JPM Cautious Total Return Fund

All data as at 30 April 2012 unless otherwise indicated

April 2012

April was a negative month for risk assets and the JPM Cautious Total Return Fund returned -1.6% on the A share class. This can be compared to returns for global equities (MSCI World Index) of -1.8% hedged to GBP (-2.7% unhedged) and global bonds (JPM GBI) of +0.7% hedged to GBP (-0.0% unhedged) during the month.

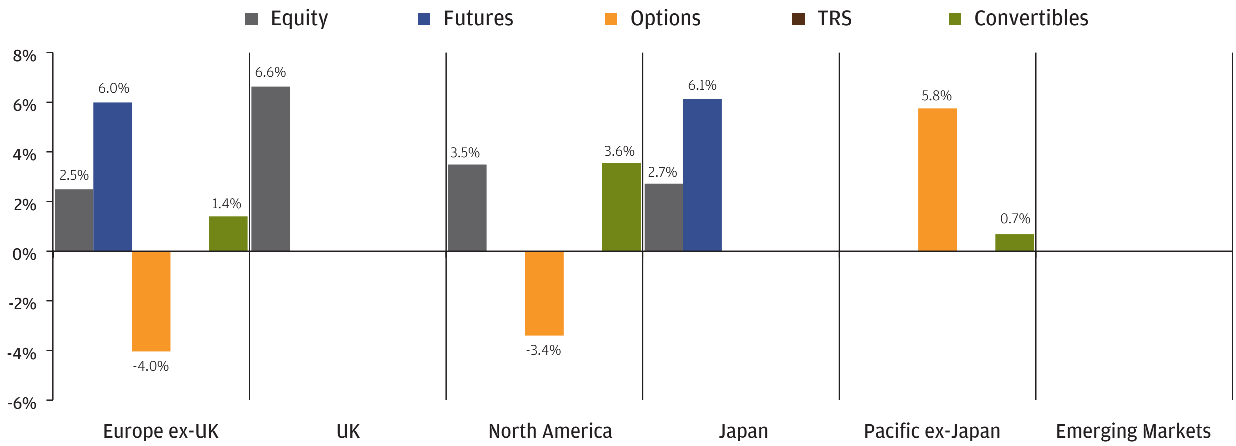
Source: Bloomberg & J.P. Morgan Asset Management. Returns throughout are in GBP.
Figures rounded to one decimal place.

Our current fund positioning is shown below:

JPM Cautious Total Return Fund		Total Delta* 31.4%
	Weights	Names
Equities*	15.3%	17
Convertibles	17.5%	13
Bonds	46.5%	12
Commodities	3.1%	1
Cash/cash for margin	17.7%	
Total	100.0%	
Derivative positions		
Equity futures	12.1%	
Equity Options**	-1.7%	
Bond Options**	73.7%	
TRS**	0.0%	
Bond futures	-74.0%	

Source: J.P. Morgan Asset Management.
*Includes 1.4% of lower risk equities (2 names in total) subject to takeover activity
** Delta adjusted

Equity market exposure:



Delta	Europe ex-UK	UK	North America	Japan	Pacific ex-Japan	Emerging Markets
Delta	5.8%	6.6%	3.7%	8.8%	6.4%	0%

Source: Bloomberg & J.P. Morgan Asset Management.

Fund performance versus benchmark:

	1 year	3 years*	5 years*	Since inception*
JPM Cautious Total Return Fund (%)	-6.8	0.9	0.6	2.0
1 Month GBP LIBOR (%)	0.8	0.6	2.4	3.1

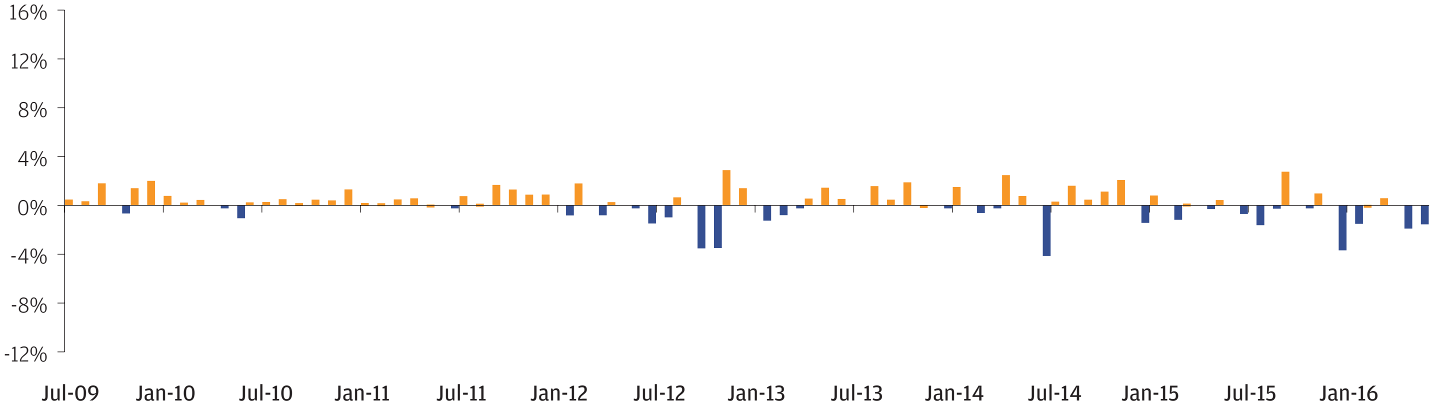
Source: Bloomberg & J.P. Morgan Asset Management. Fund returns net of A class fees, in GBP. Fund inception date 01/07/05.
*Annualised. Past performance does not guarantee future results.

J.P.Morgan
Asset Management

JPM Cautious Total Return Fund

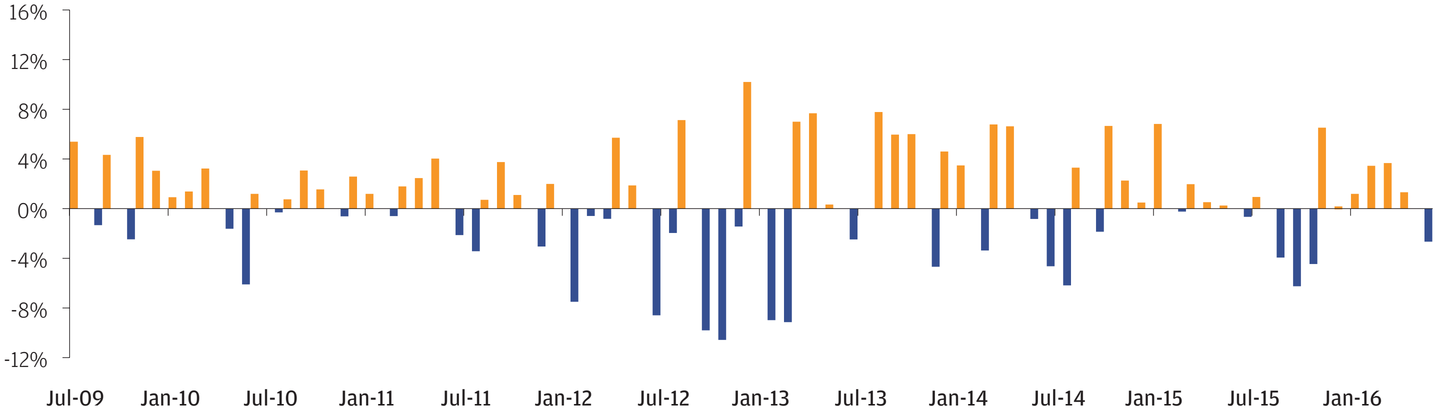
Historical monthly returns

JPM Cautious Total Return Fund



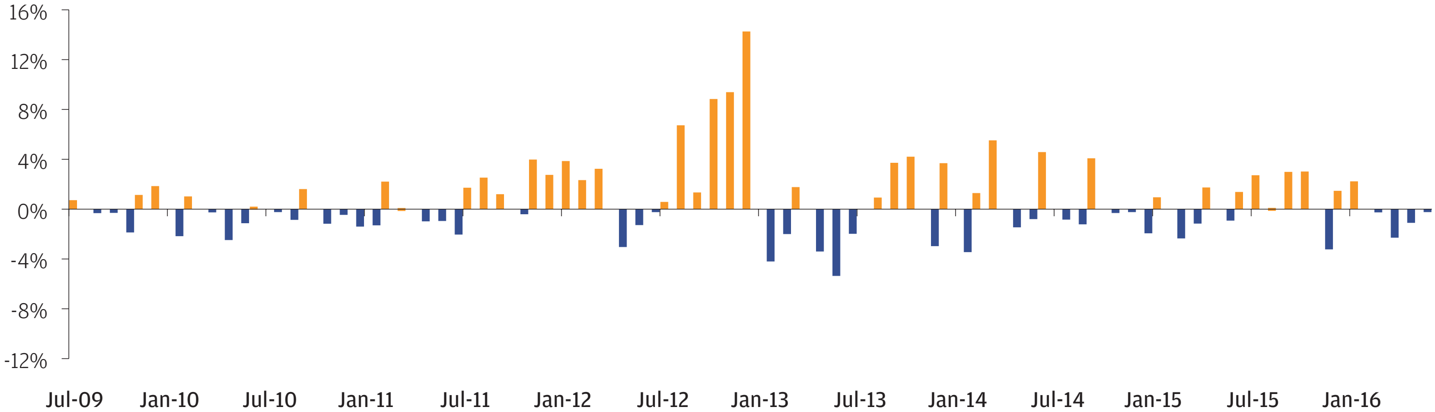
Source: J.P. Morgan Asset Management. Returns are in GBP, nav to nav, net of A class fees with net income reinvested.

MSCI World



Source: Datastream. MSCI World Index - gross dividends reinvested, in GBP.

JPM GBI



Source: Datastream. JPMorgan Government Bond Index - gross dividends reinvested, in GBP.

Please note that charts show absolute returns for the JPM Cautious Total Return Fund, MSCI World and JPM GBI Global on a monthly basis in GBP. Past performance does not guarantee future results

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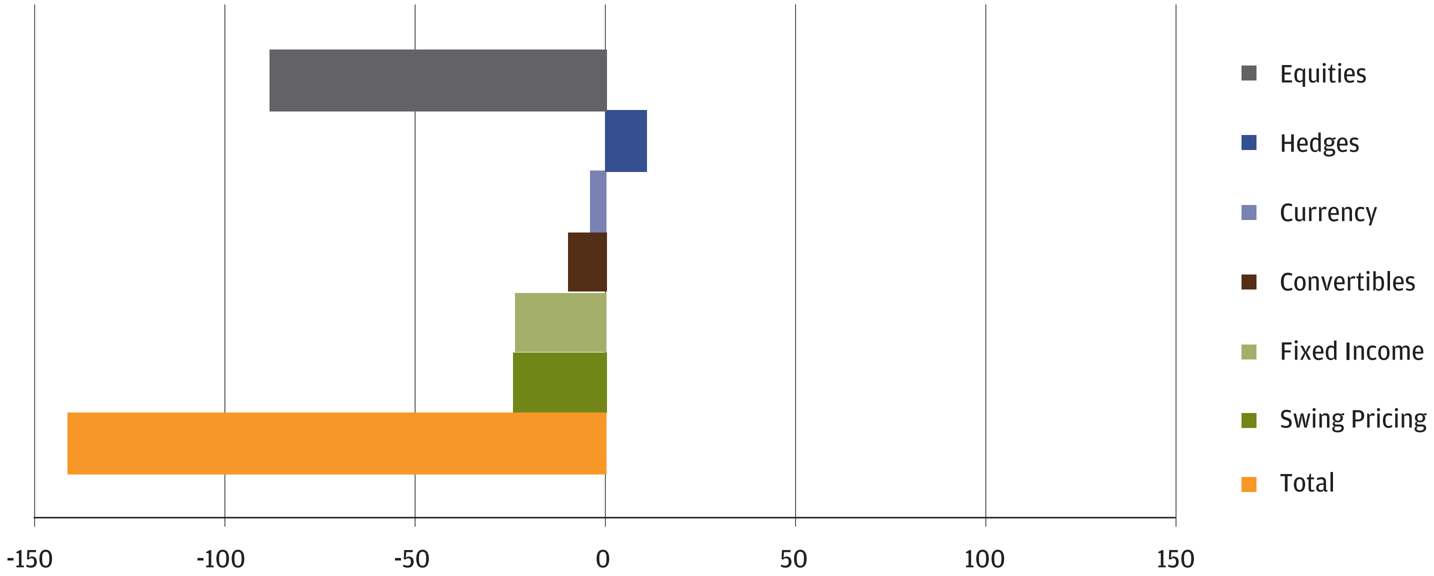
Portfolio management team estimates of contributions to returns* for April 2012:



Source: J.P. Morgan Asset Management, Bloomberg. Data taken from Bloomberg on a daily basis to simulate the estimated return and is shown for illustrative purposes.

April was a negative month for risk assets and the JPM Cautious Total Return Fund returned -1.6% on the A share class. This can be compared to the returns on the MSCI World Index of -1.8% hedged to GBP and the J.P. Morgan Government Bond Index of +0.7% hedged to GBP.

In the fixed income markets, spreads in the peripheral European markets widened. Spanish sovereign debt was downgraded by Standard & Poor's towards the end of the month, while Spanish equity markets fell by over 9% in April. Once again, US large cap growth stocks and the UK were the best performers among major equity markets, recording slightly positive gains. There has been significant divergence in returns among regional equity markets so far this year, with Europe up just 2%, in contrast to the US, which has returned over 12%. Unsurprisingly, there has also been considerable dispersion among returns in Europe, with Germany outperforming Spain by over 30%.

Against this backdrop, the JPM Cautious Total Return Fund maintained a pro-risk tilt in April ,with equity sensitivity averaging 31%. Our equity exposure was largely comprised of large cap names in the US and UK, with some hedging in Europe and the US to add downside protection. As the US market was amongst the strongest performers, our hedges resulted in a negative contribution to returns. On a regional allocation basis, we reduced our exposure to Europe, which was beneficial. We also increased exposure to Japan, which was detrimental as the market was among the weakest regional performers for the month.

In our fixed income allocation we bought call options on the US ten-year Treasury (these are derivatives that give us exposure to the Treasury market with known downside), and took profits on our positions in five-year Treasuries. We have short exposure to Japanese government bonds and UK Gilts. We continue to own inflation-protected bonds in Australia, which have performed strongly in an environment of slowing growth and lower commodity prices. We remain long index-linked bonds in the UK and the US.

Overall duration (interest rate sensitivity) ranged between 1 and 2 years during the month. Although we maintained duration in a bond market that rose slightly, our short positions in Japanese Government Bonds and UK Gilts versus the long in US inflation-protected bonds detracted value. We have reduced our allocation to gold, noting that further global central bank balance sheet expansion seems unlikely in the near future.

Our convertible bond exposure has remained relatively stable at around 17%, and we may add further names if the asset class cheapens. Within our currency exposure, we have reduced the size of our short in Australia and have closed our short euro position.

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We expect the outperformance of the US equity market versus Europe to continue, although our conviction on this view has been reduced. We retain a modest pro-equity tilt, but continue to hold significant downside protection. The key risk to this positioning is that markets stay range-bound, making downside protection expensive. However, our central scenario is that we are currently at an inflection point at which equities, particularly in the US, can rise considerably, although we keep in mind the risk that the situation in Europe could derail the recovery.

All data in the above commentary is sourced from J.P. Morgan Asset Management or Bloomberg unless otherwise specified.

For more information please contact our brokerline **0800 727 770**
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