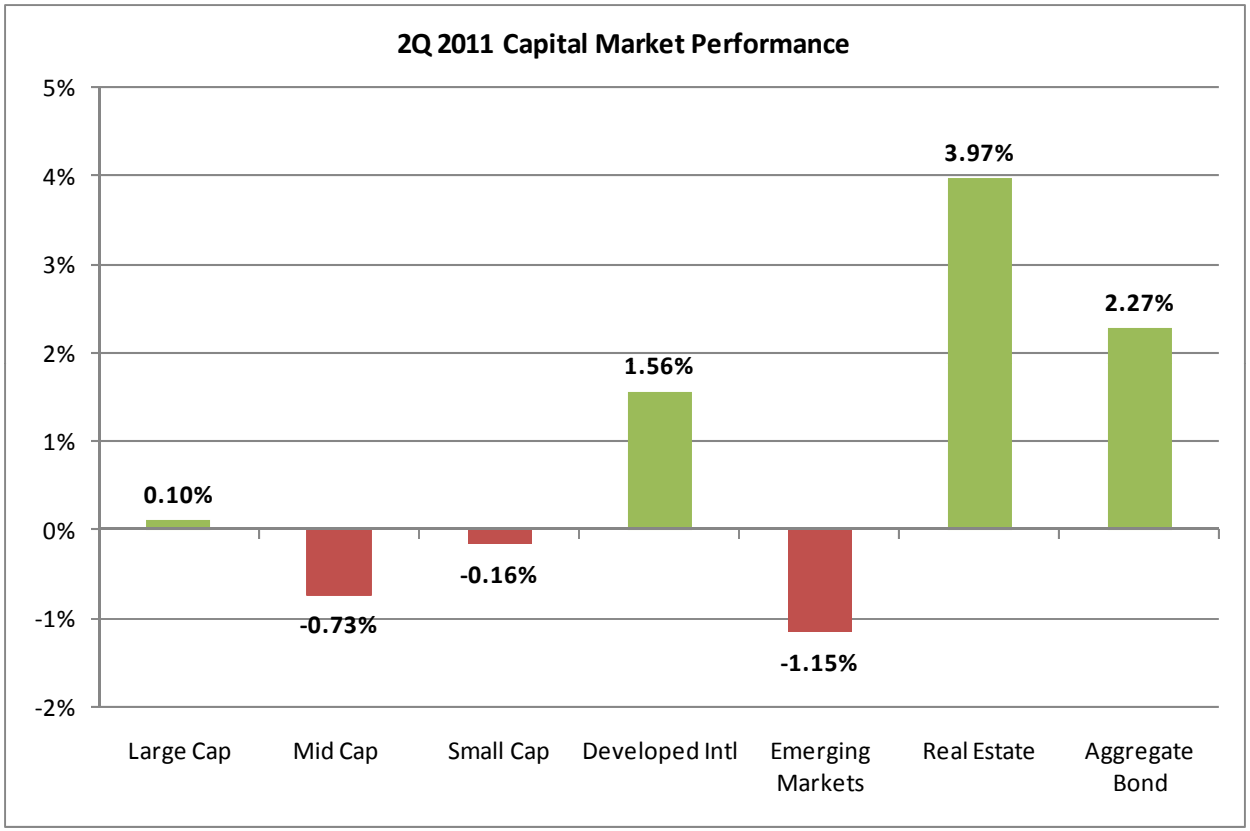
- Stock market performance was volatile in the second quarter but recovered in the last weeks of June. The S&P 500 Index rose 0.1% in the second quarter.

- Poor economic news took a toll on the global recovery process:
  - Slowing growth in China
  - Sovereign debt crisis in the Euro Zone
  - Economic aftermath of Japan's earthquake

- Concerns within the U.S. economy continue to plague investors:
  - Housing market
  - Unemployment
  - Consumer and government finances

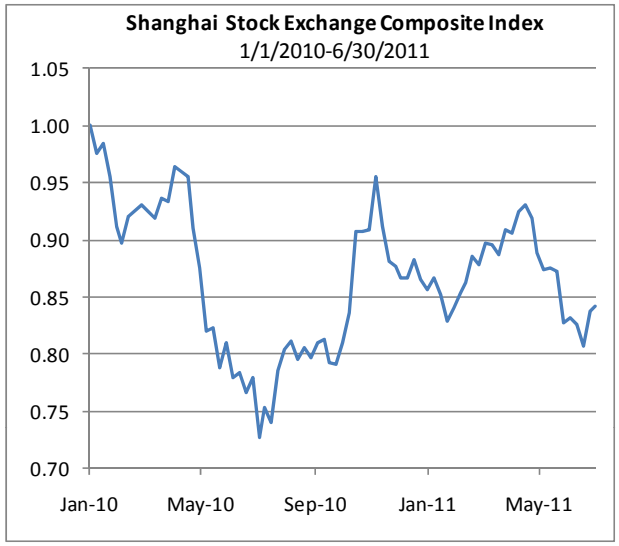
- Despite surging profits and strong balance sheets, S&P 500 companies are attractively priced with current price-to-earnings multiples 22.5% cheaper than the 25-year average.

Capital Market Performance



Source: Bloomberg

China's Economy Slows

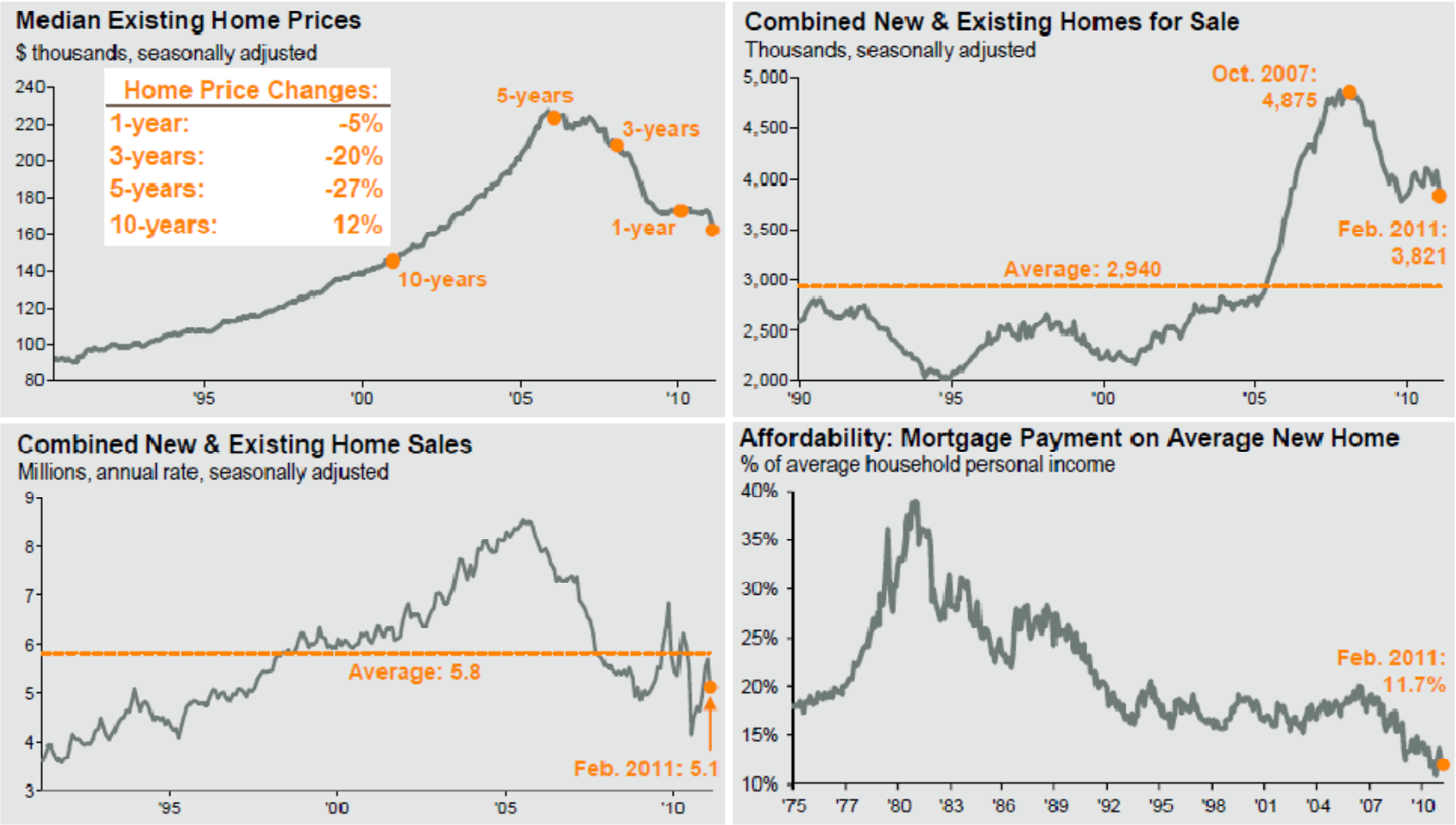


Source: Bloomberg, WSJ

PMI reading above 50 points indicates that the manufacturing economy is generally expanding.

- Manufacturing activity in China slowed for the third month in a row.
- China's central bank increased bank capital requirements and lending rates in an attempt to ease inflation.

U.S. Housing Market at a Glance

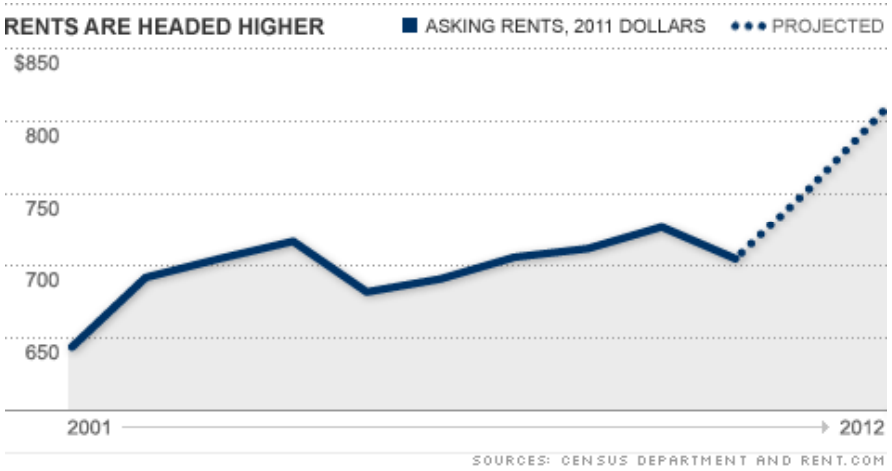


Sources: (Top left) National Association of Realtors, FactSet, J.P. Morgan Asset Management. (Top right) Census Bureau, National Association of Realtors, J.P. Morgan Asset Management. (Bottom left) Census Bureau, National Association of Realtors, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FRB, BEA, J.P. Morgan Asset Management.

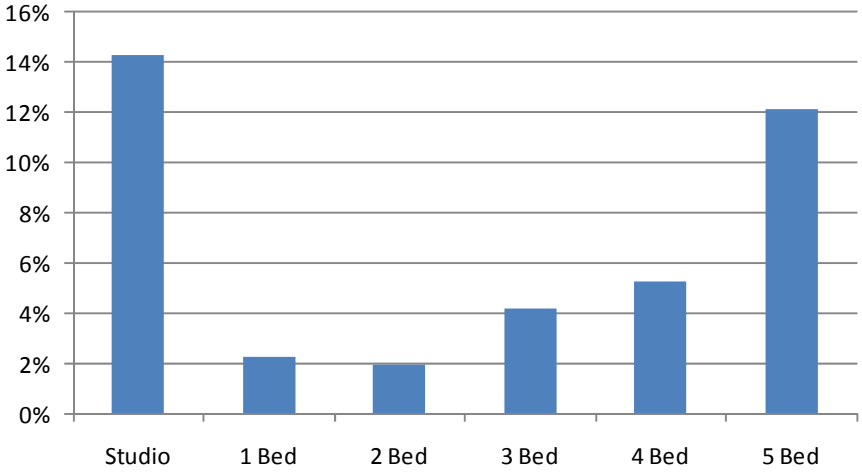
Data reflect most recently available as of 3/31/11.

Rising Rents and Inflation

CPI Components	Weight in CPI	12-month Change
Food & Bev.	14.8%	2.2%
Housing	41.5%	0.7%
Apparel	3.6%	-0.4%
Transportation	17.3%	7.3%
Medical Care	6.6%	2.9%
Recreation	6.3%	-0.1%
Educ. & Comm.	6.4%	1.2%
Other	3.5%	2.0%
Headline CPI	**100.0%**	**2.2%**
Less:		
Energy	9.1%	11.2%
Food	13.7%	2.3%
Core CPI	**77.2%**	**1.1%**

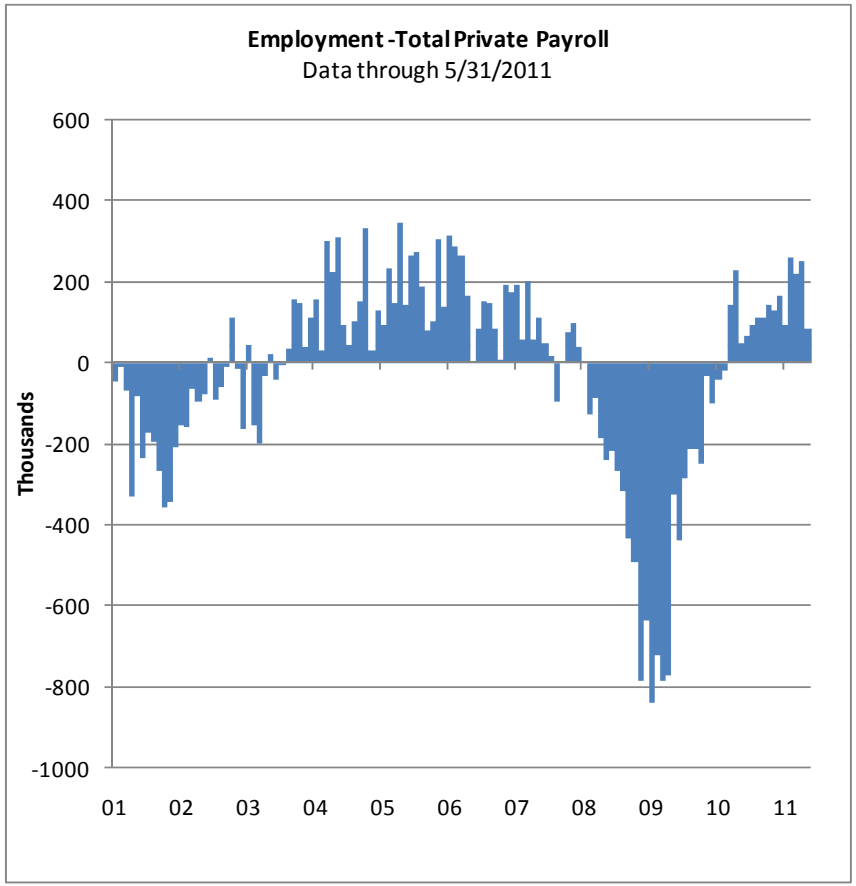


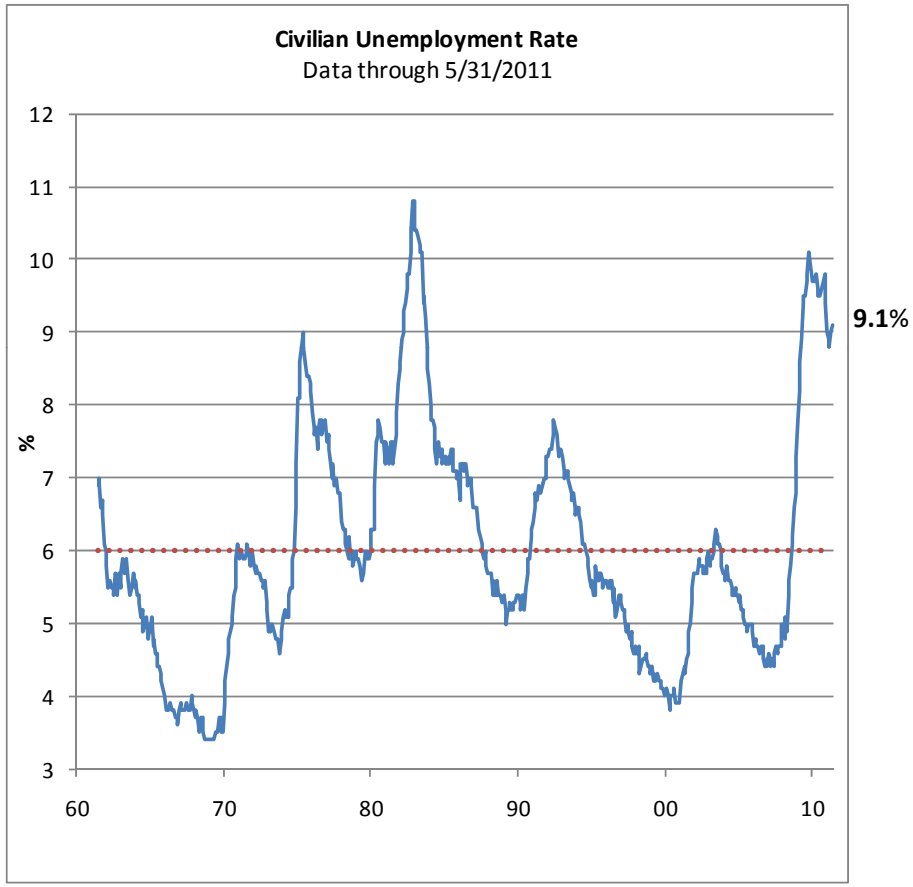
Rental Price Percent Change (National)
6/2010-6/2011



Source: Hotpads.com

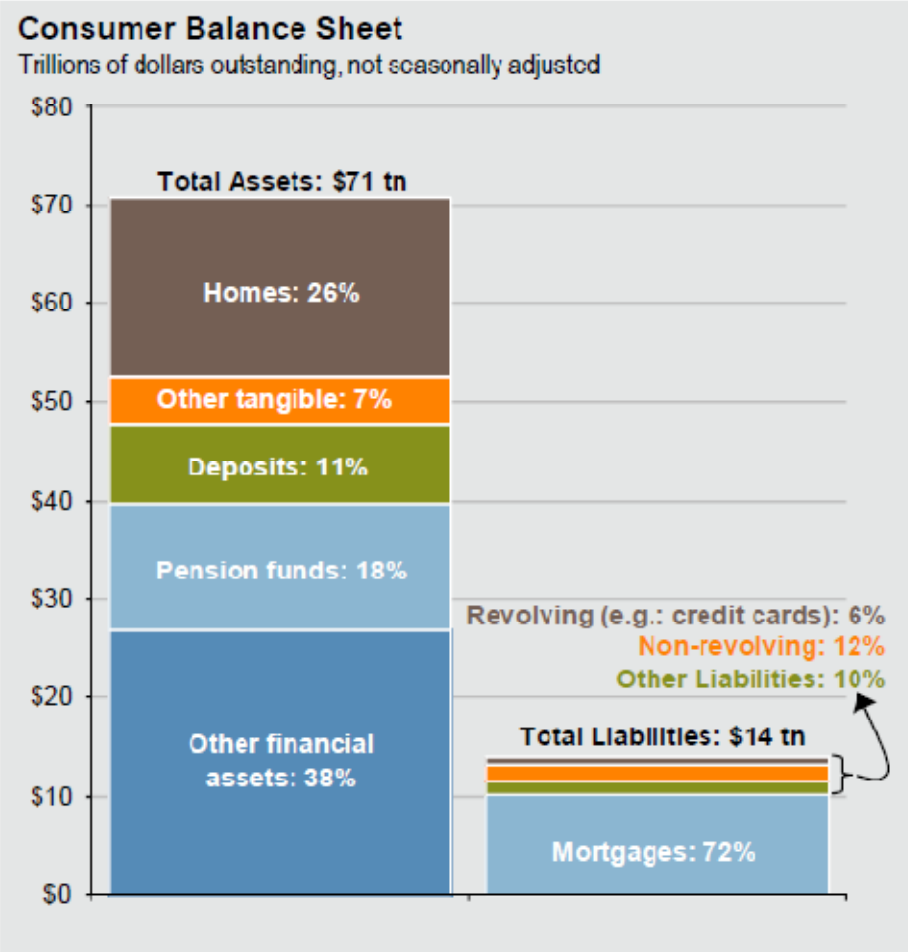
The Unemployment Situation

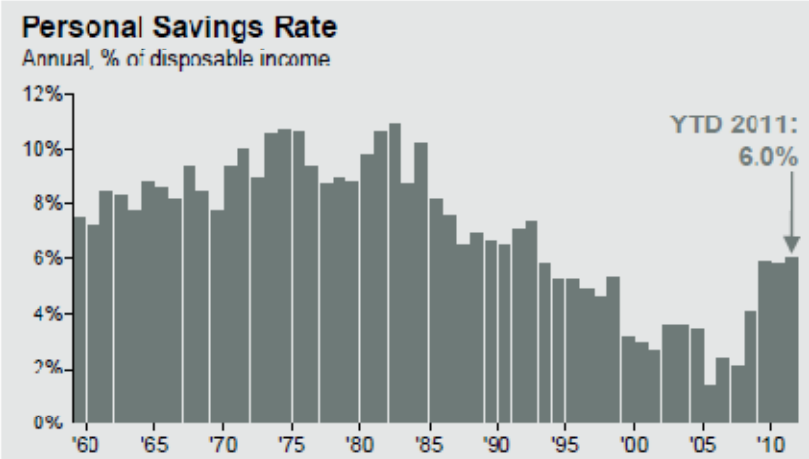


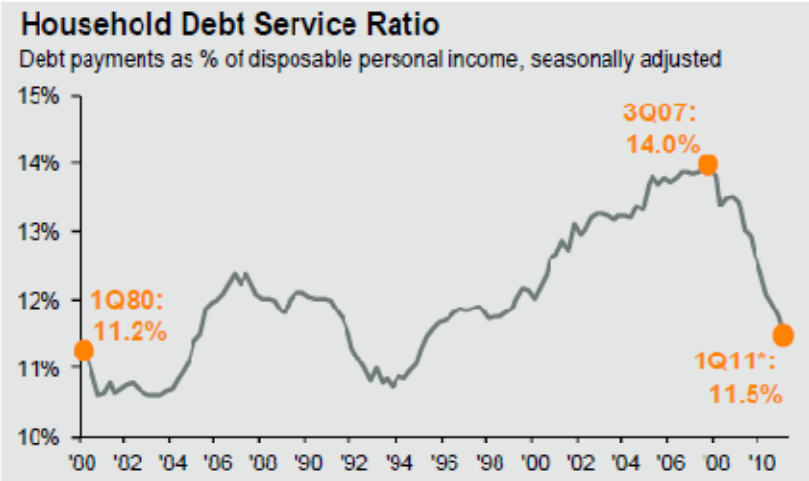


Source: Bloomberg, Bureau of Labor Statistics

Consumer Finances



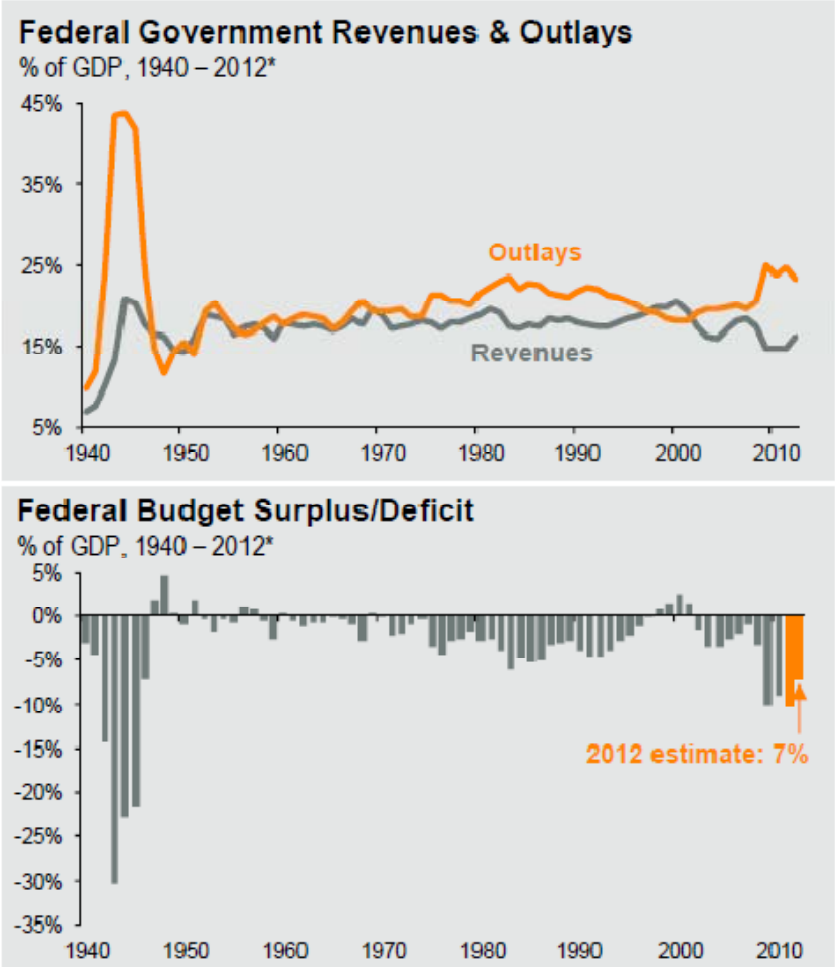




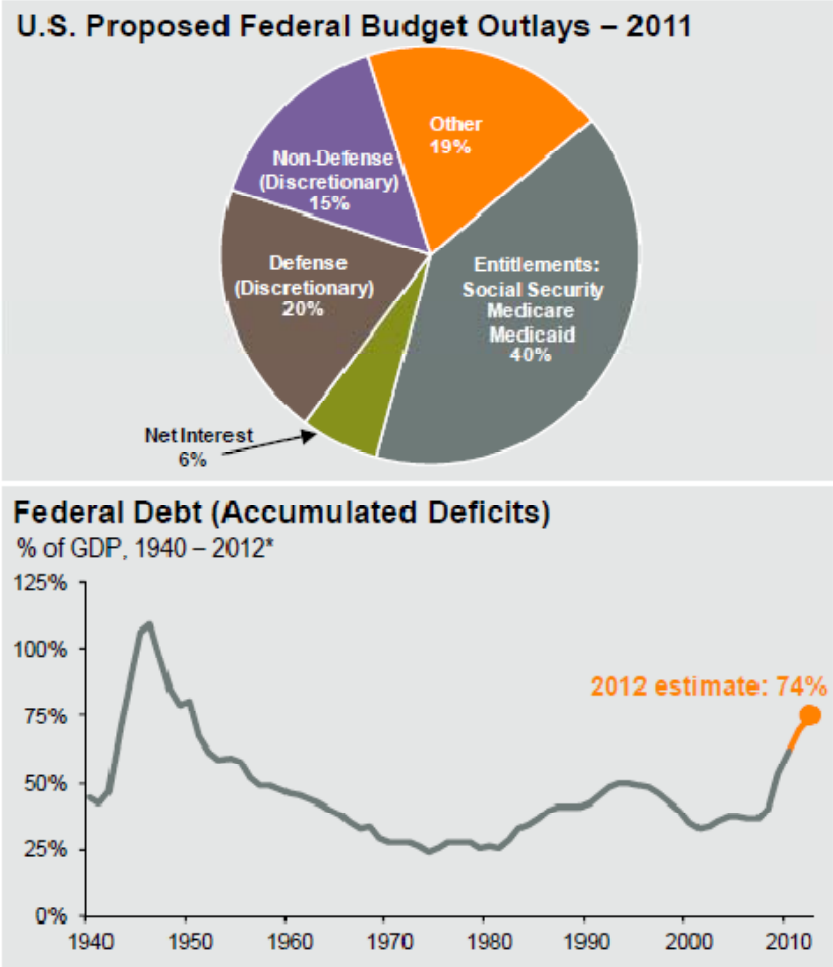
Source: (Left) FRB, J.P. Morgan Asset Management. Data includes households and nonprofit organizations. (Right) BEA, FRB, J.P. Morgan Asset Management. Personal savings rate is calculated as personal savings (after-tax income – personal outlays) divided by after-tax income. Employer and employee contributions to retirement funds are included in after-tax income but not in personal outlays, and thus are implicitly included in personal savings. Savings rate data are as of February 2011. *1Q11 Household Debt Service Ratio is J.P. Morgan Asset Management estimate.

All other data are as of 4Q10.

U.S. Government Finances

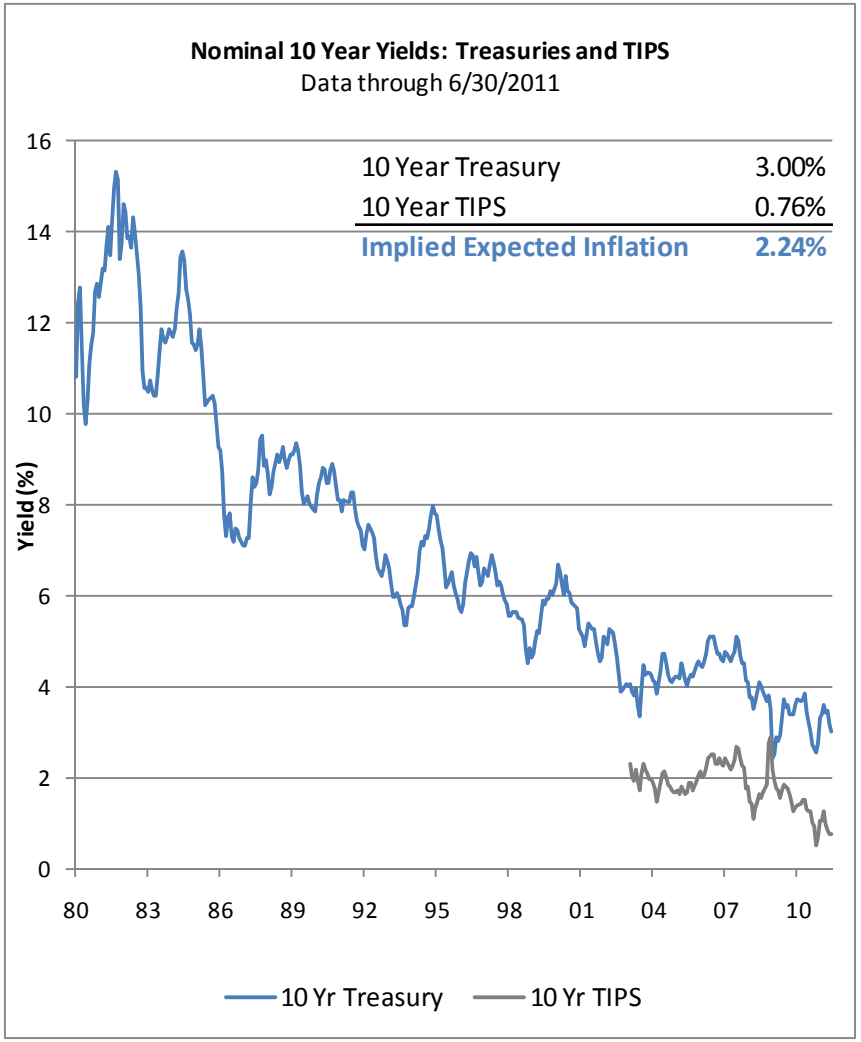


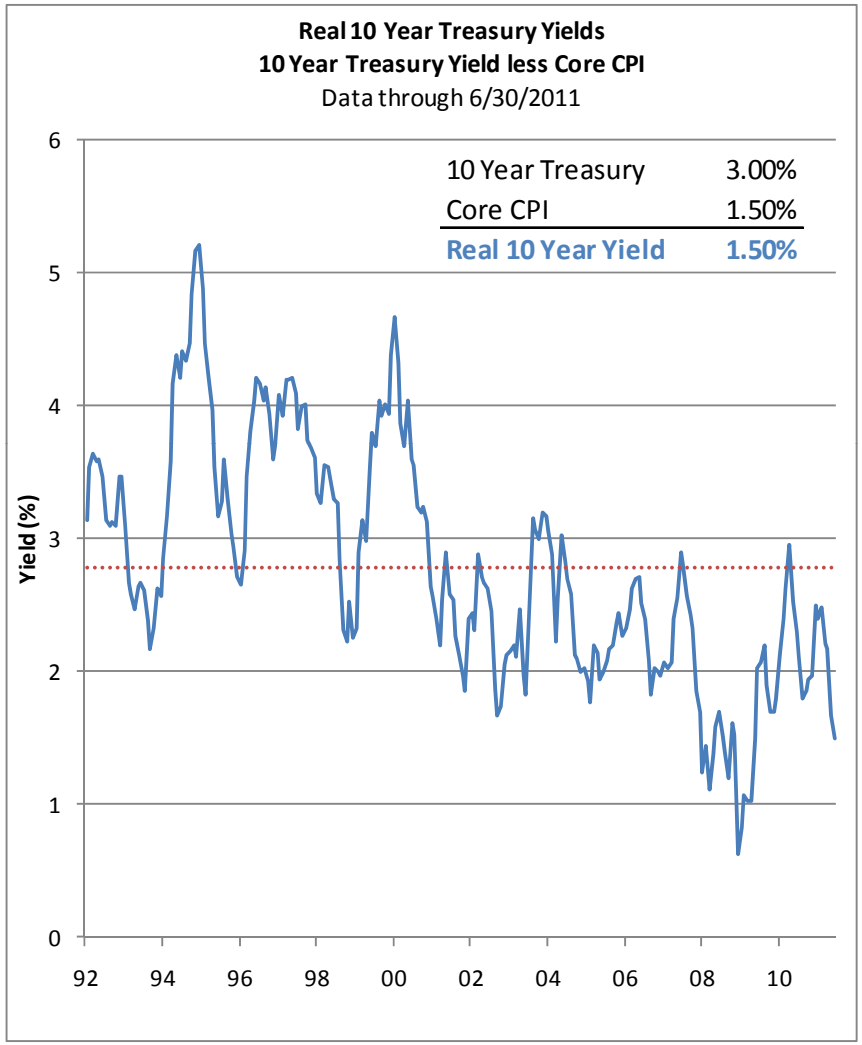
Source: U.S. Treasury, BEA, CBO, OMB, J.P. Morgan Asset Management.



Source: CBO, J.P. Morgan Asset Management.

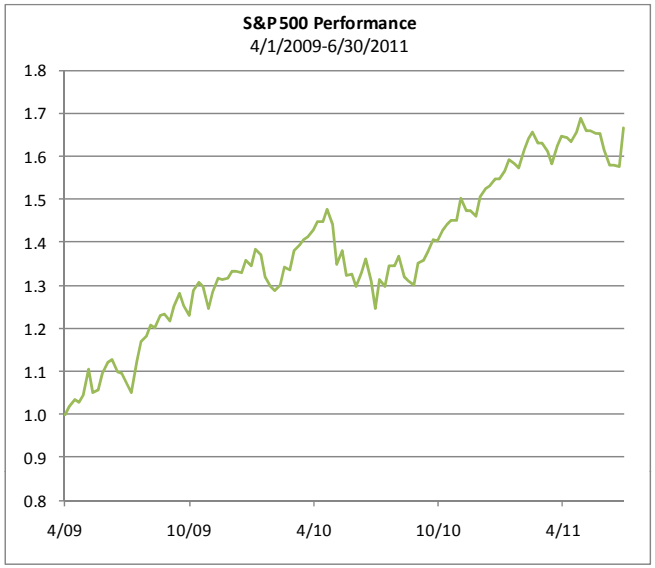
Treasury Yields

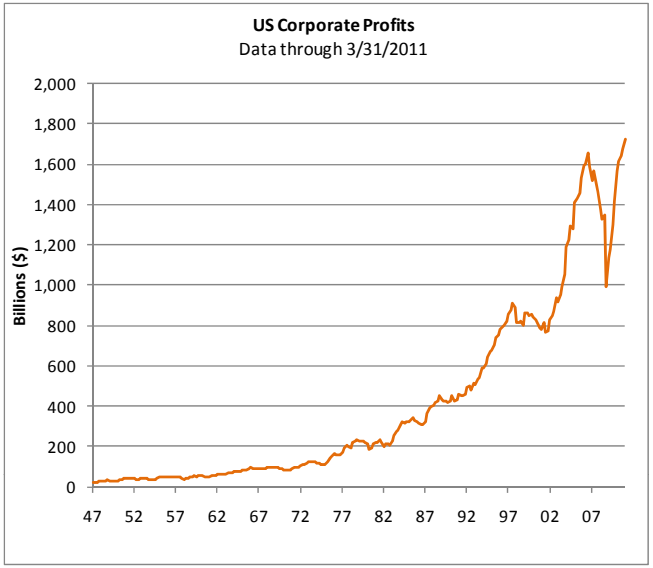


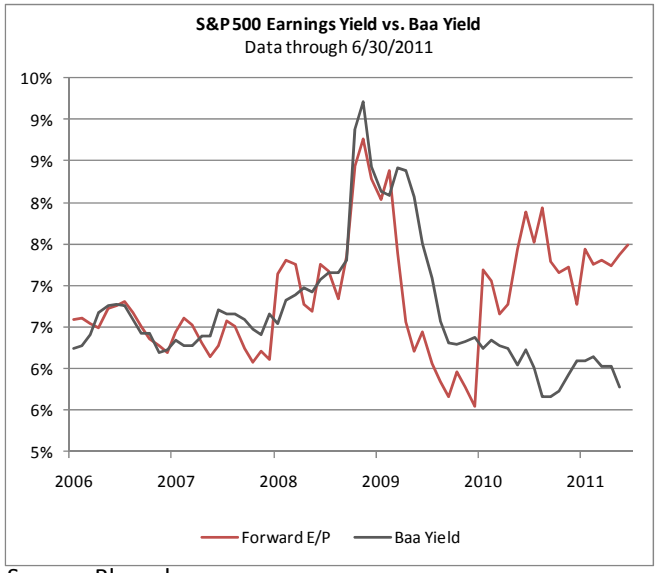


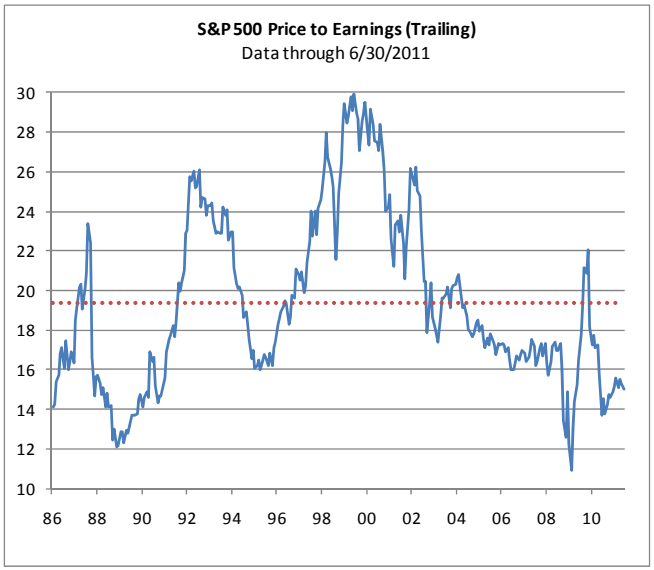
Source: Federal Reserve, Bloomberg

Profits Are Rising, Valuations Remain Attractive



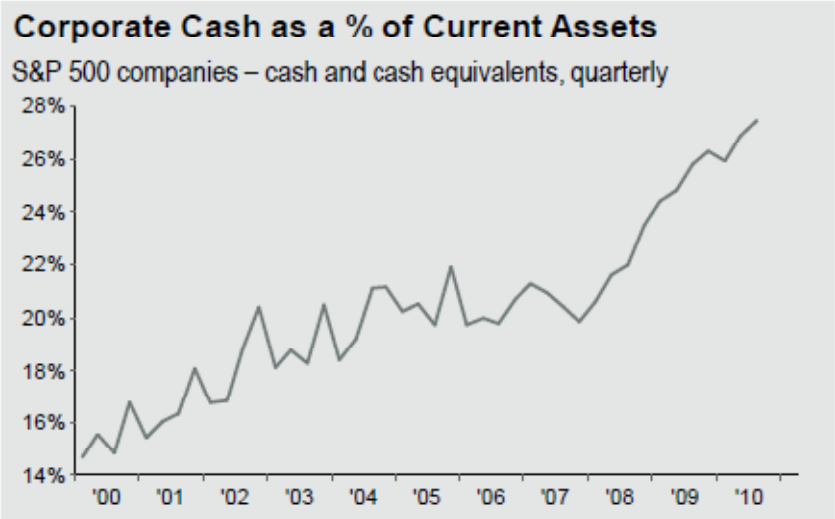


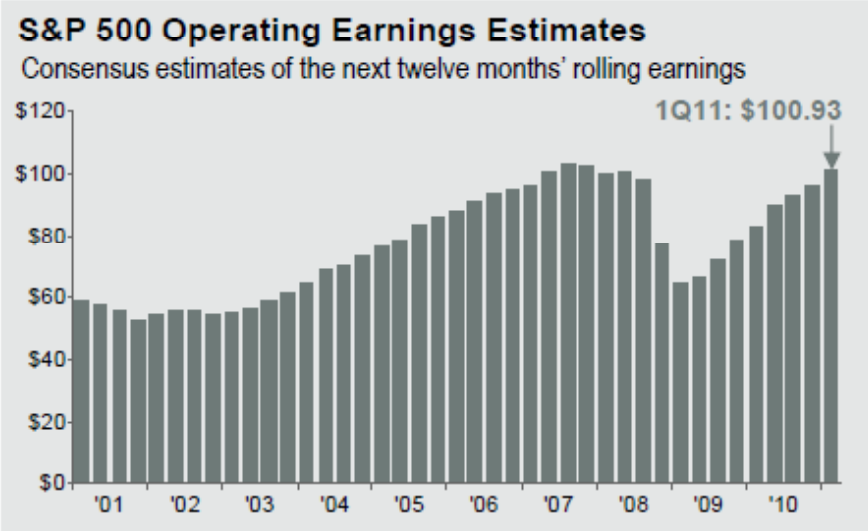




Source: Bloomberg

Corporate America is Poised for Prosperity





Source: JP Morgan

S&P 500 Historical Average Trailing Price-to-Earnings Ratio June 30, 2011	
	P/E
12 Months (March 2011 price)	15.24
5-Year Average	17.54
10-Year Average	18.87
Average from 1988	19.17
2011 Estimate (current price)	13.5
2012 Estimate (current price)	11.82

Source: Standard & Poors

SPIVA Scorecard

Percent of Mutual Funds Outperformed by Benchmark

Fund Category	Comparision Index	One Year (%)	Three Year (%)	Five Year (%)
All Large Cap Funds	S&P 500	65.72	57.65	61.83
All Mid Cap Funds	S&P MidCap 400	73.75	83.90	78.19
All Small Cap Funds	S&P SmallCap 600	53.42	70.11	63.02
All Multi Cap Funds	S&P Composite 1500	63.90	60.84	66.28
International Funds	S&P 700	39.83	69.94	81.71
Emerging Market Funds	S&P/IFCI Composite	64.00	77.55	89.55
Government Intermediate Funds	Barclays Intermediate Government	68.29	58.70	68.09
Investment-Grade Intermediate Funds	Barclays Intermediate Government/Credit	30.00	44.59	55.75
Mortgage-Backed Securities Funds	Barclays Mortgage-Backed Securities	21.67	72.00	83.67
New York Municipal Debt Funds	S&P New York AMT-Free Municiapal Bond	64.71	91.67	94.29

Source: Standard & Poor's, CRSP. For periods ending December 31, 2010. Outperformance is based upon equal weight fund counts. Charts are provided for illustrative purposes only.

Financial Market Performance

Total Returns through June 30, 2011							
				Annualized Returns			
Asset Class	**Index Description**	**QTD**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**
U.S. Equity							
Large-Cap Core	S&P 500	0.1%	6.0%	30.7%	3.3%	2.9%	2.7%
Large-Cap Growth	S&P 500/Citigroup Growth	1.6%	6.8%	33.5%	4.6%	5.2%	2.9%
Large-Cap Value	S&P 500/Citigroup Value	-1.5%	5.2%	27.9%	2.0%	0.6%	2.4%
Mid-Cap Core	S&P 400	-0.7%	8.6%	39.4%	7.8%	6.6%	7.9%
Mid-Cap Growth	S&P 400/Citigroup Growth	0.8%	10.7%	45.5%	8.8%	8.5%	8.0%
Mid-Cap Value	S&P 400/Citigroup Value	-2.2%	6.5%	33.4%	6.8%	4.6%	7.7%
Small-Cap Core	S&P 600	-0.2%	7.5%	37.0%	8.2%	4.6%	7.8%
Small-Cap Growth	S&P 600/Citigroup Growth	2.0%	11.3%	42.7%	9.0%	6.3%	8.2%
Small-Cap Value	S&P 600/Citigroup Value	-2.2%	4.0%	31.7%	7.2%	3.0%	7.4%
International Equity							
Developed Markets	MSCI EAFE	1.6%	5.0%	30.4%	-1.8%	1.5%	5.7%
Emerging Markets	MSCI Emerging Markets	-1.1%	0.9%	27.8%	4.2%	11.4%	16.2%
Fixed Income							
Short-Term Treasury (1-3 mo.)	BarCap Short-Term Treasury	0.1%	0.2%	0.3%	0.7%	2.3%	2.3%
Intermediate-Term Corporate	BarCap Intermediate-Term Corporate	2.2%	3.3%	6.4%	8.1%	6.9%	6.1%
Diversified Bonds	BarCap Aggregate	2.3%	2.7%	3.9%	6.5%	6.5%	5.7%
Municipal Bonds	BarCap Municipal	3.9%	4.4%	3.5%	5.6%	4.9%	5.0%
Inflation-Protected Treasuries (TIPS)	BarCap Treasury Inflation Notes	3.7%	5.8%	7.7%	5.3%	6.9%	7.0%
Alternative Investments							
Domestic Real Estate (REITs)	Dow Jones Wilshire REIT	4.0%	10.9%	34.9%	4.7%	1.7%	10.5%
International Real Estate (REITs)	Dow Jones Wilshire ex-US Real Estate Index	5.4%	9.9%	44.3%	1.6%	1.8%	-