

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

**J.P. Morgan Private Investments Inc.**  
**Strategic Investment Services Program**  
File No. 801-41088

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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.**

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This is a new brochure describing the advisory services that J.P. Morgan Private Investments Inc. (“JPMPI”) provides in the Focused Dividend Growth and Focused Tactical Equity strategies offered through the Strategic Investment Services (“STRATIS”) program, a wrap fee program offered by J.P. Morgan Securities LLC, an affiliate of JPMPI. JPMPI previously disclosed information in its firm brochure. Set forth below is a summary of the material changes regarding the advisory services that JPMPI provides in STRATIS since the last annual updating amendment of the JPMPI firm brochure, which was filed with the Securities and Exchange Commission on March 30, 2016. This brochure has been updated to, among other things:

- Disclose in Item 9.B certain disciplinary events involving affiliates of JPMPI; and
- Expand disclosures in Item 10.C to more clearly describe JPMPI’s material relationships and arrangements with industry participants.

In addition, JPMPI has updated and expanded disclosures to its business operations, particularly in the following areas:

- Item 4 - Advisory Business; Wrap Fee Programs to consolidate disclosures related to conflicts that can arise when JPMPI provides similar advice to clients outside of STRATIS;
- Item 5 – Fees and Compensation was updated to remove a description of an administrative fee of 0.05% that JPMPI no longer pays to J.P. Morgan Securities LLC (“JPMS”) for administrative services in STRATIS, and to reflect a 0.05% reduction in the advisory fees that JPMS pays to JPMPI;
- Item 8 – Method of Analysis, Investment Strategies and Risk of Loss to clarify descriptions of the Focused Dividend Growth (“FDG”) and Focused Tactical Equity (“FTE”) strategies and the review process that JPMPI uses in reviewing the FDG and FTE strategies and related conflicts of interest that JPMS and JPMPI face in this review process;
- Item 11 – Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading to provide information on the cash sweep options in STRATIS, which were also disclosed in the JPMS brochure for STRATIS, and to expand upon disclosures related to potential interests in client transactions and personal trading; and
- Item 12 – Brokerage Practices to more clearly describe the order aggregation and allocation process for the FDG and FTE strategies.

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**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 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, JPMPI provides certain manager research services to JPMS with respect to the Portfolio Manager Program 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 the advisory services that JPMPI provides to STRATIS clients that select the FDG and FTE strategies.

Additional information about the services JPMPI provides to its other clients and for CSP, MFAP, JPMCAP, and the Advisory Program 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.

**STRATIS Program Overview**

The J.P. Morgan Securities division of JPMS offers clients the discretionary management services of third-party portfolio managers, including affiliated portfolio managers, and provides consulting services to clients through STRATIS, a wrap fee program. Clients pay an asset-based wrap fee that covers JPMS’s consulting services, the portfolio managers’ services, and execution of transactions and custody through JPMS and its affiliates.

The STRATIS program offers clients the ability to choose managers and investment strategies based on their investment objectives and suitability. At the client's request, JPMS identifies and presents each client with one or more portfolio managers and investment strategies that appear to be suitable for the STRATIS assets from among those that JPMS periodically reviews and makes available through STRATIS. JPMS identifies these portfolio managers and strategies based on the information the client provides to JPMS, including the investment objective(s) for the STRATIS assets provided by the client. At the client's request, JPMS will also assist clients in allocating the STRATIS assets to each investment strategy selected.

Although JPMS will identify suitable portfolio managers and strategies, clients are responsible for selecting the portfolio managers and strategies for their accounts. If more than one strategy is selected, the client is also responsible for allocating the STRATIS assets between or among strategies. JPMS will notify each portfolio manager of the client's selection of the portfolio manager and the applicable strategy. JPMS will also provide the portfolio manager with information about the client and the account. After receiving the information, the portfolio manager may in its sole discretion accept or reject the client's account. If a portfolio manager accepts a client's account, the portfolio manager will manage it on a discretionary basis. JPMS may in its sole discretion refuse to allow a client to utilize a particular portfolio manager or investment strategy through STRATIS.

For more information about STRATIS, please see the JPMS Form ADV, Part 2A Appendix 1 (Consulting Services Program Brochure) for STRATIS.

#### Portfolio Management of the FDG and FTE Strategies

JPMPI acts as the portfolio manager of two strategies in STRATIS: the FDG strategy and the FTE strategy. JPMPI provides discretionary investment management services to those clients in STRATIS who select the FDG or FTE strategy. JPMPI, as portfolio manager of the FDG or FTE strategies, is responsible for securities selection and determining portfolio construction. JPMPI is also responsible for evaluating the FDG and FTE strategies on an ongoing basis, as described below in Item 8. JPMS clients may select the FDG and/or FTE strategies based on their investment objectives and suitability.

JPMIM provides certain implementation services for accounts JPMPI manages in the FDG and FTE strategies. Clients generally authorize and direct each selected portfolio manager to effect transactions for the account(s) directly through JPMS, subject to the portfolio manager's duty to seek best execution. JPMS will ordinarily provide clearing, settlement, and custodial services with respect to transactions and assets in STRATIS accounts.

#### C. Availability of Customized Services for Clients in STRATIS

Clients may place reasonable restrictions on the purchase or sale of certain securities for their STRATIS accounts. JPMPI has delegated to JPMIM the authority to reject any requested restrictions that are unreasonable. JPMS will communicate any requested restrictions to JPMIM, as JPMPI's delegate. JPMIM, on behalf of JPMPI, may reject a restriction or the account if JPMIM deems the restriction to be unreasonable. Any restrictions on the management of an account may cause the account to perform differently than similar unrestricted accounts.

For more information, please see the JPMS Form ADV, Part 2A Appendix 1 (Consulting Services Program Brochure) for STRATIS.

**D. Wrap Fee Programs**

JPMPI's investment advisory services are available to clients through the FDG and FTE strategies available in STRATIS, 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 account administration; notifying JPMPI of client selections and requested restrictions; 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 (Consulting Services Program Brochure) for STRATIS.

JPMPI, as the portfolio manager for the FDG and FTE strategies, is responsible for making investment decisions regarding the selection of investments and the total amount of securities bought and sold for such 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 JPMIM's acceptance (on behalf of JPMPI), as discussed in Item 4.C above. JPMPI may delegate to JPMIM certain portfolio implementation services for the STRATIS 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 the FDG and FTE strategies available through STRATIS 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 FDG and FTE strategies available through STRATIS ("Similar Accounts"). For example, the FDG and FTE strategies available through STRATIS are also available through the Advisory Program and are made available by JPMCB. Accounts invested in the FDG or FTE strategies available through STRATIS 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 accounts invested in the FDG or FTE strategies available through STRATIS. JPMPI and/or its affiliates may receive more compensation with respect to Similar Accounts than it or its affiliates receive from the accounts invested in the FDG or FTE strategies available through STRATIS. 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

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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 STRATIS who select the FDG or FTE strategies. As of December 31, 2016, JPMPI managed approximately \$55.2 million of assets in the FDG strategy available through STRATIS on a discretionary basis and approximately \$10.3 million of assets in the FTE strategy available through STRATIS on a discretionary basis.

Outside of the FDG and FTE strategies available through STRATIS, as of December 31, 2016, JPMPI managed approximately \$59.7 billion of assets on a discretionary basis and approximately \$14.9 billion of assets on a non-discretionary basis.

**ITEM 5 - Fees and Compensation**

**A. Advisory Fees and Compensation**

JPMS pays to JPMPI for its advisory services in the FDG and FTE strategies a portion of the fees JPMS receives from STRATIS clients that have selected those strategies. JPMPI receives 0.45% per annum for the first \$100 million in assets under its management and 0.40% per annum for assets under its management in excess of \$100 million. There is no performance fee.

**B. Payment of Fees**

JPMS deducts fees for STRATIS from client accounts each calendar quarter in advance. Please see the JPMS Form ADV, Part 2A Appendix 1 (Consulting Services Program Brochure) for STRATIS for additional information.

**C. Additional Fees and Expenses**

The wrap fee clients pay to JPMS does not include transfer taxes, wire transfer fees, individual retirement account ("IRA") and retirement plan account fees, 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.

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In managing the FDG and FTE strategies available through STRATIS, 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 STRATIS. Please see the JPMS Form ADV, Part 2A Appendix 1 (Consulting Services Program Brochure) for STRATIS 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 mutual funds.

**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 STRATIS accounts in the FDG and FTE strategies, 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 FDG and FTE strategies available through STRATIS. STRATIS accounts in the FDG and FTE strategies are invested predominantly in traditional asset classes through individual securities, while JPMPI clients who are charged performance-based fees invest predominantly in alternative strategies and generally do not invest in individual securities. JPMPI believes that conflicts are also mitigated because it generally does not allocate the same securities between its performance fee-paying clients, on the one hand, and STRATIS accounts in the FDG and FTE strategies, 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 FDG and FTE strategies in STRATIS to individuals, trusts, estates, corporations and other business entities, foundations, and endowments. Investment companies, banks, thrift institutions, retirement accounts and qualified retirement plans subject to the Employee Retirement Income Security Act of 1974 or Section 4975 of the Internal Revenue Code of 1986 generally are not permitted to invest in the FDG and FTE strategies in STRATIS. Clients invested in the FDG or FTE strategies available through STRATIS must have a brokerage account with JPMS. The minimum amount of assets required to open an account in the or FDG FTE strategies available through STRATIS 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 (Consulting Services Program Brochure) for STRATIS.

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

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

JPMPI utilizes different methods of analysis that are tailored for the FDG and FTE strategies available in STRATIS. Set forth below are general descriptions of the FDG and FTE strategies available in STRATIS and the primary methods of analysis that JPMPI utilizes for such strategies. These descriptions are not intended to serve as account guidelines, and are not generally intended to provide a complete investment program for a client. Neither JPMS nor JPMPI can ensure that a given strategy's investment objective will be attained.

This Item 8 includes a discussion of the primary risks associated with JPMPI's management of the FDG and FTE strategies in STRATIS. 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 FDG and FTE strategies so that risks are appropriate to the 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 strategy available in STRATIS. 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 the FDG and FTE Strategies Available Through STRATIS

JPMPI provides discretionary investment management services to those clients in STRATIS who select one or more of the FDG and FTE strategies. The FDG strategy seeks to allocate to concentrated equity investments expected to produce current income and capital gains over a longer-term horizon.

The FTE strategy 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.

Portfolio managers identify specific securities to use within a strategy that reflect the portfolio manager's investment view within such strategy's investment guidelines and portfolio objectives. An internal governance forum provides ongoing oversight of the FDG and FTE strategies to review compliance with strategy-specific guidelines and metrics.

#### JPMPI Review Process for the FDG and FTE Strategies Available in STRATIS

JPMPI's strategies in STRATIS are not subject to the same review process as other portfolio managers in STRATIS and their strategies. All strategies in STRATIS are subject to an initial and ongoing internal review process by J.P. Morgan. However, the review process for JPMPI's strategies in STRATIS does not involve the same personnel, and does not follow the same governance procedure for placing a strategy on probation or terminating ongoing monitoring and oversight responsibilities for a strategy. J.P. Morgan does have a process for taking action on JPMPI's strategies in STRATIS if warranted as a result of its ongoing internal review process.

#### Potential Conflicts of Interest in J.P. Morgan's Research and Review of the STRATIS Strategies

For the STRATIS program, JPMS may consider strategies managed by JPMPI, a J.P. Morgan affiliate, or unaffiliated third parties, and will rely on review of portfolio managers and their investment strategies conducted by J.P. Morgan. For more information about STRATIS, please see the JPMS Form ADV, Part 2A Appendix 1 (Consulting Services Program Brochure) for STRATIS. JPMS has an incentive to make JPMPI and JPMIM-managed strategies available in

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the STRATIS program because J.P. Morgan receives more overall revenue when these strategies are chosen by clients. Similarly, with respect to manager termination, JPMS has a greater incentive to terminate unaffiliated third-party managers from the Advisory Program, particularly where the manager's strategy is similar to one offered by JPMPI or a J.P. Morgan affiliate.

In addition, with respect to the JPMPI-managed strategies (i.e., the FDG and FTE strategies) the internal review process that J.P. Morgan follows in reviewing the manager 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 JPMPI-managed strategies made available in the STRATIS program.

### **Use of J.P. Morgan Funds and Model Managers and Potential Conflicts of Interest**

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.

#### 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 FDG and FTE strategies available through STRATIS in which clients may invest generally will invest in individual securities. 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 FDG and FTE strategies. The information included below does not identify every potential risk associated with each such 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 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.

**Key Personnel Risk**

If one or more key individuals become unavailable to JPMPI, including any of the portfolio managers of the FDG or FTE 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**

An FDG or FTE 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.

**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. 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 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 RICs and other funds offered by J.P. Morgan and used in advisory programs for which JPMPI acts as sub-adviser or portfolio manager.

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

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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 mutual funds sponsored or managed by J.P. Morgan affiliates. 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 CSP, MFAP, JPMCAP, and the Advisory Program, which are wrap fee programs sponsored by JPMS. 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 funds sponsored or managed by J.P. Morgan. 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



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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 STRATIS clients a performance-based fee. Outside of STRATIS 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 the FDG or FTE strategy available in STRATIS. Please see Item 6 for more information about conflicts of interest related to performance-based fees and side-by-side management of accounts.

See Item 4.D. for more information about Similar Accounts.

## **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 for 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.

A STRATIS client may authorize JPMS, to the extent permitted by applicable law, to invest (i.e., "sweep") available cash balances in the client's STRATIS 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 (Consulting Services Program Brochure) for STRATIS. The Chase Deposit Sweep is the default "sweep" option for STRATIS clients who reside in the U.S.; that is, if the client does not affirmatively indicate the selection of one of the available alternatives (which includes affiliated and unaffiliated money market funds), the client is deemed to have selected the Chase Deposit Sweep. 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 of the FDG and FTE strategies to determine whether it is consistent with such 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.

**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 in the FDG or FTE 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**

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**

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.

STRATIS clients invested in the FDG and FTE 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 FDG and FTE strategies available through STRATIS, 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 STRATIS.

**2. Brokerage for Client Referrals.**

JPMPI does not compensate persons for client referrals to STRATIS.

**3. Directed Brokerage.**

Clients are not permitted to direct brokerage in STRATIS.

**B. Order Aggregation**

JPMPI places orders for client accounts in the FDG and FTE strategies available through STRATIS, 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 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 STRATIS 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 the FDG and FTE strategies available through STRATIS 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 such strategies. Orders for such 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.

Clients invested in the FDG and FTE strategies available through STRATIS 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 clients invested in the FDG and FTE strategies available through STRATIS. 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 FDG and FTE strategies available through STRATIS in an effort to ensure that the strategies 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 of the FDG and FTE strategies. Clients are urged to ask questions regarding JPMS's or JPMPI's review process applicable to a particular 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 STRATIS 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 STRATIS 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 STRATIS.

**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 FDG and FTE strategies available through STRATIS 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 strategy selected by the client, to determine the allocation of assets in the FDG and FTE strategies available through STRATIS. Clients execute a client agreement with JPMS to participate in STRATIS and those that select the FDG or FTE strategies authorize JPMPI to exercise investment discretion with respect to their accounts. As discussed in Item 4.C above, clients may place reasonable restrictions on the purchase or sale of certain securities for their STRATIS accounts. JPMS will communicate any requested restrictions to JPMIM, as JPMPI's delegate. JPMIM, on behalf of JPMPI, may reject the restriction or the account if JPMIM deems the restriction to be unreasonable. Any restrictions on the management of an account may cause the account to perform differently than similar unrestricted accounts.

**ITEM 17 - Voting Client Securities**

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

JPMPI has delegated proxy voting authority to J.P. Morgan Asset Management ("JPMAM"). To ensure that the proxies are voted in the best interests of its clients, JPMAM has adopted detailed proxy voting procedures ("Procedures") pursuant to Rule 206(4)-6 under the Advisers Act that incorporate detailed proxy guidelines ("Guidelines") for voting proxies on specific types of issues.

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

JPMAM has retained an independent proxy voting services to vote in situations where a material conflict may exist. This includes voting any J.P. Morgan securities and shares of J.P. Morgan mutual funds held in any JPMAM client accounts.

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

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

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In order to maintain the integrity and independence of JPMPI's investment processes and decisions, including proxy voting decisions, and to protect JPMPI's decisions from influences that could lead to a vote other than in the clients' best interests, J.P. Morgan (including JPMPI) adopted a Safeguard Policy, and established formal informational barriers designed to restrict the flow of information from J.P. Morgan's securities, lending, investment banking and other divisions to JPMAM investment professionals. Material conflicts of interest are further avoided by voting in accordance with JPMAM's predetermined Guidelines. Examples of material conflicts of interest that could arise include without limitation circumstances in which: (i) management of a JPMPI client or prospective client, distributor or prospective distributor of its investment management products, or critical vendor is soliciting proxies and failure to vote in favor of management may harm JPMPI's relationship with such company and materially impact JPMPI's business; or (ii) a personal relationship between a JPMPI officer and management of a company or other proponent of a proxy proposal could impact JPMPI's voting decisions.

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

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

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

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

#### **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.