

# FORM ADV, PART 2A

## FIRM BROCHURE

**J.P. Morgan Private Investments Inc.**  
**J.P. Morgan Digital Investing**  
File No. 801-41088

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This brochure provides information about the qualifications and business practices of J.P. Morgan Private Investments Inc. relating to J.P. Morgan Digital Investing, a digital investment advisory offering (the “Program”). 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

This brochure ("Brochure") is dated March 30, 2018 and is the annual update to the Brochure. Certain disclosures throughout this Brochure have been re-organized and enhanced. Clients should carefully review this Brochure in its entirety. In particular, JPMPI has updated, enhanced or expanded disclosures in the following areas:

- Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss
  - *Material, Significant, or Unusual Risks Relating to Investment Strategies* - this item has been expanded to include additional risks.
- Item 10 - Other Financial Industry Activities and Affiliations
  - *Related Persons* - this item has updated the description of JPMPI's relationships and arrangements with related persons that are material to its advisory business. In addition, certain considerations relating to information held by JPMPI and its affiliates are included.
  - *Material Conflicts of Interest Relating to Other Investment Advisers* - this item has been expanded to include additional information regarding relationships with affiliated advisers.
- Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading
  - *Code of Ethics and Information Barriers* - this item has been updated for the Code of Ethics and information barriers.
  - *Participation or Interest in Client Transactions and Other Conflicts of Interest* - this item has been expanded to include additional conflict of interest disclosures.

**ITEM 3**  
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## 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 and 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 Customized Municipal Bond Portfolio ("C-MAP"), Customized Taxable Bond Portfolio ("C-TAX"), and Customized Preferreds Portfolio ("C-PREP") strategies offered through JPMS' Customized Bond Solutions ("C-BoS") program, (ii) manager of the Select Advisory Strategies offered through JPMS' Advisory Program (the "Advisory Program"), (iii) manager of the Focused Dividend Growth ("FDG") and Focused Tactical Equity ("FTE") strategies offered through JPMS' Strategic Investment Services ("STRATIS") program, and (iv) sub-adviser to JPMS' J.P. Morgan Core Advisory Portfolio ("JPMCAP") program, Chase Strategic Portfolio ("CSP") program, Mutual Fund Advisory Portfolio ("MFAP") program, and the J.P. Morgan Digital Investing program (the "Program" or "JPMDI"). In addition, JPMPI provides certain manager research services to JPMS with respect to advisory programs where JPMPI is not a sub-adviser. The JPMS legal entity includes two wealth management businesses: Chase Investments and J.P. Morgan Securities.

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" or "JPMC"), 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 and J.P. Morgan Chase Bank, N.A. ("JPMCB").

#### B. Description of Advisory Services

This brochure describes the sub-advisory services that JPMPI provides for the Program. Additional information about the services JPMPI provides to its other clients and for C-BoS, STRATIS, CSP, MFAP, JPMCAP and the Advisory Program is described in separate brochures, which are available from JPMPI 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 wrap fee programs, including C-BoS, STRATIS, CSP, MFAP, JPMCAP, the Advisory Program and the Program please see the applicable JPMS Form ADV, Part 2A Appendix 1, SEC File No. 801-3702, for those programs.

#### JPMDI Program Overview

The Program is a digital investment advisory program designed to provide clients with access to discretionary advisory services delivered through the Chase Online website and such mobile applications or digital interfaces as JPMS may from time to time use in connection with the Program (together, the "Program Website"). The Program provides clients with a target asset allocation and discretionary investment management services based on information about the investor's risk profile and investment goals that the client provides through the Program Website. The model portfolios that are available in the Program generally will be comprised of unaffiliated exchange-traded funds ("ETFs") and cash. Although it does not currently do so, the Program may in the future expand to include affiliated ETFs, affiliated and unaffiliated mutual funds, exchange-traded notes and other securities. JPMS and JPMPI will invest (i.e., sweep) available cash balances in Program client accounts that are pending investment, as well as any strategic cash balances allocated to cash, into a bank deposit account held with JPMCB (the "Deposit Sweep"). JPMPI is responsible

for selecting the ETFs to be included in the model portfolios available in the Program and for evaluating such model portfolios on an ongoing basis, as further discussed below. JPMS oversees these selections and remains responsible for overseeing JPMPI's performance.

Clients who participate in the Program are first required to complete an interactive investment proposal questionnaire through the Program Website (the "Investment Proposal Questionnaire"). The Investment Proposal Questionnaire will ask a series of questions to determine the client's investment goals and risk profile. Based on responses to the Investment Proposal Questionnaire, JPMS' proprietary algorithm will recommend a risk profile (the "Risk Profile").

JPMS is responsible for determining which Program model portfolio is appropriate for a particular client and will recommend a proposed target asset allocation and a model portfolio that corresponds to the client's Risk Profile (a "Recommended Portfolio"). JPMS has established and maintains the inputs in the Investment Proposal Questionnaire, and the algorithms used to generate the Recommended Portfolios. JPMS, based on ongoing reviews, may determine from time to time to adjust or enhance the inputs and the proprietary algorithms.

The Program currently offers four model portfolios that correspond to four different Risk Profiles. The model portfolios are: Conservative, Balanced, Growth and Aggressive, each described below in Item 8A. JPMPI manages similarly named model portfolios for other advisory programs; however, the style and the securities within the models portfolios for the Program are different, and are expected to perform differently. A Program client can select the Recommended Portfolio or they may select a model portfolio that is more conservative or more aggressive than the Recommended Portfolio, subject to certain limitations (the "Selected Portfolio"). JPMS has delegated to JPMPI the investment discretion and trading authority to implement the model portfolios and place orders consistent with each client's Selected Portfolio. The Program relies on a third-party vendor to administer certain technological, administrative and operational aspects of the Program.

#### **C. Account Restrictions**

Clients may place reasonable restrictions on the management of their account by designating specific ETFs that should not be purchased for their account or that should be sold if held in their account, subject to JPMS' acceptance. Requests for restrictions must be made through the Program Website. Clients may request a restriction on the purchase of individual ETFs from their client account, but JPMS is not required to accept account restrictions that it deems unreasonable. The determination of whether a particular restriction is reasonable will depend on the relevant facts and circumstances, including whether the restriction is inconsistent with the nature or operation of the Program. The restriction of more than three ETFs will be deemed to be unreasonable due to the impact on the model portfolio construction and investment strategy of the Selected Portfolio. From time to time, JPMS may consult JPMPI on whether certain client-requested investment restrictions are reasonable and, as appropriate and applicable, to identify similar ETFs that may serve as substitutes for positions a client wishes to restrict from investment in the account. Any restrictions a client places on his or her Program account generally will cause the account to perform differently than similar, unrestricted accounts, possibly producing lower returns. In the event that a restriction request for an ETF that is currently held in a client's account is accepted, the ETF will be sold consistent with the Program's rebalancing logic, and a client may experience tax consequences. Clients cannot prohibit or restrict JPMPI from investing in specific securities or types of securities that are held within any ETF.

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

JPMPI's investment advisory services are available to clients through the Program, a "wrap fee" program sponsored by JPMS. For the Program, a client pays a single, all-inclusive (or "wrap" or "bundled") fee to JPMS for investment advisory, portfolio management, brokerage, execution, custody and reporting services. JPMS, in its discretion, can waive or reduce the account fee, including for employees of JPMS or its affiliates. See Item 5 for information regarding additional fees and expenses. The sponsor typically pays JPMPI a fee based on the assets of clients invested in the applicable JPMPI strategy in the Program.

JPMS has delegated to JPMPI, as the sub-adviser in the Program, the responsibility for determining asset allocation and portfolio construction, selecting and monitoring ETFs, and evaluating model portfolios on an ongoing basis subject to the oversight of, and pursuant to, an investment policy statement established and approved by JPMS. JPMS has also delegated to JPMPI the investment discretion and trading authority to implement the model portfolios and place orders consistent with each client's Selected Portfolio.

The same JPMPI personnel that are responsible for constructing model portfolios and selecting ETFs in the Program (the "Program Portfolio Managers"), subject to JPMS' oversight, may also manage accounts for other clients of JPMPI and JPMCB. These other accounts can have the same or substantially similar investment objectives, and can follow the same or similar strategies to those used by the model portfolios available through the Program ("Similar Accounts"). Accounts invested in the model portfolios available through the Program will not be handled identically to Similar Accounts, because the Program is a digital investment advisory program. The maximum fee for the Program is less than the maximum program fee for Similar Accounts. Therefore, J.P. Morgan and JPMCB, as applicable, receives more gross compensation with respect to Similar Accounts than Program accounts. This creates a conflict of interest for the Program Portfolio Managers by providing an incentive to favor these Similar Accounts as to time spent managing such accounts. JPMPI has policies and procedures in an effort to ensure that all client accounts are treated fairly (see Item 12, Section B).

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 sub-advisory services for the Program. As of December 31, 2017, JPMPI sub-advised approximately \$27,000 of assets in the Program.

Outside of the Program, as of December 31, 2017, JPMPI managed approximately \$79 billion in assets on a discretionary basis and approximately \$22.5 billion in assets on a non-discretionary basis.

## ITEM 5

### Fees and Compensation

A. JPMPI Advisory Fees and Compensation

JPMS pays to JPMPI for its sub-advisory services a portion of the fees JPMS receives from clients in the Program. The Program is currently being offered on a limited basis solely to invited participants. During this limited offering, JPMS will charge clients \$0 as an account fee for participation in the Program. After the limited offering has concluded, clients will be subject to an account fee for participating in the Program and JPMS will pay JPMPI a portion of the account fee to compensate it for sub-advisory services. This brochure will be updated prior to any increase in the account fee.

B. Payment of Fees

When it increases its account fee, JPMS will generally deduct fees for the Program from client accounts.

C. Additional Fees and Expenses

The account fee that clients pay to JPMS does not include internal ETF fees and expenses (expense ratio), transfer taxes, electronic fund and wire fees, individual retirement account and retirement plan account fees, or any other fees that would reasonably be assessed to a brokerage account. ETFs incur fees and expenses

that are ultimately borne by clients (including, but not limited to, management fees, brokerage costs, and administration and custody fees). Additionally, ETFs held in a Program account have annual investment advisory expenses, so clients incur two levels of investment management fees: one indirectly in the form of an investment management fee to the investment adviser of each ETF and one to JPMS for its and JPMPI's services rendered through the Program. Clients should review the applicable prospectuses for ETFs in the Program for additional information about these fees and expenses, which are available through the Program Website.

The account fee does not cover brokerage commissions or other charges resulting from transactions not effected through JPMS or its affiliates. In cases where trades are placed with unaffiliated broker-dealers, clients will incur a brokerage commission, mark-up or mark-down charged by the other broker-dealer that is not covered by the account fee. For orders placed with broker-dealers other than JPMS, the trade confirmation issued by JPMS shows a price for the traded security that is inclusive (i.e., net) of the commission, mark-up, or mark-down paid by the client to the other broker-dealer, but it does not break out or otherwise show the amount of the commission, mark-up or mark-down separately. For more information on trades away from JPMS, please refer to additional disclosures on the JPMS separate website, available at [www.chase.com/managed-account-disclosures](http://www.chase.com/managed-account-disclosures).

In choosing to open a wrap account, wrap clients should also be aware that JPMPI offers a variety of investment strategies that may, at various times, experience higher or lower portfolio "turnover" of investment securities held in the portfolio. Wrap clients investing in a strategy during a period with lower investment turnover may in turn find themselves paying a disproportionately high fee for execution services as part of their bundled fee arrangement, relative to if they were paying brokerage on a per transaction basis due to the low turnover of securities held within a strategy.

**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 securities in the Program.

**ITEM 6**

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

This item is not applicable to the Program.

**ITEM 7**

**Types of Clients**

The Program's clients generally include individuals investing through taxable accounts and retirement accounts with a U.S. address. Clients are required to establish their accounts and enroll in the Program through the Program Website.

JPMS has established minimum account requirements for certain client accounts, which can vary based on the investment strategy. Minimums are subject to waiver in JPMS' discretion and can be waived for client accounts from time to time. To open or maintain an account, clients are required to sign an investment advisory agreement with JPMS that stipulates the terms under which JPMPI is authorized to act on behalf

of the client to manage the assets listed in the agreement. Please refer to the JPMS Wrap Fee Program Brochure for more information about account minimums for the Program.

## ITEM 8

### Method of Analysis, Investment Strategies

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

JPMPI utilizes different methods of analysis to create each model portfolio available in the Program. Set forth below are the general descriptions of the model portfolios available in the Program and the primary methods of analysis that JPMPI utilizes for the Program. Neither JPMS nor JPMPI can ensure that a given model portfolio's investment objective will be attained.

In connection with investments in an ETF, the descriptions of the model portfolios below are qualified in their entirety by the information included in the applicable ETFs prospectus or statement of additional information. Neither JPMS nor JPMPI is responsible for the performance of any ETF or any ETFs compliance with its prospectus, statement of additional information, disclosures, laws or regulations, or other matters within the ETFs control. Each ETFs adviser is solely responsible for the management of the ETF.

This Item 8 includes a discussion of the primary risks associated with the model portfolios in the Program. However, it is impossible to identify all the risks associated with investing and 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 model portfolios and select ETFs so that risks are appropriate for each model portfolio, it is often impossible or not 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 prospectuses prior to picking a Selected Portfolio. 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 Investment Strategies

Each client will select a model portfolio based on the responses to his or her Investment Proposal Questionnaire. The model portfolios available in the Program are Conservative, Balanced, Growth and Aggressive. Below is a description of each model portfolio. Clients that have questions about the descriptions below should contact 800-776-6061.

##### Conservative

The conservative model portfolio primarily seeks to preserve initial capital investments and generate income with a secondary goal to achieve moderate levels of capital growth. The model portfolio also aims to maintain below-moderate exposure to risk of capital loss in pursuit of this return objective. Consistent with these objectives, it is expected that a majority of the model portfolio will be invested in ETFs that seek to track the performance of assets that have a history of lower capital returns and volatility, such as fixed income. To achieve a return objective that includes capital growth, it is expected that a larger percentage of the model



portfolio will be invested in ETFs that seek to track the performance of assets that are historically more volatile, such as equities, than would be used in an objective focused on capital preservation alone.

#### Balanced

The balanced model portfolio primarily seeks to achieve growth of initial capital investments and income generation with a secondary goal of principal preservation. The model portfolio also aims to maintain moderate exposure to risk of capital loss in pursuit of this return objective. Consistent with these objectives, it is expected that the model portfolio will be invested in ETFs that seek to track the performance of assets that tend to have a history of lower capital returns and volatility, such as fixed income, and those with a more volatile history and upside return potential, such as equities.

#### Growth

The growth model portfolio primarily seeks to achieve growth of initial capital investments. The model portfolio also aims to maintain above-moderate exposure to risk of capital loss in pursuit of this return objective. Consistent with these objectives, it is expected that the model portfolio will be invested predominantly in ETFs that seek to track the performance of assets that tend to have a history of higher return potential and volatility, such as equities, with a lower percentage invested in ETFs that seek to track the performance of assets that have been historically less volatile, such as fixed income.

#### Aggressive

The aggressive model portfolio first and foremost seeks to achieve growth of initial capital investments. The model portfolio will generally maintain high exposure to risk of capital loss in pursuit of this return objective. Consistent with these objectives, it is expected that the model portfolio will be invested predominantly in ETFs that seek to track the performance of assets that tend to have a history of higher upside return potential and volatility, such as equities.

### **JPMPI's Discretionary Investment Process**

JPMPI is responsible for determining asset allocation and portfolio construction, selecting and monitoring ETFs, and evaluating model portfolios on an ongoing basis subject to the oversight of, and pursuant to an investment policy statement established and approved by JPMS. JPMS reserves the right to change the characteristics of the model portfolios at any time in its sole discretion.

#### Asset Allocation Process

JPMPI is responsible for establishing and updating the asset allocations for the model portfolios. Asset allocations are based on the firm's long-term capital market assumptions as well as correlation between asset classes. Each model portfolio's asset allocation mix is selected to have the appropriate level of risk and return for its corresponding Risk Profile. These asset allocations generally are the overall basis for the process described below. The JPMPI personnel who perform these functions are shared with JPMCB, and perform substantially similar services for other clients of the wealth management divisions of J.P. Morgan. JPMPI periodically reviews the asset allocation and performance of the model portfolios with JPMS. A wealth management internal governance forum periodically reviews JPMPI's investment activities in the Program.

#### Research Process

JPMPI's Manager Selection Team (the "Manager Selection Team") conducts due diligence of the ETFs that are available for use in the Program. The Manager Selection Team is responsible for researching and selecting ETFs, 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. The Manager Selection Team uses both quantitative and qualitative assessments during its initial review process. The Manager Selection

Team then recommends particular ETFs 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 ETFs as part of its ongoing review process. The Manager Selection Team and internal governance forum perform substantially similar services for other clients of the wealth management divisions of J.P. Morgan.

#### Initial ETF Review and Approval

The internal governance forum approves or rejects new ETFs to be made available for JPMPI's use in the model portfolios as well as other JPMPI advisory programs. The internal governance forum considers a multitude of factors in its review and approval process, which may include, but is not limited to: (a) an analysis of the ETF's overall investment opportunity, (b) investment objective, (c) track record, (d) performance, (e) terms of the vehicle, (f) reputational risk, (g) potential for conflicts of interest, and (h) regulatory issues.

#### Model Portfolio Construction

From the pool of ETFs approved by the internal governance forum, JPMPI selects the combination of ETFs that, in its view, fit the investment objectives and asset allocation goals of each model portfolio, as well as JPMPI's forward looking views. JPMPI can also consider other factors, including but not limited to: (a) an ETF's liquidity, (b) an ETF's ability to track an index, and/or (c) an ETF's assets under management.

#### Ongoing Review of Approved ETFs

Another internal governance forum is responsible for the ongoing monitoring and oversight of those ETFs, which are approved and available for the Program. From time to time, this internal governance forum may place an ETF on probation, or terminate an ETF as part of its ongoing monitoring and oversight responsibilities. The factors considered by the forum 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. In addition, JPMPI may be prohibited from purchasing an ETF when such ETF reaches its overall concentration limit across all J.P. Morgan affiliates.

If an ETF that is in a model portfolio is placed on probation, it will generally continue to be held in clients' accounts, but the Program's rebalancing logic will not direct new or additional purchases of such ETF for client accounts until the ETF is removed from probation and allocations to the ETF placed on probation will be made to a secondary ETF. During the probation period, the Manager Selection Team will continue to review the ETF. In the event the internal governance forum terminates an ETF, that ETF will no longer be purchased in clients' accounts and JPMPI will cause any existing positions held in clients' accounts to be sold, subject to the Program's rebalancing logic.

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

Set forth below is a summary of the material risk factors that are often associated with the investment strategies and types of investments used in the Program. This is a summary only. The information included in this Brochure does not include every potential risk associated with each investment strategy or model portfolio applicable to a particular client account. Clients should not rely solely on the descriptions provided below. Clients are urged to ask questions regarding risk factors applicable to a particular strategy or investment product by calling 800-776-6061, read all relevant prospectuses and product-specific risk disclosures, and determine whether a particular investment strategy or type of security is suitable for their account in light of their specific circumstances and investment goals.

#### **General Portfolio Risks**

Many of the risks defined below apply to assets within Program accounts.

### **General Market Risks**

Economies and financial markets throughout the world are becoming increasingly interconnected, which increases the likelihood that events or conditions in one country or region will adversely impact markets or issuers in other countries or regions. Securities in any one strategy may underperform in comparison to general financial markets, a particular financial market or other asset classes, due to a number of factors, including inflation, interest rates, global demand for particular products or resources, natural disasters or events, terrorism, regulatory events and government controls.

### **ETF Risk**

ETFs are marketable securities that are designed to track, before fees and expenses, the performance or returns of a relevant index, commodity, bonds or basket of assets, like an index fund. 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. In addition to the general risks of investing, there are specific risks to consider with respect to an investment in ETFs, including, but not limited to:

- *Variance from Benchmark Index.* ETF performance may differ from the performance of the applicable index for a variety of reasons. For example, ETFs 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 (such as mergers and spin-offs) may impact the variance between the performances of the ETFs and applicable indices.
- *Passive Investing Risk.* Passive investing differs from active investing in that ETF managers are not seeking to outperform their benchmark. As a result, ETF 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.
- *Secondary Market Risk.* ETF 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.

### **Investment in Funds**

The investment performance of client accounts that implement their strategies by investing in underlying funds is directly related to the performance and risks of the underlying funds. There is no assurance that the underlying funds will achieve their investment objectives.

### **Geographic and Sector Focus Risk**

Certain ETFs concentrate their investments in a region, small group of countries, an industry or economic sector, and as a result, the value of the portfolio may be subject to greater volatility than a more geographically or sector diversified portfolio. Investments in issuers within a country, state, geographic region, industry or economic sector that experiences adverse economic, business, political conditions or other concerns will impact the value of such a portfolio more than if the portfolio's investments were not so concentrated. A change in the value of a single investment within the portfolio may affect the overall value of the portfolio and may cause greater losses than it would in a portfolio that holds more diversified investments.

### **High Portfolio Turnover Risk**

Accounts in the Program can engage in active and frequent trading due to the Program's rebalancing logic. Frequent trading can lead to increased portfolio turnover and the possibility of increased capital gains, including short-term capital gains that are generally taxable as ordinary income. However, the Program's rebalancing logic has been designed to rebalance accounts when their actual account holdings drift from the portfolio's stated target asset allocation by certain predetermined thresholds. This feature seeks to limit the frequency of rebalancing activity in client accounts in the Program.

### **Diversification Risk**

JPMPPI's asset allocation and model portfolio construction processes assume that diversification is beneficial. This concept is a generally accepted investment principle, although no amount of diversification can eliminate investment risk, and the investment returns of a diversified portfolio may be lower than a more concentrated portfolio or a single investment over a similar period.

### **Algorithm Risk**

The Program is reliant on the use of algorithms and/or computer systems in recommending model portfolios. Further, the Program is reliant on computer systems in rebalancing client accounts. Changes to an algorithm or a computer system's code or underlying assumptions may have unintended consequences. In addition, algorithms and computer systems may not perform as intended for a variety of reasons, including, but not limited to, incorrect assumptions, changes in the market and changes to data inputs.

### **Cyber Security Risk**

As the use of technology has become more prevalent in the course of business, JPMPPI has become more susceptible to operational and financial risks associated with cyber security, including: theft; loss; misuse; improper release; corruption and destruction of, or unauthorized access to, confidential or highly restricted data relating to JPMPPI and its clients; and compromises or failures to systems, networks, devices and applications relating to the operations of JPMPPI and its service providers. Cyber security risks may result in financial losses to JPMPPI and its clients; the inability of JPMPPI to transact business with its clients; delays or mistakes in materials provided to clients; the inability to process transactions with clients or other parties; violations of privacy and other laws; regulatory fines, penalties and reputational damage; and compliance and remediation costs, legal fees and other expenses. JPMPPI's service providers, financial intermediaries, companies in which client accounts and funds invest, and parties with which JPMPPI engages in portfolio or other transactions also may be adversely impacted by cyber security risks in their own businesses, which could result in losses to JPMPPI or its clients. While measures have been developed which are designed to reduce the risks associated with cyber security, there is no guarantee that those measures will be effective, particularly since JPMPPI does not directly control the cyber security defenses or plans of its service providers, financial intermediaries and companies in which they invest or with which they do business.

### **Vendor Risk**

The Program relies on a vendor, which J.P. Morgan has an ownership interest in, for certain technological, administrative and operational aspects. By relying on a vendor, an investment adviser reduces its level of

control over services rendered. If a vendor fails to perform its obligations in a timely manner or at satisfactory quality levels, the Program may be unable to provide investment advice consistent with disclosures to clients.

### **Model Risk**

Some strategies may include the use of various proprietary quantitative or investment models. Investments selected using models may perform differently than expected as a result of changes from the factors' historical – and predicted future - trends, and technical issues in the implementation of the models, including, for example, issues with data feeds. Moreover, the effectiveness of a model may diminish over time, including as a result of changes in the market and/or changes in the behavior of other market participants. A model's return mapping is based partially on historical data regarding particular economic factors and securities prices. The operation of a model, similar to other fundamental, active investment processes, may result in negative performance, including returns that deviate materially from historical performance, both actual and pro-forma. For a model driven investment process – and again similar to other, fundamental, and active investment processes, there is no guarantee that the use of models will result in effective investment outcomes for clients.

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

Please see response to Item 8.B.

## **ITEM 9**

### **Disciplinary Information**

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

JPMPPI has no material civil or criminal actions to report.

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

JPMPPI 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 JPMPPI, 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 (currently branded as Chase Wealth Management) 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 is not a registered broker-dealer; however, JPMPI has management persons who are registered with the Financial Industry Regulatory Authority ("FINRA") as representatives of JPMS, an affiliated broker-dealer, if necessary, or appropriate to perform their responsibilities.

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). JPMPI is also a member of the National Futures Association (the "NFA"). In addition, one of JPMPI's management persons is registered with the NFA as an "associated person" of JPMPI, as necessary or appropriate to perform their responsibilities.

C. Material Relationships or Arrangements with Industry Participants

JPMPI has certain relationships or arrangements with related persons that are material to its advisory business or its clients. Below is a description of such relationships and some of the conflicts of interest that arise from them. JPMPI has adopted policies and procedures reasonably designed to appropriately prevent, limit or mitigate conflicts of interest that may arise between JPMPI and its affiliates. These policies and procedures include information barriers designed to prevent the flow of information between JPMPI and certain other affiliates, as more fully described in Item 11.A. For a more complete discussion of the conflicts of interest and corresponding controls designed to prevent, limit or mitigate conflicts of interests, please see Item 11.B - Participation or Interest in Client Transactions and Other Conflicts of Interest.

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 to 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, 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**

J.P. Morgan Distribution Services, Inc., ("JPMDS") 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. A description of the compensation payable to JPMDS is set forth in the applicable prospectus for the relevant fund.

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. JPMS is also registered as a Futures Commission Merchant ("FCM") with the CFTC. Certain directors and officers of JPMPI are also officers of JPMS. JPMPI utilizes 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. JPMPI also acts as a portfolio manager/sub-adviser for certain JPMS-sponsored wrap fee programs, in which JPMS typically provides custody and equity trade execution services to the program clients. JPMS does not receive any additional brokerage commissions from its wrap clients when JPMPI places trades for those clients with JPMS. Additionally, JPMPI does not receive any additional fees or compensation from placing trades for these JPMS sponsored wrap accounts with JPMS.

JPMS also sponsors the Program, in which JPMPI is responsible for determining asset allocation and portfolio construction, selecting and monitoring ETFs, and evaluating model portfolios on an ongoing basis subject to the oversight of, and pursuant to, an investment policy statement established and approved by JPMS.

**(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 provides investment advice and/or administrative functions for private investment funds organized as limited partnerships, limited liability companies, or offshore companies and serves as sub-adviser to four RICs for which JPMIM serves as investment adviser. JPMPI also acts as the investment adviser to open-end mutual funds. JPMPI has entered into sub-advisory arrangements with JPMIM to provide the day-to-day investment decisions for the RICs, including the selection of 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 acts as sub-adviser or portfolio manager to JPMS as described above in Item 4.

JPMPI's affiliate, JPMIM, is the investment adviser or sub-adviser for various J.P. Morgan affiliated funds, including funds organized under the laws of other countries and jurisdictions. JPMIM is the primary adviser to a U.S. mutual funds complex as well as separately managed accounts. JPMPI often recommends and invests client accounts in J.P. Morgan affiliated funds and separately managed accounts which creates a conflict of interest because JPMPI's affiliates benefit from increased allocations to the J.P. Morgan affiliated funds, and JPMDS and other affiliates receive distribution, placement, administration, custody, trust services or other fees for services provided to such funds. Please see Item 11 for more information on material conflicts of interest relating to JPMPI's use of J.P. Morgan Funds and Model Managers.

**(4) banking or thrift institution**

J.P. Morgan, JPMPI's parent company, is a public company that is a bank holding company registered with the Board of Governors of the Federal Reserve System (the “Federal Reserve”). J.P. Morgan is subject to supervision and regulation by the Federal Reserve and is subject to certain restrictions imposed by the Bank Holding Company Act and related regulations.

JPMCB is a national banking association. JPMCB is subject to supervision and regulation by the U.S. Department of Treasury's Office of the Comptroller of the Currency. JPMCB provides banking, investment management, trustee, custody, and other services to clients. JPMCB also provides custody, or administrative services to 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, human resources, IT, risk management, 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

Although JPMPI does not hire other investment advisers in the Program, JPMPI's relationship with its affiliates limit certain trading capabilities as described below.

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.

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

Additionally, JPMC and its affiliates own interests in electronic communication networks and alternative trading systems (collectively "ECNs"), please see Item 11 for more information relating to this conflict.

## ITEM 11

### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

A. Code of Ethics

JPMPI has adopted the JPMPI Code of Ethics (the "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 or mitigate conflicts of interest, as described more fully below. A copy of the Code of Ethics is available free of charge to any client upon request by contacting a client service representative or financial adviser.

(i) **General**

The Code of Ethics contains policies and procedures relating to:

- Account holding reports, personal trading, including reporting and preclearance requirements for all personnel of JPMPI;
- Confidentiality obligations to clients set forth in the JPMC privacy notices; and
- Conflicts of interest, which includes guidance relating to restrictions on trading on material, nonpublic information ("MNPI"), 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 JPMPI personnel be maintained with an approved broker and that all trades in reportable securities for such accounts be precleared 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 must obtain approval prior to engaging in all covered security transactions, including those issued in private placements. In addition, JPMPI personnel are not permitted to buy or sell securities issued by JPMC during certain periods throughout the year. Certain "Access Persons" (defined as persons with access to non-public information regarding JPMPI's recommendations to clients, purchases, or sales of securities for client accounts and advised funds) are prohibited from executing personal trades in a security at certain times. In addition, Access Persons are required to disclose household members' personal security transactions and holdings information. These disclosure obligations and restrictions are designed to mitigate conflicts of interest that may arise if Access Persons transact in the same securities as advisory clients.

Additionally, all JPMPI personnel are subject to the JPMC firm-wide policies and procedures including those found in the JPMC Code of Conduct (the "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 JPMC employees, including JPMPI personnel, are required to familiarize themselves, comply, and attest annually to their compliance with provisions of the Code of Conduct's terms as a condition of continued employment.

(ii) Information Barrier Policies

J.P. Morgan Wealth Management ("WM"), maintains various types of internal information barriers and other policies that are designed to prevent certain information from being shared or transmitted to other business units within WM or between JPMIM and WM, and within JPMC more broadly. JPMPI relies on these information barriers to protect the integrity of its investment process and to comply with fiduciary duties and regulatory obligations. JPMPI also relies upon these barriers to mitigate potential conflicts, to preserve confidential information and to prevent the inappropriate flow of MNPI and confidential information to and from JPMPI and to other public and private JPMC lines of business. MNPI is information not generally disseminated to the public that a reasonable investor would likely consider important in making an investment decision. This information is received voluntarily and involuntarily and under varying circumstances, including, but not limited to, upon execution of a non-disclosure agreement, as a result of serving on the board of directors of a company, serving on ad hoc or official creditors' committees and participation in risk, advisory or other committees for various trading platforms, clearinghouses and other market infrastructure related entities and organizations. JPMPI's information barriers include: (1) written policies and procedures to limit the sharing of MNPI and confidential information on a need to know basis only, and (2) various physical, technical and procedural controls to safeguard such information. As a result of information barriers, JPMPI generally will not have access, or will have limited access, to information and personnel in other areas of JPMC, and generally will not manage the client accounts and funds with the benefit of information held by these other 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. Participation or Interest in Client Transactions and Other Conflicts of Interest**

**J.P. Morgan Acting in Multiple Commercial Capacities**

J.P. Morgan is a diversified financial services firm that provides a broad range of services and products to its clients and is a major participant in the global currency, equity, commodity, fixed-income and other markets in which Program client accounts indirectly invest or may invest. J.P. Morgan is typically entitled to compensation in connection with these activities and the Program's clients will not be entitled to any such compensation. In providing services and products to clients other than Program clients, J.P. Morgan, from time to time, faces conflicts of interest with respect to activities recommended to or performed for Program clients on one hand and for J.P. Morgan's other clients on the other hand. For example, J.P. Morgan has, and continues to seek to develop banking and other financial and advisory relationships with numerous U.S. and non-U.S. persons and governments. J.P. Morgan also advises and represents potential buyers and sellers of businesses worldwide. Program client accounts have invested in, or may wish to invest in, such entities represented by J.P. Morgan or with which J.P. Morgan has a banking, advisory or other financial relationship. Furthermore, in certain circumstances, J.P. Morgan persons issue recommendations on securities held in accounts advised or sub-advised by JPMPI that are contrary to the investment activities of JPMPI. In addition, certain clients of J.P. Morgan may invest in entities in which J.P. Morgan holds an interest, including a collective investment trust, or other pooled investment vehicle managed by a J.P. Morgan affiliate. In providing services to its clients and as a participant in global markets, J.P. Morgan from time to time recommends or engages in activities that compete with or otherwise adversely affect a Program client account or its investments. It should be recognized that such relationships can preclude Program clients from engaging in certain transactions and can also restrict investment opportunities that may be otherwise available to Program clients. For example, J.P. Morgan is often engaged by companies as a financial adviser, or to provide financing or other services, in connection with commercial transactions that are indirectly potential investment opportunities for Program clients. There are circumstances in which advisory accounts are precluded from participating in such transactions as a result of J.P. Morgan's engagement by such companies. J.P. Morgan reserves the right to act for these companies in such circumstances, notwithstanding the potential adverse effect on Program clients. In addition, J.P. Morgan derives ancillary benefits from providing investment advisory, custody, administration, and other services to Program clients, and providing such services to Program clients may enhance J.P. Morgan's relationships with various parties, facilitate additional business development and enable J.P. Morgan to obtain additional business and generate additional revenue. The following are descriptions of certain additional conflicts of interest and potential conflicts of interest that may be associated with the financial or other interests that J.P. Morgan and JPMPI may have in transactions effected by, with, or on behalf of its clients. In addition to the specific mitigants described further below, JPMPI has established information barriers (see Item 11.A) and adopted policies and procedures reasonably designed to appropriately prevent, limit or mitigate conflicts of interest. In addition, many of the activities that create these conflicts of interest are limited and/or prohibited by law, unless an exception is available.

***J.P. Morgan Service Providers and Its Relationships with Issuers of Debt or Equity Instruments Indirectly Held in Client Accounts***

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 issuer of equity or debt securities held indirectly by client accounts. Any fees or other compensation received by J.P. Morgan in connection with such activities will not be shared with Program 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.

*Conflicts Related to the Joint Use of Vendors and Unaffiliated Service Providers*

Certain service providers to clients managed by JPMPI (including accountants, administrators, lenders, bankers, brokers, attorneys, consultants and investment or commercial banking firms) provide goods or services to, or have business, personal, financial or other relations with J.P. Morgan and/or JPMPI, their affiliates, advisory clients and portfolio companies. Such advisors and service providers may be clients of J.P. Morgan and JPMPI, sources of investment opportunities, co-investors or commercial counterparties or entities in which J.P. Morgan has an investment. Additionally, certain employees of J.P. Morgan or JPMPI could have family members or relatives employed by such advisors and service providers. These relationships could have the appearance of affecting or potentially influencing JPMPI in deciding whether to select or recommend such service providers to perform services for its clients or investments held by such clients (the cost of which will generally be borne directly or indirectly by such clients).

*Clients' Investments in Affiliated Companies*

Subject to applicable law, from time to time JPMPI may include equity instruments or other securities in Program model portfolios, and therefore client accounts, that represent an indirect interest in securities of J.P. Morgan, including J.P. Morgan stock. JPMPI will receive advisory fees on the portion of client holdings invested in such instruments or other securities and may be entitled to vote or otherwise exercise rights and take actions with respect to such instruments or other securities on behalf of its clients. Generally, such activity occurs when a client account includes an index strategy that targets the returns of certain indices in which J.P. Morgan securities are a key component.

*Clients' Investments in Deposit Sweep*

Clients authorize JPMS and JPMPI to invest (i.e., sweep) available cash balances in Program client accounts that are pending investment, as well as any strategic balances allocated to cash, into a bank deposit account held with JPMCB, an affiliate of JPMS and JPMPI.

Deposits with JPMCB are covered by the Federal Deposit Insurance Corporation ("FDIC"), up to applicable limits.

JPMS and JPMPI have a conflict of interest in using the Deposit Sweep for balances pending investment as well as the cash allocation for the model portfolios. JPMCB benefits from the use of the Deposit Sweep because JPMCB receives a stable, cost-effective source of funding. JPMCB intends to use deposits from Program accounts to fund current and new business, including lending activities and investments. The profitability on such lending activities and investments is generally measured by the difference, or "spread", between the interest rate paid on the deposits and other costs associated with the deposits, and the interest rate or other income JPMCB earns on loans and investments made with the deposits. JPMS addresses this conflict by monitoring the rate of interest paid on deposits made from Program accounts and by providing disclosure and information about the Deposit Sweep to clients. In addition, an internal governance forum reviews the target allocation to cash for each of the Program model portfolios to determine whether it is consistent with such strategy's investment objective.

*Restrictions Relating to J.P. Morgan Directorships/Affiliations*

Additionally, from time to time, directors, officers and employees of J.P. Morgan, serve on the board of directors or hold another senior position with a corporation, investment fund manager or other institution which may desire to sell an investment to, acquire an investment from or otherwise engage in a transaction with, JPMPI. The presence of such persons in such circumstances may require the relevant person to recuse himself or herself from participating in the transaction, or cause JPMPI to determine that it (or its client) is

unable to pursue the transaction because of a potential conflict of interest. In such cases, the investment opportunities available to the clients and the ability of such clients to engage in transactions or retain certain investments or assets will be limited.

*Recommendation or Investments in Securities that JPMPI or Its Related Persons may also Purchase or Sell*

JPMPI and its related persons may recommend or invest in securities on behalf of its clients that JPMPI and its related persons may also purchase or sell. As a result, positions taken by JPMPI and its related persons may be the same as or different from, or made contemporaneously or at different times than, positions taken for other accounts by JPMPI. As these situations 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. In addition, JPMPI has implemented monitoring systems designed to ensure compliance with these policies and procedures.

*Payment for Order Flow*

JPMS may pay from time to time for certain order flow in the form of discounts, rebates, reductions of fees or credits. As a result of sending orders to certain trading centers, JPMS receives payment for order flow in the form of discounts, rebates, reductions of fees or credits. Under some circumstances, the amount of such remuneration may exceed the amount that JPMS is charged by such trading centers. This does not alter JPMS' obligations as a broker-dealer and its policy to route customer orders to the trading center where it believes clients will receive the best execution, taking into account, among other factors, price, transaction cost, volatility, market depth, quality of service, speed and efficiency.

*Other Compensation from ETFs*

Certain ETFs in which JPMPI may invest account assets in for the Program may execute transactions for their portfolios through JPMS or an affiliate as broker-dealer, and JPMS or an affiliate may receive compensation from the ETFs in connection with these transactions. Such compensation presents a conflict of interest between JPMPI and Program clients because JPMPI may have a financial incentive to invest Program account assets in such ETFs: (1) in the hope or expectation that increasing the amount of assets invested with the ETFs will increase the number and/or size of transactions placed by the ETFs for execution by JPMS or an affiliate or other related person, and thereby result in increased compensation to JPMS and its affiliates and other related persons in the aggregate; and (2) to benefit the ETFs and thereby preserve and foster valuable brokerage relationships with the ETFs.

*Ownership in Vendor*

The Program relies on a financial digital solutions vendor for certain technological, administrative and operational aspects. JPMCB has an ownership interest in this vendor, which creates a conflict of interest, because the Program had an incentive to select this vendor and has an incentive to continue using this vendor for the Program. J.P. Morgan addresses this conflict by disclosing it to clients and by subjecting the vendor to due diligence. Additionally, clients are not directly responsible for payments to this vendor.

*J.P. Morgan's Use and Ownership of Trading Systems*

JPMS may effect trades on behalf of Program accounts through exchanges, electronic communications networks, alternative trading systems and similar execution systems and trading venues (collectively, "Trading Systems"), including Trading Systems in which J.P. Morgan has a direct or indirect ownership interest. J.P.

Morgan may receive indirect proportionate compensation based upon its ownership percentage in relation to the transaction fees charged by such Trading Systems in which it has an ownership interest.

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

In this Program, while JPMPI currently selects only unaffiliated ETFs, JPMPI does select affiliated funds and strategies in other advisory programs to which the following applies.

**Investment Principles 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 clients' portfolios to act in a way that benefits J.P. Morgan. Conflicts will result, for example (to the extent the following activities are permitted in the 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 JPMCB or an affiliate, such as JPMIM; (2) when a J.P. Morgan entity obtains services, including trade execution and trade clearing, from an 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 portfolio. 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 manager research teams. From this pool of strategies, JPMPI's portfolio construction teams select those strategies JPMPI believes fits the asset allocation goals and forward looking views in order to meet the portfolio's investment objective.

As a general matter, JPMPI prefers J.P. Morgan managed strategies. JPMPI expects the proportion of J.P. Morgan managed strategies 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 JPMPI's internally managed strategies generally align well with JPMPI's forward looking views, and JPMPI is familiar with the investment processes as well as the risk and compliance philosophy of J.P. Morgan, it is important to note that J.P. Morgan receives more overall fees when internally managed strategies are included. In certain programs, JPMPI offers the option of choosing to exclude J.P. Morgan managed strategies (other than cash and liquidity products) in certain portfolios.

**Separately Managed Accounts**

Portfolios invested in individual equity or fixed income securities may be managed by JPMPI, JPMCB, or by a third-party manager, including an affiliate. When JPMPI, JPMCB or an affiliate manages these investments, there is a benefit to J.P. Morgan since it increases the overall revenue of J.P. Morgan. Additionally, a manager of a separately managed account may invest in products that may result in additional revenue to J.P. Morgan.

**IMPORTANT INFORMATION ABOUT FUNDS REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED ("REGISTERED FUNDS")**

**J.P. Morgan Funds - Management Fees**

JPMPI or its affiliates may be sponsors or managers of Registered Funds ("J.P. Morgan Funds") that JPMPI purchases for the client's portfolio. In such case, JPMPI or its affiliates may receive a fee for managing the J.P. Morgan Funds. As such, JPMPI and its affiliates will receive more total revenue when the client's portfolio is invested in J.P. Morgan Funds than when it is invested in third party funds.

**J.P. Morgan Funds and Third Party Funds - Other Fees & Expenses**

All J.P. Morgan Funds have various internal fees and other expenses, that are paid by managers or issuers of the J.P. Morgan Funds or by the J.P. Morgan Funds itself, but that ultimately are borne by the investor. Affiliates of JPMPI may receive administrative and servicing fees for providing services to both J.P. Morgan Funds and third party J.P. Morgan Funds that are held in the client's portfolio. These payments may be made by sponsors of J.P. Morgan Funds (including affiliates of JPMPI) but not the J.P. Morgan Funds themselves and may be based on the value of the J.P. Morgan Funds in the client's portfolio. J.P. Morgan Funds or their sponsors may have other business relationships with JPMPI outside of its portfolio management role or with the broker-dealer affiliates of the JPMPI, which may provide brokerage or other services that pay commissions, fees and other compensation. *Principal and Agency Transactions*

When permitted by applicable law and JPMPI's policy, JPMPI, acting on behalf of its advisory accounts, from time to time enters into transactions in securities and other instruments with or through JPMC, and causes accounts to engage in principal transactions, cross transactions, and agency cross transactions. A "principal transaction" occurs if JPMPI, acting on behalf its advisory accounts, knowingly buys a security from, or sells a security to, JPMPI's or its affiliate's own account.

A "cross transaction" occurs when JPMPI arranges a transaction between different advisory clients where they buy and sell securities or other instruments from, or to each other. For example, in some instances a security to be sold by one client account may independently be considered appropriate for purchase by another client account. In such cases, JPMPI may, but is not required, to cause the security to be "crossed" or transferred directly between the relevant accounts at an independently determined market price and without incurring brokerage commissions, although customary custodian fees and transfer fees may be incurred, no part of which will be received by JPMPI.

An "agency cross transaction" occurs if JPMC acts as broker for, and receives a commission from a client account of JPMPI on one side of the transaction and a brokerage account on the other side of the transaction in connection with the purchase or sale of securities by JPMPI's client account. JPMPI faces potentially conflicting division of loyalties and responsibilities to the parties in such transactions, including with respect to a decision to enter into such transactions as well as with respect to valuation, pricing and other terms. No such transactions will be effected unless JPMPI determines that the transaction is in the best interest of each client account and permitted by applicable law.

#### *Potential Conflicts Relating to Valuation*

JPMPI does not value securities in client accounts or provide assistance in connection with such valuation. JPMS, as custodian for client accounts, values securities in client accounts. There is an inherent conflict of interest where JPMS, an affiliate of JPMPI, values securities or assets in client accounts or provides any assistance in connection with such valuation and JPMS and JPMPI are receiving a fee based on the value of such assets. Overvaluing certain positions held by clients will inflate the value of the client assets as well as the performance record of such client accounts which would likely increase the fees payable to JPMS and JPMPI. As a result, there may be circumstances where JPMS is incentivized to determine valuations that are higher than the actual fair value of investments. In addition, JPMS may value identical assets differently in different accounts or funds due to, among others, different valuation guidelines applicable to such private funds or different third-party pricing vendors. Furthermore, certain units within J.P. Morgan may assign a different value to identical assets than JPMS because these units may have certain information regarding valuation techniques and models or other information relevant to the valuation of a specific asset or category of assets, which they do not share with JPMS. The various lines of business within J.P. Morgan typically will be guided by specific policies and requirements with respect to valuation of client holdings. Such policies may include valuations that are provided by third-parties, when appropriate, as well as comprehensive internal valuation methodologies.

On occasion, JPMS utilizes the services of affiliated pricing vendors for assistance with the pricing of certain securities. In addition, securities for which market quotations are not readily available, or are deemed to be

unreliable, are fair valued in accordance with established policies and procedures. Fair value situations could include, but are not limited to:

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

**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. JPMPI has also implemented monitoring systems designed to ensure compliance with these policies and procedures.

***J.P. Morgan's Proprietary Investments***

JPMPI, J.P. Morgan, and any of their directors, partners, officers, agents or employees, also buy, sell or trade securities for their own accounts or the proprietary accounts of JPMPI and/or J.P. Morgan. JPMPI and/or J.P. Morgan, within their discretion, may make different investment decisions and take other actions with respect to their 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 their employees, principals or agents may purchase or sell for their own accounts or the proprietary accounts of JPMPI or J.P. Morgan. JPMPI, J.P. Morgan, and their respective directors, officers and employees face a conflict of interest as they will have income or other incentives to favor their own accounts or the proprietary accounts of JPMPI or J.P. Morgan.

***J.P. Morgan's Policies and Regulatory Restrictions Affecting Client Accounts***

As part of a global financial services firm, JPMPI may be precluded from effecting or recommending transactions in certain client portfolios and may restrict its investment decisions and activities on behalf of its clients as a result of applicable law, regulatory requirements and/or other conflicts of interest, information held by JPMPI or J.P. Morgan, JPMPI's and/or J.P. Morgan's roles in connection with other clients and in the capital markets and J.P. Morgan's internal policies and/or potential reputational risk. As a result, client portfolios managed by JPMPI may be precluded from acquiring, or disposing of, certain securities or instruments at any time. This includes the securities issued by J.P. Morgan.

In addition, potential conflicts of interest also exist when J.P. Morgan maintains certain overall investment limitations on positions in securities or other financial instruments due to, among other things, investment restrictions imposed upon J.P. Morgan by law, regulation, contract or internal policies. These limitations have precluded and, in the future could preclude, JPMPI from including particular securities or financial instruments in its portfolios, even if the securities or financial instruments would otherwise meet the investment objectives of such portfolio. For example, there are limits on the aggregate amount of investments by affiliated investors in certain types of securities within a particular industry group that may not be exceeded without additional



regulatory or corporate consent. If such aggregate ownership thresholds are reached, the ability of a client to purchase or dispose of investments, or exercise rights or undertake business transactions, will be restricted.

Potential conflicts of interest may also arise as a result of JPMPI's current policy to endeavor to manage its clients' portfolios so that the various requirements and liabilities imposed pursuant to Section 16 of the Securities Exchange Act of 1934 ("Section 16" and the "Exchange Act", respectively) are not triggered. Section 16 applies, inter alia, to "beneficial owners" of 10% or more of any security subject to reporting under the Exchange Act. In addition to certain reporting requirements, Section 16 also imposes on such "beneficial owner" disgorgement requirement of "short-swing" profits deriving from purchase and sale or sale and purchase of the security, executed within a six-month period. JPMPI may be deemed to be a "beneficial owner" of securities held by its advisory clients. Consequently, and given the potential ownership level of the various JPMPI accounts and funds managed for its clients, JPMPI may limit the amount of, or alter the timing, of purchases of securities, in order not to trigger the foregoing requirements. That means that certain contemplated transactions that otherwise would have been consummated by JPMPI on behalf of its clients may not take place, may be limited in their size or may be delayed.

Furthermore, J.P. Morgan has adopted policies and procedures reasonably designed to ensure compliance generally with economic and trade sanctions-related obligations applicable to its activities (although such obligations are not necessarily the same obligations that its clients may be subject to). Such economic and trade sanctions prohibit, among other things, transactions with and the provision of services to, directly or indirectly, certain countries, territories, entities and individuals. These economic and trade sanctions, and the application by JPMPI of its compliance policies and procedures in respect thereof, may restrict or limit an advisory account's investment activities. In addition, J.P. Morgan from time to time subscribes to or otherwise elects to become subject to investment policies on a firm-wide basis, including policies relating to environmental, social and corporate governance. JPMPI may also limit transactions and activities for reputational or other reasons, including when J.P. Morgan is providing or may provide advice or services to an entity involved in such activity or transaction, when J.P. Morgan or a client is or may be engaged in the same or a related activity or transaction to that being considered on behalf of the advisory account, when J.P. Morgan or another account has an interest in an entity involved in such activity or transaction, or when such activity or transaction on behalf of or in respect of the advisory account could affect J.P. Morgan, JPMPI, their clients or their activities. J.P. Morgan may become subject to additional restrictions on its business activities that could have an impact on Program client account activities. In addition, JPMPI may restrict its investment decisions and activities on behalf of particular advisory accounts and not other accounts.

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

##### *Conflicts Related to the Advising of Multiple Accounts*

Certain portfolio managers of JPMPI manage or advise multiple client accounts, investment vehicles or portfolios. These portfolio managers are not required to devote all or any specific portion of their working time to the affairs of any specific client. Conflicts of interest do arise in allocating management time, services or functions among such clients, including clients that may have the same or similar type of investment strategies. JPMPI addresses these conflicts by disclosing it to clients and through its supervision of portfolio managers and their teams. Responsibility for managing JPMPI's client portfolios is organized according to investment strategies within asset classes. Generally, client portfolios with similar strategies are managed by portfolio managers in the same portfolio management group using the same or similar objectives, approach and philosophy. Therefore, portfolio holdings, relative position sizes, industry and sector exposures generally tend to be similar across client portfolios with similar strategies. However, JPMPI faces conflicts of interest when JPMPI's portfolio managers manage accounts or portfolios 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 on the number of accounts which may be managed or advised by JPMPI or its related persons. JPMPI has controls in place to monitor and mitigate these potential conflicts of interest.

Also 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.

Positions taken by a certain client account can also dilute or otherwise negatively affect the values, prices or investment strategies associated with positions held by a different client account. For example, this can occur when investment decisions for one client are based on research or other information that is also used to support portfolio decisions by JPMPI or an affiliate for a different client following the same, similar, or different investment strategies or by an affiliate of JPMPI in managing its clients' accounts. When a portfolio decision or strategy is implemented for an account ahead of, or contemporaneously with, similar portfolio decisions or strategies for JPMPI or an affiliate's other client (whether or not the portfolio decisions emanate from the same research analysis or other information), market impact, liquidity constraints or other factors could result in one account being disadvantaged or receiving less favorable investment results than the other account, and the costs of implementing such portfolio decisions or strategies could be increased.

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. Furthermore, if JPMPI or an affiliate manages accounts that engage in short sales of securities in which other accounts invest, JPMPI or its affiliate could be seen as harming the performance of one account for the benefit of the account engaging in short sales if the short sales cause the market value of the securities to fall.

#### *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.

#### *Conflicts Related to Allocation and Aggregation*

Potential conflicts of interest also arise involving both the aggregation of trade orders and allocation of securities transactions or investment opportunities. Allocations of aggregated trades and allocation of investment opportunities raise a potential conflict of interest because JPMPI has an incentive to allocate trades or investment opportunities to certain accounts or funds. Fees for accounts managed by affiliates ("Affiliate Accounts") are generally higher than fees for the Program. In addition, the assets under management for individual Affiliate Accounts are generally higher than the assets under management for individual program accounts. Therefore, affiliates can receive more gross compensation with respect to Affiliate Accounts than JPMS and JPMPI receive from program 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 Affiliate Accounts as to time spent managing such accounts, placing securities transactions or when allocating securities to clients. JPMPI has established policies, procedures and practices to manage the conflicts described above.

**ITEM 12**  
**Brokerage Practices**

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

Clients invested in the Program authorize and direct JPMPI, in the client agreement, to effect transactions for their accounts through JPMS, subject to JPMPI's duty to seek best execution and JPMS' capacity and willingness to execute the transaction. Although JPMPI has discretion to select brokers or dealers other than JPMS, JPMPI generally places such trades through JPMS because the wrap fee paid by each wrap program account client only covers execution costs on trades executed through JPMS. Certain securities included in the clients portfolios can be less liquid or are traded infrequently. If faced with a liquidity constraint, to fulfill its duty to seek best execution of transactions for its clients' accounts, JPMPI can select broker-dealers other than JPMS or its affiliates to affect a trade for a wrap program account client and any execution costs charged by other broker-dealers will be paid by the client's account.

In the event JPMPI selects brokers for the execution of transactions for client accounts, it does in accordance with its best execution policies and procedures. In making decisions about best execution, JPMPI considers some of the factors below, including:

- The execution venues available for such instruments
- Price, costs, and commission rates charged
- Speed of execution or priority placed upon an order by the portfolio manager or client
- Likelihood of execution and settlement
- Relative size of the order
- Consistent quality of overall service from the counterparty

When assessing the relative importance of these factors, JPMPI will also consider the characteristics of the client, the client's order, and the financial instruments that are subject of the order and the execution venues to which that order can be directed.

Notwithstanding the above, JPMS and JPMPI reserve the right, at any time and without notice, to delay or suspend trading activity in Program accounts in their sole discretion. In the event that JPMS or JPMPI suspends or delays trading, requests to withdraw and transfer cash from Program accounts will continue to be honored. However, there may be a delay in the Program's ability to liquidate securities to cover requests for withdrawals in excess of the cash in Program accounts, or to invest existing or new cash balances.

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

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

**2. Brokerage for Client Referrals.**

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

**3. Directed Brokerage.**

Clients are not permitted to direct brokerage in the Program other than the direction to use JPMS.

B. Order Aggregation

JPMPI generally aggregates (or blocks) orders for the purchase or sale of securities during each trading day for Program accounts. Trades resulting from client-initiated activity (e.g., account contributions, withdrawals,

changes in a client's Selected Portfolio, and client restrictions) will typically be blocked together and trades resulting from rebalancing activity will typically be blocked together. When an order requires more than one execution, participating accounts will receive the average price for transactions in their particular block order. Although JPMPI expects to send the block trades to the market at approximately the same time, Program accounts generally will receive a different execution price depending on whether the trades result from client-initiated activity or rebalancing activity. Either block can be executed first on any particular trading day. To the extent a Program account regularly trades behind other types of accounts, it is possible that the account will suffer from adverse effects depending on market conditions. Program trading is conducted separately from other JPMPI advisory programs, and orders for the Program accounts are not aggregated with orders placed on behalf of other JPMPI clients.

## **Trade Errors**

Trade errors and other operational mistakes occasionally occur in connection with JPMPI's management of funds and client accounts. JPMPI will generally work with JPMS to resolve all trade and operational errors. JPMPI has developed policies and procedures that address the identification and correction of trade errors. Errors can result from a variety of situations including, situations involving portfolio management (e.g., inadvertent violation of investment restrictions) trading, processing or other functions (e.g., miscommunication of information, such as wrong number of shares, wrong price, wrong account, calling the transaction a buy rather than a sell and vice versa, etc.).

JPMPI's policies and procedures require that all errors affecting a client's account be resolved promptly and fairly. Under certain circumstances, JPMPI may consider whether it is possible to adequately address an error through cancellation, correction, reallocation of losses and gains or other means. The intent of the policy is to restore a client account to the appropriate financial position considering all relevant circumstances surrounding the error.

JPMPI makes its determinations pursuant to its error policies on a case-by-case basis, in its discretion, based on factors it considers reasonable. Relevant facts and circumstances JPMPI may consider include, among others, the nature of the service being provided at the time of the incident; whether intervening causes, including the action or inaction of third parties, caused or contributed to the incident; specific applicable contractual and legal restrictions and standards of care; whether a client's investment objective was contravened; the nature of a client's investment program; whether a contractual guideline was violated; the nature and materiality of the relevant circumstances; and the materiality of any resulting losses.

JPMPI's policies and procedures generally do not require perfect implementation of investment management decisions, trading, processing or other functions performed by JPMPI. Therefore, not all mistakes will be considered compensable to the client. Imperfections in the implementation of investment decisions, quantitative strategies, financial modeling, trade execution, cash movements, portfolio rebalancing, processing instructions or facilitation of securities settlement, imperfection in processing corporate actions, or imperfection in the generation of cash or holdings reports resulting in trade decisions may not constitute compensable errors, depending on the facts and circumstances. For example, imperfections in the implementation of investment strategies, including quantitative strategies (e.g., coding errors), that do not result in material departures from the intent of the portfolio management team will generally not be considered compensable errors. In addition, in managing accounts, JPMPI may establish non-public, formal or informal internal targets, or other parameters that may be used to manage risk, manage sub-advisers or otherwise guide decision-making, and a failure to adhere to such internal parameters will not be considered an error.

## **ITEM 13**

### **Review of Accounts**

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

JPMPPI does not monitor individual client accounts. The Program has instead been designed to continuously monitor and rebalance clients' accounts to keep them aligned with the model portfolio's target asset allocation subject to the Program's rebalancing logic. Accounts are generally rebalanced when their actual account holdings drift from the model portfolio's stated target asset allocation by certain predetermined thresholds or client-initiated activity (e.g., account contributions, withdrawals, changes in a client's Selected Portfolio, and client restrictions). In addition, JPMS maintains certain controls to review client accounts to ensure that the Program and its rebalancing logic is operating as intended.

The Program's rebalancing parameters, including the manner and frequency of rebalancing, may change at any time without notice. Rebalancing of accounts may be delayed or otherwise impacted by market conditions and by operational constraints. In certain circumstances, including market instability, or in response to certain types of operational or technological errors, JPMS or JPMPPI may decide not to rebalance accounts.

JPMS has delegated to JPMPPI the responsibility for overseeing and revising the drift thresholds, subject to JPMS approval. JPMS, together with JPMPPI, is responsible for the Program's associated rebalancing logic that determines when to rebalance Program accounts.

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

JPMPPI does not monitor individual client accounts. Please see the response to Item 13.A for a description of the Program's rebalancing logic that has instead been designed to continuously monitor and rebalance client's accounts.

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

JPMPPI does not provide performance reports to Program clients. Clients receive written account statements from JPMS, as custodian of Program accounts, at least quarterly (monthly for months when there is activity in a Program account). Clients will also be able to access quarterly performance reports for their Program accounts through the Program Website. The quarterly performance reports contain information about account performance and holdings.

**ITEM 14**

**Client Referrals and Other Compensation**

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

Except as stated elsewhere in this Brochure, no person who is not a client provides an economic benefit to JPMPPI for providing investment advice or other advisory services to Program accounts. Notwithstanding the forgoing and subject to compliance with applicable law, JPMPPI derives ancillary benefits from providing investment advisory services to clients. For example, providing such advisory services to clients generally helps JPMPPI enhance its relationships with various parties and facilitate additional business development and also enables JPMPPI 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 JPMPPI on behalf of clients. While JPMPPI 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 JPMPPI 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 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 currently compensates any person who is not its supervised person for client referrals to the Program.

**ITEM 15**

**Custody**

JPMPI generally does not maintain physical custody of client assets. Client assets are held by JPMS pursuant to a separate brokerage account 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 where JPMS directly or indirectly holds clients' funds or securities or has authority to obtain possession of them. Clients will electronically receive trade confirmations of all transactions. Clients will receive account statements from JPMS, as the custodian of Program accounts, at least quarterly (monthly for months when there is activity in a Program account) and should review those statements carefully. Clients will also be able to access quarterly performance reports for their Program accounts through the Program Website. The quarterly performance reports contain information about account performance and holdings.

**ITEM 16**

**Investment Discretion**

JPMPI is responsible for determining asset allocation and portfolio construction, selecting and monitoring ETFs, and evaluating model portfolios on an ongoing basis subject to the oversight of, and pursuant to, an investment policy statement established and approved by JPMS. JPMPI has investment discretion and trading authority to implement the model portfolios and place orders consistent with each client's Selected Portfolio.

**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 held in a client's account. Each client has the right to vote, and is solely responsible for voting proxies for any securities and other property in the client's account. JPMS will send electronic notifications to clients when proxies or similar action requests have been posted to the Program Website.

JPMPI will be responsible for evaluating and acting on 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.

Notwithstanding the prior paragraph, neither JPMPI nor JPMS will be responsible and 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 with respect to 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 investments held or previously held, in the client's account or the issuers thereof.

JPMPI and its affiliates will not be responsible or liable for: (1) failing to notify a client of proxies, or (2) failing to send to the client proxy materials or annual reports where JPMS or its affiliates have not received proxies or related shareholder communications on a timely basis or at all.

## **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.