# FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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## FILER

**JP MORGAN INSTITUTIONAL FUNDS**

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[front cover]

J.P. Morgan Institutional
U.S. Equity Fund

Semi-annual Report
November 30, 2000

LETTER TO THE SHAREHOLDERS

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January 8, 2001

Dear Shareholder,

The volatility that rattled technology stocks rippled across many equity sectors, and made the six months ended November 30, 2000 a rough time for investors. For the period, the J.P. Morgan Institutional U.S. Equity Fund had a total return of -4.48%.

The Fund, however, was able to preserve capital to a greater degree than its benchmark, the Standard & Poor's 500 Index, and peer group, as measured by the Lipper Multi-Cap Core Funds Average. The S&P 500 Index had a total return of -6.92% for the six months ended November 30, 2000, while the Fund's peer group had a total return of -5.96% for the same time period.

The Fund's net asset value on November 30, 2000 was $12.19 per share, decreasing from $12.79 per share at the start of the fiscal period. During the period, the Fund made distributions of approximately $0.03 per share from ordinary income. The Fund's net assets were approximately $183 million on November 30, 2000, while the total net assets of The U.S. Equity Portfolio, in which the Fund invests, totaled $528 million.

This report includes an interview with Henry Cavanna, the lead portfolio manager for The U.S. Equity Portfolio. Henry discusses the U.S. equity market in detail, and explains the factors that influenced Fund performance during the fiscal period. Henry also provides insight in regard to positioning the Portfolio for the coming months.

As chairman and president of Asset Management Services, we thank you for investing with J.P. Morgan. Should you have any comments or questions, please contact your Morgan representative, or call J.P. Morgan Funds Services at (800) 766-7722.

Sincerely yours,

| | |
|---|---|
| /signature/ | /signature/ |
| Ramon de Oliveira | Keith M. Schappert |
| Chairman of Asset Management Services | President of Asset Management Services |
| J.P. Morgan & Co. Incorporated | J.P. Morgan & Co. Incorporated |

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FUND PERFORMANCE

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EXAMINING PERFORMANCE

One way is to review a fund's average annual total return. This calculation takes the Fund's actual return and shows what would have happened if the Fund had achieved that return by performing at a constant rate each year. Average annual total returns represent the average yearly change of a fund's value over various time periods, typically one, five, and ten years, (or since inception). Total returns for periods of less than one year are not annualized and provide a picture of how a fund has performed over the short-term.

PERFORMANCE

<TABLE>
<CAPTION>

| | TOTAL RETURNS | | AVERAGE ANNUAL TOTAL RETURNS | | |
|---|---|---|---|---|---|
| | SIX MONTHS | ONE YEAR | THREE YEARS | FIVE YEARS | TEN YEARS* |
| AS OF NOVEMBER 30, 2000 | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| J.P. Morgan Institutional U.S. Equity Fund | (4.48)% | (3.74)% | 10.37% | 16.02% | 16.36% |
| S&P 500 Index** | (6.92)% | (4.22)% | 12.71% | 18.66% | 17.72% |
| Lipper Multi-Cap Core Funds Average*** | (5.96)% | 1.03% | 10.35% | 15.52% | 16.34% |
| AS OF SEPTEMBER 30, 2000 | | | | | |
| J.P. Morgan Institutional U.S. Equity Fund | (2.04)% | 13.06% | 13.22% | 18.90% | 18.11% |
| S&P 500 Index** | (3.60)% | 13.28% | 16.44% | 21.69% | 19.44% |
| Lipper Multi-Cap Core Funds Average*** | (1.36)% | 21.45% | 12.84% | 17.66% | 17.68% |

</TABLE>

* The J.P. Morgan Institutional U.S. Equity Fund's returns include historical returns of the J.P. Morgan U.S. Equity Fund, a separate feeder fund investing in the same master portfolio, which had a higher expense ratio, from June 27, 1985 (the inception date of the J.P. Morgan U.S. Equity Fund), through July 19, 1993 (the inception date of the J.P. Morgan Institutional U.S. Equity Fund). Therefore, the Fund's returns would have been higher had it existed during the same period. For the purposes of comparison, the "since inception" returns are calculated from June 30, 1985, the first date when data for the Fund, its benchmark, and it's Lipper category were all available. The J.P. Morgan Institutional U.S. Equity Fund's total return since its commencement of operations on July 19, 1993 is 15.86%.

** The S&P 500 Index is an unmanaged index that measures U.S. stock market performance. It does not include fees or operating expenses and is not available for actual investment.

*** Describes the average total return for all funds in the indicated Lipper category, as defined by Lipper Inc., and does not take into account applicable sales charges. Lipper Analytical Services, Inc. is a leading source for mutual fund data.

Past performance is no guarantee of future results. Fund returns are net of fees, assume the reinvestment of distributions, and reflect reimbursement of Fund expenses as described in the prospectus. Had expenses not been subsidized, returns would have been lower.



PORTFOLIO MANAGER Q&A

[photo of Henry D. Cavanna]

Following is an interview with HENRY D. CAVANNA, managing director and senior U.S. equity portfolio manager in J.P. Morgan Investment Management's U.S. Equity Group. Henry has been a J.P. Morgan employee for the past 28 years, and has been a portfolio manager since 1979. He is currently responsible for several major institutional and sub-advisory clients, as well as having overall investment responsibility for Morgan's own retirement and defined contribution funds. Before joining Morgan, Henry worked at Harris Upham & Co. He holds a B.A. from Boston College and a L.L.B. from the University of Pennsylvania. This interview was conducted on December 15, 2000, and reflects Henry's views on that date.

IT HAS CERTAINLY BEEN AN INTERESTING TIME FOR U.S. EQUITIES DURING THIS REPORTING PERIOD. WHAT WERE SOME OF THE HIGHLIGHTS?

This six-month period captured two worlds. On one side, there was an ending of a rapidly expanding economy. On the other, there was the beginning of a slowing economy, with investors growing increasingly concerned about corporate profits. As it turned out, these concerns were more than justified, as company after company, in sector after sector, started reporting disappointing earnings. This helped to bring about a substantial reallocation of capital from new economy growth sectors to more defensive value sectors, such as insurance, utilities, and energy. At the end of the period, the lack of closure in our presidential election also served as a destabilizing factor. As a result, stock market volatility was extraordinarily high over the six months ended November

30.

We also saw the end of the Federal Reserve's interest rate tightening cycle, and the probable success of its efforts to engineer a soft landing for our economy. Still, we did not see an end to its tightening bias, which unnerved some investors and contributed in part to market instability.

HOW WAS THE PORTFOLIO POSITIONED OVER THIS PERIOD?

Our strategy is to be well diversified across almost all sectors, and to own companies that we believe represent the best mix of fundamentals and attractive valuations over the longer-term, be they old or new economy stocks. During this period of time, however, investors were focused on short-term results, not long-term opportunities, and they proved more than willing to punish any company that did not meet their somewhat elevated earnings expectations. Not too infrequently, even companies with satisfactory results were brought down alongside their lesser performing brethren. Within this sometime incendiary marketplace, the S&P 500 Index, our benchmark, declined by almost 7%.

HOW HAS MARKET VOLATILITY AFFECTED THE WAY YOU MANAGE THE PORTFOLIO, IF AT ALL?

It hasn't specifically affected our management, but we were certainly cognizant of and sensitive to the market's short-term focus. In particular, we were able to identify several longer-term opportunities created by investors who overreacted to short-term concerns. From that standpoint, market volatility was good for the strategy.

On the other side, we have also had to be more careful in our approach to the market. Timing became critical, as a desirable stock could be way up one day and way down the next. We definitely wanted to exercise the discipline of adding to attractive long-term positions, but we were a little more measured and patient about when to jump in.

HOW IS YOUR PROCESS GEARED TO TAKE ADVANTAGE OF THIS MARKET ENVIRONMENT?

Our process combines the advantages of two strong internal capabilities. One is our depth in research. Our analysts are sector specialists who develop estimates of what companies are worth and which companies represent good longer-term investments. On the other side is our highly experienced trading desk. Our traders are very sensitive to short-term fluctuations in stock prices and, with





their access to timely trading information, we feel they can usually get us the stock we want at the price we want. Thus, even though we have a longer-term perspective, we can operate in a more tactical fashion when we think it makes sense.

WHICH STOCKS WERE AMONG YOUR BEST INVESTMENTS OVER THE SIX-MONTH REPORTING PERIOD?

Alza, a mid-sized drug company, was up substantially over this period, owing to accelerating earnings growth and the introduction of two new drugs. One helps incontinence among seniors, and one is a once-a-day remedy for attention deficit disorder (ADD). Both are beginning to capture notable market share, with the ADD drug expected to achieve a 10% market share in its category by year's end.

Another substantial performer was Philip Morris, which had been deeply undervalued in the wake of numerous liability issues. Investors, however, came to the conclusion that most of the bad news was behind, and saw it as an attractive value play. Aiding its resurgence were good earnings, a great yield, and a very capable management team that has continued to manage its business well.

HOW ABOUT THE DOWN SIDE?

E*trade, the on-line discount broker, has been punished by concerns about a decline in on-line trading and the consequent impact on the company's profit margins. We still have confidence that it has a real business, that it will be competitive, and that it will recover. Our long-term confidence is such that we have elected to maintain our position during a period when the company's profit margins will be under short-term pressure.

Another disappointment was Level-3 Communications, a telecommunications company that has built one of the newest fiber optic telephone networks. As a relatively new company, Level-3's positive cash flow and earnings are still a couple of years out, so the results-oriented market in which we find ourselves has taken its stock to task. You have to have patience to own it and believe that the company will achieve an attractive return on its investments, which we do. We think Level-3 has a competitive advantage and good management, and, importantly, it has already secured the funding needed to build out its network.

HOW DO YOU EXPECT THE MARKET TO DEVELOP OVER THE NEXT FEW MONTHS?

We remain cautious about the market's prospects over the next few months. The economy is in a decelerating mode, and that means there will continue to be earnings risk and accompanying volatility. It's also still too early for the Fed to come to the rescue and lower interest rates.

This said, we think the stock market is in the process of bottoming out, so we are not overly concerned. Further out, a number of developments would help its recovery. The Fed, for example, has the option of lowering interest rates several times in order to help the economy, especially in light of the expectation that inflation will remain fairly moderate over the coming year. We also anticipate that the price of oil will decline to more reasonable levels later next year, thereby providing a boost to consumer confidence. In sum, there are a number of catalysts that could re-ignite the market going forward, but, in the meantime, we are still reasonably wary about its near-term direction.



FUND FACTS

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INVESTMENT OBJECTIVE

J.P. Morgan Institutional U.S. Equity Fund seeks to provide a high total return from a portfolio of select equity securities. It is designed for investors who want an actively managed portfolio of select equity securities that seeks to outperform the S&P 500 Index.

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Inception Date: 7/19/1993

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Fund Net Assets as of 11/30/2000:
$183,470,628

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Portfolio Net Assets as of 11/30/2000:
$528,133,867

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Dividend Payable Dates
(if applicable): 12/20/2000, 3/23/2001,
6/22/2001, 9/14/2001, 12/21/2001

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Capital Gain Payable Dates
(if applicable): 12/20/2000, 12/21/2001

EXPENSE RATIOS

The Fund's current annualized expense ratio of 0.62% covers shareholders' expenses for custody, tax reporting, investment advisory, and shareholder services, after reimbursement. The Fund is no-load and does not charge any sales, redemption, or exchange fees. There are no additional charges for buying, selling or safekeeping fund shares, or for wiring redemption proceeds from the Fund.

FUND HIGHLIGHTS

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All data as of November 30, 2000

PORTFOLIO ALLOCATION
(As a percentage of total investment securities)

[data from pie chart]
<TABLE>

| | |
|---|---|
| Finance | 11.4% |
| Pharmaceuticals | 11.3% |
| Industrial Cyclical | 10.0% |
| Computer Hardware | 10.0% |
| Software & Services | 9.0% |
| Energy | 6.1% |
| Consumer Stable | 6.1% |
| Telecommunications | 5.1% |
| Retail | 5.0% |
| Insurance | 4.9% |
| Semiconductors | 4.4% |
| Short-Term Investments | 3.9% |
| Utilities | 3.3% |
| Consumer Services | 2.9% |
| Consumer Cyclical | 2.6% |
| Capital Markets | 2.5% |
| Health Services & Systems | 1.5% |

| LARGEST EQUITY HOLDINGS | % OF TOTAL INVESTMENTS |
|---|---|
| Cisco Systems Inc. | 3.8% |
| Exxon Mobil Corp. | 3.6% |
| General Electric Co. | 3.1% |
| Microsoft Corp. | 3.0% |
| Tyco International Ltd. | 2.8% |
| Sun Microsystems, Inc. | 2.7% |
| Pfizer, Inc. | 2.3% |
| Firstar Corp. | 2.2% |
| Philip Morris Companies Inc. | 2.1% |
| Pharmacia Corp. | 2.1% |

DISTRIBUTED BY FUNDS DISTRIBUTOR, INC. J.P. MORGAN INVESTMENT MANAGEMENT INC. SERVES AS INVESTMENT ADVISOR. SHARES OF THE FUND ARE NOT INSURED BY THE FDIC, ARE NOT BANK DEPOSITS OR OTHER OBLIGATIONS OF THE FINANCIAL INSTITUTION AND ARE NOT GUARANTEED BY THE FINANCIAL INSTITUTION. SHARES OF THE FUND ARE SUBJECT TO INVESTMENT RISK, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL INVESTED.

References to specific securities and their issuers are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations to purchase or sell securities. Opinions expressed herein and other Fund data presented are based on current market conditions and are subject to change without notice. The Fund invests through a master portfolio (another Fund with the same objective).

CALL J.P. MORGAN FUNDS SERVICES AT (800) 521-5411 FOR A PROSPECTUS CONTAINING MORE COMPLETE INFORMATION ABOUT THE FUND, INCLUDING MANAGEMENT FEES AND OTHER EXPENSES. PLEASE READ THE PROSPECTUS CAREFULLY BEFORE INVESTING.



J.P. MORGAN INSTITUTIONAL U.S. EQUITY FUND
STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)

NOVEMBER 30, 2000

| | |
|---|---|
| ASSETS | |
| Investment in The U.S. Equity Portfolio ("Portfolio"), at value | $183,522,572 |
| Prepaid Trustees' Fees and Expenses | 3,445 |
| Prepaid Expenses and Other Assets | 709 |
| TOTAL ASSETS | 183,526,726 |
| LIABILITIES | |
| Shareholder Servicing Fee Payable | 15,837 |
| Administrative Services Fee Payable | 3,757 |
| Fund Services Fee Payable | 128 |
| Accrued Expenses and Other Liabilities | 36,376 |
| TOTAL LIABILITIES | 56,098 |
| NET ASSETS | |

| | |
|---|---|
| Applicable to 15,051,872 Shares of Beneficial Interest Outstanding (par value $0.001, unlimited shares authorized) | $183,470,628 |
| | ============= |
| Net Asset Value, Offering and Redemption Price Per Share | $12.19 |
| | ============= |
| ANALYSIS OF NET ASSETS | |
| Paid-in Capital | $141,861,487 |
| Undistributed Net Investment Income | 597,017 |
| Accumulated Net Realized Gain on Investment | 6,324,567 |
| Net Unrealized Appreciation of Investment | 34,687,557 |
| | ------------- |
| NET ASSETS | $183,470,628 |
| | ============= |

</TABLE>

 The Accompanying Notes are an Integral Part of the Financial Statements.

J.P. MORGAN INSTITUTIONAL U.S. EQUITY FUND
STATEMENT OF OPERATIONS (UNAUDITED)

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FOR THE SIX MONTHS ENDED NOVEMBER 30, 2000
<TABLE>

| <S> | <C> |
|---|---|
| INVESTMENT INCOME | |
| INCOME | |
| Allocated Investment Income from Portfolio | $ 1,285,500 |
| Allocated Portfolio Expenses | (515,808) |
| | ----------------- |
| Investment Income | 769,692 |
| | ----------------- |
| FUND EXPENSES | |
| Shareholder Servicing Fee | 111,332 |
| Administrative Services Fee | 26,709 |
| Financial and Fund Accounting Services Fee | 15,041 |
| Transfer Agent Fees | 10,027 |
| Registration Fees | 9,808 |
| Professional Fees | 7,572 |
| Printing Expenses | 6,424 |
| Fund Services Fee | 1,587 |
| Administration Fee | 1,181 |
| Trustees' Fees and Expenses | 952 |
| Miscellaneous | 3,394 |
| | ----------------- |
| Total Fund Expenses | 194,027 |
| Less: Reimbursement of Expenses | (28,212) |
| | ----------------- |
| Net Fund Expenses | 165,815 |
| | ----------------- |
| NET INVESTMENT INCOME | 603,877 |
| | ----------------- |
| REALIZED AND UNREALIZED GAIN (LOSS) | |
| NET REALIZED GAIN ON INVESTMENT ALLOCATED FROM PORTFOLIO | 3,148,104 |
| | ----------------- |
| NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) ON INVESTMENT ALLOCATED FROM PORTFOLIO | (9,614,938) |
| | ----------------- |
| NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS | $(5,862,957) |
| | ================= |

</TABLE>

The Accompanying Notes are an Integral Part of the Financial Statements. 

J.P. MORGAN INSTITUTIONAL U.S. EQUITY FUND
STATEMENT OF CHANGES IN NET ASSETS

--------------------------------------------------------------------------------

FOR THE SIX MONTHS ENDED NOVEMBER 30, 2000 (UNAUDITED)
AND THE YEAR ENDED MAY 31, 2000
<TABLE>

| <S> | <C> | <C> |
|---|---|---|
| DECREASE IN NET ASSETS | NOVEMBER 30, 2000 | MAY 31, 2000 |
| FROM OPERATIONS | | |
| Net Investment Income | $ 603,877 | $ 2,040,552 |
| Net Realized Gain on Investment Allocated from Portfolio | 3,148,104 | 15,597,704 |
| Net Change in Unrealized Appreciation (Depreciation) on | | |

| | | |
|---|---|---|
| Investment Allocated from Portfolio | (9,614,938) | (10,166,090) |
| Net Increase (Decrease) in Net Assets Resulting from Operations | (5,862,957) | 7,472,166 |
| DISTRIBUTIONS TO SHAREHOLDERS FROM | | |
| Net Investment Income | (538,955) | (1,950,993) |
| Net Realized Gain | - | (45,835,171) |
| Total Distributions to Shareholders | (538,955) | (47,786,164) |
| TRANSACTIONS IN SHARES OF BENEFICIAL INTEREST | | |
| Proceeds from Shares of Beneficial Interest Sold | 12,480,196 | 44,908,943 |
| Reinvestment of Distributions | 525,920 | 45,796,002 |
| Cost of Shares of Beneficial Interest Redeemed | (64,623,716) | (87,153,932) |
| Net Increase (Decrease) from Transactions in Shares of Beneficial Interest | (51,617,600) | 3,551,013 |
| Total Decrease in Net Assets | (58,019,512) | (36,762,985) |
| NET ASSETS | | |
| Beginning of Period | 241,490,140 | 278,253,125 |
| End of Period | $183,470,628 | $241,490,140 |
| Undistributed Net Investment Income | $597,017 | $532,095 |
| TRANSACTIONS IN SHARES OF BENEFICIAL INTEREST | | |
| Shares of Beneficial Interest Sold | 941,047 | 3,181,303 |
| Shares of Beneficial Interest Reinvested | 39,743 | 3,574,395 |
| Shares of Beneficial Interest Redeemed | (4,814,120) | (6,326,942) |
| Net Increase (Decrease) in Shares of Beneficial Interest | (3,833,330) | 428,756 |

</TABLE>



J.P. MORGAN INSTITUTIONAL U.S. EQUITY FUND
FINANCIAL HIGHLIGHTS

SELECTED DATA FOR A SHARE OUTSTANDING THROUGHOUT
EACH PERIOD ARE AS FOLLOWS:
<TABLE>
<CAPTION>

| | FOR THE SIX MONTHS ENDED NOVEMBER 30, 2000 | FOR THE YEARS ENDED MAY 31 | | | | |
|---|---|---|---|---|---|---|
| <S> | <C> (UNAUDITED) | <C> 2000 | <C> 1999 | <C> 1998 | <C> 1997 | <C> 1996 |
| NET ASSET VALUE, BEGINNING OF PERIOD | $12.79 | $15.08 | $16.73 | $15.66 | $14.00 | $12.10 |
| INCOME FROM INVESTMENT OPERATIONS | | | | | | |
| Net Investment Income | 0.04 | 0.11 | 0.16 | 0.15 | 0.17 | 0.27 |
| Net Realized and Unrealized Gain (Loss) on Investment | (0.61) | 0.26 | 2.39 | 3.81 | 3.02 | 2.66 |
| Total From Investment Operations | (0.57) | 0.37 | 2.55 | 3.96 | 3.19 | 2.93 |
| LESS DISTRIBUTIONS TO SHAREHOLDERS FROM | | | | | | |
| Net Investment Income | (0.03) | (0.11) | (0.17) | (0.18) | (0.25) | (0.20) |
| Net Realized Gain | - | (2.55) | (4.03) | (2.71) | (1.28) | (0.83) |
| Total Distributions to Shareholders | (0.03) | (2.66) | (4.20) | (2.89) | (1.53) | (1.03) |
| NET ASSET VALUE, END OF PERIOD | $12.19 | $12.79 | $15.08 | $16.73 | $15.66 | $14.00 |
| RATIOS AND SUPPLEMENTAL DATA | | | | | | |
| Total Return | (4.48)%(a) | 2.45% | 18.66% | 28.53% | 25.21% | 25.43% |
| Net Assets, End of Period (in thousands) | $183,471 | $241,490 | $278,253 | $378,988 | $329,776 | $221,368 |
| Ratios to Average Net Assets | | | | | | |
| Net Expenses | 0.62%(b) | 0.60% | 0.60% | 0.60% | 0.60% | 0.60% |
| Net Investment Income | 0.54%(b) | 0.76% | 0.89% | 0.89% | 1.33% | 2.08% |
| Expenses without Reimbursement | 0.64%(b) | 0.63% | 0.63% | 0.63% | 0.65% | 0.62% |

</TABLE>

(a) Not annualized
(b) Annualized

The Accompanying Notes are an Integral Part of the Financial Statements. 

J.P. MORGAN INSTITUTIONAL U.S. EQUITY FUND
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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NOVEMBER 30, 2000

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## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION--The J.P. Morgan Institutional U.S. Equity Fund (the "Fund") is a separate series of J.P. Morgan Institutional Funds, a Massachusetts business trust (the "Trust"). The Trust is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The Fund commenced operations on July 19, 1993.

The Fund invests all of its investable assets in The U.S. Equity Portfolio (the "Portfolio"), a diversified open-end management investment company having the same investment objective as the Fund. The value of such investment included in the Statement of Assets and Liabilities reflects the Fund's proportionate interest in the net assets of the Portfolio (approximately 35% at November 30, 2000). The performance of the Fund is directly affected by the performance of the Portfolio. The financial statements of the Portfolio, including the Schedule of Investments, are included elsewhere in this report and should be read in conjunction with the Fund's financial statements.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual amounts could differ from those estimates. The following is a summary of the significant accounting policies of the Fund:

SECURITY VALUATION--Valuation of securities by the Portfolio is discussed in Note 1 of the Portfolio's Notes to Financial Statements that are included elsewhere in this report.

INVESTMENT INCOME--The Fund earns income, net of expenses, daily on its investment in the Portfolio. All net investment income, realized and unrealized gains and losses of the Portfolio are allocated pro-rata among the Fund and other investors in the Portfolio at the time of such determination.

EXPENSES--Expenses incurred by the Trust with respect to any two or more Funds in the Trust are allocated in proportion to the net assets of each Fund in the Trust, except where allocations of direct expenses to each Fund can otherwise be made fairly.

INCOME TAX STATUS--It is the Fund's policy to distribute all net investment income and net realized gains to shareholders and to otherwise qualify as a regulated investment company under the provisions of the Internal Revenue Code. Accordingly, no provision has been made for federal or state income taxes.

DISTRIBUTIONS TO SHAREHOLDERS--Distributions to a shareholder are recorded on the ex-dividend date. Distributions from net investment income are declared and paid quarterly. Distributions from net realized gains, if any, are paid annually.

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## 2. TRANSACTIONS WITH AFFILIATES

ADMINISTRATIVE SERVICES--The Trust has an Administrative Services Agreement (the "Services Agreement") with Morgan Guaranty Trust Company of New York ("Morgan") under which Morgan is responsible for certain aspects of the administration and operation of the Fund. Under the Services Agreement, the Fund has agreed to pay Morgan a fee equal to its allocable share of an annual complex-wide charge. This charge is calculated based on the aggregate average daily net assets of the Trust and certain other registered investment companies for which J.P. Morgan Investment Management, Inc. ("JPMIM") acts as investment advisor in accordance with the following annual schedule: 0.09% on the first $7 billion of their aggregate average daily net assets and 0.04% of their aggregate average daily net assets in excess of $7 billion less the complex-wide fees payable to Funds Distributor, Inc. The portion of this charge payable by the Fund is determined by the proportionate share that its net assets bear to the net assets of the Trust and certain other investment companies for which Morgan provides similar services.

Morgan had agreed to reimburse the Fund to the extent the total operating expenses (excluding interest, taxes and extraordinary expenses) of the Fund, including the expenses allocated to the Fund from the Portfolio, exceeded 0.60% of the Fund's average daily net assets. This agreement was terminated October 1, 2000.

ADMINISTRATION--The Trust has retained Funds Distributor, Inc. ("FDI"), a registered broker-dealer, to serve as the co-administrator and distributor for the Fund. Under a Co-Administration Agreement between FDI and the Trust, FDI provides administrative services necessary for the operations of the Fund, furnishes office space and facilities required for conducting the business of the Fund and pays the compensation of the Fund's officers affiliated with FDI. The Fund has agreed to pay FDI fees equal to its allocable share of an annual complex-wide charge of $425,000 plus FDI's out-of-pocket expenses. The portion of this charge payable by the Fund is determined by the proportionate share that its net assets bear to the net assets of the Trust and certain other investment companies for which FDI provides similar services.





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## 2. TRANSACTIONS WITH AFFILIATES (CONTINUED)

SHAREHOLDER SERVICING--The Trust has a Shareholder Servicing Agreement with Morgan under which Morgan provides account administration and personal account maintenance service to Fund shareholders. The agreement provides for the Fund to pay Morgan a fee for these services that is computed daily and paid monthly at an annual rate of 0.10% of the average daily net assets of the Fund.

FUND SERVICES--The Trust has a Fund Services Agreement with Pierpont Group, Inc. ("PGI") to assist the Trustees in exercising their overall supervisory responsibilities for the Trust's affairs. The Trustees of the Trust represent all the existing shareholders of PGI.

TRUSTEES--Each Trustee receives an aggregate annual fee of $75,000 for serving on the boards of the Trust, the J.P. Morgan Funds, and other registered investment companies in which they invest. The Trustees' fees and expenses shown in the financial statements represent the Fund's allocated portion of the total Trustees' fees and expenses. The Trust's Chairman and Chief Executive Officer also serves as Chairman of PGI and receives compensation and employee benefits from PGI. The allocated portion of such compensation and benefits included in the Fund Services Fee shown on the Statement of Operations was $300.

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## 3. BANK LOANS

The Fund may borrow money for temporary or emergency purposes, such as funding shareholder redemptions. Effective May 23, 2000, the Fund, along with certain other Funds managed by JPMIM, entered into a $150,000,000 bank line of credit agreement with DeutscheBank. Borrowings under the agreement will bear interest at approximate market rates. A commitment fee is charged at an annual rate of 0.085% on the unused portion of the committed amount.

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## 4. CONCENTRATIONS OF RISK

From time to time, the Fund may have a concentration of several shareholders holding a significant percentage of shares outstanding. Investment activities of these shareholders could have a material impact on the Fund.

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## 5. SUBSEQUENT EVENTS

The merger of J.P. Morgan & Co. Incorporated, the former parent company of the Fund's adviser, J.P. Morgan Investment Management, Inc. ("JPMIM"), with and into The Chase Manhattan Corporation was consummated on December 31, 2000. J.P. Morgan Chase & Co. will be the new parent company of JPMIM, which will continue to serve as the Fund's adviser.



THE U.S. EQUITY PORTFOLIO
Semi-annual Report November 30, 2000

(The following pages should be read in conjunction with J.P. Morgan Institutional U.S. Equity Fund Semi-annual Financial Statements)



THE U.S. EQUITY PORTFOLIO
SCHEDULE OF INVESTMENTS (UNAUDITED)

---

NOVEMBER 30, 2000
<TABLE>
<CAPTION>

| SHARES | | VALUE |
|---|---|---|
| <C> | <S> | <C> |
| COMMON STOCKS - 96.1% | | |
| CAPITAL MARKETS - 2.5% | | |
| SECURITIES & ASSET MANAGEMENT - 2.5% | | |
| 119,700 | Goldman Sachs Group, Inc. (The) | $ 9,830,363 |
| 253,400 | TD Waterhouse Group, Inc.(+) | 3,357,550 |
| | | 13,187,913 |
| COMPUTER HARDWARE - 10.0% | | |
| COMPUTER HARDWARE & BUSINESS MACHINES - 10.0% | | |
| 7,300 | Avaya Inc.(+) | 85,319 |
| 414,800 | Cisco Systems Inc.(s)(+) | 19,858,550 |
| 232,400 | Compaq Computer Corp. | 4,996,600 |
| 47,100 | Dell Computer Corp.(+) | 906,675 |
| 104,500 | EMC Corp. (Mass.)(+) | 7,772,188 |
| 69,600 | Hewlett-Packard Co. | 2,201,100 |
| 202,500 | Quantum Corp. - DLT & Storage Systems(+) | 2,733,750 |
| 186,900 | Sun Microsystems, Inc.(s)(+) | 14,216,081 |
| | | 52,770,263 |
| CONSUMER CYCLICAL - 2.6% | | |
| HOTELS - 0.5% | | |
| 58,700 | Marriott International, Inc. | 2,432,381 |
| MOTOR VEHICLES & PARTS - 1.8% | | |
| 66,400 | Dana Corp. | 1,112,200 |
| 167,500 | Delphi Automotive Systems | 2,313,594 |
| 93,492 | Ford Motor Company | 2,126,943 |
| 23,800 | General Motors Corp. | 1,178,100 |
| 129,800 | Lear Corp.(+) | 2,839,375 |
| | | 9,570,212 |
| RESTAURANTS - 0.3% | | |
| 57,000 | McDonald's Corp. | 1,816,875 |
| | | 13,819,468 |
| CONSUMER SERVICES - 2.9% | | |
| ENTERTAINMENT - 0.7% | | |
| 76,900 | Viacom, Inc. Cl B(+) | 3,931,512 |
| MEDIA - 2.2% | | |
| 104,200 | AT&T Corp. - Liberty Media Group Cl A(+) | 1,413,213 |
| 40,758 | Charter Communications, Inc.(+) | 804,971 |
| 93,800 | Comcast Corp. Cl A(+) | 3,605,438 |
| 106,400 | News Corp. Ltd. (The) ADR(i) | 3,710,699 |
| 27,700 | Time Warner Inc. | 1,717,400 |
| | | 11,251,721 |

| SHARES | | VALUE |
|---|---|---|
| | | 15,183,233 |
| CONSUMER STABLE - 6.1% | | |
| HOME PRODUCTS - 4.0% | | |
| 52,800 | Clorox Company | 2,359,500 |
| 62,700 | Estee Lauder Companies, Inc. | 2,715,694 |
| 153,400 | Gillette Company | $ 5,196,425 |
| 142,000 | Procter & Gamble Co. (The) | 10,632,250 |
| | | 20,903,869 |
| TOBACCO - 2.1% | | |
| 295,300 | Philip Morris Companies Inc. | 11,276,769 |
| | | 32,180,638 |
| ENERGY - 6.1% | | |
| ENERGY RESERVES & PRODUCTION - 4.7% | | |
| 44,500 | Anadarko Petroleum Corp. | 2,647,750 |
| 37,900 | Chevron Corp. | 3,103,063 |
| 217,548 | Exxon Mobil Corp.(s) | 19,144,223 |
| | | 24,895,036 |
| OIL REFINING - 0.3% | | |
| 24,100 | Texaco Inc. | 1,399,306 |
| OIL SERVICES - 1.1% | | |
| 109,900 | Baker Hughes Inc. | 3,633,569 |
| 108,600 | Global Marine Inc.(+) | 2,382,413 |
| | | 6,015,982 |
| | | 32,310,324 |
| FINANCE - 11.4% | | |
| BANKS - 4.1% | | |
| 223,100 | Amsouth Bancorporation | 3,318,613 |
| 81,566 | Citigroup Inc. | 4,063,006 |
| 103,000 | First Union Corp. | 2,587,875 |
| 608,000 | Firstar Corp.(s) | 11,780,000 |
| | | 21,749,494 |
| FINANCIAL SERVICES - 6.8% | | |
| 219,900 | Associates First Capital Corp. | 7,765,219 |
| 69,900 | Capital One Financial Corp. | 3,901,294 |
| 95,900 | Countrywide Credit Industries, Inc. | 3,560,288 |
| 43,100 | Federal Home Loan Mortgage Corp. | 2,604,856 |
| 331,700 | General Electric Co. (U.S.)(s) | 16,439,880 |
| 14,700 | Providian Financial Corp. | 1,323,000 |
| | | 35,594,537 |
| THRIFTS - 0.5% | | |
| 56,300 | Washington Mutual, Inc. | 2,558,131 |
| | | 59,902,162 |
| HEALTH SERVICES & SYSTEMS - 1.5% | | |
| MEDICAL PRODUCTS & SUPPLIES - 1.5% | | |
| 38,700 | Bard (C.R.), Inc. | 1,905,975 |
| 89,100 | Becton Dickinson & Co. | 3,029,400 |
| 53,200 | Medtronic, Inc. | 2,832,900 |
| | | 7,768,275 |
| INDUSTRIAL CYCLICAL - 10.0% | | |
| CHEMICALS - 2.0% | | |
| 205,300 | Air Products & Chemicals, Inc. | 7,070,019 |

</TABLE>

The Accompanying Notes are an Integral Part of the Financial Statements. 

THE U.S. EQUITY PORTFOLIO
SCHEDULE OF INVESTMENTS (UNAUDITED)

(Continued)

NOVEMBER 30, 2000

<TABLE>
<CAPTION>

| SHARES | | VALUE |
|---|---|---|
| <C> | <S> | <C> |
| 112,700 | Rohm and Haas Co. | $ 3,352,825 |
| | | 10,422,844 |
| DEFENSE/AEROSPACE - 0.7% | | |
| 74,600 | Honeywell Inc. | 3,636,750 |
| ELECTRICAL EQUIPMENT - 2.2% | | |
| 36,000 | Corning Inc. | 2,106,000 |
| 9,900 | Corvis Corp.(+) | 285,244 |
| 100,200 | Level 3 Communications, Inc.(+) | 2,692,875 |
| 142,400 | Nortel Networks Corp. | 5,375,600 |
| 12,500 | QUALCOMM Inc.(+) | 1,003,125 |
| | | 11,462,844 |
| ENVIRONMENTAL SERVICES - 0.6% | | |
| 139,757 | Waste Management, Inc. | 3,345,433 |
| HEAVY ELECTRICAL EQUIPMENT - 0.6% | | |
| 71,600 | Cooper Industries, Inc. | 2,922,175 |
| INDUSTRIAL PARTS - 2.7% | | |
| 281,092 | Tyco International Ltd.(i)(s) | 14,827,602 |
| MINING & METALS - 0.7% | | |
| 61,764 | Alcoa Inc. | 1,740,973 |
| 110,186 | Allegheny Technologies Inc. | 2,189,947 |
| | | 3,930,920 |
| RAILROADS - 0.5% | | |
| 51,900 | Union Pacific Corp. | 2,413,350 |
| | | 52,961,918 |
| INSURANCE - 4.9% | | |
| LIFE & HEALTH INSURANCE - 1.8% | | |
| 45,100 | CIGNA Corp. | 5,941,925 |
| 118,600 | MetLife, Inc.(+) | 3,513,525 |
| | | 9,455,450 |
| PROPERTY AND CASUALTY INSURANCE - 3.1% | | |
| 137,800 | Allstate Corp. | 5,270,850 |
| 83,400 | Ambac Financial Group, Inc. | 6,369,675 |
| 57,300 | XL Capital Ltd. Cl A(i) | 4,573,256 |
| | | 16,213,781 |
| | | 25,669,231 |
| PHARMACEUTICALS - 11.3% | | |
| DRUGS - 11.3% | | |
| 125,200 | Alza Corp.(+) | 5,555,750 |
| 62,300 | American Home Products Corp. | 3,745,788 |
| 61,700 | Bristol-Myers Squibb Co. | 4,276,581 |
| 88,500 | Lilly (Eli) & Co. | 8,291,344 |
| 64,900 | Merck & Co., Inc. | 6,015,419 |
| 269,800 | Pfizer, Inc.(s) | 11,955,512 |
| 181,675 | Pharmacia Corp. | 11,082,175 |
| 153,600 | Schering-Plough Corp. | 8,611,200 |
| | | 59,533,769 |

SHARES VALUE

| | | |
|---|---|---|
| RETAIL - 5.0% | | |
| CLOTHING STORES - 1.5% | | |
| 102,400 | Abercrombie & Fitch Co. Cl A(+) | $ 2,137,600 |
| 110,400 | Gap, Inc. (The) | 2,753,100 |
| 110,300 | TJX Companies, Inc. (The) | 2,826,438 |
| | | 7,717,138 |
| DEPARTMENT STORES - 1.9% | | |
| 110,000 | Target Corp. | 3,306,875 |
| 136,800 | Wal-Mart Stores, Inc. | 7,139,249 |
| | | 10,446,124 |
| SPECIALTY STORES - 1.6% | | |
| 56,100 | Best Buy Co., Inc.(+) | 1,444,575 |
| 175,300 | Home Depot, Inc. | 6,869,569 |
| | | 8,314,144 |
| | | 26,477,406 |
| SEMICONDUCTORS - 4.4% | | |
| SEMICONDUCTORS - 4.4% | | |
| 39,500 | Altera Corp.(+) | 945,531 |
| 6,200 | Broadcom Corp.(+) | 604,500 |
| 243,500 | Intel Corp.(s) | 9,268,219 |
| 2,400 | Lattice Semiconductor Corp.(+) | 39,900 |
| 36,700 | Linear Technology Corp.(+) | 1,736,369 |
| 35,000 | Maxim Integrated Products, Inc.(+) | 1,785,000 |
| 55,000 | Micron Technology, Inc.(+) | 1,732,500 |
| 17,200 | SDL, Inc.(+) | 3,126,100 |
| 59,500 | Texas Instruments Inc. | 2,220,094 |
| 40,000 | Xilinx, Inc.(+) | 1,560,000 |
| | | 23,018,213 |
| SOFTWARE & SERVICES - 9.0% | | |
| COMPUTER SOFTWARE - 7.7% | | |
| 40,200 | BEA Systems, Inc.(+) | 2,354,213 |
| 85,100 | Gemstar International Group Ltd.(+) | 3,462,506 |
| 23,800 | International Business Machines Corp. | 2,225,300 |
| 276,000 | Microsoft Corp.(s)(+) | 15,835,500 |
| 160,400 | NCR Corp.(+) | 7,578,900 |
| 141,400 | Oracle Corp.(+) | 3,747,100 |
| 135,200 | Parametric Technology Corp.(+) | 1,504,100 |
| 41,078 | Veritas Software Corp.(+) | 4,007,672 |
| | | 40,715,291 |
| INTERNET - 1.3% | | |
| 21,900 | Akamai Technologies, Inc.(+) | 629,625 |
| 61,800 | America Online, Inc.(+) | 2,509,698 |
| 380,400 | E*trade Group Inc.(+) | 3,043,200 |
| 18,000 | eBay Inc.(+) | 617,625 |
| | | 6,800,148 |
| | | 47,515,439 |

</TABLE>





<TABLE>
<CAPTION>

| SHARES/PRINCIPAL AMOUNT | | VALUE |
|---|---|---|
| <C> | <S> | <C> |
| TELECOMMUNICATIONS - 5.1% | | |

| | | |
|---|---|---|
| TELEPHONE - 4.2% | | |
| 109,290 | Qwest Communications International Inc.(+) | $ 4,125,698 |
| 189,600 | SBC Communications Inc.(s) | 10,416,149 |
| 103,300 | Verizon Communications | 5,804,169 |
| 113,450 | WorldCom, Inc.(+) | 1,694,659 |
| | | 22,040,675 |
| WIRELESS TELECOMMUNICATIONS - 0.9% | | |
| 72,500 | Nextel Communications, Inc.(+) | 2,247,500 |
| 114,600 | Sprint Corp. (PCS Group)(+) | 2,599,988 |
| | | 4,847,488 |
| | | 26,888,163 |
| UTILITIES - 3.3% | | |
| ELECTRICAL UTILITY - 3.3% | | |
| 95,100 | Ameren Corp. | 4,220,062 |
| 70,900 | C P & L Energy Inc. | 3,061,994 |
| 72,800 | DTE Energy Company | 2,761,850 |
| 68,300 | Dynegy Inc. Cl A | 3,022,275 |
| 100,200 | Entergy Corp. | 4,120,725 |
| | | 17,186,906 |
| TOTAL COMMON STOCKS | | 506,373,321 |
| (Cost $426,829,334) | | |
| SHORT-TERM INVESTMENTS - 3.9% | | |
| INVESTMENT COMPANIES - 3.4% | | |
| 18,245,417 | J.P. Morgan Institutional Prime Money Market Fund(a) | 18,245,416 |
| U.S. TREASURY SECURITIES - 0.5% | | |
| $2,450,000 | U.S. Treasury Notes, 5.25%, 5/31/01(s) | 2,438,510 |
| TOTAL SHORT-TERM INVESTMENTS | | 20,683,926 |
| (Cost $20,676,924) | | |
| TOTAL INVESTMENT SECURITIES - 100.0% | | $527,057,247 |
| (Cost $447,506,258) | | |

</TABLE>
<TABLE>
<CAPTION>
FUTURES CONTRACTS

| PURCHASED | EXPIRATION DATE | UNDERLYING FACE AMOUNT AT VALUE | UNREALIZED DEPRECIATION |
|---|---|---|---|
| <C><S> | <C> | <C> | <C> |
| 45 S&P 500 Index | December 2000 | $14,866,875 | $(1,006,998) |

</TABLE>
ADR - American Depositary Receipt
(a) Money Market mutual fund registered under the Investment Company Act of 1940, as amended, and advised by J.P. Morgan Investment Management, Inc.
(i) Foreign security
(s) Security is fully or partially segregated with custodian as collateral for futures or with brokers as initial margin for futures contracts.
(+) Non-income producing security.
</table.

The Accompanying Notes are an Integral Part of the Financial Statements. 

THE U.S. EQUITY PORTFOLIO
STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)

NOVEMBER 30, 2000
<TABLE>

| <S> | <C> |
|---|---|
| ASSETS | |
| Investments at Value (Cost $447,506,258) | $527,057,247 |

| | |
|---|---|
| Cash | 844,092 |
| Dividend and Interest Receivable | 659,002 |
| Prepaid Trustees' Fees and Expenses | 5,536 |
| Prepaid Expenses and Other Assets | 2,558 |
| TOTAL ASSETS | 528,568,435 |
| LIABILITIES | |
| Advisory Fee Payable | 183,688 |
| Variation Margin Payable | 155,250 |
| Administrative Service Fees Payable | 10,894 |
| Administration Fee Payable | 621 |
| Fund Services Fee Payable | 373 |
| Accrued Expenses and Other Liabilities | 83,742 |
| TOTAL LIABILITIES | 434,568 |
| NET ASSETS | |
| Applicable to Investors' Beneficial Interests | $528,133,867 |

</TABLE>

 The Accompanying Notes are an Integral Part of the Financial Statements.

THE U.S. EQUITY PORTFOLIO
STATEMENT OF OPERATIONS (UNAUDITED)

FOR THE SIX MONTHS ENDED NOVEMBER 30, 2000
<TABLE>

| <S> | <C> |
|---|---|
| INVESTMENT INCOME | |
| INCOME | |
| Dividend Income (Net of Foreign Withholding Tax of $2,313) | $ 3,149,536 |
| Interest Income | 383,715 |
| Dividend Income from Affiliated Investments (includes reimbursement from affiliate of $6,496) | 9,096 |
| Investment Income | 3,542,347 |
| EXPENSES | |
| Advisory Fee | 1,223,277 |
| Custodian Fees and Expenses | 82,972 |
| Administrative Services Fee | 73,354 |
| Professional Fee | 22,417 |
| Printing Expenses | 4,590 |
| Fund Services Fee | 4,344 |
| Trustees' Fees and Expenses | 2,985 |
| Administration Fee | 1,862 |
| Miscellaneous | 833 |
| Total Expenses | 1,416,634 |
| NET INVESTMENT INCOME | 2,125,713 |
| REALIZED AND UNREALIZED GAIN (LOSS) | |
| NET REALIZED GAIN (LOSS) ON | |
| Investment Transactions | 8,768,267 |
| Futures Contracts | (826,470) |
| Net Realized Gain | 7,941,797 |
| NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) ON | |
| Investments | (28,810,550 |
| Futures Contracts | (1,014,979) |
| Net Change in Unrealized Appreciation (Depreciation) | (29,825,529) |
| NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS | $(19,758,019) |

</TABLE>

The Accompanying Notes are an Integral Part of the Financial Statements. 

THE U.S. EQUITY PORTFOLIO
STATEMENT OF CHANGES IN NET ASSETS

FOR THE SIX MONTHS ENDED NOVEMBER 30, 2000 (UNAUDITED)
AND THE YEAR ENDED MAY 31, 2000

| DECREASE IN NET ASSETS FROM OPERATIONS | NOVEMBER 30, 2000 | MAY 31, 2000 |
|---|---|---|
| Net Investment Income | $ 2,125,713 | $ 6,243,239 |
| Net Realized Gain on Investment and Futures Transactions | 7,941,797 | 38,139,068 |
| Net Change in Unrealized Appreciation on Investments and Futures Contracts. | (29,825,529) | (24,780,825) |
| Net Increase (Decrease) in Net Assets Resulting from Operations | (19,758,019) | 19,601,482 |
| TRANSACTIONS IN INVESTORS' BENEFICIAL INTERESTS | | |
| Contributions | 35,551,555 | 207,425,150 |
| Withdrawals | (115,879,052) | (318,237,694) |
| Net Decrease from Transactions in Investors' Beneficial Interests | (80,327,497) | (110,812,544) |
| Total Decrease in Net Assets | (100,085,516) | (91,211,062) |
| NET ASSETS | | |
| Beginning of Period | 628,219,383 | 719,430,445 |
| End of Period | $528,133,867 | $628,219,383 |

SUPPLEMENTARY DATA

| | FOR THE SIX MONTHS ENDED NOVEMBER 30, 2000 (UNAUDITED) | FOR THE YEARS ENDED MAY 31 2000 | 1999 | 1998 | 1997 | 1996 |
|---|---|---|---|---|---|---|
| RATIOS TO AVERAGE NET ASSETS | | | | | | |
| Net Expenses | 0.47%(a) | 0.46% | 0.47% | 0.47% | 0.47% | 0.46% |
| Net Investment Income | 0.70%(a) | 0.90% | 1.03% | 1.01% | 1.44% | 2.20% |
| Portfolio Turnover | 38%(b) | 89% | 84% | 106% | 99% | 85% |

(a) Annualized
(b) Not annualized





NOVEMBER 30, 2000

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION--The U.S. Equity Portfolio (the "Portfolio") is registered under the Investment Company Act of 1940, as amended, as a no-load, diversified, open-end management investment company which was organized as a trust under the laws of the State of New York. The Portfolio commenced operations on July 19, 1993. The Portfolio's investment objective is to provide a high total return from a portfolio of selected equity securities. The Declaration of Trust permits the Trustees to issue an unlimited number of beneficial interests in the Portfolio.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual amounts could differ from those estimates. The following is a summary of the significant accounting policies of the Portfolio:

SECURITY VALUATIONS--Securities traded on principal securities exchanges are valued at the last reported sales price, or mean of the latest bid and asked prices when no last sales price is available. Securities traded over-the-counter and certain foreign securities are valued at the quoted bid price from a market maker or dealer. When valuations are not readily available, securities are valued at fair value as determined in accordance with procedures adopted by the Trustees. All short-term securities, with a remaining maturity of sixty days or less are valued using the amortized cost method.

SECURITY TRANSACTIONS--Security transactions are accounted for as of the trade date. Realized gains and losses are determined on the identified cost basis, which is also used for federal income tax purposes.

INVESTMENT INCOME--Dividend income less foreign taxes withheld (if any) is recorded as of the ex-dividend date or as of the time that the relevant ex-dividend and amount becomes known. Interest income is recorded on the accrual basis and includes accretion of discounts and amortization of premiums.

FUTURES CONTRACTS--The Portfolio may enter into futures contracts in order to hedge existing portfolio securities, or securities the Portfolio intends to purchase, against fluctuations in value caused by changes in prevailing market interest rates or securities movements and to manage exposure to changing interest rates and securities prices. The risks of entering into futures contracts include the possibility that the change in value of the contract may not correlate with the changes in value of the underlying securities. Upon entering into a futures contract, the Portfolio is required to deposit either cash or securities in an amount equal to a certain percentage of the contract value (initial margin). Subsequent payments (variation margin) are made or received daily, in cash, by the Portfolio. The variation margin is equal to the daily change in the contract value and is recorded as unrealized gain or loss. The Portfolio will recognize a gain or loss when the contract is closed or expires.

INCOME TAX STATUS--The Portfolio intends to be treated as a partnership for federal income tax purposes. As such, each investor in the Portfolio will be taxed on its share of the Portfolio's ordinary income and capital gains. It is intended that the Portfolio's assets will be managed in such a way that an investor in the Portfolio will be able to satisfy the requirements of Subchapter M of the Internal Revenue Code.

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2. TRANSACTIONS WITH AFFILIATES

ADVISORY--The Portfolio has an Investment Advisory Agreement with J.P. Morgan Investment Management, Inc. ("JPMIM"), an affiliate of Morgan Guaranty Trust Company of New York ("Morgan") and a wholly owned subsidiary of J.P. Morgan & Co. Incorporated ("J.P. Morgan"). Under the terms of the agreement, the Portfolio pays JPMIM at an annual rate of 0.40% of the Portfolio's average daily net assets.

The Portfolio may invest in one or more affiliated money market funds: J.P. Morgan Institutional Prime Money Market Fund, J.P. Morgan Institutional Tax Exempt Money Market Fund, J.P. Morgan Institutional Federal Money Market Fund and J.P. Morgan Institutional Treasury Money Market Fund. The Advisor has agreed to reimburse its advisory fee from the Portfolio in an amount to offset any investment advisory, administrative fee and shareholder servicing fees related to a Portfolio investment in an affiliated money market fund. The amount listed on the Statement of Operations as Dividend Income from Affiliated Investment is the amount the Fund earned.

ADMINISTRATIVE SERVICES--The Portfolio has an Administrative Services Agreement (the "Services Agreement") with Morgan under which Morgan is responsible for certain aspects of the administration and operation of the Portfolio. Under the Services Agreement, the Portfolio has agreed to pay Morgan a fee equal to its





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2. TRANSACTIONS WITH AFFILIATES (CONTINUED)

allocable share of an annual complex-wide charge. This charge is calculated based on the aggregate average daily net assets of the Portfolio and certain other registered investment companies for which JPMIM acts as investment advisor in accordance with the following annual schedule: 0.09% on the first $7 billion of their aggregate average daily net assets and 0.04% of their aggregate average daily net assets in excess of $7 billion less the complex-wide fees payable to Funds Distributor, Inc. The portion of this charge payable by the Portfolio is determined by the proportionate share that its net assets bear to the net assets of the Trust and certain other investment companies for which Morgan provides similar services.

ADMINISTRATION--The Portfolio has retained Funds Distributor, Inc. ("FDI"), a registered broker-dealer, to serve as the co-administrator and distributor for the Fund. Under a Co-Administration Agreement between FDI and the Portfolio, FDI provides administrative services necessary for the operations of the Portfolio, furnishes office space and facilities, required for conducting the business of the Portfolio and pays the compensation of the Portfolio's officers affiliated with FDI. The Portfolio has agreed to pay FDI fees equal to its allocable share of an annual complex-wide charge of $425,000 plus FDI's out-of-pocket expenses. The portion of this charge payable by the Portfolio is determined by the proportionate share that its net assets bear to the net assets of the Trust and certain other investment companies for which FDI provides similar services.

FUND SERVICES--The Portfolio has a Fund Services Agreement with Pierpont Group, Inc. ("PGI") to assist the Trustees in exercising their overall supervisory responsibilities for the Portfolio's affairs. The Trustees of the Portfolio represent all the existing shareholders of PGI.

TRUSTEES--Each Trustee receives an aggregate annual fee of $75,000 for serving on the boards of the Portfolio, the J.P. Morgan Funds, the J.P. Morgan Institutional Funds, and other registered investment companies in which they invest. The Trustees' fees and expenses shown in the financial statements represent the Fund's allocated portion of the total Trustees' fees and expenses. The Trust's Chairman and Chief Executive Officer also serves as Chairman of PGI and receives compensation and employee benefits from PGI. The allocated portion of such compensation and benefits included in the Fund Services Fee shown on the Statement of Operations was $800.

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## 3. INVESTMENT TRANSACTIONS

During the six months ended November 30, 2000, the Portfolio purchased $226,149,460 of investment securities and sold $342,282,348 of investment securities other than U.S. government securities and short-term investments.

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## 4. CREDIT AGREEMENT

The Portfolio is party to a revolving line of credit agreement (the "Agreement") as discussed more fully in Note 3 of the Fund's Notes to the Financial Statements, which are included elsewhere in this report.

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## 5. SUBSEQUENT EVENTS

The merger of J.P. Morgan & Co. Incorporated, the former parent company of the Fund's adviser, J.P. Morgan Investment Management, Inc. ("JPMIM"), with and into The Chase Manhattan Corporation was consummated on December 31, 2000. J.P. Morgan Chase & Co. will be the new parent company of JPMIM, which will continue to serve as the Fund's adviser.



[back cover]

J.P. MORGAN INSTITUTIONAL FUNDS

- Federal Money Market Fund
- Prime Money Market Fund
- Treasury Money Market Fund
- Tax Aware Enhanced Income Fund:
  - Institutional Shares

Tax Exempt Money Market Fund

Short Term Bond Fund

Bond Fund

Global Strategic Income Fund

Tax Exempt Bond Fund

California Bond Fund:
Institutional Shares

New York Tax Exempt Bond Fund

Diversified Fund

Disciplined Equity Fund

Large Cap Growth Fund:
Institutional Shares

Market Neutral Fund:
Institutional Shares

Tax Aware U.S. Equity Fund:
Institutional Shares

Tax Aware Disciplined Equity Fund:
Institutional Shares

U.S. Equity Fund

U.S. Small Company Fund

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