPMPI manages accounts that are charged a performance-based fee. JPMPI's fees vary, particularly because for certain accounts, JPMPI is paid based upon the performance results for those accounts. This could create a conflict of interest because the portfolio managers could have an incentive to favor certain accounts over others, potentially resulting in other accounts outperforming a Select Advisory Strategy. Please see Item 6 for more information about conflicts of interest related to performance-based fees and side-by-side management of accounts.

The share classes of Funds available to Multi-Manager Select Advisory Strategy clients are limited to the share classes of Funds available through JPMS. As a policy, JPMS seeks to make available in the Multi-Manager Select Advisory Strategies the lowest cost share class of each Fund offered for which Multi-Manager Select Advisory Strategy clients are eligible. The share class of a Fund available through a Multi-Manager Select Advisory Strategy may differ from the share class available to Similar Accounts and evaluated by the Manager Selection Team and JPMPI in conducting research and selecting Funds for the Multi-Manager Select Advisory Strategies. JPMS receives a portion of the servicing or administrative fees from certain Funds that are held in clients' Multi-Manager Select Advisory Strategy accounts. For more information on these fees, please see the JPMS Form ADV, Part 2A Appendix 1 Advisory Program Brochure. The receipt by JPMS of these fees creates a conflict of interest in the selection of Funds for Multi-Manager Select Advisory Strategy accounts. JPMPI addresses this conflict of interest by making investment decisions based on the lowest cost share class available to Similar Accounts and without regard to any compensation that may be received by JPMPI's affiliates, including JPMS.

See Item 4.D. for more information about Similar Accounts. See "Use of J.P. Morgan Funds and Model Managers and Potential Conflicts of Interest" above for additional important information on the use of J.P. Morgan Funds and affiliated Model Managers.

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

**A. Code of Ethics**

JPMPI has adopted a Code of Ethics pursuant to Rule 204A-1 under the Advisers Act. The Code of Ethics is designed to ensure that JPMPI and its supervised persons comply with applicable federal securities laws and place the interests of clients first in conducting personal securities transactions. The Code of Ethics imposes certain restrictions on securities transactions in the personal accounts of covered persons to help avoid conflicts of interest, as described more fully below. A copy of the Code of Ethics is available free of charge to any client of JPMPI upon request by contacting your client service representative or financial adviser.

Additionally, all JPMPI personnel are subject to the J.P. Morgan firmwide policies and procedures found in the J.P. Morgan Code of Conduct. The Code of Conduct sets forth restrictions regarding confidential and proprietary information, information barriers, private investments, outside business activities, and personal trading. All J.P. Morgan employees, including JPMPI personnel, are required to comply with the Code of Conduct's terms as a condition of continued employment.

**(i) General**

The Code of Ethics requires supervised persons to place the interests of JPMPI's clients before their own personal interests at all times and to avoid any actual or potential conflicts of interest. All actual or potential conflicts of interest must be disclosed to the Compliance Department, including those resulting from a supervised person's business or personal relationships with customers, suppliers, business associates, and competitors of J.P. Morgan, or with other J.P. Morgan 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, including certain reporting and pre-clearance requirements for all personnel of JPMPI; and
- 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 personnel and supervised persons be maintained with a designated 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. JPMPI personnel generally must obtain approval prior to engaging in most security transactions, including those issued in private placements. In addition, JPMPI personnel may be restricted from buying or selling securities issued by J.P. Morgan during certain periods throughout the year.

(ii) Information Barrier Policies

J.P. Morgan is a global financial services firm that provides a variety of services for, and advice to, many types of clients. Accordingly, some divisions of J.P. Morgan, such as investment banking and JPMPI's business, routinely have access to confidential information, which from time to time includes material, non-public information (i.e., "inside information"). In order to prevent the flow of inside information from a so-called "insider" area (e.g., investment banking business) to a "public" area of J.P. Morgan, J.P. Morgan has established informational barriers that seek to prohibit anyone in an insider area from communicating or distributing any non-public information to anyone in a public area. J.P. Morgan employees in insider areas are generally physically separated from employees in public areas.

Under certain circumstances, JPMPI and/or its affiliates may decide that transactions in a particular security need to be restricted and therefore JPMPI and/or its affiliates may determine that the security should be placed on a "restricted list." While the security is on the restricted list, JPMPI typically prohibits purchases, sales, or all transactions in the security. The reasons for placing a security on the restricted list include, but are not limited to: (i) preventing JPMPI 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 the 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 in Which JPMPI or a Related Person Has a Material Financial Interest**

From time to time, JPMPI recommends, purchases, or sells securities for client accounts in which JPMPI, or its related persons, has a financial interest. As an example, JPMPI can select, on a discretionary basis, Funds in which JPMPI or a related person acts as the investment manager, including Funds that may hold illiquid securities or Funds to which JPMPI or related persons have provided seed capital. In certain circumstances, JPMPI's related persons issue recommendations on securities held in accounts advised or sub-advised by JPMPI that are contrary to the investment activities of JPMPI. Additionally, supervised persons of JPMPI, 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, supervised persons of JPMPI and its related persons who maintain private equity interests may hold the same or similar interest as client portfolios. JPMPI has established informational barriers and has adopted various policies and safeguards in order to address conflicts of interest that may arise from such activities.

An Advisory Program client may authorize JPMS, to the extent permitted by applicable law, to invest (i.e., "sweep") available cash balances in the client's Advisory Program account into a bank deposit account, the "Chase Deposit Sweep," with JPMCB. JPMCB benefits from a client's selection of the

Chase Deposit Sweep because JPMCB receives a stable, cost-effective source of funding. For more information on the Chase Deposit Sweep and related conflicts of interest, please see the JPMS Form ADV, Part 2A Appendix 1 Advisory Program Brochure. For clients that do not select the Chase Deposit Sweep, free cash balances are generally invested in shares of affiliated or unaffiliated money market funds. An internal J.P. Morgan governance forum reviews the cash sweep vehicles against a universe of comparable vehicles to determine that the fees are competitive. In addition, another internal governance forum reviews the target allocation to cash for each Select Advisory Strategy to determine whether it is consistent with the Select Advisory Strategy's investment objective.

Certain portfolio managers of JPMPI may manage multiple client accounts or investment vehicles, but these portfolio managers of JPMPI are not required to devote all or any specific portion of their working time to the affairs of any specific clients and conflicts of interest from time to time arise in allocating management time, services, or functions among such clients, including clients that may have the same or similar types of investment strategies. JPMPI addresses this conflict by disclosing it to clients and through its supervision of portfolio managers and their teams.

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

JPMPI or one of its related persons may, for its own account, buy or sell securities or other instruments that JPMPI has recommended to clients or purchased or sold for its clients. As a result, positions taken by JPMPI and its related persons may be the same as or different from, or made contemporaneously with or at different times than, positions taken for clients of JPMPI. As these situations may involve actual or potential conflicts of interest, JPMPI has adopted policies and procedures relating to personal securities transactions, insider trading, and other ethical considerations. These policies and procedures are intended to identify and mitigate actual and perceived conflicts of interest with clients and to resolve such conflicts appropriately if they do occur. The policies and procedures contain provisions regarding preclearance of employee trading, reporting requirements, and supervisory procedures that are designed to address potential conflicts of interest with respect to the activities and relationships of related persons that might interfere or appear to interfere with making decisions in the best interest of clients, including the prevention of front-running. JPMPI has also implemented monitoring systems designed to ensure compliance with these policies and procedures.

In addition, J.P. Morgan or JPMPI's related persons may provide financial, consulting, investment banking, advisory, brokerage (including prime brokerage), and other services to, and receive customary compensation from, an entity which is the issuer of an equity or debt security held by clients (or held in the Funds held by clients) in the Select Advisory Strategies. When JPMPI invests the client assets in such equity or debt securities, such investments generally benefit J.P. Morgan or JPMPI's related persons that provide services to such issuers. In addition, in providing such services, J.P. Morgan or JPMPI's related persons might act in a manner that is directly detrimental to JPMPI's clients. Any fees or other compensation received by J.P. Morgan for such activities will not be shared with JPMPI's clients. Such compensation could include financial advisory fees, monitoring fees,

adviser fees, or fees in connection with restructurings or mergers and acquisitions, as well as underwriting or placement fees, financing or commitment fees, trustee fees, and brokerage fees. Furthermore, although the investment of client assets in such instruments benefits J.P. Morgan and other related persons, the activities of J.P. Morgan and related persons are generally carried out independent of clients' investments and may be directly detrimental to clients' interests. JPMPI has established information barriers and has adopted various policies and safeguards to address conflicts of interest that might arise from such activities. For additional information regarding the information barriers, policies, and safeguards, please see Item 11.A.

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

J.P. Morgan performs investment services, including rendering investment advice, to varied clients. J.P. Morgan and its directors, officers, agents, and/or employees may render similar or differing investment advisory services to clients and may give advice or exercise investment responsibility and take such other action for any of its other clients that differ from the advice given or the timing or nature of action taken for another client or group of clients. JPMPI faces conflicts of interest when it manages accounts with similar investment objectives and strategies. For example, investment opportunities that may potentially be appropriate for certain clients may also be appropriate for other groups of clients, and as a result, client accounts may have to compete for positions. There is no specific limit as to the number of accounts that JPMPI or its related persons may manage. It is JPMPI's policy, to the extent practicable, to allocate, within its reasonable discretion, investment opportunities among clients over a period of time on a fair and equitable basis. One or more of JPMPI's other client accounts may at any time hold, acquire, increase, decrease, dispose of, or otherwise deal with positions in investments in which another client account may have an interest from time to time. For instance, due to differences in investment strategies, JPMPI might sell a security for a client at the same time that it might hold or purchase the same security for a different client.

J.P. Morgan and any of its directors, partners, officers, agents, or employees may also buy, sell, or trade securities for their own accounts or the proprietary accounts of J.P. Morgan. J.P. Morgan, within its discretion, may make different investment decisions and other actions with respect to its own proprietary accounts than those made for client accounts, including the timing or nature of such investment decisions or actions. Further, JPMPI is not required to purchase or sell for any client account securities that it, J.P. Morgan, and any of its or their employees, principals, or agents may purchase or sell for their own accounts or the proprietary accounts of J.P. Morgan or its clients. JPMPI, J.P. Morgan, and their respective directors, officers, and supervised persons face a conflict of interest as they will have income or other incentives to favor their own accounts or proprietary accounts.

A conflict could arise when one or more client accounts invest in different instruments or classes of securities of the same issuer than those in which other clients invest. In certain circumstances, one or more client accounts have different investment objectives or could pursue or enforce rights with



respect to a particular issuer in which other clients of JPMPI have also invested and these activities could have an adverse effect on such other clients. For example, if one client holds debt instruments of an issuer and another client holds equity securities of the same issuer, then if the issuer experiences financial or operational challenges, the client who holds the debt instrument may seek a liquidation of the issuer, whereas the other client who holds the equity securities may prefer a reorganization of the issuer. In addition, an issuer in which a client invests may use the proceeds of the client's investment to refinance or reorganize its capital structure which could result in repayment of debt held by J.P. Morgan or another client. If the issuer performs poorly following such refinancing or reorganization, the client's results will suffer whereas the other client's performance will not be affected because the other client no longer has an investment in the issuer. Conflicts are magnified with respect to issuers that become insolvent. It is possible that in connection with an insolvency, bankruptcy, reorganization, or similar proceeding, a client will be limited (by applicable law, courts, or otherwise) in the positions or actions it will be permitted to take due to other interests held or actions or positions taken by J.P. Morgan.

**E. Certain Other Trading Related Conflicts of Interest**

Responsibility for managing the Select Advisory Strategies is generally organized according to investment strategies within the Select Advisory Strategies. Generally, client portfolios with similar strategies are managed by portfolio managers in the same portfolio management group using the same or similar objectives, approach, and philosophy. Therefore, portfolio holdings, relative position sizes, and industry and sector exposures tend to be similar across similar portfolios, which may reduce the potential for conflicts of interest. Nonetheless, conflicts of interest may potentially arise when JPMPI's portfolio managers manage accounts with similar investment objectives and strategies. For example, a potential conflict of interest includes the allocation of investment opportunities for similar accounts. There is no specific limit as to the number of accounts that may be managed or advised by JPMPI or its related persons. JPMPI has controls in place to monitor and mitigate against these potential conflicts of interest.

Potential conflicts of interest may arise involving the allocation of securities transactions and allocation of limited investment opportunities. Allocations of aggregated trades, particularly trade orders that were only partially completed due to limited availability, could raise a potential conflict of interest because JPMPI may have an incentive to allocate such securities to favored accounts. For example, JPMPI may receive more compensation from one account than it does from a similar account or may receive compensation based in part on the performance of one account, but not a similar account, which could incentivize JPMPI to allocate opportunities of limited availability to the account that generates more compensation for JPMPI. In addition, it may be perceived as a conflict of interest when activity in one account closely correlates with the activity in a similar account, such as when a purchase by one account increases the value of the same 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 JPMPI or its affiliates manage accounts that engage in short sales of securities held by other accounts, the short sales might cause the market value of the securities to fall.

JPMPI and its affiliates have established policies and procedures designed to manage the conflicts described above. JPMPI and its affiliates have order aggregation and allocation practices in place designed to achieve fair and equitable allocation and execution of investment opportunities among the accounts over time and these practices are designed to comply with securities laws and other applicable regulations. Please see Item 6 for more information about conflicts of interest related to performance-based fees and side-by-side management of accounts.

## **ITEM 12 - Brokerage Practices**

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

#### **Broker Selection**

In connection with portfolio transactions for clients for which JPMPI has discretion to select broker-dealers, the overriding objective is to obtain the best execution of purchase and sales orders. In making this determination, JPMPI 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, as well as the quality of research services provided. If JPMPI determines in good faith that the amount of transaction costs charged by a brokerage firm is reasonable in relation to the value of the brokerage or research products or services such brokerage firm provides, JPMPI may incur transaction costs in an amount greater than the lowest costs available.

Advisory Program clients invested in the Select Advisory Strategies, in the client agreement with JPMS, authorize and direct JPMPI to effect transactions for their accounts through JPMS, subject to JPMPI's duty to seek best execution and JPMS's capacity and willingness to execute the transaction. In accordance with the client agreement, in managing the Select Advisory Strategies, JPMPI will generally place orders for client accounts with JPMS for execution because the wrap fee the client pays to JPMS includes commissions and other transaction charges on trades executed through JPMS. JPMPI may execute trades through a broker-dealer other than JPMS when JPMPI reasonably believes doing so is consistent with best execution. See Item 5.C above for more information.

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

JPMPI does not receive research or other soft dollar benefits in connection with client transactions in the Advisory Program.

#### **2. Brokerage for Client Referrals.**

JPMPI does not compensate persons for client referrals to the Advisory Program.

### **3. Directed Brokerage.**

Clients are not permitted to direct brokerage in the Advisory Program.

#### **B. Order Aggregation**

JPMPI places orders for client accounts in the Select Advisory Strategies, or relies on its affiliate JPMIM to place orders on JPMPI's behalf in accordance with trading guidelines that JPMPI may establish from time to time. Orders are placed following policies and procedures that are designed to promote the fair and equitable allocation of investment opportunities among client accounts over time, and to comply with the securities laws and other applicable regulations. Purchase or sale orders for the same security may be combined or aggregated for multiple Select Advisory Strategy clients so that the orders can be executed at the same time. However, JPMIM when placing orders on JPMPI's behalf generally will not aggregate orders for Select Advisory Strategy clients with orders for other clients of JPMIM. Information about the order aggregation practices of JPMIM can be found in the JPMIM ADV which is available at the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The particular procedures followed might differ depending on the particular strategy or type of investment. Participating orders will be allocated at the average price of the aggregated order, except in instances where it is impractical or inappropriate.

When Select Advisory Strategies participate in simultaneous trading activity of the same security as accounts for other clients (including certain clients of JPMPI, JPMCB, and JPMIM) trade order volume controls may be implemented with respect to Select Advisory Strategies. Orders for Select Advisory Strategies can be placed simultaneously with or after orders for other clients. In the course of monitoring the above-noted trading activities, JPMPI attempts to ensure that its clients are treated fairly and equitably over time.

Select Advisory Strategy clients may experience sequencing delays and costs associated with negative market movement. JPMPI's trading guidelines provide an established mechanism for creating a random trade rotation, which determines the order in which trade instructions are transmitted for clients of JPMPI to broker-dealers. The trade rotation is designed to ensure that no clients of JPMPI receive preferential treatment over time as a result of the timing of the receipt of trade execution instructions.

Orders for different strategies or programs managed by JPMPI are not aggregated if portfolio management decisions relating to the orders are made separately or if aggregating orders is not practicable from an operational or other perspective. In addition, certain JPMPI portfolio managers manage similar strategies that are available through JPMPI's affiliates and that are not aggregated with orders for Select Advisory Strategy clients. In some instances, trading restrictions imposed by client guidelines might 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.

Where transactions for a client's account are not aggregated with orders for other accounts, pricing received by that client may differ. Executing brokers may be permitted to trade along with client orders, subject to applicable law.

### **ITEM 13 - Review of Accounts**

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

JPMPI creates guidelines and periodically reviews the Select Advisory Strategies, Funds, and Model Managers available in the Advisory Program in an effort to ensure that the Select Advisory Strategies, Funds, and Model Managers continue to meet applicable requirements. JPMPI may delegate to an affiliate the review of individual client accounts for adherence with the guidelines.

The information in this brochure does not include all the specific review features associated with each Select Advisory Strategy. Clients are urged to ask questions regarding JPMS's or JPMPI's review process applicable to a particular Select Advisory Strategy, to read all product-specific disclosures, and to 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.

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

JPMPI does not have access to information about, and does not review, individual client accounts on an other than periodic basis.

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

JPMPI does not provide performance reports to Advisory Program clients. Clients receive written account statements from the custodian at least quarterly and also receive written quarterly performance reports from JPMS.

### **ITEM 14 - Client Referrals and Other Compensation**

#### **A. Economic Benefits for Providing Services to Clients**

No person who is not a client provides an economic benefit to JPMPI for providing investment advice or other advisory services to Advisory Program accounts. Notwithstanding the forgoing and subject to compliance with applicable law, JPMPI derives ancillary benefits from providing investment advisory services to clients. For example, providing such advisory services to clients generally helps JPMPI enhance its relationships with various parties and facilitate additional business development, and also enables JPMPI and its related persons to obtain additional business and generate additional revenue. In addition, J.P. Morgan may derive ancillary benefits from certain decisions made by JPMPI on behalf of clients. While JPMPI makes decisions for its clients in accordance with its obligations to manage the assets in the best interests of its clients, the fees,

allocations, compensation, and other benefits to J.P. Morgan arising from those decisions may be greater as a result of certain investment or other decisions made by JPMPI on behalf of its clients than they would have been had other decisions been made which also might have been appropriate for the clients.

The JPMC Code of Conduct does not permit employees to accept anything of value personally in connection with the business of the firm. Subject to strictly enforced compliance policies, in limited circumstances exceptions may be made for certain nominal non-cash gifts, meals, refreshments and entertainment provided in the course of a host-attended business-related meeting or other occasion.

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

Neither JPMPI nor any related person of JPMPI directly or indirectly compensates any person who is not its supervised person for client referrals to the Advisory Program.

**ITEM 15 - Custody**

JPMPI generally does not maintain physical custody of client assets. Client assets are typically held by a qualified custodian pursuant to a separate custody agreement. However, pursuant to Rule 206(4)-2 under the Advisers Act, JPMPI may be deemed to have custody of client assets under certain circumstances.

JPMPI might be deemed to have custody of clients' assets in the Select Advisory Strategies because JPMS directly or indirectly holds clients' funds or securities or has authority to obtain possession of them. Clients will receive account statements at least quarterly directly from their qualified custodian. Clients may also receive account statements from JPMS. Clients are encouraged to compare the account statements that they receive from their qualified custodian with those that they receive from JPMS. If clients do not receive statements at least quarterly from their qualified custodian in a timely manner, they should contact JPMS immediately.

**ITEM 16 - Investment Discretion**

JPMPI has full discretionary authority, to be exercised in its exclusive judgment and consistent with the Select Advisory Strategy selected by the client, to determine the allocation of assets in such strategies; and to remove or replace Funds or Model Managers. Clients execute a client agreement with JPMS to participate in the Advisory Program and those that select a Select Advisory Strategy authorize JPMPI to exercise investment discretion with respect to their accounts. Clients may place reasonable restrictions on the purchase or sale of certain securities for their Select Advisory Strategy accounts, subject to the JPMPI's acceptance.

## **ITEM 17 - Voting Client Securities**

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

JPMPI will not vote proxies (or give advice about how to vote proxies) relating to securities or other property currently or formerly held in a client's account. Please see the JPMS Form ADV, Part 2A Appendix 1 Advisory Program Brochure for more information on proxy voting. Unless a client otherwise directs in writing and such instruction is transmitted to JPMPI, JPMPI will receive and respond to corporate actions with respect to securities in a client's account, such as: any conversion option; execution of waivers, consents, and other instruments; and consents to any plan of reorganization, merger, combination, consolidation, liquidation, or similar plan. JPMPI may, in its sole discretion, delegate this responsibility to a service provider. Each client has the right and responsibility to take any actions with respect to any legal proceedings, including without limitation, bankruptcies and shareholder litigation, and the right to initiate or pursue any legal proceedings, including without limitation, shareholder litigation, including with respect to transactions, securities, or other investments held in the client's account or the issuers thereof. JPMPI is not obligated to render any advice or take any action on a client's behalf regarding securities or other property held in the client's account, or the issuers thereof, which become the subject of any legal proceedings, including without limitation, bankruptcies and shareholder litigation, to which any securities or other investments held or previously held in the account, or the issuers thereof, become subject. In addition, JPMPI is not obligated to initiate or pursue any legal proceedings, including without limitation, shareholder litigation, on behalf of a client's account, including with respect to transactions, securities, or other investment held or previously held, in the client's account or the issuers thereof.

## **ITEM 18 - Financial Information**

JPMPI does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance and, thus, has not included a balance sheet of its most recent fiscal year. JPMPI is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients, nor has JPMPI been the subject of a bankruptcy petition at any time during the past ten years.