

# Why We Are Here Today



- We Have Faced Significant Challenges, but Economic Recovery Is in Sight
- Four Steps for Re-evaluating Your Portfolio
- Potential Opportunities in the Market
- Next Steps

An advertisement for Merrill Lynch's 'help2know' service. The main image shows a man in a light-colored shirt and glasses sitting on a porch, reading a newspaper. The text 'help2know' is overlaid in large, white, lowercase letters. At the top, there is a small block of text: "Merrill Lynch &amp; Co. and Bank of America Merrill Lynch are pleased to announce the launch of help2know, a new service that provides clients with access to the industry's leading analysts and their insights and intelligence to help clients pursue the lives they want. Learn more at ml.com/help2". At the bottom, there is a blue banner with the Merrill Lynch logo and the text "Merrill Lynch | Bank of America Merrill Lynch | Health Management | Bank of America Merrill Lynch".

# We Have Faced Significant Challenges...



Credit  
Market Freeze



Total Wealth Lost  
in Recession \$10T



Falling  
Global Trade



Double  
Dip Unlikely



Government Stimulus  
Packages



Global Market  
Bottoms Out



Ballooning  
Sovereign Debt

# ...But Economic Recovery Is in Sight



**Merrill Lynch forecasts that the U.S. Economy has begun what is likely to be a long, gradual recovery.**

*“The global recovery is not self-sustaining and is likely to be very slow...Government policymakers around the globe are likely to worry about the lack of jobs and the lack of credit for some time to come. And that means fiscal, monetary and financial policies are likely to remain supportive.”* — Michael Hartnett, Chief Equity Strategist

BofA Merrill Lynch Global Research

*“We expect the S&P 500 to continue to rally into the year-end. Robust EPS growth in 2010 and 2011 will be driven by declining credit costs, higher business spending and healthy foreign markets”* — David Bianco, Head of U.S. Equity Strategy

BofA Merrill Lynch Global Research

# Are You Prepared for Economic Recovery?



## What does an economic recovery mean for you?

- It may be time to turn anxiety into action.
- Many Americans still find their confidence shaken—along with their financial assumptions.
- As the global markets and economies begin their recoveries, it may be time to reallocate your holdings.
- You need to balance your potential for growth with your tolerance for risk.



# Are You Prepared for Economic Recovery?



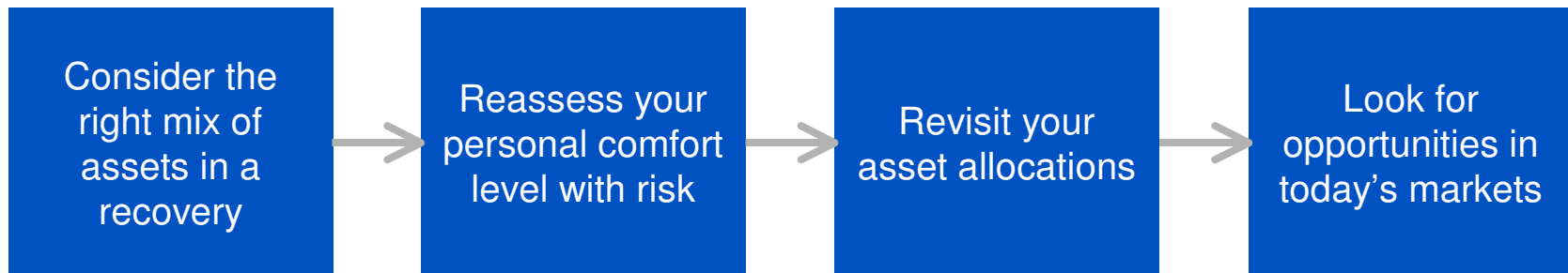
*“You may have pulled way back on risk, and now you may be thinking about dipping a toe back in the water. But you want to do it in a thoughtful, measured way. You want to have a plan.”*

— Ash Rajan, Head of Investment Policy  
Global Wealth Management  
Investment Management & Guidance  
Merrill Lynch

# Four Steps for Reevaluating Your Portfolio



**In light of current market conditions, these four steps can help you get back into the market in a thoughtful way.**





# Asset Class Winners and Losers



Positioning your portfolio to reduce risk is about more than just looking for a less risky investment.

Annual Total Returns of Key Indexes (1989–2009) Ranked in Order of Performance



\* Diversified Portfolio is composed of 22.50% of the Russell 1000® Growth Index; 22.50% of the Russell 1000® Value Index; 5.00% of the Russell 2000® Growth Index; 5.00% of the Russell 2000® Value Index; 10.00% of the MSCI Europe, Australasia and Far East (EAFE®) Index; 35.00% ML Domestic Broad Bond Index.

Illustration of the annual performance of various asset classes in relation to one another. This chart is for illustrative purposes only. It does not reflect the performance of any specific investment. Results shown are based on indexes and are illustrative; they assume reinvestment of income and no transaction costs or taxes. Past performance is no guarantee of future results. Diversification and asset allocation do not assure a profit nor protect against a loss in a declining market. Index sources: Sm Cap Growth-Russell 2000 Growth Index; Sm Cap Value-Russell 2000 Value Index; Lg Cap Growth-Russell 1000 Growth Index; Lg Cap Value-Russell 1000 Value Index; Int'l—MSCI Europe, Australasia and Far East (EAFE®) Index; Fixed Income—ML Domestic Broad Bond Index; Cash—ML US Treasury 3 Month Index. Indexes are unmanaged. Direct investment cannot be made in an index. Source: Bloomberg. See glossary for index definitions.

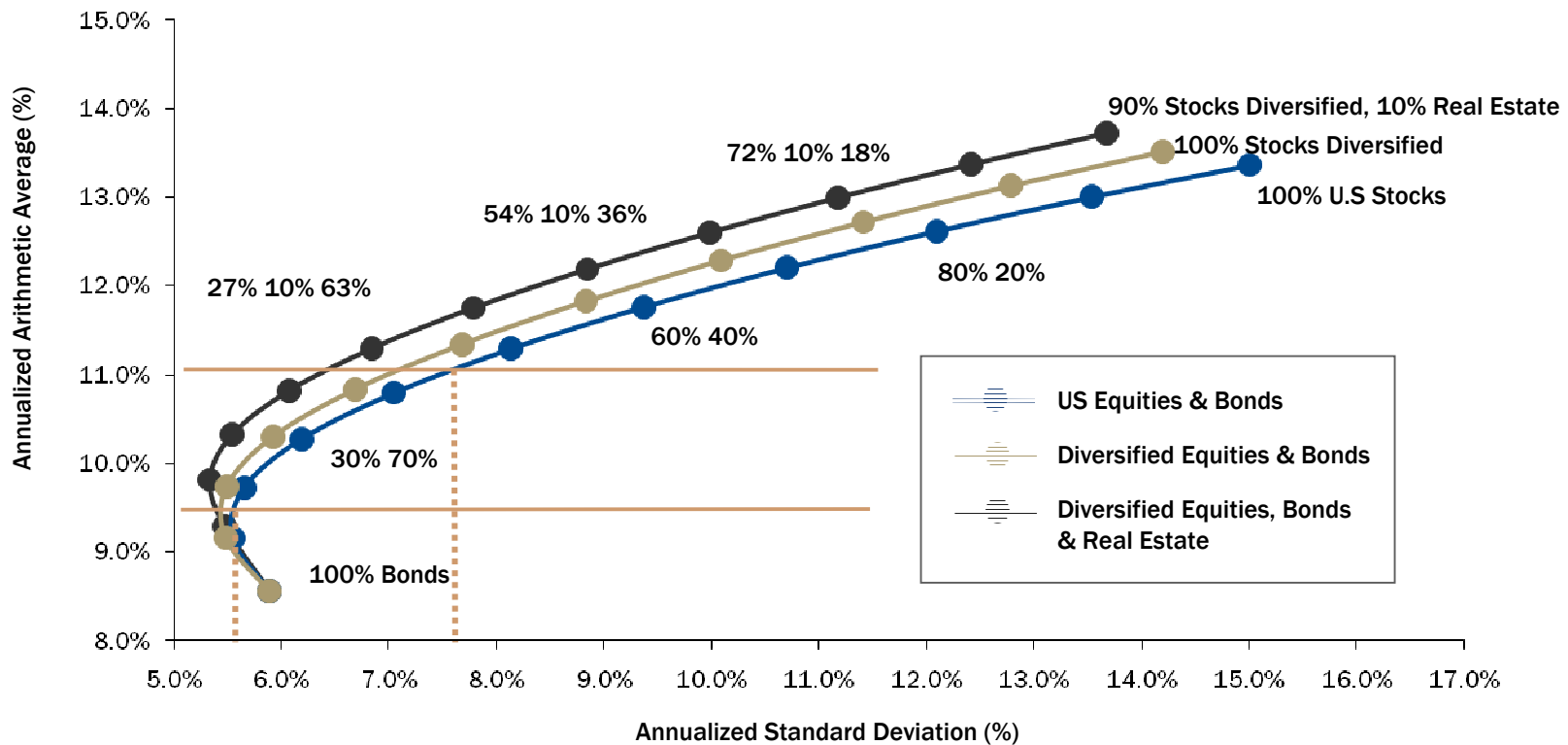
STEP 1: CONSIDER THE RIGHT MIX OF ASSETS IN A RECOVERY

# The Advantage of a Diversified Portfolio



You can potentially achieve a more efficient portfolio that can produce greater total returns and lower portfolio risk.

1977–2009



Results shown are based on indexes and are illustrative; they assume reinvestment of income and no transaction costs or taxes. Past performance is no guarantee of future results. Direct investment cannot be made in an index. US Equities are represented by the Standard & Poor's 500, which is an unmanaged group of securities and considered to be representative of the stock market in general; International Stocks by MSCI EAFE Index; Bonds by Ibbotson's US Long Term Govt Bond Index; Real Estate is represented by the National Association of Real Estate Investment Trusts ("NAREIT") Equity REIT Index. Diversification does not assure a profit nor protect against a loss in a declining market. In addition to the normal risks associated with investing, narrowly focused investments typically exhibit higher volatility. REIT investments are subject to changes in economic conditions, credit risk and interest rate fluctuations. Standard deviation gives an indication of the range of returns to be expected in an average year. Source: Bloomberg, Ibbotson. See glossary for index definitions.



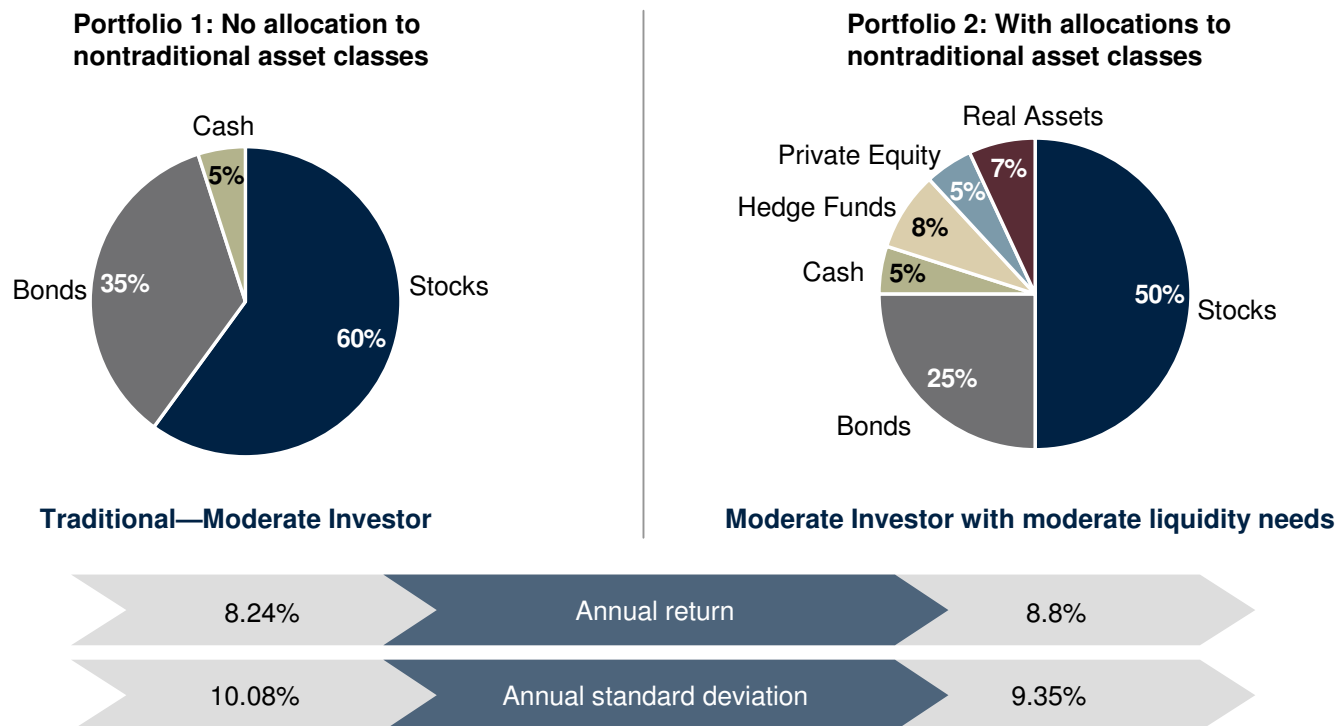
## STEP 1: CONSIDER THE RIGHT MIX OF ASSETS IN A RECOVERY

# Helping Improve Portfolio Efficiency



By holding non-correlated assets in your portfolio over the long term, you potentially achieve a more efficient portfolio that can produce greater total returns and lower portfolio risk (as defined by standard deviation).

Portfolio efficiency increases with the addition of nontraditional asset classes, 1994–2009



Based on pro forma quarterly data from March 1994 to September 2009.

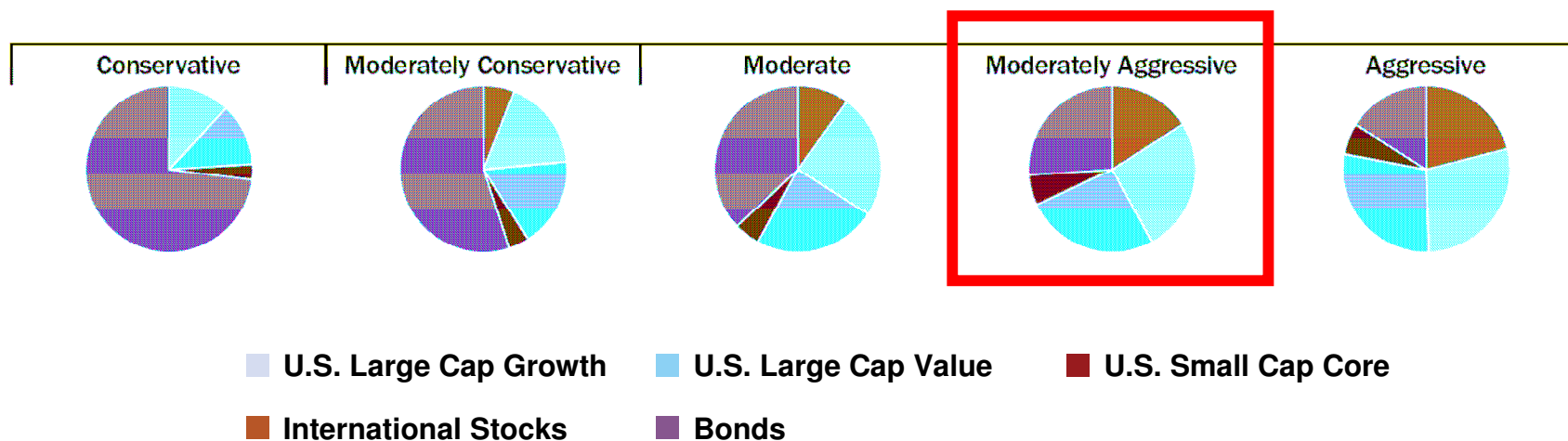
**Asset allocation does not assure a profit or protect against a loss in declining markets.** Data are based on Merrill Lynch's Capital Market Assumptions. Results shown are based on indexes and are illustrative; they assume reinvestment of income, no transaction costs or taxes, and that the allocation for each model remained consistent. Past performance is no guarantee of future results. Index sources: Stocks—Standard & Poor's 500<sup>®</sup> Total Return, which is an unmanaged group of securities and considered to be representative of the stock market in general; Bonds—Fixed Income Composite (60% US Long Term Govt TR, 40% US Long Term Corp TR); Hedge Funds—Credit Suisse Tremont Hedge Fund Index; Real Assets—(55% NCREIF Property Index, 35% DJ-AIG Commodity TR Index, 10% ML U.S. Treasury Inflation-Linked Securities TR Index); Private Equity—(50% Thomson VE US, 50% Thomson VE Europe). Direct investment cannot be made in an index. [Certain portions of this work were derived from the work of Ibbotson Associates.] Please refer to the slides entitled "Important Index Disclosure" for additional disclosures and index definitions. Please refer to the slides entitled "Important Risks" for important disclosures with respect to the risks associated with alternative investments. Some or all alternative investment programs may not be suitable for certain investors.

## Step 2: Reassess Your Personal Comfort Level With Risk



In the post-recession market, it is important that you take the time to reassess how much risk you are comfortable with.

- Assess whether your appetite for risk has fundamentally changed
- Consider your stage in life and investment time horizons
- Look at the impact of past and current market conditions
- Balance your reassessed risk tolerance with your need for growth



# Step 3: Revisit Your Asset Allocation



## Questions you should ask:

- What impact has the market had on your portfolio?
- Have life events changed your financial goals?
- What are your short-term financial needs?
- What changes can you make now and in the future?

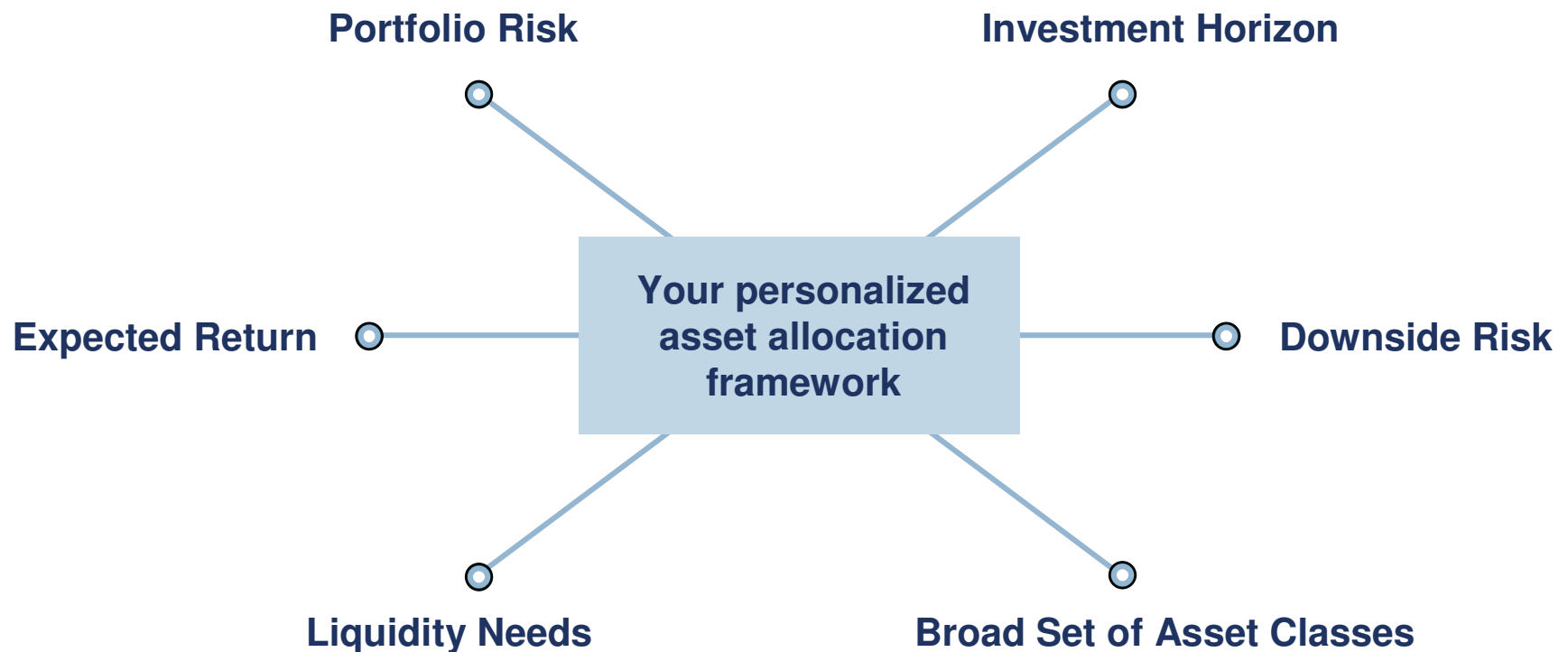


STEP 3: REVISIT YOUR ALLOCATION

# Then Build a Personalized Asset Allocation Strategy



A range of factors must be objectively considered to develop your personalized asset allocation strategy.



### STEP 3: REVISIT YOUR ALLOCATION

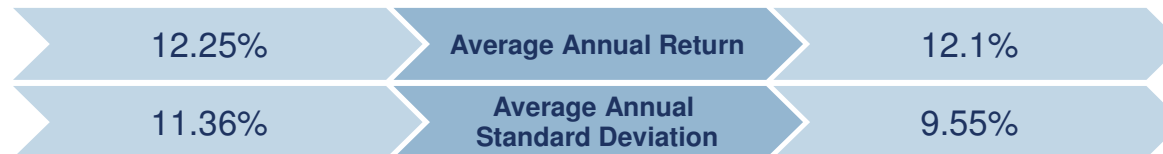
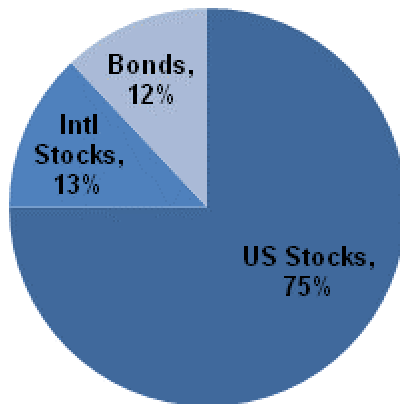
# Remember to Regularly Rebalance Your Portfolio



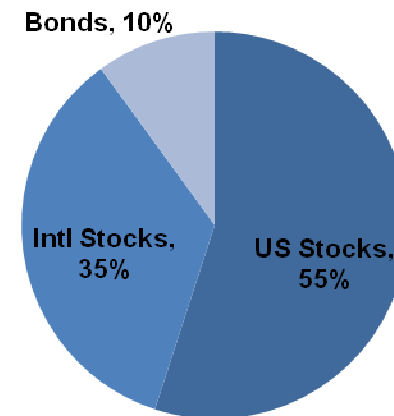
Once you reset your asset allocation, you should still revisit your allocations regularly to help keep your portfolio on track.

**Investment in a Portfolio Containing 55% U.S. Stocks, 10% Int'l Stocks & 35% Bonds**  
*January 1, 1978, to December 31, 2009*

**Portfolio Without Rebalancing**



**Portfolio With Rebalancing**



**Past performance is no guarantee of future results.** Rebalancing, asset allocation and diversification do not assure a profit or protect against market loss. Results shown are based on monthly rebalancing and index data and are illustrative; they assume reinvestment of income and no transaction costs or taxes. Direct investment cannot be made in an index. U.S. Equities are represented by the Standard & Poor's 500, which is an unmanaged group of securities and considered to be representative of the stock market in general; International Stocks by MSCI EAFE Index; Bonds by Ibbotson's U.S. Long Term Govt Bond Index. Diversification does not assure a profit nor protect against a loss in a declining market. An investment cannot be made directly in an index. In addition to the normal risks associated with investing, narrowly focused investments typically exhibit higher volatility. Standard deviation gives an indication of the range of returns to be expected in an average year. Source: Bloomberg, Ibbotson. See Important Index Disclosure for index definitions.

## Step 4: Look for Opportunities



**With your allocation strategy in place, you can look at investment strategies that make the most of an improving economy.**

- Bullish on U.S. recovery
- Emerging markets will lead global growth
- Global best-of-breed companies will outperform





STEP 4: LOOK FOR OPPORTUNITIES

# Bullish on America



**The economic and market recovery in the U.S. appears to be moving forward.**

- Double dip unlikely
- Look for a stronger S&P 500 Stock Index.
- Opportunities in Financials, Energy, Technology, Consumer Staples.



## STEP 4: LOOK FOR OPPORTUNITIES

# Opportunities in the Marketplace



### Quality continues to be an important filter, look at:

- Mega-cap multinationals
- High-quality corporate bonds
- High quality municipal bonds
- Inflation-hedged securities
- Commodities



Past performance is no guarantee of future results. Investing in non-U.S. equities and fixed income vehicles is not an approach that is right for every investor. Due to the number of risk factors involved—including the potential for increased volatility, default risk and currency risk—you should discuss your options with your Financial Advisor. Investments in non-investment grade debt securities (“high-yield” or “junk”) may be subject to greater market fluctuations and risk of default or loss of income and principal than securities in higher rating categories. Investing in commodities involves a high degree of risk, including, without limitation, principal, credit, liquidity, margin and market risk. Trading in commodities is speculative, and market prices of the commodities may fluctuate rapidly based on numerous factors.

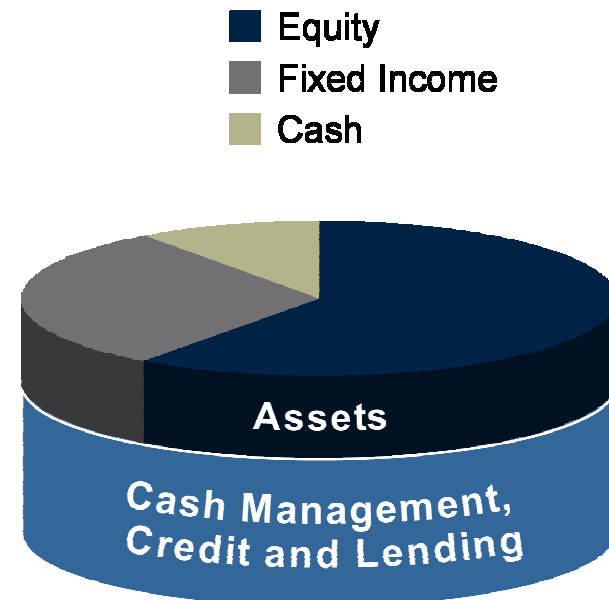
## STEP 4: LOOK FOR OPPORTUNITIES

# Create Opportunities With Your Cash Holdings



**Consider Cash Management and Credit and Lending solutions to provide for your cash needs while supporting your long-term investment goals.**

- Identify your realistic short and long-term cash needs
- Review your long-term investment strategy and redeploy uninvested cash as you rebalance your investments
- Put a Cash Management and Credit and Lending plan in place that supports your investment strategy



# Next Steps



**Schedule a meeting to position your portfolio for the road to recovery.**

- Discuss your short- and long-term financial objectives
- Assess your portfolio and review your asset allocation
- Identify opportunities in the current marketplace
- Implement changes to your asset allocation as needed



# Important Risk Information for Alternatives Investments



## **Alternative Investments Disclosure**

The hedge fund indices shown are provided for illustrative purposes only. They do not represent benchmarks or proxies for the return of any particular investable hedge fund product. The hedge fund universe from which the components of the indices are selected is based on funds which have continued to report results for a minimum period of time. This prerequisite for fund selection interjects a significant element of "survivor bias" into the reported levels of the indices, as generally only successful funds will continue to report for the required period, so that the funds from which the statistical analysis or the performance of the indices to date is derived necessarily tend to have been successful. There can, however, be no assurance that such funds will continue to be successful in the future.

Merrill Lynch assumes no responsibility for any of the foregoing performance information, which has been provided by the index sponsor. Neither Merrill Lynch nor the index sponsor can verify the validity or accuracy of the self-reported returns of the managers used to calculate the index returns. Merrill Lynch does not guarantee the accuracy of the index returns and does not recommend any investment or other decision based on the results presented.

## **Alternative Investment Risk Factors:**

Alternative investments are speculative and involve a high degree of risk. An investor could lose all or a substantial amount of his or her investment. There is no secondary market nor is one expected to develop for alternative investments and there may be restrictions on transferring fund investments. Alternative investments may be leveraged and performance may be volatile. Alternative investments have high fees and expenses that reduce returns. Investors must carefully read the relevant private placement memorandum for a complete description of the risks and terms of any particular alternative investment.

# Important Index Disclosure



In reviewing the performance of any program or underlying fund, investors should not consider any index shown to be a performance benchmark. Such indices are provided solely as an indication of the performance of various capital markets in general, as would be reflected using a buy and hold long-only strategy. However, the underlying funds are actively managed, invest in securities, derivatives and other financial instruments that are not included in such indices, and implement trading techniques not represented by a passive index of securities. Accordingly, any index shown is not intended to imply that an investment in any program fund is comparable to an investment in the securities represented by such an index or that an underlying fund seeks to replicate or correlate with such index. The performance and tax consequences of an investment in the securities represented by an index and of an investment in any program fund may be, and in many cases are likely to be, materially different. Index returns reflect reinvestment of dividends and do not reflect the effect of advisory fees.

Indices are used for illustrative purposes only, are unmanaged and are not available for direct investment.

## **About the CS Tremont Index**

The CS Tremont Index tracks more than 4,500 funds with a minimum of U.S. \$50.0 MM AUM, minimum one-year track record, and current audited financial statements. Funds are separated into ten primary subcategories based on investment style. The Index in all cases represents at least 85% of the AUM in each respective category of the Index Universe. CS Tremont analyzes the percentage of assets invested in each subcategory and selects funds for the Index based on those percentages, matching the shape of the Index to the shape of the universe. The Index is calculated and rebalanced monthly. Funds are reselected on a quarterly basis as necessary. Performance data used in the Index is net of all fees. Funds of funds are not included. (Source: CS Tremont Hedge Fund website)

## **About the Private Equity Composite Index**

The Private Equity Composite Index consists of 50% Thomson Venture Economics U.S. All Private Equity and 50% Thomson Venture Economics Europe All Private Equity. In the U.S. private equity firms are surveyed on a quarterly basis to obtain the updated cash flow and residual value information used to calculate the U.S. benchmarks. In Europe private equity firms are surveyed semi-annually to obtain the updated cash flow and residual value information used to calculate the European benchmarks. (Source: Thomson Venture Economics website)

## **About the LPX50 Total Return Index**

The LPX50 Total Return Index is a global equity index covers the 50 largest listed private equity companies which fulfill certain liquidity constraints. (Source: LPX website)

## **About the NCREIF NPI Index**

The NCREIF Property Index is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. All properties in the NPI have been acquired, at least in part, on behalf of tax-exempt institutional investors -the great majority being pension funds. As such, all properties are held in a fiduciary environment. The composition of the NPI can change over time. The numbers of properties changes as Data Contributing Members buy and sell properties and new Data Contributing Members are added. Properties exit the NPI when assets are sold or otherwise leave the database. All historical data remains in the database and in the Index. The Index represents investment returns from a single class of investor. As such, the NPI may not be representative of the market as a whole. (Source: NCREIF website)

## **About the DJ-UBS Commodity TR Index**

The DJ-UBSCI is composed of futures contracts on physical commodities traded on U.S. exchanges, with the exception of aluminum, nickel and zinc, which trade on the London Metal Exchange (LME). (Source: Dow Jones Indexes website)



# Important Index Disclosure (continued)



## **About the Merrill Lynch U.S. Treasury Inflation-Linked Securities Total Return Index**

The Merrill Lynch U.S. Treasury Inflation-Linked Index tracks the performance of U.S. dollar denominated inflation-linked sovereign debt publicly issued by the U.S. government in its domestic market. Qualifying securities must have at least one year remaining term to final maturity, interest or principal payments tied to inflation and a minimum amount outstanding of \$1 billion. Strips are excluded from the Index; however, original issue zero coupon bonds are included in the Index and the amounts outstanding of qualifying coupon securities are not reduced by any portions that have been stripped.

## **About the Fixed Income Composite Index**

The Fixed Income Composite Index consists of 60% U.S. Long Term Government Bond TR Index and 40% U.S. Long Term Corporate Bond TR Index.

## **About the U.S. Long Term Government Bond TR Index**

1977-present: Data from The Wall Street Journal.

1926-1976: Data is from the Government Bond File at the Center for Research in Security Prices (CRSP) at the University of Chicago Graduate School of Business.

## **About the U.S. Long Term Corporate Bond TR Index**

1969-present: Corporate Bond Total Returns are represented by the Citigroup Long-Term High-Grade Corporate Bond Index.

1926-1968: For the period 1946-1968, Ibbotson and Sinquefeld backdated the Salomon Brothers' index, using Salomon's monthly yield data.

1926-1945: Standard and Poor's monthly High-Grade Corporate Composite yield data were used, assuming a four percent coupon and a 20-year maturity.

## **About the IAAB U.S. 30-day Treasury Bill**

For the U.S. Treasury Bill index, data from The Wall Street Journal are used for 1977-Present; the CRSP U.S. Government Bond File is the source from 1926 to 1976. Each month a one-bill portfolio containing the shortest-term bill having not less than one month to maturity is constructed.

## **About the S&P 500 Total Return Index**

The S&P 500 Total Return Index is a market-weighted index that measures the total return, including price and dividends, of 500 leading companies in leading industries of the U.S. economy. This index is often used as a reference for the performance of the U.S. equities market.

**S&P 500 Index:** is widely regarded as the best single gauge of the U.S. equities market, this world-renowned index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the S&P 500 focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market. An investor cannot invest directly in an index.

**Russell 1000 Index®:** measures the performance of the 1,000 largest companies in the Russell 3000.

**Russell 1000 Growth Index®:** measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

**Russell 1000 Value Index®:** measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

**Russell 2000 Index®:** measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

**Russell 2000 Growth Index®:** measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

**Russell 2000 Value Index®:** measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

# Important Index Disclosure (continued)



**MSCI® EAFE:** (Europe, Australasia, and Far East) Net Index comprises 21 MSCI country indices, representing the developed markets outside of North America.

**ML U.S. Broad Market Index:** tracks the performance of U.S. dollar denominated investment grade Government and Corporate public debt issued in the U.S. Domestic bond market, including collateralized products such as Mortgage Pass-Through and Asset Backed securities.

## **Credit Suisse Tremont Hedge Fund Indexes®**

**Aggregate Index®:** The methodology utilized in the Credit Suisse/Tremont Hedge Fund Index starts by defining the universe it is measuring. The Index Universe is defined as funds with: a minimum of U.S. \$50 million assets under management, a minimum one-year track record, and, current audited financial statements. Funds are separated into ten primary subcategories based on their investment style. The Index in all cases represents at least 85% of the AUM in each respective category of the Index Universe.

**Global Macro Index®:** Global macro managers carry long and short positions in any of the world's major capital or derivative markets.

**Distressed Index®:** Fund managers in this non-traditional strategy invest in the debt, equity or trade claims of companies in financial distress or already in default.

**Long-Short Equity Index®:** The directional strategy involves equity-oriented investing on both the long and short sides of the market. The objective is not to be market neutral. Managers have the ability to shift from Value to Growth, from Small to Mid to Large Cap stocks, and from a net long position to a net short position. Managers may use futures and options to hedge. The manager's focus may be regional or sector specific.

**Dedicated Short Bias Index®:** The strategy is to maintain net short, as opposed to pure short, exposure. Short-biased managers take short positions mostly in equities and derivatives. The short bias of a manager's portfolio must be greater than zero to be classified in this category.

**Convertible Arbitrage Index®:** The strategy is identified in the convertible securities of a company. Positions are designed to generate profits from the fixed income security as well as the short sale of stock, while protecting principle from market moves.