

INVESTMENT PORTFOLIO RISK MANAGEMENT

Investment portfolio risk is the risk associated with the loss of principal or a reduction in expected returns on investments arising from the investment securities portfolio or from principal investments. The investment securities portfolio is predominantly held by Treasury and CIO in connection with the Firm's balance sheet or asset-liability management objectives. Principal investments are predominantly privately-held non-traded financial instruments and are managed in the LOBs and Corporate. Investments are typically intended to be held over extended periods and, accordingly, the Firm has no expectation for short-term realized gains with respect to these investments.

Investment securities risk

Investment securities risk includes the exposure associated with a default in the payment of principal and interest. This risk is mitigated given that the investment securities portfolio held by Treasury and CIO is predominantly invested in high-quality securities. At March 31, 2021, the Treasury and CIO investment securities portfolio, net of allowance for credit losses, was \$595.4 billion, and the average credit rating of the securities comprising the portfolio was AA+ (based upon external ratings where available and where not available, based primarily upon internal risk ratings). Refer to Corporate segment results on pages 33-34 and Note 9 for further information on the investment securities portfolio and internal risk ratings. Refer to Market Risk Management on pages 66-70 for further information on the market risk inherent in the portfolio. Refer to Liquidity Risk Management on pages 42-46 for further information on related liquidity risk.

Principal investment risk

Principal investments are typically privately held non-traded financial instruments representing ownership or other forms of junior capital and span multiple asset classes. These investments are made by dedicated investing businesses or as part of a broader business strategy. In general, principal investments include tax-oriented investments and investments made to enhance or accelerate the Firm's business strategies. The Firm's investments will continue to evolve in line with its strategies, including the Firm's commitment to support underserved communities and minority-owned businesses. The Firm's principal investments are managed by the LOBs and Corporate and are reflected within their respective financial results. The aggregate carrying values of the principal investment portfolios have not been significantly affected as a result of the COVID-19 pandemic. However, uncertainties remain that could result in future negative impacts.

The table below presents the aggregate carrying values of the principal investment portfolios as March 31, 2021 and December 31, 2020.

(in billions)	March 31, 2021	December 31, 2020
Tax-oriented investments (e.g., affordable housing and alternative energy investments) ^(a)	\$ 19.5	\$ 20.0
Private equity, various debt and equity instruments, and real assets	5.8	6.2
Total carrying value	\$ 25.3	\$ 26.2

(a) Prior-period amount has been revised to conform with the current presentation. Refer to Note 1 for further information.

Refer to page 134 of JPMorgan Chase's 2020 Form 10-K for a discussion of the Firm's Investment Portfolio Risk Management governance and oversight.