

Premier Discretionary Team

Stock Trading Note - For Professional Adviser Use

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Action: BUY: Barclays Capital 6.5 Year FTSE Switchable

The Barclays Capital 6.5 Year FTSE 100 Switchable product accrues a 1.85% coupon observed quarterly (7.4% p/a), so long as the FTSE 100 trades between +20% and -20% of its strike level of 5665.33 (22 April 2010). If the index breaches the upper limit, the coupon ceases and investors are then long the index from the strike level. If the index breaches the lower limit then investors are long the index from 80% of strike. The product has 60% soft protection observed at maturity (European).

For example, let's say the **upper** limit is breached after 8 quarters and the FTSE 100 finishes 30% up from its strike level at maturity. In this case, the coupon accrued is 14.8% and the index return is 30%, giving a total of 44.8%.

If, for example, the **lower** limit is breached after 8 quarters, in this scenario the coupon accrued is 14.8%. However, investors are long from 80% of the strike, so will receive a further 20% back to strike plus the 30% gain in the index, equating to a return of 64.8%.

Please note the above example is for illustrative purposes and is not a prediction of what may happen.

This product was purchased due to our concern that markets would correct. It was purchased for clients portfolios underweight Alternatives.

This note is for information purposes and is only to be issued to financial intermediaries. It expresses the opinion of the portfolio manager and does not constitute advice.

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