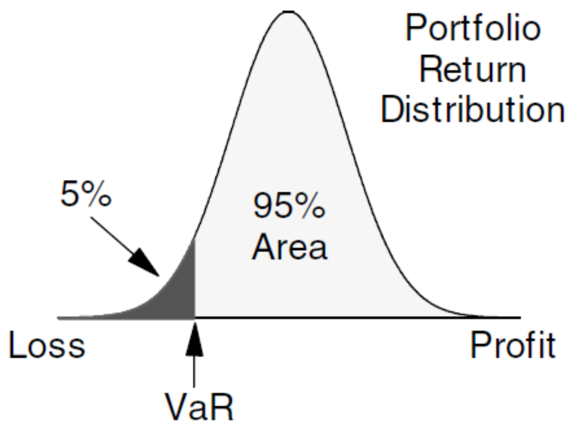
Supplement

Value at Risk

- **VaR** is defined as the ***predicted worst-case loss*** *at a specific confidence level (e.g., 95%)* over a *certain period of time* (e.g., 1 day).
- J.P. Morgan takes a snapshot of its global trading positions to estimate its ***Daily-Earnings-at-Risk (DEaR)***, which is a *95% confidence worst-case loss over the next 24 hours* due to *adverse market movements*.

Value at Risk

- The **maximum shortfall of earnings**, *relative to a specified target*, that could be experienced due to the impact of market risk



Assuming **95% confidence** and **a 1-day horizon**, a **<u>VaR of $11 million</u>** means that, *on average, only 1 day in 20 (or 5%)* would you ***expect to lose*** *<u>more than $11 million</u>* due to market movements.

Value at Risk

Portfolio	VaR*, %	Benchmark†	Relative VaR*, %
U.S. Equities	10	S&P 500 Index	3
Global Equities	11	MS EAFE Index	1
Global Fixed Income	5	JPM GBI+ Index	4
Total Portfolio	8	Custom Global Index‡	3

* 1-month horizon, 99% confidence.

† Refers to the investment manager's target benchmark index used to evaluate relative performance.

‡ Fund managers can have custom benchmarks (e.g., a specific mix of existing benchmarks).

- For example, for the U.S. Equities portfolio, ***the worst-case loss at 99% confidence*** *is equal to* ***<u>10% of the portfolio's current market value,</u>*** in other words, *1% probability that losses exceed 10% of market value*
- The worst-case monthly underperformance, *relative to the portfolio's S&P 500 benchmark*, is ***only 3%***