



Liquidity funds – bringing together flexibility,
security and service

JPMorgan Fleming Asset Management

JPMorgan Fleming Asset Management, the asset management arm of JPMorgan Chase, is one of the largest investment management houses in the world, managing close to US\$590 billion on behalf of private and institutional investors.

We offer expertise in a broad range of asset classes, including equities, fixed income, liquidity, managed currency and hedge funds. We invest across all major markets and also emerging market regions. In this way, we aim to offer our clients the widest range of investment solutions.

Our investment teams are spread across Europe, the Americas, Japan and Asia-Pacific. We carry out our own in-house proprietary research into markets and companies, giving us unbeatable insights into the stocks and shares we choose to hold. Our investment funds are managed using proven, team-based investment processes in order to deliver consistent performance year after year.

By offering consistent investment management, a comprehensive range of products and focused client service, it is our aim to be the world's best investment management company.

The full legal entity 'JPMorgan Fleming' as referred to in this brochure is JPMorgan Fleming Asset Management (Europe) S.à r.l.

The full legal name of the funds referred to are as follows:

'JPMF Liquidity Funds'

JPMorgan Fleming Liquidity Funds (JPMF-LF) - Euro Liquidity Fund

JPMorgan Fleming Liquidity Funds (JPMF-LF) - US Dollar Liquidity Fund

JPMorgan Fleming Liquidity Funds (JPMF-LF) - Sterling Liquidity Fund

'JPMF Enhanced Yield Funds'

JPMorgan Fleming Liquidity Funds (JPMF-LF) - Euro Enhanced Yield Fund

JPMorgan Fleming Investment Funds (JPMF-IF) - US Dollar Enhanced Yield Fund

'JPMF US Dollar Treasury Liquidity Fund'

JPMorgan Fleming Liquidity Funds (JPMF-LF) - US Dollar Treasury Liquidity Fund

Look beyond ordinary cash management

The way organisations manage their cash is changing. They want a partnership that offers exceptional security and risk diversification. But they also need daily liquidity, first-class support, and the ability to match their investments to complex business needs.

Turning to new solutions

Increasingly bank deposits are unable to meet today's cash management demands. Mindful of counterparty risk, cash investors have become more concerned about placing their balances with individual deposit-takers. But faced with increasing time pressures and greater cash management complexity, few want the burden of managing multiple relationships.

Which is why many investors are looking to liquidity funds to give them the capital security^a, flexibility and integrated global support and reporting they require.

Formidable growth

In the US, investors have been able to access liquidity funds for more than 30 years, creating a market that's now worth more than US\$2 trillion. In Europe, that growth is only just beginning – but demand is formidable.

Since the mid-1990s, the European liquidity fund market has grown on average by 50% a year^b as countries open up to these vehicles and more and more investors discover how liquidity funds can deliver the security, liquidity and performance they need. Today, the European liquidity market stands at close to US\$200 billion^c.

Leading the market

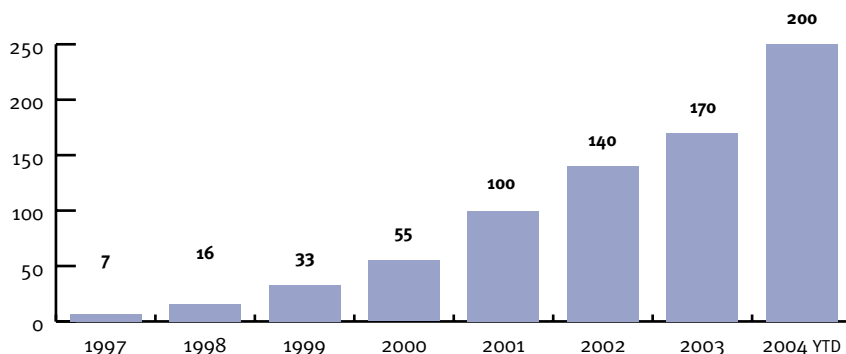
We're proud to be able to say that JPMorgan Fleming is at the forefront of this market. By successfully partnering with investors across the world, we have become the largest international AAA-rated liquidity fund manager beyond the US, with a 15% market share in a fast-growing market^c.

As the leader in our market, we can offer purchasing power, exceptional levels of investment diversification and the scope to accommodate the broadest range of clients in our funds.

Discover how the JPMorgan Fleming Liquidity Range can add value to your cash management.

Europe discovers liquidity funds
US\$ billion

Total assets under management
in liquidity funds in Europe



^aLiquidity funds aim to minimise fluctuations in capital; however, there is still a minor risk that capital values can fall.

^bBased on iMoneyNet figures 1997-2004

^cAll figures as at end March 2004. Source: iMoneyNet/JPMorgan Fleming

Create a partnership with the liquidity leader

By working with JPMorgan Fleming, you can put your trust in one of the world's leading liquidity fund providers to ensure that all your liquid assets are working as hard as possible.

A committed player

JPMorgan Fleming has been offering liquidity funds as an alternative to conventional deposits since 1987. With over a third of our total worldwide assets held in short-dated fixed income securities, we have put liquidity funds at the heart of our asset management expertise.

JPMorgan Fleming Liquidity Funds are managed by the Global Fixed Income team, a 30-strong investment team of fixed income professionals.

Supported by over 70 equity analysts across JPMorgan, the team combines rigorous credit analysis with active management to deliver competitive risk-controlled returns.

Global performance

Our liquidity clients include financial institutions, corporates, multinationals, asset managers, pension funds, government agencies and central banks. Working in partnership with each client, we can build our liquidity capabilities into existing cash management structures – or help to build new ones.

As part of JPMorgan Chase, we can work closely with teams in treasury services, institutional trust services, investor services and investment banking to create truly integrated cash management solutions that work across each client's business, both locally and globally.

Taking service further

We look to support every client with first-class service and cutting-edge reporting and dealing capabilities:

- **Dedicated client service** – Keep in touch at all times with 24-hour multilingual service desks and dedicated relationship managers.
- **Two-way sweep^A** – Our unique automated two-way sweep facility can ensure that all balances are invested at the end of each business day.
- **Global Cash Portal** – Manage your liquidity portfolio online with our state-of-the-art Global Cash Portal, providing secure, online trading and reporting and access to proprietary research.

Global Cash Portal

- Online trading, including foreign currency transactions
- Online reporting with multiple viewing options
- Proprietary research and real-time news



^ABetween your JPMorgan Chase account and JPMorgan Fleming Liquidity Funds.



The JPMF Liquidity Fund advantage

Security	Very few banks are AAA or AA-rated. However, the Luxembourg-based liquidity funds managed by JPMorgan Fleming carry the highest credit rating of 'AAA' from all three leading independent credit-rating agencies – Standard & Poor's, Moody's and Fitch. ^A
Ring fencing	Unlike conventional unsecured cash deposits, liquidity funds are held separate from fund manager's assets. This means that they can not normally be called upon by creditors if the fund management company falls into financial difficulty.
Diversification	Placing your money in a deposit or call account usually means placing your trust in just one counterparty. A liquidity fund invests in a wide range of securities from a wide array of issuers, thereby spreading counterparty risk.
Active management	By treating cash as an active asset class, liquidity funds aim to outperform deposits over the period of a full interest-rate cycle. Active stock selection also helps to ensure that risk is properly managed and that the target credit quality is maintained at all times.
Liquidity	JPMorgan Fleming Liquidity Funds offer same-day settlement ^B so investors can call on their balance at any time. Deposits offering a comparable yield usually demand a lock-in period and may charge a penalty if a notice period is broken.
Scale	The size of JPMorgan Fleming's liquidity funds mean that large clients can be accommodated without compromising daily liquidity. Size also gives the fund management team the power to negotiate highly competitive dealing rates across the market.

^A JPMF Enhanced Yield Funds are AA-rated (Moody's). There is always a risk that you will lose money investing in liquidity funds. The value of investments and the income from them can go down as well as up.

^B Applies to distribution shares; accumulation shares are subject to T+1 settlement; JPMF Enhanced Yield Funds are subject to T+1 settlement on all share classes.

The JPMorgan Fleming Liquidity Range

The JPMF Liquidity Range has been created to give clients a real choice in the way they invest their liquid assets. Used in combination, our funds can help you create the precise risk-return and liquidity profile you require or you can use our expertise on a segregated basis.

Solutions for all cash needs

The JPMF Liquidity Range has been developed to allow you to retain flexibility and accessibility, while giving you the yield potential to ensure your cash reserves are adding value. Whether you need a vehicle for working capital that needs daily liquidity, or a means to improve yield on medium-term reserves, our range can target your cash management objectives precisely.

Optimise your allocation

The funds can be used individually or in combination. JPMorgan Fleming can help you with your asset allocation decision through our proprietary 'optimiser tool'. By comparing the current interest-rate

environment with historical periods and defining parameters around desired credit ratings, duration and liquidity, the optimiser can suggest an appropriate allocation between liquidity and enhanced yield funds.

Active expertise

All our funds are actively managed and look to ensure appropriate levels of risk while engineering attractive levels of yield.

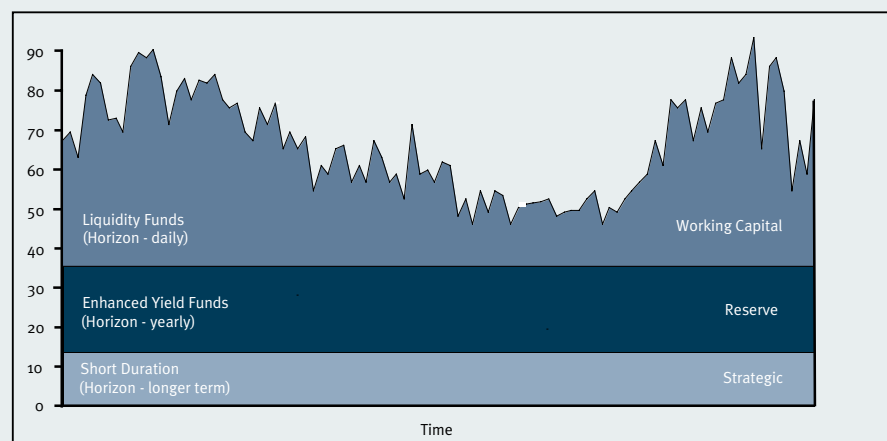
Net income is calculated and accrued daily. Investors can choose whether to hold distribution shares where income is paid out each month or accumulation shares where income is reinvested and reflected in a rising share price.

Segregated mandates

As well as offering liquidity expertise on a pooled fund basis, we offer all our products on a segregated basis, giving you ultimate control and flexibility over your liquidity strategy.

A tailored segregated portfolio can blend any of our existing approaches. Or we can work with you to set specific investment parameters, covering areas such as duration, target yield and permissible investments, in line with your risk/return objectives.

Using liquidity to manage cash balances



The graph, left, illustrates typical fluctuations in an average client's cash balances. Like many investors, this client retains a 'core' cash reserve, which could benefit from being held in an enhanced yield fund. However, working capital, which fluctuates daily, can enjoy the flexibility of a conventional liquidity fund.



Four investment solutions to choose

<p>JPMF Liquidity Funds Daily liquidity & AAA security</p>	<p>The alternative to conventional overnight deposits, JPMF Liquidity Funds give investors access to their money on a same-day basis^A and offer full liquidity at all times. Available in US dollar, euro or sterling, the funds carry the highest AAA-rating from all three leading credit-rating agencies^B, reflecting their exceptional level of security^C.</p> <p>Currency USD, EUR and GBP Benchmark 7-Day LIBID</p>
<p>JPMF Enhanced Yield Funds Higher yield potential</p>	<p>For short-term reserves that don't require daily liquidity, investors can now consider JPMF Enhanced Yield Funds. Designed for cash with an investment horizon of nine months or more, JPMF Enhanced Yield Funds can hold longer-duration securities than conventional liquidity funds in order to boost their yield potential while focusing on capital preservation.</p> <p>Currency USD and EUR Benchmark 3-month LIBOR/EURIBOR</p>
<p>JPMF US Dollar Treasury Liquidity Fund Ultimate security^C</p>	<p>For dollar investors for whom capital security is paramount, we've launched the JPMF US Dollar Treasury Liquidity Fund. Managed by our fixed-income team in New York, the fund invests exclusively in US Treasury securities and repurchase agreements to achieve exceptional capital security and an attractive risk-adjusted return, plus daily liquidity. The fund has an AAA-rating from all three leading credit-rating agencies^B.</p> <p>Currency USD Benchmark iMoneynet Institutional US Treasury & Repo Money Index</p>
<p>Segregated mandates</p>	<p>Work in partnership with us to create your own liquidity portfolio, specifying investment parameters in line with duration and risk/return objectives.</p> <p>Currency USD, EUR and GBP Benchmark Agreed with client</p>

Please see inside front cover for full legal names of all funds mentioned here.

^AApplies to distribution shares; accumulation shares are subject to T+1 settlement.

^BMoody's, Standard & Poor's and Fitch.

^CLiquidity funds aim to minimise fluctuations in capital; however, there is still a minor risk that capital values can fall.

Real solutions in a real world

JPMF Liquidity Funds are used by a broad range of institutions to help them use their cash assets more effectively while retaining flexibility and security.

Our liquidity clients include financial institutions, corporates, multinationals, asset managers, pension funds and central banks.

And as these real-life case studies show here, we can work with our colleagues across JPMorgan Chase to deliver tailored solutions that integrate liquidity funds into our clients' day-to-day cash management needs.

Working in partnership with our clients, we aim to provide targeted cash management solutions.

Case study 1: The multinational

Background

A major multinational corporation maintain its US dollar accounts with JPMorgan in New York, from where it covers most of its US dollar activity.

The company wished to concentrate all its US dollar balances into a single global position, from which it could provide liquidity to affiliates in Asia as needed. The client also wished to deposit surplus short-dated cash into a diversified, secure, and daily accessible investment.

The Solution

To meet the client's needs, JPMorgan and JPMorgan Fleming Asset Management devised a global structure which combines cross-regional US dollar concentration sweeps with an intra-day, two-way automated investment sweep into the AAA-rated **JPMF-LF US Dollar Liquidity Fund[^]**.

The structure sweeps excess US dollars from the multinational's Asian accounts into a master account in New York, while a two-way, cross-border sweep ensures that funds can also flow to Asia to cover any short positions. Another automated two-way sweep into the **JPMF-LF US Dollar Liquidity Fund[^]** automatically invests any excess liquidity at the end of each business day to maximise the potential to earn yield.

The client is so satisfied with the solution that US dollar accounts in Europe are currently being added to the structure. A comparable structure for euro-denominated balances, with a master account based in London, is also being established.

FACT: A two-way sweep can ensure that balances are optimally invested

Case study 2: The regional bank



Background

Over the last three years, the client, a regional bank, has chosen to hold significant short-term assets in JPMorgan Fleming USD Liquidity Funds, thereby allowing it to keep the reserves off balance sheet and within an AAA-rated environment, whilst still enjoying daily liquidity.

Due to the overriding stability of the assets, the client approached us in 2003 with a view to moving some of the reserves into a higher-yielding, longer-duration environment, while retaining the balance in AAA liquidity funds.

The Solution

JPMorgan Fleming suggested moving the core of the client's assets out of **JPMF-LF US Dollar Liquidity Fund** and into **JPMF-IF US Dollar Enhanced Yield Fund**. The JPMF Optimiser Tool was used to determine an appropriate reallocation between the two funds, based on the client's interest rate expectations and liquidity requirements.

This new core allocation to a longer duration product – 3 month LIBOR as opposed to 7-day LIBID – has enabled the client to improve its overall yield on the new blended portfolio.

By keeping a proportion of assets in the **JPMF-LF US Dollar Liquidity Fund**, the client has not foregone the ability to maintain same-day access to its cash. Nor has there been any significant compromise on credit quality, with the **JPMF-IF US Dollar Enhanced Yield Fund** offering an AA-rated environment.

FACT: Combining liquidity products offers yield-enhancing opportunities

Case study 3: The project finance deal



Background

The client, a power company, had raised EUR720million in Project Finance Bonds to fund the acquisition of rights to a hydro-electric power station. The client selected JPMorgan to act as account bank and security trustee for the bonds.

The client also wanted a secure and flexible investment platform in which to hold a reserve account and also any surpluses from the project account.

The solution

The team in JPMorgan Institutional Trust Services established a series of project accounts. They then worked with their colleagues in JPMorgan Fleming Asset Management to establish a reserve account feeding into the **JPMF-LF Euro Liquidity Fund**, which could provide the security and 30-day liquidity required, as well as the potential for competitive yield.

An automatic sweep facility was also set up between the liquidity fund and the project accounts to ensure that all surplus assets could be invested in the liquidity fund at the end of each business day, therefore optimising the investment position.

This solution ensured constant access to the funds while the financing transaction was being completed and also provided the opportunity for the client to improve yield potential on unused capital without sacrificing access to funds. The Global Cash Portal facility provided by JPMorgan Fleming also enabled the trustee to transact between the liquidity fund and project accounts on line, while also allowing the client to see transaction statements on a view-only basis.

FACT: Liquidity funds maintain full daily access to your working capital

Before you choose...

We'd like you to select us as your liquidity fund partner. But we would encourage you to canvass a range of fund managers first. Below are the questions we believe you need to ask to ensure your chosen manager delivers the credit quality, liquidity, flexibility and real-time support you are looking for.

	JPMorgan Fleming	Other Providers
Is the provider committed to the liquidity market?	<ul style="list-style-type: none"> • Largest offshore AAA-rated liquidity fund manager. • Established in market since 1987. 	
Credit research resources?	<ul style="list-style-type: none"> • Dedicated credit analysts within Global Fixed Income Group. • Supported by JPMorgan's extensive global equity analyst teams. 	
Different options for short & medium-term cash needs?	<ul style="list-style-type: none"> • JPMF Liquidity Funds for time horizons up to 9 months. • JPMF Enhanced Yield Funds for 9 months-plus. 	
External fund ratings?	<ul style="list-style-type: none"> • JPMF Liquidity Funds carry AAA-rating from three leading credit agencies^A. • JPMF Enhanced Yield Funds carry AA rating from Moody's. 	
Minimum security rating	<ul style="list-style-type: none"> • Short-term: A-1/P1. • Long-term: A-1. 	
Controls on investment diversification?	<ul style="list-style-type: none"> • Maximum of 5% of fund in a single issuer. 	
Same-day liquidity?	Yes: <ul style="list-style-type: none"> • T+0 for distribution shares in Liquidity funds. • T+1 for accumulation shares and shares in Enhanced Yield Funds. 	
Interest accrued daily?	Yes	
Key service features	<ul style="list-style-type: none"> • Dedicated client service. • Experienced multi-lingual support. • 24-hour global coverage. • Late cut-off times^B. 	
Automated sweep facility?	<ul style="list-style-type: none"> • Yes – two-way sweep to and from liquidity funds^C. 	
Internet capabilities	<ul style="list-style-type: none"> • Global Cash Portal featuring online trading, reporting and research. • Website www.jpmorganfleming.com/liquidity 	

^AMoody's, Standard & Poor's and Fitch.

^BCut-off times will vary depending on sub-fund

^CBetween your JPMorgan Chase account and JPMorgan Fleming Liquidity Funds.



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