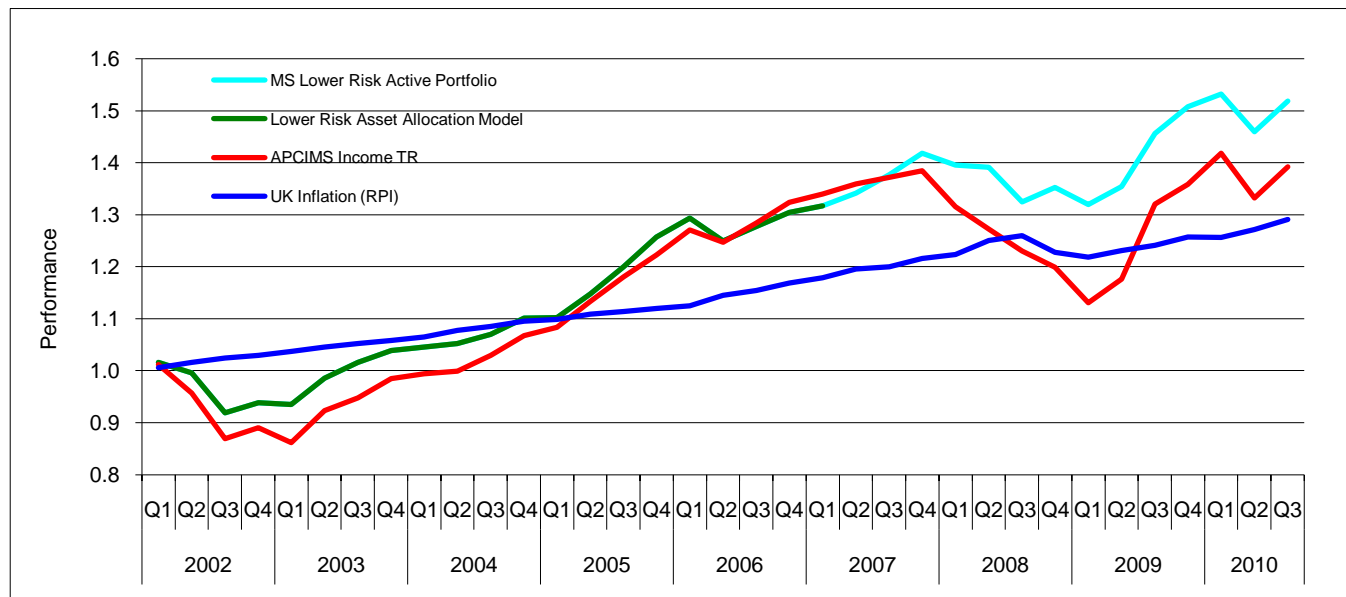




Merchant Securities

Monday 26 July 2010

Lower Risk Portfolio



	Annualised Performance			Annual Performance		
	1 Week	MTD	YTD	2009	2008	2007
MS Lower Risk Active Portfolio	1.19%	4.06%	0.73%	11.17	-4.65	8.58
APCIMS Income	1.26%	4.50%	2.43%	14.22	-12.90	4.92
Inflation (UK RPI)			2.80%	1.90	0.95	4.05

Source: Bloomberg, Merchant Securities

Recent Changes

Equity markets rallied last week on the back of strong US corporate data. Sterling continued to gain ground against both the US dollar and the Euro as analysts waited for the results of the European banking stress test data. Our portfolios performed well despite their relatively low equity weighting. As part of our unconstrained investment approach, we have added a new equity holding for our higher risk portfolios which we believe is a special situation as the company is well managed, operates in an attractive growth sector, has little debt, pays a 6% dividend yield and is trading at distressed levels.

Portfolio Asset Allocation

Fixed Income	43%
Equities	37%
Other	20%

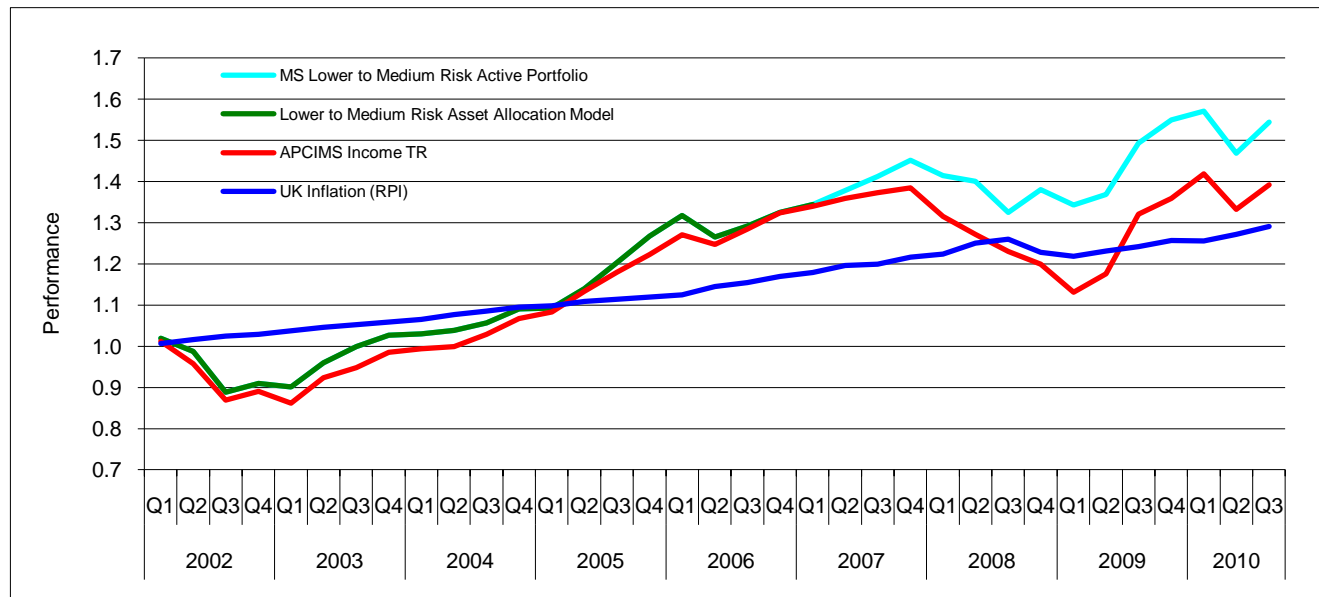
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Lower to Medium Risk Portfolio



	Annualised Performance			Annual Performance		
	1 Week	MTD	YTD	2009	2008	2007
MS Lower to Medium Risk Active Portfolio	1.58%	5.14%	-0.32%	11.91	-4.86	9.33
APCIMS Income	1.26%	4.50%	2.43%	14.22	-12.9	4.92
Inflation (UK RPI)			2.80%	1.90	0.95	4.05

Source: Bloomberg, Merchant Securities

Recent Changes

Equity markets rallied last week on the back of strong US corporate data. Sterling continued to gain ground against both the US dollar and the Euro as analysts waited for the results of the European banking stress test data. Our portfolios performed well despite their relatively low equity weighting. As part of our unconstrained investment approach, we have added a new equity holding for our higher risk portfolios which we believe is a special situation as the company is well managed, operates in an attractive growth sector, has little debt, pays a 6% dividend yield and is trading at distressed levels.

Portfolio Asset Allocation

Fixed Income	32%
Equities	48%
Other	20%

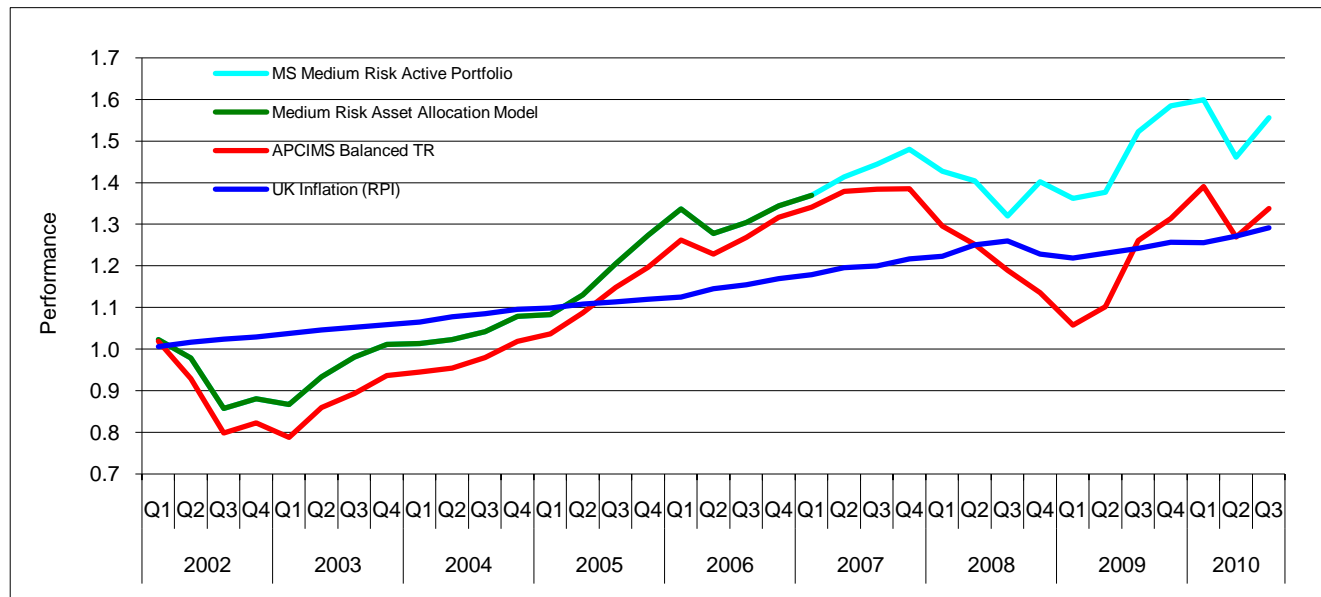
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Medium Risk Portfolio



	Annualised Performance			Annual Performance		
	1 Week	MTD	YTD	2009	2008	2007
MS Medium Risk Active Portfolio	2.01%	6.47%	-1.81%	12.66	-5.29	9.94
APCIMS Balanced	1.68%	5.43%	1.86%	16.62	-17.3	5.66
Inflation (UK RPI)			2.80%	1.90	0.95	4.05

Source: Bloomberg, Merchant Securities

Recent Changes

Equity markets rallied last week on the back of strong US corporate data. Sterling continued to gain ground against both the US dollar and the Euro as analysts waited for the results of the European banking stress test data. Our portfolios performed well despite their relatively low equity weighting. As part of our unconstrained investment approach, we have added a new equity holding for our higher risk portfolios which we believe is a special situation as the company is well managed, operates in an attractive growth sector, has little debt, pays a 6% dividend yield and is trading at distressed levels.

Portfolio Asset Allocation

Fixed Income	22%
Equities	58%
Other	20%

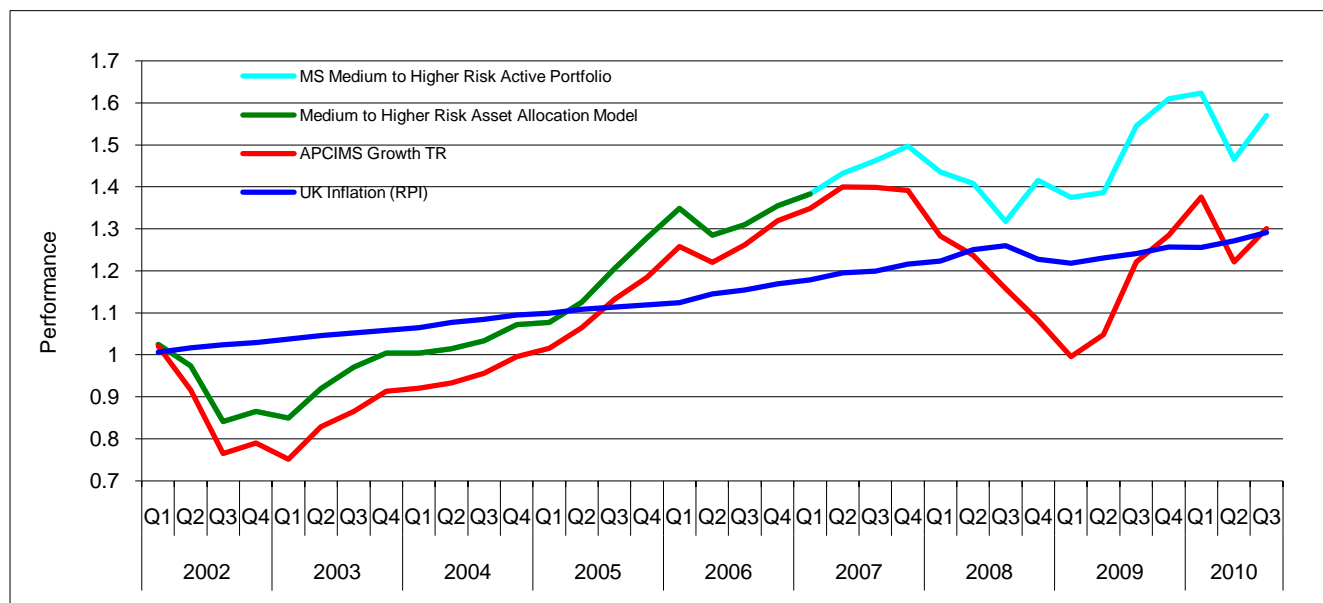
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Medium to Higher Risk Portfolio



	Annualised Performance			Annual Performance		
	1 Week	MTD	YTD	2009	2008	2007
MS Medium to Higher Risk Active Portfolio	2.23%	7.11%	-2.51%	13.36	-5.40	10.31
APCIMS Growth	2.11%	6.50%	1.21%	19.76	-21.23	6.01
Inflation (UK RPI)			2.80%	1.90	0.95	4.05

Source: Bloomberg, Merchant Securities

Recent Changes

Equity markets rallied last week on the back of strong US corporate data. Sterling continued to gain ground against both the US dollar and the Euro as analysts waited for the results of the European banking stress test data. Our portfolios performed well despite their relatively low equity weighting. As part of our unconstrained investment approach, we have added a new equity holding for our higher risk portfolios which we believe is a special situation as the company is well managed, operates in an attractive growth sector, has little debt, pays a 6% dividend yield and is trading at distressed levels.

Portfolio Asset Allocation

Fixed Income	17%
Equities	63%
Other	20%

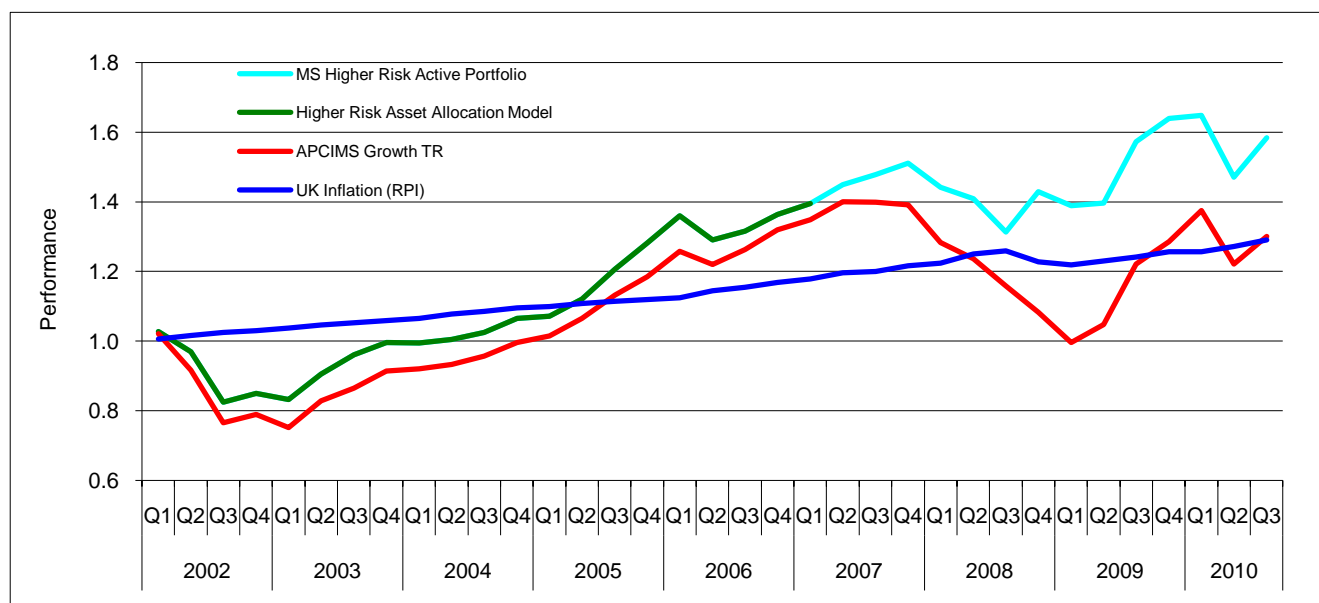
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Merchant Securities

Monday 26 July 2010

Higher Risk Portfolio



	Annualised Performance			Annual Performance		
	1 Week	MTD	YTD	2009	2008	2007
MS Higher Risk Active Portfolio	2.44%	7.76%	-3.36%	14.31	-5.43	10.64
APCIMS Growth	2.11%	6.50%	1.21%	19.76	-21.23	6.01
Inflation (UK RPI)			2.80%	1.90	0.95	4.05

Source: Bloomberg, Merchant Securities

Recent Changes

Equity markets rallied last week on the back of strong US corporate data. Sterling continued to gain ground against both the US dollar and the Euro as analysts waited for the results of the European banking stress test data. Our portfolios performed well despite their relatively low equity weighting. As part of our unconstrained investment approach, we have added a new equity holding for our higher risk portfolios which we believe is a special situation as the company is well managed, operates in an attractive growth sector, has little debt, pays a 6% dividend yield and is trading at distressed levels.

Portfolio Asset Allocation

Fixed Income	11%
Equities	69%
Other	20%

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Investment Products

Capital Protected Products

Name	Sector	Capital Protection	Underlying	Tax*	Ccy	Participation	Strike Level	Last Bid	Last Ask	Maturity Date
MS FTSE Hindsight Note	UK	90%	FTSE 100	CGT	GBP	140% capped at 59% index growth	3715.2	123.91	124.92	24/7/14
MS FTSE Hindsight Note II	UK	90%	FTSE 100	CGT	GBP	140% capped at 50% index growth	4243.22	105.30	106.31	30/4/15
EuroStoxx Accelerator 2	Europe	95%	DJ EuroStoxx 50	CGT	GBP	175%	3870.89	91.61	93.11	24/3/11
EuroStoxx Accelerator 4	Europe	100%	DJ EuroStoxx 50	CGT	GBP	160%	4463.52	93.61	95.61	1/6/12
Europe Enhanced [A]	Europe	90%	DJ EuroStoxx 50	CGT	GBP	10x up to 60% then 1.5x after index level above 60%	3316.61	110.20	109.84	5/8/13
Topix Accelerator 220%	Japan	90%	Topix Index	CGT	GBP	220%	1711.31	87.79	88.79	25/5/11
Topix Accelerator 185%	Japan	95%	Topix Index	CGT	GBP	185%	1583.72	92.5263	93.5263	16/12/10
Far East Ex-Japan 14A	Asia ex Japan	90%	KOSPI, MXTW, HKX, SGY, MXCN Index	CGT	GBP	160%	**	90.82	93.13	21/3/11
MS Emerging Market Note	Emerging Markets	90%	iShares MSCI Emerging Markets Index	CGT	GBP	150% capped at 50% (I)	32.82	109.89	111.89	15/7/15
Agrinvest	Soft Commodities	100%	DCI® Agriculture BNP Paribas Enhanced Index	CGT	GBP	130%	**	100.00	101.00	22/6/13
DDQ Commodities Turbo 8	Hard Commodities	90%	Oil, Gas, Heating oil, Al, Pb, Cu, Ni, Zn	CGT	GBP	345%	**	83.99	84.96	16/5/12
Diversified Commodity Bull Bear	Commodities	100%	Al, Cu, gas oil, Brent, coal, livestock	CGT	GBP	170% upside, 85% downside	**	112.65	115.15	17/9/13

Structured Capital At Risk Products

Name	Sector		Underlying	Tax*	Ccy	Participation	Strike level	Last Bid	Last Ask	Maturity Date
MS Income Note	Income		EuroStoxx 50	Inc	GBP	11.05 p p.a.	2385.9	107.46	107.46	25/11/11
MS Income Note II	Income		EuroStoxx 50	Inc	GBP	10.14 p p.a.	2281.45	105.32	105.32	23/01/12
3yr Inflation Note	Income		RPI	Inc	GBP	RPI x 1.6	n/a	107.75	107.75	26/08/11
EuroStoxx Income Note 3	Income		EuroStoxx 50	Inc	GBP	9 p p.a.	4087.12	58.06	58.06	28/02/13
MS Highest FTSE 100 Look Back Growth Note	UK		FTSE 100	CGT	GBP	100% upside and downside but maximum profit preserved	5356	93.14	93.14	07/12/15
MJES Long Short Dynamic Emerging Market Note	Emerging Markets		iShare MSCI Emerging Markets	CGT	GBP	participation ranges from 0 to 150% both long and short. Positive performance geared by 150%	**	98.70	98.70	26/02/16
MS US and Europe Leveraged	Europe, US		DJ EuroStoxx 50, S&P 500	CGT	GBP	200% on the upside 100% on the downside	**	90.59	90.59	11/09/15

* Tax Advice should be sought for certainty ** Basket - Please call for levels

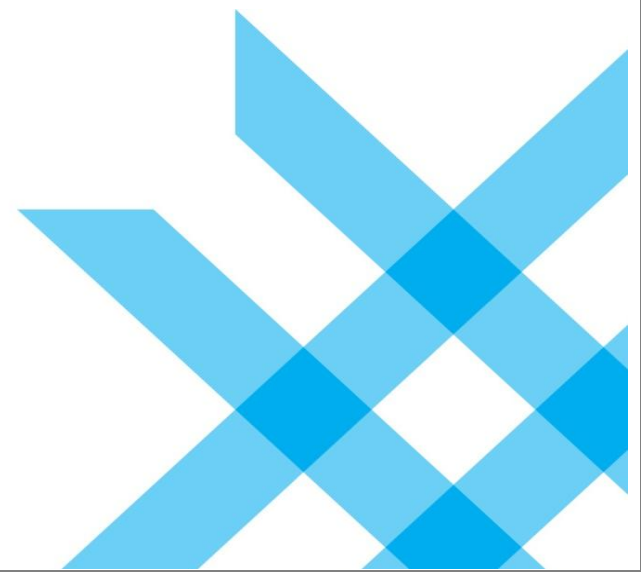
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Contacts

Wayne Ellis	0207 375 9034	wayne.ellis@merchantsecurities.co.uk
Robert Clough	0207 375 9013	robert.clough@merchantsecurities.co.uk
Mike Porter	0207 375 9035	mike.porter@merchantsecurities.co.uk
James Peters	0161 233 0004	james.peters@merchantsecurities.co.uk





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