

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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#### MERRILL LYNCH SPECIAL VALUE FUND INC

CIK: [230382](#) | IRS No.: [132928561](#) | State of Incorporation: [NJ](#) | Fiscal Year End: [0331](#)  
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MERRILL  
LYNCH  
SPECIAL  
VALUE  
FUND, INC.

FUND LOGO

Annual Report March 31, 1994

This report is not authorized for use as an offer of sale or a solicitation of an offer to buy shares of the Fund unless accompanied or preceded by the Fund's current prospectus. Past performance results shown in this report should not be considered a representation of future performance. Investment return and principal value of shares will fluctuate so that shares, when redeemed, may be worth more or less than their original cost.

Merrill Lynch  
Special Value Fund, Inc.  
Box 9011  
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MERRILL LYNCH SPECIAL VALUE FUND, INC.

DEAR SHAREHOLDER

Inflationary expectations changed sharply during the March quarter. Following better-than-expected economic results, Federal Reserve Board Chairman Alan Greenspan indicated in Congressional testimony in January that continued strong expansion of the economy would lead the central bank to tighten monetary policy in an effort to control inflation. On February 4, 1994, the central bank broke with tradition and publicly announced a modest 25 basis point (0.25%) increase in short-term interest rates. At the March 22 meeting of the Federal Open Market Committee, the Federal Reserve Board again raised the Federal Funds rate by 25 basis points, and also announced the increase.

Rather than view the Federal Reserve Board's first tightening move as a preemptive strike against inflation, fixed-income investors focused on Chairman Greenspan's implicit promise of further tightening should the rate of inflation accelerate, and bond prices declined sharply. The setback in the bond market was also reflected in greater stock market volatility. While the second increase in the Federal Funds rate was less of a surprise, investors remained concerned that interest rates would trend upward sharply. As a result, stock and bond prices continued to decline through the end of March. The volatility in the US capital markets was mirrored in international markets. Political and economic developments, along with concerns of heightened global inflationary pressures, led to a sell-off in most capital markets, especially the emerging markets that had appreciated strongly in 1993.

In the weeks ahead, investors will continue to gauge the pace of the economic expansion and watch for signs of an overheating economy. At this time, there is little evidence that the rate of inflation will increase rapidly. Therefore, although the secular long-term trend toward lower interest rates may be over, it is not yet certain whether the pace of economic activity will accelerate to the point where significant Federal Reserve Board tightening will be necessary to contain inflation.

#### Portfolio Matters

In the March quarter, Merrill Lynch Special Value Fund, Inc. outperformed the unmanaged Russell 2000 Index. The Fund's Class A and Class B Shares returned +1.40% and +1.18%, respectively, while the Russell 2000 Index total return was -2.65%. (Complete performance information, including average annual total returns, can be found on pages 4, 5, and 6 of this report to shareholders.) During the three-month period ended March 31, 1994, the Fund's performance benefited from its positions in the retail and technology industries. Notable in order of their positive contributions to the portfolio's total return were Input/Output, Inc. (up 61%), Grossman's, Inc. (up 41%) and Western Digital Corp. (up 31%).

We added Input/Output, Inc., a maker of sophisticated seismic data acquisition equipment, to the Fund's top ten holdings in December of last year, as we discussed in our last report to shareholders. The stock benefited from strong earnings gains and a widening recognition of its strong competitive position in the growing "3-D" seismic marketplace. Since the stock more than doubled over the course of about three months, the Fund eliminated its holding and, following a 20% price decline, re-established a modest position in the company.

Grossman's, Inc., also discussed in our most recent shareholder letter, benefited from an improved financial situation and a turnaround in comparable-store sales. The stock became one of the Fund's ten largest holdings (2.3% of net assets) during the quarter and is attractive both for its asset value and earnings turnaround potential, in our opinion.

Western Digital Corp., a maker of computer disk drives, is enjoying a dramatic improvement in its earnings and financial condition. Supported by a restructured balance sheet and strong demand for its products, the company recently reported surprisingly strong earnings and heavy order rates for future production.

The Fund's performance was hindered by its holdings in the healthcare sector. Continued concerns over potential government-imposed changes in healthcare and mounting evidence of pricing pressures on pharmaceuticals hurt many stocks in the industry. We continue to believe that periodic declines in healthcare stocks offer opportunities to acquire growth companies at attractive prices.

During the March quarter, the Fund bought shares in 24 new holdings and added to positions in 26 existing investments. Purchases spanned a wide variety of industries. Sectors receiving emphasis included financial services and healthcare. The Fund added to its position in insurance stocks. Holdings in Transnational Re Corp. and its corporate parent Phoenix Re Corp. increased substantially. If taken together, the positions would represent one of the Fund's ten largest holdings. The stocks are modestly priced in relation to their book values and expected earnings. We expect continued strength in reinsurance pricing in the wake of recent earthquake losses in California. The Fund also added shares of Security-Connecticut Corp., a life-insurer recently spun-off from Lincoln National Corporation. Security-Connecticut sells far below book value per share and at slightly over seven times our estimate of this year's earnings per share. We expect the company's profits to grow moderately and believe the stock could achieve a higher price/earnings multiple.

During the March quarter, Charter One Financial, Inc. became the Fund's largest holding by virtue of substantial additions to the existing position. The Ohio-based savings and loan has highly experienced and successful management with a reputation for growing earnings and making successful acquisitions in its home market. The company operates efficiently, is well capitalized, and its asset quality is high. Despite the company's strong record, the stock is among the most inexpensive bank and savings and loan stocks that we measure in terms of price/book value and price/earnings ratios.

The Fund eliminated holdings in 15 securities. By far the majority of sales was motivated by stocks appreciating to the Fund's price objectives. Concerns about companies' operating results motivated a small number of sales. The Fund reduced its holdings in 21 companies. Almost all of these sales were motivated by the stocks appreciating to less-attractive valuation levels. In addition to Input/Output, Inc., the most significant reductions were in Beverly Enterprises, Inc., Community Psychiatric Centers and BE Aerospace, Inc.

Cash reserves fluctuated during the March quarter as a result of shareholders' net inflows and the Fund's purchases and sales of securities. During most of the quarter, the Fund increased its cash reserves through receipt of subscriptions and sales of securities. In the period of stock market weakness experienced late in the March quarter, the Fund increased its purchase activity and decreased its sales of securities so that cash reserves declined despite continued net subscription inflows. Cash reserves were 26.0% of the portfolio at the end of the March quarter, compared to 16.9% at December quarter-end. Including cash reserves, we estimated that the Fund had approximately 98% of the volatility of the Russell 2000 Index at the end of the March quarter.

#### Fiscal Year in Review

For the twelve months ended March 31, 1994, the Fund modestly outperformed the unmanaged Russell 2000 Index. The Fund's Class A

and Class B Shares returned +13.14% and +12.03%, respectively, while the total return of the Russell 2000 Index was +11.01%. The Fund benefited from its holdings in the technology, financial services and consumer durables sectors. Results were hindered by investments in the retail and energy areas. Cash reserves detracted from results for most of the year, but served to reduce the impact of the weak stock market in February and March. The Fund's cash position also provided buying power to take advantage of price weakness in individual securities.

The March quarter experienced the most volatile and weakest stock market environment since 1990. The trend toward lower interest rates that had supported a high level of stock valuations reversed, causing investors to adjust their portfolios and reconsider the prices they were willing to pay for stocks. Concerns about the valuation levels in the overall equity market have led us to maintain cash reserves in the Fund for a number of quarters. Also in recent quarters, we have emphasized our value-oriented approach to stock selection to a greater degree than our growth approach. We believe that these strategies have served to buffer somewhat the impact that the weak market has had on the Fund.

The duration of any period of stock market weakness is difficult to predict. However, as is typically the case, this sell-off has produced buying opportunities in many individual securities. This has been especially true among small stocks, whose lack of liquidity can produce exaggerated short-term price movements. We are pleased to have found opportunities to add to a number of portfolio holdings at attractive prices and to initiate positions in a number of new investments.

#### In Conclusion

We thank you for your continued investment in Merrill Lynch Special Value Fund, Inc., and we look forward to reviewing our outlook and strategy with you again in our next report to shareholders.

Sincerely,

(Arthur Zeikel)  
Arthur Zeikel  
President

(Dennis Stattman)  
Dennis Stattman  
Vice President and Portfolio Manager

April 26, 1994

#### OFFICERS AND DIRECTORS

Arthur Zeikel, President and Director  
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M. Colyer Crum, Director  
Edward H. Meyer, Director  
Jack B. Sunderland, Director  
J. Thomas Touchton, Director  
Terry K. Glenn, Executive Vice President  
Norman R. Harvey, Senior Vice President  
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#### PERFORMANCE DATA

None of the past results shown should be considered a representation of future performance. Investment return and principal value of Class A and Class B Shares will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. The "Results of a \$1,000 Investment Since Inception" chart on page 6

measures performance since inception and may not reflect results of investments made at any other time.

Total Return Based on a \$10,000 Investment

GRAPHIC MATERIAL APPEARS HERE. SEE APPENDIX GRAPHIC AND IMAGE MATERIALS ITEM 1.

Average Annual Total Return

	% Return Without Sales Charge	% Return With Sales Charge**
Class A Shares*		
Year Ended 3/31/94	+13.14%	+5.79%
Five Years Ended 3/31/94	+ 8.19	+6.75
Ten Years Ended 3/31/94	+ 7.20	+6.48

[FN]  
 \*Maximum sales charge is 6.5%.  
 \*\*Assuming maximum sales charge.

	% Return Without CDSC	% Return With CDSC**
--	-----------------------	----------------------

Class B Shares\*

Year Ended 3/31/94	+12.03%	+8.03%
Five Years Ended 3/31/94	+ 7.09	+7.09
Inception (10/21/88)through 3/31/94	+ 6.92	+6.92

[FN]  
 \*Maximum contingent deferred sales charge is 4% and is reduced to 0% after 4 years.  
 \*\*Assuming payment of applicable contingent deferred sales charge.

PERFORMANCE DATA (continued)

<TABLE>  
 Performance Summary--Class A Shares  
 <CAPTION>

Period Covered	Net Asset Value		Capital Gains Distributed	Dividends Paid*	% Change**
	Beginning	Ending			
<C>	<C>	<C>	<C>	<C>	<C>
5/5/78--12/31/78	\$ 9.60	\$ 8.70	--	\$0.190	- 7.63%
1979	8.70	10.16	\$0.370	0.320	+25.67
1980	10.16	12.54	0.500	0.195	+33.62
1981	12.54	10.58	0.890	0.390	- 6.27
1982	10.58	10.67	0.650	0.380	+12.70
1983	10.67	12.45	0.610	0.070	+22.40
1984	12.45	11.10	0.290	0.120	- 7.60
1985	11.10	14.29	0.340	0.090	+33.14
1986	14.29	13.97	0.620	0.050	+ 1.88
1987	13.97	10.32	1.086	0.143	-18.52
1988	10.32	11.83	0.017	0.233	+17.06
1989	11.83	11.65	--	0.237	+ 0.42
1990	11.65	8.32	--	0.148	-27.52
1991	8.32	12.80	--	0.080	+54.87
1992	12.80	14.96	--	0.019	+17.04
1993	14.96	15.66	0.594	0.811	+14.26
1/1/94--3/31/94	15.66	15.88	--	--	+ 1.40
			-----	-----	
			Total \$5.967	Total \$3.476	

Cumulative total return as of 3/31/94: +266.49%\*\*

<FN>  
 \*Figures may include short-term capital gains distributions.  
 \*\*Figures assume reinvestment of all dividends and capital gains distributions at net asset value on the ex-dividend date, and do not include sales charge; results would be lower if sales charge was included.  
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<TABLE>  
 Performance Summary--Class B Shares  
 <CAPTION>

Period Covered	Net Asset Value		Capital Gains Distributed	Dividends Paid*	% Change**
	Beginning	Ending			
<C>	<C>	<C>	<C>	<C>	<C>
10/21/88--12/31/88	\$12.01	\$11.82	\$0.017	\$0.095	- 0.04%
1989	11.82	11.61	--	0.140	- 0.64
1990	11.61	8.29	--	0.050	-28.26
1991	8.29	12.69	--	0.019	+53.32

1992	12.69	14.70	--	--	+15.84
1993	14.70	15.31	0.594	0.692	+13.07
1/1/94--3/31/94	15.31	15.49	--	--	+ 1.18

-----  
Total \$0.611      Total \$0.996

Cumulative total return as of 3/31/94: +43.91%\*\*

<FN>

\*Figures may include short-term capital gains distributions.  
\*\*Figures assume reinvestment of all dividends and capital gains distributions at net asset value on the ex-dividend date, and do not reflect deduction of any sales charge; results would be lower if sales charge was deducted.

</TABLE>

PERFORMANCE DATA (concluded)

Results of a \$1,000 Investment Since Inception--Class A Shares

GRAPHIC MATERIAL APPEARS HERE. SEE APPENDIX GRAPHIC AND IMAGE MATERIALS ITEM 2.

<TABLE>

Recent Performance Results\*

<CAPTION>

	3/31/94	12/31/93	3/31/93	12 Month % Change	3 Month % Change
<S>	<C>	<C>	<C>	<C>	<C>
ML Special Value Fund, Inc. Class A Shares	\$ 15.88	\$ 15.66	\$ 15.32	+ 7.67%(1)	+1.40%
ML Special Value Fund, Inc. Class B Shares	15.49	15.31	15.01	+ 7.28(1)	+1.18
Russell 2000 Index	251.06	258.59	229.21	+ 9.53	-2.91
ML Special Value Fund, Inc. Class A Shares--Total Return				+13.14(2)	+1.40
ML Special Value Fund, Inc. Class B Shares--Total Return				+12.03(3)	+1.18
Russell 2000 Index***--Total Return				+11.01	-2.65

<FN>

\*Investment results shown for the 3-month and 12-month periods are before the deduction of any sales charges.

\*\*An unmanaged broad-based index comprised of common stocks. Total investment returns for unmanaged indexes are based on estimates.

(1)Percent change includes reinvestment of \$0.594 per share capital gains distributions.

(2)Percent change includes reinvestment of \$0.811 per share ordinary income dividends and \$0.594 per share capital gains distributions.

(3)Percent change includes reinvestment of \$0.692 per share ordinary income dividends and \$0.594 per share capital gains distributions.

</TABLE>

<TABLE>

SCHEDULE OF INVESTMENTS

<CAPTION>

Industry	Shares Held	Stocks & Convertible Bonds	Cost	Value (Note 1a)	Percent of Net Assets
<S>	<C>	<S>	<C>	<C>	<C>
Aerospace	85,000	++Banner Aerospace, Inc.	\$ 585,575	\$ 499,375	0.3%
	115,000	++BE Aerospace, Inc.	1,048,229	1,092,500	0.6
			1,633,804	1,591,875	0.9
Agriculture & Agricultural	25,000	++Calgene, Inc.	268,438	290,625	0.2
	35,000	Delta & Pine Land Co.	452,501	481,250	0.3
Pharmaceuticals			720,939	771,875	0.5
Apparel	30,000	Kellwood Co.	515,975	723,750	0.4
	15,000	St. John Knits, Inc.	255,000	363,750	0.2
	80,000	++The Warnaco Group, Inc. (Class A)	2,364,255	2,430,000	1.3
			3,135,230	3,517,500	1.9
Banks & Finance	70,000	American Federal Bank, FSB	612,500	805,000	0.4
	222,500	Bankers Corp.	2,164,922	3,838,125	2.0
	40,000	Banknorth Group, Inc.	632,500	725,000	0.4
	385,000	Charter One Financial, Inc.	7,133,237	7,266,875	3.8
	170,000	Civic Bancorp, Inc.	926,250	850,000	0.4
	125,000	Coast Savings Financial, Inc.	1,836,424	1,734,375	0.9
	182,000	++The Co-Operative Bank of Concord	2,184,876	3,276,000	1.7
	60,000	NFS Financial Corp.	641,875	1,020,000	0.5
	80,000	ONBANCorp, Inc.	2,648,784	2,440,000	1.3
	52,500	Resource Bancshares Mortgage Group, Inc.	418,750	551,250	0.3
140,000	Roosevelt Financial Group, Inc.	4,044,900	6,195,000	3.2	

	28,000	Simmons First National Corp.	616,000	630,000	0.3
	55,000	Sterling BancShares, Inc.	1,088,750	2,076,250	1.1
			24,949,768	31,407,875	16.3
Biotechnology	50,000	++Alteon, Inc.	633,550	412,500	0.2
	212,643	++Applied Immune Sciences, Inc.	3,478,381	1,860,626	1.0
	42,900	++AutoImmune, Inc.	284,213	311,025	0.2
	27,200	++COR Therapeutics, Inc.	324,088	323,000	0.2
	90,000	++Cyto Therapeutics, Inc.	918,050	933,750	0.5
	28,500	++Genetic Therapy, Inc.	350,328	356,250	0.2
	25,000	++Gilead Sciences, Inc.	253,125	268,750	0.1
	164,000	++The Immune Response Corp.	2,157,484	1,722,000	0.9
	37,500	++The Liposome Company, Inc.	229,688	239,063	0.1
	76,100	National Patent Development Corp.	208,155	309,156	0.2
	135,000	++NeoRx Corp.	917,758	877,500	0.5
	50,000	++Sepracor, Inc.	386,875	350,000	0.2
	10,000	++Somatogen, Inc.	190,000	77,500	0.0
			10,331,695	8,041,120	4.3
Business Services	249,700	++Applied Bioscience International, Inc.	1,425,381	1,560,625	0.8
Computer Equipment	5,000	Cadence Design Systems, Inc.	67,175	70,000	0.0
	226,000	++Micronics Computers, Inc.	1,198,238	1,214,750	0.6
			1,265,413	1,284,750	0.6
Computer Products	20,000	Sigma Designs, Inc.	62,500	175,000	0.1

<TABLE>  
SCHEDULE OF INVESTMENTS (continued)  
<CAPTION>

Industry <S>	Shares Held/ Face Amount <C>	Stocks & Convertible Bonds <S>	Cost <C>	Value (Note 1a) <C>	Percent of Net Assets <C>
Computer Services	725,000	Anacomp, Inc.	\$ 2,691,367	\$ 2,809,375	1.5%
	181,000	++Boole & Babbage, Inc.	3,454,168	4,253,500	2.2
	35,950	Computer Task Group, Inc.	449,573	283,106	0.1
	25,000	Primark Corp.	282,750	337,500	0.2
			6,877,858	7,683,481	4.0
Computer Software	271,500	++Cognos, Inc.	1,712,435	3,156,188	1.6
Computers	130,000	Alpha Industries, Inc.	629,856	406,250	0.2
	40,000	Amdahl Corp.	181,600	260,000	0.1
	50,000	++DH Technology, Inc.	688,750	862,500	0.5
	135,000	SHL Systemhouse, Inc.	843,750	928,125	0.5
	130,000	++Western Digital Corp.	1,676,801	2,193,750	1.1
			4,020,757	4,650,625	2.4
Electrical Equipment	60,000	Catalina Lighting, Inc.	471,291	660,000	0.3
	135,000	Comptek Research, Inc.	2,159,300	2,615,625	1.4
	75,000	++Comptronix Enterprises, Inc.	388,780	365,625	0.2
	10,000	Core Industries, Inc.	149,550	116,250	0.1
	26,300	++WPI Group, Inc.	164,375	78,900	0.0
			3,333,296	3,836,400	2.0
Electronics	100,000	Alden Electronics, Inc.	422,500	300,000	0.2
	324,200	Automated Security Holdings PLC	1,238,076	1,094,175	0.6
	27,562	++Maxwell Laboratories, Inc.	316,726	234,277	0.1
	50,000	++VLSI Technology, Inc.	503,915	706,250	0.4
			2,481,217	2,334,702	1.3
Energy	\$ 900,000	Swift Energy Corp., Convertible Bonds, 6.50% due 6/30/2003	924,000	918,000	0.5
Environmental & Environmental Control	385,250	NSC Corp.	2,047,537	1,637,313	0.9
	170,000	Rollins Environmental Services, Inc.	879,087	786,250	0.4
			2,926,624	2,423,563	1.3
Health Care-- Products & Services	55,300	++Analogic Corp.	915,631	843,325	0.4
	100,000	Beverly Enterprises, Inc.	953,736	1,312,500	0.7
	45,000	Community Psychiatric Centers	489,481	720,000	0.4
	80,000	Healthcare Services Group, Inc.	783,450	820,000	0.4
	130,000	++The Hillhaven Corp.	1,861,092	2,518,750	1.3

	105,000	++Medical Care America, Inc.	2,376,577	2,231,250	1.2
	75,500	++Ramsay Health Care, Inc.	588,423	566,250	0.3
	275,000	++Unilab Corp.	1,528,125	1,409,375	0.7
			-----	-----	-----
			9,496,515	10,421,450	5.4
Home Builders	30,000	Washington Homes, Inc.	270,000	232,500	0.1
Home Furnishings	30,000	Crown Crafts, Inc.	524,300	562,500	0.3
Housing	110,000	++Redman Industries, Inc.	1,757,956	1,952,500	1.0

<TABLE>  
SCHEDULE OF INVESTMENTS (continued)  
<CAPTION>

Industry <S>	Shares Held <C>	Stocks & Convertible Bonds <S>	Cost <C>	Value (Note 1a) <C>	Percent of Net Assets <C>
Insurance	100,000	Phoenix Re Corp.	\$ 2,360,714	\$ 2,075,000	1.1%
	162,500	Security-Connecticut Corp.	3,181,400	3,128,125	1.6
	142,000	++Transnational Re Corp. (Class A)	2,899,912	2,502,750	1.3
			-----	-----	-----
			8,442,026	7,705,875	4.0
Leasing	167,100	LDI Corp.	1,682,660	856,388	0.4
	100,000	++Sea Containers, Ltd.	2,146,996	1,525,000	0.8
			-----	-----	-----
			3,829,656	2,381,388	1.2
Leisure	24,400	Outboard Marine Corp.	469,488	469,700	0.2
Machinery & Machine Tools	34,245	++Varity Corp.	1,138,324	1,434,009	0.7
Medical	32,600	++Everest & Jennings International (Class A)	456,544	34,638	0.0
	15,000	++Fischer Imaging Corp.	288,440	97,500	0.1
	36,000	++Thermo Cardiosystems, Inc.	308,225	715,500	0.4
			-----	-----	-----
			1,053,209	847,638	0.5
Metals--Non-Ferrous	76,800	Handy & Harman	1,205,929	1,132,800	0.6
Natural Resources	145,000	++Abraxas Petroleum Corp.	1,642,500	1,558,750	0.8
	35,000	++Addington Resources, Inc.	227,290	498,750	0.3
	110,000	++American Oilfield Divers, Inc.	1,008,750	935,000	0.5
	90,900	++Atwood Oceanics, Inc.	763,563	1,170,337	0.6
	95,000	++Tom Brown, Inc.	410,463	1,080,625	0.6
	38,300	++Cliffs Drilling Co.	494,563	450,025	0.2
	29,000	Cliffs Drilling Co., Convertible Preferred	774,875	746,750	0.4
	282,253	++Coho Resources, Inc.	1,990,477	1,199,575	0.6
	25,000	++Energy Ventures, Inc.	468,750	334,375	0.2
	275,000	++Gerrity Oil & Gas Corp.	3,571,250	2,578,125	1.3
	65,000	++Grant Tensor Geophysical Corp., Convertible Preferred	1,103,750	812,500	0.4
	20,600	++Input/Output, Inc.	800,502	795,675	0.4
	359,000	++International Petroleum Corp.	990,247	359,000	0.2
	40,000	++Noble Drilling Corp.	265,000	270,000	0.1
	100,000	++Nuevo Energy Co.	2,008,475	1,925,000	1.0
	266,200	++Plains Resources, Inc.	2,174,772	1,497,375	0.8
	42,500	++Tetra Technologies, Inc.	311,135	308,125	0.2
	20,000	The Wiser Oil Co.	360,000	320,000	0.2
			-----	-----	-----
			19,366,362	16,839,987	8.8
Personal Care Products	50,000	++Marietta Corp.	441,875	393,750	0.2
Pharmaceuticals	10,000	++Amylin Pharmaceuticals, Inc.	108,750	107,500	0.1
Photo-Optical Instruments	80,000	Instron Corp.	1,010,849	820,000	0.4
Plastics	19,800	Tredegar Industries, Inc.	297,088	287,100	0.2
Pollution Control	60,000	Attwoods PLC (ADR) (a)	567,376	525,000	0.3

<TABLE>  
SCHEDULE OF INVESTMENTS (concluded)  
<CAPTION>



Industry <S>	Shares Held/ Face Amount <C>	Stocks & Convertible Bonds <S>	Cost <C>	Value (Note 1a) <C>	Percent of Net Assets <C>
Real Estate	\$1,000,000	Alexander Haagen Properties, Inc., 7.25% due 12/27/2003	\$ 1,000,000	\$ 980,000	0.5%
Real Estate	67,100	Carr Realty Corp.	1,476,200	1,576,850	0.8
Investment Trusts	45,000	Crown American Realty Trust	643,950	618,750	0.3
	41,200	Health Equity Properties, Inc.	347,110	381,100	0.2
			-----	-----	-----
			2,467,260	2,576,700	1.3
Restaurants	240,000	++TPI Enterprises, Inc.	2,126,394	1,650,000	0.9
Retail Stores	320,000	J. Baker, Inc.	5,299,544	6,400,000	3.3
	51,500	Bradlees, Inc.	876,378	772,500	0.4
	110,000	++Catherines Stores Corp.	1,496,475	1,787,500	0.9
	40,000	++Gantos, Inc.	497,276	160,000	0.1
	1,053,000	++Grossman's, Inc.	3,230,162	4,475,250	2.3
	147,000	++Just Toys, Inc.	957,267	918,750	0.5
	106,951	Pier 1 Imports, Inc.	1,153,213	895,715	0.5
	60,000	++S & K Famous Brands, Inc.	766,650	795,000	0.4
	312,500	Service Merchandise Co., Inc.	2,418,330	2,460,937	1.3
	80,000	The Stride Rite Corp.	1,261,496	1,180,000	0.6
	110,000	The United States Shoe Corp.	1,131,371	1,870,000	1.0
	30,000	Venture Stores, Inc.	784,580	648,750	0.3
	485,000	++The Wet Seal, Inc. (Class A)	1,876,035	2,061,250	1.1
			-----	-----	-----
		Total Stocks & Convertible Bonds	145,736,879	153,247,128	80.0
Services	60,000	Pinkertons Security & Investigation Services	1,219,030	1,207,500	0.6
Utilities	105,000	American Water Works Co., Inc.	1,394,798	2,940,000	1.5

<CAPTION>

<S>	Face Amount <C>	Short-Term Securities <S>	<C>	<C>	<C>
Commercial Paper*	\$4,000,000	Abbott Laboratories, 3.47% due 4/12/1994	3,995,759	3,995,759	2.1
	7,000,000	AT&T Capital Corp., 3.50% due 4/04/1994	6,997,958	6,997,958	3.7
	7,000,000	Corporate Bond Trust, 3.58% due 4/29/1994	6,980,509	6,980,509	3.6
	5,000,000	Delaware Funding Corp., 3.54% due 4/15/1994	4,993,117	4,993,117	2.6
	549,000	General Electric Capital Corp.: 3.50% due 4/01/1994	549,000	549,000	0.3
	6,371,000	3.53% due 4/04/1994	6,369,126	6,369,126	3.3
	8,000,000	PepsiCo Inc., 3.55% due 4/22/1994	7,983,433	7,983,433	4.2
	7,000,000	PHH Corp., 3.55% due 4/18/1994	6,988,265	6,988,265	3.6
	5,000,000	Sheffield Receivables Corp., 3.475% due 4/04/1994	4,998,552	4,998,552	2.6
		Total Short-Term Securities	49,855,719	49,855,719	26.0

Total Investments	\$195,592,598	203,102,847	106.0
Liabilities in Excess of Other Assets		(11,530,933)	(6.0)
Net Assets		\$191,571,914	100.0%

<FN>

\*Commercial Paper is traded on a discount basis; the interest rates shown are the discount rates paid at the time of purchase by the Fund.

(a) American Depositary Receipt (ADR).

++Non-income producing securities.

See Notes to Financial Statements.

</TABLE>

#### FINANCIAL INFORMATION

<TABLE>

<CAPTION>

Statement of Assets and Liabilities as of March 31, 1994

<S> <S> <C> <C>

Assets:	Investments, at value (identified cost--\$195,592,598) (Note 1a)		\$203,102,847
	Receivables:		
	Capital shares sold	\$ 2,314,560	
	Securities sold	480,752	
	Dividends	53,795	
	Interest	33,556	2,882,663
		-----	
	Prepaid registration fees and other assets (Note 1d)		38,036
			-----
	Total assets		206,023,546
			-----
Liabilities:	Payables:		
	Securities purchased	12,403,343	
	Capital shares redeemed	1,317,262	
	Investment adviser (Note 2)	119,148	
	Distributor (Note 2)	91,767	13,931,520
		-----	
	Accrued expenses and other liabilities		520,112
			-----
	Total liabilities		14,451,632
			-----
Net Assets:	Net assets		\$191,571,914
			=====
Net Assets Consist of:	Class A Common Stock, \$0.10 par value, 100,000,000 shares authorized		\$ 496,195
	Class B Common Stock, \$0.10 par value, 100,000,000 shares authorized		727,889
	Paid-in capital in excess of par		170,972,690
	Undistributed investment income--net		99,234
	Undistributed realized capital gains--net		11,765,657
	Unrealized appreciation on investments--net		7,510,249
			-----
	Net assets		\$191,571,914
			=====
Net Asset Value:	Class A--Based on net assets of \$78,804,119 and 4,961,948 shares outstanding		\$ 15.88
			=====
	Class B--Based on net assets of \$112,767,795 and 7,278,885 shares outstanding		\$ 15.49
			=====
	See Notes to Financial Statements.		

</TABLE>

FINANCIAL INFORMATION (continued)

<TABLE>

<CAPTION>

Statement of Operations for the Year Ended March 31, 1994

<S>	<S>	<C>
Investment	Dividends (net of \$1,039 foreign withholding tax)	\$ 1,578,992
Income	Interest and discount earned	1,220,566
(Note 1b & 1c):		-----
	Total income	2,799,558
		-----
Expenses:	Investment advisory fees (Note 2)	1,179,244
	Distribution fees--Class B (Note 2)	846,077
	Transfer agent fees--Class B (Note 2)	168,543
	Transfer agent fees--Class A (Note 2)	127,174
	Printing and shareholder reports	98,277
	Professional fees	94,471
	Accounting services (Note 2)	48,221
	Registration fees (Note 1d)	47,106
	Directors' fees and expenses	43,898
	Custodian fees	37,487
	Amortization of organization expenses (Note 1d)	2,927
	Other	6,899
		-----
	Total expenses	2,700,324
		-----
	Investment income--net	99,234
		-----
Realized & Unrealized Gain (Loss) on	Realized gain on investments--net	23,450,584
	Change in unrealized appreciation on investments--net	(6,187,920)
		-----

Investments--Net Net Increase in Net Assets Resulting from Operations \$ 17,361,898  
 (Notes 1c & 3): =====

See Notes to Financial Statements.

</TABLE>

For the Year Ended March 31,

FINANCIAL INFORMATION (continued)

<TABLE>

<CAPTION>

Statements of Changes in Net Assets

		For the Year Ended March 31,	
		1994	1993
Increase (Decrease) in Net Assets:			
<S>	<S>	<C>	<C>
Operations:	Investment income (loss)--net	\$ 99,234	\$ (41,297)
	Realized gain on investments--net	23,450,584	2,626,562
	Change in unrealized appreciation on investments--net	(6,187,920)	7,794,016
		-----	-----
	Net increase in net assets resulting from operations	17,361,898	10,379,281
		-----	-----
Dividends & Distributions to Shareholders (Note 1e):	Investment income--net:		
	Class A	--	(77,614)
	Class B	--	--
	Realized gain on investments--net:		
	Class A	(6,037,362)	--
	Class B	(6,735,508)	--
		-----	-----
	Net decrease in net assets resulting from dividends and distributions to shareholders	(12,772,870)	(77,614)
		-----	-----
Capital Share Transactions (Note 4):	Net increase in net assets derived from capital share transactions	39,880,101	50,210,840
		-----	-----
Net Assets:	Total increase in net assets	44,469,129	60,512,507
	Beginning of year	147,102,785	86,590,278
		-----	-----
	End of year*	\$191,571,914	\$147,102,785
		=====	=====
	<FN>		
	* Undistributed investment income--net	\$ 99,234	\$ 0
		=====	=====

See Notes to Financial Statements.

</TABLE>

FINANCIAL INFORMATION (continued)

<TABLE>

Financial Highlights

<CAPTION>

The following per share data and ratios have been derived from information provided in the financial statements.

		Class A				
		For the Year Ended March 31,				
		1994**	1993	1992	1991	1990
<S>	<S>	<C>	<C>	<C>	<C>	<C>
Increase (Decrease) in Net Asset Value:						
Per Share	Net asset value, beginning of year	\$ 15.32	\$ 13.86	\$ 10.84	\$ 11.36	\$ 12.20
Operating Performance:	Investment income--net	.10	.05	.10	.12	.22
	Realized and unrealized gain (loss) on investments--net	1.87	1.43	3.00	(.49)	(.82)
		-----	-----	-----	-----	-----
	Total from investment operations	1.97	1.48	3.10	(.37)	(.60)
		-----	-----	-----	-----	-----
	Less dividends and distributions:					
	Investment income--net	--	(.02)	(.08)	(.15)	(.24)
	Realized gain on investments--net	(1.41)	--	--	--	--
		-----	-----	-----	-----	-----
	Total dividends and distributions	(1.41)	(.02)	(.08)	(.15)	(.24)
		-----	-----	-----	-----	-----
	Net asset value, end of year	\$ 15.88	\$ 15.32	\$ 13.86	\$ 10.84	\$ 11.36
		=====	=====	=====	=====	=====
Total Investment Return:*	Based on net asset value per share	13.14%	10.69%	28.71%	(3.15%)	(5.05%)
		=====	=====	=====	=====	=====
Ratios to Average Net Assets:	Expenses	1.17%	1.28%	1.55%	1.88%	1.45%
		=====	=====	=====	=====	=====
	Investment income--net	.62%	.37%	.83%	1.13%	1.62%
		=====	=====	=====	=====	=====
Supplemental	Net assets, end of year (in thousands)	\$ 78,804	\$ 70,920	\$ 57,056	\$ 44,818	\$ 57,799

Data:		=====	=====	=====	=====	=====
	Portfolio turnover	68.70%	42.25%	98.76%	73.06%	44.66%
		=====	=====	=====	=====	=====

<FN>

- \* Total investment returns exclude the effects of sales loads.
- \*\* Based on an average number of shares outstanding during the period.

See Notes to Financial Statements.

</TABLE>

FINANCIAL INFORMATION (concluded)

<TABLE>

Financial Highlights (concluded)

<CAPTION>

The following per share data and ratios have been derived from information provided in the financial statements.

Class B  
For the Year Ended March 31,

Increase (Decrease) in Net Asset Value:		1994**	1993**	1992**	1991**	1990
<S>	<S>	<C>	<C>	<C>	<C>	<C>
Per Share	Net asset value, beginning of year	\$ 15.01	\$ 13.70	\$ 10.77	\$ 11.29	\$ 12.15
Operating Performance:	Investment income (loss)--net	(.06)	(.09)	(.03)	--	.07
	Realized and unrealized gain (loss) on investments--net	1.83	1.40	2.98	(.47)	(.79)
	Total from investment operations	1.77	1.31	2.95	(.47)	(.72)
	Less dividends and distributions:					
	Investment income--net	--	--	(.02)	(.05)	(.14)
	Realized gain on investments--net	(1.29)	--	--	--	--
	Total dividends and distributions	(1.29)	--	(.02)	(.05)	(.14)
	Net asset value, end of year	\$ 15.49	\$ 15.01	\$ 13.70	\$ 10.77	\$ 11.29
Total Investment Return:*	Based on net asset value per share	12.03%	9.56%	27.41%	(4.16%)	(6.00%)
Ratios to Average Net Assets:	Total expenses, excluding distribution fees	1.19%	1.28%	1.51%	1.95%	1.49%
	Expenses	2.19%	2.28%	2.51%	2.95%	2.49%
	Investment income (loss)--net	(.41%)	(.65%)	(.27%)	(.04%)	.59%
Supplemental Data:	Net assets, end of year (in thousands)	\$112,768	\$ 76,182	\$ 29,534	\$ 3,783	\$ 1,456
	Portfolio turnover	68.70%	42.25%	98.76%	73.06%	44.66%

<FN>

- \* Total investment returns exclude the effects of sales loads.
- \*\* Based on an average number of shares outstanding during the period.

See Notes to Financial Statements.

</TABLE>

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies:

Merrill Lynch Special Value Fund, Inc. (the "Fund") is registered under the Investment Company Act of 1940 as a diversified, open-end investment management company. The Fund offers both Class A and Class B Shares. Class A Shares are sold with a front-end sales charge. Class B Shares may be subject to a contingent deferred sales charge. Both classes of shares have identical voting, dividend, liquidation and other rights and the same terms and conditions, except that Class B Shares bear certain expenses related to the distribution of such shares and have exclusive voting rights with respect to matters relating to such distribution expenditures. The following is a summary of significant accounting policies followed by the Fund.

(a) Valuation of investments--Portfolio securities which are traded on stock exchanges are valued at the last sale price as of the close of business on the day the securities are being valued,

or, lacking any sales, at the mean between closing bid and asked prices. Securities traded in the over-the-counter market are valued at the most recent bid prices as obtained from one or more dealers that make markets in the securities. Portfolio securities which are traded both in the over-the-counter market and on a stock exchange are valued according to the broadest and most representative market. Short-term securities are valued at amortized cost which approximates market. Securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Fund's Board of Directors.

(b) Income taxes--It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no Federal income tax provision is required. Under the applicable foreign tax law, a withholding tax may be imposed on interest, dividends and capital gains at various rates.

(c) Security transactions and investment income--Security transactions are recorded on the dates the transactions are entered into (the trade dates). Dividend income is recorded on the ex-dividend date, except that if the ex-dividend date has passed, certain dividends from foreign securities are recorded as soon as the funds are informed of the ex-dividend date. Interest income (including amortization of discount) is recognized on the accrual basis. Realized gains and losses on security transactions are determined on the identified cost basis. Transaction gains or losses resulting from changes in the exchange rate on foreign dividends between ex-dividend date and payable date are reported in net investment income.

(d) Deferred organization expenses and prepaid registration fees--Costs related to the organization of the second class of shares are charged to expense over a five-year period. Prepaid registration fees are charged to expense as the related shares are issued.

(e) Dividends and distributions--Dividends and distributions paid by the Fund are recorded on the ex-dividend dates.

(f) Reclassifications--Certain items from 1993 have been restated to conform to the 1994 presentation.

2. Investment Advisory Agreement and Transactions with Affiliates: The Fund has entered into an Investment Advisory Agreement with Fund Asset Management, L.P. ("FAM"). Effective January 1, 1994, the investment advisory business of FAM was reorganized from a corporation to a limited partnership. Both prior to and after the reorganization, ultimate control of FAM was vested with Merrill Lynch & Co., Inc. ("ML & Co."). The general partner of FAM is Princeton Services, Inc., an indirect wholly-owned subsidiary of ML & Co. The limited partners are ML & Co. and Merrill Lynch Investment Management, Inc. ("MLIM"), which is also an indirect wholly-owned subsidiary of ML & Co., and a Distribution Agreement and a Distribution Plan with Merrill Lynch Funds Distributor, Inc. ("MLFD" or "Distributor"), a wholly-owned subsidiary of MLIM. FAM is responsible for the management of the Fund's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Fund. For such services, the Fund pays a monthly fee of 0.75%, on an annual basis, of the average daily value of the Fund's net assets. The Investment Advisory Agreement obligates FAM to reimburse the Fund to the extent the Fund's expenses (excluding interest, taxes, distribution fees, brokerage fees and commissions, and extraordinary items) exceed 2.5% of the Fund's first \$30 million of average daily net assets, 2.0% of the Fund's next \$70 million of average daily net assets, and 1.5% of the average daily net assets in excess thereof. No fee payment will be made to the Investment Adviser during the fiscal year which will cause such expenses to exceed the pro rata expense limitation at the time of such payment.

Pursuant to a distribution plan (the "Distribution Plan") adopted by the Fund in accordance with Rule 12b-1 under the Investment Company Act of 1940, the Fund pays the Distributor an ongoing account maintenance fee and distribution fee, which are accrued daily and paid monthly at the annual rates of 0.25% and 0.75%, respectively, of the average daily net assets of the Class B Shares of the Fund. These fees are to compensate the Distributor for services it provides and the expenses borne by the Distributor under the Distribution Agreement. As authorized by the Plan, the Distributor has entered into an agreement with Merrill Lynch, Pierce, Fenner & Smith Inc. ("MLPF&S") which provides for the compensation of MLPF&S for providing distribution-related services to the Fund.

For the year ended March 31, 1994, MLFD earned underwriting discounts of \$5,760, and MLPF&S earned dealer concessions of \$156,666 on sale of the Fund's Class A Shares.

MLPF&S also received contingent deferred sales charges of \$158,825 relating to transactions in Class B Shares and \$15,386 in commissions on the execution of portfolio security transactions for the Fund during the year.

Financial Data Services, Inc. ("FDS"), a wholly-owned subsidiary of ML & Co., is the Fund's transfer agent.

Accounting services are provided to the Fund by FAM at cost.

Certain officers and/or directors of the Fund are officers and/or directors of FAM, MLIM, MLPF&S, and/or ML & Co.

### 3. Investments:

Purchases and sales of investments, excluding short-term securities, for the year ended March 31, 1994 were \$116,050,967 and \$85,493,409, respectively.

Net realized and unrealized gains as of March 31, 1994 were as follows:

	Realized Gains	Unrealized Gains
Long-term investments	\$23,450,584	\$7,510,249
	-----	-----
Total	\$23,450,584	\$7,510,249
	=====	=====

As of March 31, 1994, net unrealized appreciation for Federal income tax purposes aggregated \$7,510,249, of which \$20,764,885 related to appreciated securities and \$13,254,636 related to depreciated securities. The aggregate cost of investments at March 31, 1994 for Federal income tax purposes was \$195,592,598.

### 4. Capital Share Transactions:

Net increase in net assets derived from capital share transactions was \$39,880,101 and \$50,210,840 for the years ended March 31, 1994 and 1993, respectively.

Transactions in capital shares for Class A Shares and Class B Shares were as follows:

Class A Shares for the Year Ended March 31, 1994	Shares	Dollar Amount
Shares sold	1,242,225	\$ 19,995,495
Shares issued to shareholders in reinvestment of dividends and distributions	322,010	4,973,387
	-----	-----
Total issued	1,564,235	24,968,882
Shares redeemed	(1,232,902)	(19,830,929)
	-----	-----
Net increase	331,333	\$ 5,137,953
	=====	=====

Class A Shares for the Year Ended March 31, 1993	Shares	Dollar Amount
Shares sold	1,376,699	\$19,725,815
Shares issued to share- holders in reinvestment of dividends	5,053	65,682
	-----	-----
Total issued	1,381,752	19,791,497
Shares redeemed	(867,861)	(12,070,108)
	-----	-----
Net increase	513,891	\$ 7,721,389
	=====	=====

Class B Shares for the Year Ended March 31, 1994	Shares	Dollar Amount
Shares sold	3,509,022	\$55,127,981
Shares issued to share- holders in reinvestment of dividends and distributions	387,961	5,863,597

Total issued	3,896,983	60,991,578
Shares redeemed	(1,692,858)	(26,249,430)
Net increase	2,204,125	\$ 34,742,148

Class B Shares for the Year Ended March 31, 1993	Shares	Dollar Amount
Shares sold	4,180,480	\$ 59,842,332
Shares issued to shareholders in reinvestment of dividends	--	--
Total issued	4,180,480	59,842,332
Shares redeemed	(1,260,880)	(17,352,881)
Net increase	2,919,600	\$ 42,489,451

<AUDIT-REPORT>  
INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders,  
Merrill Lynch Special Value Fund, Inc.:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Merrill Lynch Special Value Fund, Inc. as of March 31, 1994, the related statements of operations for the year then ended and changes in net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended. These financial statements and the financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned at March 31, 1994 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements and financial highlights present fairly, in all material respects, the financial position of Merrill Lynch Special Value Fund, Inc. as of March 31, 1994, the results of its operations, the changes in its net assets, and the financial highlights for the respective stated periods in conformity with generally accepted accounting principles.

Deloitte & Touche  
Princeton, New Jersey  
April 29, 1994  
</AUDIT-REPORT>

IMPORTANT TAX INFORMATION (unaudited)

Of the ordinary income distributions paid to shareholders of record on December 13, 1993 by Merrill Lynch Special Value Fund, Inc. for the taxable year ended March 31, 1994, 11.45% qualifies for the dividends-received deduction for corporations. Additionally, the Fund paid long-term capital gain distributions of \$.111296 and \$.482431 to shareholders of record on July 6, 1993 and December 13, 1993, respectively.

Please retain this information for your records.

PORTFOLIO INFORMATION (unaudited)

Top Ten Equity Holdings	Percent of Net Assets
Charter One Financial, Inc.	3.8%
J. Baker, Inc	3.3

Roosevelt Financial Group, Inc.	3.2
Grossman's, Inc.	2.3
Boole & Babbage, Inc.	2.2
Bankers Corp.	2.0
The Co-Operative Bank of Concord	1.7
Cognos, Inc.	1.6
Security-Connecticut Corp.	1.6
American Water Works Co., Inc.	1.5

Ten Largest Industries Percent of  
Net Assets

Banks & Finance	16.3%
Retail Stores	12.7
Natural Resources	8.8
Health Care--Products & Services	5.4
Biotechnology	4.3
Insurance	4.0
Computer Services	4.0
Computers	2.4
Apparel	1.9
Electrical Equipment	1.8

Portfolio Changes for the Quarter Ended  
March 31, 1994

Additions

Analogic Corp.  
 \*Applied Digital Access, Inc.  
 Automated Security Holdings PLC  
 Cadence Design Systems, Inc.  
 Comptronix Enterprises, Inc.  
 COR Therapeutics, Inc.  
 Crown American Realty Trust  
 Delta & Pine Land Co.  
 Genetic Therapy, Inc.  
 Gilead Sciences, Inc.  
 \*International Post Corp.  
 The Liposome Company, Inc.  
 Medical Care America, Inc.  
 NeoRx Corp.  
 Noble Drilling Corp.  
 Outboard Marine Corp.  
 Pinkertons Security & Investigation Services  
 Ramsay Health Care, Inc.  
 Rollins Environmental Services, Inc.  
 S & K Famous Brands, Inc.  
 Security--Connecticut Corp.  
 SHL Systemhouse, Inc.  
 \*Storage USA, Inc.  
 The Stride Rite Corp.  
 \*Telular Corp.  
 Tetra Technologies, Inc.  
 Unilab Corp.  
 Western Digital Corp.

Deletions

Alfin, Inc.  
 Alfin, Inc., Preferred  
 \*Applied Digital Access, Inc.  
 Bell Industries, Inc.  
 Chart House Enterprises, Inc.  
 Collagen Corp.  
 Columbia/HCA Healthcare Corp.  
 Cordis Corp.  
 Harman International Industries, Inc.  
 \*International Post Corp.  
 Jones Apparel Group, Inc.  
 NovaCare, Inc.  
 The Pep Boys--Manny, Moe & Jack  
 PhyCor, Inc., Convertible Bonds, 6.50% due 1/15/2003  
 \*Storage USA, Inc.  
 \*Telular Corp.  
 Tokos Medical Corp.  
 Vivra, Inc.  
 Weatherford International, Inc.

[FN]

\*Added and deleted in the same quarter.



APPENDIX: GRAPHIC AND IMAGE MATERIAL

Item 1:

Total Return based on a \$10,000 Investment

A line graph depicting the growth of an investment in the Fund's Class A Shares compared to the growth of an investment in the Russell 2000 Index. Beginning and ending values are:

	3/84	3/94
ML Special Value Fund, Inc+++ Class A Shares*	\$ 9,350	\$18,740
Russell 2000 Index++++	\$10,000	\$29,387

A line graph depicting the growth of an investment in the Fund's Class B Shares compared to growth of an investment in the Russell 2000 Index. Beginning and ending values are:

	10/21/88**	3/94
ML Special Value Fund, Inc.+++ Class B Shares*	\$10,000	\$14,391
Russell 2000 Index++++	\$10,000	\$18,823

[FN]

\* Assuming maximum sales charge, transaction costs and other operating expenses, including advisory fees.

\*\* Commencement of Operations.

++ ML Special Value Fund, Inc. invests in a diversified portfolio of securities, primarily common stocks, of relatively small companies which the Fund's management believes have special investment value and emerging growth companies regardless of size.

+++ This unmanaged Index is comprised of common stocks of the bottom two-thirds of the largest 3,000 publicly traded companies domiciled in the United States.

Item 2:

Results of a \$1,000 Investment Since Inception--Class A Shares

(6.5% sales charge--\$935.00 net amount invested; assuming reinvestment of all dividends and capital gains distributions.)

A mountain chart depicting the growth of an investment in the Fund's Class A Shares from \$935.00 on May 5, 1978 to \$3,426.68 on March 31, 1994.