INVESTMENT INSIGHTS

Spotlight on:

Risk assessment

The basics: Alpha and beta

Alpha measures the difference between actual and expected returns, given an investment's security-specific risks. If alpha is positive, a manager's stock or bond picks *added* returns versus the benchmark. If it's negative, the manager *subtracted* returns. Example: Alpha of 1.8 means an investment beat its benchmark by 1.8%.

Beta measures risk versus the market as a whole, such as the S&P 500 Index. Beta can be above 1.0 (more volatile than the index) or below 1.0 (less volatile). Example: Beta of 1.2 means an investment has risen and fallen 1.2% for every 1% move in the index. It's likely to outperform in up markets and underperform in down markets.

Using risk-return statistics to evaluate investments

A mutual fund with 9% returns is better than one earning 8%, right? Not necessarily. It depends on the risks taken to achieve those results. How volatile were returns? Which manager assumed more risk? Did those risks translate into rewards?

Fortunately, there are a number of commonly used performance measurements aimed at answering such questions. Once you know what they mean, you can use them to evaluate new investments, reassess current holdings and make more informed portfolio decisions.

Measuring risk: Standard deviation and tracking error

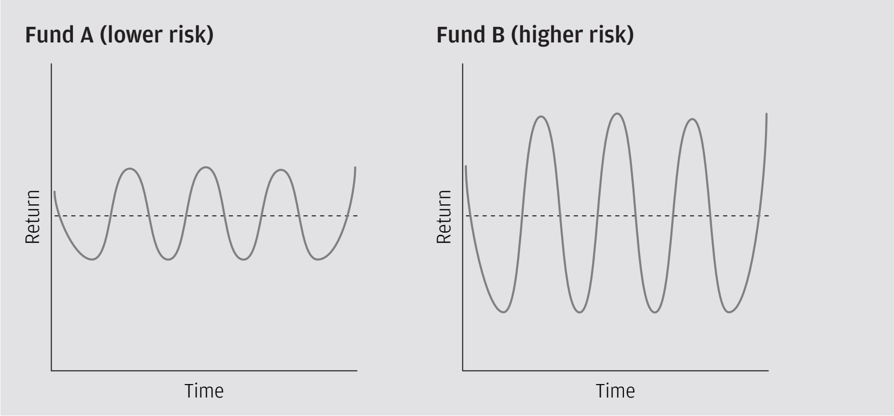
Standard deviation measures risk by the volatility of *total returns*. Specifically, it indicates how much returns have fluctuated above and below the average. Example: Standard deviation of 15% means an investment averaging 10% annual returns has historically ranged from -5% to +25% each year.

Because standard deviation reflects the consistency of performance, it gives you a good idea if you can tolerate an investment's ups and downs. The higher this number, the more likely you are to experience dramatic moves in either direction.

Tracking error measures risk by the volatility of *excess returns* – in other words, how far performance strays from a benchmark. Example: Tracking error of 2% means a stock fund is likely to return between 8% and 12% in years the S&P 500 Index rises 10%.

Tracking error estimates the added risk taken in an effort to beat the market. If this number is near zero, an investment is closely mirroring its index. If it's unusually high, the manager may be drifting away from the stated investment style.

Same average returns, different risks



The above charts are hypothetical and shown for illustrative purposes only.

Two investments can have the same average returns but very different standard deviations or tracking errors. In this example, Fund A would be a more appropriate choice for many investors because it achieved its returns at a lower level of risk.

J.P.Morgan Asset Management

Measuring risk-adjusted returns: Sharpe ratio and information ratio

Return is one half of investment performance. Risk is the other half. The Sharpe ratio and information ratio allow you to assess both factors in a single measurement.

Sharpe ratio

When you invest, you take on more risk than simply holding money in cash. The question is, are you being fairly compensated for those risks? The answer can be found in the Sharpe ratio, which is calculated as follows:

$$\text{Sharpe ratio} = \frac{\text{Total return – Risk-free cash rate (such as 90-day Treasury bills)}}{\text{Risk (as measured by standard deviation)}}$$

The result shows returns earned for risks assumed. In other words, what's your reward for not holding a riskless asset? Example: Sharpe ratio of .5 means an investment historically delivered 0.5% in returns for every unit of risk taken. A negative Sharpe ratio means an investment underperformed Treasury bills.

What to look for in a Sharpe ratio

Sharpe ratio is most helpful when comparing investments within the same category, even if they have different benchmarks. The higher the number, the better the risk-adjusted returns.

1	2	3 or higher
Good	Very good	Excellent

Information ratio

Many experts view information ratio as the best way to evaluate risk-adjusted performance. Like Sharpe ratio, it measures return per unit of risk. The difference is that information ratio is based on excess returns and risks versus a benchmark.

Information ratio reflects *efficiency* and *consistency*. How efficient is the manager at assuming risk to achieve excess returns? And how consistent have those returns been? The most skilled managers tend to have the highest information ratios. A lower number often identifies managers who took on large amounts of risk for relatively small rewards. A negative number means the investment underperformed its benchmark.

What to look for in an information ratio

As a benchmark-based measure, information ratio is most appropriate for evaluating one investment on its own — or different investments benchmarked to the same index.

0.5	0.75	1.0 or higher
Good	Very good	Excellent

Taking a closer look at information ratio

What is it?

A measure of excess returns in relation to the risks associated with those returns. Example: Information ratio of .25 means an investment historically delivered .25% in excess returns for every unit of risk above the benchmark.

How is it calculated?

The formula is:

$$\text{Information ratio} = \frac{\text{Excess returns (versus benchmark)}}{\text{Tracking error (volatility of excess returns)}}$$

Why does it matter to me?

Investing is a balancing act between risk and return. The goal isn't to avoid risk, but to choose managers who adequately reward you for risk-taking. We believe information ratio is the best way to find those managers.

What does it tell me?

Information ratio can help you identify:

- Efficiency: When comparing investments, those with lower information ratios use risk less efficiently. For the same level of risk, you could have achieved greater returns.
- Consistency: Most investors prefer small, steady outperformance over large fluctuations in returns. The higher the information ratio, the more consistent a manager tends to be.

What time period does it cover?

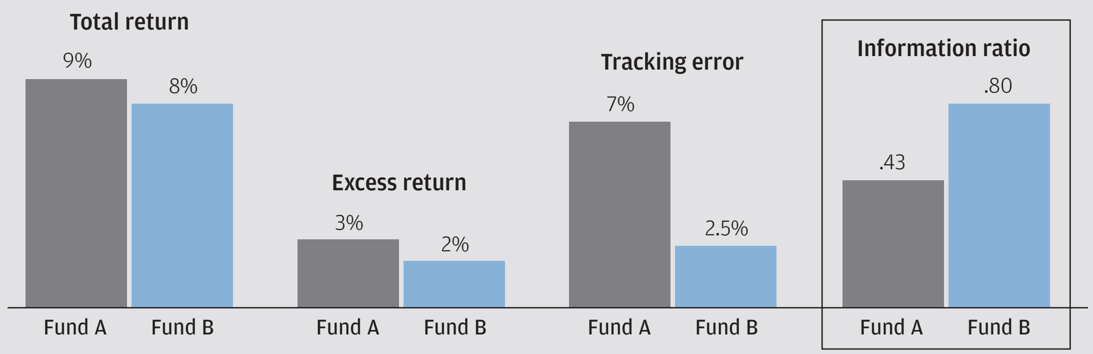
Like many performance measures, information ratio can be calculated over different periods, such as three or five years. The longer the timeframe, the more confident you can generally feel about the results.

Where do I find it?

Some investment companies publish information ratios. However, the best source is usually a financial advisor who can help you assess a fund's information ratio, compare it to similar investments and make sound decisions.

Example: Using information ratio to compare investments

The better investment isn't always the one with higher returns. In this example, Fund B has lower returns but a better information ratio, meaning it performed more efficiently on a risk-adjusted basis.



The above chart is hypothetical and shown for illustrative purposes only.

At J.P. Morgan, we believe information ratio is a product of skilled managers using fundamental research insights to select securities and manage risk. As a result, we are listing information ratios for select mutual funds driven by those guiding principles.

J.P. Morgan Funds information ratios

How to read this chart: Look not only at information ratio itself, but also how it ranks among a fund's peers.

Morningstar category Select shares for five years ending 9/30/11	Information ratio	Rank in category	Benchmark index
Large Blend			
U.S. Equity Fund - JUESX	1.25	1%	S&P 500 Index
U.S. Large Cap Core Plus Fund - JLPSX	1.29	1%	S&P 500 Index
Large Cap Value			
Equity Income Fund - HLIEX	0.80	10%	Russell 1000 Value Index
Large Cap Growth			
Large Cap Growth Fund - SEEGX	0.48	4%	Russell 1000 Growth Index
Growth Advantage Fund - JGASX	0.20	13%	Russell 1000 Growth Index
Mid-Cap Value			
Value Advantage Fund - JVASX	0.43	13%	Russell Mid Cap Value Index
Foreign Large Value			
International Value - JIESX	0.21	39%	MSCI EAFE Value Index
Intermediate-Term Bond			
Core Bond Fund - WOBDX	0.32	8%	Barclays Capital U.S. Aggregate Index
High Yield Bond			
High Yield Fund - OHYFX	-0.23	16%	Barclays Capital U.S. Corp HY – 2% Index
Market Neutral			
Research Market Neutral Fund - JMNSX	0.27	9%	BofA ML 3-month U.S. Treasury Bill Index

J.P. Morgan Funds information ratios

The ranking information is provided by Morningstar, Inc. Past performance is no guarantee of future results. Different shares classes may have different rankings. The information ratio for the **JPMorgan U.S. Equity Fund** Select shares was ranked against the following number of funds in the Morningstar Large Blend category for the period ending September 30, 2011. For the 1-year period, 1,229 out of 1,916 funds. For the 3-year period, 77 out of 1,806 funds. For the 5-year period, 7 out of 1,685 funds. For the 10-year period, 145 out of 1,290 funds. The information ratio for the **JPMorgan U.S. Large Cap Core Plus Fund** Select shares was ranked against the following number of funds in the Morningstar Large Blend category for the period ending September 30, 2011. For the 1-year period, 1,131 out of 1,916 funds. For the 3-year period, 80 out of 1,806 funds. For the 5-year period, 6 out of 1,685. The 10-year period is not yet rated. The information ratio for the **JPMorgan Equity Income Fund** Select shares was ranked against the following number of funds in the Morningstar Large Value category for the period ending September 30, 2011. For the 1-year period, 51 out 1,266 funds. For the 3-year period, 142 out of 1,224 funds. For the 5-year period, 114 out 1,158 funds. For the 10-year period, 281 out of 892 funds. The information ratio for the **JPMorgan Large Cap Growth Fund** Select shares was ranked against the following number of funds in the Morningstar Large Growth category for the period ending September 30, 2011. For the 1-year period, 59 out of 1,706 funds. For the 3-year period, 123 out of 1,631 funds. For the 5-year period, 54 out of 1,538 funds. For the 10-year period, 315 out of 1,236 funds. The information ratio for the **JPMorgan Growth Advantage Fund** Select shares was ranked against the following number of funds in the Morningstar Mid-Cap Growth category for the period ending September 30, 2011. For the 1-year period, 702 out of 1,706 funds. For the 3-year period, 439 out of 1,631 funds. For the 5-year period, 194 out of 1,538 funds. For the 10-year period, 31 out of 1,236 funds. The information ratio for the **JPMorgan Value Advantage Fund** Select shares was ranked against the following number of funds in the Morningstar Mid-Cap Value category for the period ending September 30, 2011. For the 1-year period, 68 out of 441 funds. For the 3-year period, 73 out of 409 funds. For the 5-year period, 48 out 369 funds. Ten-year period not yet rated. The information ratio for the **JPMorgan International Value Fund** Select share was ranked against the following number of funds in the Morningstar Foreign Large Value category for the period ending September 30, 2011. For the 1-year period, 231 out of 372 funds. For the 3-year period, 184 out of 348 funds. For the 5-year period, 119 out of 308 funds. For the 10-year period, 61 out of 225 funds. The information ratio for the **JPMorgan Core Bond Fund** Select shares was ranked against the following number of funds in the Morningstar Intermediate-Term Bond category for the period ending September 30, 2011. For the 1-year period, 107 out of 1,203 funds. For the 3-year period, 145 out 1,130 funds. For the 5-year period, 82 out of 1,057 funds. For the 10-year period, 106 out of 914 funds. The information ratio for the **JPMorgan High Yield Fund** Select shares was ranked against the following number of funds in the Morningstar High Yield Bond category for the period ending September 30, 2011. For the 1-year period, 344 out of 587 funds. For the 3-year period, 144 out of 555 funds. For the 5-year period, 83 out of 527 funds. For the 10-year period, 53 out of 454 funds. The information ratio for the **JPMorgan Research Market Neutral Fund** Select shares was ranked against the following number of funds in the Morningstar Market Neutral category for the period ending September 30, 2011. For the 1-year period, 83 out 93 funds. For the 3-year period, 5 out of 55 funds. For the 5-year period, 5 out of 46 funds. For the 10-year period, 14 out of 24 funds. Ratings reflect risk-adjusted performance.

Average annual returns Select shares at NAV as of 9/30/11 (%)	1 year	3 years	5 years	10 years	Since inception
U.S. Equity Fund (inception date: 9/7/01)	-1.19	2.27	0.85	3.66	3.10
S&P 500 Index	1.14	1.23	-1.18	2.82	2.38
U.S. Large Cap Core Plus Fund (inception date: 11/1/05)	-2.54	2.70	1.87	N/A	4.45
S&P 500 Index	1.14	1.23	-1.18	2.82	1.08
Equity Income Fund (inception date: 7/2/87)	5.47	2.99	0.49	3.78	7.68
Russell 1000 Value Index	-1.89	-1.52	-3.53	3.36	8.44
Large Cap Growth Fund (inception date: 2/28/92)	6.10	6.93	4.04	3.67	6.75
Russell 1000 Growth Index	3.78	4.69	1.62	3.01	6.33
Growth Advantage Fund (inception date: 5/1/06)	0.00	4.09	2.46	6.17	1.65
Russell 1000 Growth Index	3.78	4.69	1.62	3.01	1.57
Value Advantage Fund (inception date: 2/28/05)	-0.37	3.65	1.06	N/A	3.79
Russell Mid Cap Value Index	-2.36	1.98	-0.84	7.54	2.60
International Value Fund (inception date: 9/7/01)	-11.44	-2.53	-3.91	5.94	5.35
MSCI EAFE Value Index	-9.99	-1.69	-4.82	5.13	4.43
Core Bond Fund (inception date: 6/3/91)	5.35	8.98	7.02	5.87	7.13
Barclays Capital U.S. Aggregate Index	5.26	7.97	6.53	5.66	6.90
High Yield Fund (inception date: 11/13/98)	0.76	11.51	6.44	8.34	6.46
Barclays Capital U.S. Corporate High Yield – 2% Issuer Capped Index	1.75	13.80	7.26	8.89	6.86
Research Market Neutral Fund (inception date: 11/2/09)	-4.45	2.47	2.64	1.78	-2.51
BofA Merrill Lynch 3-month U.S. Treasury Bill Index	0.14	0.22	1.74	2.02	0.13

The performance quoted is past performance and is not a guarantee of future results. Mutual funds are subject to certain market risks. Investment returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. Current performance may be higher or lower than the performance data shown. For performance current to the most recent month-end please call 1-800-480-4111.

Total return assumes reinvestment of dividends and capital gains distributions and reflects the deduction of any sales charges, where applicable. Performance may reflect the waiver of a portion of the Fund's advisory or administrative fees for certain periods since the inception date. If fees had not been waived, performance would have been less favorable.

Benchmark since inception returns are as of month-end.

Annual operating expenses (%) Select shares at NAV	Expense cap expiration date	Expense cap	Total annual Fund operating expenses*	Fee waivers and/or expense reimbursements	Net expenses*
U.S. Equity Fund	10/31/2011	0.79%	0.83%	0.04%	0.79%
U.S. Large Cap Core Plus Fund	10/31/2011	1.15%	2.01%	0.26%	1.75%
Equity Income Fund	10/31/2011	0.79%	0.97%	0.18%	0.79%
Large Cap Growth Fund	10/31/2011	0.95%	1.07%	0.12%	0.95%
Growth Advantage Fund	10/31/2011	1.10%	1.06%	0.00%	1.06%
Value Advantage Fund	10/31/2011	1.00%	1.16%	0.13%	1.03%
International Value Fund	2/29/2012	1.10%	1.10%	0.00%	1.10%
Core Bond Fund	6/30/2012	0.58%	0.73%	0.14%	0.59%
High Yield Fund	6/30/2012	0.90%	1.08%	0.17%	0.91%
Research Market Neutral Fund	2/29/2012	1.25%	3.83%	0.45%	3.38%

*The Investment Advisor, Administrator and Distributor have contractually agreed to waive fees and/or reimburse expenses to the extent that Total Annual Operating Expenses (excluding Acquired Fund Fees and Expenses, dividend expenses relating to short sales, interest, taxes and extraordinary expenses and expenses related to the Board of Trustees' deferred compensation plan) exceed the expense cap of the average daily net assets through the expense cap expiration date. Without the Acquired Fund Fees and Expenses, the Total Annual Operating Expenses and Net Expenses would have been lower. In addition, the Fund's service providers may voluntarily waive or reimburse certain of their fees, as they may determine, from time to time.

Spotlight on: Risk assessment

To learn more about the **Investment Insights** program, please visit us at www.jpmorganfunds.com.

Contact JPMorgan Distribution Services, Inc. at 1-800-480-4111 for a fund prospectus. You can also visit us at www.jpmorganfunds.com. Investors should carefully consider the investment objectives and risks as well as charges and expenses of the mutual fund before investing. The prospectus contains this and other information about the mutual fund. Read the prospectus carefully before investing.

The **S&P 500 Index** is an unmanaged index generally representative of the performance of large companies in the U.S. stock market. The **Russell 1000 Value Index®** measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. The **Russell 1000 Growth Index®** measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The **Russell Midcap Value Index®** measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index. The **MSCI EAFE Value Index®** is a free float-adjusted market capitalization weighted index that is designed to measure the performance of value-oriented stocks in developed markets, excluding the U.S. and Canada. The **Barclays Capital U.S. Aggregate Index** is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS. The **Barclays Capital U.S. Corporate High Yield - 2% Issuer Capped Index** is an unmanaged index comprised of fixed rate, non-investment grade debt securities that are dollar denominated and non-convertible. The index limits the maximum exposure to any one issuer to 2%. The **BofA Merrill Lynch 3-Month U.S. Treasury Bill Index** is comprised of a single issue purchased at the beginning of the month and held for a full month. Each month the index is rebalanced and the issue selected is the outstanding Treasury Bill that matures closest to, but not beyond 3 months from the rebalancing date. The performance of the indices does not reflect the deduction of expenses associated with a mutual fund, such as management fees. By contrast, the performance of the Funds reflects the deduction of the mutual fund expenses, including sales charges if applicable. An individual cannot invest directly in an index.

RISKS ASSOCIATED WITH INVESTING IN THE FUNDS: The price 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 selected for the Fund's portfolio or the securities market as a whole, such as changes in economic or political conditions. Equity securities are subject to "stock market risk" meaning that stock prices in general (or in particular, the prices of the types of securities in which a fund invests) may decline over short or extended periods of time. When the value of a fund's securities goes down, an investment in a fund decreases in value.

There is no guarantee that the use of long and short positions will succeed in limiting the Fund's exposure to domestic stock market movements, capitalization, sector-swings or other risk factors. Investment in a portfolio involved in long and short selling may have higher portfolio turnover rates. This will likely result in additional tax consequences. Short selling involves certain risks, including additional costs associated with covering short positions and a possibility of unlimited loss on certain short sale positions.

The Fund may use derivatives in connection with its investment strategies to hedge and manage risk and to increase its return. Derivatives may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions than other types of investments and could result in losses that significantly exceed the Fund's original investment. The Fund will have substantial short positions and must borrow those securities to make delivery to the buyer. The Fund may not always be able to borrow a security it wants to sell short. The Fund also may be unable to close out an established short position at an acceptable price, and may have to sell related long positions at disadvantageous times.

The Fund may invest a portion of its securities in small-cap stocks. Small-capitalization funds typically carry more risk than stock funds investing in well-established "blue-chip" companies since smaller companies generally have a higher risk of failure. Historically, smaller companies' stock has experienced a greater degree of market volatility than the average stock.

Mid-cap funds typically carry more risk than stock funds investing in well-established "blue-chip" companies. Historically, mid-cap companies' stock has experienced a greater degree of market volatility than the average stock.

International investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Also, some overseas markets may not be as politically and economically stable as the United States and other nations. The Fund's investments in emerging markets could lead to more volatility in the value of the Fund's shares. As mentioned above, the normal risks of investing in foreign countries are heightened when investing in emerging markets. In addition, the small size of securities markets and the low trading volume may lead to a lack of liquidity, which leads to increased volatility. Also, emerging markets may not provide adequate legal protection for private or foreign investment or private property.

Because this Fund primarily invests in bonds, it is subject to interest rate risks. Bond prices generally fall when interest rates rise.

The Fund may invest in futures contracts and other derivatives. This may make the Fund more volatile. The portfolio characteristics (excluding sector and holdings) include derivative positions.

Securities rated below investment grade are called "high-yield bonds," "non-investment grade bonds," "below investment-grade bonds," or "junk bonds." They generally are rated in the fifth or lower rating categories of Standard & Poor's and Moody's Investors Service. Although these securities tend to provide higher yields than higher rated securities, there is a greater risk that the Fund's share price will decline.

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