Merrill Lynch

Market Focus

MERRILL LYNCH GLOBAL WEALTH MANAGEMENT

INVESTMENT MANAGEMENT AND GUIDANCE

THIRD QUARTER 2009

Global Markets Overview

- Investors, heartened by evidence of economic and market recovery around the world, continued to purchase assets in the third quarter, especially riskier securities in equities and fixed income.
- Equities rose strongly, led by Mid Cap and Small Cap stocks. The Small Cap Russell 2000 soared 19.3%; the Large Cap S&P 500 increased 15.6%.
- In Fixed Income, High Yield bonds, as measured by the ML High Yield Index, climbed 14.8%, far outpacing the 4.0% return from the ML Broad Market Index. Treasuries, which had been negative over the two previous quarters, posted positive returns.
- International equities, especially Emerging Markets, surged as investors grew less risk averse and the U.S. dollar weakened. The MSCI Emerging Markets Index jumped 20.9% in U.S. dollar terms.

Investor enthusiasm for the economic recovery continued to grow in the third quarter, as lower quality, riskier securities posted impressive returns. In the U.S., the Large Cap S&P 500 posted strong gains but lagged Small Cap stocks. In fixed income, High Yield bonds exceeded Treasuries by a wide margin. In International equities, Emerging Markets outperformed Developed Markets and are now up more than 61% for the year (net, in U.S. dollar terms). The U.S. dollar, which had risen through much of 2008 and early 2009 due to its safe haven status, fell in the third quarter against most major currencies.

The Global Economy Is Recovering

As in the second quarter, investors appeared to grow more confident that the worst of the financial crisis and the recession had passed. Many U.S. economic indicators showed improvement. Auto sales surged, due partly to the government "cash for clunkers" program, and manufacturing expanded as businesses replenished inventories.

Outside the U.S., Developed Markets such as Germany and France also posted strong returns, boosted by the prospects of accelerating global economic growth. Emerging Markets were a lead performer, as commodities prices rose and the longer term outlook for consumer demand growth was strong.

But It also Still Faces Challenges

However, the U.S. consumer remains under severe pressure. Access to credit is still constricted, asset prices are still down compared to 2007, and unemployment has reached a 26-year high. Given the overall weakness of the U.S. economy, the Federal Reserve (the Fed) kept the Fed Funds Rate near zero throughout the quarter.

Looking Ahead

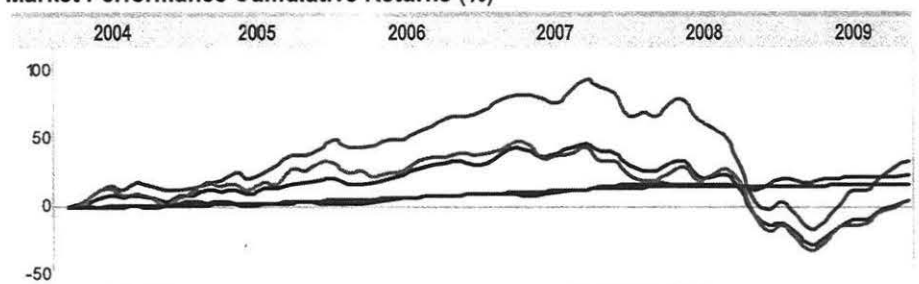
With the impact of the credit crisis dissipating, investors have grown more concerned about central bank policy. Central banks have pumped extraordinary amounts of liquidity into the economy in response to the crisis, but as economic growth resumes, investors are now focusing on how the central banks will drain this liquidity before Inflationary pressures build.

Market Index Returns (%)

Description	Q3 2009 (%)	YTD 2009 (%)
Equity		
S&P 500® WITH DIVIDENDS	15.6	19.3
RUSSELL 3000®	16.3	21.2
RUSSELL 1000®	16.1	21.1
RUSSELL 1000® GROWTH	14.0	27.1
RUSSELL 1000® VALUE	18.2	14.9
RUSSELL MIDCAP®	20.6	32.6
RUSSELL MIDCAP® GROWTH	17.6	37.1
RUSSELL MIDCAP® VALUE	23.6	27.6
RUSSELL 2000®	19.3	22.4
RUSSELL 2000® GROWTH	16.0	29.1
RUSSELL 2000® VALUE	22.7	16.4
Fixed Income		
ML US BROAD MARKET BOND	4.0	6.0
ML US TREASURY MASTER	2.1	-2.4
ML CORPORATE MASTER	8.3	18.3
ML MORTGAGE MASTER	2.3	5.2
ML HIGH YIELD MASTER	14.8	48.5
ML MUNICIPAL MASTER	8.1	15.9
USD EMERGING MARKET SOVEREIGNS PLUS	10.2	25.3
ML CONVERTIBLE BOND INDEX	15.9	39.4
Global Equities*		
MSCI WORLD INDEX	17.5	24.9
MSCI EAFE INDEX	19.5	29.0
MSCI EUROPE	22.9	31.6
MSCI EMERGING MARKETS	20.9	64.5
MSCI PACIFIC	12.2	21.4

* Morgan Stanley Capital International Indexes (MSCI). All Indexes include dividend reinvestment and are in U.S. dollar terms.

Market Performance Cumulative Returns (%)



Equity Focus

- Investor tolerance for higher risk assets drove equity returns in the third quarter. U.S. equities rallied virtually across the board, with lower quality stocks in the lead.
- Value stocks outperformed Growth. The Russell 1000 Value Index rose 18.2% while the Russell 1000 Growth Index returned 14.0%. The lead sectors were Mid and Smaller Cap Russell Value indices, which were up 23.6% and 22.7% respectively.
- Performance across all sectors was positive, with the exception of Telecommunications. Sectors with exposure to the economic cycle – especially Financials – were in the lead, while defensive sectors, underperformed.

U.S. equities rallied sharply in the third quarter as investor appetite for riskier assets surged, largely benefiting stocks that had experienced some of the greatest losses during the credit crisis in 2008 and early 2009. The S&P 500 Index was up 15.6%, one of its strongest quarters in a decade. Corporate profits in the quarter exceeded expectations, largely due to cost cutting, though the U.S. consumer remains under extraordinary pressure due to high levels of consumer debt, less credit, and rising unemployment.

Value and Small Cap Stocks Led Performance

With investors feeling more optimistic, Value stocks exceeded Growth, and Small Cap stocks outperformed Large Cap. The Small Cap Russell 2000 rose 19.3% in the quarter and is now up 76.0% from its March low. The Large Cap Russell 1000 Value Index outperformed the Russell 1000 Growth Index by 4.2 percentage points as investors continued to reward stocks that appeared to have attractive prices, rather than bidding for stocks with higher growth prospects.

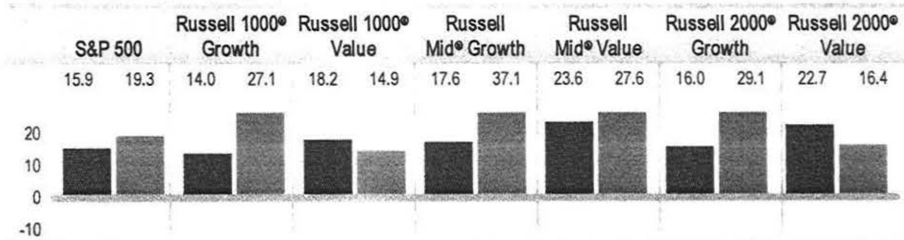
Cyclical Sectors Benefited from Rising Expectations for Economic Growth

Sectors that have exposure to economic growth (cyclicals) rallied, with Financials in the lead. Financials rose as investors grew more confident in the banking system. Stocks in the sector also appeared attractive because banks will likely benefit from the steep yield curve and the low short term rate environment. Industrials, which are mostly made up of firms that make capital goods; and Materials, which provide commodities to manufacturers; also performed strongly. On the other hand, defensive sectors – which typically provide goods and services that consumers need regardless of the economic cycle – underperformed. Health Care, Utilities, Consumer Staples, and Telecom were among the laggards. Telecomm is the only sector to have posted negative 2009 performance.

Looking Ahead

After rising strongly through most of the quarter, the markets fell in the final few days, possibly reflecting investor concern that prices were not fully justified by underlying economic strength. Looking ahead, investors will consider whether companies can maintain profitability and solvency given the challenging economic environment, especially firms that are considered lower quality.

Performance by Style (%)



Index Returns	Q3 2009	YTD 2009
S&P 500	15.6	19.3
RUSSELL 1000® GROWTH	14.0	27.1
RUSSELL 1000® VALUE	18.2	14.9
RUSSELL MIDCAP® GROWTH	17.6	37.1
RUSSELL MIDCAP® VALUE	23.6	27.6
RUSSELL 2000® GROWTH	16.0	29.1
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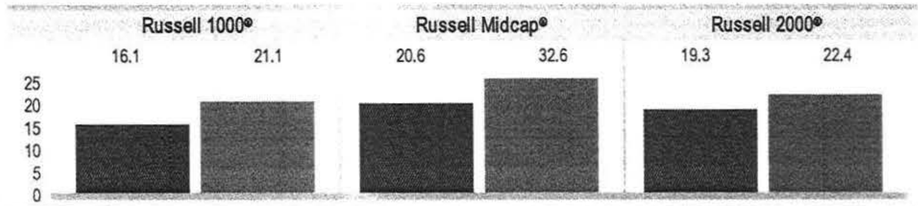
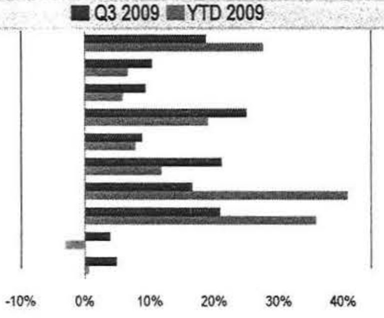
Performance by Size (%)



Index Returns	Q3 2009	YTD 2009
RUSSELL 1000®	16.1	21.1
RUSSELL MIDCAP®	20.6	32.6
RUSSELL 2000®	19.3	22.4

Performance by S&P 500 Sector (%)



Sector	Q3 2009	YTD 2009
CONSUMER DISCRETIONARY	18.9	27.8
CONSUMER STAPLES	10.5	6.7
ENERGY	9.5	5.9
FINANCIALS	25.1	19.2
HEALTH CARE	8.9	7.9
INDUSTRIALS	21.2	11.9
INFORMATION TECHNOLOGY	16.7	44.8
MATERIALS	21.0	35.9
TELECOMMUNICATIONS	3.9	-3.1
UTILITIES	5.0	0.7

Fixed Income Focus

- Lower quality fixed income securities benefited from growing investor appetite for risk in the quarter. High Yield bonds, as measured by the ML High Yield Master, led performance, rising 14.8%.
- High quality bonds, which have been out of favor over the previous few quarters, generated positive returns. The ML US Treasury Index rose 2.1%.
- Municipals generated strong performance, as measured by the ML Municipal Master, returning 8.1%. Longer duration Municipal bonds led performance due to greater risk appetite and government support.

As with other asset classes, riskier fixed income securities led performance during the third quarter as investors grew more confident about the economy. The ML US Broad Market Index returned 4.0% during the quarter and is up 6.0% in 2009.

Corporate bonds, especially higher risk ones, have benefited from growing access to the debt markets, which has reduced default expectations. High Yield bond returns have almost doubled Investment Grade bonds, which rose 8.3%. In 2009, High Yield bonds have soared more than 48%.

Treasuries and Mortgages also Generated Positive Performance

Though high quality bonds have been out of favor, Treasuries and Agency Mortgage Backed Securities (Agency MBS) generated positive returns for the quarter. Treasuries have underperformed through most of 2009 (in marked contrast to 2008) as investors have sought out riskier assets. However, Treasury returns in the third quarter were positive for the first time in 2009 because rates decreased. The Yield Curve also flattened during the period, helping longer term bonds outperform shorter term bonds. Agency Mortgage Backed Securities (MBS) have had significant government support this year, but investors are starting to consider the consequences of when the government support is withdrawn. The sector rose 2.4%.

Lower Quality Munis Generated Strong Returns

Rising risk appetite also impacted the Municipal bond markets, which posted a quarterly return of 8.1%. Similar to their taxable counterparts, lower quality issues outperformed. BBB-rated Municipal bonds (the lowest rating) jumped 13.7%, widely outperforming higher quality AAA-rated Municipal bonds.

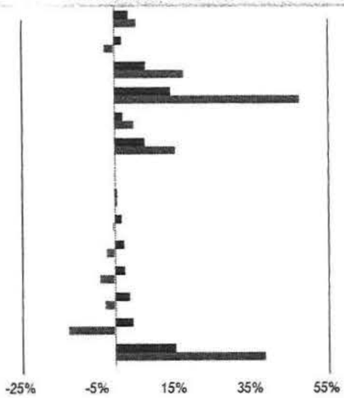
In addition, investors were attracted to longer duration Municipal bonds because of higher yields, higher risk appetite and government support through the Build American Bond (BAB) program. The ML 10+ Year Muni Index was up 10.8%, while the ML 22+ Year Muni Index returned 12.7%.

Looking Ahead

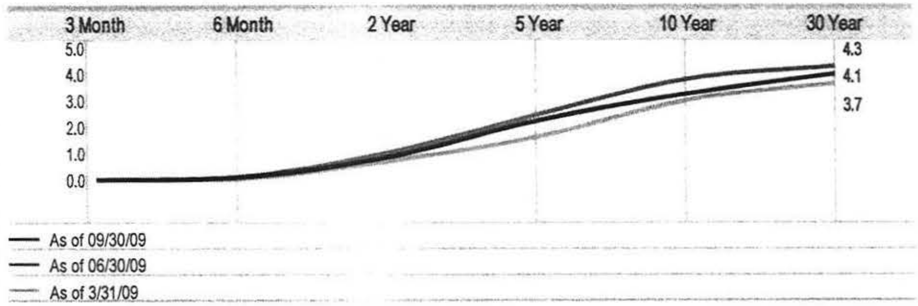
Fixed income investors, like equity investors, will be considering which companies are likely to struggle in an economic environment that is improving but remains challenging. Investors will also be watching the Fed closely, especially regarding its outlook on of inflationary pressures and growth.

Fixed Income Index Performance (%)

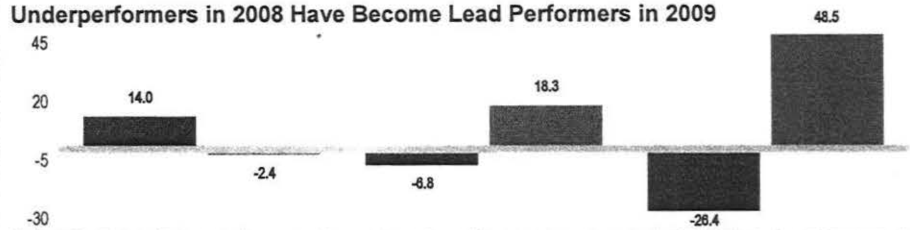
Sector	Q3 2009	2009
ML US BROAD MARKET BOND	4.0	6.0
ML US TREASURY MASTER	2.1	-2.4
ML CORPORATE MASTER	8.3	18.3
ML HIGH YIELD MASTER	14.8	48.5
ML MORTGAGE MASTER	2.3	5.2
ML MUNICIPAL MASTER	8.1	15.9
ML 3 MTH US T-BILLS	0.1	0.2
ML 1-3 YR TREASURY	0.8	0.8
ML 3-5 YR TREASURY	1.9	-0.4
ML 5-7 YR TREASURY	2.5	-2.0
ML 7-10 YR TREASURY	2.7	-3.7
ML 10-15 YR TREASURY	4.0	-2.5
ML US TREASURIES 15+ YRS	4.8	-12.0
ML CONVERTIBLES	15.9	39.4



Treasury Yield Curve (%)



Underperformers in 2008 Have Become Lead Performers in 2009



Index Returns	2008	YTD 2009
ML US TREASURY MASTER	14.0	-2.4
ML CORPORATE MASTER	-6.8	18.3
ML HIGH YIELD MASTER	-26.4	48.5

International Focus

- Growing risk appetite and strengthening commodities drove up Emerging Market equities in the third quarter. Emerging Markets continued to outperform U.S. and Developed Markets, but at a slower pace than in the second quarter. The MSCI Emerging Markets Index was up 20.9% compared to 34.7% last quarter.*
- In Developed Markets, the MSCI EAFE Index rose 19.5% for the quarter with increasing returns from France and Germany; Japan lagged with a rise of only 6.5%.
- The U.S. dollar depreciated against foreign currencies, contributing to international gains for U.S. based investors.

Continuing the trend from last quarter, market sentiment, and risk appetite have risen across the globe, driving higher returns for International securities.

Emerging Markets Continued to Outperform

The MSCI Emerging Markets Index was a lead performer in the quarter. The strongest performer within Emerging Markets was Eastern Europe, which attracted many investors due to low valuations, followed by Latin America and Asia. Among the "BRIC" countries (Brazil, Russia, India, and China), China gained far less than the other markets. This was largely due to falling demand for China's exports as well as the government's announcements that it might try to restrict credit growth.

The strong performance of currencies in the developing countries, supported by higher commodities prices, helped contribute to Emerging Market gains when compared against the U.S. dollar.

In Developed Markets, Europe Surged Ahead

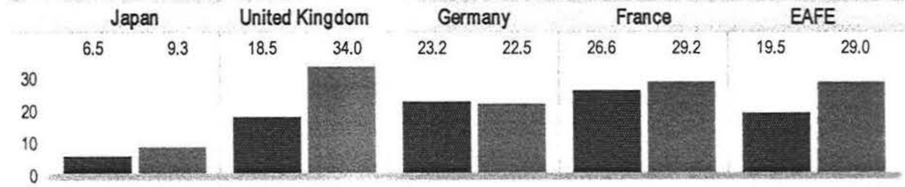
In Developed Markets, the MSCI EAFE was up 19.5%, with the main contributing countries being France and Germany, with the United Kingdom trailing slightly. Japan returned 6.5% in U.S. dollar terms, a relatively weak performance. This was partly because of a stronger yen and weaker domestic demand. Europe, on the other hand, rose as investors believed it would benefit from accelerating global growth.

Looking Ahead

Very low valuations have attracted many investors to international securities over the last two quarters, but investors will now be watching for evidence of sustainable economic and earnings growth.

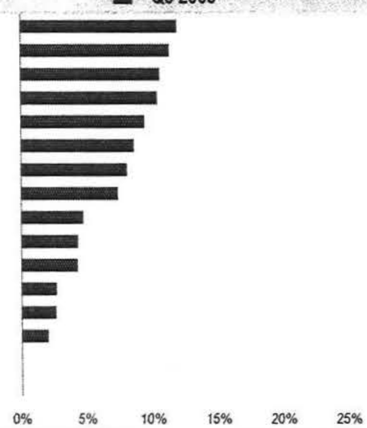
*All figures, unless otherwise specified are in U.S. dollar terms.

MSCI EAFE Returns (%) in U.S. Dollar Terms - Net



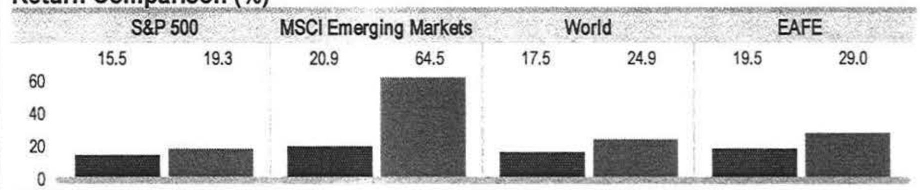
Market	Q3 2009	2009
JAPAN	6.5	9.3
UNITED KINGDOM	18.5	34.0
GERMANY	23.2	22.5
FRANCE	26.6	29.2
EAFE	19.5	29.0

Performance of Major Currencies Against the U.S. Dollar in Q3 (%)



Sector	Q3 2009	Symbol
NEW ZEALAND DOLLAR	12.0	NZD
NORWEGIAN KRONE	11.4	NOK
SWEDISH KRONA	10.7	SEK
BRAZILIAN REAL	10.5	BRL
AUSTRALIAN DOLLAR	9.5	AUD
CANADIAN DOLLAR	8.7	CAD
SOUTH KOREAN WON	8.1	KRW
JAPANESE YEN	7.4	JPY
SWISS FRANC	4.8	CHF
DANISH KRONE	4.4	DKK
EURO	4.3	EUR
SOUTH AFRICAN RAND	2.7	ZAR
SINGAPORE DOLLAR	2.7	SGD
TAIWANESE DOLLAR	2.1	TWD
MEXICAN PESO	-2.4	MXN
BRITISH POUND	-2.9	GBP

Return Comparison (%)



Index Returns	Q3 2009	2009
S&P 500	15.6	19.3
MSCI EMERGING MARKETS	20.9	64.5
WORLD	17.5	24.9
EAFE	19.5	29.0

Hedge Fund Focus*

- Hedge funds in the third quarter benefited as equities and the credit markets continued to rally. The Credit Suisse/Tremont Hedge Fund Index, a broad measure of hedge fund performance, posted a 7.3% gain, its largest quarterly rise in 2009.
- Equity Long/Short managers and Event Driven managers performed strongly this quarter, 7.8% and 7.6% respectively, as both equity and corporate bond prices rose.
- Managed Futures managers generated their first positive performance in 2009, rising 3.5%.

Hedge fund managers in general benefited as investors continued to invest in riskier assets in the third quarter. Event Driven and Long/Short managers, as they have in the previous quarter, led performance while Managed Futures managers continued to underperform.

Almost all hedge fund sectors, however, were positive in the third quarter. Managers were able to take advantage of continuing price trends and declining volatility. These gains came mostly from steadily rising equity prices, the decline of the U.S. dollar, and bond positions. Some managers took losses because commodities prices – in oil and gas especially – were either volatile or moved significantly.

Long/Short and Event Driven Managers Led Performance; Momentum Managers Declined

Equity Long/Short managers increased 7.8% as equities prices increased and volatility decreased. However, Equity Long/Short managers have a cautious view of the equity market and have relatively low exposure to price moves. This partly explains why returns continue on average to lag the S&P 500. Global Macro managers improved their performance from last quarter, rising 5.5%.

In foreign exchange markets, the U.S. dollar fell, helping many managers that had bet on a decline. In commodities, oil prices fluctuated, while gas prices rose sharply, and gold (due in part to the declining U.S. dollar) gained.

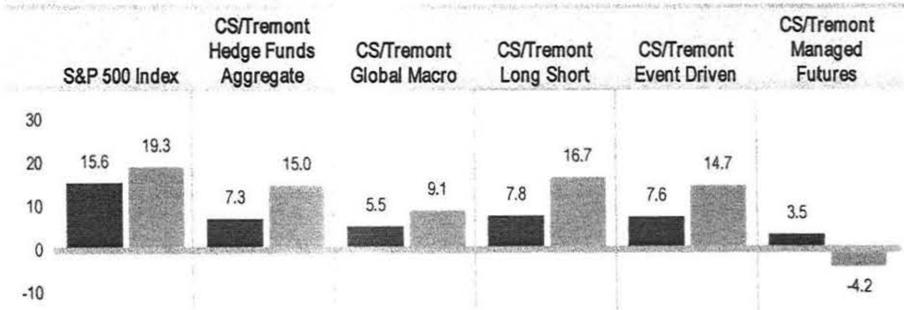
Managed Futures managers posted their first positive quarterly performance in 2009 as most managers had shifted their positions to benefit from the upward trend in equities and bonds and a downward trend in the value of the U.S. dollar. This contrasts with previous quarters in which many managers were late to adjust to rising investor risk appetite. Managed Futures managers in commodities, however, generally lost money due to the unexpected and sharp rise in gas prices.

Looking Ahead

Hedge fund managers in general hope to continue to profit from upward trends in equity and fixed income prices, as well as the decline of the U.S. dollar. However, many managers still hold a cautious view of the markets and have limited their exposure.

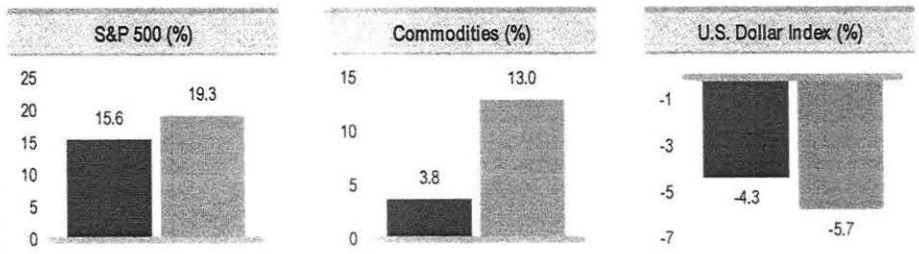
*Alternative Investment products may only be sold by AI-qualified Financial Advisors to pre-qualified clients. Most alternative investment products are sold on a private placement basis and eligible clients must typically be Qualified Purchasers ($5 million net investments).

Performance by Style (%)



Hedge Funds	Q3 2009	2009
S&P 500 INDEX	15.6	19.3
CS/TREMONT HEDGE FUNDS AGGREGATE	7.3	15.0
CS/TREMONT GLOBAL MACRO	5.5	9.1
CS/TREMONT LONG SHORT	7.8	16.7
CS/TREMONT EVENT DRIVEN	7.6	14.7
CS/TREMONT MANAGED FUTURES	3.5	-4.2

These Trends Played a Role in Q3 2009 Hedge Fund Performance



Index Returns	Q3 2009	2009
S&P 500 Index	15.6	19.3
Commodities (Reuters Jefferies CRB Index)	3.8	13.0
U.S. Dollar Index	-4.3	-5.7

The hedge fund indices shown are provided for illustrative purposes only. They do not represent benchmarks or proxies for the return of any particular 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.

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