

## **Extract from the draft JPMorgan Funds [September] 2010 Prospectus**

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**Please note that the [September] 2010 Prospectus is subject to verbal and full visa approval by the Commission de Surveillance du Secteur Financier ("CSSF"). There is no guarantee that the CSSF will grant final visa approval of this extract in its current form or otherwise. Therefore, information in this document may be subject to updating, completion, revision, verification and amendment.**

### **JPMorgan Funds – Global Absolute Return Bond Fund**

**Reference Currency**  
US Dollar (USD)

**Benchmark**  
British Bankers' Association (BBA) LIBOR USD Overnight Index

**Benchmark for Hedged Share Classes**  
European Overnight Index Average (EONIA) for the EUR hedged Share Classes  
British Bankers' Association (BBA) LIBOR GBP Overnight Index for the GBP hedged Share Classes  
British Bankers' Association (BBA) LIBOR SEK Spot Next Index for the SEK hedged Share Classes

**Investment Objective**  
To achieve a return in excess of cash with low volatility, by investing in a diversified portfolio of fixed and floating rate debt securities and using financial derivative instruments.

**Investment Policy**  
The Sub-Fund will invest the majority of its assets in fixed and floating rate debt securities, in, but not limited to, the following sectors: (i) debt securities issued by governments and their agencies, state and provincial governmental entities and supranational organisations, (ii) investment grade corporate bonds, (iii) below investment grade corporate bonds, (iv) asset backed securities and mortgage backed securities, and (v) emerging market bonds and currencies. Issuers of these securities may be located in any country.

The Sub-Fund will allocate opportunistically across the sectors and therefore at any time the Sub-Fund's assets may be invested in one or more sectors, short-term money market instruments, deposits with credit institutions and government securities.

The Sub-Fund will opportunistically take net long or net short positions in the sectors to a limited extent, mainly through the use of financial derivative instruments. Financial derivative instruments may include futures, options, contracts for difference, forward contracts on financial instruments and options on such contracts, credit linked instruments, mortgage TBAs and swaps and other fixed income, currency and credit derivatives. Financial derivative instruments may also be used for hedging purposes.

The Sub-Fund may invest a significant portion of its assets in asset backed securities and mortgage backed securities, backed by assets including, but not limited to, mortgages, auto loans, credit cards and student loans. The Sub-Fund's investments in asset backed securities and mortgage backed securities will be restricted to securities rated, at the time of purchase, at least B or equivalent as measured by independent rating agencies such as Moody's or Standard & Poor's.

The Sub-Fund may invest in unrated securities.

The Sub-Fund may also invest in UCITS and other UCIs.

In any event, the Sub-Fund will neither invest more than 25% of its total assets in convertible bonds, nor invest more than 10% of its total assets in equities and other participation rights.

Techniques and instruments relating to transferable securities and money market instruments (including, but not limited to, securities lending or repurchase agreements) may be used for the purpose of efficient portfolio management.

USD is the reference currency of the Sub-Fund but assets may be denominated in other currencies and currency exposure may be hedged.

The global exposure of the Sub-Fund will be monitored using VaR methodology.

All of the above investments will be made in accordance with the limits set out in "Appendix II - Investment Restrictions and Powers".

### Investor Profile

This is a bond Sub-Fund aimed at investors looking for returns in excess of cash with low volatility through investments across a range of eligible asset types with targeted risk limits. Investors should have an investment horizon of at least one to three years.

### Risk Profile

- Corporate and government bond prices can fluctuate significantly depending on not only the global economic and interest rate conditions but also the general credit market environment and the credit worthiness of the issuer. Those bonds also carry a risk of downgrade or default.
- The Sub-Fund will also hold below investment grade (high yield) bonds, which are accompanied by higher risks due to the greater balance sheet risks and credit risks associated with investing in the asset class. Investors should also be prepared for greater volatility than investments only in investment grade bonds, with an increased risk of capital loss.
- The Sub-Fund may also invest in securities which are not rated by independent rating agencies.
- The Sub-Fund may invest in asset backed securities and mortgage backed securities and these securities may carry higher risks than other fixed income securities. Investors should be aware that asset backed securities and mortgage backed securities may embed leverage that may result in higher returns but also in higher losses.
- The Sub-Fund may have exposure to securities issued by governments and agencies of emerging market countries or companies domiciled in emerging market countries. Investment in emerging market bonds is accompanied by higher risks than developed markets bonds, including significant price fluctuation and an increased risk of capital loss, due to the political (including capital controls), interest rate and credit risks associated with investing in the asset class.
- The Sub-Fund may invest directly in securities listed on the Russian Trading System (RTS) Stock Exchange and the Moscow Interbank Currency Exchange, which are classified as Regulated Markets. For further information relating to investment in Russia, please refer to "Appendix IV – Risk Factors".
- The Sub-Fund is denominated in USD, but may at times have non-USD exposure, including exposure to emerging market currencies.
- The Sub-Fund will use financial derivative instruments to achieve its investment objective. The risks associated with the derivative instruments listed in the Investment Policy above are further detailed in "Appendix IV – Risk Factors".

### Fees and Expenses

Share Class	Initial Charge	Annual Management and Advisory Fee	Operating and Administrative Expenses	Redemption Charge
JPM Global Absolute Return Bond A	3.0%	1.00%	0.20%	0.50%
JPM Global Absolute Return Bond B	Nil	0.60%	0.15%	Nil
JPM Global Absolute Return Bond C	Nil	0.50%	0.15%	Nil
JPM Global Absolute Return Bond D	3.0%	1.50%	0.20%	0.50%
JPM Global Absolute Return Bond I	Nil	0.50%	0.11% Max	Nil
JPM Global Absolute Return Bond X	Nil	On Application	0.10% Max	Nil

**Performance Fee**

<b>Share Classes</b>	<b>Performance Fee</b>	<b>Mechanism</b>	<b>Performance Fee Benchmark</b>
Non-hedged	20%	High Water Mark	British Bankers' Association (BBA) LIBOR USD Overnight Index
EUR hedged	20%	High Water Mark	European Overnight Index Average (EONIA)
GBP hedged	20%	High Water Mark	British Bankers' Association (BBA) LIBOR GBP Overnight Index
SEK hedged	20%	High Water Mark	British Bankers' Association (BBA) LIBOR SEK Spot Next Index

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