



Prospectus

# JPMorgan Fund III ICVC

Effective from 1 December 2011

An open-ended investment company registered in England and Wales under number IC000174.

This document is prepared in accordance with the FSA Handbook of Rules and Guidance  
(including the Collective Investment Schemes Sourcebook)

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## Important Notes

**If you are in any doubt about the contents of this Prospectus, you should consult your financial adviser or contact JPMorgan Asset Management on 0800 20 40 20.**

JPMorgan Funds Limited, the authorised corporate director of the Company, is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained herein does not contain any untrue or misleading statement or omit any matters required by The Collective Investment Schemes Sourcebook to be included in it. JPMorgan Funds Limited accepts responsibility accordingly.

Except for the information about itself as Depositary contained in sections 2.2, 2.6, 5.4 and 5.6(h) of this Prospectus, the Depositary is not a person responsible for the information contained in this Prospectus and accordingly does not accept any responsibility therefore under the COLL Sourcebook or otherwise.

Copies of this Prospectus have been sent to the FSA and the Depositary.

No person has been authorised by the Company to give any information or to make any representations in connection with the offering of Shares other than those contained in the Prospectus and, if given or made, such information or representations must not be relied on as having been made by the Company. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date hereof.

The Company is only registered for sale to the public in the United Kingdom and Jersey.

The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted. Persons into whose possession this Prospectus comes are required by the Company to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The consent of the Jersey Financial Services Commission pursuant to Article 8 of the Control of Borrowing (Jersey) Order 1958 (as amended) has been obtained for the circulation of this Prospectus in Jersey. The Jersey Financial Services Commission is protected by the Control of Borrowing (Jersey) Law 1947 (as amended) against liability arising from the discharge of its functions under that Law.

Distribution of this Prospectus in certain jurisdictions will require that this Prospectus be translated in the official languages of those jurisdictions. Where such translation is required, the translated version of this Prospectus shall only contain the same information and shall only have the same meaning as in this Prospectus.

Shares in the Company are not listed on any investment exchange.

Potential investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of Shares.

The provisions of the Instrument of Incorporation are binding on each of its Shareholders (who are taken to have notice of them).

This Prospectus has been approved for the purpose of section 21 of the Financial Services and Markets Act 2000 by JPMorgan Asset Management Marketing Limited. JPMorgan Asset Management Marketing Limited is authorised and regulated by the Financial Services Authority. JPMorgan Asset Management Marketing Limited only advises on the products and services offered by the JPMorgan Asset Management Marketing Limited.

This Prospectus is based on information, law and practice at the date hereof. The Company cannot be bound by an out of date prospectus when it has issued a new prospectus, and investors should check with the ACD that this is the most recently published Prospectus.

## Glossary of Terms

<b>ACD</b>	JPMorgan Funds Limited, the Authorised Corporate Director of the Company.
<b>Act</b>	the Financial Services and Markets Act 2000 or any amendment, substitution or re-enactment.
<b>Approved Bank</b>	(in relation to a bank account opened by the ACD):  (a) if the account is opened at a branch in the United Kingdom: <ul style="list-style-type: none"><li>(i) the Bank of England; or</li><li>(ii) the central bank of a member state of the OECD; or</li><li>(iii) a bank; or</li><li>(iv) a building society; or</li><li>(v) a bank which is supervised by the central bank or other banking regulator of a member state of the OECD; or</li></ul> (b) if the account is opened elsewhere: <ul style="list-style-type: none"><li>(i) a bank in (a); or</li><li>(ii) a credit institution established in an EEA State other than the United Kingdom and duly authorised by the relevant Home State Regulator; or</li><li>(iii) a bank which is regulated in the Isle of Man or the Channel Islands; or</li><li>(iv) a bank supervised by the South African Reserve Bank.</li></ul>
<b>Approved Derivative</b>	A derivative which is traded or dealt in on an Eligible Derivatives Market
<b>Approved Money Market Instrument</b>	A money market instrument which is normally dealt in on the money market, is liquid and has a value which can be accurately determined at any time.
<b>Approved Security</b>	As defined in Appendix C.
<b>Certificate Representing Certain Securities</b>	The investment specified in article 80 of the Regulated Activities Order (Certificates representing certain securities), which is in summary: a certificate or other instrument which confers contractual or property rights (other than rights consisting of options):  (a) in respect of any share, debenture, government and public security or warrant held by a person other than the person on whom the rights are conferred by the certificate or instrument; and  (b) the transfer of which may be effected without requiring the consent of that person;  but excluding any certificate or other instrument which confers rights in respect of two or more investments issued by different persons or in respect of two or more different government and public securities issued by the same person.
<b>Class or Classes</b>	in relation to Shares, means (according to the context) all of the Shares related to a single Fund or a particular class of Share related to a single Fund.
<b>COLL</b>	refers to the relevant chapter or rule in the COLL Sourcebook.
<b>COLL Sourcebook</b>	The Collective Investment Schemes Sourcebook forming part of the FSA Handbook as amended from time to time.
<b>Company</b>	JPMorgan Fund III ICVC.
<b>Covered Bond</b>	A bond that is issued by a credit institution which has its registered office in an EEA State and is subject by law to special public supervision designed to protect bondholders and in particular protection under which sums deriving from the issue of the bond must be invested in conformity with the law in assets which, during the whole period of validity of the bond, are capable of covering claims attaching to the bond and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.
<b>Dealing Day</b>	Monday to Friday (except for, unless the ACD otherwise decides, the last working day before Christmas Day or New Year's Day and a bank holiday in England and Wales) and other days at the ACD's discretion.

<b>Depository</b>	National Westminster Bank Plc, the depository of the Company.
<b>EEA States</b>	The ACD currently deems these to include: Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, the Republic of Ireland, Romania, the Slovak Republic, Slovenia, Spain, Sweden and the UK.
<b>Eligible Derivatives Markets</b>	Derivatives markets which the ACD, after consultation with the Depository, has decided are appropriate for the purposes of investment of or dealing in the Scheme Property in accordance with the relevant criteria set out in the COLL Sourcebook and with regard to the Guidance on Eligible Markets issued by the FSA as amended from time to time and as more fully described in section 3.5 and Appendix B.
<b>Eligible Institution</b>	One of certain eligible institutions (being a Banking Consolidation Directive credit institution authorised by its home state regulator or a MiFID investment firm authorised by its home state regulator as defined in the glossary to the FSA Handbook).
<b>EPM</b>	Efficient Portfolio Management.
<b>FSA</b>	The Financial Services Authority, of 25 The North Colonnade, Canary Wharf, London E14 5HS or any successor or replacement regulator.
<b>FSA Handbook</b>	The FSA Handbook of Rules and Guidance as amended from time to time.
<b>Fund</b>	A sub-fund of the Company (being part of the Scheme Property of the Company which is pooled separately) and to which specific assets and liabilities of the Company may be allocated and which is invested in accordance with the investment objective applicable to such sub-fund.
<b>GAPS</b>	Government and public securities as defined in the glossary to the FSA Handbook.
<b>ICVC</b>	Investment company with variable capital.
<b>Instrument of Incorporation</b>	The instrument of incorporation of the Company, as amended from time to time, registered by the Company in accordance with the OEIC Regulations and the COLL Sourcebook.
<b>Investment Adviser</b>	JPMorgan Asset Management (UK) Limited, the investment adviser to the Company and the ACD.
<b>ISA</b>	An individual savings account under The Individual Savings Account Regulations 1998 (as amended).
<b>Net Asset Value or NAV</b>	The value of the Scheme Property of the Company (or of any Fund, as the context requires) less the liabilities of the Company (or of the Fund concerned) as calculated in accordance with the Instrument of Incorporation.
<b>OEIC Regulations</b>	The Open-Ended Investment Companies Regulations 2001 as amended or re-enacted from time to time.
<b>OTC Derivative</b>	A derivative traded solely over the counter as more fully described in section 3.15.
<b>Price</b>	The Price per Share is the Net Asset Value per Share, including applications of dilution adjustment where applicable.
<b>Register</b>	The register of Shareholders of the Company.
<b>Registrar</b>	JPMorgan Asset Management Marketing Limited, the registrar of the Company.
<b>Regular Savings Plan or RSP</b>	Regular savings plan for the Funds.
<b>Regulations</b>	The OEIC Regulations and the FSA Handbook (including the COLL Sourcebook).
<b>Scheme Property</b>	The property of the Company or a Fund (as appropriate) to be given for safe-keeping to the Depository in accordance with the COLL Sourcebook.
<b>Share or Shares</b>	A share or shares in the Company (including larger denomination shares and smaller denomination shares).
<b>Shareholder(s)</b>	Holder(s) of registered Shares in the Company.
<b>Shares of a Fund</b>	Shares relating to a particular Fund.
<b>Switch</b>	The exchange of Shares of one Class or Fund for Shares of another Class or Fund.

<b>UCITS Schemes</b>	Schemes which qualify as undertakings for collective investments in transferable securities as set out in the European Council Directive 85/611/EEC (as amended).
<b>Valuation Point</b>	The point, whether on a periodic basis or for a particular valuation, at which the ACD carries out a valuation of the Scheme Property for the Company or a Fund (as the case may be) for the purpose of determining the price at which Shares of a Class may be issued, cancelled, sold or redeemed.

## Part 1: The Company

### 1.1 General

The JPMorgan Fund III ICVC described in this Prospectus is an open-ended investment company, incorporated in England and Wales under the OEIC Regulations, and is an umbrella company as defined in the OEIC Regulations. It is governed by the Regulations and its Instrument of Incorporation. The registered number of the Company is IC000174.

The Company is a collective investment scheme as defined in the Act and is authorised and regulated by the Financial Services Authority. The Company is a non-UCITS retail scheme in accordance with the COLL Sourcebook and Shareholders are entitled to switch rights in one Fund for rights in another in accordance with the Instrument of Incorporation.

The Company was authorised by the FSA on 16th May 2002. The Company has an unlimited duration.

The object of the Company is to invest the Scheme Property in transferable securities, money market instruments, cash and near cash, derivative instruments and forward transactions, deposits, immovable property, gold and units or shares in collective investment schemes in accordance with the FSA Rules applicable to the Company and each Fund, with the aim of spreading investment risk and giving its Shareholders the benefit of the results of the management of that property. The Shareholders have no interest in the Scheme Property, and are not liable for the debts of the Company.

The address of the head office of the Company is Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ. This is also the address where notices, or other documents, can be served.

The maximum size of the Company's issued share capital is £50,000,000,000. The minimum size of the Company's issued share capital is £100.

Shares in the Company have no par value. The share capital of the Company at all times equals the Net Asset Value of the Company.

The base currency of the Company and of each Fund is pounds Sterling.

The sole director of the Company is JPMorgan Funds Limited, which acts as the authorised corporate director.

### 1.2 The Structure of the Company

The Company is structured as an umbrella company, in that different Funds may be established from time to time by the ACD with the approval of the FSA and the agreement of the Depositary. On the introduction of any new Fund or Class, a revised Prospectus will be prepared setting out the relevant details of each Fund or Class.

The assets of each Fund will be treated as separate from those of every other Fund and will be invested in accordance with the investment objective and investment policy applicable to that Fund.

The Company currently has two Funds available, details of which are in Appendix A.

Each Fund has a specific portfolio to which that Fund's assets and liabilities are attributable. So far as the Shareholders are concerned each Fund is treated as a separate entity. Creditors of the Company (which may include any governmental tax authorities) may nevertheless look to all the assets of the Company for payment regardless of the Fund in respect of which that creditor's debt has arisen. Assets may be re-allocated to and from other Funds if it is necessary to do so to satisfy any creditor proceeding against the Company. In the event that any assets are so re-allocated, the ACD will advise Shareholders in the next succeeding annual or half-yearly report to Shareholders.

Each Fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Fund. Any assets, liabilities, expenses, costs or charges not attributable to a particular Fund may be allocated by the ACD in a manner which is fair to the Shareholders of the Company generally, but they will normally be allocated to all Funds pro rata to the value of the net assets of the relevant Funds.

### 1.3 Shares

#### Classes of Share within the Funds

Several Classes of Share may be issued in respect of each Fund, details of which are in Appendix A. The ACD may make available within each Class net income Shares and net accumulation Shares.

Holders of income Shares are entitled to be paid the income attributed to such Shares of the appropriate Class on or before the interim and annual income allocation dates applying to the relevant Fund.

Holders of accumulation Shares are not entitled to be paid the income attributable to such Shares, but that income is automatically transferred to (and retained as part of) the capital assets of the relevant Fund at the end of the relevant distribution period and is reflected in the Price of an accumulation Share.

Net Shares are Shares in respect of which income allocated to them is distributed or credited to capital (as appropriate) in accordance with relevant tax law, net of any tax deducted or accounted for by the Fund.

Where a Fund has different Classes, each Class may attract different charges and expenses and so monies may be deducted from Classes in unequal proportions. In these circumstances the proportionate interests of the Classes within a Fund will be adjusted in accordance with the terms of issue of Shares of those Classes. Also, each Class may have its own investment minima or other features, such as (in the case of the second or further Class of Shares in a Fund) restricted access, at the discretion of the ACD.

#### The characteristics of Shares in the Company

Details of each Class and the rights attached to each Class in so far as they vary from the rights attached to other Classes are in Appendix A.

Shareholders are entitled (subject to certain restrictions) to switch all or part of their Shares in a Class or a Fund for Shares in another Class within the same Fund or for Shares of the same or another Class within a different Fund. Details of this switching facility and the restrictions are in section 4.3.10.

The title to registered Shares in the Company is evidenced by entry on the Register. Certificates are not issued to Shareholders. Details of a Shareholder's entry on the Register are available from the ACD on request.

Copies of annual and half yearly short reports are sent to each Shareholder within four months of the end of each annual accounting period and within two months of the end of each half yearly accounting period (as appropriate). Copies of annual and half yearly long reports and information on income distribution may be obtained from the offices of the ACD at the Client Administration Centre, Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ on any Dealing Day between 9.00 a.m. and 5.00 p.m.

The rights attached to the Shares of each Class will be expressed in two denominations, a larger denomination and a smaller denomination. The number of Shares of a Class held by any Shareholder shall be the total of:

$$N + \frac{n}{1000}$$

Where N is the number of larger denomination Shares of that Class held and n is the number of smaller denomination Shares of that Class held.

The Register and all documentation sent to the Shareholders will show the number of larger denomination Shares and smaller denomination Shares of the same Class held as a single entry derived from the above formula.

If a Shareholder, at any time, has title to more than 1000 of the smaller denomination Shares of any one Class, then sufficient smaller denomination Shares of that Class will be consolidated into larger denomination Shares of the same Class, in a ratio of 1000 smaller denomination Shares to one larger denomination Share, so that he has title to less than 1000 smaller denomination Shares of that Class.

The ACD may at any time for the purpose of effecting a transaction with a Shareholder in Shares, substitute that Shareholder's entitlement to one or more larger denomination Shares into an entitlement to smaller denomination Shares of the same Class, in a ratio of one larger denomination Share to 1000 smaller denomination Shares.

## Part 2: The Service Providers

### 2.1 The Authorised Corporate Director

The authorised corporate director is JPMorgan Funds Limited, whose registered office is 3 Lochside View, Edinburgh Park, Edinburgh EH12 9DH. Its head office is Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ. The ACD is a private limited company with issued share capital of 250,000 ordinary shares of £1 each fully paid. The ACD was incorporated for an unlimited duration in Scotland as Scottish Bank Insurance and Trust Shares Limited on 27th November 1936, and changed its name to JPMorgan Funds Limited on 3rd May 2005. The ultimate holding company of the ACD is JPMorgan Chase & Co, which is incorporated in the United States of America.

The ACD is responsible for managing and administering the affairs of the Company in compliance with the COLL Sourcebook.

The ACD also acts as authorised corporate director to two other open-ended investment companies, JP Morgan Fund ICVC and JP Morgan Fund II ICVC.

The Company may by ordinary resolution remove the ACD before the expiry of its period of office, notwithstanding any provisions in the Instrument of Incorporation or in any agreement between the Company and the ACD, but the removal will not take effect until the FSA has approved the ACD's removal and a new ACD approved by the FSA has been appointed.

The Directors of the ACD are as follows:

James Broderick  
Tanaquil McDowall  
Roger Thompson  
Dan Watkins

None of the above is engaged in any significant business activity which is not connected with the business of the ACD or any of its associates.

#### Terms of Appointment

The ACD Agreement provides that the appointment of the ACD may be terminated upon twelve months' written notice by either the ACD or the Company, although in certain circumstances the Agreement may be terminated forthwith by notice in writing by the ACD to the Company or the Depositary, or by the Company to the ACD. Termination cannot take effect until the FSA has approved the change of director.

The ACD is entitled to its pro rata fees and expenses to the date of termination and any additional expenses necessarily realised in settling or realising any outstanding obligations. No compensation for loss of office is provided for in the Agreement.

The ACD Agreement provides indemnities to the ACD other than for matters arising by reason of its negligence, default, breach of duty or breach of trust in the performance of its duties and obligations.

The ACD is under no obligation to account to the Depositary or the Shareholders for any profit it makes on the issue or re-issue of Shares or cancellation of Shares which it has redeemed. The fees to which the ACD is entitled are set out in part 5.

### 2.2 The Depositary

The Depositary is National Westminster Bank Plc. The Depositary is incorporated in England and Wales as a public limited company. Its registered and head office is at 135 Bishopsgate, London EC2M 3UR. The ultimate holding company of the Depositary is The Royal Bank of Scotland Group plc which is incorporated in Scotland.

The principal business activity of the Depositary is banking.

#### Terms of Appointment

The Depositary Agreement may be terminated by either party on three months written notice to the other party.

The Depositary Agreement provides an indemnity in favour of the Depositary and its delegate and exempts it from liability in certain circumstances. These provisions do not apply in respect of the negligence, wilful default or fraud of the Depositary or its delegate, any sub-custodian which is not an associate of the ACD, or their respective agents. In addition, the indemnity does not apply where recovery is made from another person.

The fees to which the Depositary is entitled are set out in part 5.

### 2.3 The Investment Adviser

The Investment Adviser is JPMorgan Asset Management (UK) Limited. The Investment Adviser is appointed by the ACD.

Like the ACD, the Investment Adviser is a subsidiary of JPMorgan Chase & Co. and in the same group of companies as the ACD. The principal activity of the Investment Adviser is discretionary investment management and the giving of investment advice to the managers of authorised unit trusts and the authorised corporate directors and operators of open-ended investment companies.

The Investment Adviser is authorised and regulated by the FSA.

#### Terms of Appointment

Under the terms of the Agreement appointing the Investment Adviser, the Investment Adviser's main duties are to give its best advice about the management, purchase, sale or retention of investments for each of the Funds and to keep the investments of each of the Funds under constant review. Although the ACD retains responsibility for the selection of investments for the Company, the Investment Adviser is permitted to make investment decisions for the ACD on a day to day basis. However, the Investment Adviser must give such advice and make such investment decisions as are consistent with the investment objective of each Fund, the terms of the Instrument of Incorporation, the Prospectus and the Regulations.

The Investment Advisory Agreement may be terminated amongst other things on six months' written notice by any party to the other parties expiring not earlier than the second anniversary of the commencement of the Agreement. The fees of the Investment Adviser are paid by the ACD.

#### **2.4 The Registrar**

The Company has appointed JPMorgan Asset Management Marketing Limited at the request of the ACD to assist in the functions of registrar to the Company. The registered office of JPMorgan Asset Management Marketing Limited is 125 London Wall, London EC2Y 5AJ. The Register is maintained at Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ, where it may be inspected during normal business hours by any Shareholder or any Shareholder's duly authorised agent.

The Register is prima facie evidence of entitlement to Shares.

No notice of any trust shall be entered on the Register.

JPMorgan Asset Management Marketing Limited also draws up, distributes and approves marketing material for the Funds.

#### **Terms of Appointment**

The Registrar will carry out its duties under the Agreement in accordance with the directions of the Company or the ACD and will not alter the manner in which its duties are carried out without the prior written consent of the Company or the ACD.

The Agreement may be terminated by notice in writing of any party to the other parties, such notice to take effect as stated in the notice.

The fees to which the Registrar is entitled are set out in part 5.

#### **2.5 The Auditors**

The auditors to the Company are PricewaterhouseCoopers LLP, Erskine House, 68-73 Queen Street, Edinburgh EH2 4NH.

#### **2.6 The Custodian**

The Depositary has retained the services of JPMorgan Chase Bank, N.A., an associate of the ACD, to assist the Depositary to perform its function of custodian of documents of title or documents evidencing title to the Scheme Property of the Company. The relevant arrangements prohibit JPMorgan Chase Bank N.A. as such custodian from releasing the documents into the possession of a third party without the consent of the Depositary.

#### **2.7 The Administrator**

The ACD has appointed JPMorgan Europe Limited to carry out pricing and valuation functions and for preparing the accounts of the Company. The fees of JPMorgan Europe Limited are paid by the ACD. The agreement may be terminated on six months notice by either party.

#### **2.8 Conflicts of Interest**

The ACD, the Investment Adviser and other companies within the JPMorgan Chase Group may, from time to time, act as investment managers or advisers to other companies or funds which follow similar investment objectives to those of the Funds. It is therefore possible that the ACD and/or the Investment Adviser may in the course of their business have potential conflicts of interest with the Company, a particular Fund or between the Company and other funds managed by the ACD. Each of the ACD and the Investment Adviser will, however, have regard in such event to its obligations under the ACD Agreement and the Investment Advisory Agreement respectively and, in particular, to its obligation to act in the best interests of the Company so far as practicable, having regard to its obligations to other clients when undertaking any investment where potential conflicts of interest may arise. Where a conflict of interest cannot be avoided, the ACD and the Investment Manager will ensure that the Company and other collective investment schemes it manages are fairly treated.

The ACD acknowledges that there may be some situations where the organisational or administrative arrangements in place for the management of conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the Company or its shareholders will be prevented. Should any such situations arise the ACD will disclose these to shareholders in an appropriate format.

The Depositary may, from time to time, act as the depositary of other companies or funds, may provide banking or other services to the Company and may purchase or sell or deal in the purchase or sale of Scheme Property, provided always that the services concerned and any such dealing are in accordance with the provisions of the COLL Sourcebook.

The Administrator may, from time to time, act as the administrator of other companies or funds.

## Part 3: The Company's Investment & Borrowing Powers

### 3.1 General rules of investment

The Scheme Property of each Fund will be invested with the aim of achieving the investment objective of that Fund, but subject to the limits set out in Chapter 5 of the COLL Sourcebook ("COLL 5") which apply to non-UCITS retail schemes and this Prospectus and any further restrictions in the Instrument of Incorporation. These limits apply to each Fund as summarised below.

### 3.2 Prudent spread of risk

The ACD must ensure that, taking account of the investment objectives and policy of each Fund, the Scheme Property of each Fund aims to provide a prudent spread of risk.

The requirements on spread of investments do not apply until 12 months after the later of:

- (a) the date when the authorisation order in respect of the Fund takes effect; and
- (b) the date the initial offer commenced;

provided that the requirement to maintain a prudent spread of risk in this section 3.2 is complied with.

The limits in COLL 5.6.19R regarding investment in immovables do not apply until 24 months after the later of:

- (a) the date when the authorisation order in respect of the Fund takes effect; and
- (b) the date the initial offer commenced;

provided that the requirement to maintain a prudent spread of risk in this section 3.2 is complied with.

The limit in COLL 5.6.19 R (7) relating to immovables which are unoccupied and non-income producing or are in the course of substantial development, redevelopment or refurbishment applies from the later of the date when the authorisation order in respect of the Fund takes effect and the date the initial offer period commenced.

### 3.3 Non-UCITS retail schemes - permitted types of Scheme Property

The Scheme Property of a Fund must, except where otherwise provided in the COLL Sourcebook, only consist of any or all of:

- (a) transferable securities permitted under COLL 5.2.7 R and COLL 5.2.7A R;
- (b) Approved Money Market Instruments permitted under COLL 5.2.7F R to COLL 5.2.7I R;
- (c) deposits permitted under COLL 5.2.26 R;

- (d) units or shares in collective investment schemes permitted under COLL 5.6.10 R;
- (e) derivatives and forward transactions permitted under COLL 5.6.13 R;
- (f) immovables permitted under COLL 5.6.18 R to COLL 5.6.19 R; and
- (g) gold (up to a limit of 10% in value of Scheme Property).

**It is not intended that JPM Portfolio Fund or JPM Institutional Balanced Fund will invest directly in immovable property, tangible movable property or gold.**

### 3.4 Eligibility of transferable securities and money market instruments for investment by a non-UCITS retail scheme

Transferable securities and money market instruments held within a Fund must:

1.
  - a) be admitted to or dealt in on an eligible market within COLL 5.2.10 R; or
  - b) be recently issued transferable securities which satisfy the requirements for investment by a UCITS scheme set out in COLL 5.2.8 R (3) (e); or
  - c) be Approved Money Market Instruments not admitted to or dealt in on an eligible market which satisfy the requirements for investment by a UCITS scheme set out in COLL 5.2.10A R to COLL 5.2.10C R; or
2. subject to a limit of 20% in value of the Scheme Property of a Fund be:
  - a) transferable securities which are not within (1) above; or
  - b) money market instruments which are liquid and have a value which can be determined accurately at any time.

Transferable securities held within a Fund must also satisfy the criteria in COLL 5.2.7A R, COLL 5.2.7C R and COLL 5.2.7E R for the purposes of investment by a UCITS scheme.

**Neither the JPM Portfolio Fund nor the JPM Institutional Balanced Fund invest in money market instruments.**

### 3.5 Eligible markets regime: purpose and requirements

To protect investors, the markets on which investments of a scheme are dealt in or traded on should be of an adequate quality ("eligible") at the time of acquisition of the investment and until it is sold.

Where a market ceases to be eligible, investments on that market cease to be approved securities. The 20% restriction on investing in non approved securities applies.

A market is eligible for the purposes of the rules if it is:

- (a) a regulated market as defined in the FSA Handbook; or
- (b) a market in an EEA State which is regulated, operates regularly and is open to the public.
- (c) any market which satisfies the criteria below.
  - (i) the ACD, after consultation and notification with the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property;
  - (ii) the market is included in a list in the Prospectus; and
  - (iii) the Depositary has taken reasonable care to determine that:
    - (a) adequate custody arrangements can be provided for the investment dealt in on that market; and
    - (b) all reasonable steps have been taken by the ACD in deciding whether that market is eligible.

In paragraph (c) (i) above, a market must not be considered appropriate unless it;

- (a) is regulated;
- (b) operates regularly;
- (c) is recognised as a market or exchange or as a self-regulating organisation by an overseas regulator;
- (d) is open to the public;
- (e) is adequately liquid; and
- (f) has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors.

**On the basis that JPM Portfolio Fund and JPM Institutional Balanced Fund are only permitted to invest in collective investment schemes, there are no eligible securities markets applicable to these Funds.**

### 3.6 Spread: general

This section on spread does not apply to government and public securities.

- 1) Not more than 20% in value of the Scheme Property of a Fund is to consist of deposits with a single body.

A Fund may invest in deposits only with an Approved Bank and which are repayable on demand or have the right to be withdrawn, and mature in no more than 12 months.

**Neither the JPM Portfolio Fund nor the JPM Institutional Balanced Fund invests in deposits.**

- 2) Not more than 10% in value of the Scheme Property of a Fund is to consist of transferable securities or money market instruments issued by any single body, subject to COLL 5.6.23 R (schemes replicating an index).
- 3) The limit of 10% in 2) above is raised to 25% in value of the Scheme Property of a Fund in respect of Covered Bonds.
- 4) In applying the above paragraph 2), Certificates Representing Certain Securities are treated as equivalent to the underlying security.
- 5) The exposure to any one counterparty in an OTC Derivative transaction must not exceed 10% in value of the Scheme Property of a Fund.
- 6) Not more than 35% in value of the Scheme Property of a Fund is to consist of units of any one collective investment scheme. Where the second scheme is an umbrella, this provision applies to each sub-fund as if it were a separate scheme.
- 7) Not more than 5% of the value of the property of a Fund may be invested in warrants except where a Fund's investment objective and policy, as specified in Appendix A, states that this limit does not apply to that Fund.

**Neither the JPM Portfolio Fund nor the JPM Institutional Balanced Fund will invest in warrants.**

- 8) The exposure of an OTC derivative may be reduced to the extent that collateral is held in respect of it if the collateral meets the conditions specified in COLL 5.6.7 R (8).
- 9) OTC derivative positions with the same counterparty may be netted provided that the netting procedures comply with COLL 5.6.7 R (9).
- 10) All derivative transactions are deemed to be free of counterparty risk if they are performed on an exchange where the clearing house meets each of the conditions in COLL 5.6.7 R (10).
- 11) For the purposes of this section, a single body is:
  - a) in relation to transferable securities and money market instruments, the person by whom they are issued; and
  - b) in relation to deposits, the person with whom they are placed.

### 3.7 Spread: Government and public securities

The above restrictions do not apply to Government and public securities ("GAPS") ("such securities"). The restrictions in relation to such securities are set out below.

Where no more than 35% in value of the Scheme Property of a Fund is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in such securities issued by any one body or of any one issue.

A Fund may invest more than 35% of its value in such securities issued by any one body provided that:

- (a) the ACD has before any such investment is made consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of a Fund;
- (b) no more than 30% in value of the Scheme Property consists of such securities of any one issue;
- (c) the property of the Fund includes such securities issued by that or another issuer, of at least six different issues; and
- (d) the disclosures required by COLL 5.2.12 (4) have been made in the most recently published prospectus of the Fund.

In relation to such securities:

- (a) issue, issuer and guarantor include guarantee, guaranteed and guarantor; and
- (b) an issue differs from another if there is a difference as to repayment date, rate of interest, guarantor or other material terms of the issue.

### 3.8 Investment in nil and partly paid securities

A transferable security or an approved money-market instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Fund, at the time when the payment is required, without contravening the rules in COLL 5.

**Neither the JPM Portfolio Fund nor the JPM Institutional Balanced Fund will invest in nil and partly paid securities.**

### 3.9 Investment in collective investment schemes

The investment policies of the JPM Portfolio Fund and JPM Institutional Balanced Fund permit investment mainly in units or shares of collective investment schemes.

Up to 100% of the value of the Scheme Property of a Fund may be invested in units or shares in other collective investment schemes (a "second scheme") provided that the investment is permitted as set out below.

The second scheme must:

- (a) satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or
- (b) be authorised as a Non-UCITS Retail Scheme; or
- (c) be recognised under the provisions of section 264, 270 or 272 of the Act (Schemes constituted in other EEA states, Schemes authorised in designated countries or territories and Individually Recognised Schemes);

- (d) be constituted outside the United Kingdom and the investment and borrowing powers of which are the same or more restrictive than those of a Non-UCITS Retail Scheme;
- (e) be a scheme not falling within paragraphs (a) to (d) above and in respect of which no more than 20% in value of the Scheme Property (aggregated with investment in any transferable securities which are not approved securities) is invested.  
**Neither JPM Portfolio Fund nor JPM Institutional Balanced Fund will invest in schemes falling within this paragraph (e), without first giving Shareholders at least 60 days' notice of the intention to do so;**
- (f) The Second Scheme must comply, where relevant, with COLL 5.6.11 R (Investment in associated collective investment schemes) and COLL 5.2.16 R (Investment in other group schemes).

Furthermore, the second scheme must be a scheme which operates on the principle of the prudent spread of risk and must have terms which prohibit more than 15% in value of its Scheme Property consisting of units or shares in collective investment schemes.

The participants in the second scheme must be entitled to have their units redeemed in accordance with the scheme at a price related to the net value of the property to which the units relate and determined in accordance with the scheme.

Where the second scheme is an umbrella, the provisions in the above two paragraphs apply to each sub-fund as if it were a separate scheme.

### 3.10 Derivatives - general

Under the COLL Sourcebook derivative transactions may be used by Non-UCITS Retail Schemes for the purposes of Efficient Portfolio Management (including hedging) or meeting the investment objectives, or both. Derivatives may currently be used by JPM Portfolio Fund and JPM Institutional Balanced Fund for the purposes of Efficient Portfolio Management and hedging only in accordance with section 3.11 below. Shareholders will receive at least 60 days' notice of any change of use of derivatives within the Funds and will be informed of the potential impact of the change of use on the risk profile of a Fund. Any increased use of derivatives will lead to a commensurate increase in the risks of trading derivatives shown in section 11.6 below. A transaction in derivatives or a forward transaction must not be effected for a Fund unless the transaction is of a kind specified in section 3.12 below (Permitted transactions (derivatives and forwards)); and the transaction is covered, as required by section 3.19 (Cover for transactions in derivatives and forward transactions).

Where a Fund invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in COLL in relation to spread (COLL 5.6.7 R Spread: general and COLL 5.6.8 R Spread: government and public securities) except for index based derivatives where the rules below apply.

Where a transferable security or money market instrument embeds a derivative, this must be taken into account for the purposes of complying with this section.

Where a Fund invests in an index based derivative, provided the relevant index satisfies the criteria set out in COLL 5.6.23 R (Schemes replicating an index) the underlying constituents of the index do not have to be taken into account for the purposes of the rules on spread in COLL (referred to above). The relaxation is subject to the ACD continuing to ensure that the Scheme Property provides a prudent spread of risk.

### 3.11 Efficient Portfolio Management (“EPM”) (including hedging)

The ACD may apply any EPM techniques which fulfil the following criteria:

- (a) they are economically appropriate in that they are realised in a cost-effective way;
- (b) they are entered into for one of the following specific aims:
  - (i) reduction of risk;
  - (ii) reduction of cost; or
  - (iii) except for JPM Portfolio Fund and JPM Institutional Balanced Fund, generation of additional capital or income with a risk level which is consistent with the risk profile of the Fund and the risk diversification rules laid down in COLL.

EPM techniques (including hedging) employ the use of derivatives and/or forward transactions. Any derivative which a Fund acquires in relation to EPM must be fully covered from within the property of the Fund. The cover provided will depend on the nature of the exposure. Cover may be provided through the holding of certain classes of property (including cash, near cash, borrowings permitted to the Fund and transferable securities appropriate to provide cover for the exposure in question) and/or rights to acquire or dispose of property. Cover for a derivative may also be provided by entering into one or more countervailing derivatives.

**The use of derivatives in a Fund for the purposes of EPM will not materially change the risk profile of the Fund. However, investment in derivatives can potentially expose a Fund to the risks shown in section 11.6 below.**

Currently the ACD may use derivative transactions for the purposes of Efficient Portfolio Management in relation to JPM Portfolio Fund and JPM Institutional Balanced Fund.

### 3.12 Permitted transactions (derivatives and forwards)

A transaction in a derivative must be in an Approved Derivative; or be one which satisfies the criteria in COLL 5.2.23 R (OTC transactions in derivatives).

The underlying of a derivative must consist of any or all of the following insofar as they satisfy the criteria in COLL and are pursuant to the investment objective and policy of a Fund:

- (i) transferable securities;
- (ii) Approved Money Market instruments;
- (iii) deposits;
- (iv) derivatives;
- (v) collective investment scheme units;
- (vi) financial indices;
- (vii) interest rates;
- (viii) foreign exchange rates;
- (ix) currencies; and
- (x) permitted immovables and gold or all of the attributes thereof.

A transaction in an Approved Derivative must be effected on or under the rules of an Eligible Derivatives Market.

A transaction in a derivative must not cause a Fund to diverge from its investment objectives as stated in the Instrument of Incorporation and the most recently published version of this Prospectus.

A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, money market instruments, units or shares in collective investment schemes, or derivatives.

Any forward transaction must be with an Eligible Institution or an Approved Bank.

A derivative includes an instrument which fulfils the following criteria:

- a. it allows the transfer of the credit risk of the underlying independently from the other risks associated with that underlying;
- b. it does not result in the delivery or the transfer of assets other than those referred to in COLL 5.6.4 R (5) including cash;
- c. in the case of an OTC derivative, it complies with the requirements in COLL 5.2.23 R (OTC transactions in derivatives);
- d. its risks are adequately captured by the risk management process of the ACD, and by its internal control mechanisms in the case of risks of asymmetry of information between the ACD and the counterparty to the derivative, resulting from potential access of the counterparty to non-public information on persons whose assets are used as the underlying by that derivative.

### 3.13 Transactions for the purchase of property

A derivative or forward transaction which will or could lead to the delivery of property for the account of a Fund may be entered into only if that property can be held for the account of the Fund, and the ACD having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the rules in the COLL Sourcebook.

### 3.14 Requirement to cover sales

No agreement by or on behalf of a Fund to dispose of property or rights may be made unless the obligation to make the disposal and any other similar obligation could immediately be honoured by the Fund by delivery of property or the assignment of rights, and the property and rights above are owned by the Fund at the time of the agreement. This requirement does not apply to a deposit and it also does not apply where:

- (a) the risks of the underlying financial instrument of a derivative can be appropriately represented by another financial instrument and the underlying financial instrument is highly liquid; or
- (b) the ACD or the Depositary has the right to settle the derivative in cash and cover exists within the Scheme Property of a Fund which falls within one of the following asset classes:
  - (i) cash;
  - (ii) liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safeguards (in particular, haircuts); or
  - (iii) other highly liquid assets having regard to their correlation with the underlying of the financial derivative instruments, subject to appropriate safeguards (e.g. haircuts where relevant).

In the asset classes referred to in (b) above, an asset may be considered as liquid where the instrument can be converted into cash in no more than seven business days at a price closely corresponding to the current valuation of the financial instrument on its own market.

### 3.15 OTC transactions in derivatives

Any transaction in an OTC derivative must be:

- (a) with an approved counterparty; A counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any requirements or limitations), as published in the FSA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;
- (b) on approved terms; pursuant to COLL 5.2.23 R (2);
- (c) capable of reliable valuation; pursuant to COLL 5.2.23 R (3); and
- (d) subject to verifiable valuation; pursuant to COLL 5.2.23 R (4).

### 3.16 Risk management

The ACD uses a risk management process in accordance with COLL 5.6.16 R, as reviewed by the Depositary and filed with the FSA, enabling it to monitor and measure as frequently as appropriate the risk of a Fund's positions and their contribution to the overall risk profile of the Fund. Prior to any amendments being made to the risk management process, the ACD will notify the FSA of the details of such changes.

### 3.17 Schemes replicating an index

A Fund may invest up to 20% in value of its Scheme Property in shares and debentures which are issued by the same body where the aim of the investment policy of that Fund is to replicate the performance or composition of an index which satisfies the criteria set out in COLL 5.2.33 R. This limit may be raised for a particular Fund up to 35% of the Scheme Property of that Fund, but only in respect of one body and where justified by exceptional market conditions.

Replication of the composition of a relevant index shall be understood to be a reference to replication of the composition of the underlying assets of that index, including the use of techniques and instruments permitted for the purpose of Efficient Portfolio Management (see section 3.11 above).

**Neither JPM Portfolio Fund nor JPM Institutional Balanced Fund has as their investment objective and policy the replication of the performance or composition of an index.**

### 3.18 Derivative exposure

A Fund may invest in derivatives and forward transactions as long as the exposure to which the Fund is committed by that transaction itself is suitably covered from within its Scheme Property. Exposure will include any initial outlay in respect of that transaction.

Cover ensures that a scheme is not exposed to the risk of loss of property, including money, to an extent greater than the net value of the Scheme Property. Therefore, a Fund must hold Scheme Property sufficient in value or amount to match the exposure arising from a derivative obligation to which the Fund is committed. Section 3.19 (Cover for transactions in derivatives and forward transactions) sets out detailed requirements for cover of a Fund.

Cover used in respect of one transaction in derivatives or forward transaction must not be used for cover in respect of another transaction in derivatives or a forward transaction.

### 3.19 Cover for transactions in derivatives and forward transactions

A transaction in derivatives or forward transaction is to be entered into only if the maximum exposure, in terms of the principal or notional principal created by the transaction to which the Fund is or may be committed by another person is covered globally.

Exposure is covered globally if adequate cover from within the Scheme Property is available to meet the Fund's total exposure, taking into account the value of the underlying assets, any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions.

Cash not yet received into the Scheme Property but due to be received within one month is available as cover.

Property the subject of a stock lending transaction is only available for cover if the ACD has taken reasonable care to determine that it is obtainable (by return or re-acquisition) in time to meet the obligation for which cover is required.

The total exposure relating to derivatives held in a Fund may not exceed the net value of the Scheme Property.

### 3.20 Investment in property

Neither JPM Portfolio Fund nor JPM Institutional Balanced Fund is permitted to hold immovable property.

In the event that any Fund invests in immovable property, for the purpose of COLL 5.6.18(2)(a), the country or territory in which investment in land or building held within the Scheme Property will be situated will be set out in this section 3.20. If situated in England and Wales or Northern Ireland, the immovable must be a freehold or leasehold interest, or in Scotland, an interest or estate in or over land or heritable right including a long lease. If not situated in England, Wales, Northern Ireland or Scotland, the immovable must be equivalent to the above interests or be an interest that grants beneficial ownership of the immovable to the Fund and provides as good a title as the above interests.

The ACD must take reasonable care to determine that the title to the immovable is a good marketable title.

The ACD must:

- (a) have received a report from an appropriate valuer which contains a valuation of the immovable (with and without any relevant subsisting mortgage) and states that in the appropriate valuer's opinion the immovable would, if acquired by the Fund, be capable of being disposed of reasonably quickly at that valuer's valuation; or
- (b) have received a report from an appropriate valuer stating that the immovable is adjacent to or in the vicinity of another immovable included in the Scheme Property or is another legal interest in an immovable which is already included in the Scheme Property and in the opinion of the appropriate valuer, the total value of both immovables would at least equal the sum of the price payable for the immovable and the existing value of the other immovable.

An immovable must:

- (a) be bought or be agreed by enforceable contract to be bought within six months after receipt of the report of the appropriate valuer;
- (b) not be bought, if it is apparent to the ACD that the report of the appropriate valuer could no longer reasonably be relied upon; and

- (c) not be bought at more than 105% of the valuation for the relevant immovable in the report of the appropriate valuer.

Any furniture, fittings or other contents of any building may be regarded as part of the relevant immovable.

An appropriate valuer must be a person who:

- (a) has knowledge of and experience in the valuation of immovables of the relevant kind in the relevant area;
- (b) is qualified to be a standing independent valuer of a non-UCITS retail scheme or is considered by the Fund's standing independent valuer to hold an equivalent qualification;
- (c) is independent of the ACD and Depositary; and
- (d) has not engaged himself or any of his associates in relation to the finding of the immovable for the Fund or the finding of the Fund for the immovable.

### 3.21 Investment in property through an intermediate holding vehicle

An immovable may be held by a Fund through an intermediate holding vehicle whose purpose is to enable the holding of immovables by the Fund or a series of such intermediate holding vehicles, provided that the interests of shareholders are adequately protected. Any investment in an intermediate holding vehicle for the purpose of holding an immovable shall be treated as if it were a direct investment in the immovable.

An intermediate holding vehicle must be wholly owned by the Fund or another intermediate holding vehicle or series of intermediate holding vehicles wholly owned by the Fund, unless and to the extent that local legislation or regulation relating to the intermediate holding vehicle holding the immovable requires a proportion of local ownership.

### 3.22 Investment limits for immovables

The following limits apply in respect of immovables held as part of Scheme Property:

- (a) Not more than 15% in value of the Scheme Property is to consist of any one immovable and for these purposes, immovables within section 3.20 (Investment in property) must be regarded as one immovable;
- (b) The figure of 15% in paragraph (a) above may be increased to 25% once the immovable has been included in Scheme Property;
- (c) The income receivable from any one group of companies in any accounting period must not be attributable to immovables comprising more than 25% or, in the case of a government or public body, more than 35% of the value of the Scheme Property;

- (d) Not more than 20% in value of the Scheme Property is to consist of mortgaged immovables and the maximum mortgage on any one property must not exceed 100% of the value in the appropriate valuer's report (an immovable may be mortgaged up to 100% of such value provided that no more than 20% of the value of the Scheme Property consists of such immovables aggregated with any borrowings of the Fund under COLL 5.6.22 R (5) and any transferable securities which are not approved securities);
  - (e) Not more than 50% in value of the Scheme Property is to consist of immovables which are unoccupied and non-income producing or in the course of substantial development, redevelopment or refurbishment; and
  - (f) The ACD will not grant options to third parties to buy any immovables comprised in the Scheme Property unless the value of the relevant immovable does not exceed 20% of the value of the Scheme Property together with, where appropriate, the value of investments in unregulated collective investment schemes and any transferable securities which are not approved securities.
- (ii) the Federal Deposit Insurance Fund;
  - (iii) the Board of Governors of the Federal Reserve System; and
  - (iv) the Office of Thrift Supervision; and
- (d) collateral is obtained to secure the obligation of the counterparty under the terms of agreement. Collateral must be acceptable to the Depositary, adequate pursuant to COLL 5.4.6 R (1) and sufficiently immediate pursuant to COLL 5.4.6 (2). These requirements do not apply to a stock lending transaction made through Euroclear Bank SA/NV's Securities and Borrowing Programme.

The Depositary must ensure that the value of the collateral at all times is at least equal to the value of the securities transferred by the Depositary. In respect of collateral the validity of which is about to expire or has expired the Depositary may satisfy this duty by taking reasonable care to determine that sufficient collateral will again be transferred at the latest by the close of business on the day of expiry.

### 3.23 Stocklending

The entry into stock lending arrangements or repo contracts is permitted under COLL 5.6.21 R. However, the purpose of the stocklending transaction must be for the generation of capital or income for the Fund with an acceptable degree of risk.

Briefly, such transactions are those where the Depositary delivers the securities which are the subject of the transaction, in return for which it is agreed that securities of the same kind and amount should be re-delivered at a later date. The Depositary at the time of delivery of the securities receives assets as collateral to cover against the risk that the securities are not returned. Such transactions must always comply with the relevant requirements of the FSA from time to time and the specific rules in the COLL Sourcebook and the Rules on Stocklending described in section 263B of the Taxation of Chargeable Gains Act 1992.

Stocklending will only take place if:

- (a) all the terms of the agreement under which securities are to be reacquired by the Depositary for the account of the Company are in a form which is acceptable to the Depositary and are in accordance with good market practice,
- (b) the counterparty is an authorised person or a person authorised by a Home State regulator or a person registered as a broker-dealer with the Securities and Exchange Commission of the United States of America; or
- (c) a bank, or a branch of a bank, supervised and authorised to deal in investments as principal, with respect to OTC derivatives by at least one of the following federal banking supervisory authorities of the United States of America:
  - (i) the Office of the Comptroller of the Currency;

Any agreement for the transfer at a future date of securities or collateral under this section may be regarded, for the purposes of valuation under the COLL Sourcebook, as an unconditional agreement for the sale or transfer of property, whether or not the property is part of the property of the Scheme. Collateral transferred to the Depositary is part of the property of a Fund for the purposes of the COLL Sourcebook except in the following respects:

- a. it does not fall to be included in any valuation for the purposes of COLL 6.3 or this section, because it is offset by an obligation to transfer; and
- b. it does not count as property of a Fund for any purposes other than this section.

**Stocklending is not applicable to JPM Portfolio Fund or JPM Institutional Balanced Fund.**

### 3.24 Cash and near cash

Cash and near cash must not be retained in the Scheme Property except to the extent that this may reasonably be regarded as necessary in order to enable:

- (a) the pursuit of a Fund's investment objectives; or
- (b) redemption of units; or
- (c) efficient management of a Fund in accordance with its investment objectives; or
- (d) other purposes which may reasonably be regarded as ancillary to the investment objectives of the Fund.

During the period of the initial offer the Scheme Property of a Fund may consist of cash and near cash without limitation.

Neither JPM Portfolio Fund nor JPM Institutional Balanced Fund use cash or near cash to enable the pursuit of their respective investment objectives.

### 3.25 Borrowing powers

The Company may, on the instructions of the ACD and subject to COLL 5.5.5 R (Borrowing limits), borrow money from an Eligible Institution or an Approved Bank for the use of the Company on terms that the borrowing is to be repayable out of the Scheme Property.

The ACD must ensure that borrowing does not, on any business day, exceed 10% of the value of each Fund.

These borrowing restrictions do not apply to “back to back” borrowing for currency hedging purposes (i.e. borrowing permitted in order to reduce or eliminate risk arising by reason of fluctuations in exchange rates).

Borrowing includes, as well as borrowing in a conventional manner, any other arrangement (including a combination of derivatives) designed to achieve a temporary injection of money into a Fund in the expectation that the sum will be repaid.

The Company must not issue any debenture unless it acknowledges or creates a borrowing that complies with this section.

### 3.26 Restrictions on lending of money

None of the money in the property of a Fund may be lent and, for the purposes of this prohibition, money is lent by a Fund if it is paid to a person (“the payee”) on the basis that it should be repaid, whether or not by the payee.

Acquiring a debenture is not lending for the purposes of this section; nor is the placing of money on deposit or in a current account.

The above does not prevent the Company from providing an officer with funds to meet expenditure to be incurred by him for the purposes of the Company (or for the purposes of enabling him

properly to perform his duties as an officer of the Company) or from doing anything to enable an officer to avoid incurring such expenditure.

### 3.27 Restrictions on lending of property other than money.

The Scheme Property of a Fund other than money must not be lent by way of deposit or otherwise.

Stock lending transactions are not regarded as lending for this purpose.

The Scheme Property of a Fund must not be mortgaged.

Nothing in this section 3.27 prevents the Company or the Depositary at the request of the Company from lending, depositing, pledging or charging Scheme Property for margin requirements where transactions in derivatives or forward transactions are used for the account of a Fund.

### 3.28 General power to accept or underwrite placings

Underwriting and sub underwriting contracts and placings may also, subject to certain conditions set out in COLL 5.5.8 R, be entered into for the account of the Company.

### 3.29 Guarantees and indemnities

- a. The Company or the Depositary on behalf of the Company must not provide any guarantee or indemnity in respect of the obligation of any person.
- b. None of the property of the Company may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.

Sections a) and b) above do not apply in the circumstances in COLL 5.5.9 R (3).

## Part 4: Valuations, Pricing and Dealing

### 4.1 Valuations

The Price of a Share in the Company is calculated by reference to the Net Asset Value (or the relevant proportion of the Net Asset Value) of the Fund to which it relates. Each Fund will have a regular Valuation Point and deal cut-off point at 12 p.m. on each Dealing Day, although the ACD, at its discretion and subject to consultation with the Depositary, reserves the right not to have a regular Valuation Point for a particular Fund or Funds if this would be inappropriate or unnecessary due to the underlying investments or frequency of dealing of a particular Fund or Funds, subject always to the minimum required by the Regulations from time to time. The ACD may create an additional Valuation Point for any Fund at any time.

The Scheme Property attributed to each Fund will be valued at each Valuation Point of that Fund to determine the proportion of the Net Asset Value attributable to each Class in that Fund for the purpose of calculating the price of each Class in that Fund.

The value of the Scheme Property attributed to the Fund will be the value of its assets less the value of its liabilities. All the Scheme Property attributed to the Fund will be included in each valuation. All instructions to issue or cancel Shares given for a prior Valuation Point shall be assumed to have been carried out (and any cash paid or received).

Each Fund formed after this prospectus is superseded may bear its own direct establishment costs. This has not been the case to date.

The valuation will be based on the following:

- (a) Cash and amounts held in current and deposit accounts and in other time-related deposits will be valued at their nominal value.
- (b) Except in the case of units in an authorised unit trust or units or shares in other collective investment schemes, all transferable securities will be valued;
  - (i) if an appropriate single price for buying and selling the security is quoted or obtainable at that price.
  - (ii) if appropriate separate bid and offer prices are quoted or obtainable, the average of these two prices adjusted, if necessary taking account of dealing sizes and any other relevant factors.
  - (iii) otherwise, where no appropriate price is quoted or obtainable, at a price which, in the opinion of the ACD, is a fair and reasonable mid-market price for the security adjusted to take account of dealing sizes and other relevant factors.
- (c) Units or shares in an authorised unit trust or other collective investment scheme will be valued:

- (i) where the ACD would expect to purchase units for a different amount (not including an initial charge, dilution levy or dilution adjustment, if any) from that it would receive on the sale of those units (not including a redemption charge, dilution levy or dilution adjustment, if any), and is able to obtain those amounts, at the average of the latest of those two amounts.
- (ii) where the ACD would expect to purchase units for the same amount (not including an initial charge, dilution levy or dilution adjustment, if any) as that it would expect to receive on a sale of those units (not including a redemption charge, dilution levy or dilution adjustment, if any), and is able to obtain that amount, at that amount.
- (iii) otherwise at the average of the latest bid price and offer price of the units or shares.

- (d) A contingent liability transaction will be valued at the net value on closing out, excluding transaction costs, whether as a positive or negative value. If the property is an off-exchange derivative, the method of valuation will be agreed between the ACD and the Depositary.
- (e) All other Scheme Property will be priced at a value which, in the opinion of the ACD, represents a fair and reasonable mid-market price.
- (f) If there are any outstanding agreements to purchase or sell any of the Scheme Property attributed to the Fund which are incomplete, then the valuation will assume completion of the agreement. However, the ACD need not include agreements that have been received by the ACD less than half an hour before the Valuation Point.

Not included in this paragraph are any futures or contracts for differences which are not yet due to be performed and are unexpired, and any unexercised written or purchased options.

- (g) Added to the valuation will be:
  - (i) any accrued and anticipated tax repayments of the Company attributed to the Fund;
  - (ii) any money due to the Company, and attributed to the Fund, because of Shares issued prior to the Valuation Point;
  - (iii) income due and attributed to the Fund but not received by the Company; and
  - (iv) any other credit of the Company due to be received by the Company and attributed to the Fund.

Amounts which are de minimis may be omitted from the valuation.

- (h) Deducted from the valuation will be:
- (i) any anticipated tax liabilities of the Company attributed to the Fund;
  - (ii) any money due to be paid out by the Company, and attributed to the Fund, because of Shares cancelled prior to the Valuation Point;
  - (iii) the principal amount and any accrued but unpaid interest on any borrowings and attributed to the Fund; and
  - (iv) any other liabilities of the Company attributed to the Fund, with periodic items accruing on a daily basis.

Amounts which are de minimis may be omitted from the valuation.

#### 4.2 Price of Shares

The Net Asset Value of each Class in each Fund will be calculated as follows:

- (a) The value of the Scheme Property of the Fund (excluding the distribution account and the unclaimed distribution account) will be calculated at the relevant Valuation Point as in 4.1 above.
- (b) The value of the proportionate interests of each Class within each Fund will be ascertained by reference to the proportion which the Net Asset Value of the Shares of entitlement of the relevant Class bears to the Net Asset Value of the total Shares of entitlement in the Fund.
- (c) The number of larger denomination Shares and smaller denomination Shares of the relevant Class in issue immediately prior to the Valuation Point will be ascertained.
- (d) The number of smaller denomination Shares of the Class concerned will be notionally converted into larger denomination Shares of the Class concerned by dividing the number of smaller denomination Shares of that Class by one thousand. The result will be expressed to three decimal places and will be added to the number of larger denomination Shares of that Class.

The Net Asset Value per Share of each Class in each Fund will be calculated as follows:

- (e) The Net Asset Value per Share for the larger denomination Shares of the relevant Class will be (b) above, divided by the number of larger denomination Shares of that Class in issue calculated in accordance with (d), above. This figure will be rounded to at least four significant figures. A Dilution Adjustment, as described in section 4.3.2 below, may be applied to this figure.
- (f) The Net Asset Value per Share for the smaller denomination Shares of that Class will be one thousandth of that of the larger denomination Shares of that Class ascertained in (e) above. This figure will be rounded to at least four significant figures.

As the Fund deals on the basis of single pricing, subject to any preliminary charge, any switching charge, any redemption charge and/or any dilution adjustment (see section 5), the Price payable by an investor buying Shares will be the same as when a Shareholder sells Shares, that is, the Net Asset Value per Share as described above.

#### 4.3 Dealing in Shares

##### 4.3.1 Dealing Prices

Shares may normally be bought from and sold to the ACD by telephone between 9.00 a.m. and 5.00 p.m. on any Dealing Day (or at other times at the ACD's discretion). If requested the ACD may deal as agent between the investor and the Company.

All dealing will be forward to the Prices calculated at the next Valuation Point.

The Price per Share at which shares are bought from and sold to the ACD is the Net Asset Value per share, determined as described in 4.2 above. Any preliminary charge, redemption charge or switching charge is payable, as appropriate, in addition to the Price.

A contract note confirming the transaction will be despatched by the close of business on the first working day after the Valuation Point at which the transaction was priced.

The latest Net Asset Value of Shares of each Fund, together with the latest preliminary charge and estimated gross yield for these Shares are published daily in the Financial Times. For reasons beyond the control of the ACD, these will not be the current Prices.

##### 4.3.2 Dilution

The Company may suffer dilution (reduction) in the value of the Scheme Property as a result of both direct and indirect costs incurred in dealing in its underlying investments and of any spread between the buying and selling prices of such investments although, as dilution is directly related to the inflows and outflows of monies from each Fund, it is not possible to predict whether dilution will occur at any point in the future. If it does occur, it will have an adverse impact on the interests of shareholders.

##### Dilution Adjustment

With a view to countering the effects of dilution, the ACD has the power to make a dilution adjustment, but may only exercise this power for the purpose of reducing dilution in a Fund, or to recover any amount which it has already paid or reasonably expects to pay in the future in relation to the issue or cancellation of Shares. Any dilution adjustment charged is added to the Scheme Property and is effectively used to offset the expenses incurred through the purchase and sale of investments within a Fund. Other expenses that may be charged in addition to any dilution adjustment are set out in section 5.6 of the Prospectus. If the ACD decides not to make a dilution adjustment, this decision must not be made for the purposes of creating a profit or avoiding a loss for the account of the ACD.

The price of each Class of Share in a Fund will be calculated separately but any dilution adjustment will in percentage terms affect the price of Shares of each Class identically.

The rate of any dilution adjustment will be reviewed on a periodic basis as determined from time to time by the ACD. The rate will include estimates of the spreads between the buying and selling prices of the underlying investments, professional fees such as brokers' commissions and taxes. The rate may also include an allowance for market impact.

The estimated rates of dilution adjustment, excluding any allowance for market impact, are given below and are split between occasions when the dilution adjustment reflects a net creation of shares ("offer basis") and occasions where the dilution adjustment reflects a net cancellation of shares ("bid basis"):

Fund Name	Offer	Bid
JPM Portfolio Fund	0.00%	0.00%
JPM Institutional Balanced Fund	0.00%	0.00%

A dilution adjustment may be made in the following circumstances:

- where the net creations or cancellation of Shares exceeds the lower of either, £750,000 (seven hundred and fifty thousand pounds) or 1.00% of the Net Asset Value (excluding any dilution adjustment), on a Dealing Day (The ACD reserves the right to review the dilution adjustment threshold without prior notification, for the purpose of ensuring that the threshold does not have the effect of materially prejudicing existing shareholders.);
- to reflect the expanding or contracting trend of a Fund; or
- at any other time the ACD considers that the non-application of the dilution adjustment will materially affect the interests of Shareholders.

It is not possible to accurately predict whether dilution adjustment will be applied in the future. However, for illustrative purposes, over the 12 month period to 31 December 2010, a dilution adjustment was not made on any Dealing Day for JPM Portfolio Fund and JPM Institutional Balanced Fund.

#### 4.3.3 Buying Shares

Shares may be bought through intermediaries or direct from the ACD as principal or agent. An intermediary who recommends Shares in the Company may be entitled to receive commission from the ACD.

Requests to buy Shares may be made in writing by completion of the appropriate application form which can be downloaded from [www.jpmmorganassetmanagement.co.uk/online](http://www.jpmmorganassetmanagement.co.uk/online) or, at the ACD's discretion, by telephone to the ACD's dealing department on any Dealing Day.

Shares may also be bought online following registration by the investor at JPMAM 'online' [www.jpmmorganassetmanagement.co.uk/online](http://www.jpmmorganassetmanagement.co.uk/online). Payment for the purchase of Shares by post must be accompanied by a cheque or a telegraphic transfer of monies for the total amount to be invested. Payment for the purchase of Shares online must be made using an approved debit card, and accompany the appropriate application form, or with ACD discretion, via a bank transfer (details of all acceptable card types can be found at the above internet address). Payment for the purchase of Shares by telephone must reach the ACD within four working days.

Minimum investment amounts for each Class of each Fund are given in Appendix A. In the event that a deal is accepted resulting in a holding below the minimum investment amount for the relevant Class, the ACD has discretion to switch the holding into the appropriate Class of the same Fund and will notify the Shareholder accordingly. In certain circumstances, the minimum investment amounts may be waived at the ACD's discretion.

Any subscription monies remaining after a whole number of Shares has been issued will not be returned to the applicant. Instead, smaller denomination Shares will be issued. A smaller denomination Share is equivalent to one thousandth of a larger denomination Share.

The ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for Shares in whole or in part, and in this event the ACD will return any monies sent, or the balance of such monies at the risk of the applicant.

Save for business investors or investors who have dealt through an independent intermediary who has instructed the ACD otherwise, an investor has a right to cancel his deal at any time during the 14 days after the date on which they receive a cancellation notice from the ACD. If an investor decides to cancel the contract, and the value of their investment has fallen at the time the ACD receives their completed cancellation notice, the investor will not get a full refund; an amount equal to any fall in value will be deducted from the sum originally invested.

#### 4.3.4 Selling Shares

Shares may be sold through intermediaries or direct to the ACD as principal or agent.

Instructions for the sale of Shares may be given in writing, online following registration by the investor at JPMAM 'online' [www.jpmmorganassetmanagement.co.uk/online](http://www.jpmmorganassetmanagement.co.uk/online) or, at the ACD's discretion, by telephone to the ACD's dealing department. In addition, the ACD may from time to time make arrangements to allow Shares to be sold through other communication media. At present, transfer of title by electronic communication is not accepted. The ACD may act as principal or agent. Subject to the COLL Sourcebook, the redemption proceeds of a sale of Shares will normally be paid by direct credit to a Shareholder's bank account by the close of

business four working days after the later of the ACD receiving properly completed documentation or the Valuation Point after the order was received. Redemption proceeds are normally payable only to one or more of the registered Shareholders. The ACD may at its discretion carry out any authentication procedures that it considers appropriate to verify, confirm or clarify shareholder payment instructions relating to a redemption application. This aims to mitigate the risk of error and fraud for the Company, its agents or Shareholders. Where it has not been possible to complete any authentication procedures to its satisfaction, the ACD may, at its discretion, delay the processing of payment instructions until authentication procedures have been satisfied, to a date later than the envisaged payment date for redemptions set out in this section. This shall not affect the Dealing Day on which the redemption application is accepted and shall not affect the fact that the Price of Shares for any redemption shall be determined on the Dealing Day on which the redemption application is accepted.

If the ACD is not satisfied with any verification or confirmation, it may decline to execute the relevant redemption instruction until the ACD has obtained satisfaction. Neither the ACD nor the Company shall be held responsible to the Shareholder or anyone if it delays execution or declines to execute redemption instructions in these circumstances or where the instruction is incorrect or fraudulent.

The ACD reserves the right, at all times, to require a form of renunciation to be completed. If this is necessary, it will be issued with the contract note. The ACD also reserves the right to send repurchase proceeds by cheque to the registered address.

The minimum value of Shares which may be sold in each Class of each Fund is given in Appendix A. Any Shares transferred directly to the Company, with the ACD acting as agent, will be cancelled. If, as a result of a sale instruction, a holding would fall below the minimum investment amount for the Class concerned, the ACD has discretion to switch the holding to the appropriate Class of the same Fund and will notify the Shareholder accordingly. In certain circumstances, the minimum investment amounts may be waived at the ACD's discretion.

#### 4.3.5 Issue of Shares in Exchange for in Specie Assets

The ACD may arrange for the Company to issue Shares in exchange for assets but will only do so where the Depositary has taken reasonable care to determine that the acquisition by the Company of those assets in exchange for the Shares concerned is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.

The ACD will, by the close of business on the fourth business day following the issue of any Shares in exchange for assets as above, ensure transfer to the Depositary of the assets to be taken in exchange.

The ACD will ensure that the beneficial interest in the assets is transferred to the Company with effect from the issue of the Shares.

The ACD will not issue Shares in any Fund in exchange for assets the holding of which would be inconsistent with the investment objective or policy of that Fund.

#### 4.3.6 In Specie Redemptions and Cancellations of Shares

In specie redemptions and cancellation of Shares will be allowed:

- (a) In the case of holdings valued at less than 5% of the value of the Scheme Property attributed to the Fund, at the request of the Shareholder, and at the discretion of the ACD.
- (b) In the case of holdings valued at 5% or greater of the value of the Scheme Property attributed to the Fund, at the request of the Shareholder and at the discretion of the ACD, or if the ACD so demands by written notice to the Shareholder.

The ACD will give written notice to the Shareholder before the proceeds of the cancellation would otherwise become payable in cash that in lieu of such payment the Company will transfer Scheme Property of the relevant Fund (or, if agreed by the ACD and properly authorised by the Shareholder, the net proceeds of such Scheme Property) to the Shareholder.

The Scheme Property to be transferred (or, if agreed by the ACD and properly authorised by the Shareholder, the proceeds of sale of such Scheme Property) is subject to the retention by the Company of Scheme Property or cash of a value or amount equivalent to any stamp duty reserve tax or stamp duty to be paid in relation to the cancellation of Shares.

The ACD will select the Scheme Property to be transferred in consultation with the Depositary. They must ensure that the selection is made with a view to achieving no more advantage or disadvantage to the Shareholder requesting the cancellation/redemption than to continuing Shareholders.

#### 4.3.7 Transfer of Shares

- (a) All transfers of registered Shares must be effected by transfer in writing in any usual or common form or in any other form as may be approved by the ACD.
- (b) A single instrument of transfer may not be given in respect of more than one Class.
- (c) In the case of a transfer of joint holders, the number of joint holders to whom a Share is to be transferred may not exceed four.
- (d) The Company may refuse to register a transfer of Shares unless an amount equivalent to the applicable stamp duty reserve tax has been paid.

#### 4.3.8 Publication of Share Prices

Share Prices are quoted daily in the Financial Times and other selected national newspapers selected by JPMorgan Asset Management.

#### 4.3.9 Regular Savings Plan

The Classes to which the Regular Savings Plan can be linked, together with the minimum monthly investment per Class are shown in Appendix A.

Monthly contributions to purchase Shares are paid by direct debit. These will be invested at the Net Asset Value per Share plus the preliminary charge payable on such contributions, calculated at the next Valuation Point after the payment is received.

Monthly contributions can be increased, decreased or stopped at any time simply by notifying the ACD, in writing, although the ACD reserves the right to decline overly frequent changes in the contribution level. However, if payments are not made to the RSP for more than three consecutive months, and the Net Asset Value of the Shares in the RSP is less than the minimum which the ACD requires (see Appendix A), then the ACD reserves the right to buy back the Shares in that RSP at the Price then applicable.

Contract notes are not issued to the RSP holders. Every six months, a statement detailing the Shares purchased since the last statement, the Net Asset Value per Share of those Shares and distributions of income (which are automatically reinvested in the purchase of further Shares) will be sent to all the RSP holders.

#### 4.3.10 Switching Shares

A Shareholder in a Fund may at any time switch all or some of his Shares of one Class or Fund ("Original Shares") for Shares of another Class or Fund ("New Shares").

Switching may be effected in writing to the ACD, by completion of the "Switching Form" which can be downloaded from [www.jpmmorganassetmanagement.co.uk/online](http://www.jpmmorganassetmanagement.co.uk/online) or, at the ACD's discretion, by telephone to the ACD's dealing department, after which the Shareholder may be required to complete a Switching Form (which, in the case of joint Shareholders must be signed by all the joint holders). Shares may also be switched online following registration by the investor at JPMAM 'online' [www.jpmmorganassetmanagement.co.uk/online](http://www.jpmmorganassetmanagement.co.uk/online).

The ACD may charge a fee on the switching of Shares between Funds. This fee will be quoted as a percentage of the Net Asset Value of the New Shares purchased and the rate will be the same as that of the preliminary charge which would otherwise be payable for the New Shares (see 5.1). A discount on the fee, negotiable by the ACD, normally of up to 3% of the Net Asset Value of the New Shares may be given. There is no fee on a Switch between Classes of the same Fund. Valuations for determining the number of New Shares to be issued will take place at the first Valuation Point in each Class after the switching request is received.

If a Switch would result in the Shareholder holding a number of Original Shares or New Shares of a value which is less than the minimum holding in the Class concerned, the ACD may, if it thinks fit, convert the whole of the applicant's holding of Original Shares to New Shares or refuse to effect any Switch of the Original Shares. No Switch will be made during any period when the right of Shareholders to require the redemption of their Shares is suspended. The general provisions on procedures relating to redemption will apply equally to a Switch.

The ACD may adjust the number of New Shares to be issued to reflect the imposition of any switching fee together with any other charges or levies in respect of the issue or sale of the New Shares or repurchase or cancellation of the Original Shares as may be permitted pursuant to the COLL Sourcebook.

Please note that a Switch of Shares in one Fund for Shares in any other Fund is treated by HM Revenue & Customs as a redemption and sale and therefore will, for persons subject to United Kingdom taxation, be a realisation for the purposes of capital gains taxation.

Please note that cancellation rights will not be given on switches between shareholdings in different Funds.

#### 4.3.11 Regular Withdrawals

A monthly withdrawal facility is available for direct investments in the JPM Portfolio Fund only. The amount of the withdrawal must be specified as a cash amount. Investments must be held for six months before monthly withdrawals can commence, although the sale of shares is allowed at any time. The withdrawals will be paid for by the sale of shares and the number of shares to be sold will be calculated using the NAV price.

Regular withdrawals can be increased, stopped or decreased at any time by notifying the ACD in writing. Investors have the right to redeem their shareholding at any time as set out in section 4.3.4 Selling Shares.

The ACD may stop payment of regular withdrawals if the holding in the Fund reaches a level which can no longer support the withdrawals or if the Net Asset Value of the Shares held by the investor falls below £10,000.

Regular withdrawals cannot be taken from units in the JPM Portfolio Fund held in an ISA.

#### 4.3.12 Money Laundering

As a result of legislation in force in the United Kingdom to prevent money laundering, persons conducting investment business are responsible for compliance with money laundering regulations. In order to implement these procedures, in certain circumstances investors may be asked to provide proof of identity when buying Shares. For this purpose, the ACD may use credit reference agencies (who will record that an enquiry has been made) and/or may check electronic databases. Until satisfactory proof of identity is

provided, the ACD reserves the right to refuse to sell or redeem Shares.

#### 4.3.13 Restrictions applying to US Investors

None of the Shares have been or will be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or under the securities laws of any state or political subdivision of the United States of America or any of its territories, possessions or other areas subject to its jurisdiction including the Commonwealth of Puerto Rico (the "United States"). The Funds have not been and will not be registered under the United States Investment Company Act of 1940, as amended, nor under any other U.S. federal laws. Accordingly, except as provided for below, no Shares are being offered to US Persons or persons who are in the United States at the time the Shares are offered or sold. For the purposes of this Prospectus, a US Person includes, but is not limited to, a person (including a partnership, corporation, limited liability company or similar entity) that is a citizen or a resident of the United States of America or is organised or incorporated under the laws of the United States of America. Shares will only be offered to a US Person at the sole discretion of the ACD. Certain restrictions also apply to any subsequent transfer of Shares in the United States or to US Persons (please see the compulsory redemption provisions in section 4.3.14 below). Should a shareholder become a US person they may be subject to US withholding taxes and tax reporting.

"United States" means the United States of America (including the States and the District of Columbia), its territories, its possessions and any other areas subject to its jurisdiction.

**If you are in any doubt as to your status, you should consult your financial or other professional adviser.**

#### 4.3.14 Restrictions, Compulsory Transfer and/or Redemption of Shares

The ACD may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no Shares in the Company are acquired or held by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory, or which would (or would if other Shares were acquired or held in like circumstances) result in the Company incurring any liability to taxation which the Company would not be able to recoup itself or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory). In this connection, the ACD may, inter alia, reject in its discretion any application for the purchase, sale or switching of Shares.

If it comes to the notice of the ACD that any Shares ("affected Shares") are owned directly or beneficially in any of the circumstances set out above or if it reasonably believes this to be the case, the ACD may give notice to the holder(s) of the affected Shares requiring the transfer of such Shares to a person who is qualified or entitled to own them without causing the adverse consequences set out above or that a request in writing be given for the redemption or cancellation

of such Shares in accordance with the COLL Sourcebook. If any person upon whom such a notice is served does not within thirty days after the date of such notice transfer his affected Shares to a person qualified to own them without causing the adverse consequences set out above or establish to the satisfaction of the ACD (whose judgement is final and binding) that he or any beneficial owner is qualified and entitled to own the affected Shares without causing the adverse consequences set out above, he shall be deemed upon the expiration of that thirty day period to have given a request in writing for the redemption or cancellation (at the discretion of the ACD) of all the affected Shares pursuant to the COLL Sourcebook.

A person who becomes aware that he has acquired or holds, whether beneficially or otherwise, affected Shares in any of the relevant circumstances set out above shall forthwith, unless he has already received a notice as mentioned above, either transfer or procure the transfer of all his affected Shares to a person qualified to own them without causing the adverse consequences set out above or give a request in writing or procure that a request is given for the redemption or cancellation of all his affected Shares pursuant to the COLL Sourcebook.

If further issuance of Shares would materially prejudice existing Shareholders, the ACD will limit the issue of Shares.

#### 4.3.15 Suspension of Dealings in the Company

The ACD may, with the prior agreement of the Depositary, or must if the Depositary so requires, temporarily suspend the issue, cancellation, sale and redemption of Shares in a Fund where it is in the interests of all the Shareholders in the Fund. The ACD, or the Depositary if it has required the ACD to suspend dealings in Shares, must notify the FSA, stating the reasons for its action. The ACD will notify Shareholders in the Fund of the suspension as soon as practicable after the suspension commences. This notification will include the reasons for the suspension and details of where Shareholders can obtain information on the suspension including its likely duration, if known. The ACD and the Depositary must formally review the suspension at least every 28 days and inform the FSA of the results of this review and any change to the information provided to Shareholders. The suspension may apply to a single Fund or one or more Classes of Shares within a Fund, provided it is in the interests of all Shareholders in that Fund. Dealing in Shares in the Fund or Class will recommence at the first valuation point after the end of the suspension.

#### 4.3.16 Governing Law

All deals in Shares are governed by English law.

#### 4.4 ACD's policy on holding Shares

The ACD's policy in relation to holding shares in the funds as principal is for administration purposes and the ACD does not actively seek to make a profit on the holding.

## Part 5: Charges & Expenses

### 5.1 The ACD's Preliminary and Switching Charges

The ACD may make a preliminary charge on the sale or issue of Shares. The level of the preliminary charge varies for different Classes, and is expressed as a percentage of the Net Asset Value of the Shares being acquired.

The ACD may also make a charge on Switches between Shares of one Fund and Shares of another Fund. Again, the level of this charge varies for different Classes, and is expressed as a percentage of the Net Asset Value of the Shares being acquired.

The current preliminary charge for each Class is given in Appendix A. The switching charge for each Class is the same as the preliminary charge for that Class.

### 5.2 The ACD's Redemption Charges

The Instrument of Incorporation of the Company authorises the ACD to make a charge on the redemption of Shares. At present no redemption charge is levied on Shares of any Class.

Any redemption charge introduced will apply only to Shares of that Class sold since its inception.

### 5.3 Payments by the Company to the ACD

(a) The ACD is entitled to receive an annual fee for its duties as the ACD of the Company. Investment in the Company is generally offered via a series of charging structures as represented by the A and C Share Classes. The Share Classes are differentiated primarily on the basis of the minimum investment requirement. An annual fee is paid by the Company out of the Scheme Property to the ACD and accrues and is reflected in the price of each Class daily. Payment to the ACD is monthly in arrears.

The level of the annual fee varies for different Classes and is expressed as a percentage per annum of the Net Asset Value of the proportion of the Scheme Property attributed to each Fund or Class, as appropriate.

The current annual fee for each Class is given in Appendix A.

On a winding-up of the Company or a Fund or on the redemption of a Class the ACD is entitled to its pro rata fees and expenses to the date of termination and any additional expenses necessarily realised in settling or receiving any outstanding obligations. No compensation for loss of office is provided for in the Agreement with the ACD.

(b) The ACD is also entitled to be paid by the Company out of the Scheme Property all reasonable, properly vouched, out-of-pocket expenses incurred in the performance of its duties, including set up costs of the Company or a new Fund.

(c) Where the investment objective of a Fund is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, or a Fund is seeking total returns through a

combination of capital growth and income, subject to approval of Shareholders or on 60 days' notice to Shareholders, all or part of the fees of the ACD may be charged against capital instead of against income. While this may increase the amount of income generated it may also constrain capital growth. This will only be done with the approval of the Depositary.

(d) The ACD may not introduce a new category of remuneration for its services payable out of the Scheme Property without the approval of Shareholders in a general meeting and unless the ACD has revised and made available the Prospectus to reflect the introduction and the date of its commencement.

### 5.4 Depositary's Fee

The Depositary is entitled to receive a fee payable monthly out of the Scheme Property for its services as depositary. For C shares, the ACD reimburses this fee to the Scheme Property as it is included in the C shares' annual management fee.

The Depositary's current fee is 0.02% per annum, plus VAT where applicable, of the Net Asset Value of the proportion of the Scheme Property attributed to each Fund. It is accrued daily and paid monthly in arrears.

The Depositary will also be paid out of the Scheme Property attributable to each Fund expenses properly incurred in the performance of, or arranging the performance of, functions conferred on it by the Depositary Agreement, the Regulations or by general law including but not limited to:

- (i) custody of assets including overseas custody services as set out below (for C shares, the ACD reimburses these charges to the Scheme Property as they are included in the C shares' annual management fee);
- (ii) the acquisition, holding and disposal of property (for C shares, the ACD reimburses these charges to the Scheme Property as they are included in the C shares' annual management fee);
- (iii) the collection of dividends, interest and any other income (for C shares, the ACD reimburses these charges to the Scheme Property as they are included in the C shares' annual management fee);
- (iv) the conversion of foreign currency;
- (v) the maintenance of distribution accounts (for C shares, the ACD reimburses these charges to the Scheme Property as they are included in the C shares' annual management fee);
- (vi) registration of assets in the name of the Depositary or its nominees or agents (for C shares, the ACD reimburses these charges to the Scheme Property as they are included in the C shares' annual management fee);
- (vii) borrowings, stocklending or other permitted transactions (for the avoidance of doubt this includes services in relation to engaging in derivative transactions in relation to the Funds);

- (viii) communications with any parties including telex, facsimile, SWIFT and electronic mail (for C shares, the ACD reimburses these charges to the Scheme Property as they are included in the C shares' annual management fee);
- (ix) taxation matters; and
- (x) insurance-matters (for C shares, the ACD reimburses these charges to the Scheme Property as they are included in the C shares' annual management fee).

Specifically in relation to custody services, the Depositary has appointed JPMorgan Chase Bank, N.A. as the Custodian of the property of the Scheme and is entitled to receive reimbursement of the Custodians fees as an expense of the Scheme. JPMorgan Chase Bank, N.A.'s remuneration for acting as Custodian is calculated at an ad valorem rate determined by the territory or country in which the Scheme assets are held. Currently, the lowest rate is 0.001% and the highest rate is 1.0%. In addition, the Custodian makes a transaction charge determined by the territory or country in which the transaction is effected. Currently, these transaction charges range from US\$4.50-US\$150 per transaction.

Any expenses or remuneration payable to the Depositary as above shall accrue due when the relevant transaction or other dealing is effected or relevant service is provided or as may otherwise be agreed between the Depositary and the ACD but not later than on the last business day of each month and shall be paid to the Depositary as soon as practicable after they have accrued.

On a winding-up of the Company, a Fund or the redemption of a Class the Depositary is entitled to its pro rata fees and expenses to the date of termination and any additional expenses necessarily realised in settling or receiving any outstanding obligations. No compensation for loss of office is provided for in the agreement with the Depositary.

### 5.5 Registrar's Fee

Registration fees are paid monthly by the Company to the Registrar. The level of this fee for each Class, where applicable, is given in Appendix A.

Value Added Tax will be added to the payments, where applicable.

### 5.6 Other Expenses Payable out of the Scheme Property

Other expenses incurred by the Company may also be paid out of the Scheme Property, (the expenses which are mitigated through the application and receipt of a Dilution Adjustment are practically met through the Scheme Property), including (but not limited to):

- (a) Broker's commission, fiscal charges and any other disbursements which are necessarily incurred in effecting transactions for the Company. This will include expenses incurred in acquiring and disposing of investments including legal fees and expenses, whether or not the acquisition or disposal is carried out.
- (b) Any costs incurred in modifying the Instrument of Incorporation or the Prospectus (These fees are included within the C Shares' annual management charge).
- (c) Any costs incurred in respect of meetings of the Shareholders (including meetings of Shareholders in any particular Fund or Class) (These fees are included within the C Shares' annual management charge).
- (d) Interest on borrowings permitted under the Instrument of Incorporation or the Prospectus and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings.
- (e) Taxation and duties payable in respect of the Scheme Property, including any stamp duty, stamp duty reserve tax (SDRT) or foreign transfer taxes on the purchase of investments, the Instrument of Incorporation, the Prospectus or the creation, issue, redemption or cancellation of Shares and any SDRT charged in accordance with Schedule 19 of the Finance Act 1999. (Any provision for SDRT falls outside the annual management charge for C Shares in respect of JPM Institutional Balanced Fund).
- (f) The fees of the Auditors and the tax, legal and other professional advisers to the Company and to the ACD and the Depositary properly payable and any proper expenses of the Auditors, tax, legal and other professional advisers to the Company and to the ACD and the Depositary (These fees are included within the C Shares annual management charge).
- (g) The fees of the FSA under the Regulations, or any corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which Shares are or may be marketed (These fees are included within the C Shares' annual management charge).
- (h) Any expenses properly incurred by the Depositary in performing duties imposed upon it (or exercising powers conferred on it) by the Regulations. The relevant duties include the delivery of stock to the Depositary or the Custodian, the custody of assets, the collection of income, the submission of tax returns, the handling of tax claims, the preparation of the Depositary's annual report and any other duties the Depositary is required to perform by law (These fees are included within the C Shares' annual management charge).
- (i) Fees in respect of the publication and circulation of details of the Prices and yields of Shares, and other such information which the ACD is required by law to publish (These fees are included within the C Shares' annual management charge).
- (j) The costs of printing and distributing reports, accounts and the Prospectus, and any costs incurred as a result of periodic updates of the Prospectus and any other administrative expenses (These fees are included within the C Shares' annual management charge).

- (k) Insurance which the Company may purchase and/or maintain for the benefit of and against any liability incurred by any directors of the Company in the performance of their duties (These fees are included within the C Shares' annual management charge).
- (l) Liabilities under a scheme of arrangement arising where the property of a body corporate or another collective investment scheme is transferred to the Depositary in consideration for the issue of Shares to the Shareholders in that body or to participants in that other scheme, provided that any liability arising after the transfer could have been paid out of that other property had it arisen before the transfer and, in the absence of any express provision in the Instrument of Incorporation forbidding such payment, the ACD is of the opinion that proper provision was made for meeting such liabilities as were known or could reasonably have been anticipated at the time of transfer.
- (m) It is not currently proposed to seek a listing for the Shares on any stock exchange, but if a listing is sought in future, the fees

connected with the listing will be payable by the Company (These fees are included within the C Shares' annual management charge).

These payments will be inclusive of Value Added Tax, where applicable.

#### **5.7 Allocation of Charges and Expenses between Funds**

All the above fees, duties, and charges (other than those borne by the ACD) will be charged to the Fund in respect of which they were incurred but where an expense is not considered to be attributable to any one Fund, the expense will normally be allocated daily at the relevant Valuation Point to all Funds pro rata to the Net Asset Value of the Fund, although the ACD has discretion to allocate these fees and expenses in a manner which it considers fair to Shareholders generally.

## Part 6: Determination & Distribution of Income

The accounting reference date of the Company is 31st January and the half-yearly accounting date is 31st July. Both of the above dates may be moved by up to seven days earlier or later in any particular case if the ACD notifies the Depositary prior to the relevant date. The annual income allocation date is 30th April each year. The annual distribution date will be 30th April unless otherwise shown in the relevant Fund Profile in Appendix A.

Interim income allocation dates (which are the interim distribution dates) for each Fund, if any, are given in Appendix A. Allocations of income are made in respect of the income available for allocation in each distribution period.

Income is paid by direct credit to each Shareholder's bank or building society account when the distribution is paid. Please note that payment of distribution by cheque is not available. An income reinvestment facility is not available.

The ACD may at its option carry out any authentication procedures that it considers appropriate to verify, confirm or clarify shareholder payment instructions relating to dividend payments. This aims to mitigate the risk of error and fraud for the Fund, its agents or Shareholders. Where it has not been possible to complete any authentication procedures to its satisfaction, the Registrar and Transfer Agent may, at its discretion, delay the processing of payment instructions until authentication procedures have been satisfied, to a date later than the envisaged dividend payment date.

If the ACD is not satisfied with any verification or confirmation, it may decline to execute the relevant dividend payment until satisfaction is obtained. Neither the ACD nor the Company shall be held responsible to the Shareholder or anyone if it delays execution or declines to execute dividend payments in these circumstances.

The amount available for income allocations is calculated by:

- (a) taking the net revenue after taxation determined in accordance with the current version of the Statement of Recommended Practice for financial statements of authorised funds issued by the Investment Management Association ("IMA SORP");
- (b) making any transfers, to the extent permitted in this prospectus, between the income account and the capital account in order that the amount available for income allocations is calculated as if the revenue from debt securities had been determined disregarding the effect of:
  - (i) the change in the Retail Prices Index during the period, provided that the policy is to invest predominantly in index-linked securities and the transfer relates only to amounts in respect of index-linked gilt-edged securities;or

- (ii) amortisation, provided that the amount available for income allocations is not less than if such transfers had not been made;
- (c) making any other transfers between the income account and the capital account that are required in relation to:
    - (i) stock dividends;
    - (ii) income equalisation included in income allocations from other collective investment schemes;
    - (iii) the allocation of payments in accordance with COLL 6.7.10R (Allocation of payments to income or capital);
    - (iv) taxation;
    - (v) the aggregate amount of income property included in units issued and units cancelled during the period and
    - (vi) amounts determined by the ACD to be the reportable income of other collective investment schemes.

Income earned in an interim accounting period may not be distributed immediately but retained and used to ensure that distributions paid throughout the year are broadly similar.

Any distribution payment of a Fund which remains unclaimed after a period of six years from the date of payment, will be forfeited and will be transferred to and become part of that Fund's capital property. Thereafter, neither the Shareholder nor any successor will have any right to it except as part of the capital property. The Company will operate grouping for equalisation. Each Class will operate its own equalisation account. Shares purchased during a distribution period are called Group 2 Shares. Shares purchased during any previous distribution period are called Group 1 Shares. Group 2 Shares contain in their purchase Price an amount called equalisation which represents a proportion of the net income of the Fund that has accrued up to the date of purchase. The amount of equalisation is averaged across all the Shareholders of Group 2 Shares and is refunded to them as part of their first distribution and is treated as a return of capital for tax purposes. Being capital it is not liable to income tax but must be deducted from the cost of Shares for capital gains tax purposes.

### Annual Reports

Annual reports of the Company will normally be published on 31st May and half-yearly reports will be published on 30th September each year. Where short accounts are prepared, a long report containing the full accounts is available on request sent either by post or electronically.

## Part 7: Shareholders' Voting Rights

### 7.1 General Meetings

The ACD may convene a general meeting at any time.

Shareholders may also requisition a general meeting of the Company. A requisition by Shareholders must state the objects of the meeting, be dated, be signed by Shareholders who, at the date of the requisition, are registered as holding not less than one-tenth in value of all Shares of the Company then in issue and the requisition must be deposited at the head office of the Company. The ACD must convene a general meeting no later than eight weeks after receipt of such requisition.

### 7.2 Notice and Quorum

Shareholders will receive at least 14 days' notice of a Shareholders' meeting and are entitled to be counted in the quorum and vote at such meeting either in person or by proxy. The quorum for a meeting is two Shareholders, present in person or by proxy. If a quorum is not present after a reasonable time from the time of any adjourned meeting, the quorum for an adjourned meeting is one Shareholder present in person or by proxy. Notices of the meetings and adjourned meetings will be sent to the Shareholders at their registered address.

### 7.3 Voting Rights

At a meeting of Shareholders, on a show of hands every Shareholder who (being an individual) is present in person or (being a corporation) is present by its representative properly authorised in that regard, has one vote.

On a poll vote, a Shareholder may vote either in person or by proxy. The voting rights attaching to each Share are such proportion of the voting rights attached to all the Shares in issue that the Price of the Share bears to the aggregate Price(s) of all the Shares in issue at the date seven days before the notice of meeting was sent out.

A Shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

Except where an extraordinary resolution is required (which needs 75% of the votes validly cast at the meeting to be in favour if the resolution is to be passed) any resolution will be passed by a simple majority of the votes validly cast for and against the resolution.

The ACD may not be counted in the quorum for a meeting and neither the ACD nor any associate (as defined in the FSA Handbook) of the ACD is entitled to vote at any meeting of the Company except in respect of Shares which the ACD or an associate holds on behalf of or jointly with a person who, if the registered Shareholder, would be entitled to vote and from whom the ACD or associate has received voting instructions.

"Shareholders" in this context means Shareholders on a cut-off date which is a reasonable time before the notice of the relevant meeting is sent out but excludes holders who are known to the ACD not to be Shareholders at the time of the meeting.

### 7.4 Fund and Class Meetings

The above provisions, unless the context otherwise requires, apply to Fund meetings and Class meetings as they apply to general meetings of Shareholders but by reference to Shares of the Fund or Class concerned and the Shareholders and Prices of such Shares.

### 7.5 Annual General Meeting

The Company has elected not to hold an annual general meeting in each year.

Shareholders may inspect a copy of the ACD Agreement at the registered office of the Company as set out in Part 10.

## Part 8: Termination

### Winding up of the Company or terminating a Fund of the Company

The Company shall not be wound up except as an unregistered company under Part V of the Insolvency Act 1986 or under Chapter 7.3 of the COLL Sourcebook. A Fund may only be wound up under the COLL Sourcebook.

Where the Company is to be wound up or a Fund terminated under the COLL Sourcebook, such winding up or termination may only be commenced following approval by the FSA. The FSA may only give such approval if the ACD provides a statement (following an investigation into the affairs of the Company or Fund) either that the Company or Fund will be able to meet its liabilities within 12 months of the date of the statement or that the Company or Fund will be unable to do so. The Company may not be wound up under the COLL Sourcebook if there is a vacancy in the position of the ACD at the relevant time.

The Company may be wound up or a Fund terminated under the COLL Sourcebook if:

- (a) An extraordinary resolution to that effect is passed by Shareholders; or
- (b) The period (if any) fixed for the duration of the Company or a particular Fund by the Instrument of Incorporation expires, or the event (if any) occurs on the occurrence of which the Instrument of Incorporation provides that the Company or a particular Fund is to be wound up (for example, if the share capital of the Company is below its prescribed minimum or (in relation to any Fund) the Net Asset Value of the Fund is less than £5,000,000, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to terminate the Fund); or
- (c) On the date of effect stated in any agreement by the FSA to a request by the ACD for the winding up of the Company or a request for the termination of the relevant Fund.

On the occurrence of any of the above:

- (a) COLL 6.2 (Dealing) COLL 6.3 (Valuation and pricing) and COLL 5 (Investment and Borrowing Powers) will cease to apply to the Company or the particular Fund;
- (b) The Company will cease to issue and cancel Shares in the Company or the particular Fund except in respect of the final cancellation;
- (c) The ACD shall cease to sell or redeem Shares or to arrange for the Company to issue or cancel them for the Company or the particular Fund except in respect of the final cancellation;
- (d) No transfer of a Share shall be registered and no other change to the Register shall be made without the sanction of the ACD;

- (e) Where the Company is being wound up, the Company shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company;
- (f) The corporate status and powers of the Company and, subject to the preceding provisions of (a) to (d) above, the powers of the ACD shall remain until the Company is dissolved.

The ACD shall, as soon as practicable after winding up or termination has commenced, realise the assets and meet the liabilities of the Company or Fund and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up, provided that there are sufficient liquid funds available, arrange for the Depositary to make one or more interim distributions out of the proceeds to Shareholders proportionately to their rights to participate in the Scheme Property of the Company or the Fund at the commencement of the winding up or termination. The ACD must instruct the Depositary how the proceeds must be held prior to being utilised to meet liabilities or make distributions to Shareholders with a view to the prudent protection of creditors and Shareholders against loss. If the ACD has not previously notified Shareholders of the proposal to wind up the Company or terminate the Fund, the ACD shall, as soon as practicable after the commencement of winding up of the Company or the termination of the Fund, give written notice of the commencement to Shareholders. When the ACD has caused all the Scheme Property to be realised and all of the liabilities of the Company or the particular Fund to be realised, the ACD shall arrange for all Shares in issue to be cancelled and for the Depositary to make a final distribution to Shareholders on or prior to the date on which the final account is sent to Shareholders of any balance remaining in proportion to their holdings in the Company or the particular Fund.

As soon as is reasonably practicable after the completion of the winding up of the Company or the particular Fund, the ACD shall notify the FSA that it has done so.

On completion of the winding up of the Company, the Company will be dissolved and the ACD shall arrange that any money (including unclaimed distributions) standing to the account of the Company, will be paid by the Depositary into court within one month of dissolution.

Following the completion of a winding up of either the Company or a Fund, the ACD must prepare a final account stating the date on which the termination was completed and showing how the winding up took place and how the Scheme Property was distributed. The auditors of the Company shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. Within four months of the completion of the termination this final account and the auditors' report must be sent to the FSA and to each person who was a Shareholder immediately before the winding up or termination commenced.

As the Company is an umbrella company, any liabilities attributable or allocated to a particular Fund under the COLL Sourcebook shall be met first out of the Scheme Property attributable or allocated to that particular Fund.

If the liabilities of a particular Fund are greater than the proceeds of the realisation of the Scheme Property attributable or allocated to the Fund, the deficit shall be met out of the Scheme Property attributable or allocated to the solvent Funds in respect of which the proceeds of realisation exceed liabilities and will be divided between the Funds in a manner which is fair to Shareholders in those Funds.

#### **Reports and accounts**

- (a) The ACD need not prepare a short report relating to an annual accounting period or half-yearly accounting period which begins after commencement of winding up or termination if the ACD, after consulting the depositary, reasonably determines that this is not required in the interests of Shareholders.
- (b) Where (a) applies, a copy of the long report must be supplied free of charge to any Shareholder upon request.
- (c) where (a) applies, the ACD must ensure that it keeps Shareholders appropriately informed about the winding up or termination including, if known, its likely duration.

## Part 9: Taxation

The information below is a general guide based on current United Kingdom law and published HM Revenue & Customs practice, both of which are subject to change. It summarises the tax position of the Company and of investors who are United Kingdom resident and hold Shares as investments. Prospective investors who are in any doubt about their tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom, are recommended to take professional advice.

### 9.1 Taxation of the Company

#### 9.1.1 Income

Each Fund is chargeable to corporation tax at the applicable rate, currently 20% on income net of allowable expenses (including the gross amount of interest distributions). Post 1st July 2009, dividends from both UK companies and most overseas companies are not taxable.

#### 9.1.2 Chargeable Gains

Each Fund is exempt from corporation tax on chargeable gains.

### 9.2 Taxation of the Shareholders

#### 9.2.1 Income

All Funds will pay dividend distributions.

##### (a) Dividend Distributions

Dividend distributions will be paid with a 10% tax credit. UK individual investors liable to income tax at the basic rate or starting rate will have no further liability to tax. For individuals, dividends are treated as the highest part of their income. Higher-rate taxpayers will have an additional liability to income tax of 25% of the net dividend. Additional-rate taxpayers will have an additional liability to income tax of approximately 36.1% of the net dividend.

Shareholders who are non-resident will generally not be able to reclaim the tax credit attributed to the distribution even if a double tax agreement exists between the UK and their country of residence although it will normally satisfy their UK tax liability on that income. They may also be able to offset the tax credit against their liability to tax in their own country.

Dividend distributions will be streamed into franked, unfranked and foreign income for the Shareholders chargeable to UK corporation tax, according to the underlying gross income of the Fund. The unfranked element will be treated as an annual payment which has been subject to income tax at a rate of 20%, and the Shareholder may therefore be liable to further tax.

It should be noted that UK individuals who are non-taxpayers or starting rate taxpayers or hold their Shares in an ISA and UK pension funds are unable to reclaim the tax credit on dividend distributions.

#### 9.2.2 Capital Gains

Capital gains made by individual Shareholders on disposals from all chargeable sources of investment (which may include switches of investments between different Funds but not different Classes of Share of the same Fund) will be tax-free if they fall within an individual's annual capital gains exemption. For the tax year 2011/12 the first £10,600 of an individual's chargeable gains (that is after deduction of allowable losses) are exempt from capital gains tax; gains in excess of this amount are taxable at a rate of 18% for basic rate taxpayers and at a rate of 28% for higher and additional rate taxpayers. These rates can no longer be reduced by taper relief, which was abolished for disposals on or after 6th April 2008.

Shareholders chargeable to UK corporation tax must include all chargeable gains realised on the disposal of Shares in their taxable profits.

#### 9.2.3 Inheritance Tax

Shareholdings of an individual shareholder may become subject to an inheritance tax liability under the following circumstances. During an individual's lifetime, any transfer of shareholdings at less than market value may be liable. Additionally, transfer following the death of the individual may also be liable. The charge to inheritance tax is not restricted to UK individuals. Reliefs and exemptions may apply to reduce or extinguish any liability to inheritance tax. Investors should seek professional advice if they are unclear on the inheritance tax consequences of investing in any of the Funds.

### 9.3 Stamp Duty Reserve Tax (SDRT)

An SDRT liability will arise on Funds which invest in assets liable to SDRT (e.g. UK shares). On redemptions of Shares (redemptions for this purpose includes non-exempt transfers of legal ownership of Shares, and switches to shares in another Fund) the ACD is liable for payment of SDRT of up to 0.5% of the value of the Shares redeemed. The SDRT payable by a Fund is calculated weekly, based on the total value of Shares redeemed during that week and the following week. The 0.5% payable will be reduced by the proportion of the Fund held in assets which are not liable to SDRT, and by the ratio of shares issued divided by Shares redeemed in the Fund during that week and the following week.

Regulations issued by the FSA permit (but do not oblige) the ACD to require from an incoming or outgoing Shareholder a separate payment, or deduction, of a provision against SDRT ("SDRT provision") when Shares are surrendered or transferred by a Shareholder or issued to an incoming Shareholder. The SDRT provision can be up to 0.5% of the value of the transaction and is a provision against the SDRT owed by the Company. The SDRT provision, if imposed on an incoming Shareholder, would increase the payment required on the purchase of Shares by that Shareholder, and if on an outgoing Shareholder would decrease the redemption proceeds received by that Shareholder, and must be paid to the Company and become part of the property of the Fund in question.

The total SDRT liability on each Fund calculated each month will be paid out of the capital property of the Fund. However, the ACD reserves the right to charge the individual Shareholder an SDRT provision of up to 0.5% in the following situations:-

- (a) Where a single shareholder or intermediary redeems units worth £15,000 or more from a Fund at any one Valuation Point (where an intermediary redeems shares, the ACD may charge the individual shareholders covered by the intermediary's instructions)
- (b) Where shares are redeemed under the Individual Savings Account (ISA) autoswitch facility, i.e. shares held directly in a Fund are redeemed for immediate repurchase within an ISA at the start of a new tax year.

In both of these instances the ACD may deduct a charge of up to 0.5% from the redemption proceeds. This amount will then be paid directly into the Fund to offset any total SDRT liability which may arise. It is possible that the total SDRT liability incurred by the Fund may be less than 0.5%.

The Company is entitled not to register a transfer of Shares in a Fund unless (a) an SDRT provision of 0.5% of the value transferred has been paid to the Company for the account of the Fund in question or (b) the Company has received all documentation required to provide evidence that the transfer is exempt from SDRT. As the value transferred is calculated at the Valuation Point immediately following the Company's receipt of the instrument of transfer the transferring Shareholder (being either of the transferor or the transferee) will be contacted after this point and advised of the amount of the SDRT provision due, which amount must be paid immediately.

Currently the ACD does not impose an SDRT provision.

#### Information for Nominees

As the SDRT liability of the Company is reduced by the ratio of Shares issued divided by Shares redeemed in the Fund during that week and the following week, nominee account holders must not set off redemptions and issues of Shares by their underlying account holders.

#### 9.4 General

These statements are based on UK law and HM Revenue & Customs practice as known at the date of this document. They do not constitute legal or tax advice. Prospective investors should consult their own professional advisors as to the implications of subscribing for, purchasing, holding or switching or disposing of Shares under the laws of the jurisdiction in which they may be subject to tax.

#### 9.5 European Union Tax Considerations

The Council of the European Union adopted on 3rd June, 2003 a Council Directive 2003/48/EC on taxation of savings income in the form of interest payments. Under the Directive, Member States of the European Union ("Member States") will be required to provide the tax authorities of another Member State with details of payments of interest or other similar income paid by a person

within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States (those being Austria and Luxembourg) to opt instead for a withholding tax system for a transitional period in relation to such payments. Certain other countries, including Switzerland, the Caribbean countries, UK Channel Islands, Isle of Man, Monaco and Lichtenstein, will also be introducing measures equivalent to information reporting or withholding tax. From July 2008 until June 2011 the applicable withholding tax rate was 20%, rising to 35% from 1 July 2011. Any dividends distributed by a Fund will be subject to the directive if more than 15% of the Fund's assets are invested in debt instruments. Proceeds realised by Shareholders on the disposal of Shares will be subject to such reporting or withholding if more than 25% of the Fund's assets are invested in debt instruments. From the information available it appears that UK resident individual investors who invest via a UK entity and corporate investors will not be subject to the EU Savings Directive on payments of distributions and redemption proceeds to them.

The Company is a non-UCITS scheme and therefore outside the scope of the EU Savings Directive.

#### 9.6 US Tax Considerations

Under the double tax treaty between the United Kingdom and the United States of America, the withholding tax on dividends paid by US corporations on any US equity investments of the sub-funds of the Company can be reduced to 15% from 30%. The availability of this relief to the Company is dependent on its being over 50% owned by qualifying UK/US persons (though this may be extended to EC, EEA and NAFTA equivalent persons dependent on negotiation with the US Treasury). Given this shareholding test it is possible in certain circumstances that the Company will not be eligible for the reduction in withholding tax. See also Section 4.3.13 - Restrictions applying to US investors

#### United States ("US") Tax Withholding and Reporting under the Foreign Account Tax Compliance Act ("FATCA")

Under the FATCA provisions of the US Hiring Incentives to Restore Employment ("HIRE") Act, where the Fund invests directly or indirectly into the US, payments to the Fund of US-source income after December 31, 2013 and the proceeds of sales of US property to the Fund after December 31, 2014 will be subject to 30% withholding tax unless the Fund enters into an agreement with the US Secretary of the Treasury under which the Fund agrees to certain US tax reporting and withholding requirements as regards holdings of and payments to investors in the Fund. However, the form of the agreement has not been provided by the US Government and the US regulations which will set out the detailed rules have not been issued. Any amounts of US tax withheld may not be refundable by the Internal Revenue Service ("IRS"). Potential investors should consult their advisors regarding the application of the withholding rules and the information that may be required to be provided and disclosed to the Fund's Paying Agent and in certain circumstances to the IRS as will be set out in the final FATCA regulations. The application of the withholding rules and the information that may be required to be reported and disclosed are uncertain and subject to change.

## Part 10: General Information

### 10.1 Documents of the Company

Copies of the Instrument of Incorporation and the annual and half-yearly reports and the material contracts referred to below are kept and may be inspected at and obtained from Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ. A charge of £10 will be levied for each copy of the Instrument of Incorporation.

### 10.2 Complaints

If you wish to make a complaint about the operation of the Company you should contact the ACD at the Client Administration Centre, Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ or, if you are dissatisfied with the response received, direct to the Financial Ombudsman Services at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

### 10.3 Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and are, or may be, material:

- (a) the ACD Agreement, dated 7th September 2002, between the Company and the ACD;
- (b) the Depositary Agreement 7th September 2002, between the Company and the Depositary;
- (c) the Investment Advisory Agreement, dated 7th September 2002, between the ACD and the Investment Adviser;
- (d) the Services Agreement, dated 17th July 2008, between the Company, the ACD and the Registrar.

Details of the above contracts are given under the heading "The Service Providers" in part 2.

### 10.4 Instrument of Incorporation

- (a) The Instrument of Incorporation may be amended by resolution of the ACD to the extent permitted by the COLL Sourcebook.
- (b) In the event of any conflict arising between any provision of the Instrument of Incorporation and either the OEIC Regulations or the COLL Sourcebook, the Regulations will prevail.

### 10.5 Indemnity

The Instrument of Incorporation contains provisions indemnifying the Directors, other officers and the Company's auditors against liability in certain circumstances otherwise than in respect of their negligence, default, breach of duty or breach of trust, and indemnifying the Depositary against liability in certain circumstances otherwise than in respect of its failure to exercise due care and diligence.

### 10.6 Changes to the Funds

Where any changes are proposed to be made to any one of the Funds the ACD will assess whether the change is fundamental, significant or notifiable in accordance with COLL 4.3. If the change is regarded as fundamental, Shareholder approval will be required. If the change is regarded as significant, not less than 60 days' prior written notice will be given to Shareholders. If the change is regarded as notifiable, Shareholders will receive suitable notice of the change.

### 10.7 Risk Management

The ACD will provide upon the request of a Shareholder further information relating to:

- (a) the quantitative limits applying in the risk management of any Fund;
- (b) the methods used in relation to (a); and
- (c) any recent development of the risk and yields of the main categories of investment

### 10.8 Strategy for the exercise of voting rights

The ACD has a strategy for determining when and how voting rights attached to ownership of Scheme Property are to be exercised for the benefit of each Fund. A summary of this strategy is available online at [www.jpmorganassetmanagement.co.uk](http://www.jpmorganassetmanagement.co.uk).

### 10.9 Best Execution

The ACD's best execution policy sets out the basis upon which the Investment Advisor will effect transactions and place orders in relation to the Company whilst complying with its obligations under the FSA Handbook to obtain the best possible result for the Company.

Details of the best execution policy are available online at [www.jpmorganassetmanagement.co.uk](http://www.jpmorganassetmanagement.co.uk).

### 10.10 Inducements

JPMorgan Funds Limited has assessed the fees and commissions that it pays or is paid. All fees and commissions are considered to be within the requirements of the rules on inducements set out in section 2.3 of the FSA Conduct of Business Sourcebook (COBS) and no additional disclosure is required.

## Part 11: Risk Warnings

Potential investors should consider the following risk factors before investing in the Company.

### 11.1 General

#### 11.1.1 Market Risk

The investments of the Funds are subject to market fluctuations and other risks inherent in investing in securities. There can be no assurance that any appreciation in value of investments will occur. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount invested in a Fund. There is no assurance that the investment objective of any Fund will actually be achieved.

#### 11.1.2 Economic Risk

The overall health of the global economy or that of a country or region can negatively affect the profitability of companies located in that country or region in which investment may be made.

#### 11.1.3 Political Risk

The value of a Fund may be affected by uncertainties such as international political developments, changes in government policies, changes in taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of countries in which investment may be made. For example, assets could be compulsorily re-acquired without adequate compensation.

#### 11.1.4 Liquidity Risk

Investments in certain Funds' portfolios may be or become illiquid. This means that, if the need arose, these investments might be difficult to sell and could result in realising less than the value of the investments reflected in the Net Asset Value of the portfolios, which would negatively affect fund performance.

#### 11.1.5 Currency Exchange Rates

All of the Funds are valued in Sterling. Where the underlying assets of a Fund are denominated in currencies other than Sterling and are not hedged back to Sterling, investors will be exposed to the currency risk of fluctuations between Sterling and the currency of the underlying assets.

#### 11.1.6 Past Performance

Past performance is not a reliable indicator of future results. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested.

#### 11.1.7 Taxation

Tax regulations and concessions are not guaranteed and can change at any time; their implications to a Shareholder will depend on their circumstances.

#### 11.1.8 Effect of Preliminary Charge

Where a preliminary charge is imposed, an investor who sells his Shares after a short period may not receive the amount originally invested even in the absence of a fall in the value of the relevant investments.

Therefore, investment in the Funds should be viewed as a medium to long term investment.

### 11.1.9 Suspension of Dealings in Shares

Investors are reminded that in certain circumstances their right to sell Shares may be suspended (see section 4.3.15).

#### 11.1.10 Liabilities of the Company

Each Fund, so far as possible, will be treated as bearing the liabilities, expenses, costs and charges attributable to it. However if a Fund's assets are not sufficient the ACD may re-allocate assets, liabilities, expenses, costs and charges between the other Funds of the Company in a manner which is fair to the Shareholders generally. The ACD would normally expect any such re-allocation to be effected on a pro rata basis having regard to the Net Asset Values of the relevant Funds. If there is any such re-allocation the ACD will advise Shareholders in the next succeeding annual or half-yearly report to Shareholders.

Shareholders are not, however, liable for the debts of the Company. A Shareholder is not liable to make any further payment to the Company after he has paid the purchase Price of the Shares.

### 11.2 Equity Investment

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

### 11.3 Bond Investment

#### 11.3.1 Bonds – General

Bond funds may not behave like direct investments in the underlying bonds themselves. By investing in bond funds, the certainty of receiving a regular fixed amount of income for a defined period of time with the prospect of a future known return of capital is lost.

Bond prices can fluctuate significantly depending not only on the global economic and interest rate conditions but also on the general credit market environment and the creditworthiness of the issuer.

To help to determine the creditworthiness of issuers, various rating organisations (such as Standard & Poor's Corporation and Moody's Investors Services) assign ratings to bonds. Generally, ratings are divided into three main categories: "investment grade bonds", "non-investment grade bonds" and "unrated bonds".

1. Investment Grade – rated from AAA to BBB- by Standard & Poor's (or equivalent in other rating schemes). Although there is always a risk of default, rating agencies believe that issuers of investment grade bonds have a high probability of making payments on the bonds.
2. Non-Investment Grade – rated BB+ and below by Standard & Poor's (or equivalent in other rating schemes). Non-

investment grade bonds include bonds that, in the opinion of the rating agencies, are more likely to default. These are also known as High Yield Bonds.

3. Unrated - with some exceptions, these bonds tend to be less liquid and more risky than rated securities.

### 11.3.2 High Yield Bonds

The credit quality of high yield bonds is below investment grade and they usually offer higher yields to compensate for the reduced creditworthiness and the increased risk of default relative to investment grade bonds.

### 11.3.3 Asset Backed Securities (ABS) and Mortgage Backed Securities (MBS)

ABS and MBS are securities that entitle the holder to receive payments that are primarily dependent upon the cash flow arising from a specified pool of financial assets such as residential or commercial mortgages, car loans or credit cards. As such, they may be subject to a greater level of credit, liquidity or interest rate risk when compared to other fixed interest securities such as government issued bonds.

Owing to the nature of some ABS and MBS, the exact timing and size of cashflows paid by the securities may not be fully assured. There is a risk that such changes to cashflows may negatively affect the returns of the securities.

### 11.3.4 Distributions from Bond Funds

Bond funds will normally distribute a combination of coupon and the expected discount/premium on the securities. Therefore, a Fund's distribution will comprise income received and an element of projected capital gains or losses. This could result in an element of capital gain being taxed as income in the hands of an investor.

JPM Portfolio Fund and JPM Institutional Balanced Fund have exposure to corporate and other bonds and the risks associated with them through investment in collective investment schemes which may themselves be directly invested in corporate and other bonds.

### 11.4 Smaller Companies

Smaller companies' securities may be less liquid than the securities of larger companies as a result of inadequate trading volume or restrictions on trading. Smaller companies may possess greater potential for growth, but can also involve greater risks, such as limited product lines and markets, and financial or managerial resources. Trading in such securities may be subject to more abrupt price movements and greater fluctuations in available liquidity than trading in the securities of larger companies.

JPM Portfolio Fund and JPM Institutional Balanced Fund have exposure to smaller companies and the risks associated with them through investment in collective investment schemes which may themselves be directly invested in smaller companies.

### 11.5 Emerging Markets

Investments in emerging and less developed markets may involve additional risks due to the fact that the legal, judicial, and

regulatory infrastructure is still developing which gives rise to potential uncertainty for market participants. Investors should consider whether or not investment in such Funds is either suitable for, or should constitute a substantial part of, their portfolio.

Some of the additional risks of investing in emerging markets are as follows:

#### (A) Political and Economic Risks

- Political and economic instability can result in changes to, or reversal of, legal/fiscal/regulatory/market reforms. Assets could be compulsorily acquired without adequate compensation, restrictions imposed on free movement of capital or new taxes or exchange controls imposed.
- Substantial government involvement in, and influence on, the economy may affect the value of securities
- Governments and companies in emerging markets may be more prone to default on their debt which would adversely affect the value of investments in their securities. Even if no default occurs, any perception that such an event is increasingly likely could cause the value of investments to fall substantially.
- High interest and inflation rates can mean that businesses have difficulty in obtaining working capital.
- A country may be heavily dependent on its commodity and natural resource exports and therefore vulnerable to weaknesses in world prices for these products.

#### (B) Legal Environment

- The legal environment in emerging market countries can often be contradictory and uncertain, particularly in respect of taxation. Judicial independence and political neutrality cannot be guaranteed.
- Companies in emerging markets may not be subject to the same level of government supervision and regulation of securities markets as countries with more advanced frameworks.
- Legislation can be imposed retrospectively and recourse to the legal system may be lengthy and protracted. There is no certainty that investors will be compensated in full or at all for any damage incurred.

#### (C) Accounting Practices

- The accounting, auditing and financial reporting system may not accord with international standards and reports brought into line with international standards may not always contain correct information.
- Obligations on companies to publish financial information may also be limited.

#### (D) Shareholder Risk

- Existing legislation may not yet be adequately developed to protect the rights of minority shareholders and there is generally no concept of any fiduciary duty to shareholders on the part of management.
- Liability for violation of shareholder rights, if any, may be limited.

#### (E) Market and Settlement Risks

- Restrictions on foreign investment in emerging markets may preclude investment in certain securities by certain Funds and, as a result, limit investment opportunities for such Funds
- Lack of liquidity and efficiency in certain of the stock markets or foreign exchange markets in certain emerging markets may mean that from time to time an investor may experience more difficulty in purchasing or selling holdings of securities and in currency repatriation than would be the case in a more developed market.
- Certain emerging markets may not afford the same level of investor protection as would apply in more developed jurisdictions.
- The absence of reliable pricing may make it difficult to accurately assess the market value of assets.
- Settlement procedures may be less developed and still be in physical as well as in dematerialised form. Investment may carry risks associated with failed or delayed settlement.
- Registration of securities may be subject to delay and it may be difficult to prove beneficial ownership of securities during the period of delay. The share register may not be properly maintained and ownership or interest may not be (or remain) fully protected.
- The concepts of legal ownership and beneficial ownership are only just beginning to develop in some markets. Courts in such markets could decide that a beneficial owner has no rights in respect of securities registered in a nominee name or in the name of a custodian.
- The provision for custody of assets may be less developed than in more mature markets.

#### (F) Currency Risk

- Conversion into foreign currency or transfer from some markets of proceeds received for the sale of securities cannot be guaranteed.
- Exchange rate fluctuations may occur between the trade date of a transaction and the date on which the currency is acquired to meet settlement obligations.

#### (G) Taxation

- Proceeds from sales of securities and receipt of dividends and other income may be, or become, subject to tax, levies, duties

or other fees imposed by the authorities of an emerging market. Some taxation may be levied by withholding at source.

- Tax law in certain countries may not be clearly established and current interpretation or understanding of practice may change. Tax law may be changed with retrospective effect which might result in unanticipated additional taxation.

#### (H) Counterparty Risk

- In some markets there may be no secure method of 'delivery versus payment' to minimise exposure to counterparty risk. It may be necessary to make payment for a purchase prior to receipt of the securities or delivery for a sale before receipt of sale proceeds.

JPM Portfolio Fund and JPM Institutional Balanced Fund have exposure to emerging markets and the risks associated with them through investment in collective investment schemes which may themselves be directly invested in emerging markets.

### 11.6 Derivatives and Forward Transactions

#### 11.6.1 Derivatives and Forward Transactions for investment purposes

Where the investment policy of a Fund permits the use of derivatives and/or forward transactions for investment purposes, the Fund may be leveraged, potentially increasing the volatility and risk of the Fund. Investment in derivatives and forwards may result in losses to a Fund in excess of the amount invested.

#### 11.6.2 Volatility

When undertaking derivative and forward transactions, the low margin deposits normally required may lead to a high degree of leverage, which may also lead to greater fluctuations in the price of a Fund.

#### 11.6.3 Risk of Credit Derivatives

The behaviour of credit derivatives can be different from the equivalent cash securities. Their prices may fluctuate more and the markets could be less liquid which could entail greater risk.

#### 11.6.4 Particular Risks of Exchange Traded Derivative Transactions

##### 11.6.4.1 Suspensions of Trading

Each securities exchange or derivatives market typically has the right to suspend or limit trading in all securities or derivatives which it lists. Such a suspension would render it impossible for a Fund to liquidate positions and, accordingly, expose a Fund to losses and delays in its ability to redeem Shares.

#### 11.6.5 Particular Risks of OTC Derivative Transactions

##### 11.6.5.1 Absence of regulation; counterparty default

In general, there is less governmental regulation and supervision of transactions in the OTC markets (in which, for example, forward, spot and option contracts on currencies, credit default swaps and total return swaps are generally traded) than of transactions entered into on organised exchanges. In addition, many of the protections afforded to participants on some organised exchanges,

such as the performance guarantee of an exchange clearing house, may not be available in connection with OTC transactions. Therefore, any Fund entering into OTC transactions will be subject to the risk that its direct counterparty will not perform its obligations under the transactions and that a Fund will sustain losses. A Fund will only enter into transactions with counterparties which it believes to be creditworthy, and may reduce the exposure incurred in connection with such transactions through the receipt of letters of credit or collateral from certain counterparties. Regardless of the measures a Fund may seek to implement to reduce counterparty credit risk, however, there can be no assurance that a counterparty will not default or that a Fund will not sustain losses as a result.

#### **11.6.5.2 Necessity for counterparty relationships**

As noted above, participants in the OTC market typically enter into transactions only with those counterparties which they believe to be sufficiently creditworthy, unless the counterparty provides margin, collateral, letters of credit or other credit enhancements. A Fund may enter into transactions on the basis of credit facilities established on behalf of any company within JPMorgan Chase & Co. While a Fund and its investment manager may believe that they will be able to establish multiple counterparty business relationships to permit the Fund to effect transactions in the OTC market and other counterparty markets (including credit default swaps, total return swaps and other swaps market as applicable), there can be no assurance that it will be able to do so. An inability to establish or maintain such relationships would potentially increase the Fund's counterparty credit risk, limit its operations and could require the Fund to cease investment operations or conduct a substantial portion of such operations in the futures markets. Moreover, the counterparties with which a Fund expects to establish such relationships will not be obligated to maintain the credit lines extended to the Fund, and such counterparties could decide to reduce or terminate such credit lines at their discretion.

#### **11.6.5.3 Counterparty ceasing to trade in certain instruments**

From time to time, the counterparties with which a Fund effects transactions might cease making markets or quoting prices in certain of the instruments. In such instances, the Fund might be unable to enter into a desired transaction in currencies, credit default swaps or total return swaps or to enter into an offsetting transaction with respect to an open position, which might adversely affect its performance.

#### **11.7 Unregulated collective investment schemes**

Up to 20% of the value of a non-UCITS retail scheme may be invested in unregulated collective investment schemes. Such schemes are subject to less onerous regulatory supervision than regulated schemes, and therefore may be considered higher risk. Neither JPM Portfolio Fund nor JPM Institutional Balanced Fund will invest in such schemes without first giving Shareholders at least 60 days' notice of the intention to do so.

#### **11.8 Alternative Investment Fund Manager's Directive**

The Alternative Investment Fund Managers Directive, 2011/61/EU, (the "AIFMD") entered into force on July 21, 2011. This will result in European Union ("EU") member states having to implement the AIFMD into their national laws by July 22, 2013. The AIFMD will regulate managers of alternative investment funds that are not Undertakings for the Collective Investment of Transferable Securities ("UCITS") but which are marketed or managed in the EU. It is expected that the management of the Company will be caught by the AIFMD. The ultimate impact that the AIFMD will have on the Investment Adviser and the Company remains uncertain but potential investors should note that it may result in some increase in the costs of the running of the Company and certain restrictions being imposed on the operation and investment activities of the Company.

Further information about the risks and related matters for individual funds can be found in Appendix A.

## Appendix A: Fund Details\*

Name	JPM Portfolio Fund													
Investment objective and policy	<p>To invest in a portfolio of regulated collective investment schemes operated or managed by JPMorgan. The Fund aims to provide capital growth over the long term.</p> <p><b>The Fund will not invest in schemes falling within paragraph (e) of section 3.9 (unregulated collective investment schemes) without first giving shareholders at least 60 days' notice of the intention to do so. See section 11.7 for the risks of investing in such schemes.</b></p> <p><b>The Fund may invest in forward transactions and financial derivative instruments for hedging purposes and for Efficient Portfolio Management. Shareholders will receive at least 60 days' notice of any proposed change of use of derivatives within the Fund and will be informed of the potential impact of the change of use on the risk profile of the Fund. Any increased use of derivatives will lead to a commensurate increase in the risks of trading derivatives shown in section 11.6.</b></p>													
Risk profile	<p>This Fund is designed to give broad market exposure to the UK and global stock markets (which may include investment in emerging markets and smaller companies) through a portfolio of regulated collective investment schemes.</p> <ul style="list-style-type: none"> <li>Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.</li> <li>Some of the underlying assets of the Fund are denominated in currencies other than Sterling and are not hedged back to Sterling. Investors will therefore be exposed to the currency risk of fluctuations between Sterling and the currency denomination of the underlying assets.</li> </ul> <p>Please refer to Part 11 of this Prospectus for details of the general risk factors affecting this Fund in addition to the specific risk factors above.</p>													
Profile of the typical investor	<ul style="list-style-type: none"> <li>Given that the Fund is diversified across a number of markets, it may suit investors who are looking for a fund offering global equity exposure with significant UK exposure to sit at the centre of their portfolio, or a stand alone investment aimed at producing long-term capital growth.</li> <li>Investors should have at least a five-year investment horizon.</li> </ul>													
Annual income distribution date	30th April													
Interim income distribution date(s)	None													
ISA status:	Qualifying investment for stocks and shares ISA													
Share Class:	A Shares													
Types of Shares:	Net Accumulation													
Preliminary charge:	5.50%													
Annual fee of ACD:	1.50%													
Registration fees:	0.06%													
Investment Minima:	<table border="1"> <thead> <tr> <th></th> <th>Net Accumulation</th> </tr> </thead> <tbody> <tr> <td>Lump sum</td> <td>£1,000</td> </tr> <tr> <td>Holding</td> <td>£1,000</td> </tr> <tr> <td>Top-up</td> <td>£100</td> </tr> <tr> <td>Regular savings</td> <td>£100 per month</td> </tr> <tr> <td>Redemptions</td> <td>£100</td> </tr> </tbody> </table>			Net Accumulation	Lump sum	£1,000	Holding	£1,000	Top-up	£100	Regular savings	£100 per month	Redemptions	£100
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Lump sum	£1,000													
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\* To view full fund details please refer to the OEIC range at [www.jpmmorganassetmanagement.co.uk](http://www.jpmmorganassetmanagement.co.uk) or alternatively call the JPMorgan Asset Management OEIC helpline on 0800 20 40 20.

When JPM Portfolio Fund purchases units or shares in other funds there is no initial charge included in the price at which those units or shares are purchased.

Where the charge (annual charge in respect of a unit trust, annual ACD fee in respect of a UK OEIC, and annual management and advisory fee in respect of a Luxembourg fund) on an underlying fund is less than 1.5%, the balance of the 1.5% charge will be applied to the Fund. Where the charge on an underlying fund is greater than 1.5%, the excess charge will be rebated to the Fund. Where the annual charge on an underlying fund is 1.5%, no additional charge will be applied to the Fund.

The Depositary's fee of 0.02% is not levied on the value of the underlying funds for which it is depositary. There is however a minimum annual fee of £15,000 regardless of the nature of the underlying investments.

Name	JPM Institutional Balanced Fund													
Investment objective and policy	<p>To invest in a balanced portfolio of regulated collective investment schemes managed or operated by JPMorgan. The Fund aims to provide capital growth over the long term.</p> <p>The current policy is a maximum equity exposure of 85% of the Fund, at least 10% in non-UK equities and at least 50% in sterling / euro assets.</p> <p><b>The Fund will not invest in schemes falling within paragraph (e) of Section 3.9 (unregulated collective investment schemes) without first giving shareholders at least 60 days' notice of the intention to do so. See Section 11.7 for the risks of investing in such schemes.</b></p> <p><b>The Fund may invest in forward transactions and financial derivative instruments for hedging purposes and for Efficient Portfolio Management. Shareholders will receive at least 60 days' notice of any proposed change of use of derivatives within the Fund and will be informed of the potential impact of the change of use on the risk profile of the Fund. Any increased use of derivatives will lead to a commensurate increase in the risks of trading derivatives shown in Section 11.6.</b></p>													
Risk profile	<p>This balanced Fund invests in both equities and bonds, through a portfolio of regulated collective investment schemes. The underlying funds held provide exposure to global markets, including investment in emerging markets, smaller companies and non-investment grade bonds while maintaining significant Sterling/Euro exposure.</p> <ul style="list-style-type: none"> <li>• Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.</li> <li>• Bond prices can fluctuate significantly depending not only on the global economic and interest rate conditions but also on the general credit market environment and the creditworthiness of the issuer.</li> <li>• Some of the underlying assets of the Fund are denominated in currencies other than Sterling and are not hedged back to Sterling. Investors will therefore be exposed to the currency risk of fluctuations between Sterling and the currency denomination of the underlying assets.</li> </ul> <p>Please refer to Part 11 of this Prospectus for details of the general risk factors affecting this Fund in addition to the specific risk factors above.</p>													
Profile of the typical investor	<ul style="list-style-type: none"> <li>• The Fund may suit investors looking for potentially higher returns than a pure bond fund, who are prepared to take a higher level of risk in order to achieve this.</li> <li>• Investors should have at least a five year investment horizon, which reflects the Fund's high exposure to equities.</li> </ul>													
Annual income distribution date	16th March													
Interim income distribution date(s)	None													
ISA status:	N/A													
Share Class:	C Shares													
Types of Shares:	Net Accumulation													
Preliminary charge:	0.00%													
Annual fee of ACD:	0.65%													
	PLEASE SEE SECTION 5 FOR A LIST OF FEES AND EXPENSES INCLUDED WITHIN THE CLASS C SHARES ANNUAL FEE.													
Investment Minima:	<table border="0"> <thead> <tr> <th></th> <th style="text-align: left;">Net Accumulation</th> </tr> </thead> <tbody> <tr> <td>Lump sum</td> <td>£1,000,000</td> </tr> <tr> <td>Holding</td> <td>£1,000,000</td> </tr> <tr> <td>Top-up</td> <td>£100,000</td> </tr> <tr> <td>Regular savings</td> <td>nil</td> </tr> <tr> <td>Redemptions</td> <td>£25,000</td> </tr> </tbody> </table>			Net Accumulation	Lump sum	£1,000,000	Holding	£1,000,000	Top-up	£100,000	Regular savings	nil	Redemptions	£25,000
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Lump sum	£1,000,000													
Holding	£1,000,000													
Top-up	£100,000													
Regular savings	nil													
Redemptions	£25,000													

When JPM Institutional Balanced Fund purchases units or shares in other funds there is no initial charge included in the price at which those units or shares are purchased.

When calculating the amount of the annual fee of the ACD, the ACD will include any annual charge (annual ACD fee in respect of a UK OEIC and annual management and advisory fee in respect of a Luxembourg fund) accrued by units or shares in other schemes held by the Fund and managed by the ACD or an associate, but there will be no double charging. Where the charge on an underlying scheme is less than the current Annual ACD Fee stated above (the "Annual ACD Fee"), the balance of the Annual ACD Fee will be applied to the Fund. Where the charge on an underlying scheme is greater than the Annual ACD Fee, the excess charge will be rebated to the Fund. Where the charge on an underlying scheme is the same as the Annual ACD Fee, no additional charge will be applied to the Fund.

The Depositary's fee of 0.02% is not levied on the value of the underlying funds for which it is depositary.

## Appendix B: Eligible Derivatives Markets

For each Fund, an Eligible Derivatives Market is any of the following markets:

Australia - The Australian Securities Exchange (ASX Limited)  
Austria - Vienna Stock Exchange  
Belgium - Euronext Brussels  
Brazil - BM&F BOVESPA  
Canada - The Montreal Exchange (TMX Group)  
Denmark - NASDAQ OMX Copenhagen  
Europe - ICE Futures Europe  
Finland - NASDAQ OMX Helsinki  
France - Euronext Paris  
Germany - Eurex Germany  
Greece - Athens Derivatives Exchange (ADEX)  
Hong Kong - The Hong Kong Exchanges and Clearing Ltd  
India - The National Stock Exchange of India  
India - The Bombay Stock Exchange  
Ireland - Irish Stock Exchange  
Italy - IDEM  
Japan - The Osaka Securities Exchange  
Japan - The Tokyo Stock Exchange  
Japan - Tokyo Financial Exchange  
Korea - Korea Exchange Incorporated  
Malaysia - Bursa Malaysia Derivatives Berhad (BMD)  
Mexico - Mexican Derivatives Exchange  
Netherlands - Euronext Amsterdam  
New Zealand - New Zealand Futures and Options Exchange  
Poland - Warsaw Stock Exchange  
Portugal - Euronext Lisbon  
Singapore - The Singapore Exchange  
South Africa - JSE Securities Exchange  
South Africa - South Africa Futures Exchange  
Spain - BME, Spanish Exchanges  
Sweden - NASDAQ OMX Stockholm  
Switzerland - Eurex (Zurich)  
Taiwan - Taiwan Futures Exchange  
Thailand - Thailand Futures Exchange (TFEX)  
Turkey - Turkish Derivatives Exchange (TurkDEX)  
United Kingdom - Euronext LIFFE  
United Kingdom - NASDAQ OMX London  
USA - CME Group  
USA - Chicago Board Options Exchange  
USA - ICE Futures US Inc.  
USA - Kansas City Board of Trade  
USA - NYSE Euronext (NYSE)  
USA - The New York Stock Exchange Arca  
USA - NASDAQ OMX PHLX

New Eligible Derivatives Markets for a Fund may be added to the existing list if;

- (a) the ACD, after consultation with and notification to the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property; and
- (b) the Depositary has taken reasonable care to determine that:
  - (i) adequate custody arrangements can be provided for the investment dealt in on that market; and
  - (ii) all reasonable steps have been taken by the ACD in deciding whether that market is eligible.

## Appendix C: Approved Securities

An Approved Security is a transferable security which is:

- (a) admitted to the official listing in an EEA State; or
- (b) traded on or under the rules of an Eligible Securities Market (otherwise than by specific permission of the market authority).

An Eligible Securities Market is

a securities market established in an EEA State on which transferable securities admitted to the official listing in that country are dealt or traded.

New Eligible Securities Markets for a Fund may be added to the existing list if:

- (a) the ACD, after consultation with and notification to the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property; and
- (b) the Depositary has taken reasonable care to determine that:
  - (i) adequate custody arrangements can be provided for the investment dealt in on that market; and
  - (ii) all reasonable steps have been taken by the ACD in deciding whether that market is eligible.

## Appendix D: Regulated collective investment schemes managed by the ACD

JPMorgan Funds Limited also acts as authorised corporate director of the open-ended investment companies listed below:

JP Morgan Fund ICVC  
JP Morgan Fund II ICVC

## Appendix E: Fund Performance Data

Fund/Share Class Name Data as at 31 May 2011	2011/2010 (%)	2010/2009 (%)	2009/2008 (%)	2008/2007 (%)	2007/2006 (%)
JPM Portfolio Fund A Acc	14.58	24.27	-22.62	-6.79	17.29
JPM Institutional Balanced Fund C Acc	13.17	21.80	-20.46	-6.93	18.00

The historical performance is based on the quoted prices with income reinvested, net of tax and charges.

Figures show annual performance

You should remember that past performance is not a reliable indicator of future results. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested.

Source JPM/JPMorgan Chase

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Distribution of this Prospectus is not authorised unless accompanied by a copy of the latest annual financial report and of the latest semi-annual financial report, if published thereafter. Such reports form an integral part of this Prospectus.

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