
From: Jeffrey Epstein <jeevacation@gmail.com>
Sent: Wednesday, February 13, 2013 5:48 PM
To: Barrett, Paul S
Subject: Re: An idea

ok

On Wed, Feb 13, 2013 at 12:41 PM, Bar=ett, Paul S <[REDACTED]>
<mailto:[REDACTED]> wrote:<=r>

Jeffrey

I do not think we have enough equity ri=k in the portfolio right now. While we feel very good about our mortgages =nd credit exposure, the upside in credit feels limited. Therefore I would like to selectively add some equity exposure with names =hat have underperformed the broader market yet maintain some buffers to pr=ect us on the downside.

We recently added Merck to our focus li=t. I think we should consider a Market Plus Note on MRK (Overweight with a=\$52 price target)

- 18 month
- Greater of the upside or a 3% coup=n so long as we don't finish below 80% at expiry.</=>
- Would consider \$1MM<=span>

Background:

Merck is the 2nd largest pha=maceutical company globally with a broad portfolio of market-leading medic=nes and vaccines. International revenues represent 62% of total, while the U.S. represents ~38%. Highest selling products include= Singulair (asthma/allergies) and Januvia (diabetes)<=p>

- Pullback presents opportunity i= a favored sector (the cheapest defensive sector)<=>
- MRK is down -14% over last 4 month= vs. PFE at up 7% and S&P at up 4%

– Delay in filing of odanacatib, MRK=92s phase III osteoporosis drug and investor concern about upcoming trial =ata have hurt sentiment. We believe this pullback is overdone and at current levels potential downside from upcoming trial info=rmation appears limited.

- Upcoming pipeline data points e=pected in 2H13 and 2014 provide catalysts and higher EPS growth potential =han peers
- MRK has a solid pipeline beyond od=nacatib (suvorexant - insomnia, anacetrapib - cholesterol, PD-1 - oncology,=BACE - Alzheimers) as well as healthy core product portfolio (Januvia -diabetes and vaccines).
- JPMS LLC expects strong EPS gro=th of ~8% through 2020
- Valuation attractive both versu= peers and historical averages; high dividend should support the stock
- MRK trades at 11.2x F13EPS vs. 12.=x five-yr avg, PFE at 12.0x and at a 20% discount to larger cap pharma pee=s, despite higher growth potential
- 4.2% div yield, which we view as s=tainable given 7.8% FCF yld

White line = buffer

=span style="font-size:8.0pt;font-family:"Verdana","sans-s=rif";color:#5f5f5f"> _____ = _____
=span style="font-size:8.0pt;font-family:"Verdana","sans-s=rif";color:#5f5f5f">Paul Barrett= | Managing Director
| Global Investment Opportunities Group | J.P. Morgan Private =ank |

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