



Making the Most of Equities in Your Portfolio



TOTAL MERRILL®

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Equities are an important component of most investment portfolios. They traditionally perform well over the long term and can generate returns that help outpace inflation. So the question isn't whether to incorporate equities into your investment strategy—it's how. That's where we come in.

At Merrill Lynch, we can help you build or adjust your equity portfolio within the context of your overall financial picture. We'll design customized equity strategies that consider the amount of growth you seek and the degree of risk you can tolerate, balanced with your investing style and time horizon. But that's only the beginning.

One of the benefits of working with Merrill Lynch is the ability to draw from the intellectual capital and vast resources of a market leader. Our research analysts and equity specialists provide investment insights and recommendations to an experienced Financial Advisor who understands your specific needs and goals. The result? Equity strategies and concentrated stock solutions designed just for you using the expertise of an entire team of investment professionals.

Finally, you will have access to a breadth and depth of investment products and managers not typically available to the individual investor. By offering world-class equity-based solutions, we can help you achieve a wide variety of investment objectives appropriate for your unique situation.

Let us help you make the most of equities in your portfolio.

An exceptional resource: Merrill Lynch Research

Resources of a market leader

Are you seeking to enhance returns? Reduce risk? Increase tax efficiency? Whatever the case, we provide our collective insight to help meet your specific needs. Your Financial Advisor taps in to Merrill Lynch's research capabilities to interpret market environments, then delivers this insight to you through asset allocation models and research reports.

Merrill Lynch Research

Investors at Merrill Lynch benefit from an exceptional resource: Merrill Lynch Research. Our research capabilities allow your Financial Advisor to provide appropriate strategies to you, the individual investor. More than 800 analysts provide global coverage in the following areas:

- **Global Equity Research** conducts fundamental analysis on more than 3,600 companies globally. The group also provides institutional and retail clients with industry-specific in-depth research and analysis on more than 20 industries.
- **Global Fixed-Income and Equity-Linked Research** publishes dedicated product research and provides comprehensive capital structure assessments of select industries and their component companies.
- **Investment Strategy** offers in-depth analysis of critical global issues, providing clients with investment ideas, market forecasts, macro overviews, asset allocation guidelines and specific sector recommendations across asset classes, regions and disciplines.

Within the Investment Strategy group, your Financial Advisor has access to our Research Investment Committee (RIC). This committee translates big-picture market views and expectations into actionable themes and investment ideas for individual investors. By drawing upon the resources of Merrill Lynch Research, the RIC then presents its most important macro ideas and forecasts in the monthly *RIC Report*. In addition to an investment overview, the *RIC Report* provides asset

allocation profiles designed to serve as guidelines for a three- to five-year investment horizon.

While the RIC conveys ideas and forecasts on overarching investment strategies, the US 1 list represents a collection of our best investment ideas drawn primarily from U.S. fundamental equity research analysts' "buy" recommendations. Because US 1 additions, renewals and removals are available through published research reports, you and your Financial Advisor have direct access to the type of information you need to help you build and maintain an equity portfolio consistent with your investment objectives. In addition, as a Merrill Lynch client, you gain access to a wide array of publications that help you to identify opportunities within the marketplace. These publications highlight current and emerging market conditions and investment themes.

Equity specialists

At Merrill Lynch, we have equity specialists who focus on particular areas of the equity market, including individual stocks, block trading, exchange-traded funds, closed-end funds, unit investment trusts, convertible securities, listed options and over-the-counter (OTC) derivatives. Your Financial Advisor is connected not only to equity investment strategists who identify tactical opportunities based on research-driven investment themes, but to block trading professionals who strategically execute sizable stock orders for the purpose of minimizing market impact and reducing price volatility.

Merrill Lynch Research consistently earns top honors

- In the top 5 for the fifth year in a row on the *Institutional Investor* 2007 "All-America Research Team" survey for equity analysts¹
- No. 1 on the *Financial Times*/StarMine 2007 annual survey of broker performance for the U.S. for earnings estimate accuracy²

Strategies to fit your goals

Your portfolio

Your Financial Advisor can help you develop customized equity strategies that fit your individual goals, risk tolerance, investing style and time horizon.

Asset allocation. Historically, a disciplined asset allocation strategy is the best way to protect your portfolio against risk. For example, when one asset class, such as fixed-income, is declining, a different class, such as equities, may be rising.

So before talking about specific securities, your Financial Advisor can help you determine how much of your portfolio should be allocated to equities.

Diversification. After you've determined an appropriate asset allocation, it's important to consider diversification in order to minimize the risk in your equity portfolio.

Based on your input, your Financial Advisor can help you determine the portfolio strategy most appropriate for your personal situation and may recommend diversification

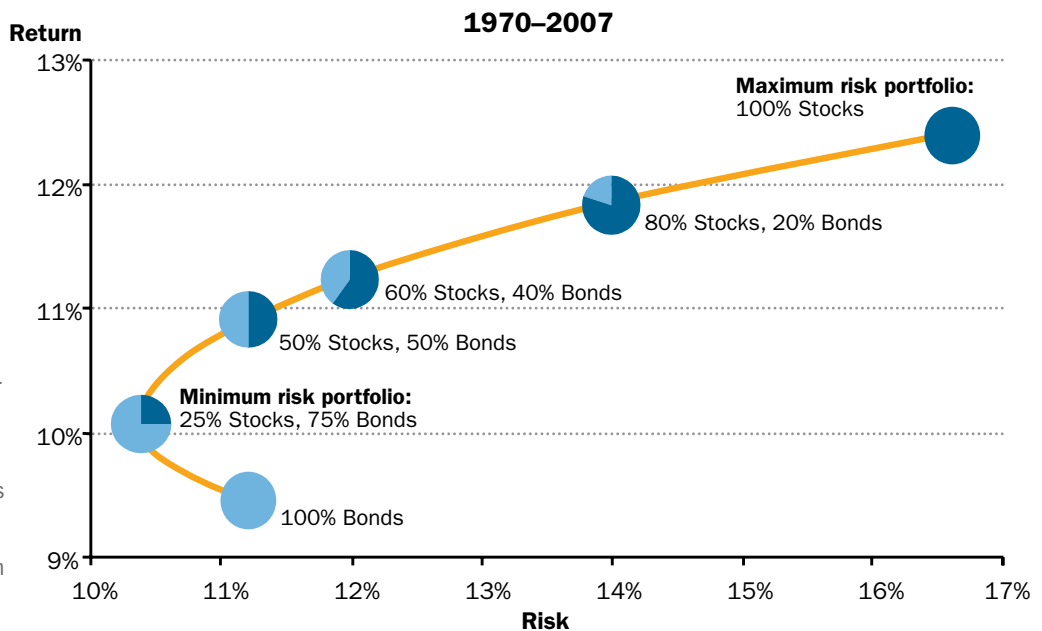
among (a) companies from various market sectors and industries; (b) non-U.S. as well as U.S. stocks; (c) companies with small-, medium- and large-market capitalization; or (d) growth, value or income-oriented stocks.

The chart below illustrates how risk and return are related—the higher the return, the greater the risk. Of course, the shorter the time frame, the more volatile stock prices can be. But investors who maintain their investments through up and down markets tend to fare well overall.

Rebalancing. Once you have a portfolio strategy in place, it's important to maintain that strategy. Over time, as the markets fluctuate, the asset class values in your portfolio may change, causing your portfolio to become more heavily weighted toward one asset class or style—which could adversely influence your long-term goals. Periodically rebalancing your portfolio helps ensure that your strategy remains on track to achieve your personal financial goals.

Stocks and bonds: Risk versus return

Risk is measured by standard deviation. Return is measured by arithmetic mean. Risk and return 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.** Index sources: Stocks—Standard & Poor's 500®, which is an unmanaged group of securities and considered to be representative of the stock market in general; Bonds—20-year U.S. Government Bond. Direct investment cannot be made in an index. Used with permission. © 2007 Morningstar, Inc. All rights reserved, 3/1/2007. [Certain portions of this work were derived from the work of Roger G. Ibbotson and Rex Sinquefeld.]



Diverse investment platform

Broad access to resources

As a Merrill Lynch client, you will benefit from access to Merrill Lynch's broad resources and powerful investment platform. Our diverse array of comprehensive investment vehicles enables us to tailor and manage an equity portfolio precisely to your goals and needs.

In addition to domestic equity investing, we can help you diversify your portfolio and get exposure to international equities. If appropriate, you can invest directly in individual equities of non-U.S. companies or, where available, American Depositary Receipts. If you prefer a managed or diversified exposure, there are mutual funds and exchange-traded funds available providing exposure to the international market.

Merrill Lynch is an active participant in the primary market for equities and closed-end funds. Through your Financial Advisor, you can submit indications of interest for initial public offerings (IPOs), add-on financings and convertible offerings.

With **exchange-traded funds (ETFs)**, you can participate in major market and sector indexes without owning all the underlying stocks that comprise those indexes. Merrill Lynch offers a full complement of ETFs, from those that are based on such major indexes as the S&P 500® and the Russell 2000® to others that allow for participation in specific industries or sectors such as health care and technology. **Exchange-traded notes**

(ETNs), also designed to track the return of a specific underlying market measure, are available through your Merrill Lynch Financial Advisor.

Merrill Lynch offers more than 3,000 **mutual funds** from over 100 mutual fund families, providing participation in professionally managed diversified portfolios of domestic, international and sector-specific equities, as well as both growth and value management styles. Like mutual funds, **closed-end funds** offer investors current income and diversification through a professionally managed portfolio with added trading flexibility. Closed-end funds can be purchased and sold just as stocks listed on an exchange or purchased in new issue offerings. **Unit investment trusts**, professionally selected portfolios of securities that remain unchanged over the term of the trust, are also available to you at Merrill Lynch.

For more than 30 years, Merrill Lynch has provided individual investors with access to discretionary investment management programs that were once available only to institutions. We visit hundreds of investment management firms every year and analyze them for (a) performance in a variety of market conditions; (b) adherence to their stated investment style; and (c) organizational strength and stability. Your Financial Advisor can recommend a program that meets your needs now, and will work with you to adjust or adapt it as those needs change over time.

With access to our diverse investment platform, your Merrill Lynch Financial Advisor can help you select the equity solutions appropriate for your individual financial needs

- Domestic and international equities
- Professional portfolio programs managed by premier investment managers
- Mutual funds from more than 100 fund companies
- Exchange-traded funds
- Exchange-traded notes
- Unit investment trusts
- Structured products
- Listed options
- Customized derivatives
- Closed-end funds
- Convertible and preferred securities
- Sector Strategy Portfolios

Innovative products and services within customized solutions

Structured equity products

Merrill Lynch has a long tradition of creating innovative products that provide investors access to various asset classes, including equity indexes and equity stocks. Your Financial Advisor can help you determine whether these structured products are appropriate for you:

- **Market Indexed Target-Term Securities® (MITTS®):** Senior unsecured debt securities that combine the capital preservation feature of fixed-income investments with the growth potential of equities or other asset classes.
- **Accelerated Return NotesSM (ARNs®):** Senior unsecured debt securities that offer investors the opportunity to earn a multiple of the upside potential of an underlying asset, up to a specific cap, while bearing one-for-one downside exposure in most cases.
- **Leveraged Index Return Notes® (LIRNsSM):** Senior unsecured debt securities that offer investors the opportunity for enhanced participation in the potential upside of an asset while bearing one-for-one (or, in some cases, leveraged) downside exposure for declines below a specified level, or buffer.
- **Callable Stock Return Income Debt Securities® (Callable STRIDES®):** Senior unsecured debt securities that offer an enhanced income stream and the opportunity to participate in the potential appreciation of a particular stock subject to the issuer's right to call the Callable STRIDES, while bearing one-for-one downside exposure.
- **Strategic Accelerated Redemption SecuritiesSM:** Senior unsecured debt securities that offer investors the opportunity to receive an enhanced fixed return based on the performance of an underlying asset while bearing one-for-one (or, in some cases, leveraged) downside exposure for declines below a specified level, or buffer.

Alternative investments

Merrill Lynch is pioneering new ways for qualified investors to access alternative investments and gain exposure to the equity markets. The products offered by Merrill Lynch Alternative Investments—hedge funds and private equity funds—are thoroughly researched, carefully structured and closely monitored by a dedicated group of financial professionals whose mandate is to provide access to some of the most highly regarded investment opportunities in the industry. The breadth and depth of our offerings in conjunction with our industry knowledge can provide qualified investors a menu of alternative investment choices that can be carefully tailored to meet their individual needs.

Concentrated stock solutions

Over the years you may have accumulated company stock that constitutes a large percentage of your total wealth. Finding ways to reduce risk, generate liquidity and diversify exposure is a significant challenge for individual investors with concentrated, low cost basis or restricted stock positions. With a range of innovative strategies available, your Financial Advisor can customize a solution to address your specific needs.

- **Equity block trading:** A dedicated team of professionals ready to assist investors with liquidating concentrated stock positions.
- **Exchange funds:** Special-purpose funds that offer holders of concentrated stock positions the ability to diversify their investments by exchanging stock for shares of a diversified fund.
- **Hedging strategies:** Customized option strategies that protect equity positions from downside risk in the stock price while offering upside appreciation.
- **Monetization:** An alternative to selling stock that allows investors to generate substantial liquidity today without triggering a taxable event on underlying shares.

Merrill Lynch helps you determine:

- How much of your portfolio should be allocated to equities
- What kind of equities are appropriate for you
- How you should participate in equities—through individual stocks, an equity-based product, a mutual fund or perhaps an investment management organization that assumes responsibility for all day-to-day investment decisions
- What types of strategies will enhance and help protect your equity exposure

- **Volaris:** A customized volatility management overlay program for concentrated equity positions, portfolios and indexes.
- **Rampart:** A registered investment advisor serving the large tax-exempt institutional marketplace, including foundations, pension funds and state retirement systems.
- **Customized private contracts:** Private investments through OTC derivative contracts that are customized specifically to an eligible investor's risk and return parameters.

Freedom of choice

Merrill Lynch provides you with choices—including numerous ways to access the markets and implement particular strategies. We also provide research opinions from independent sources on many of the companies followed by our research professionals. You can use this information, available on our client Web site, in conjunction with Merrill Lynch Research findings as you make decisions about the structure of your portfolio.

Flexibility to meet your needs

Merrill Lynch provides a framework to organize your financial life as we help you develop a strategy that is customized to meet your specific needs. But choice extends beyond the number of investment products and services available to you. How you access your account and your account's fee structure can be based on your needs and the size and type of account you wish to maintain.

Helping you achieve the life you want

Your life can change. And as it changes, it would be nice to have the right resources working for you when you need them.

Your Financial Advisor can help you meet life's financial challenges by taking the time to fully understand who you are and what matters most to you. Drawing upon the breadth and depth of Total MerrillSM and our broad array of solutions allows us to offer you sophisticated financial strategies that go beyond investing in stocks and bonds to address every aspect of your financial life.

With direct access to specialists who have expertise in selecting equities, your Financial Advisor can help you implement an investment strategy that is appropriate for you.

We believe that a partnership with a Merrill Lynch Financial Advisor—who understands your situation, your needs and what you want to accomplish—is the best way to help you achieve the life you want.

Call Merrill Lynch

To learn more about making the most of equities in your portfolio, call your Merrill Lynch Financial Advisor. If you would like additional information, please visit www.totalmerrill.ml.com.



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International investing presents certain risks not associated with investing solely in the U.S. These include, for instance, risks related to fluctuations in the value of the U.S. dollar relative to the value of other currencies, custody arrangements made for a fund's foreign holdings, political risks, differences in accounting procedures and the lesser degree of public information required to be provided by non-U.S. companies. These risks are magnified for investments made in emerging markets.

Investing involves risk, including possible loss of money. Neither asset allocation nor diversification can assure a profit or protect against a loss in a declining market. Shares of ETFs are not actively managed and are subject to risk similar to stocks. Ordinary brokerage commissions apply.

The Total Merrill brand is used to refer to the broad range of brokerage, investment advisory (including financial planning), banking, trust, mortgage, and other financial services and products offered by Merrill Lynch. The nature and degree of advice and assistance provided, the fees charged, and client rights and Merrill Lynch's obligations will differ among these services.

For more complete information on any mutual fund, ETF or unit investment trust, please request a prospectus from your Merrill Lynch Financial Advisor and read it carefully. Before investing, carefully consider the investment objectives, risks, and charges and expenses of the fund or trust. This and other information can be found in the fund's or trust's prospectus.

Standard deviation is a statistical measure that depicts how widely the returns of an investment varied over a certain period of time. Investors can use the standard deviation of historical performance to try to predict the range of returns that may occur for a particular investment. A higher standard deviation indicates greater volatility or a wider range of returns.

¹ All-America Research Team, *Institutional Investor*, October 2007.

² StarMine broker rankings, 2007 annual survey of broker performance for the U.S., www.starmine.com.

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