

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

**J.P. Morgan Private Investments Inc.**  
**J.P. Morgan Core Advisory Portfolio**  
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. If you have any questions about the contents of this brochure, please contact us at (212) 464-2631. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

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

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

## **ITEM 2 - Material Changes**

On January 11, 2016, J.P. Morgan Private Investments Inc. (“JPMPI”) filed with the SEC its initial brochure (the “Initial Brochure”) for the J.P. Morgan Core Advisory Portfolio (“JPMCAP”). On March 30, 2016, JPMPI filed with the SEC an annual updating amendment for JPMCAP (the “Prior Brochure”) that amended the Initial Brochure. This brochure amends the Prior Brochure. Set forth below is a summary of the material changes to the Initial Brochure and Prior Brochure. The summary of material changes is intended to inform clients of changes that clients may find important to them. The material changes summarized below were also incorporated into this brochure.

The Prior Brochure updated the Initial Brochure to, among other things:

- Inform clients who elect to have their accounts implemented using index oriented vehicles that they must also elect to have their accounts implemented using non-J.P. Morgan mutual funds, exchange-traded funds (“ETFs”), and separate investment advisers for model portfolios, all as further explained in Item 4.B – Description of Advisory Services, Option to Use Index Oriented Vehicles;
- Revise and update disclosure in Item 8 regarding the use of mutual funds and ETFs sponsored or managed by JPMPI or its affiliates in JPMCAP, including the use of mutual funds and ETFs in certain JPMCAP investment strategies as of March 30, 2016; and
- Revise and expand disclosure in Item 10 to describe more clearly JPMPI’s material relationships and arrangements with industry participants, including to clarify that limitations on investment positions that JPMPI and its affiliates maintain could preclude the purchase of, or require the sale of, certain investments, and could result in performance dispersion among accounts with similar investment objectives.

This brochure updates the Prior Brochure to, among other things:

- Revise the table of “Available Investment Strategies and Investments” in Item 4 to (i) add as an available investment strategy “Managed Equities”, (ii) reduce the minimum to \$10,000 for certain strategies and (iii) note the possibility of model dispersion for certain accounts with low asset levels;
- Update the table in Item 6 demonstrating the allocation percentage in affiliated funds for certain strategies; and
- Disclose in Item 9.B certain disciplinary events involving affiliates of JPMPI.

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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 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 the manager of the Focused Dividend Growth (“FDG”) and Focused Tactical Equity (“FTE”) strategies offered through JPMS’s Strategic Investment Services (“STRATIS”) program and acting as the sub-adviser to the J.P. Morgan Core Advisory Portfolio (“JPMCAP”) program, the Chase Strategic Portfolio (“CSP”) program, and the Mutual Fund Advisory Portfolio (“MFAP”) program.

JPMPI was incorporated on November 25, 1991. JPMPI is a wholly-owned subsidiary of J.P. Morgan Chase & Co., which, together with its affiliates (collectively, “J.P. Morgan”) is engaged in a large number of financial businesses worldwide, including banking, asset management, securities brokerage, and investment advisory services.

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

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

JPMCAP is a discretionary unified managed account program managed and offered by JPMS. In JPMCAP, client assets are invested in a manner consistent with one of the multi-asset class investment strategies (each an “Investment Strategy”) made available by JPMS to clients. Assets within an Investment Strategy are generally invested in each asset class through one or more open-end mutual funds and exchange-traded funds (“ETFs”) available through JPMS. For taxable accounts only, clients have the option to substitute any available municipal investments for some fixed income options. Clients with at least \$250,000 in their JPMCAP accounts may elect to include “Liquid Alternative Funds,” which are mutual funds that may hold more non-traditional investments and employ more complex strategies than traditional mutual funds. In this brochure, we refer to open-end mutual funds, ETFs, and Liquid Alternative Funds collectively as “Funds.” Please see Item 10.D below for information on share classes of Funds available to JPMCAP clients.

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Clients with at least \$750,000 in their JPMCAP accounts and that have elected to include Liquid Alternative Funds in their accounts may also elect to have assets within an Investment Strategy invested in individual securities in accordance with one or more models following model portfolios provided by separate investment advisers (the “Model Managers”). The Form ADV, Part 2A for each Model Manager selected for a client’s JPMCAP account is available from JPMS upon request.

Funds available through JPMCAP include both Funds sponsored or managed by J.P. Morgan affiliates (the “J.P. Morgan Funds”), including J.P. Morgan Investment Management Inc. (“JPMIM”), and Funds managed by third-party asset managers (the “non-J.P. Morgan Funds”). A substantial portion of the assets in JPMCAP are expected to be invested in J.P. Morgan Funds. In addition, unaffiliated and affiliated Model Managers may be evaluated and selected for JPMCAP accounts. See “Use of J.P. Morgan Funds and Model Managers and Potential Conflicts of Interest” below for more information on the use of J.P. Morgan Funds and affiliated Model Managers.

The Investment Strategy for a particular client is based on the client’s discussion with JPMS and the client’s risk tolerance. The Investment Strategies available in JPMCAP are conservative, balanced, growth, aggressive growth, and managed equities. The conservative, balanced, growth, and managed equities Investment Strategies are generally available for clients, regardless of whether they are eligible to include or have elected to include Liquid Alternative Funds or other securities through Model Managers in their accounts. The aggressive growth Investment Strategy is only available to those clients who are eligible for and have elected to include Liquid Alternative Funds, or to include Liquid Alternative Funds and other securities through Model Managers, in their accounts. For more information on these Investment Strategies and related risks, please refer to Item 8 below.

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The Investment Strategies and types of investment options that are available based on the level of client assets in JPMCAP are summarized in the table below:

**Available Investment Strategies and Investments**

Client Program Assets	Available Investment Strategies					Available Investments			
	Conservative	Balanced	Growth	Aggressive Growth	Managed Equities**	Mutual Funds***	ETFs***	Liquid Alternative Funds	Other Securities through Model Managers
\$10,000 – \$249,999*	Yes	Yes	Yes	No	Yes	Yes	Yes	No	No
\$250,000 and over	Yes	Yes	Yes	Yes, if elect Liquid Alternative Funds	Yes	Yes	Yes	Yes, on client election	No
\$750,000 and over	Yes	Yes	Yes	Yes, if elect Liquid Alternative Funds and other securities through Model Managers	Yes	Yes	Yes	Yes, on client election	Yes, on client election

\* Certain JPMCAP accounts with lower asset levels may experience some dispersion from the established models.

\*\* Available on or about 4<sup>th</sup> quarter, 2016.

\*\*\* Clients may elect to have their JPMCAP accounts include Index Oriented Vehicles (as defined below) so long as they have not elected to have their JPMCAP accounts include Liquid Alternative Funds or other securities through Model Managers.

JPMS establishes investment objectives and policy, designates sub-adviser(s) when appropriate, and is responsible for oversight of the sub-adviser(s). JPMPI, as a sub-adviser, determines strategic and tactical allocation for the Investment Strategies and selects the Funds and Model Managers available through JPMCAP using due diligence produced by JPMPI's affiliates. JPMS (not JPMPI) is responsible for determining whether an Investment Strategy is suitable for a particular client. JPMPI is not responsible for any portfolio implementation or trading in client accounts. JPMS has hired JPMIM (“Overlay Manager”) to provide certain implementation services for client JPMCAP accounts not involving the provision of investment advice. JPMS (not JPMPI) is responsible for overseeing the performance of JPMIM.

The investment policy statement specifies investment guidelines established by JPMS, including those designed by JPMS to address operational and other considerations. These operational and other considerations, such as Fund concentration, prospectus delivery, and capacity issues, may affect the timing of certain tactical trades, and may result in the timing or implementation of trades for a client's account differing from that of another client or group of clients of JPMS or its affiliates. It is JPMS'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.

### **Option to Use Index Oriented Vehicles**

JPMPI prefers to follow an investment process that maintains the option of using a range of active and passive vehicles, some of which are Index Oriented Vehicles (as defined below) and some of which are not. However, clients may elect to have their accounts (other than cash and liquidity Funds) implemented entirely through Index Oriented Vehicles.

For purposes of the JPMCAP Index Oriented Vehicle election, “Passively Managed Vehicles” include ETFs and index-oriented mutual funds. “Actively Managed Vehicles” include mutual funds, separately managed accounts, and investments in other securities through Model Managers. In determining whether a particular Actively Managed Vehicle or Passively Managed Vehicle may be considered an “Index Oriented Vehicle,” JPMPI will, using due diligence and vehicle evaluation from its affiliates, consider, among other things, how closely the vehicle’s historical returns track the index JPMPI is targeting for the relevant asset class and the cost, liquidity, and complexity of the vehicle’s strategy. The determination of whether a vehicle is an Index Oriented Vehicle is in JPMPI’s sole discretion, is subject to change, and does not guarantee that an Index Oriented Vehicle will perform in line with, or in excess of, the underlying index. The election does not apply to cash and liquidity Funds.

Clients who have selected the conservative, balanced, growth, or managed equities Investment Strategies, and who have not elected to include Liquid Alternative Funds or other securities through Model Managers, may elect to use Index Oriented Vehicles to implement their accounts for asset classes other than cash and liquidity Funds. This election directs JPMPI to use Passively Managed Vehicles except when, in JPMPI’s judgment, active management is expected to closely reflect an underlying index and to better reflect the overall characteristics of the underlying asset class or market segment. Clients who elect to have their accounts implemented using Index Oriented Vehicles must also elect to have their accounts implemented using non-J.P. Morgan Funds and unaffiliated Model Managers, as defined and further described below.

When a client elects to implement his or her JPMCAP account using Index Oriented Vehicles, it may affect JPMPI’s ability to make investments, access asset classes, or take advantage of opportunities that are available to clients who do not make that election. As a result, performance of an account with an election may differ from the performance of other accounts without an election.

Actively managed vehicles typically charge higher management fees than passively managed vehicles. JPMPI’s preference to follow an investment process that maintains the option of using a range of active and passive vehicles presents a conflict of interest because JPMPI has the option to include more actively managed vehicles in the portfolio, which could include J.P. Morgan managed strategies, in which case J.P. Morgan would receive more overall fees. See “Use of J.P. Morgan Funds and Model Managers and Potential Conflicts of Interest” below for more information on the use of J.P. Morgan managed strategies.

**Option to Use non-J.P. Morgan Funds and Unaffiliated Model Managers**

As described below in “Use of J.P. Morgan Funds and Model Managers and Potential Conflicts of Interest,” JPMPI prefers J.P. Morgan Funds and affiliated Model Managers. However, clients may elect to exclude from their JPMCAP accounts J.P. Morgan managed strategies, except for J.P. Morgan managed cash and liquidity products, or separately managed accounts managed by J.P. Morgan where a party other than J.P. Morgan is appointed investment adviser. This election excludes from JPMCAP accounts J.P. Morgan Funds (except money market mutual funds) and affiliated Model Managers.

Currently, this election is available for all JPMCAP Investment Strategies, including where clients are eligible for and have elected to include Liquid Alternative Funds or other securities through Model Managers in their accounts. It is possible that the availability of this election may change in the future.

When a client elects to exclude J.P. Morgan managed strategies, it may affect JPMPI’s ability to make investments, access asset classes, or take advantage of opportunities that are available to clients who do not make that election. As a result, performance of an account with an election may differ from the performance of other accounts without an election.

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

Clients may place reasonable restrictions on the purchase or sale of certain securities for their accounts, subject to JPMS’s acceptance. Any restrictions on the management of an account may cause the account to perform differently than similar unrestricted accounts. JPMPI is not responsible for implementing client-imposed restrictions. JPMIM, as the Overlay Manager, implements client-imposed restrictions following guidelines established by JPMS. For more information, please see the JPMS Form ADV, Part 2A Appendix 1 (Wrap Fee Program Brochure) for JPMCAP.

**D. Wrap Fee Programs**

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

JPMS has primary responsibility for client communications and services; arranging for payment of JPMPI’s advisory fees on behalf of the client; monitoring and evaluating JPMPI’s performance; executing the client’s account transactions; and arranging for custodial services for the client’s assets, in exchange for a single fee paid by the client to JPMS. JPMS pays JPMPI a portion of the JPMS wrap fee for JPMPI’s services.

JPMPI, as the sub-adviser in JPMCAP, is responsible for making investment decisions regarding the selection of investments and the total amount of securities bought and sold for JPMCAP accounts, and



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may do so without consultation with clients. However, clients may place reasonable restrictions on the purchase or sale of certain securities for their accounts, subject to JPMS's acceptance, as discussed in Item 4.C above. In addition, as discussed in Item 4.B above, clients may elect to exclude from their JPMCAP accounts certain investments managed by J.P. Morgan; clients using certain Investment Strategies may elect to have their accounts (other than cash and liquidity funds) implemented through Index Oriented Vehicles; and clients at higher asset levels may choose to invest in Liquid Alternative Funds and/or other securities through Model Managers if they meet the eligibility requirements.

While the same personnel provide investment advice and due diligence for other clients of JPMPI, and for clients of JPMPI affiliates, following the same or a substantially similar strategy to JPMCAP, accounts in JPMCAP may not be handled identically to those other advisory accounts. Transactions may be implemented in other accounts that follow the same or a substantially similar strategy to JPMCAP, but that are not implemented in JPMCAP. See Items 10 and 11 for more information on material conflicts of interest relating to JPMPI's advisory services.

**E. Assets Under Management**

As of February 29, 2016, JPMPI sub-advised approximately \$991.8 million of assets in JPMCAP on a discretionary basis; approximately \$46.7 billion of assets in CSP on a discretionary basis; approximately \$11 billion of assets in MFAP on a non-discretionary basis; and approximately \$55.3 million of assets in the MFAP Fixed Income Focused Model on a discretionary basis.

As of December 31, 2015, JPMPI also managed or sub-advised approximately \$11.2 billion of assets on a discretionary basis outside of JPMCAP, CSP, and MFAP.

**ITEM 5 - Fees and Compensation**

**A. Advisory Fees and Compensation**

JPMS pays to JPMPI for its sub-advisory services a portion of the fees JPMS receives from clients in JPMCAP. The fees paid to JPMPI range from a minimum of .02% to a maximum of .06% of assets under management.

JPMS pays expenses of JPMIM as Overlay Manager in return for its services. As a convenience to JPMS, JPMPI undertakes to pay those Overlay Manager expenses on behalf of JPMS, and as a result, JPMPI does not retain all of the fees described above.

Clients eligible for and who have elected to invest in other securities through Model Managers also pay a separate fee for those Model Managers, as described in the JPMS Form ADV, Part 2A Appendix 1 (Wrap Fee Program Brochure) for JPMCAP.

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**B. Payment of Fees**

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

**C. Additional Fees and Expenses**

Fees clients pay to JPMS do not include internal Fund fees and expenses, transfer taxes, electronic fund and wire fees, individual retirement account (“IRA”) and retirement plan account fees, margin interest, American depositary receipt (“ADR”) related fees, or any other fees that would reasonably be assessed to a brokerage account. Funds pay fees and expenses that are ultimately borne by clients (including but not limited to management fees, brokerage costs, and administration and custody fees). Clients should review the applicable prospectuses for Funds (including Liquid Alternative Funds, as applicable) in JPMCAP for additional information about these fees and expenses. These fees are in addition to any fees paid to JPMS as the sponsor of JPMCAP, or any fees received by JPMPI for acting as sub-adviser to JPMCAP. In addition, JPMS and its affiliates collectively receive greater revenue if J.P. Morgan Funds or affiliated Model Managers are included in JPMCAP, and therefore, JPMS and JPMPI have a conflict of interest in including J.P. Morgan Funds or affiliated Model Managers in JPMCAP. See “Use of J.P. Morgan Funds and Model Managers and Potential Conflicts of Interest” below for more information on the use of J.P. Morgan Funds and affiliated Model Managers.

**D. Prepayment of Fees**

See Item 5.B.

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

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

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

JPMPI manages accounts that are charged both asset-based fees and performance-based fees. JPMPI also manages accounts that are charged only asset-based fees (including JPMCAP). JPMPI from time to time utilizes substantially similar investment strategies and invests in substantially similar assets for both account types. This portfolio management relationship is often referred to as “side-by-side management.” Accounts that pay performance-based fees reward JPMPI based on the performance in those accounts. As a result, performance-based fee arrangements likely provide a heightened incentive for JPMPI to make investments that present a greater potential for return but also a greater risk of loss and that may be more speculative than if only asset-based fees were applied. On the other

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hand, JPMPI will likely have an interest in engaging in comparatively safer investments when managing accounts that pay only asset-based fees. The side-by-side management of accounts that pay performance-based fees and accounts that pay only asset-based fees creates a conflict of interest because there is an incentive for the portfolio manager to favor accounts with the potential to pay JPMPI greater fees. For example, JPMPI will be faced with a conflict of interest when allocating scarce investment opportunities given the possibility of greater fees from accounts that pay performance-based fees as opposed to accounts that do not pay performance-based fees.

JPMPI believes that such conflicts of interest are mitigated because the type of advice JPMPI provides to accounts that are charged performance-based fees is different from the advice JPMPI provides to accounts in JPMCAP. JPMCAP accounts are invested predominantly in traditional asset classes through Funds or other securities through Model Managers, while JPMPI clients who are charged performance-based fees invest predominantly in alternative strategies and generally do not invest in Funds or other securities through Model Managers. JPMPI believes that conflicts are also mitigated because it generally does not allocate the same securities between its performance fee-paying clients, on the one hand, and JPMCAP clients, on the other hand, and because JPMCAP invests client assets predominantly in Funds, the prices of which are fixed at the close of the trading day for all investors. In addition, for certain other accounts that JPMPI advises, JPMPI utilizes JPMIM's trading desk and systems in order to participate in JPMIM's policies designed, 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. JPMPI also has policies and procedures designed to manage conflicts and, to the extent practicable, to allocate, within its reasonable discretion, investment opportunities among clients over a period of time on a fair and equitable basis, and monitors a variety of areas, including compliance with JPMCAP guidelines, reviews of allocation decisions, and compliance with JPMPI's Code of Ethics (the "Code of Ethics") and the J.P. Morgan Code of Conduct (the "Code of Conduct").

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

JPMS offers JPMCAP to individuals, trusts, estates, charitable organizations, corporations and other business entities, and certain types of retirement accounts. JPMCAP is not available to qualified retirement plans subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). For more information, please see the JPMS Form ADV, Part 2A Appendix 1 (Wrap Fee Program Brochure) for JPMCAP.

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

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

### A. Method of Analysis and Investment Strategies

JPMPI utilizes different methods of analysis that are tailored for each of the Investment Strategies available in JPMCAP. Set forth below are the general descriptions of the Investment Strategies available in JPMCAP and the primary methods of analysis that JPMPI utilizes for JPMCAP. These descriptions are not intended to serve as Fund, Model Manager, or account guidelines. In connection with investments in a Fund or other securities through a Model Manager, the descriptions of the Investment Strategies below are qualified in their entirety by the information included in the applicable Fund's prospectus or other relevant offering documentation. The Form ADV, Part 2A for each Model Manager selected for a client's JPMCAP account is available from JPMS upon request.

JPMS, JPMPI, and the Manager Selection Team (as defined below) are not responsible for the performance of any Fund (including any J.P. Morgan Fund) or any Model Manager (including any affiliated Model Manager), or any Fund's or Model Manager's compliance with its prospectus, disclosures, laws or regulations, or other matters within the Fund's or Model Manager's control. Each Fund's adviser is solely responsible for the management of the Fund. JPMS, JPMPI, and the Manager Selection Team cannot ensure that a given Investment Strategy's investment objective will be attained.

This Item 8 includes a discussion of the primary risks associated with these Investment Strategies. However, it is not possible to identify all of the risks associated with investing. The particular risks applicable to a client account will depend on the nature of the account, its Investment Strategy or Strategies, and the types of securities held. While JPMPI seeks to manage accounts so that risks are appropriate to the Investment Strategy, it is often not possible or desirable to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. Clients should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses. Clients should read carefully all applicable informational materials and governing documents prior to selecting an Investment Strategy. See Item 8.B for additional information regarding investment risks.

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

### Investment Strategies

The Investment Strategy for a particular client is based on the client's discussion with JPMS and the client's risk tolerance. The Investment Strategies available in JPMCAP are conservative, balanced,

growth, aggressive growth, and managed equities. The conservative, balanced, growth, and managed equities Investment Strategies are generally available for clients, regardless of whether they are eligible to include or have elected to include Liquid Alternative Funds or other securities through Model Managers in their accounts. The aggressive growth Investment Strategy is only available to those clients who are eligible for and have elected to include Liquid Alternative Funds, or to include Liquid Alternative Funds and other securities through Model Managers, in their accounts.

### ***Conservative***

The conservative Investment Strategy primarily seeks to preserve initial capital investments and generate income with a secondary goal to achieve moderate levels of capital growth. The Investment Strategy 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 Investment Strategy will be invested in assets that tend to 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 Investment Strategy will be invested in historically more volatile securities, such as equities and alternative assets, than would be used in an objective focused on capital preservation alone.

### ***Balanced***

The balanced Investment Strategy primarily seeks to achieve growth of initial capital investments and income generation with a secondary goal of principal preservation. The Investment Strategy 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 Investment Strategy will be invested in 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 and alternative assets.

### ***Growth***

The growth Investment Strategy primarily seeks to achieve growth of initial capital investments. The Investment Strategy 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 Investment Strategy will be invested predominantly in assets that tend to have a history of higher upside return potential and volatility, such as equities and alternative assets, with a lower percentage invested in historically less volatile securities, such as fixed income.

### ***Aggressive Growth***

The aggressive growth Investment Strategy first and foremost seeks to achieve growth of initial capital investments. The Investment Strategy 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

Investment Strategy will be invested predominantly in assets that tend to have a history of higher upside return potential and volatility, such as equities and alternative assets.

### ***Managed Equities***

The managed equities Investment Strategy first and foremost seeks to achieve growth of initial capital investments. The Investment Strategy 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 Investment Strategy will be invested predominantly in global equities, which tend to have a history of higher upside return potential and volatility. The Investment Strategy may also maintain exposure to cash or cash equivalents.

### **Discretionary Investment Process**

JPMPI, as sub-adviser in JPMCAP, is responsible for determining asset allocation, selecting Funds and Model Managers, determining portfolio construction, and evaluating Investment Strategies on an ongoing basis subject to the oversight of, and pursuant to, an investment policy statement approved by JPMS. JPMPI's approach is generally comparable to the J.P. Morgan Global Wealth Management ("GWM") approach to asset allocation, Fund and manager selection, and portfolio construction for GWM's Private Bank ("PB") discretionary accounts. GWM is a business unit of J.P. Morgan.

See "Use of J.P. Morgan Funds and Model Managers and Potential Conflicts of Interest" below for important information on the use of J.P. Morgan Funds and affiliated Model Managers.

### ***Asset Allocation Process***

JPMPI follows the same process as GWM to establish and update the overall strategic and tactical asset allocations for the Investment Strategies. This process includes several internal forums. These asset allocations generally are the overall basis for the process described below. The JPMPI personnel who perform these functions are shared with JP Morgan Chase Bank, N.A. ("JPMCB"), an affiliate of JPMPI, and perform substantially similar services for other clients of GWM. JPMPI periodically reviews the asset allocation and performance of the Investment Strategies with JPMS. A GWM internal governance committee periodically reviews JPMPI's investment activities in JPMCAP.

### ***Due Diligence Process***

JPMPI uses due diligence from GWM's Manager Selection Team (the "Manager Selection Team") to research, select and monitor Funds and Model Managers. The Manager Selection Team is comprised of employees of JPMCB and other affiliates. The Manager Selection Team is responsible for researching and selecting Funds and Model Managers, and for subjecting them to a review process. The Manager Selection Team will begin the search process by defining an applicable universe of managed strategies, which typically will include J.P. Morgan managed strategies when there is one in the desired asset class. The Manager Selection Team utilizes both quantitative and qualitative

assessments during its initial review process. The Manager Selection Team then recommends particular Funds and Model Managers to an internal governance forum, which is responsible for approving or rejecting them. The Manager Selection Team is also responsible for monitoring and re-evaluating approved Funds and Model Managers as part of its ongoing review process. The Manager Selection Team and internal governance forum perform substantially similar services for other clients of GWM.

### ***Strategy Approval***

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

### ***Portfolio Construction***

From the pool of strategies, JPMPI selects the combination of Funds and Model Managers that, in its view, fit each JPMCAP Investment Strategy's asset allocation goals and JPMPI's forward looking views in an effort to best meet the Investment Strategy's investment objectives. JPMPI may also consider other factors, including but not limited to: (a) manager capacity, (b) investment guidelines, and/or (c) portfolio-specific constraints. In making portfolio construction decisions, JPMPI will consider and is permitted to prefer J.P. Morgan Funds and affiliated Model Managers.

JPMS, not JPMPI, is responsible for the portfolio implementation in each individual client's account.

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

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

JPMPI also may, for portfolio construction reasons, remove a Fund or Model Manager from JPMCAP.

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

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

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

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

Conflicts of interest will arise whenever J.P. Morgan has an actual or perceived economic or other incentive in its management of our client's accounts to act in a way that benefits J.P. Morgan. Conflicts will result, for example (to the extent the following activities are permitted in a client's account): (1) when J.P. Morgan invests in an investment product, such as a mutual fund, structured product, separately managed account or hedge fund issued or managed by JPMCB or an affiliate, such as JPMIM; (2) when a J.P. Morgan entity obtains services, including trade execution and trade clearing, from a J.P. Morgan affiliate; (3) when J.P. Morgan receives payment as a result of purchasing an investment product for a client's account; or (4) when J.P. Morgan receives payment for providing services (including shareholder servicing, recordkeeping, or custody) with respect to investment products purchased for a client's account. Other conflicts will result because of relationships that J.P. Morgan has with other clients or when J.P. Morgan acts for its own account.

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

As a general matter, J.P. Morgan prefers J.P. Morgan managed strategies, including J.P. Morgan Funds and affiliated Model Managers. The proportion of J.P. Morgan managed strategies in JPMCAP portfolios is expected to be high (in fact, up to 100 percent) in strategies such as, for example, cash and high-quality fixed income, subject to applicable law and any account-specific considerations.

While J.P. Morgan's internally managed strategies generally align well with JPMPI's forward looking views, and JPMPI is familiar with the investment processes as well as the risk and compliance



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philosophy of the firm, it is important to note that J.P. Morgan receives more overall fees when internally managed strategies are included in JPMCAP. As discussed in Item 4.B above, clients may elect to exclude from their JPMCAP accounts investments in J.P. Morgan Funds and affiliated Model Managers (other than cash and liquidity products).

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

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

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

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

JPMPI may allocate a significant portion of the assets in JPMCAP to J.P. Morgan Funds. That portion varies depending on market or other conditions. There are multiple models in each of the Investment Strategies available in JPMCAP. Certain models invest only in taxable mutual funds and ETFs, while other models may also invest in Liquid Alternative Funds, individual securities through Model Managers, and municipal securities. The following chart illustrates, as of the date indicated, the allocation of J.P. Morgan Funds, non-J.P. Morgan Funds, and J.P. Morgan money market funds in certain Investment Strategies.

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	As of August 15, 2016		
Investment Strategy	J.P. Morgan Funds	Non-J.P. Morgan Funds	J.P. Morgan Cash
Aggressive Growth	15.00%	79.00%	6.00%
Growth	24.00%	71.00%	5.00%
Balanced	26.50%	68.50%	5.00%
Conservative	22.50%	72.50%	5.00%
Managed Equities	16.00%	79.00%	5.00%

The prior composition of Investment Strategies in JPMCAP is not intended to predict the future composition of Investment Strategies or use of J.P. Morgan Funds in JPMCAP. Allocations shown here are illustrative only, do not necessarily represent actual use of J.P. Morgan Funds and third-party issuers and managers represented in any particular client's account, and may change without notice. JPMPI is not required to adhere to the illustrative allocations pictured here. The allocations in any particular client's account will depend on, among other things, the Investment Strategy selected, client elections (such as Index Oriented Vehicles or non-J.P. Morgan Funds and unaffiliated Model Managers), client asset level, reasonable restrictions placed by clients on the management of an account, and other factors. Each client should review account opening documentation, confirmations, and quarterly and annual statements for more information about the actual allocation in his or her account.

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

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

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

The Funds and Model Managers in which clients may invest generally will invest in U.S. or foreign equity or fixed income securities. Liquid Alternative Funds may invest in assets such as global real estate, commodities, derivatives, leveraged loans, start-up companies, and unlisted securities that

offer exposure beyond traditional stocks, bonds, and cash. Please refer to a Fund's prospectus or other relevant offering materials for a more detailed discussion of risks.

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

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

### **Equity Investments**

The prices of equity securities may rise or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. These price movements may result from factors affecting individual companies, sectors, or industries in the Fund, or the securities market as a whole, such as changes in economic or political conditions. When the value of a Fund's portfolio securities goes down, your investment in the Fund decreases in value.

### **Fixed Income Investments**

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

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

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

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

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

***Credit Spread Risk***

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

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

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

***Call Risk***

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

***Reinvestment Risk***

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

***Prepayment and Extension Risk***

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

***Government Securities Risk***

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

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

### **Foreign Investments**

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

### **Liquid Alternative Funds**

JPMPI utilizes Liquid Alternative Funds as one way to potentially reduce portfolio volatility. These investments may provide a source of returns with a low correlation with the performance of traditional asset classes, such as equities and bonds, and thereby may help to enhance long-term performance or preserve capital in down markets.

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

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

investments made by the Liquid Alternative Funds. These strategies may target specific returns or benchmarks, and seek to mitigate or provide exposure to higher asset classes and alternative risks.

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

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

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

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

In addition to the general risks of investing in mutual funds, there are specific risks to consider with respect to an investment in passive investment vehicles. ETF and index mutual fund performance may differ from the performance of the applicable index for a variety of reasons. For example, ETFs and index mutual funds incur operating expenses and portfolio transaction costs that are not incurred by their benchmark indices, may not be fully invested in the securities of their indices at all times, or may hold securities not included in their indices. In addition, corporate actions with respect to the equity securities underlying ETFs and index mutual funds (such as mergers and spin-offs) may impact the variance between the performances of the ETFs and index mutual funds and applicable indices. Passive investing differs from active investing in that managers are not seeking to outperform their benchmarks. As a result, managers may hold securities that are components of their underlying index, regardless of the current or projected performance of the specific security or market sector. Passive managers do not attempt to take defensive positions based upon market conditions, including declining markets. This approach could cause a passive vehicle's performance to be lower than if it employed an active strategy.

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Shares of an ETF are bought and sold in the secondary market at market prices. Although an ETF is required to calculate its net asset value ("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 an ETF, one ETF may trade at a larger premium or discount to NAV than shares of another ETF depending on the markets where such ETFs are traded. The risk of deviation from NAV for an ETF generally is heightened in times of market volatility or periods of steep market declines. For example, during periods of market volatility, securities underlying an ETF may be unavailable in the secondary market, market participants may be unable to calculate accurately the NAV per share of an ETF, and the liquidity of an ETF may be adversely affected. This kind of market volatility may also disrupt the ability of market participants to create and redeem shares of an ETF. Further, market volatility may adversely affect, sometimes materially, the prices at which market participants are willing to buy and sell shares of an ETF. 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.

C. Risks Associated with Particular Types of Securities

Please see response to Item 8.B.

**ITEM 9 - Disciplinary Information**

A. Criminal or Civil Proceedings

JPMPI has no material civil or criminal actions to report.

B. Administrative Proceedings Before Regulatory Authorities

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

On December 18, 2015, JPMS and JPMCB (together "Respondents"), affiliates of JPMPI, entered into a settlement with the SEC, resulting in the SEC issuing an order (the "SEC Order"), and JPMCB entered into a settlement with the United States Commodity Futures Trading Commission ("CFTC"), resulting in the CFTC issuing an order. The Respondents consented to the entry of the SEC Order that finds that JPMS violated Sections 206(2), 206(4), and 207 of the Investment Advisers Act of 1940 ("Advisers Act") and Rule 206(4)-7 and JPMCB violated Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933. The SEC Order finds that JPMCB negligently failed to adequately disclose (a) from February 2011 to January 2014, a preference for affiliated mutual funds in certain discretionary investment portfolios (the "Discretionary Portfolios") managed by JPMCB and offered through J.P. Morgan's U.S. Private Bank (the "U.S. Private Bank") and the Chase Private Client lines of business; (b) from 2008 to 2014, a preference for affiliated hedge funds in certain of those portfolios offered through the U.S. Private Bank; and (c) from 2008 to August 2015, a preference for retrocession-

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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



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funds to Indiana clients. Lastly, the Agreement alleged that, JPMCB did not disclose its preference for placement-agent-fee-paying third-party hedge fund managers in certain investment management accounts to Indiana clients until August 2015. Solely for the purpose of settling these proceedings, the Respondents consented to the Agreement, with no admissions as to liability. In the Agreement, the Respondents agreed to pay a total of \$950,000 to resolve the ISD's investigation, which was paid on August 1, 2016.

C. Self-Regulatory Organization ("SRO") Proceedings

JPMPI has no material SRO disciplinary proceedings to report.

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

A. Broker-Dealer Registration Status

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

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

JPMPI is registered as a commodity pool operator with the CFTC and is not registered as a commodity trading advisor in reliance on applicable exemptions from registration. Further, JPMPI operates its commodity pools under three separate exemptions: CFTC Rules 4.7 (exemption from certain part 4 requirements) and 4.13 (exemption from registration as a commodity pool operator), and CFTC Advisory 18-96 (relief from certain disclosure, reporting, and recordkeeping requirements for offshore commodity pools).

C. Material Relationships or Arrangements with Industry Participants

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

JPMorgan Distribution Services, Inc. is the distributor for certain Funds offered to JPMCAP clients.

JPMS is dually registered as a broker-dealer and an investment adviser with the SEC. JPMS is a wholly owned subsidiary of J.P. Morgan. Certain directors and officers of JPMPI are also officers of JPMS.

J.P. Morgan Clearing Corp. ("JPMCC") is registered with the SEC as a broker-dealer. JPMPI may use JPMCC for various services, including for clearing of securities transactions on behalf

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of certain RICs sub-advised by JPMPI, subject to applicable laws and regulations and the policies and procedures of JPMPI.

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

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

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

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

**(4) Banking or thrift institution**

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

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

JPMPI is part of a large financial services firm. In connection with providing investment advisory services to its clients, JPMPI uses the products or services of its affiliates or other related persons, as described both above and below. JPMPI and/or its affiliates may receive more compensation with respect to certain accounts with similar investment objectives of, and strategies used by, JPMCAP accounts (“Similar Accounts”) than it or its affiliates receive from JPMCAP accounts. This may create a potential conflict of interest for JPMPI and its affiliates or the portfolio managers by providing an incentive to favor these Similar Accounts when, for example, placing securities transactions. In addition, JPMPI or its affiliates has a conflict of interest to the extent that JPMPI or an affiliate has a proprietary investment in Similar Accounts, the portfolio managers have personal investments in Similar Accounts, or the Similar Accounts are investment options in JPMPI’s or its affiliates’ employee benefit plans. Potential conflicts of interest may arise with both the aggregation and allocation of securities transactions and allocation of investment opportunities because of market factors or investment restrictions imposed upon JPMPI and its affiliates by law, regulation, contract, or internal policies. Allocations of aggregated trades, particularly trade orders that were only partially completed due to limited availability and allocation of investment opportunities generally, could raise a potential conflict of interest, as JPMPI or its affiliates may have an incentive to allocate securities that are expected to increase in value to favored accounts. Initial public offerings, in particular, are frequently of very limited availability. JPMPI and its affiliates may be perceived as causing accounts they manage to participate in an initial public offering to increase JPMPI’s and its affiliates’ overall allocation of securities in that offering. A potential conflict of interest also may arise if transactions in one account closely follow related transactions in a different account, such as when a purchase increases the value of securities previously purchased by another account or when a sale in one account lowers the sale price received in a sale by a second account.

JPMPI 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.

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

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The share classes of Funds available to JPMCAP clients are limited to the share classes of Funds available through JPMS. As a policy, JPMS seeks to make available in JPMCAP the lowest cost share class of each Fund offered for which JPMCAP clients are eligible. The share class of a Fund available through JPMCAP may differ from the share class available to other discretionary accounts of GWM and used by the Manager Selection Team and JPMPI in conducting due diligence and selecting Funds for JPMCAP. JPMS and JPMCC, an affiliate of JPMPI, receive a portion of the servicing or administrative fees from certain Funds that are held in clients' JPMCAP accounts. For more information on these fees, please see the JPMS Form ADV, Part 2A Appendix 1 (Wrap Fee Program Brochure) for JPMCAP. The receipt by JPMS and JPMCC of these fees creates a conflict of interest in the selection of Funds for JPMCAP accounts. JPMPI addresses this conflict of interest by making investment decisions based on the lowest cost share class available to other discretionary accounts of GWM and without regard to any compensation that may be received by JPMPI's affiliates, including JPMS and JPMCC.

See "Use of J.P. Morgan Funds and Model Managers and Potential Conflicts of Interest" above for additional important information on the use of J.P. Morgan Funds and affiliated Model Managers.

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

### **A. Code of Ethics**

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

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

#### **(i) General**

The Code of Ethics requires supervised persons to place the interests of JPMPI's clients before their own personal interests at all times and to avoid any actual or potential conflicts of interest. All actual or potential conflicts of interest must be disclosed to the Compliance Department, including those resulting from a supervised person's business or personal relationships with customers, suppliers, business associates, and competitors of J.P. Morgan, or with other J.P. Morgan employees. Certain

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transactions or activities may be restricted by the Code of Conduct, the Code of Ethics, or Compliance policies. The Code of Ethics contains policies and procedures relating to:

- Personal trading, including certain reporting and pre-clearance requirements for all personnel of JPMPI; and
- Conflicts of interest, including policies relating to restrictions on trading in securities of clients and suppliers, gifts and entertainment, political and charitable contributions, and outside business activities.

In general, the personal trading rules under the Code of Ethics require that accounts of personnel and supervised persons be maintained with a designated broker and that all trades in reportable securities for such accounts be pre-cleared and monitored by compliance personnel. The Code of Ethics also prohibits certain types of trading activity, such as short-term and speculative trades. JPMPI personnel generally must obtain approval prior to engaging in most security transactions, including those issued in private placements. In addition, JPMPI personnel may be restricted from buying or selling securities issued by J.P. Morgan during certain periods throughout the year.

(ii) Information Barrier Policies

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

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

**B. Securities in Which You or a Related Person Has a Material Financial Interest**

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

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

**C. Investing in Securities That You 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 potential conflicts of interest, JPMPI has adopted policies and procedures relating to personal securities transactions, insider trading, and other ethical considerations. These policies and procedures are intended to identify and mitigate actual and perceived conflicts of interest with clients and to resolve such conflicts appropriately if they do occur. The policies and procedures contain provisions regarding preclearance of employee trading, reporting requirements, and supervisory procedures that are designed to address potential conflicts of interest with respect to the activities and relationships of related persons that might interfere or appear to interfere with making decisions in the best interest of clients, including the prevention of front-running. JPMPI has also implemented monitoring systems designed to ensure compliance with these policies and procedures.

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

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

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

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

Generally, client portfolios with similar strategies are managed by portfolio managers in the same portfolio management group using the same or similar objectives, approach, and philosophy. Therefore, portfolio holdings, relative position sizes, and industry and sector exposures tend to be similar across similar portfolios, which may reduce the potential for conflicts of interest. Nonetheless, conflicts of interest may potentially arise when JPMPI's portfolio managers manage accounts with similar investment objectives and strategies. For example, a potential conflict of interest includes the allocation of investment opportunities for similar accounts. JPMPI has controls in place to monitor and mitigate against these potential conflicts of interest.

Potential conflicts of interest may arise involving the allocation of securities transactions and allocation of limited investment opportunities. Allocations of aggregated trades, particularly trade orders that were only partially completed due to limited availability, could raise a potential conflict of interest because JPMPI may have an incentive to allocate such securities to favored accounts. For example, JPMPI may receive more compensation from one account than it does from a similar

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account or may receive compensation based in part on the performance of one account, but not a similar account, which could incentivize JPMPI to allocate opportunities of limited availability to the account that generates more compensation for JPMPI. In addition, it may be perceived as a conflict of interest when activity in one account closely correlates with the activity in a similar account, such as when a purchase by one account increases the value of the same securities previously purchased by another account, or when a sale in one account lowers the sale price received in a sale by a second account. If JPMPI or its affiliates manage accounts that engage in short sales of securities held by other accounts, the short sales might cause the market value of the securities to fall.

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

## **ITEM 12 - Brokerage Practices**

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

JPMPI does not select or recommend broker-dealers for client transactions in JPMCAP.

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

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

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

JPMPI does not compensate persons for client referrals to JPMCAP.

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

Clients are not permitted to direct brokerage in JPMCAP.

### **B. Order Aggregation**

JPMPI does not place orders for securities transactions in JPMCAP.



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

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

JPMPI periodically reviews the Investment Strategies, Funds, and Model Managers available in JPMCAP in an effort to ensure that the Investment Strategies, Funds, and Model Managers continue to meet applicable requirements. For JPMCAP accounts that have requested investment restrictions, JPMS (not JPMPI) is responsible for periodically monitoring the accounts to ensure compliance with the requested restrictions. JPMPI does not have access to information about, and does not review, individual client accounts.

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

JPMPI does not have access to information about, and does not review, individual client accounts.

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

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

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

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

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

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

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

### **ITEM 15 - Custody**

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

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

### **ITEM 16 - Investment Discretion**

JPMPI has full discretionary authority, to be exercised in its exclusive judgment and consistent with the Investment Strategy selected by the client, to determine the allocation of assets among Funds and, at appropriate asset levels, Liquid Alternatives or other securities through Model Managers; to remove or replace Funds or Model Managers; and to provide trade instructions to JPMS for each Investment Strategy.

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

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

JPMPI does not have authority to vote the proxies of securities held in a client's account in JPMCAP.

### **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.