

JPM Life Diversified Growth Fund

All information as at 31 December 2009 unless indicated otherwise

A new proposition in portfolio diversification

JPM Life Diversified Growth Fund offers a pioneering pooled solution for both DB and DC pension investors looking for long-term growth while diversifying overall portfolio risk.

In a single fund, investors get exposure to six asset classes chosen specifically for their long-term, high-return potential and attractive correlations: global equities, private equity, commodities, property, extended fixed income and absolute-return strategies - primarily using JPMorgan Asset Management's proven expertise in these areas.

Pre-launch correlations of components of diversified growth

	Global Equities	Private Equity	Property	Absolute Returns	High Yield	Commodities
Global Equities	1.00	-	-	-	-	-
Private Equity	0.82	1.00	-	-	-	-
Property	0.57	0.50	1.00	-	-	-
Absolute Returns	0.40	0.31	0.41	1.00	-	-
High yield	0.75	0.57	0.40	0.31	1.00	-
Commodities	0.04	0.06	0.10	-0.11	0.06	1.00

Correlations calculated on a static mix of products and strategies over the relevant historic time period. Where strategies have limited or no history, backfilling has not been used. Matrix of correlation coefficients: 5yrs to 31 May 2006.

Fund Review

Global stock markets ended 2009 on a strong note, delivering solid gains in the final quarter of the year as investors reacted positively to stronger-than-expected economic data and positive corporate earnings surprises. The major central banks helped by keeping interest rates unchanged from their exceptionally low levels, with the US Federal Reserve assuring investors that rate hikes are not imminent.

The fund performed behind benchmark during the quarter, driven by disappointing relative performance during November. We saw strong performance in our global equity holdings over the quarter and an overweight position was beneficial, with aggregate performance ahead of the MSCI AC World Index. Our largest holding, the US Select 130/30 strategy, was the strongest performer in absolute terms in our global equity allocation. Fund selection was negative in the total return category, with disappointing performance in the final two months of the year from our timber holdings, in contrast to our infrastructure holdings, which performed well ahead of cash. Fund selection in private equity detracted, with each of our underlying strategies posting negative returns. Returns from our high yield holding were strong this quarter but our low risk UK bond holding detracted. Underweights in commodities and property were detrimental this quarter as performance of these markets improved.

Outlook

On balance, we expect equities to outperform bonds in 2010. We can expect relatively strong data over the next few months as the inventory cycle rebuilds, but the outlook for final demand remains in question. Nevertheless, equities are likely to respond well to improving earnings and economic data flow and these positive factors are likely to dominate fears of central banks withdrawing liquidity, for the time being.

Spotlight on JPM Life Diversified Growth Fund

	3 Months %	6 Months %	1 Year %	Since inception
JPM Life Diversified Growth Fund	3.42	17.64	20.44	4.45
Benchmark	4.05	18.27	17.02	7.44
MSCI World Hedged GBP Gross	4.50	20.22	26.19	-1.95

Source: JPMorgan Asset Management, gross of fees in GBP. Since inception figures are annualised. Past performance is not a guide to the future. The value of investments and the income from them may go down as well as up and investors may not get back the full amount invested.

Diversification in three ways

JPM Life Diversified Growth Fund has a distinct fund-of-funds structure comprising around 20-30 different strategies. So investors not only get diversification in terms of asset class and geographic market, but also investment strategy and methodology.

Fund factfile

Investment Team	Global Multi Asset Group
Lead Fund Managers	Katy Thorneycroft & Neill Nuttall
Client Portfolio Manager	Olivia Mayell
Launch date	June 2006
Standard annual fee	1.0%

Customised Benchmark

50% MSCI All Country World GBP Index, 7.5% Global Property Research 250 Index, 7.5% IPD Monthly Balanced Index, 15% 1 Month GBP LIBOR, 10% Merrill Lynch US, BB-B constrained hedged to GBP, 10% GSCI

Objective

To maximise long-term capital growth by investing in a diversified mix of asset classes

Fund Summary

- Exceptional diversification by asset class and geographic market
- Achieves exposure to alternative asset classes rarely available to pooled pension investors
- Targets more aggressive returns than traditional balanced Life funds
- Best ideas portfolio using strategies with a proven performance record

JPM Life Diversified Growth Fund

Katy Thorneycroft Fund Manager



Katy Thorneycroft is a portfolio manager in the Global Multi-Asset Group. Katy focuses on the multi-strategy, Diversified Growth and Investment Trust funds. An employee since 1999, Katy was previously a member of the Global Multi Asset Group in New York and prior to this, was a portfolio manager in the European Equity Group in London where she focused on small and mid cap strategies.

Neill Nuttall Fund Manager



Neill Nuttall is Chief Investment Officer and head of the Global Multi-Asset Group ("GMAG") based in London, with particular responsibility for global tactical asset allocation, multi asset and convertible bond portfolios. He is a member of the Global Strategy Team, responsible for deciding asset allocation for the GMAG's balanced portfolios.

The Global Multi-Asset Group at J.P. Morgan Asset Management

The Global Multi Asset Group is a 40-strong team of portfolio managers, analysts and strategists based mainly in London and New York which is dedicated to developing and managing multi-asset and multi-country strategies, using JPMorgan Asset Management's global expertise across core and alternative asset classes.

The fund that pension advisers have been asking for

JPM Life Diversified Growth Fund was created specifically in response to consultants and clients asking us to develop a pooled global strategy with exposure to alternatives that could reduce overall portfolio volatility by providing long-term exposure to multiple asset classes.

The structure of the fund offers benefits to both DB and DC schemes:

For DB schemes: the fund offers a wide range of alpha sources - including alternative asset classes that smaller schemes may not have the scale to access directly - without the need for multiple investment mandates.

For DC schemes: the fund could be an ideal solution for DC scheme members who are looking for a more sophisticated investment choice than traditional balanced or multi-fund options since it offers a strategy that can have greater growth potential than conventional balanced DC funds.

Bringing together JPMorgan Asset Management's expertise

JPMorgan Asset Management is one of very few asset management houses that can offer this strategy because we are one of only a handful of groups to have proven expertise across the necessary range of asset classes, markets and investment approaches.

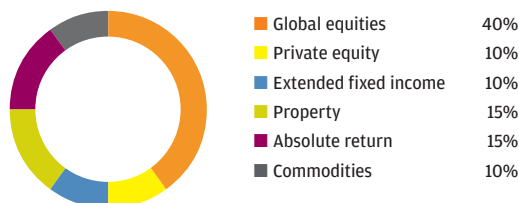
JPM Life Diversified Growth Fund invests predominantly in existing JPMorgan funds but external funds or investment trusts may be included for traditionally more illiquid investments such as private equity, where more appropriate.

Typically, the fund may comprise 20-30 different funds/strategies, thereby giving investors exposure to a wide range of different investment methodologies and investor skills. For a full list of the strategies included in JPM Life Diversified Growth, speak to your JPMorgan Asset Management relationship manager.

Determining asset allocation

Asset allocation and fund strategy selection for JPM Life Diversified Growth Fund is overseen by the fund of funds team within the Global Multi-Asset Group (GMAG) at JPMorgan Asset Management. Tactical asset allocation can deviate by +/-10% of benchmark weightings - driven primarily by the team's views on the prevailing outlook for each strategy, market and asset class.

Strategic asset allocation for JPM Life Diversified Growth Fund



For further information, please contact your J.P. Morgan Asset Management relationship manager or visit www.jpmorganassetmanagement.co.uk/institutional

Proven performance potential

JPM Life Diversified Growth Fund was launched in June 2006. However, because it is constructed from existing investment funds, it has been possible to backtest returns and volatility levels of the portfolio rigorously.

From these tests, we have seen volatility to be around 8-10%*, giving this fund an attractive risk/reward profile with around two-thirds of the predicted risk of a conventional global equity strategy.

*Source: JPMAM. Calculated over the period 31.07.01 - 31.05.06. Volatilities and returns calculated on a static mix of products and strategies over the relevant historic time period. Where strategies have limited or no history backfilling has not been used.

Past performance is not a guide to the future. The value of investments and the income from them may go down as well as up and investors may not get back the full amount invested. Exchange rates may also cause the value of underlying overseas investments to go down as well as up. Investment in property may be subject to a higher degree of market risk because of concentration in a specific industry, sector, or geographic sector. Investments in non-investment grade bonds will present a higher risk to an investor's capital. Investments in emerging markets may involve a higher element of risk due to political and economic instability and underdeveloped markets and systems. There could also be a lack of liquidity in certain emerging market stocks and currencies which may result in a more volatile price. Investments in commodities may be illiquid which in turn may have a detrimental impact on your investments. The opinions expressed herein are those held by JPMorgan at the time of going to print, which are subject to change and are not to be taken as or construed as investment advice. Telephone lines are recorded to ensure compliance with our legal and regulatory obligations and internal policies. JPMorgan Life Limited is part of JPMorgan Asset Management group and is authorised by the Financial Services Authority for pensions and investments. Registered in England No. 03261506. Registered address: 125 London Wall, London EC2Y 5AJ. JPMorgan Life funds are marketed by JPMorgan Asset Management Marketing Limited which is authorised and regulated by the Financial Services Authority. Registered in England No. 288553. Investment is subject to documentation (including Policy Terms and Conditions), copies of which can be obtained free of charge from JPMorgan Asset Management Marketing Limited, 125 London Wall, London EC2Y 5AJ.