

## JPMorgan Asset Management

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## PRODUCT OVERVIEW

The JPMorgan Intrepid Value investment philosophy is based on the study of Behavioral Finance – the application of psychology to investing. Behavioral Finance theorizes that market participants behave sub-optimally because human emotions affect the investment decision making process. This may create systematic and predictable market inefficiencies – in value and momentum – that persist over time. The Intrepid investment process seeks to exploit these anomalies by evaluating each stock based on their value and momentum characteristics. Then the portfolio managers review each stock in an attempt to determine if any behavioral anomalies truly exist. The portfolio construction process seeks to create a basket of securities with exposure to value and momentum while reducing style, size and sector biases relative to the benchmark.

The differing characteristics of the Intrepid Value Strategy include:

- Strategy blends the best of quantitative and qualitative research
- Consistency of returns
- Alpha driven by stock selection and disciplined portfolio construction
- The strategy remains fully invested and style pure
- Compliment to existing managers - Low correlation of excess returns to most fundamental managers

## TARGET PORTFOLIO CHARACTERISTICS

Number of stock holdings:	120 to 160
Average dividend yield:	Similar to the S&P 500 Index
P/E ratio:	Below the S&P 500 Index
Cash level over market cycle:	0 to 5%
Risk (standard deviation):	Similar to the S&P 500 Index
Average turnover rate:	100 to 150%
Use ADRs:	0 to 5%
Capitalization:	—

## MANAGER'S INVESTMENT PROCESS

- The investment universe for Intrepid Value is approximately the 1,000 largest U.S. stocks.
- We use a rigorous portfolio construction process, employing a linear optimization. Stock rankings from our proprietary model determine alpha scores for individual securities. The linear optimization process seeks to maximize alpha subject to portfolio constraints.
- Stocks held in the portfolio that have become overvalued and/or whose momentum has deteriorated materially may trigger a sell signal. Stocks that are sold are generally replaced with the most attractive stocks on the basis of proprietary rankings that also contribute favorably to the risk exposures of the entire portfolio.
- Analysts review each trade suggested by our portfolio optimization process to validate that each trade furthers our investment philosophy of seeking attractively valued stocks with strong momentum characteristics.

## MANAGER'S INVESTMENT STRATEGY

Top-down / portfolio structures based on economic trends  
 Bottom-up / portfolio structure based on individual securities

## % PROCESS BASED ON

0 Asset allocation - cash vs. stock  
 5 Industry or sector weighting  
 95 Stock Selection

**RISK CONSIDERATIONS**

Investing in securities entails risks, including:  
 When investing in value securities, the market may not necessarily have the same value assessment as the manager, and, therefore, the performance of the securities may decline.

Style: Large Cap Value  
 Firm Assets Under Management: \$1,336.2 billion  
 Firm Strategy Assets Under Management: \$943.0 million  
 Year Founded: 1984  
 Professional Staff: 740  
 Firm Ownership: J.P. Morgan Chase & Co.  
 CG IAR Status: Approved

## PORTFOLIO STATISTICS

	12/11			06/11
	JPMorgan	R1000 Val	S&P 500 Index	JPMorgan
Number of stock holdings	110	656	500	109
Weighted average dividend yield	2.5%	2.6%	2.2%	2.0%
Weighted average P/E ratio <sup>1</sup>	10.40x	12.17x	13.48x	14.10x
Weighted average portfolio beta	—	1.03	0.99	—
Mega capitalization <sup>+</sup>	0.0%	27.8%	33.4%	25.9%
Large capitalization <sup>+</sup>	0.0%	48.5%	51.3%	46.1%
Medium capitalization <sup>+</sup>	0.0%	20.6%	15.1%	24.2%
Small capitalization <sup>+</sup>	0.0%	3.0%	0.3%	3.8%
Micro capitalization <sup>+</sup>	0.0%	0.0%	0.0%	0.0%

PORTFOLIO'S EQUITY SECTOR WEIGHTINGS <sup>+</sup>

Sector	12/11			06/11
	JPMorgan	R1000 Val	S&P 500 Index	JPMorgan
Energy	12.30	12.34	12.27	13.10
Materials	2.50	2.65	3.50	3.20
Industrials	7.90	9.22	10.69	9.00
Consumer Discretionary	7.80	8.91	10.67	8.90
Consumer Staples	7.20	8.15	11.54	6.50
Health Care	12.70	12.87	11.85	13.00
Financials	23.10	24.39	13.64	27.20
Information Technology	9.60	8.87	19.02	9.40
Telecomm Services	5.50	4.81	2.96	5.10
Utilities	7.30	7.79	3.87	4.60
Cash/Cash Equivalents	4.10	0.00	0.00	0.00

PORTFOLIO'S ALLOCATION HISTORY (%)<sup>+</sup>

	12/11	09/11	06/11	03/11
U.S. Stocks	96	96	100	95
	0	0	0	0
Cash/Cash Equivalents	4	4	0	5

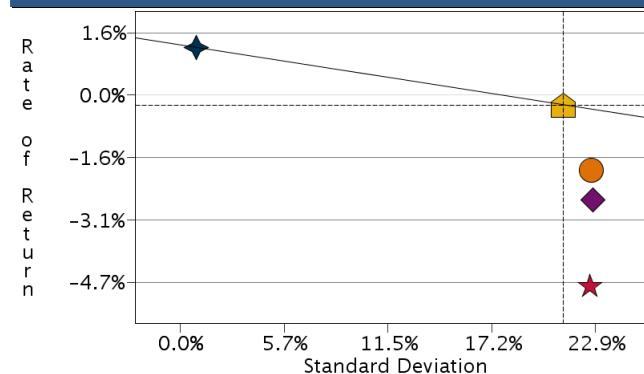
## PORTFOLIO'S TOP FIVE EQUITY HOLDINGS

	%
PFIZER INC	4.9
AT&T INC	4.1
CHEVRON CORP	3.0
WELLS FARGO & CO	2.7
EXXON MOBIL CORP	2.6

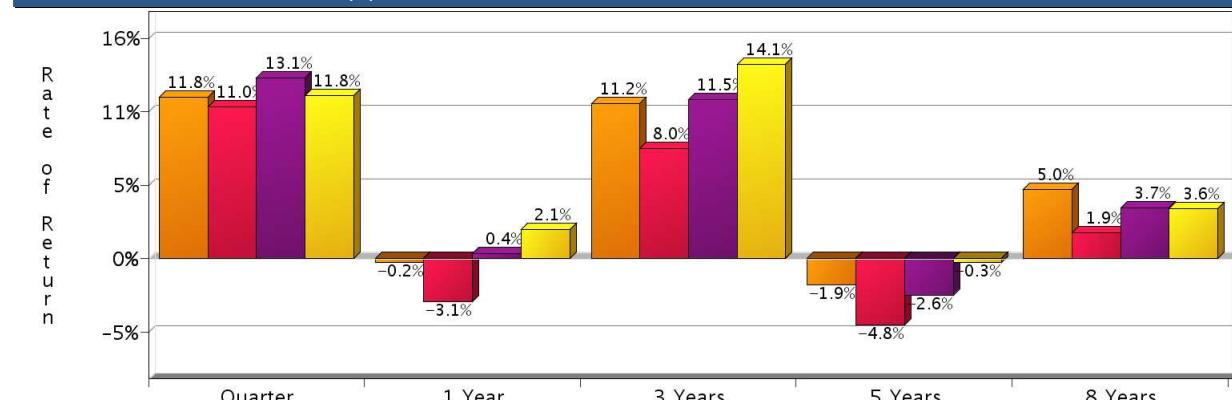
<sup>1</sup>The P/E used here is calculated by the harmonic mean.

<sup>+</sup>Total may not equal 100% due to rounding.

## RISK/RETURN ANALYSIS – 5 YEARS ENDING 12/31/11



## AVERAGE ANNUAL TOTAL RETURN (%) – PERIODS ENDING 12/31/11

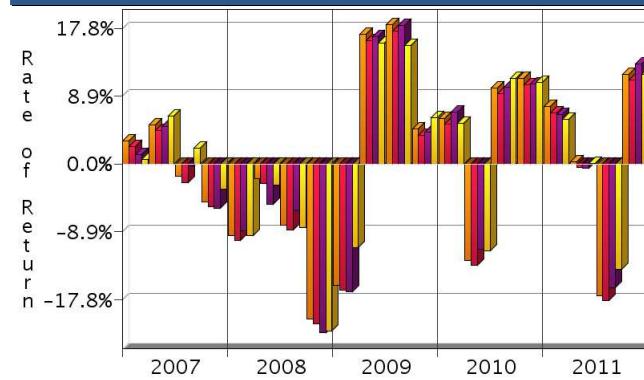


## INVESTMENT RESULTS

	Annual Rates of Return (%)								8 Year - Ending 12/31/11 Annualized	Std. Dev.
	2004*	2005	2006	2007	2008	2009	2010	2011		
JPMorgan (Gross)	18.70	11.21	23.28	1.27	-34.80	21.75	13.31	-0.24	5.01	18.65
JPMorgan (Net)	15.15	7.89	19.75	-1.73	-36.84	18.15	10.01	-3.13	1.90	18.57
Russell 1000 Value Index	16.49	7.05	22.25	-0.17	-36.85	19.69	15.51	0.39	3.67	18.61
S&P 500 Index	10.88	4.91	15.80	5.49	-37.00	26.46	15.06	2.11	3.63	17.20

\*04/01/2003-12/31/2003

## RISK VOLATILITY



## PORTFOLIO'S QUARTERLY RETURNS (%)

	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Related	Fiduciary Services
	Gross	Net	Gross	Net	Gross	Net	Gross	Net		
2004	4.82	4.05	-0.44	-1.22	2.89	2.11	10.54	9.72		
2005	1.43	0.66	2.32	1.53	6.12	5.36	0.98	0.20		
2006	6.74	5.97	1.60	0.86	4.14	3.38	9.16	8.38		
2007	3.02	2.26	5.15	4.39	-1.66	-2.43	-4.94	-5.65		
2008	-9.37	-10.08	-1.87	-2.57	-8.00	-8.69	-20.31	-21.03		
2009	-15.91	-16.61	16.99	16.18	18.33	17.51	4.59	3.78		
2010	6.03	5.20	-12.66	-13.30	10.02	9.24	11.22	10.41		
2011	7.55	6.76	0.34	-0.40	-17.28	-17.93	11.75	11.00		

PORTFOLIO'S RISK STATISTICS – PERIODS ENDING 12/31/11<sup>1,2</sup>

	3 Year	5 Year
Standard Deviation	24.68%	22.69%
Standard Deviation of Primary Benchmark	24.32%	22.77%
Sharpe Ratio	0.45	-0.14
Sharpe Ratio of Primary Benchmark	0.47	-0.17
Alpha	-0.36%	0.71%
Beta	1.01	0.99
Downside Risk	1.46%	1.58%
R-Squared	0.99	0.99
Tracking Error	1.83%	2.67%
Information Ratio	-0.17	0.28

PORTFOLIO DIVERSIFICATION - R<sup>2</sup> (INCEPTION THROUGH 12/11)<sup>+</sup>

	R <sup>2</sup>
JPMorgan vs. S&P 500 Index	0.94
JPMorgan vs. Russell 1000 Value Index	0.98

<sup>+</sup>Statistics are calculated using gross of fee performance only.

1. Statistics are calculated using gross of fee performance only.
2. Russell 1000 Value Index was used as the primary benchmark and the 90-Day U.S. T-Bill Index as the risk-free benchmark.

See page 3 for a discussion of the sources of the performance data used to calculate the performance results and related analyses on page 2.

## IMPORTANT NOTES AND DISCLOSURES

### COMPOSITE DISCLOSURES

**Past performance is no guarantee of future results. Actual individual account results may differ from the performance shown in this profile. There is no guarantee that this investment strategy will work under all market conditions. Do not use this profile as the sole basis for your investment decisions.**

Performance results in this profile are calculated assuming reinvestment of dividends and income. Returns for more than one year are annualized and based on quarterly data. Returns for periods of less than a calendar year show the total return for the period and are not annualized.

#### Related Performance (Manager's Composite):

For periods before the date on which Morgan Stanley Smith Barney begins to calculate an applicable performance composite for actual Morgan Stanley Smith Barney Fiduciary Services program accounts, the performance composite and certain other information for this strategy (including the data on page 1 of this profile) are based on the investment manager's own composite and data. This composite includes accounts managed by the investment manager according to the same or a substantially similar investment strategy. To provide maximum information to you, the investment manager's own composite is linked to the Morgan Stanley Smith Barney Fiduciary Services composite to create a simulated continuous track record of performance information for the investment strategy. The investment manager's composite may include separately managed accounts, institutional accounts and/or mutual funds. Performance and other data for the investment manager's composite may vary from that of Morgan Stanley Smith Barney accounts due to differences such as the availability and weighting of securities, trading implementation or client objectives. Morgan Stanley Smith Barney does not verify composite and other data provided by the investment manager and therefore does not guarantee its accuracy. Some of the accounts in the investment manager's composite may have invested in the initial public offering ("IPO") market, whereas accounts held in Morgan Stanley Smith Barney programs do not do so. Since investment managers may use different methods of selecting accounts to be included in their composites and for calculating performance, returns of different investment managers may not be comparable.

#### Related Performance:

J.P. Morgan Investment Management Inc. (JPMIM) consists of the assets of Institutional clients invested in US managed products including 1) the fixed income and cash assets formerly part of Chase Asset Management and MDSass&Chase Partners, 2) the New York institutional investment division of JPMorgan Chase Bank, N.A., formerly Morgan Guaranty Trust Company of New York and 3) the institutional investment assets of JPMorgan Investment Advisors, Inc. (JPMIA), formerly known as Banc One Investment Advisors Corporation (BOIA), the advisor to Institutional assets directly managed by JPMIA or sub-advised by an affiliate institution and 4) Separately Managed Accounts over which JPMIM has full and sole discretion. Emerging markets equity assets are excluded from this entity definition as they are included in the JPMIM London entity). JPMIM is marketed under the name JPMorgan Asset Management. Through December 2005, the composite includes institutional discretionary accounts invested according to JPMIM's Intrepid Value Investment approach. Starting January 2006, the composite includes the total return of a non-fee paying managed account invested according to the JPMIM's Managed Accounts Intrepid Value investment approach. Accounts that are included in the Composite are those over which JPMIM has sole and full discretion. Accounts are included in composite in the first full month of management and removed after the last full month of management. There are no segments of multi-asset accounts included in the composite. The composite creation date is January 1, 2006. The strategy inception date is March 1, 2003. JPMIM's effective date of compliance is January 1, 1993. A listing and description of all composites is available upon request. The benchmark for the composite is the Russell 1000 Value Index. Composite performance results are calculated monthly as the sum of each constituent portfolio's monthly return weighted using beginning market values plus day-weighted cash flows, i.e., asset-weighted. Annual returns are calculated by geometrically linking individual monthly returns. These are presented both gross and net of investment management fees. Net returns have been calculated quarterly using the maximum fee applicable at each year-end. JPMIM's standard fee schedule for this strategy is shown above. JPMIM has valued all portfolios, including Commingled funds, monthly on a trade-date basis using accrual accounting. Monthly time-weighted rates of return are calculated for all accounts. Fees are based on the market value of all assets in an account at each calendar quarter end and cover investment management services and periodic client market value and transaction statements. Actual fees may vary from sponsor to sponsor and are usually discounted from the fee schedule above. Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. The asset-weighted standard deviation measures the dispersion of

annual account rates of return around the annual asset-weighted composite return. Only when more than five portfolios have been managed within the composite style for a full year are asset-weighted standard deviation calculations reported.

#### Fiduciary Services Performance:

**Equity Account (Gross):** JPMorgan's gross results do not reflect a deduction of the investment advisory fees charged by JPMorgan, or program fees, if any, but are net of commissions charged on securities transactions.

**Net Performance for all Periods:** To demonstrate the effect of Morgan Stanley Smith Barney's fees that would have applied if you had invested in the investment manager strategy's through the Fiduciary Services program, the net results for all periods are calculated by deducting a quarterly fee of 0.75% (equivalent to an annual fee of 3%).

Morgan Stanley Smith Barney program fees are usually deducted quarterly, and have a compounding effect on performance. The Morgan Stanley Smith Barney program fee, which differs among programs and clients, is described in the applicable Morgan Stanley Smith Barney ADV brochure, which is available at [www.smithbarney.com/ADV](http://www.smithbarney.com/ADV) or on request from your Financial Advisor or Private Wealth Advisor.

For periods for which sufficient data is available, the profile shows a composite of client accounts managed by the investment manager in either the Fiduciary Services program in the Morgan Stanley channel (previously called the Morgan Stanley Access program) or the Fiduciary Services program in the Smith Barney channel. Fiduciary Services is a separately managed account program sponsored by Morgan Stanley Smith Barney. If the strategy or similar strategies are available in both the Morgan Stanley and Smith Barney forms of the program, this profile presents the composite for the strategy that is closest to the strategy currently offered in the Fiduciary Services program. If both strategies are equally close, this profile shows the longer of the two composites. Performance and other data for composites for both forms of the program may vary from each other and from composites in other Morgan Stanley Smith Barney programs due to differences such as the availability and weighting of securities, trading implementation or client objectives.

#### Focus List, Approved List, and Watch Status:

Consulting Group Investment Advisor Research ("CG IAR") uses two methods to evaluate investment products in applicable advisory programs. In general, strategies that have passed a more thorough evaluation may be placed on the "Focus List", while strategies that have passed through a different and less comprehensive evaluation process may be placed on the "Approved List". Sometimes an investment product may be evaluated using the Focus List process but then placed on the Approved List instead of the Focus List.

Investment products may move from the Focus List to the Approved List, or vice versa. CG IAR may also determine that an investment product no longer meets the criteria under either evaluation process and will no longer be recommended in investment advisory programs (in which case the investment product is given a "Not Approved" status).

CG IAR has a "Watch" policy and may describe a Focus List or Approved List investment product as being on "Watch" if CG IAR identifies specific areas that (a) merit further evaluation by CG IAR and (b) may, but are not certain to, result in the investment product becoming "Not Approved". The Watch period depends on the length of time needed for CG IAR to conduct its evaluation and for the investment manager to address any concerns. CG IAR may, but is not obligated to, note the Watch status in this report with a "W" or "Watch" on the cover page.

For more information on the Focus List, Approved List, and Watch processes, please see the applicable Morgan Stanley Smith Barney ADV brochure. Your Financial Advisor or Private Wealth Advisor can provide on request a copy of a paper entitled "Manager Research and Selection: A Disciplined Process".

### ADDITIONAL DISCLOSURES

The information about a representative account is for illustrative purposes only. Actual account holdings, performance and other data will vary depending on the size of an account, cash flows within an account, and restrictions on an account. Holdings are subject to change daily. The information in this profile is not a recommendation to buy, hold or sell securities.

Actual portfolio statistics may vary from target portfolio characteristics.

The investment manager may use the same or substantially similar investment strategies, and may hold similar portfolios of investments, in other portfolios or products it manages (including mutual funds). These may be available at Morgan Stanley Smith Barney or elsewhere, and may cost an investor more or less than this strategy in the Morgan Stanley Smith Barney Fiduciary Services program.

The portfolio may, at times, invest in exchange-traded funds (ETFs), which are a form of equity security in seeking to maintain continued full exposure to the broad equity market.

Morgan Stanley Smith Barney investment advisory programs may require a minimum asset level and, depending on your specific investment objectives and financial position, may not be suitable for you. Investment advisory program accounts are opened pursuant to a written client agreement.

The investment manager acts independently of, and is not an affiliate of, Morgan Stanley Smith Barney.

Morgan Stanley Smith Barney LLC Member SIPC.

## INDEX DESCRIPTIONS

### 90-Day T-Bills

The 90-Day Treasury Bill is a short-term obligation issued by the United States government. T-bills are purchased at a discount to the full face value, and the investor receives the full value when they mature. The difference of 'discount' is the interest earned. T-bills are issued in denominations of \$10,000 (auction) and \$1,000 increments thereafter.

### Russell 1000 Value Index

The Russell 1000 Value Index is representative of the U.S. market for large capitalization stocks containing those companies in the Russell 1000 Index with lower price-to-book ratios and lower forecasted growth.

### S&P 500 Index

Widely regarded as the best single gauge of the U.S. equities market, this world-renowned index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the S&P 500 focuses on the large-cap segment of the market, with over 80% coverage of U.S. equities, it is also an ideal proxy for the total market.

**Indices are unmanaged and have no expenses. You cannot invest directly in an index.**

## GLOSSARY OF TERMS

**Alpha** is a mathematical estimate of risk-adjusted return expected from a portfolio above and beyond the benchmark return at any point in time.

**American Depository Receipts (ADRs)** are receipts for shares of a foreign-based corporation held in the vault of a U.S. bank.

**Average Portfolio Beta** is a measure of the sensitivity of a benchmark or portfolio's rates of return to changes against a market return. The market return is the S&P 500 Index. It is the coefficient measuring a stock or a portfolio's relative volatility.

**Capitalization** is defined as the following: Mega (\$50.0 billion and Above), Large (\$11.0 - \$50.0 billion), Medium (\$2 - \$11.0 billion), Small (\$500m - \$2 billion) and Micro (below \$500 million).

**Downside Risk** is a measure of the risk associated with achieving a specific target return. This statistic separates portfolio volatility into downside risk and upside uncertainty. The downside considers all returns below the target return, while the upside considers all returns equal to or above the target return.

**Duration** is a measure of price sensitivity expressed in years.

**Information Ratio** is a measure of the investment manager's skill to add active value against a given benchmark relative to how stable that active return has been. Essentially, the information ratio explains how significant a manager's alpha is. Therefore, the higher the information ratio, the more significant the alpha.

**Investment Grade Bonds** are those rated by Standard & Poor's AAA (highest rated), AA, A or BBB (or equivalent rating by other rating agencies or, in the case of securities not rated, by the investment manager).

**Price/Earnings Ratio (P/E Ratio)** shows the multiple of earnings at which a stock sells. Determined by dividing current stock price by current earnings per share (adjusted for stock splits). Earnings per share for the P/E ratio are determined by dividing earnings for past 12 months by the number of common shares outstanding. The P/E ratio shown here is calculated by the harmonic mean.

**R<sup>2</sup> (R-Squared)/Portfolio Diversification** indicates the proportion of a security's total variance that is benchmark-related or is explained by variations in the benchmark.

**Sharpe Ratio** measures the efficiency, or excess return per unit of volatility, of a manager's returns. It evaluates managers' performance on a volatility-adjusted basis.

**Standard Deviation** is a statistical measure of historical variability or spread of returns around a mathematical average return that was produced by the investment manager over a given measurement period. The higher the standard deviation, the greater the variability in the investment manager's returns relative to its average return.

**Tracking Error** represents the standard deviation of the difference between the performance of the investment strategy and the benchmark. This provides a historical measure of the variability of the investment strategy's returns relative to its benchmark.