

# A S S E T M A N A G E M E N T

Mary Erdoes, Chief Executive Officer Asset Management

**February 26, 2013**

# J.P. Morgan Asset Management – A world-class global client franchise

## Growth business within JPMC

- Consistent, predictable high growth business for the firm – revenues, earnings, ROE
- Long-term, robust client-centric model
- Diversified earnings from broad set of products, channels, and regions

## World's best clients

- J.P. Morgan Private Bank unmatched in serving the world's wealthiest
- Over 55% of top sovereign wealth funds, pension funds, and central banks
- ~3,000 financial intermediaries, ~60% outside the U.S.

## Tenured top talent

- Over 95% retention of top talent
- >80 PMs with top quartile 10-year mutual fund performance
- Fiduciary culture ingrained in each and every hire

## Difficult to replicate

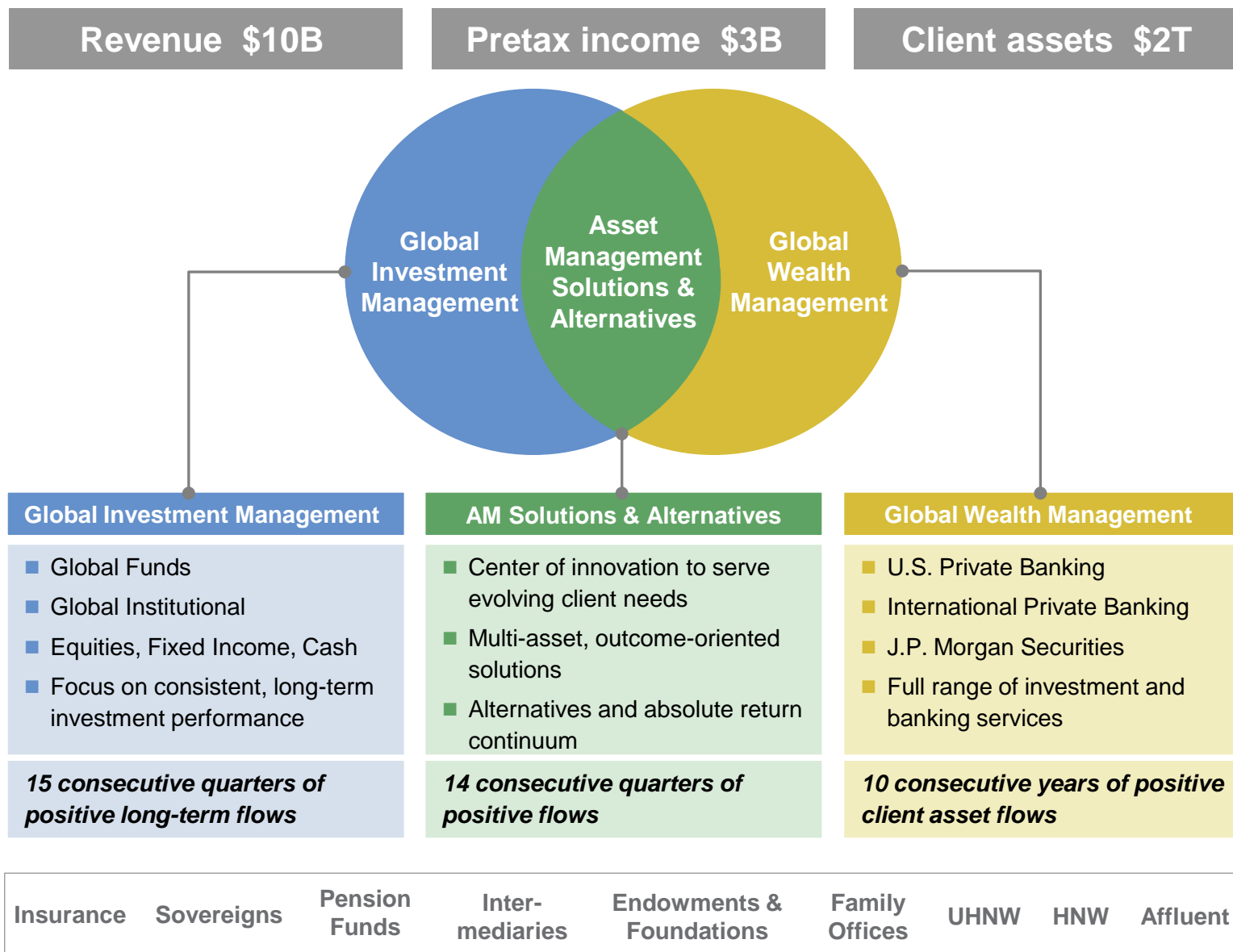
- Managing clients' assets since 1832
- Celebrating 100-year relationships in the Private Bank
- Invaluable benefit of being part of JPMorgan Chase

## 2012 performance highlights – Another record year

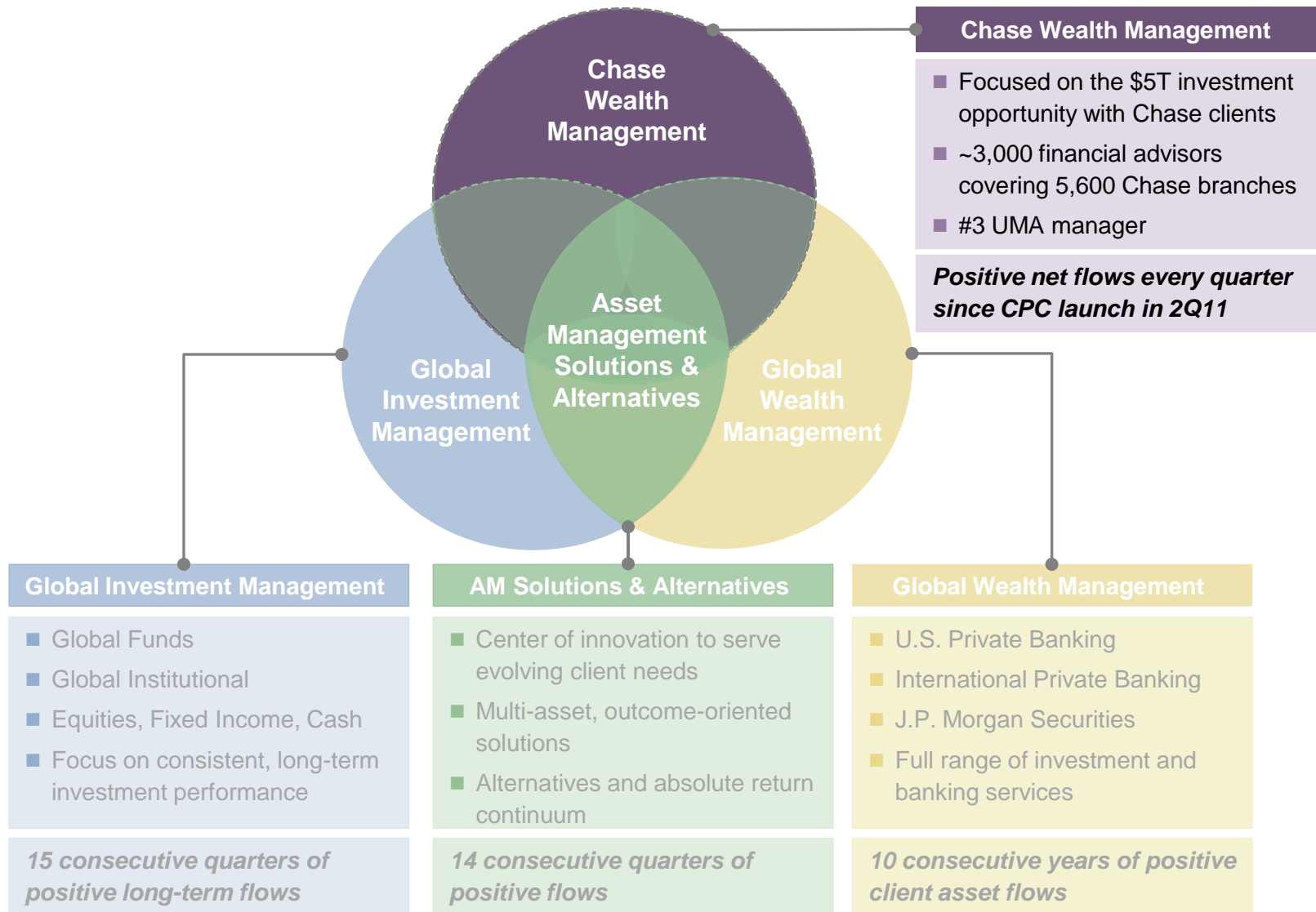
 Record

Performance highlights		2006	2012	2006-12 growth	
Top investment performance	■ Mutual funds AUM in 1st/2nd quartiles (% over 5 years)	79%	76%		
	■ 4/5 star mutual funds (#)	136	218	60%	
	■ Assets under management (\$T)	\$1.0	<b>\$1.4</b>	41%	
Franchise expansion	GWM	■ U.S. Private Bank client advisors (#)	1,169	1,597	37%
		■ International Private Bank client advisors (#)	337	<b>774</b>	130%
		■ JPMS financial advisors (#)	324	<b>450</b>	39%
	GIM	■ Salespeople (#)	659	<b>858</b>	30%
		■ Investment professionals (#)	1,159	<b>1,307</b>	13%
		■ Investment strategies (#)	254	<b>378</b>	49%
Record growth	■ Client assets (\$T)	\$1.3	<b>\$2.1</b>	56%	
	■ Long-term client asset flows (\$B)	58	103	78%	
	■ Deposits (\$B)	\$52	<b>\$145</b>	180%	
	■ Loans (\$B)	\$25	<b>\$69</b>	183%	
	■ Mortgages (\$B)	\$5	<b>\$18</b>	240%	
Investing for growth	■ Revenue (\$B)	\$6.8	<b>\$9.9</b>	47%	
	■ Net income (\$B)	\$1.4	\$1.7	21%	
	■ Pretax margin	33%	28%		
	■ ROE	40%	24%		

# An integrated model with unique advantages



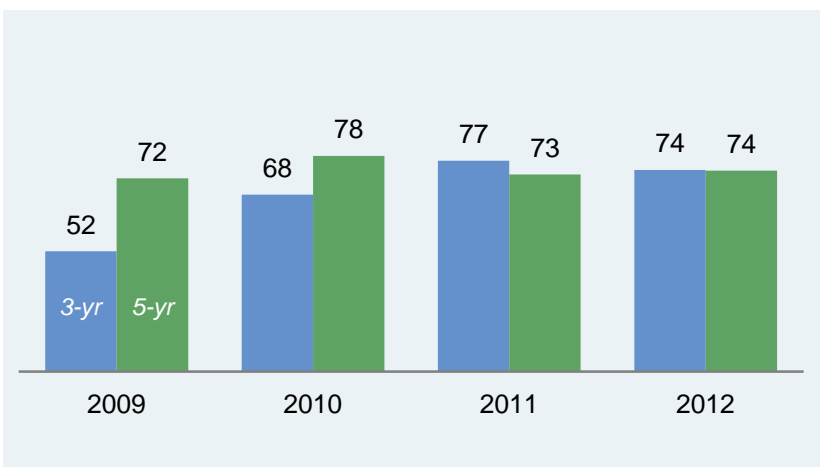
# AM expertise accessible to CWM clients





## Consistent world-class investment performance in Equity and Fixed Income...

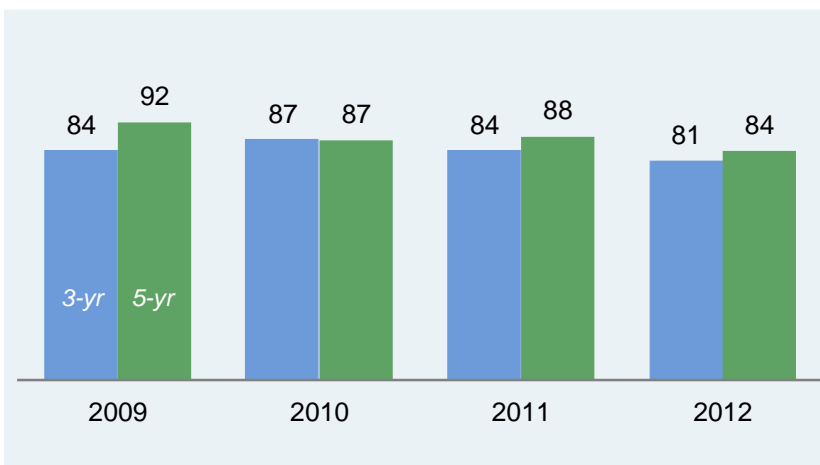
### Equity – % of MF AUM in top 2 quartiles



### Select regional Equity funds excess return (bps)

Fund	3-year	1-year
U.S. Value Advantage	106	24
Europe Equity Plus	776	983
ASEAN Equity	418	768
Emerging Markets Opportunity	419	605

### Fixed Income – % of MF AUM in top 2 quartiles



### Select regional Fixed Income funds excess return (bps)

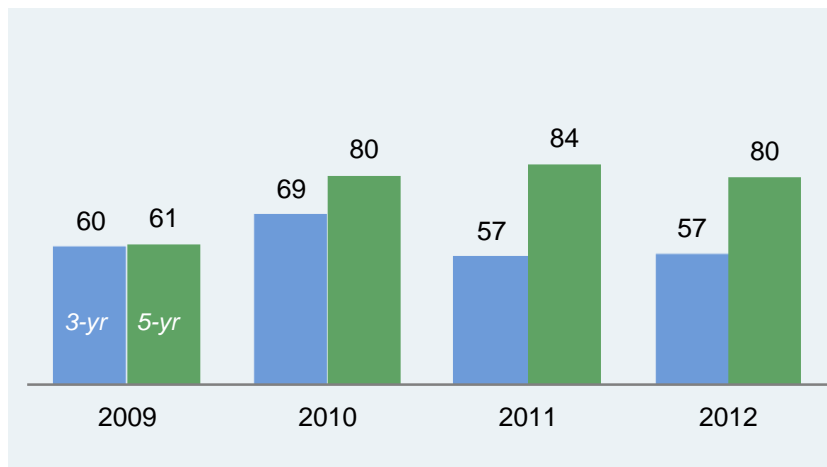
Fund	3-year	1-year
U.S. Core Plus Bond	186	277
Global Bond	208	158
MBS	208	238
Emerging Markets Debt	81	176

Note: All returns are annualized. Select regional funds' excess returns are as of 01/31/13

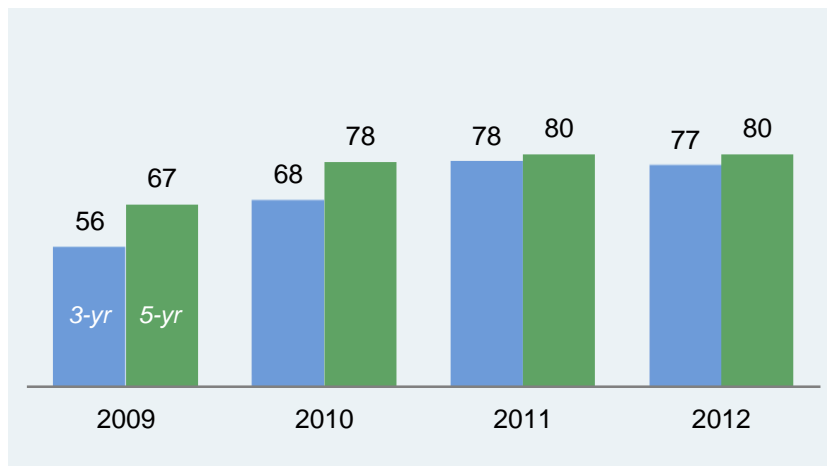


...as well as in Solutions and Alternatives

**Solutions – % of MF AUM in top 2 quartiles**



**Alternatives / Abs. return – % of AUM above benchmark**



**Select regional Solutions funds excess returns (bps)**

Fund	3-year	1-year
SmartRetirement 2035	42	186
Diversified	235	299
Income Builder	191	470
Asia Pacific Income	75	652

**Select Alts / Abs. return strategies<sup>1</sup> excess return (bps)**

Strategy	3-year	1-year
Multi-Strategy	140	290
Global Macro	280	620
U.S. Real Estate <sup>2</sup>	550	190
Private Equity <sup>3</sup>	190	(190)

Note: All returns are annualized. Select regional funds' excess returns are as of 01/31/13 (unless otherwise noted)

<sup>1</sup> Alternatives / Absolute return strategies' excess returns rounded to nearest 10bps

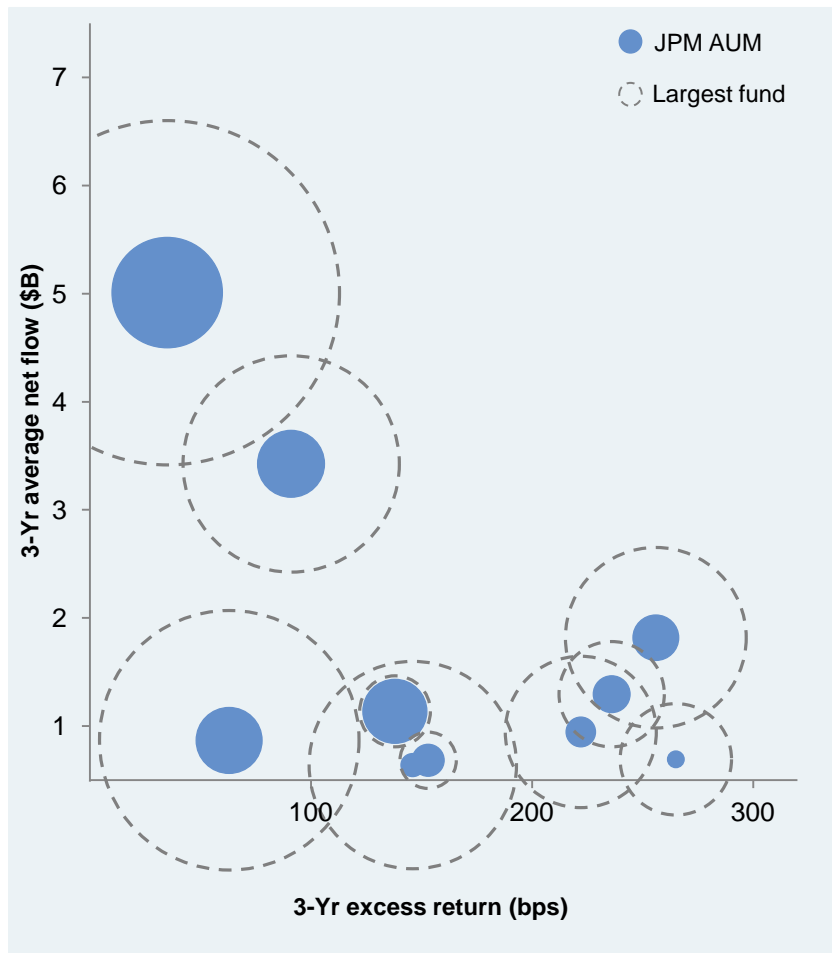
<sup>2</sup> Gross return vs. NPI benchmark, as of 12/31/12

<sup>3</sup> Net return vs. Cambridge PE & VC benchmark, as of 09/30/12



# Top-performing funds with significant capacity to grow

10 JPM funds compared to largest funds in category



Incremental impact from fund growth

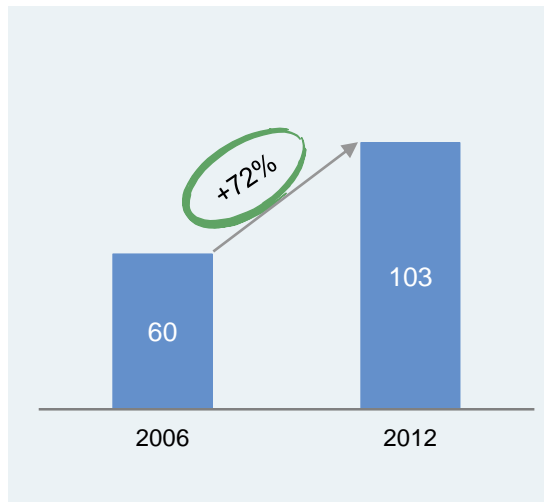
	10 JPM funds as of today	If each fund reached Top 3 position by size
AUM	~\$75B	+\$175B
Revenue	~\$520mm	+\$900mm
Pretax income	~\$210mm	+\$450mm

Source: Strategic Insight, Morningstar Direct  
 AUM as of 12/31/12. Net flows reflect average yearly flows over 3 yr period as of 12/31/12. Excess returns as of 12/31/12, Select Shares

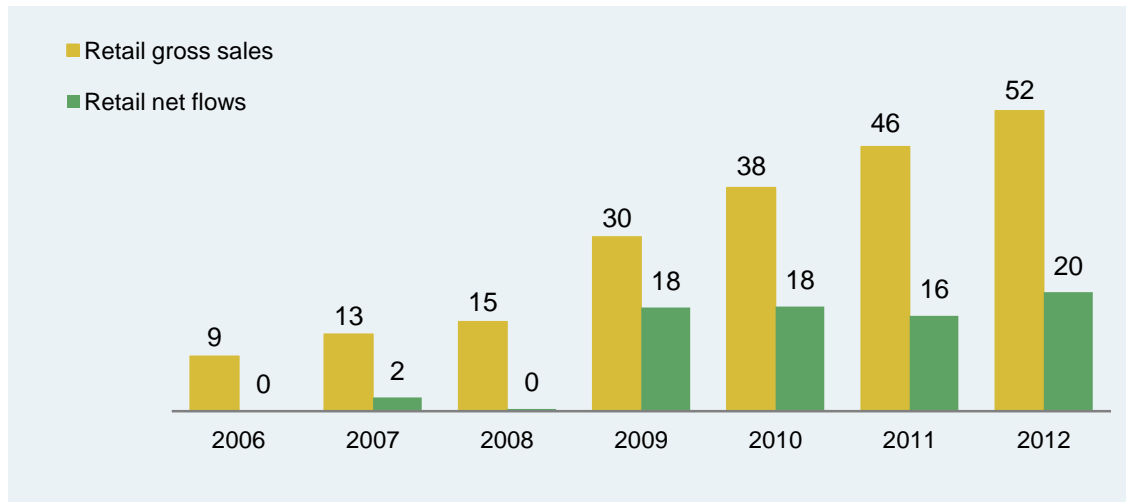


# Client advisor growth and enhanced productivity drive success in U.S. Funds

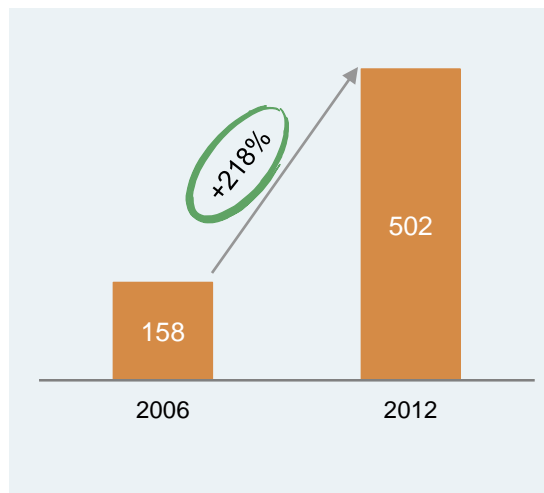
External client advisors (#)



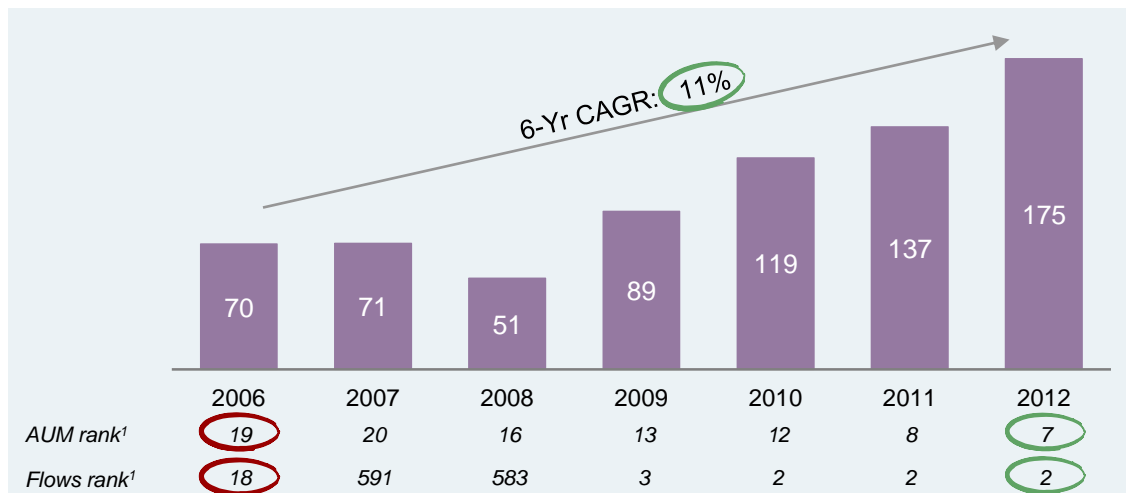
U.S. Funds retail distribution active long-term gross sales / net flows (\$B)



Gross sales per external CA (\$mm)



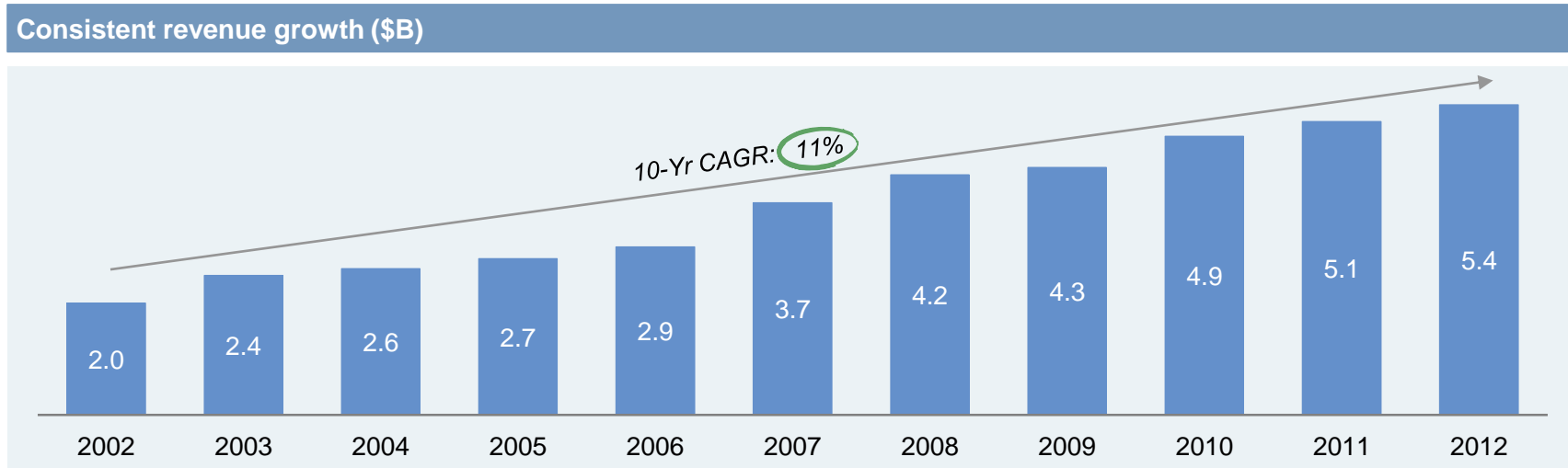
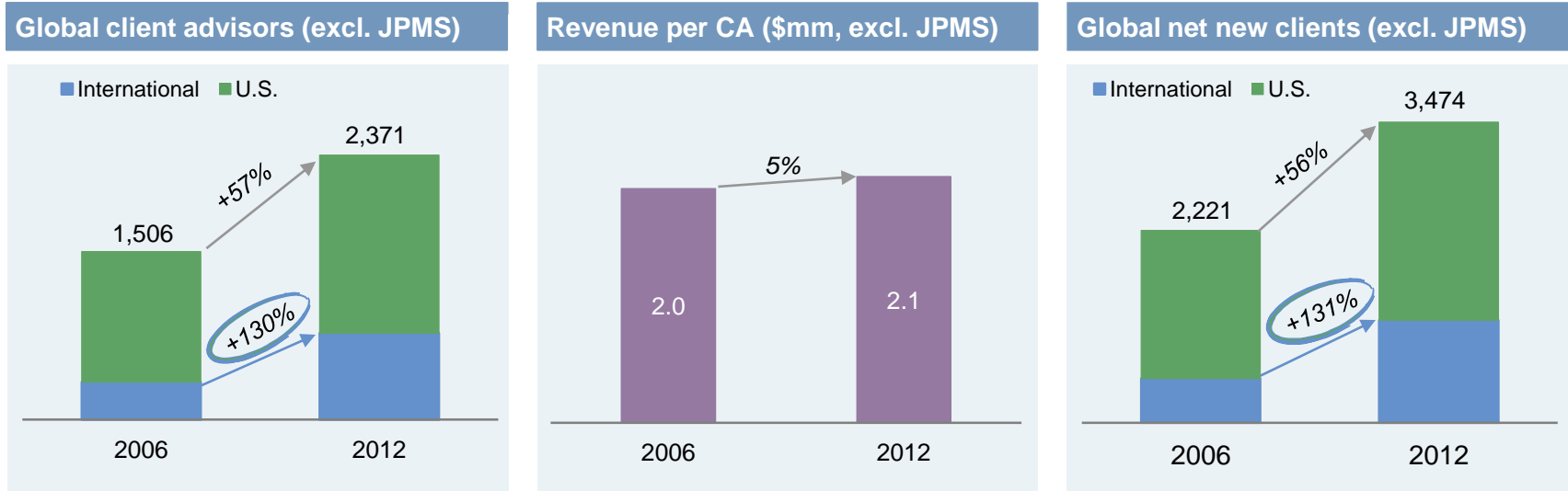
U.S. Funds active long-term mutual fund AUM (\$B)



<sup>1</sup> Based on Strategic Insights data



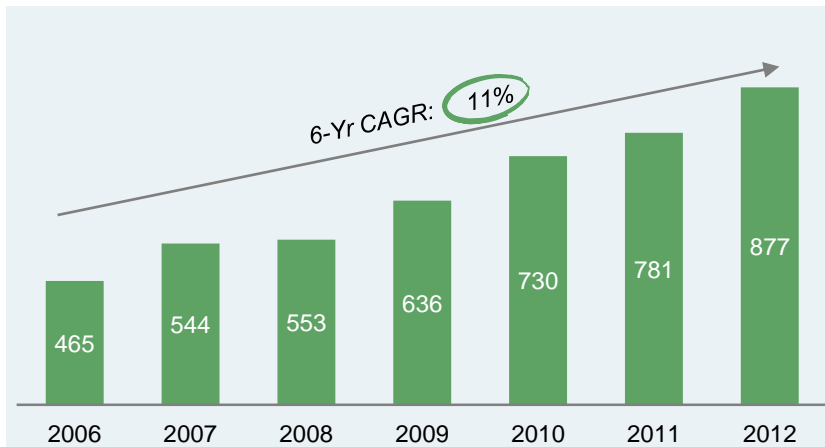
# A premier global private banking franchise



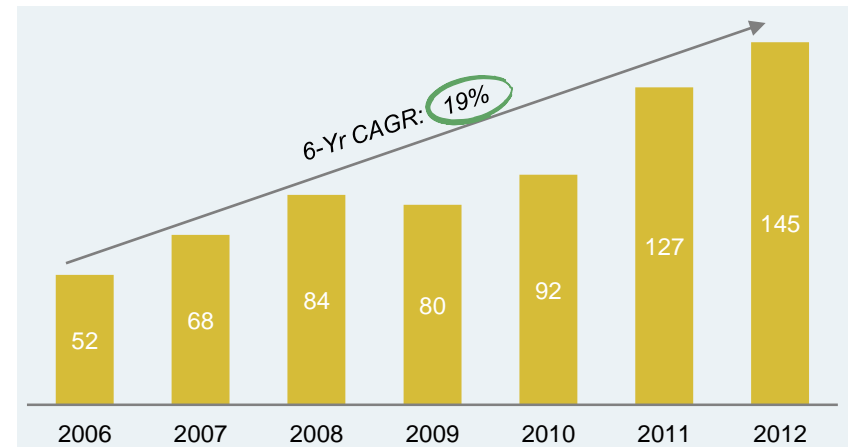


# Consistent growth across investment products, deposits, and loans

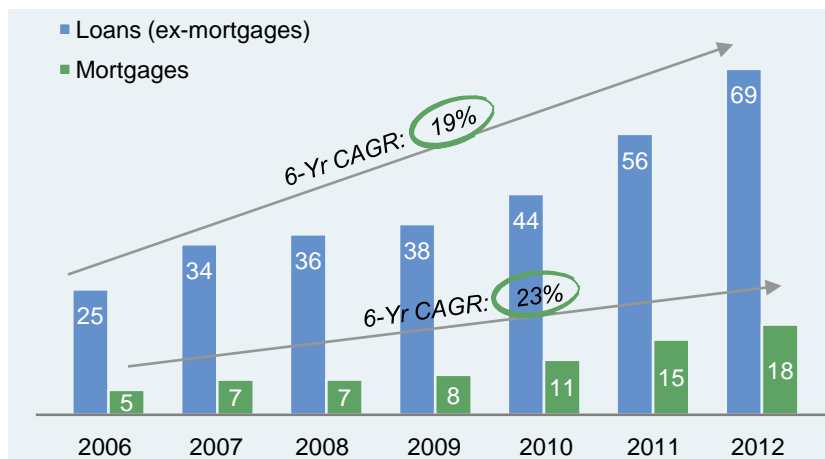
**GWM Client assets (\$B)**



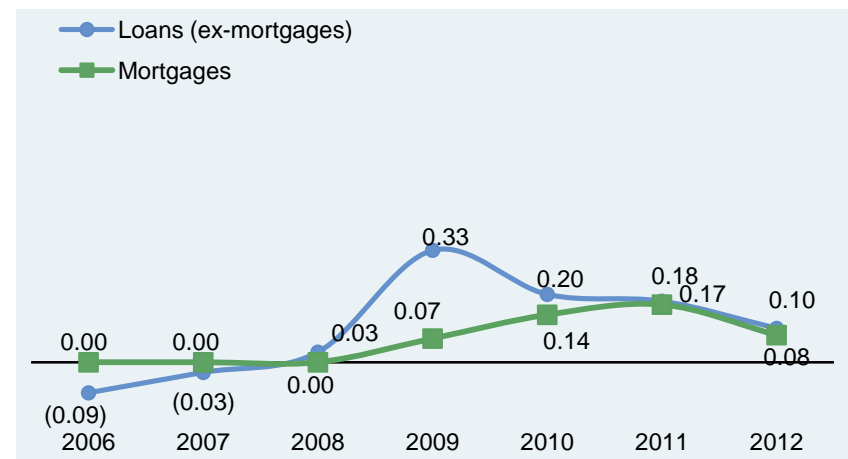
**GWM Deposits (\$B)**



**GWM Loans (\$B) – 94% with secured collateral**



**GWM net charge-off rate (%)**

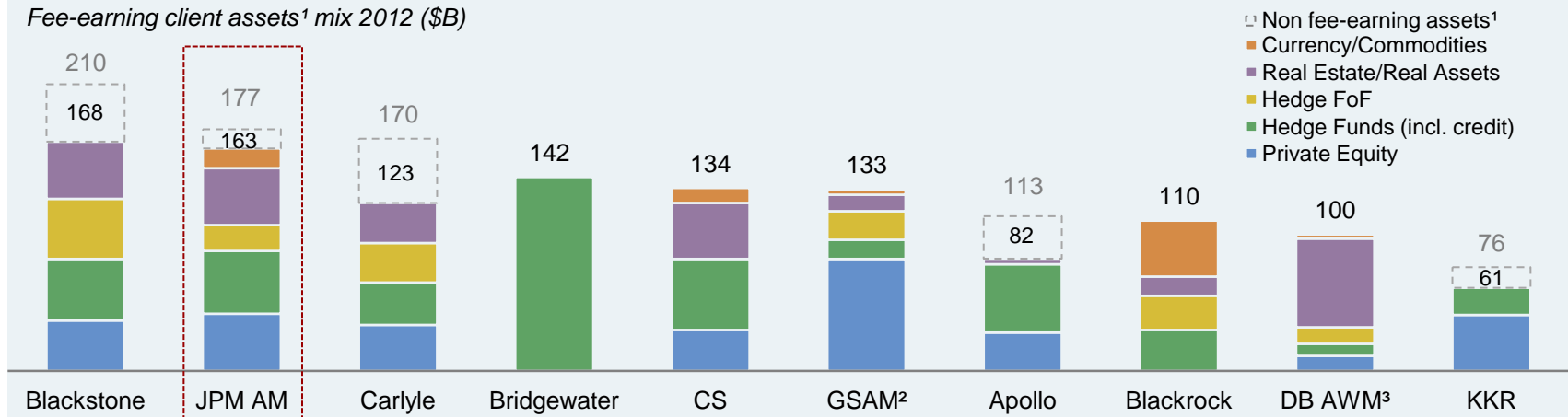




# A global leader in Alternatives, Absolute return, and Solutions

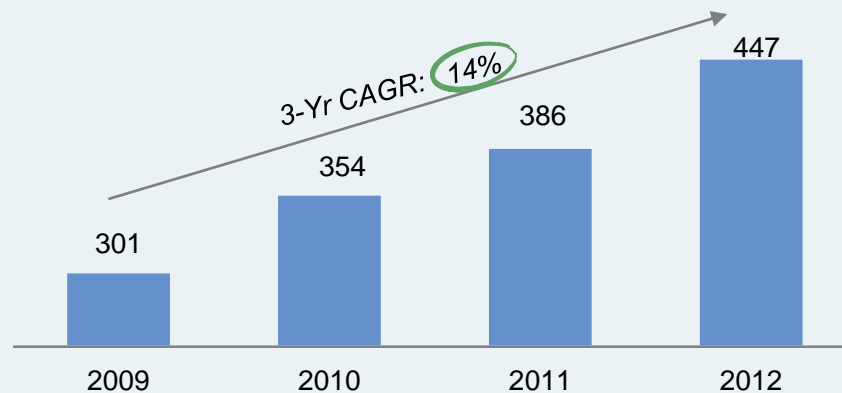
## Diversified Alternatives / Absolute return platform

Fee-earning client assets<sup>1</sup> mix 2012 (\$B)



## Innovative Alternatives and outcome-oriented Solutions offerings

JPM AM Alternatives, Absolute return, and Solutions AUM (\$B)



- SmartRetirement grew 7x from '08, +\$18B
- Thematic Advisory Program launched '10, +\$12B
- Absolute Return Fixed Income launched Nov '12, +\$1.5B

Source: Company filings, J.P. Morgan estimates

<sup>1</sup> Fee-earning client assets exclude assets which do not earn fees, such as firm capital invested in its own funds, uncalled capital commitments, and asset appreciation based on changes in the fair value of underlying investments. Non fee-earning assets include these items

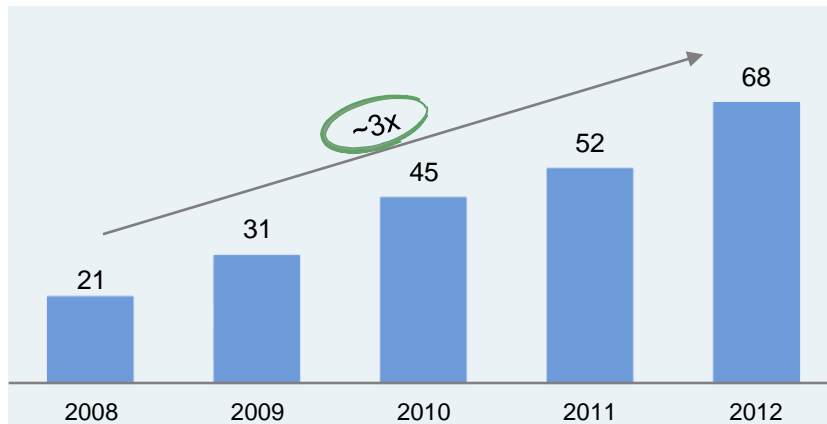
<sup>2</sup> GSAM breakdown based on FT Towers Watson Global Alternatives Survey 2012 (July 2012)

<sup>3</sup> Deutsche Bank AWM figures based on J.P. Morgan estimates

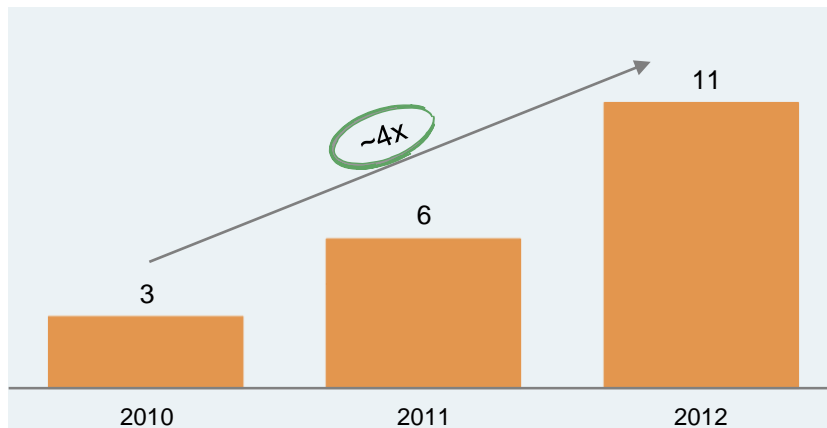


## Partnership with CWM further adds to growth trajectory

Assets managed for CWM clients (\$B)



CWM net new investment flows (\$B)



### Highlights

#### ■ AM and CWM to cover U.S. wealth continuum

- CWM focuses on investment opportunity in the branches
- One single affluent business – integrating ~77,000 U.S. PB affluent clients (\$38B of assets) with CWM
- Client referrals seamless between CWM and AM

#### ■ Clients benefit from best-in-class investment and operating platform

- U.S. PB platform and investment expertise available for CWM clients
- Fastest growing CWM products are managed accounts that leverage expertise of AM Solutions

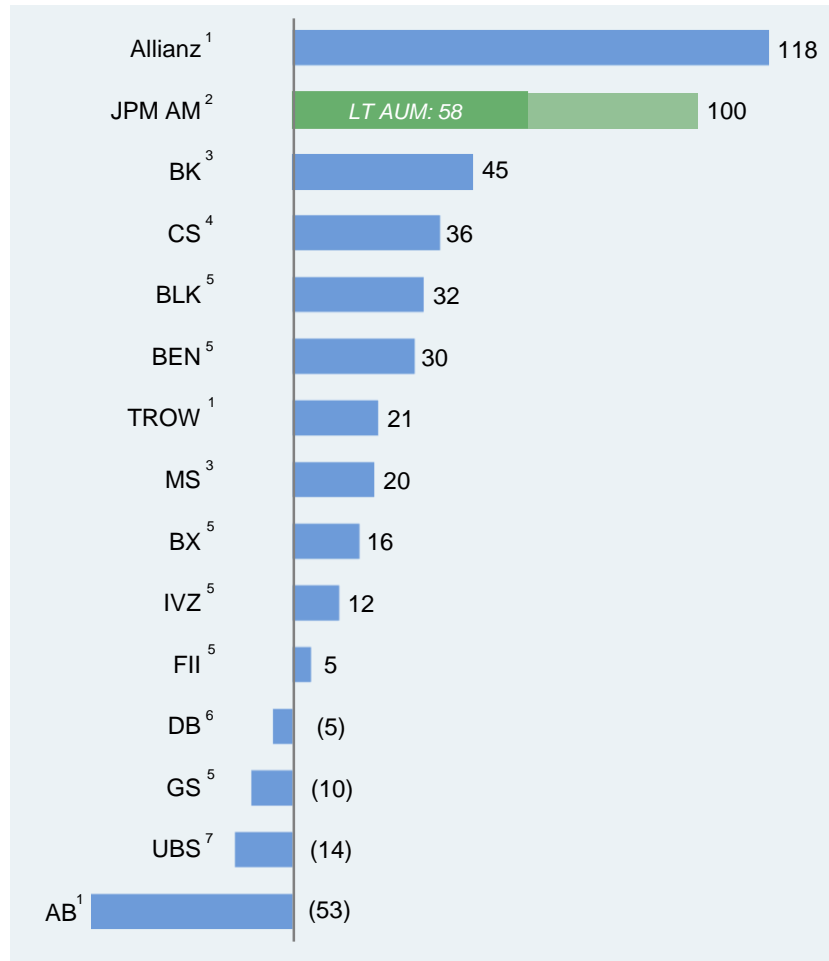
#### ■ CWM important distribution channel for U.S. Funds

#### ■ Accelerated growth expected going forward through CPC expansion

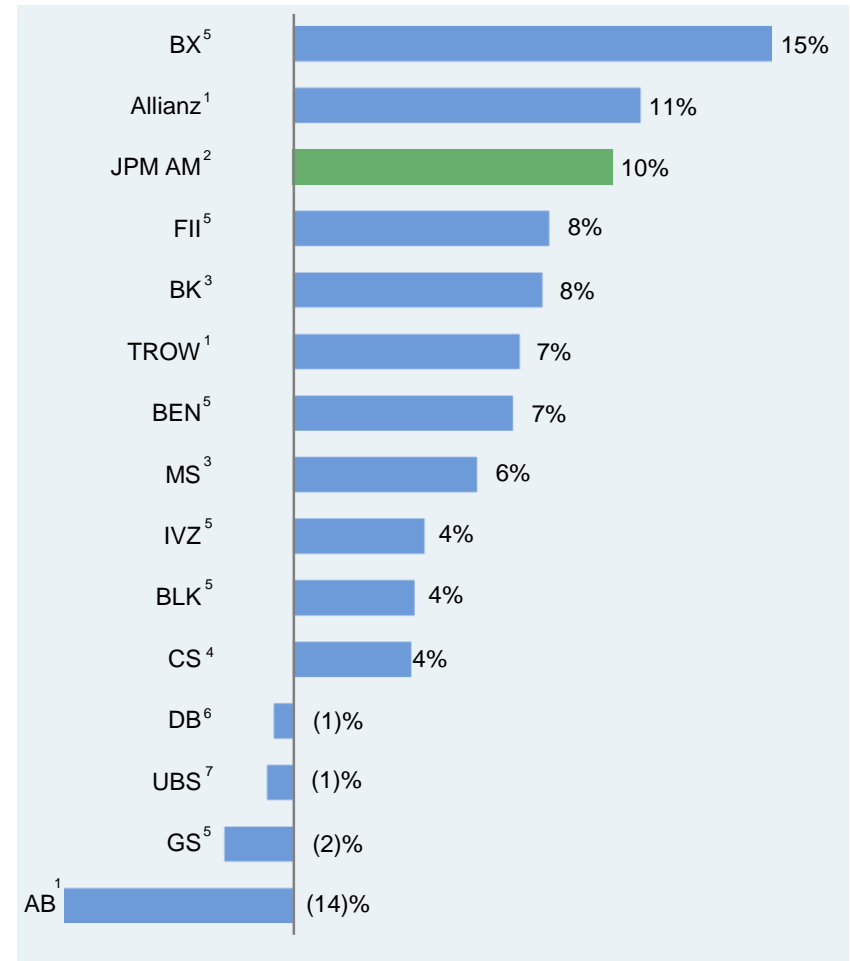


## Strong investment performance enables outsized flows

2009-2012 avg annual client asset flows ex-liquidity (\$B)



2009-2012 compound annual client asset growth rate



~\$20B in long-term AUM flows in 2012 from each of our three channels

Source: Company filings, J.P. Morgan estimates

Note: 2009-2012 represents 4 years of flows. Allianz, CS, DB, and UBS non-USD flows converted at average annual exchange rates. BX flows based on fee-earning assets.

<sup>1</sup> Total AUM flows

<sup>2</sup> Long-term AUM, brokerage, custody, and deposit flows

<sup>3</sup> Long-term AUM and brokerage flows

<sup>4</sup> Total AUM and brokerage flows

<sup>5</sup> Long-term AUM flows

<sup>6</sup> Total AUM, brokerage, and deposit flows

<sup>7</sup> Long-term AUM, brokerage, and deposit flows



# Consistent long-term flows across channels, regions, and products

2009-2012 cumulative long-term flows by channel, region, and product (\$B)

Channel	Region	AUM Flows				
		Equity	Fixed Income	Multi-Asset	Alternatives	AUS Flows
GWM	U.S.	> \$0.5B	> \$0.5B	> \$0.5B	> \$0.5B	> \$0.5B
	EMEA	> \$0.5B	> \$0.5B	> \$0.5B	\$(0.5)B – \$0.5B	> \$0.5B
	Asia	\$(0.5)B – \$0.5B	\$(0.5)B – \$0.5B	> \$0.5B	\$(0.5)B – \$0.5B	> \$0.5B
	LatAm	\$(0.5)B – \$0.5B	> \$0.5B	> \$0.5B	\$(0.5)B – \$0.5B	> \$0.5B
Retail	U.S.	> \$0.5B	> \$0.5B	> \$0.5B	> \$0.5B	> \$0.5B
	EMEA	< \$(0.5)B	> \$0.5B	< \$(0.5)B	> \$0.5B	> \$0.5B
	Asia	< \$(0.5)B	> \$0.5B	> \$0.5B	> \$0.5B	> \$0.5B
	LatAm	< \$(0.5)B	> \$0.5B	\$(0.5)B – \$0.5B	\$(0.5)B – \$0.5B	> \$0.5B
Institutional	U.S.	> \$0.5B	> \$0.5B	> \$0.5B	> \$0.5B	> \$0.5B
	EMEA	< \$(0.5)B	\$(0.5)B – \$0.5B	< \$(0.5)B	< \$(0.5)B	> \$0.5B
	Asia	> \$0.5B	\$(0.5)B – \$0.5B	\$(0.5)B – \$0.5B	> \$0.5B	> \$0.5B
	LatAm	\$(0.5)B – \$0.5B	> \$0.5B	\$(0.5)B – \$0.5B	< \$(0.5)B	> \$0.5B

■ < \$(0.5)B   
 ■ \$(0.5)B – \$0.5B   
 ■ > \$0.5B



# Consistent long-term flows across channels, regions, and products

2013 YTD cumulative long-term flows by channel, region, and product (\$B)

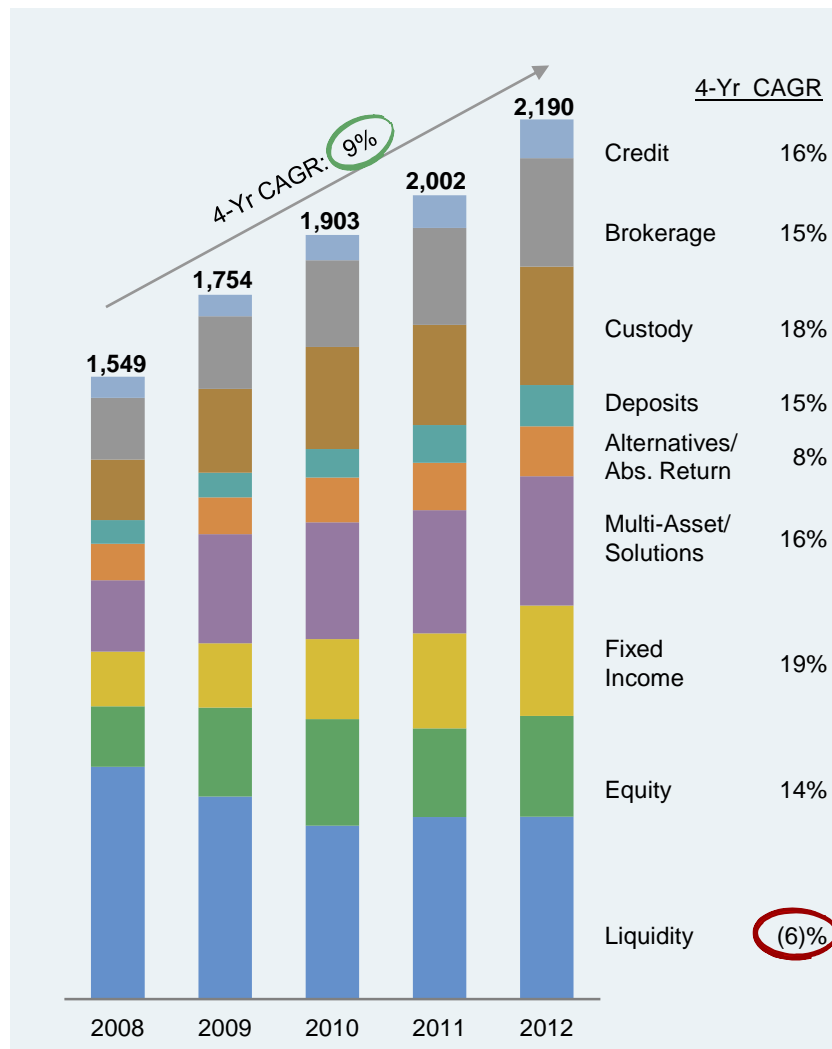
Channel	Region	AUM Flows				
		Equity	Fixed Income	Multi-Asset	Alternatives	AUS Flows
GWM	U.S.	Green	Green	Green	Green	Red
	EMEA	Green	Green	Green	Yellow	Green
	Asia	Green	Green	Green	Yellow	Green
	LatAm	Green	Green	Green	Yellow	Green
Retail	U.S.	Green	Green	Green	Yellow	Green
	EMEA	Green	Green	Green	Green	Green
	Asia	Green	Green	Green	Green	Green
	LatAm	Green	Green	Green	Green	Green
Institutional	U.S.	Red	Green	Green	Green	Green
	EMEA	Yellow	Green	Yellow	Green	Green
	Asia	Green	Green	Green	Yellow	Green
	LatAm	Green	Green	Green	Green	Green

■ < \$(0.5)B    
 ■ \$(0.5)B – \$0.0B    
 ■ > \$0.0B

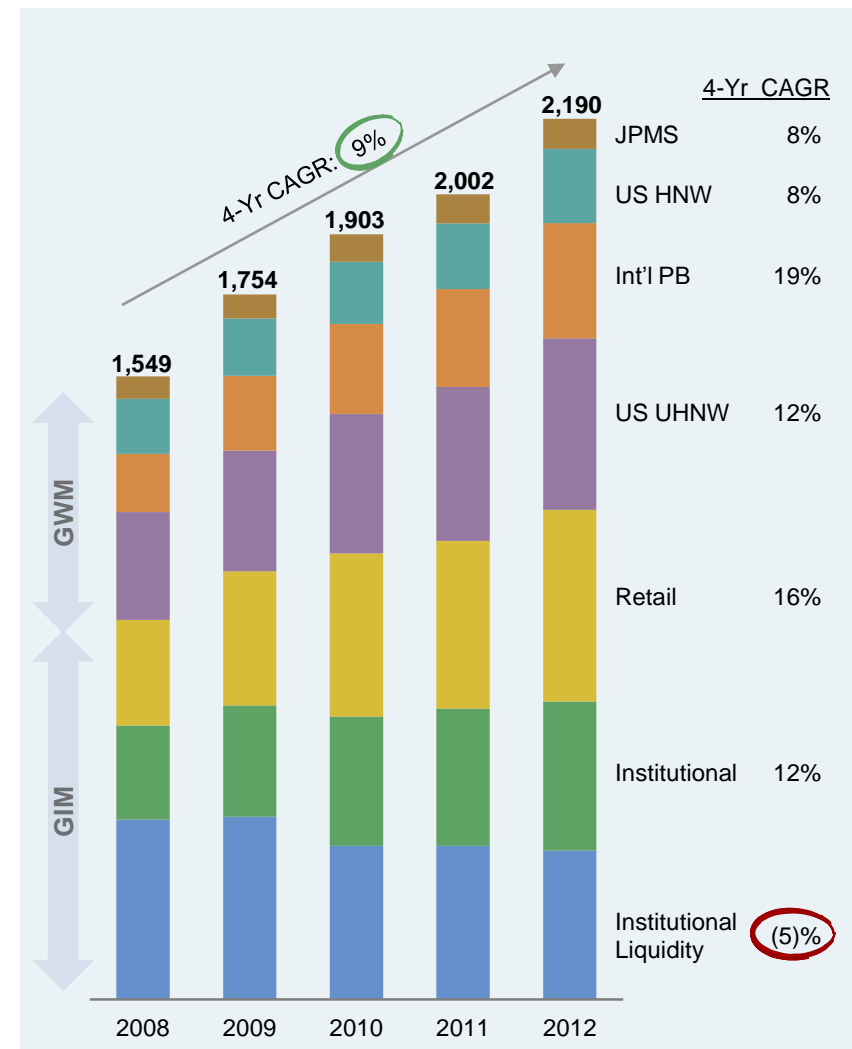


# Growing in every product and client channel since the crisis (except liquidity)

Total client positions by product (\$B)



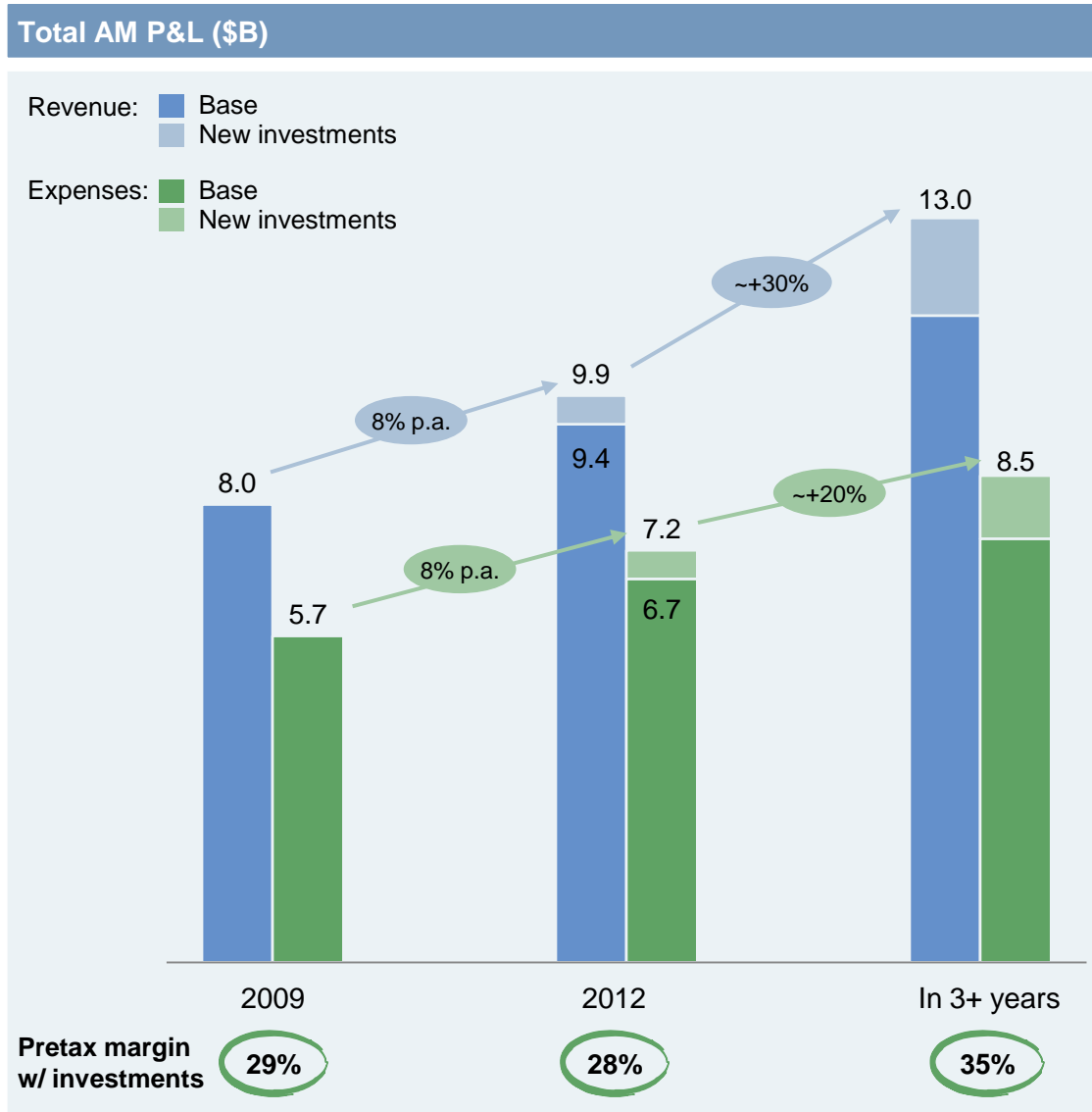
Total client positions by channel (\$B)



ASSET MANAGEMENT



# Expansion investments in 2010–2012 will fuel future growth and increase margins

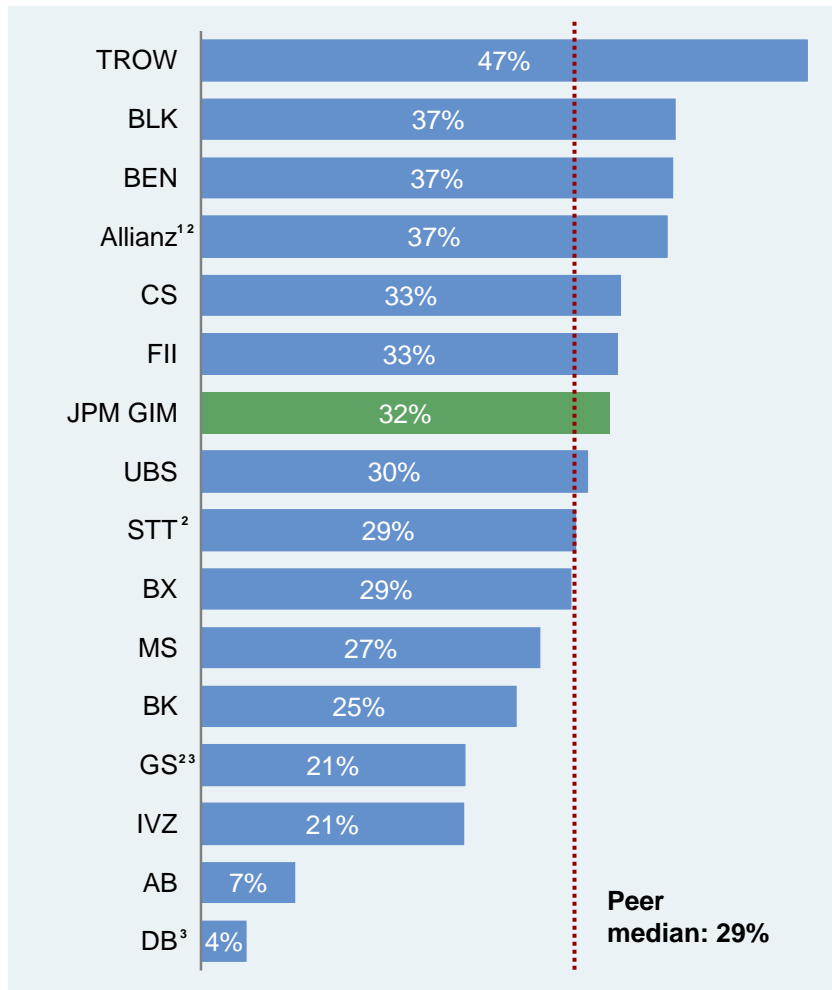


- Commentary**
- Hired ~800 client advisors and investors across GWM and GIM
  - Launched several new business initiatives in GIM (e.g., DCIS, Insurance)
  - Targeting incremental, annual net income impact of ~\$600mm
  - Continued and accelerated revenue growth from new hires as they approach full productivity
  - Expense growth will decline as:
    - Tech/infrastructure investment growth rates come down
    - Expense discipline continues

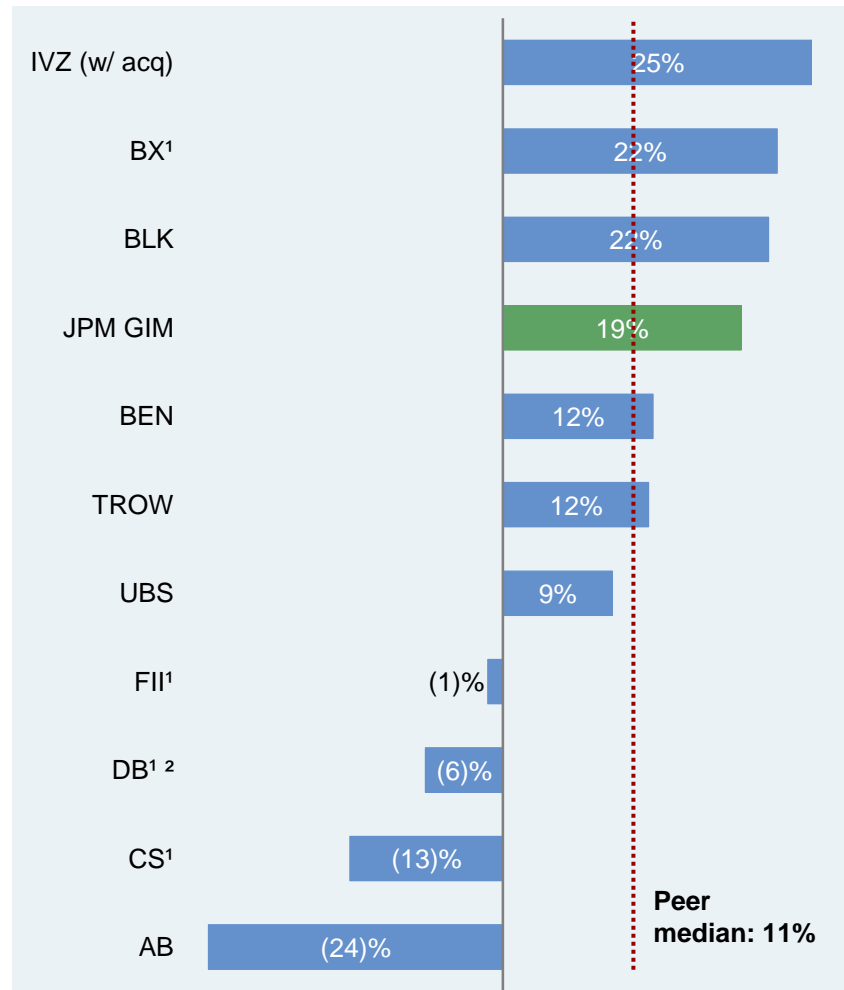


# GIM delivered strong margins while continuously investing

2012 pretax margin



3-year total headcount growth



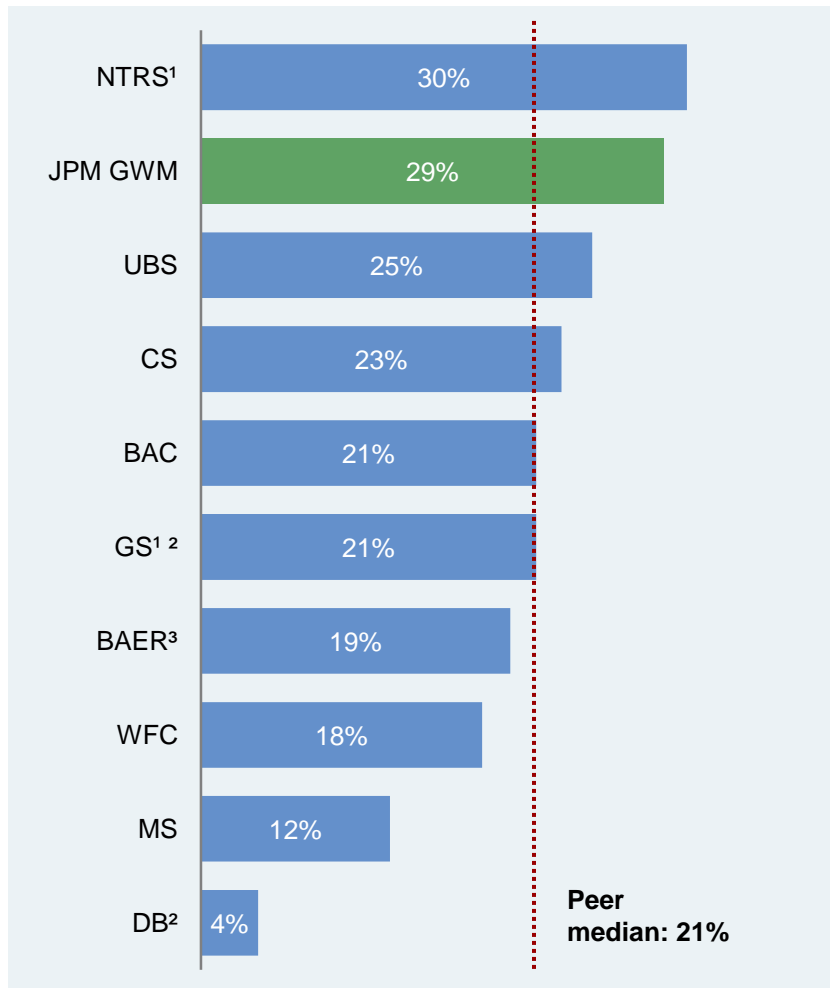
Source: Company filings, J.P. Morgan estimates  
 Note: Figures shown on an as-reported basis. BX margin figures reflect pretax distributable earnings divided by total revenues  
<sup>1</sup> Revenue presented gross of fees and commission expenses to ensure comparability with peers  
<sup>2</sup> Has not yet reported segment margin for 2012; LTM through 3Q12 used instead  
<sup>3</sup> Wealth Management vs. Investment Management margin split unavailable

Source: Company filings, J.P. Morgan estimates  
 Note: Figures as of year end shown on an as-reported basis. Not adjusted for acquisitions or divestitures  
<sup>1</sup> Growth rates represent different time periods due to changes in reporting format and/or pending 2012 disclosure: BX (2009–2011); CS (2009–3Q12); DB (2010–2012); and FII (2009–2011)  
<sup>2</sup> Wealth Management vs. Investment Management headcount split unavailable

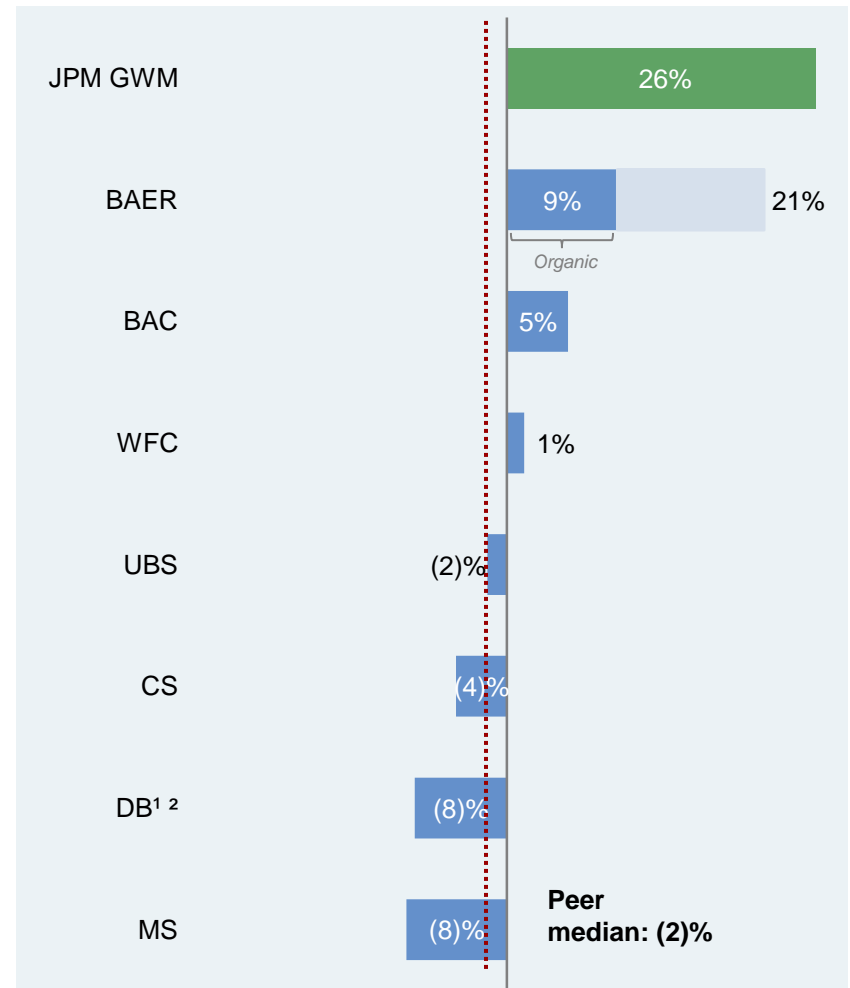


# GWM delivered industry-leading margins with unmatched investment levels

2012 pretax margin



3-year client-facing headcount growth



Source: Company filings, J.P. Morgan estimates

Note: Figures shown on an as-reported basis

<sup>1</sup> Has not yet reported segment margin for 2012; LTM through 3Q12 used instead

<sup>2</sup> Wealth Management vs. Investment Management margin split unavailable

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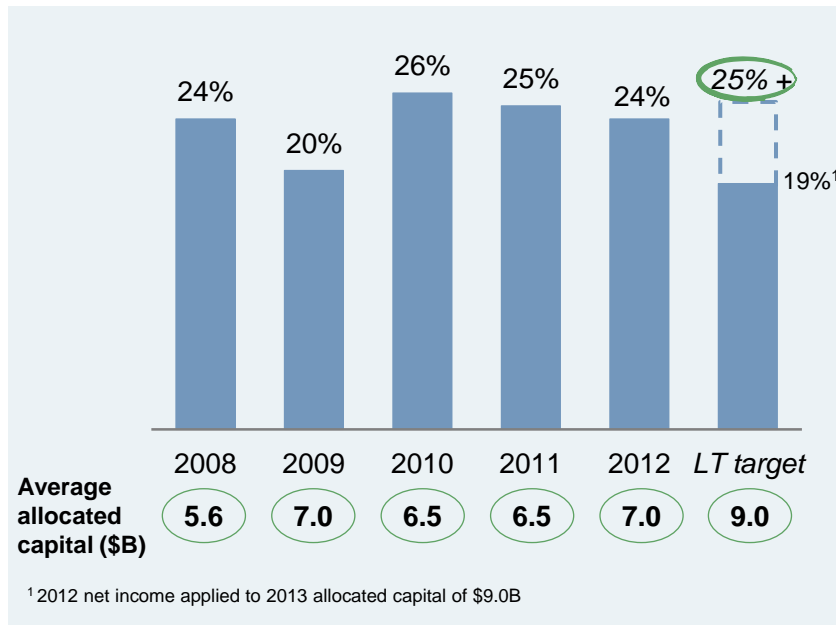
<sup>1</sup> Wealth Management vs. Investment Management headcount split unavailable

<sup>2</sup> DB figure reflects 2-year growth rate due to changes in reporting format



# High ROE relative to peers

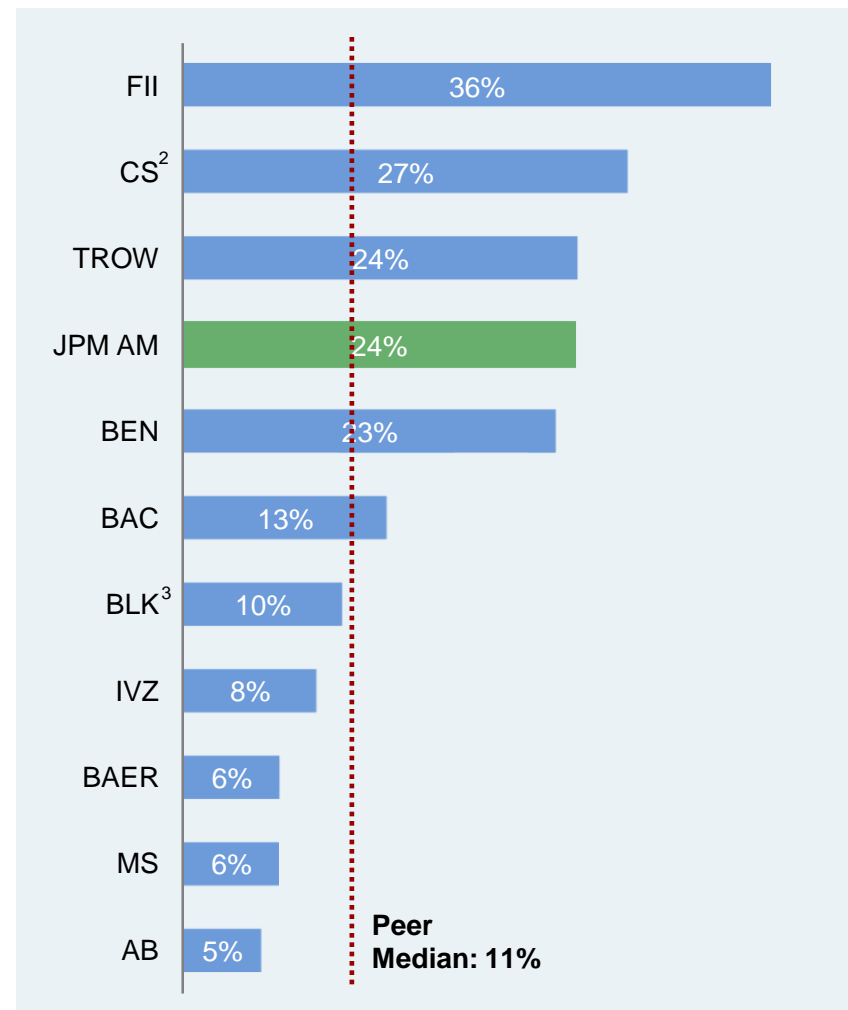
## AM Return on Equity



## Observations

- Stable ROE despite capital increases and re-investments
- 2012 ROE comparable or better than most peers
- As of 1/13, JPM AM has \$9B of allocated capital due to increased corporate allocations and expanding loan book

## Comparative asset management 2012 ROE<sup>1</sup>



Source: Company filings, J.P. Morgan estimates

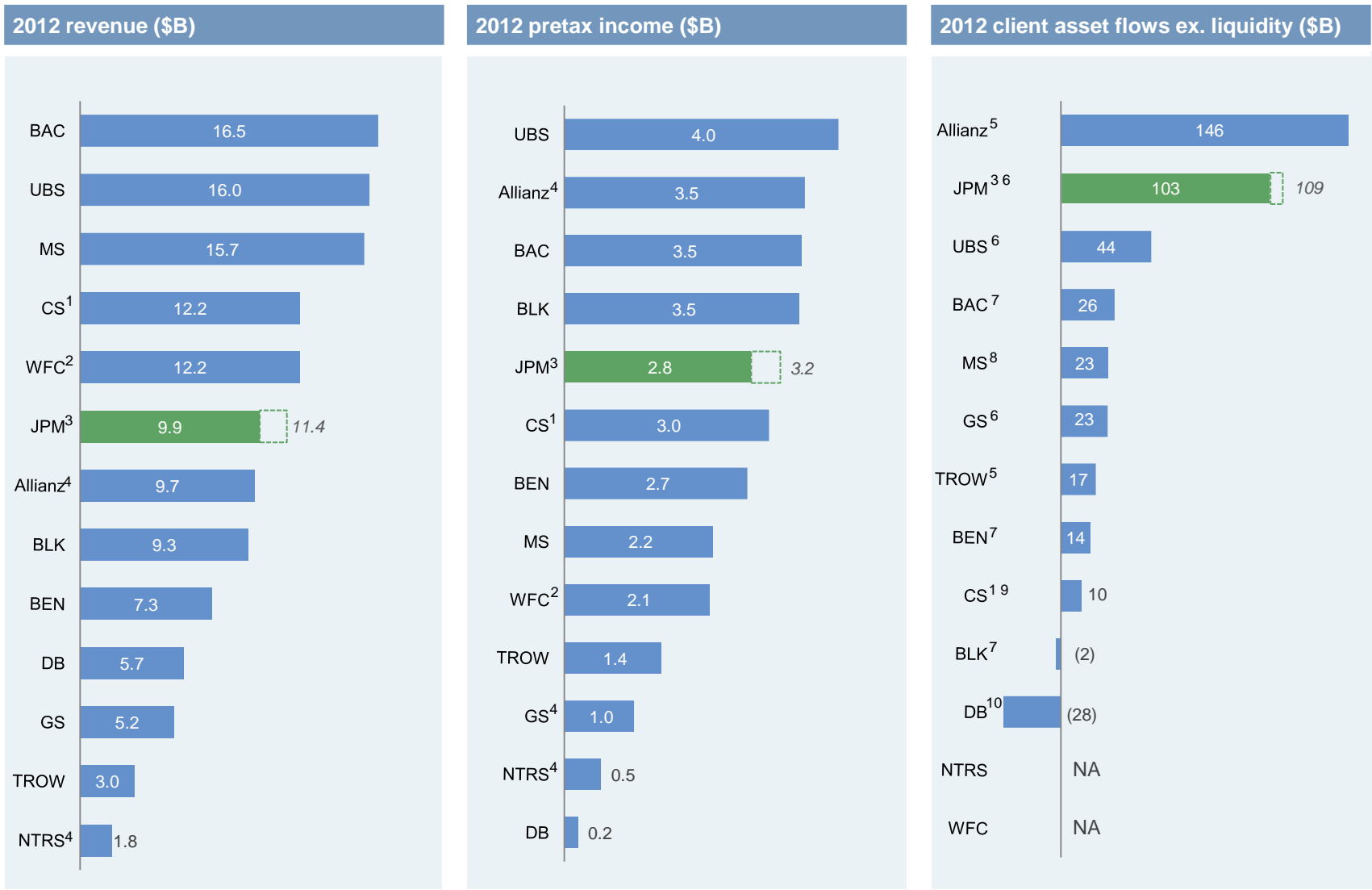
<sup>1</sup> Based on reported capital (including goodwill and intangibles where disclosed)

<sup>2</sup> Pretax income taxed at firmwide Core Results tax rate. Average utilized capital pro rated for pretax earnings of PBWM segment excluding Corporate and Institutional Clients

<sup>3</sup> Uses end of period shareholders' equity as of 9/30/12; 12/31/12 equity not yet reported



# Combined Asset and Wealth Management space offers earnings growth potential



Source: Company filings, J.P. Morgan estimates

Note: Allianz, CS, DB, and UBS figures converted at average annual exchange rate

<sup>1</sup> Excludes revenue, pretax income, and client asset flows attributable to Corporate and Institutional Client unit

<sup>2</sup> Excludes Asset Management Group (AMG) which is reported in Wholesale Banking unit. AMG consists of \$444B of AUM, of which \$112B is accounted for in Wealth, Brokerage and Retirement unit (source: Wells Fargo Wholesale Banking Investor Relations presentation, May 2012)

<sup>3</sup> Includes GIM and GWM with CWM reflecting dashed extension. Client asset flows dashed extension reflects CWM net new investments

<sup>4</sup> Reflects LTM through 3Q12 as 2012 disclosure not yet available. Allianz revenue is presented gross of fees and commission expenses to ensure comparability with peers

<sup>5</sup> Total AUM flows

<sup>6</sup> Long-term AUM, brokerage, custody (where disclosed), and deposit flows

<sup>7</sup> Long-term AUM flows

<sup>8</sup> Long-term AUM and brokerage flows

<sup>9</sup> Total AUM and brokerage flows

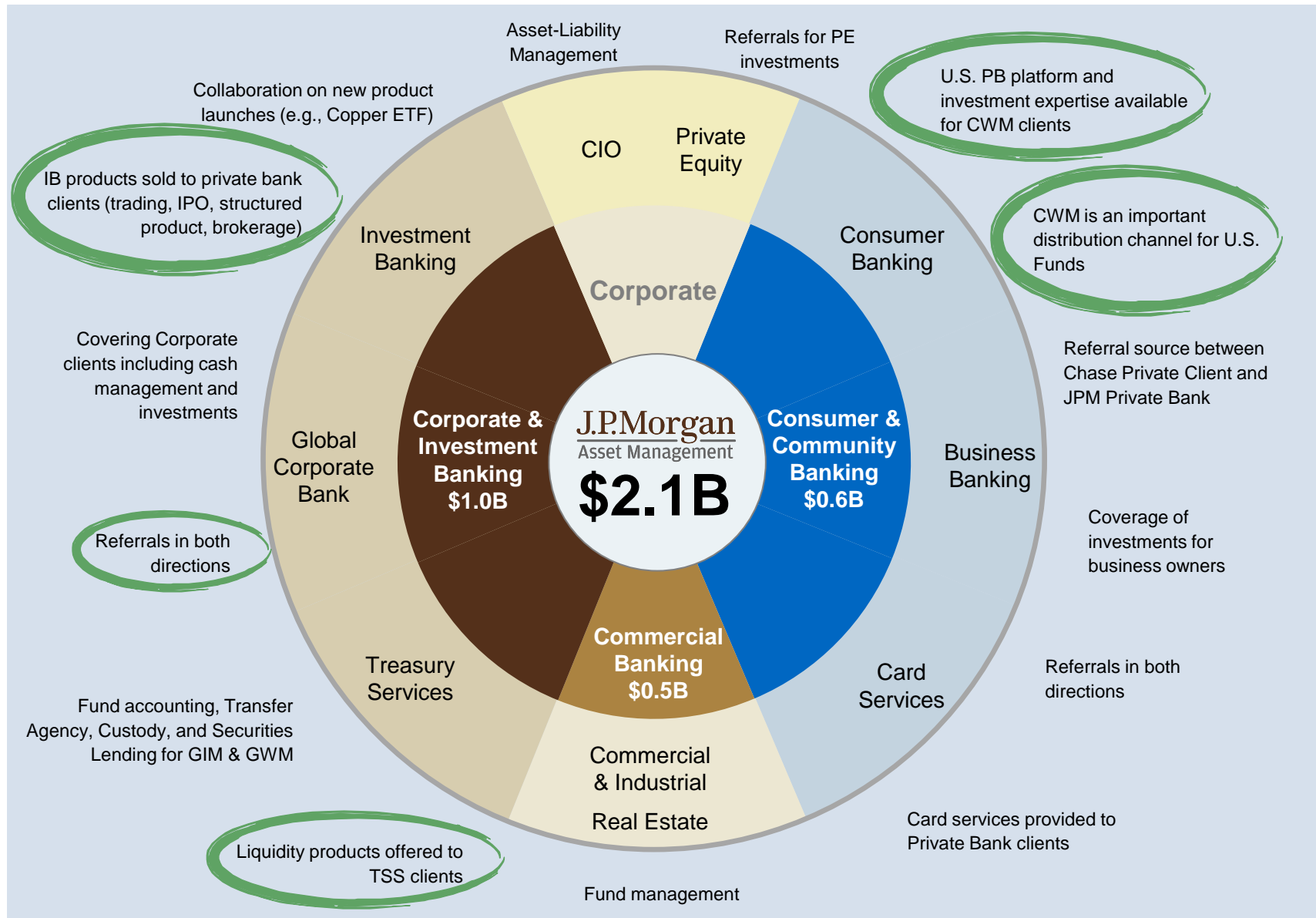
<sup>10</sup> Total AUM, brokerage, and deposit flows

ASSET MANAGEMENT



# Substantial cross-sell with the JPMorgan Chase franchise

~\$2B in cross-sell revenue across lines of business





## Continued delivery of strong growth and high returns

### Key takeaways

- Consistent growth with high margins and ROE
- Strong, long-term investment performance
- Fiduciary culture since 1832
- Diversified by products, channels, and regions
- World's best clients
- Invaluable benefit of being part of JPMC

### Future growth

- High-growth areas:
  - First wave of front office hires fully productive
  - Increased flows into strong performing strategies
  - International turnaround and expansion
  - New business initiatives including Insurance, Solutions, Alternatives, and CWM
- Financial targets:
  - Client assets: 7–10% p.a.
  - Revenue: 7–12% p.a.
  - Pretax income: 10–15% p.a.
  - Pretax margin: 30–35%
  - ROE: 25% +

3+ years

Revenue **\$13B**

Pretax income **\$4B**

Client assets **\$3T**