

J.P. Morgan Life UK Equity Funds Update

All information as at 31 December 2009 unless otherwise indicated

Fourth quarter 2009 overview

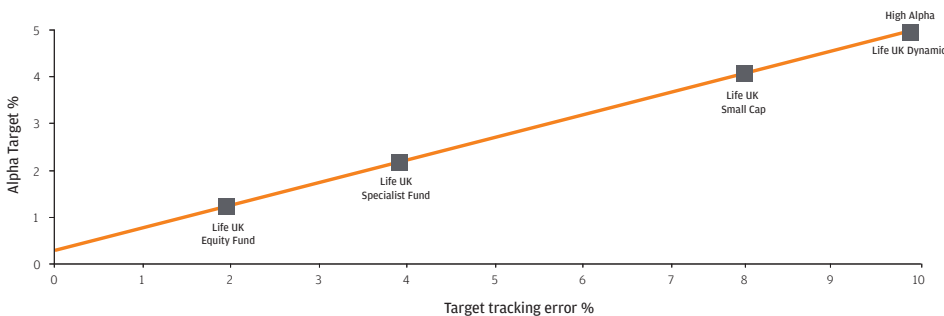
UK equities

The UK stock market delivered strong positive returns in December as investors hoped 2010 would bring a continuation of the economic recovery that began in 2009. The FTSE All Share Index gained 4.3% over the month. Retail sales unexpectedly dropped in November for the first time in six months as the recession prompted consumers to spend less in the run up to Christmas. However, unemployment rose by the smallest amount for almost 18 months in the three months to October. The Bank of England left interest rates unchanged and decided against a further increase to its asset purchase programme.

JPM Life UK equity funds

The performance of our core UK equity life funds was strong in absolute returns over the quarter, but slightly disappointing in relative terms. JPM Life UK Small Cap Fund produced negative absolute returns as small-cap stocks struggled during the quarter, but outperformed its benchmark, while our unconstrained JPM Life UK Dynamic Fund produced a small positive return.

JPM Life UK equity fund range



Spotlight on JPM Life UK Equity Fund

	3 Months%	1 Year%	3 Years%	5 Years%
JPM Life UK Equity Fund	4.95	32.01	-4.09	5.33
FTSE All Share	5.47	30.12	-1.34	6.47
Geometric excess return	-0.49	1.45	-2.79	-1.07

Source: JPMAM, gross of fees as at 31 December 2009.

Fund holdings review

The strongest contributions to relative returns in the fourth quarter came from stock selection in the banks and food producers sectors. Stock selection in the household goods & home construction detracted, as did the fund's exposure to small cap stocks.

- The fund benefited from overweight positions in Antofagasta and Kazakhmys, as commodity prices strengthened, boosting the earnings outlook for mining companies.
- Relative returns were also boosted by the fund's underweight position in Lloyds, which announced the UK's biggest ever rights issue.
- Stock-level detractors included an overweight position in Computacenter, the UK computer services supplier, which reported a drop in third-quarter sales after it closed its trade distribution business.
- An overweight position in Barratt Developments was also detrimental as analysts warned homebuilders faced refinancing risks.
- However, the fund was boosted by an overweight position in software developer Micro Focus, which said fiscal first-half sales and earnings would beat analysts' expectations.

Fund overview

- JPM Life UK Equity Fund

Managed using our proven investment process, this risk-controlled core UK equity fund aims to outperform its benchmark, the FTSE All Share Index, by 1% over a three year period before fees are taken into account.

- JPM Life UK Specialist Equity Fund

Like our JPM Life UK Equity Fund, our UK Specialist Equity Fund has a relatively low tracking error and is designed to meet the needs of investors looking for medium risk UK equity exposure. However, its slightly higher risk profile is designed to outperform the FTSE All Share Index by 2% over a three year period before fees.

- JPM Life UK Dynamic Fund

This fund has the freedom to invest in our best UK stock ideas irrespective of benchmark weighting, giving it a higher risk/return profile than our other UK Life products. As a result, the fund has a higher return target and is ideal for investors looking for a chance to potentially add a performance enhancer to their portfolio.

- JPM Life UK Small Cap Fund

Our UK Small Cap Fund benefits from a disciplined approach to smaller company investing, focusing on fundamental analysis to find the most attractive stocks in the UK small-cap universe.

For further information, please contact your usual J.P. Morgan representative or visit our website www.jpmorganassetmanagement.co.uk/institutional

J.P. Morgan Life UK Equity Funds Update

Key fund facts

JPM Life UK Equity Fund

Launch date	October 1997
Benchmark	FTSE All Share Index
Fund Managers	Chris Llewelyn Michael Barakos
Sector limits	+/-1% of benchmark
Stock limits	+/-1% of benchmark
Long term average tracking error	1-2% p.a.
Target excess return	1% p.a.

JPM Life UK Specialist Equity Fund

Launch date	October 1999
Benchmark	FTSE All Share Index
Fund Managers	William Meadon James Illsley
Sector limits	+/-3% of benchmark
Stock limits	+/-3% of benchmark
Long term average tracking error	4% p.a.
Target excess return	2% p.a.

JPM Life UK Dynamic Equity Fund

Launch date	July 2005
Benchmark	FTSE All Share Index
Fund Managers	John Baker Jonathan Ingram
Sector limits	35% absolute
Stock limits	None
Long term average tracking error	10% p.a.
Target excess return	5% p.a.

JPM Life UK Small Cap Equity Fund

Launch date	August 2002
Benchmark	FTSE Small Cap (ex ITs) Index
Fund Manager	Georgina Brittain
Sector limits	+/-5% of benchmark
Stock limits	+/-1.5% of benchmark
Long term average tracking error	3-8% p.a.
Target excess return	4% p.a.

For further information, please contact your usual J.P. Morgan Asset Management representative or visit us at www.jpmmorganassetmanagement.co.uk/institutional.

Spotlight on JPM Life UK Specialist Equity Fund

	3 Months%	1 Year%	3 Years%	5 Years%
JPM Life UK Specialist Equity Fund	3.96	27.16	-3.54	5.92
FTSE All Share	5.47	30.12	-1.34	6.47
Geometric excess return	-1.43	-2.27	-2.23	-0.52

Source: JPMAM, gross of fees as at 31 December 2009

Fund holdings review

Positive contributions to relative returns in the fourth quarter included stock selection in the banks and software sectors. An overweight in the nonlife insurance sector and an underweight in beverages detracted, as did the fund's exposure to small cap stocks.

- The fund benefited from overweight positions in Kazakhmys and Antofagasta, as commodity prices strengthened, boosting the earnings outlook for mining companies.
- An overweight position in Micro Focus was also positive after the software developer said fiscal first-half sales and earnings would beat analysts' expectations.
- Stock-level detractors included an overweight position in insurance group Aviva, which suffered a decline in nine-month sales as high UK unemployment weighed on demand.
- An underweight position in SABMiller was also detrimental as the brewer's first-half profit beat estimates and investors responded positively to its cost-cutting plan.
- However, relative returns were boosted by the fund's underweight position in Lloyds, which announced the UK's biggest ever rights issue.

Spotlight on JPM Life UK Dynamic Equity Fund

	3 Months%	1 Year%	3 Years%
JPM Life UK Dynamic Fund	1.77	24.49	-4.04
FTSE All Share	5.47	30.12	-1.34
Geometric excess return	-3.47	-4.33	-2.74

Source: JPMAM, gross of fees as at 31 December 2009. *Inception is 30 June 2005.

Fund holdings review

The biggest positive contributor to relative returns over the quarter was the fund's large underweight position in the banks sector, while stock selection in the mining, support services and financial services sectors were negative for returns.

- The fund benefited most from underweight positions in Barclays, HSBC and Royal Bank of Scotland. Banking stocks suffered some profit taking over the quarter following a strong earlier rebound, due to uncertainty over future capital requirements and worries over rising bad loan charges.
- The fund also benefited from an overweight position in copper producer Kazakhmys as metal prices continued to climb over the period. However, the biggest stock level detractor was an underweight position in Rio Tinto, while the fund's underweight exposure to BHP Billiton and overweight exposure to Xstrata in the mining sector were also negative for relative returns.
- An overweight position in Aviva was detrimental, with the insurance group suffering a decline in nine-month sales as high UK unemployment weighed on demand. An overweight position in Punch Taverns further hit returns as the pub operator reported a wider full-year loss.
- However, the fund gained from overweight exposure to several retailers, including Next and Halfords, as both companies reported rising sales growth and raised forecasts for Christmas trading.

Spotlight on JPM Life UK Small Cap Equity Fund

	3 Months%	1 Year%	3 Years%	5 Years%
JPM Life UK Small Cap Fund	-5.28	49.50	-8.28	7.56
FTSE Small Cap ex ITs	-7.71	57.67	-12.55	-0.45
Geometric excess return	2.63	-5.18	4.88	8.05

Source: JPMAM, gross of fees as at 31 December 2009.

Fund holdings review

Positive contributors to relative returns included stock selection in the oil & gas producers and media sectors, while underweights in real estate investment trusts and life insurance detracted.

- The fund benefited from an overweight position in International Personal Finance, the loan provider, which said full-year results may be 'materially ahead' of estimates.
- Not holding Hardy Oil & Gas was also positive for relative returns as the oil explorer plunged after saying it would abandon a well that showed poor reservoir sands.
- Stock-level detractors included an overweight position in Computacenter, the UK computer services supplier, which reported a drop in third-quarter sales after it closed its trade distribution business.
- An underweight position in Care UK was also detrimental in relative terms after the care home operator received a takeover offer from Bridgeport Capital.
- However, the fund was boosted by an overweight position in software developer Micro Focus, which said fiscal first-half sales and earnings would beat analysts' expectations.